

The Delphic Oracle Was Their Davos

Description

A Four-Part Interview With Michael Hudson About His Forthcoming Book The Collapse of Antiquity
[MICHAEL HUDSON](#) AND [JOHN SIMAN](#)

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[Solon, the Wise Lawgiver of Athens](#)

Yves here. Classicist John Siman and Michael Hudson got to know each other at NC meetup last year, which led to the series of conversations that is codified in this series. Here, Hudson describes in antiquity, how oligarchs in Greece and Rome ended the practice of debt jubilees and became rentiers.

Note: Michael Hudson published ... and forgive them their debts: Lending, Foreclosure, and Redemption From Bronze Age Finance to the Jubilee Year in November of last year. It is the first volume in what will be a trilogy on the long history of the tyranny of debt. I have interviewed him extensively as he writes the second volume, The Collapse of Antiquity.

John Siman: Michael, in the first volume of your history of debt — “

... and forgive them their debts, dealing with the Bronze Age Near East, Judaism and early Christianity — you showed how over thousands of years, going back to the invention of interest-bearing loans in Mesopotamia in the third millennium BC, many kings from a variety of Mesopotamian civilizations proclaimed Clean Slate debt cancellations on a more or less regular basis. And you showed that these royal proclamations of debt amnesty rescued the lower classes from debt bondage, maintaining a workable economic balance over many centuries. Because these kings were so powerful — and, let's say, enlightened — they were able to prevent the social and economic polarization that is inevitable when there is no check on an oligarchic creditor class extracting exponentially increasing interest from debtors.

But now, as you write the second volume, your theme gets turned upside down. You are showing how the Greeks and the Romans learned about interest-bearing debt from their contacts with Middle Eastern civilizations, but tragically failed to institute programs of Clean Slate debt amnesty. Their failure has been a kind of albatross around the neck of Western economies ever since.

So I'd like to start this conversation in the late 500s BC, because we can see at that time the beginnings of both the Athenian democracy and the Roman Republic, plus of two more important civilizations. First was the Athens of Cleisthenes, who had led the overthrow the “tyrant” Hippias and became the father of Athenian democracy. Second, there was the Roman Republic of Lucius Junius Brutus, who overthrew the last of Rome's legendary kings, the “tyrant” Tarquinius Superbus. Third was the Persian civilization of Cyrus the Great. He was a “divine king,” in many ways in the ancient tradition of Hammurabi. Fourth were the post-exilic Jews of Ezra and Nehemiah, who returned to Jerusalem,

rebuilt the Temple and redacted the Bible. They were the inventors of the Jubilee years of Clean Slate debt forgiveness, even though they depicted the teaching as coming from Moses.

So, beginning with the late 500s BC, to what extent was the notion of Clean Slate debt amnesty remembered, and to what extent was it rejected?

Michael Hudson: Every kind of reform, from Mesopotamia to Greece, was put forth as if it simply restored the way things were in the beginning. There was no concept of linear progress in Antiquity. They thought that there was only one way to do things, so any reform must be the way the world was meant to be in the very beginning. All reformers would say that in the beginning everybody must have been equal. Their reform was aimed at restoring this state of affairs.

That's why, when Plutarch and even the Spartan kings in the third century BC talked about canceling debts and promoting equality, they said that they were simply restoring the original system that Lycurgus had created. But there was no sign that Lycurgus had really done these things. It was made up. Lycurgus was a legendary figure. So was Moses in the Jewish tradition. When the Bible was redacted and put together after the return from Babylon, they put debt cancellation and land redistribution —the Jubilee Year — right in the center of Mosaic Law. So it seemed that this was not an innovation, but what Moses said in the beginning. They created a Moses figure much like the Greeks created a Lycurgus figure. They said that this is how things were meant to be. This is how it was in the beginning — and it just happened to be their own program.

This was a projection backwards: a retrojection. Felix Jacoby wrote that Athenian history was that way, basically party pamphleteering projecting their ideal program back to Solon or to whomever one might choose as a good guy to model. Writers would then say that this original good guy supported the program that they were proposing in their epoch. This was the ancient analogy to "Constitutional Originalism" in the United States as a frame for right-wing policies.

JS: So, ever since the 500s BC, the surefire way to critique the status quo has been to say you are trying to go back to the Garden of Eden or to some other pristine Saturnian Golden Age.

MH: Yes, you want to say that the unfair world around you isn't what was meant, so this couldn't have been the original plan, because the past had to be a successful takeoff. So the program that reformers always turned out to be what the Founding Fathers meant.

JS: That's very inspirational!

MH: The key is to appear as a conservative, not a radical. You accuse the existing status quo as being the beneficiaries of the radicals who have distorted the original Fair Plan that you're trying to restore.

JS: So in the 500s BC we have Cyrus — and his inscription on the Cyrus Cylinder — boasting that he freed the Babylonians from their tax debt and bonds, and we have the post-exilic Jews proclaiming d'ror [????????] in Leviticus 25, proclaiming "liberty throughout the land." We also have the reforms of Cleisthenes in Athens, isonomia[????????], literally, equality under the law], a genuine attempt at democracy. But let's start with Rome. What do you want to say about the nova libertas, the "new liberty" proclaimed in Rome after the last king was expelled and the Republic was founded? Didn't Brutus and his wellborn friends boast that they were the institutors of true liberty?

MH: Liberty for them was the liberty to destroy that of the population at large. Instead of cancelling debts and restoring land tenure to the population, the oligarchy created the Senate that protected the right of creditors to enslave labor and seize public as well as private lands (just as had occurred in Athens before Solon). Instead of restoring a status quo ante of free cultivators — free of debt and tax obligations, as Sumerian amargi and Babylonian misharum and andurum meant — the Roman oligarchy accused anyone of supporting debtor rights and opposing its land grabs of “seeking kingship.” Such men were murdered, century after century.

Rome was turned into an oligarchy, an autocracy of the senatorial families. Their “liberty” was an early example of Orwellian Doublethink. It was to destroy everybody else's liberty so they could grab whatever they could, enslave the debtors and create the polarized society that Rome became.

JS: OK, but this program worked. The Republic grew and grew and conquered everyone else for century after century. Then the Principate became the supreme power in the Western world for several more centuries.

MH: It worked by looting and stripping other societies. That can only continue as long as there is some society to loot and destroy. Once there were no more kingdoms for Rome to destroy, it collapsed from within. It was basically a looting economy. And it didn't do more than the British colonialists did: It only scratched the surface. It didn't put in place the means of production that would create enough money for them to grow productively. Essentially, Rome was a financial rentier state .

Rentiers don't create production. They live off existing production, they don't create it. That's why the classical economists said they were supporting industrial capitalists, not British landlords, not monopolists and not predatory banks.

JS: This has all been forgotten, both in the United States and in England —

MH: Let's say, expurgated from the curriculum.

JS: Worse than forgotten!

MH: That's why you don't have any history of economic thought taught anymore in the United States. Because then you'd see that Adam Smith, John Stuart Mill and the “Ricardian socialists” and indeed most of the 19th century had a completely opposite idea of what constituted a free market.

JS: Opposite? How so?

MH: Opposite from the neoliberal idea that freedom means freedom for the wealthy to indebt and destroy the economy. Opposite from the liberty of Brutus to overthrow the Roman kings and establish an autocratic oligarchy.

JS: So do we want to see the Roman kings as defenders of the people — defending them from predatory oligarchs?

MH: Yes, especially Servius Tullius. There was a great flowering of Rome, making it attractive to immigrants by making the city livable for newcomers. They did this because at that time, in the 6th century BC, all societies had a shortage of labor. Labor was the factor of production in short supply, not

land. Not even in Athens was land in short supply in the 6th and 5th centuries. You needed labor, and so you had to make it attractive for immigrants to join your society instead of having your people run away, as they would in a society run by creditors reducing clients to bondage.

JS: So you are writing about how Roman liberty was actually the liberty of oligarchic creditors from populist pressures for debt forgiveness. What of the d'rur of Leviticus 25 — the liberty of the postexilic Jews? Did they actually proclaim years of Jubilee in which debts were forgiven and bondservants were returned to their families?

MH: After the Babylonian Jews returned to Jerusalem, I'm sure that they said that it was time for the land to be returned to its original owners — and their families, by the way, were the original owners who were exiled in the Babylonian Captivity. I rely largely on Baruch Levine for this idea of the ge'ullah [????????], saying give us back our ancestral lands. [See the colloquium Levine and Hudson co-edited on *Land and Urbanization in the Ancient Near East*, and their preceding volume on ancient privatization.] There must have been some kind of settlement along those lines. Unfortunately, the Judaic lands did not keep their records on clay tablets that could be thrown out and recovered thousands of years later. We don't have any record of their economic history after the Return.

JS: Now I've brought along the transcriptions of several Egyptian papyri for you to look at. I also want to show you a papyrus in Aramaic from Judæa. It's not direct evidence that the post-exilic Jews were having Jubilee years, but it's indirect evidence, because it says that a particular debt has to be paid, even during a time of general debt amnesty, even if it falls due in a shmita [????], a sabbath year. So it sounds like the Jews were finding loopholes —

MH: It certainly sounds like it! Babylonian creditors tried a similar ploy, but this was disallowed. (We have court records confirming the realm's misharumacts.)

JS: In the Mosaic commandments to forgive debt, can we infer that there was some sort of program of debt forgiveness in place already in place in postexilic Jerusalem?

MH: Yes, but it ended with Rabbi Hillel and the Prozbul clause. Debtors had to sign this clause at the end of their debt contracts saying that they waived their rights under the Jubilee year in order to get a loan. That was why Jesus fought against the Pharisees and the rabbinical leadership. That's what Luke 4 is all about [*And there was delivered unto him the book of the prophet Isaiah. And when he had opened the book, he found the place where it was written, "The Spirit of the Lord is upon me, because he hath anointed me to preach the gospel to the poor; he hath sent me to heal the brokenhearted, to preach deliverance to the captives, and recovering of sight to the blind, to set at liberty them that are bruised, to preach the acceptable year of the Lord"* = the Jubilee year.] Luke also pointed out that the Pharisees loved money!

JS: Let me ask you about Egypt here. Unfortunately, as you said, the postexilic Jews did not leave us any clay tablets and almost no papyri, but we do have loads of papyri concerning the Ptolemaic kings of Egypt. So from, say, 300 B.C. to the death of Cleopatra, we have official evidence that the Egyptian kings proclaimed debt amnesties. Maybe one of the reasons, or perhaps the main reason for this, is because they were so powerful, like the Mesopotamian kings. So even though the Ptolemaic kings were biologically and genetically Macedonian Greek — married to their sisters, too — they aspired to rule in the ancient Egyptian pharaonic tradition of We Are God-Kings and We Own Everything in the Kingdom.

MH: Certainly the Hellenistic kings had the ancient pharaonic Sed festivals, which go back thousands of years and were a kind of jubilee. The Egyptians had regular debt cancellations, because under the pharaohs the debts that would have been cancelled were basically tax debts. They were owed to the crown, so he was cancelling debts owed to himself ultimately. And we see this thousands of years later in the trilingual stone, the Rosetta Stone, which the priests wrote for that young boy who was Ptolemy V. They explained to him that this is how Egypt always had done it, and to act as a pharaoh, he had to do the same.

JS: And I think it is worth pointing out here that the same verb-plus-noun combination for forgiving debts that the priests used in Greek on the Rosetta Stone is also used by Matthew in the Lord's Prayer [??????/???? ??????????, aph?ken/aphes opheil?mata]. It shows up in lots of papyri. The same Greek verb and noun, again and again and again.

But let's go back to the Greeks of the 500s BC. They are a couple of hundred years out of their Dark Age, so their society has been reconstituted after the demographic wipeout. It's been reconstituted, but without Near Eastern-style "divine kingship" and its Clean Slate proclamations. Just the opposite. Socrates had conversations with the rhapsodes who had memorized and recited the Iliad. Even in their great epic, the Greeks' legendary king of kings Agamemnon comes across as a kind of narcissistic loser. How would you describe Greek kingship, especially the so-called tyrants?

MH: There never really were Greek kings of the type found throughout the Bronze Age Near East and surviving into the first millennium in Assyria and even in Persia. The Greek polities that emerged from their Dark Age were run by what shrewd Classicists call mafiosi, something like the post-Soviet kleptocrats. They formed closed political monopolies reducing local populations to clientage and dependency. In one polity after another they were overthrown and exiled, mainly by aristocratic reformers from the elite families (often secondary branches, as was Solon). Later oligarchic writers called them "tyrants" as an invective, much as the word rex— king —became an invective in oligarchic Rome.

These tyrant-reformers consolidated their power by redistributing land from the leading families (or in Sparta, land conquered from Messenia, along with its population reduced to helotage) to the citizen-army at large all over Greece — except in Athens. That was one of the most reactionary cities in the 7th century, as shown by what is known about the laws of Draco. After some abortive coups in the seventh century, Solon was appointed in 594 to avoid the kind of revolution that had led reformer "tyrants" to overthrow narrow aristocracies in neighboring Megara and Corinth. Solon decreed a half-way reform, abolishing debt slavery (but not the debtor's obligation to work off debts with his own labor), and did not redistribute Athenian land from the city's elites.

Athens was one of the last to reform but then because it was such a badly polarized autocratic society, it swung — like Newton's Third Law of Motion: every action has an equal and opposite reaction — it swung to become the most democratic of all the Greek polities.

Some historians in the past speculated that Solon might somehow have been influenced by Judaic law or other Near Eastern practice, but this is not realistic. I think Solon was simply a pragmatist responding to widespread demands that he do what the reformers — the so-called tyrants — were doing throughout Greece. He didn't redistribute the land like they did, but he at least ended outright debt slavery. Free debtors (mainly cultivators on the land) were being seized and sold outside of Athens to slave dealers. Solon also tried to recover some of the land that wealthy families had grabbed. At least, that's what he wrote in his poems describing his actions.

So to answer your question, I think debt cancellations were not a diffusionist policy from the East, but a spontaneous pragmatic response such as was being widely advocated as far west as Rome with its Secession of the Plebs a century later — followed by much of Greece in the 4th century BC, and Sparta's kings in the late 3rd century BC.

Poorer Athenians were so angry with Solon for being not revolutionary enough that he went into exile for 10 years. The real creators of Athenian democracy were Peisistratos [died 528/7 BC], his sons, also called tyrants, and then Cleisthenes in 507. He was a member of the wealthy but outcast family, the Alcmaeonidae, who had been expelled in the 7th century. Solon had allowed them to return, and they were backed by Delphi (to which the family contributed heavily). Cleisthenes fought against the other oligarchic families and restructured Athenian politics on the basis of locality instead of clan membership. Servius Tullius is credited for enacting much the same reform in Rome. Lewis Henry Morgan's *Ancient Society* [1877] described this restructuring of voting districts as the great watershed creation of western-style democracy.

JS: Let me go back now to the way Athens and the other poleis emerged from the Dark Age.

MH: Judging from the art and pottery, Greece didn't begin to recover until the 8th century BC.

JS: So we're talking about the 700s BC. As Greece was learning from the Near Eastern civilizations, everything from mythology to the alphabet to weights and measures —

MH: And commercial practices, credit practices.

JS: Yes, all this came from the Near East, including the practice of charging interest. But what about Clean Slate debt amnesty? I want to argue logically here — not from any hard historical evidence, but only deductively — that the Greeks would have wanted the concept of Clean Slate debt forgiveness, they would have wanted to learn this too from the Near East, but they could not do it because they were always going to lack a Hammurabi-style "divine king."

MH: I think you miss the whole point of how Western civilization evolved here. First of all, who "wanted" Near Eastern kingship? Certainly not the emerging oligarchies. The ruling elites wanted to use interest-bearing debt to enrich themselves — by obtaining control over the labor power of debtors.

Second, I don't think the Greeks and Italians knew about Near Eastern royal proclamations, except as

an alien practice much further East than Asia Minor. Falling into debt was a disaster for the poor, but a means for their Western patrons to gain power, land and wealth. There is no record of anyone suggesting that they should be in the Near East. The connection between the Near East and Greece or Italy was via traders. If you're a Phoenician or Syrian merchant with the Aegean or Italy, you're going to set up a temple as an intermediary, typically on an island. Such temples became the cosmopolitan meeting places where you had the oligarchs of the leading families of Greek cities visiting each other as part of a Pan-Hellenic group. You could say that Delphi was the "Davos" of its day.

It was through these trading centers that culture diffused – via the wealthiest families who travelled and established relationships with other leading families. Finance and trade have always been cosmopolitan. These families learned about debt obligations and contracts from the Near East, and ended up reducing much of their local populations to clientage, without kings to overrule them. That would have been the last thing they wanted.

JS: So absent Hammurabi-style "divine kingship," is debt bondage and brutal polarization almost inevitably going to happen in any society that adopts interest-bearing debt?

MH: We see a balance of forces in the ancient Near East, thanks to the fact that its rulers had authority to cancel debt and restore land that wealthy individuals had taken from smallholders. These kings were powerful enough to prevent the rise of oligarchies that would reduce the population to debt peonage and bondage (and in the process, deprive the palace of revenue and corvée labor, and even the military service of debtors owing their labor to their private creditors). We don't have any similar protection in today's Western Civilization. That's what separates Western Civilization from the earlier Near Eastern stage. Modern financialized civilization has stripped away the power to prevent a land-grabbing creditor oligarchy from controlling society and its laws.

So you could characterize Western Civilization is being decadent. It's reducing populations to austerity on a road to debt peonage. Today's new oligarchy calls this a "free market," but it is the opposite of freedom. You can think of the Greek and Roman decontextualization of Near Eastern economic regulations as if the IMF had been put in charge of Greece and Rome, poisoning its legal and political philosophy at the outset. So Western Civilization may be just a vast detour. That's what my forthcoming book, *The Collapse of Antiquity*, is all about. That will be the second volume in my trilogy on the history of debt.

JS: So are we just a vast detour?

MH: We have to restore a balanced economy where the oligarchy is controlled, so as to prevent the financial sector from impoverishing society, imposing austerity and reducing the population to clientage and debt serfdom.

JS: How do you do that without a Hammurabi-style "divine kingship"?

MH: You need civil law to do what Near Eastern kings once did. You need a body of civil law with a strong democratic government acting to shape markets in society's overall long-term interest, not that of the One Percent obtaining wealth by impoverishing the 99 Percent. You need civil law that protects the population from an oligarchy whose business plan is to accumulate wealth in ways that impoverish the economy at large. This requires a body of civil law that would cancel debts when they grow too large for the population to pay. That probably requires public banking and credit – in other words,

deprivatization of banking that has become dysfunctional.

All this requires a mixed economy, such as the Bronze Age Near Eastern economies were. The palace, temples, private sector and entrepreneurs acted as checks and balances on each other. Western Civilization isn't a mixed economy. Socialism was an attempt to create a mixed economy, but the oligarchs fought back. What they call a "free market" is an unmixed monolithic, centrally planned financialized economy with freedom for the oligarchy to impoverish the rest of society. That was achieved by landlordism monopolizing the land in feudal Europe, and it is done by finance today.

Part 2: Mixed Economies Today, Compared to Those of Antiquity

John Siman: Could you define what you mean by a mixed economy?

Michael Hudson: There are many degrees of how "mixed" an economy will be — meaning in practice, how active its government sector will be in regulating markets, prices and credit, and investing in public infrastructure.

In the 20th century's Progressive Era a century ago, a "mixed economy" meant keeping natural monopolies in the public sector: transportation, the post office, education, health care, and so forth. The aim was to save the economy from monopoly rent by either direct public ownership or government regulation to prevent price gouging by monopolies.

The kind of "mixed economy" envisioned by Adam Smith, John Stuart Mill and other classical 19th century free market economists aimed at saving the economy from land rent paid to Europe's hereditary landlord class. Either the government would tax away the land's rent, or would nationalize it by taking land out of the hands of landlords. The idea was to free markets from economic rent ("unearned income") in general, including monopoly rents, and also to subsidize basic needs to create a price-competitive national economy.

Long before that, in the Bronze Age — which I describe in ...and forgive them their debts— the palace reversed the buildup of personal and agrarian debts by annulling them on a more or less regular basis. This freed the economy from the overgrowth of debt that tended to build up chronically from the mathematical dynamics of compound interest, and from crop failures or other normal "market" phenomenon.

In all these cases a mixed economy was designed to maintain stability and avoid exploitation that otherwise would lead to economic polarization.

JS: So a mixed economy is still a market economy?

MH: Yes. All these degrees of "mixed economy" were market economies. But their markets were regulated and subordinated to broad social and political objectives rather than to personal rent-seeking or creditor gains. Their economic philosophy was long-term, not short-term, and aimed at preventing economic imbalance from debt and land monopoly.

Today's "mixed economy" usually means an active public sector undertaking investment in

infrastructure and controlling money and credit, and shaping the context of laws within which the economy operates. This is best understood by contrasting it to what neoliberals call a “pure” or “market” economy – including what the Trump administration accuses China of when it proposes countervailing tariffs to shape the U.S. and international market in a way that favors American corporations and banks.

So it is necessary to clear the terminological slate before going into more detail. Every economy is a “market economy” of some sort or another. What is at issue is how large a role governments will play — specifically, how much it will regulate, how much it will tax, how much it will invest directly into the economy’s infrastructure and other means of production or act as a creditor and regulator of the monetary and banking system.

JS:What can we learn from the mixed economies of the Ancient Near East? Why were they so prosperous and also stable for so long?

MH: The Bronze Age mixed economies of Sumer, Babylonia, Egypt and their Near Eastern neighbors were subject to “divine kingship,” that is, the ability of kings to intervene to keep restoring an economy free of personal and rural debt, so as to maintain a situation where the citizenry on the land was able to serve in the military, provide corvée labor to create basic infrastructure, and pay fees or taxes to the palace and temples.

Mesopotamian rulers proclaimed Clean Slates to keep restoring an idealized status quo ante of free labor (free from debt bondage). Babylonian rulers had a more realistic view of the economy than today’s mainstream economists. They recognized that economies tended to polarize between wealthy creditors and debtors if what today are called “market forces” are not overridden — especially the “market forces” of debt, personal liberty or bondage, and land rent. The task of Bronze Age rulers in their kind of mixed economy was to act from “above” the market so as to prevent creditors from reducing the king’s subjects (who were their military defense force) to bondage from appropriating their land tenure rights. By protecting debtors, strong rulers also prevented creditors from becoming an oligarchic power in opposition to themselves.

JS:What kind of economic theories and economic models are the critics of mixed economies trying to advance?

MH: Opponents of a mixed economy have developed an “equilibrium theory” claiming to show that markets come to a natural, fair and stable balance without any government “interference.” Their promise is that if governments will refrain from regulating prices and credit, from investing and from providing public services, economies will settle naturally at a highly efficient level. This level will be stable, unless “destabilized” by government “interference.” Instead of viewing public investment as saving the economy from monopoly rent and debt peonage, the government itself is described as a “rent seeker” exploiting and impoverishing the economy.

JS:But is this sort of economic theory legitimate, or just a libertarian-sounding camouflage for neoliberal pillage?

MH: It’s Orwellian Doublethink. Today’s neoliberal theory justifies oligarchies breaking free of public control to appropriate the economic surplus by indebting economies to skim off the economic surplus as interest and then foreclose on personal landholdings and public property, overthrowing “mixed

economies” to create a “pure oligarchy.” Their idea of a free market is one free for creditors and monopolists to deny economic freedom to the rest of the population. The political extension of this approach in antiquity was to unseat kings and civic regimes, to concentrate power in the hands of an increasingly predatory class reducing the economy to bondage, impoverishing it, and ultimately leaving it to be conquered by outsiders. That is what happened to Rome in Late Antiquity.

Advocates of strong government have a diametrically opposite mathematical model. Ever since the Bronze Age, they recognized that the “natural” tendency of economies is to polarize between a wealthy creditor and land-owning class and the rest of society. Bronze Age rulers recognized that debts tend to grow faster than the ability to pay (that is, faster than the economy). Babylonian rulers recognized that if rulers did not intervene to cancel personal debts (mainly agrarian debts by cultivators) when crops failed, when military action interfered, or simply when debts built up over time, then creditors would end up taking the crop surplus and even the labor services of debtors as interest, and finally foreclosing on the land. This would have deprived the palatial economy of land and labor contributions. And by enriching an independent class of creditors (on their way to becoming large landowners) outside of the palace, financial wealth would express itself in economic and even military power. An incipient financial and landholding oligarchy would mount its own military and political campaign to unseat rulers and dismantle the mixed palatial/private economy to create one that was owned and controlled by oligarchies.

The result in Classical Antiquity was economic polarization leading to austerity and bondage, grinding the economy to a halt. That is the tendency of economies in “unmixed” economies where the public sector is privatized and economic regulation is dismantled. Land and credit was monopolized and smallholders became dependent clients and ultimately were replaced by slaves.

Mixed economies by the late 19th century aimed at minimizing market prices for real estate and monopoly goods, and for credit. The economic aim was to minimize the cost of living and doing business so as to make economies more productive. This was called “socialism” as the natural outgrowth of industrial capitalism protecting itself from the most burdensome legacies of feudalism: an absentee landlord class, and a banking class whose money-lending was not productive but predatory.

JS: So mixed economies require strong and ultimately good governments.

MH: Any “mixed” economy has some basic economic theory of what the proper role of government is. At the very least, as in the 20th century, this included the limitation of monopoly rents. The neoclassical (that is, anti-classical) reaction was to formulate a euphemistic theory of consumer “demand” — as if American consumers “demand” to pay high prices for pharmaceuticals and health care. Likewise in the case of housing prices for renters or, for owner-occupied housing, mortgage charges: Do renters and home buyers really “demand” to pay higher and higher rents and larger and larger mortgages? Or are they compelled to pay out of need, paying whatever their suppliers demand (e.g., as in “Your money or your life/health”).

So to answer your question, a mixed economy is one in which governments and society at large realize that economies need to be regulated and monopolies (headed by credit and land ownership) kept out of the hands of private rent-seekers in order to keep the economy free and efficient.

JS: Has there ever been a civil society that effectively implemented a mixed economy since, say, 500 BC?

MH: All successful economies have been mixed economies. And the more “mixed” they are, the more successful, stable and long-lasting they have been as a result of their mutual public/private checks and balances.

America was a mixed economy in the late 19th century. It became the world’s most successful industrial economy because it didn’t have an absentee landlord class like Europe did (except for the railroad octopus), and it enacted protective tariffs to endow a domestic manufacturing class to catch up with and overtake England.

JS: Other countries?

MH: Germany began to be a mixed economy in the decades leading up to World War I. But it had a mentally retarded king whom they didn’t know how to restrain, given their cultural faith in royalty. China is of course the most successful recent mixed economy.

JS: Isn’t it pretty brutal in China for most of the population?

MH: Most of the population does not find it brutal there. It was brutal under colonialism and later still, under Mao’s Cultural Revolution. But now, most people in China seem to want to get rich. That’s why you’re having a consolidation period of trying to get rid of the local corruption, especially in the rural areas. You’re seeing a consolidation period that requires clamping down on a lot of people who became successful through shady operations.

JS: So how would you describe an ideal society without a Hammurabi-style “divine kingship”? An ideal mixed economy?

MH: The credit system would be public. That way, public banks could create credit for socially productive purposes — and could cancel the occasional overgrowth of debts without causing private creditors to lose and protest. The public sector also would own and operate the natural infrastructure monopolies. That was the basic principle of classical economics from Adam Smith to Marx, even for erstwhile libertarians such as Henry George. Everybody in the 19th century expected a mixed economy with governments playing a growing role, replacing absentee landlords, bankers and monopolists with public collection of economic rent, public control of the credit system and provider of basic needs.

JS: How extensive should the public sector be?

MH: A classical public sector would include the natural monopolies that otherwise would engage in price gouging, especially the credit and banking system. These sectors should be public in character. For one thing, only a public bank can write down the debts — like student debts today — without hurting an independent oligarchic financial class. If student debts and mortgage debts were owed to public banks, they could be written down in keeping with the reasonable ability to be paid. Also, public banks wouldn’t make junk mortgage loans to NINJA borrowers, as did Citibank and the other crooked banks. A public bank wouldn’t make predatory corporate raiding and takeover loans, or finance and

speculate in derivative gambles.

Most of all, when the debt overhead becomes too large — when a large corporation that is essential to the economy can't pay its debts — public banks can write down the debt so that the company isn't forced into bankruptcy and sold to an American vulture fund or other vulture fund. It can keep operating. In China the government provides this essential service of public banks.

The key public concern throughout history has been to prevent debt from crippling society. That aim is what Babylonian and other third-millennium and second-millennium Near Eastern rulers recognized clearly enough, with their mathematical models. To make an ideal society you need the government to control the basic utilities — land, finance, mineral wealth, natural resources and infrastructure monopolies (including the Internet today), pharmaceuticals and health care so their basic services can be supplied at the lowest price.

All this was spelled out in the 19th century by business school analysts in the United States. Simon Patten [1852-1922] who said that public investment is the “fourth factor of production.” But its aim isn't to make a profit for itself. Rather, it's to lower the cost of living and of doing business, by providing basic needs either on a subsidized basis or for free. The aim was to create a low-cost society without a rentier class siphoning off unearned income and making this economic rent a hereditary burden on the economy at large. You want to prevent unearned income.

To do that, you need a concept to define economic rent as unearned and hence unnecessary income. A well-managed economy would do what Adam Smith, David Ricardo, John Stuart Mill, Marx and Veblen recommended: It would prevent a hereditary rentier class living off unearned income and increasing society's economic overhead. It's okay to make a profit, but not to make extractive monopoly rent, land rent or financial usury rent.

JS: Will human beings ever create such a society?

MH: If they don't, we're going to have a new Dark Age.

JS: That's one thing that especially surprises me about the United States. Is it not clear to educated people here that our ruling class is fundamentally extractive and exploitative?

MH: A lot of these educated people are part of the ruling class, and simply taking their money and running. They are disinvesting, not investing in industry. They're saying, “The financial rentier game is ending, so let's sell everything and maybe buy a farm in New Zealand to go to when there is a big war.” So the financial elite is quite aware that they are getting rich by running the economy into the ground, and that this must end at the point where they've taken everything and left a debt-ridden shell behind.

JS: I guess this gets back to what you were saying: The history of economics has been expurgated from the curriculum.

MH: Once you strip away economic history and the history of economic thought, you wipe out memory of the vocabulary that people have used to criticize rent seeking and other unproductive activity. You then are in a position to redefine words and ideals along the lines that euphemize predatory and parasitic activities as if they are productive and desirable, even natural. You can rewrite history to suppress the idea that all this is the opposite of what Adam Smith and the classical economists down

through Marx advocated.

Today's neoliberal wasteland is basically a reaction against the 19th-century reformers, against the logic of classical British political economy. The hatred of Marx is ultimately the hatred of Adam Smith and John Stuart Mill, because neoliberals realize that Smith and Mill and Ricardo were all leading to Marx. He was the culmination of their free market views — a market free from rentiers and monopolists.

That was the immediate aim of socialism in the late 19th-century. The logic of classical political economy was leading to a socialist mixed economy. In order to fight Marxism, you have to fight classical economics and erase memory of how civilization has dealt with (or failed to deal with) the debt and rent-extracting problems through the ages. The history of economic thought and the original free-market economics has to be suppressed. Today's choice is therefore between socialism or barbarism, as Rosa Luxemburg said.

JS: Let's consider barbarism: When I observe the neoliberal ruling class — the people who control the finance sector and the managerial class on Wall Street — I often wonder if they're historically exceptional because they've gone beyond simple greed and lust for wealth. They now seek above all some barbaric and sadistic pleasure in the financial destruction and humiliation of other people. Or is this historically normal?

MH: The financial class has always lived in the short run, and you can make short-term money much quicker by asset stripping and being predatory than by being productive. Moses Finley wrote that there was not a single productive loan in all of Antiquity. That was quite an overstatement, but he was making the point that there were no productive financial markets in Antiquity. Almost all manufacturing, industry, and agriculture was self-financed. So the reader of Finley likely infers that we modern people have progressed in a fundamental way beyond Antiquity. They were characterized by the *homo politicus*, greedy for status. We have evolved into *homo oeconomicus*, savvy enough to live in stable safety and comfort.

We are supposedly the beneficiaries of the revolution of industrial capitalism, as if all the predatory, polarizing, usurious lending that you had from feudal times (and before that, from Antiquity), was replaced by productive lending that finances means of production and actual economic growth.

But in reality, modern banks don't lend money for production. They say, "That's the job of the stock market." Banks only lend if there's collateral to grab. They lend against assets in place. So the result of more bank lending is to increase the price of the assets that banks lend against — on credit! This way of "wealth creation" via asset-price inflation is the opposite of real substantive progress. It enriches the narrow class of asset holders at the top of the economic pyramid.

JS: What about the stock market?

MH: The stock market no longer primarily provides money for capital investment. It has become a vehicle for bondholders and corporate raiders to borrow from banks and private funds to buy corporate stockholders, take the companies private, downsize them, break them up or strip their assets, and borrow more to buy back their stocks to create asset-price gains without increasing the economy's tangible real asset base. So the financial sector, except for a brief period in the late 19th century, especially in Germany, has rarely financed productive growth. Financial engineering has replaced industrial engineering, just as in Antiquity creditors were asset strippers.

The one productive activity that the financial sector engaged in from the Bronze Age onward was to finance foreign trade. The original interest-bearing debt was owed by merchants to reimburse their silent partners, typically the palace or the temples, and in time wealthy individuals. But apart from financing trade – in products that were already produced – you've rarely had finance increase the means of production or economic growth. It's almost always been to extract income. The income that finance extracts is at the expense of the rest of society. So the richer the financial sector is, the more austerity is imposed on the non-financial sector.

JS: That's pretty depressing.

MH: When I did the show with Jimmy Dore [<https://www.youtube.com/watch?v=PSvcB55R8jM>], he saw that the most important dynamic to understand is that debts grow more rapidly than the economy at large. The rate of interest is higher than the rate of growth. It may not be higher than the profit rate, but it's higher than the rate of growth. So every society that has interest-bearing debt is going to end up deeper and deeper in debt. At a certain point the creditors are paid at the expense of production and investment — and soon enough they foreclose.

JS: And then?

MH: Then you have debt deflation. That is the norm. Austerity. It is not an anomaly, but the essence. The Babylonians knew this, and they tried to avoid debt deflation by wiping out the predatory personal debts, not the business debts that were commercial and productive. Only the non-commercial debts were wiped out.

JS: How could Modern Monetary Theory be used now, effectively?

MH: The main way is to say that governments don't have to borrow at interest from existing financial "savers," mainly the One Percent. The government can do what America did during the Civil War: print greenbacks. (The MMT version is the Trillion-dollar platinum coin.) The Treasury can provide the money needed by the economy. It does that by running a budget deficit and spending money into the economy. If you don't do that, if you do what Bill Clinton did in the last years of his presidency and run a budget surplus, then you force the economy to depend on banks for credit.

The problem is that bank credit is essentially predatory and extractive. The same thing happens in Europe. The Eurozone governments cannot run a budget deficit of more than 3 percent, so the government is unable to spend enough money to invest in public infrastructure or anything else. As a result, the Eurozone economy is subject to debt deflation, which is exacerbated by people having to borrow from the banks at high interest rates that far exceeds the rate of growth. So Europe is suffering an even more serious debt deflation than the United States.

JS: Is any of this going to change, either in Europe or here?

MH: Not until there's a crash. Not until it gets serious enough that people realize that there has to be an alternative. Right now Margaret Thatcher and the neoliberals have won. She said there was no alternative, and as long as people believe There Is No Alternative, they're not going to realize that it doesn't have to be this way, and that you don't need a private banking sector. A public banking sector would be much more efficient.

JS: How would you sum up Wall Street right now? Is it entirely predatory? Entirely parasitical? What are Wall Street's essential functions now?

MH: Number one, to run a casino. By far the largest volume at stake is betting on whether interest rates, foreign exchange rates or stock prices will go up or down. So the financial system has turned into a gambling casino. Its second aim is to load the economy down with as much debt as possible. Debt is the banking system's "product," and the GDP counts its "carried interest" penalties and late fees, its short-term trading gains as "financial services" counted as part of Gross Domestic Product (GDP).

The aim is to get as much of these financial returns as possible, and finally to foreclose on as much property of defaulting debtors as possible. The business plan — as I learned at Chase Manhattan years ago — is to transfer all economic growth into the hands of financial investors, the One Percent. The financial business plan is to create a set of laws and mount a campaign of regulatory capture so that all the growth in the economy accrues to the One Percent, not the 99 Percent. That means that as the One Percent's rentier income grows, the 99 Percent gets less and less each year, until finally it emigrates or dies off, or is put into a for-profit prison, which looks like a growth industry today.

JS: Is there a single good thing that Wall Street does? Is there anything good that comes out of Wall Street?

MH: You have to look at it as a system. You can't segregate a particular action from the overall economy. If the overall system aims at making money in predatory ways at somebody else's expense, then it is a zero-sum game. That is essentially a short-run business model. And politically, it involves opposing a mixed economy. At least, the "old fashioned" socialist mixed economy in which governments subordinate short-term gain-seeking to long-term objectives uplifting the entire economy.

As the Greek philosophers recognized, wealthy people define their power by their ability to injure the rest of society, so as to lord it over them. That was the Greek philosophy of money-lust [????????], *pleonexia* and hubris [?????] — not merely arrogance, but behavior that was injurious to others.

Rentier income is injurious to society at large. Rentiers define a "free market" as one in which they are

free to deny economic freedom to their customers, employees and other victims. The rentier model is to enrich the oligarchy to a point where it is able to capture the government.

Part 3: The Inherent Financial Instability in Western Civilization's DNA

John Siman: It seems that unless there's a Hammurabi-style "divine king" or some elected civic regulatory authority, oligarchies will arise and exploit their societies as much as they can, while trying to prevent the victimized economy from defending itself.

Michael Hudson: Near Eastern rulers kept credit and land ownership subordinate to the aim of maintaining overall growth and balance. They prevented creditors from turning citizens into indebted clients obliged to work off their debts instead of serving in the military, providing *corvée* labor and paying crop rents or other fees to the palatial sector.

JS: So looking at history going back to 2000 or 3000 BC, once we no longer have the powerful Near Eastern "divine kings," there seems not to have been a stable and free economy. Debts kept mounting up to cause political revolts. In Rome, this started with the Secession of the Plebs in 494 BC, a century after Solon's debt cancellation resolved a similar Athenian crisis.

MH: Near Eastern debt cancellations continued into the Neo-Assyrian and Neo-Babylonian Empires in the first millennium BC, and also into the Persian Empire. Debt amnesties and laws protecting debtors prevented the debt slavery that is found in Greece and Rome. What modern language would call the Near Eastern "economic model" recognized that economies tended to become unbalanced, largely as a result of buildup of debt and various arrears on payments. Economic survival in fact required an ethic of growth and rights for the citizenry (who manned the army) to be self-supporting without running into debt and losing their economic liberty and personal freedom. Instead of the West's ultimate drastic solution of banning interest, rulers cancelled the buildup of personal debts to restore an idealized order "as it was in the beginning."

This ideology has always needed to be sanctified by religion or at least by democratic ideology in order to prevent the predatory privatization of land, credit, and ultimately the government. Greek philosophy warned against monetary greed [?????????, *pleonexia*] and money-love [?????????????, *philochrêmatia*] from Sparta's mythical lawgiver Lycurgus to Solon's poems describing his debt cancellation in 594 and the subsequent philosophy of Plato and Socrates, as well as the plays of Aristophanes. The Delphic Oracle warned that money-love was the only thing that could destroy Sparta [Diodorus Siculus 7.5]. That indeed happened after 404 BC when the war with Athens ended and foreign tribute poured into Sparta's almost un-monetized regulated economy.

The problem, as famously described in *The Republic* and handed down in Stoic philosophy, was how to prevent a wealthy class from becoming wealth-addicted, hubristic and injurious to society. The 7th-century "tyrants" were followed by Solon in Athens in banning luxuries and public shows of wealth, most notoriously at funerals for one's ancestors. Socrates went barefoot [?????????????, *anupodêtos*] to show his contempt for wealth, and hence his freedom from its inherent personality defects. Yet despite this universal ideal of avoiding extremes, oligarchic rule became economically polarizing and destructive, writing laws to make its creditor claims and the loss of land by smallholders irreversible.

That was the opposite of Near Eastern Clean Slates and their offshoot, Judaism's Jubilee Year.

JS: So despite the ideals of their philosophy, Greek political systems had no function like that of Hammurabi-like kings — or philosopher-kings for that matter — empowered to hold financial oligarchies in check. This state of affairs led philosophers to develop an economic tradition of lamentation instead. Socrates, Plato and Aristotle, Livy and Plutarch bemoaned the behavior of the money-loving oligarchy. But they did not develop a program to rectify matters. The best they could do was to inspire and educate individuals — most of whom were their wealthy students and readers. As you said, they bequeathed a legacy of Stoicism. Seeing that the problem was not going to be solved in their lifetimes, they produced a beautiful body of literature praising philosophical virtue.

MH: The University of Chicago, where I was an undergraduate in the 1950s, focused on Greek philosophy. We read Plato's Republic, but they skipped over the discussion of wealth-addiction. They talked about philosopher-kings without explaining that Socrates' point was that rulers must not own land and other wealth, so as not to have the egotistical tunnel vision that characterized creditors monopolizing control over land and labor.

JS: In Book 8 of the Republic, Socrates condemns oligarchies as being characterized by an insatiable greed [????????, *aplêstia*] for money and specifically criticizes them for allowing polarization between the super-rich [????????, *hyper-ploutoi*] and the poor [??????, *penêtes*], who are made utterly resourceless [??????, *aporoí*].

MH: One needs to know the context of Greek economic history in order to understand The Republic's main concern. Popular demands for land redistribution and debt cancellation were resisted with increasing violence. Yet few histories of Classical Antiquity focus on this financial dimension of the distribution of land, money and wealth.

Socrates said that if you let the wealthiest landowners and creditors become the government, they're probably going to be wealth-addicted and turn the government into a vehicle to help them exploit the rest of society. There was no idea at Chicago of this central argument made by Socrates about rulers falling subject to wealth-addiction. The word "oligarchy" never came up in my undergraduate training, and the "free market" business school's Ayn Rand philosophy of selfishness is as opposite from Greek philosophy as it is from Judeo-Christian religion.

JS: The word "oligarchy" comes up a lot in book 8 of Plato's Republic. Here are 3 passages:

1. At Stephanus page 550c ... "And what kind of a regime," said he, "do you understand by oligarchy [?????????]" "That based on a property qualification," said I, "wherein the rich [?????????] hold office [550d] and the poor man [?????, *penês*] is excluded.

2. at 552a ... "Consider now whether this polity [*i.e.* oligarchy] is not the first that admits that which is the greatest of all such evils." "What?" "The allowing a man to sell all his possessions, which another is permitted to acquire, and after selling them to go on living in the city, but as no part of it, neither a money-maker, nor a craftsman, nor a knight, nor a foot-soldier, but classified only as a pauper [?????, *penês*] and a dependent [?????, *aporos*]." [552b] "This is the first," he said. "There certainly is no prohibition of that sort of thing in oligarchical states. Otherwise some of their citizens would not be excessively rich [????????, *hyper-ploutoi*], and others out and out paupers [????????, *penêtes*]."

3 at 555b: “Then,” said I, “is not the transition from oligarchy to democracy effected in some such way as this — by the insatiate greed [????????, *aplêstia*] for that which oligarchy set before itself as the good, the attainment of the greatest possible wealth?”

MH: By contrast, look where Antiquity ended up by the 2nd century BC. Rome physically devastated Athens, Sparta, Corinth and the rest of Greece. By the Mithridatic Wars (88-63 BC) their temples were looted and their cities driven into unpayably high debt to Roman tax collectors and Italian moneylenders. Subsequent Western civilization developed not from the democracy in Athens but from oligarchies supported by Rome. Democratic states were physically destroyed, blocking civic regulatory power and imposing pro-creditor legal principles making foreclosures and forced land sales irreversible.

JS: It seems that Greek and Roman Antiquity could not solve the problem of economic polarization. That makes me want to ask about our own country: To what extent does America resemble Rome under the emperors?

MH: Wealthy families have always tried to break “free” from central political power — free to destroy the freedom of people they get into debt and take their land and property. Successful societies maintain balance. That requires public power to check and reverse the excesses of personal wealth seeking, especially debt secured by the debtor’s labor and land or other means of self-support. Balanced societies need the power to reverse the tendency of debts to grow faster than the ability to be paid. That tendency runs like a red thread through Greek and Roman history.

This overgrowth of debt is also destabilizing today’s U.S. and other financialized economies. Banking and financial interests have broken free of tax liability since 1980, and are enriching themselves not by helping the overall economy grow and raising living standards, but just the opposite: by getting the bulk of society into debt to themselves.

This financial class is also indebting governments and taking payment in the form of privatizing the public domain. (Greece is a conspicuous recent example.) This road to privatization, deregulation and un-taxing of wealth really took off with Margaret Thatcher and Ronald Reagan cheerleading the anti-classical philosophy of Frederick von Hayek and the anti-classical economics of Milton Friedman and the Chicago Boys.

Something much like this happened in Rome. Arnold Toynbee described its oligarchic land grab that endowed its ruling aristocracy with unprecedented wealth as Hannibal’s Revenge. That was the main legacy of Rome’s Punic Wars with Carthage ending around 200 BC. Rome’s wealthy families who had contributed their jewelry and money to the war effort, made their power grab and said that what originally appeared to be patriotic contributions should be viewed as having been a loan. The Roman treasury was bare, so the government (controlled by these wealthy families) gave them public land, the *ager publicus* that otherwise would have been used to settle war veterans and other needy.

Once you inherit wealth, you tend to think that it’s naturally yours, not part of society’s patrimony for mutual aid. You see society in terms of yourself, not yourself as part of society. You become selfish and increasingly predatory as the economy shrinks as a result of your indebting it and monopolizing its land and property. You see yourself as exceptional, and justify this by thinking of yourself as what Donald Trump would call “a winner,” not subject to the rules of “losers,” that is, the rest of society. That’s a major theme in Greek philosophy from Socrates and Plato and Aristotle through the Stoics.

They saw an inherent danger posed by an increasingly wealthy landholding and creditor ruling class atop an indebted population at large. If you let such a class emerge independently of social regulation and checks on personal egotism and hubris, the economic and political system becomes predatory. Yet that has been the history of Western civilization.

Lacking a tradition of subordinating debt and land foreclosure from smallholders, the Greek and Italian states that emerged in the 7th century BC took a different political course from the Near East. Subsequent Western civilization lacked a regime of oversight to alleviate debt problems and keep the means of self-support broadly distributed.

The social democratic movements that flowered from the late 19th century until the 1980s sought to re-create such regulatory mechanisms, as in Teddy Roosevelt's trust busting, the income tax, Franklin Roosevelt's New Deal, postwar British social democracy. But these moves to reverse economic inequality and polarization are now being rolled back, causing austerity, debt deflation and the concentration of wealth at the top of the economic pyramid. As oligarchies take over government, they lorded it over the rest of society much like feudal lords who emerged from the wreckage of the Roman Empire in the West.

The tendency is for political power to reflect wealth. Rome's constitution weighted voting power in proportion to one's landholdings, minimizing the voting power of the non-wealthy. Today's private funding of political campaigns in the United States is more indirect in shifting political power to the Donor Class, away from the Voting Class. The effect is to turn governments to serve a financial and property-owning class instead of prosperity for the economy at large. We thus are in a position much like that of Rome in 509 BC, when the kings were overthrown by an oligarchy claiming to "free" their society from any power able to control the wealthy. The call for "free markets" today is for deregulation of rentier wealth, turning the economy into a free-for-all.

Classical Greece and Italy had a fatal flaw: From their inception they had no tradition of a mixed public/private economy such as characterized in the Near East, whose palatial economy and temples produced the main economic surplus and infrastructure. Lacking royal overrides, the West never developed policies to prevent a creditor oligarchy from reducing the indebted population to debt bondage, and foreclosing on the land of smallholders. Advocates of debt amnesties were accused of "seeking kingship" in Rome, or aspiring to "tyranny" (in Greece).

JS: It seems to me that you're saying this economic failure is Antiquity's original sin as well as fatal flaw. We have inherited a great philosophic and literary tradition from them analyzing and lamenting this failure, but without a viable program to set it right.

MH: That insight unfortunately has been stripped out of the curriculum of classical studies, just as the economics discipline sidesteps the phenomenon of wealth addiction. If you take an economics course, the first thing you're taught in price theory is diminishing marginal utility: The more of anything you have, the less you need it or enjoy it. You can't enjoy consuming it beyond a point. But Socrates and Aristophanes emphasized, accumulating money is not like eating bananas, chocolate or any other consumable commodity. Money is different because, as Socrates said, it is addictive, and soon becomes an insatiable desire [????????, *aplêstia*].

JS: Yes, I understand! Bananas are fundamentally different from money because you can get sick of bananas, but you can never have too much money! In your forthcoming book, *The Collapse of*

Antiquity, you quote what Aristophanes says in his play *Plutus* (the god of wealth and money). The old man Chremylus — his name is based on the Greek word for money, *chrēmata* [??????] — Chremylus and his slave perform a duet in praise of *Plutus* as the prime cause of everything in the world, reciting a long list. The point is that money is a singular special thing: “O Money-god, people never get sick of your gifts. They get tired of everything else; they get tired of love and bread, of music and honors, of treats and military advancement, of lentil soup, etc., etc. But they never get tired of money. If a man has thirteen talents of silver — 13 million dollars, say — he wants sixteen; and if he gets sixteen, he will want forty, and so forth, and he will complain of being short of cash the whole time.”

MH: Socrates’s problem was to figure out a way to have government that did not serve the wealthy acting in socially destructive ways. Given that his student Plato was an aristocrat and that Plato’s students in the Academy were aristocrats as well, how can you have a government run by philosopher-kings? Socrates’s solution was not practical at that time: Rulers should not have money or property. But all governments were based on the property qualification, so his proposal for philosopher-kings lacking wealth was utopian. And like Plato and other Greek aristocrats, they disapproved of debt cancellations, accusing these of being promoted by populist leaders seeking to become tyrants.

JS: Looking over the broad sweep of Roman history, your book describes how, century after century, oligarchs were whacking every energetic popular advocate whose policies threatened their monopoly of political power, and their economic power as creditors and privatizers of the public domain, Rome’s *ager publicus*, for themselves.

I brought with me on the train Cæsar’s Gallic War. What do you think of Cæsar and how historians have interpreted his role?

MH: The late 1st century BC was a bloodbath for two generations before Cæsar was killed by oligarchic senators. I think his career exemplifies what Aristotle said of aristocracies turning into democracies: He sought to take the majority of citizens into their own camp to oppose the aristocratic monopolies of landholding, the courts and political power.

Cæsar sought to ameliorate the oligarchic Senate’s worst abuses that were stifling Rome’s economy and even much of the aristocracy. Mommsen is the most famous historian describing how rigidly and unyieldingly the Senate opposed democratic attempts to achieve a role in policy-making for the population at large, or to defend the debtors losing their land to creditors, who were running the government for their own personal benefit. He described how Sulla strengthened the oligarchy against Marius, and Pompey backed the Senate against Caesar. But competition for the consulship and other offices was basically just a personal struggle among rival individuals, not rival concrete political programs. Roman politics was autocratic from the very start of the Republic when the aristocracy overthrew the kings in 509 BC. Roman politics during the entire Republic was a fight by the oligarchy against democracy and the populace as a whole.

The patricians used violence to “free” themselves from any public authority able to check their own monopoly of power, money and land acquisition by expropriating smallholders and grabbing the public domain being captured from neighboring peoples. Roman history from one century to the next is a narrative of killing advocates of redistributing public land to the people instead of letting it be grabbed by the patricians, or who called for a debt cancellation or even just an amelioration of the cruel debts laws.

On the one hand, Mommsen idolized Cæsar as if he were a kind of revolutionary democrat. But given the oligarchy's total monopoly on political power and force, Mommsen recognized that under these conditions there could not be any political solution to Rome's economic polarization and impoverishment. There could only be anarchy or a dictatorship. So Caesar's role was that of a Dictator — vastly outnumbered by his opposition.

A generation before Caesar, Sulla seized power militarily, bringing his army to conquer Rome and making himself Dictator in 82 BC. He drew up a list of his populist opponents to be murdered and their estates confiscated by their killers. He was followed by Pompey, who could have become a dictator but didn't have much political sense, so Caesar emerged victorious. Unlike Sulla or Pompey, he sought a more reformist policy to check the senatorial corruption and self-dealing.

The oligarchic Senate's only "political program" was opposition to "kingship" or any such power able to check its land grabbing and corruption. The oligarchs assassinated him, as they had killed Tiberius and Gaius Gracchus in 133 and 121, the praetor Asellio who sought to alleviate the population's debt burden in 88 by trying to enforce pro-creditor laws, and of course the populist advocates of debt cancellation such as Catiline and his supporters. Would-be reformers were assassinated from the very start of the Republic after the aristocracy overthrew Rome's kings.

JS: If Caesar had been successful, what kind of ruler might he have been?

MH: In many ways he was like the reformer-tyrants of the 7th and 6th centuries in Corinth, Megara and other Greek cities. They all were members of the ruling elite. He tried to check the oligarchy's worst excesses and land grabs, and like Catiline, Marius and the Gracchi brothers before him, to ameliorate the problems faced by debtors. But by his time the poorer Romans already had lost their land, so the major debts were owed by wealthier landowners. His bankruptcy law only benefited the well-to-do who had bought land on credit and could not pay their moneylenders as Rome's long Civil War disrupted the economy. The poor already had been ground down. They supported him mainly for his moves toward democratizing politics at the expense of the Senate.

JS: After his assassination we get Caesar's heir Octavian, who becomes Augustus. So we have the official end of the Republic and the beginning of a long line of emperors, the Principate. Yet despite the Senate's authority being permanently diminished, there is continued widening of economic polarization. Why couldn't the Emperors save Rome?

MH: Here's an analogy for you: Just as nineteenth-century industrial reformers thought that capitalism's political role was to reform the economy by stripping away the legacy of feudalism — a hereditary landed aristocracy and predatory financial system based mainly on usury — what occurred was not an evolution of industrial capitalism into socialism. Instead, industrial capitalism turned into finance capitalism. In Rome you had the end of the senatorial oligarchy followed not by a powerful, debt-forgiving central authority (as Mommsen believed that Caesar was moving toward, and as many Romans hoped that he was moving towards), but to an even more polarized imperial garrison state.

JS: That's indeed what happened. The emperors who ruled in the centuries after Cæsar insisted on being deified — they were officially "divine," according to their own propaganda. Didn't any of them have the potential power to reverse the Roman economy's ever-widening polarization of the, like the Near Eastern "divine kings" from the third millennium BC into the Neo-Assyrian, Neo-Babylonian and

even the Persian Empire in the first millennium?

MH: The inertia of Rome's status quo and vested interests among patrician nobility was so strong that emperors didn't have that much power. Most of all, they didn't have a conceptual intellectual framework for changing the economy's basic structure as economic life became de-urbanized and shifted to self-sufficient quasi-feudal manor estates. Debt amnesties and protection of small self-sufficient tax-paying landholders as the military base was achieved only in the Eastern Roman Empire, in Byzantium under the 9th– and 10th-century emperors (as I've described in my history of debt cancellations in ...and forgive them their debts).

The Byzantine emperors were able to do what Western Roman emperors could not. They reversed the expropriation of smallholders and annulled their debts in order to keep a free tax-paying citizenry able to serve in the army and provide public labor duties. But by the 11th and 12th centuries, Byzantium's prosperity enabled its oligarchy to create private armies of their own to fight against centralized authority able to prevent their grabbing of land and labor.

It seems that Rome's late kings did something like this. That is what attracted immigrants to Rome and fueled its takeoff. But with prosperity came rising power of patrician families, who moved to unseat the kings. Their rule was followed by a depression and walkouts by the bulk of the population to try and force better policy. But that could not be achieved without democratic voting power, so faith was put in personal leader — subject to patrician violence to abort any real economic democracy.

In Byzantium's case, the tax-avoiding oligarchy weakened the imperial economy to the point where the Crusaders were able to loot and destroy Constantinople. Islamic invaders were then able to pick up the pieces.

The most relevant point of studying history today should be how the economic conflict between creditors and debtors affected the distribution of land and money. Indeed, the tendency of a wealthy overclass to pursue self-destructive policies that impoverish society should be what economic theory is all about. We'll discuss this in Part 4.

Part 4: A New “Reality Economics” Curriculum is Needed

John Siman: I want to spell out the implications of the points that Socrates brought up, and with which you and I agree. That leaves the question facing us today: Is the American oligarchy and state as rapacious as that of Rome? Or is it universally the nature of oligarchy in any historical setting to be rapacious? And if so, where is it all leading?

Michael Hudson: If Antiquity had followed the “free market” policies of modern neoliberal economics, the Near East, Greece and Rome would never have gained momentum. Any such “free market” avoiding mutual aid and permitting a wealthy class to emerge and enslave the bulk of the population by getting it into debt and taking its land would have shrunk, or been conquered from without or by revolution from within. That's why the revolutions of the 7th century BC, led to reformers subsequently called “tyrants” in Greece (and “kings” in Rome) were necessary to attract populations rather than reduce them to bondage.

So of course it is hard for mainstream economists to acknowledge that Classical Antiquity fell because

it failed to regulate and tax the wealthy financial and landowning classes, and failed to respond to popular demands to cancel personal debts and redistribute the land that had been monopolized by the wealthy.

The wealth of the Greek and Roman oligarchies was the ancient counterpart to today's Finance, Insurance and Real Estate (FIRE) sector, and their extractive and predatory behavior is what destroyed Antiquity. The perpetuation of this problem even today, two thousand years later, should establish that the debt/credit dynamic and polarization of wealth is a central problem of Western civilization.

JS: So what were — and are — the political and social dynamic at work?

MH: The key is the concept of wealth addiction and how it leads to hubris — arrogance that seeks to increase power in ways that hurt other people. Hubris is not merely over-reaching; it is socially injurious. The wealthy or power injure other people knowingly, to establish their power and status.

That is what Aristophanes meant when his characters say that wealth is not like bananas or lentil soup. Wealth has no object but itself. Wealth is status — and also political control. The creditor's wealth is the debtor's liability. The key to its dynamic is not production and consumption, but assets and liabilities — the economy's balance sheet. Wealth and status in the sense of who/whom. It seeks to increase without limit, and Socrates and Aristotle found the major example to be creditors charging interest for lending "barren" money. Interest had to be paid out of the debtor's own product, income or finally, forfeiture of property; creditors did not provide means of making interest to pay off the loan.

This is the opposite of Austrian School theories that interest is a bargain to share the gains to be made from the loan "fairly" between creditor and debtor. It also is the opposite of neoclassical price theory. The economics taught in universities today is based on a price theory that does not even touch on this point. The liberty that oligarchs claim is the right to indebt the rest of society and then demand full payment or forfeiture of the debtor's collateral. This leads to massive expropriations, as did the Junk Mortgage foreclosures after 2008 when President Obama failed to write down debts to realistic market values for real estate financed on loans far beyond the buyer's ability to pay. The result was 10 million foreclosures.

Yet today's mainstream economics treats the normal tendency to polarize between creditors and debtors, the wealthy and the have-nots, as an anomaly. It has been the norm for the last five thousand years, but economics sidesteps actual empirical history as if it is an anomaly in the fictional parallel universe created by the mainstream's unrealistic assumptions. Instead of being a science, such economics is science fiction. It trains students in cognitive dissonance that distracts them from understanding Classical Antiquity and the driving dynamics of Western civilization.

JS: This gets us back to the question of whether universities should just be shut down and started up all over again.

MH: You don't shut them down, you create a new group of universities with a different curriculum. The path of least resistance is to house this more functional curriculum in new institutions. That's what America's Republican and pro-industrial leaders recognized after the Civil War ended in 1865. They didn't shut down Harvard and Yale and Princeton and the Christian free-trade Anglophile colleges. They created state colleges funded by land grants, such as Cornell in upstate New York, and business

schools such as the Wharton School at the University of Pennsylvania, endowed by industrialists to providing an economic logic for the state's steel-making and related industrial protectionism. The result was an alternative economics to describe how America should develop as what they saw as a new civilization, free of the vestiges of Europe's feudal privileges, absentee ownership and colonialist mentality.

The Republicans and industrialists saw that America's prestige colleges had been founded long before the Civil War, basically as religious colleges to train the clergy. They taught British free trade theory, serving the New England commercial and banking interests and Southern plantation owners. But free trade kept the United States dependent on England. My book *America's Protectionist Takeoff* describes how the American School of Political Economy, led by Henry Carey and E. Peshine Smith (William Seward's law partner), developed an alternative to what was being taught in the religious colleges.

This led to a new view of the history of Western civilization and America's role in fighting against entrenched privilege. William Draper's *Intellectual Development of Europe*, and Andrew Dixon White's *History of the Warfare of Science with Theology* saw the United States as breaking free from the feudal aristocracies that were a product of the way in which antiquity collapsed, economically and culturally.

JS: So business schools were originally progressive!

MH: Surprising as it may seem, the answer is Yes, to the extent that they described the global economy as tending to polarize under free trade and an absence of government protectionism, not to become more equal. They incorporated technology, energy-use and the environmental consequences of trade patterns into economic theory, such as soil depletion resulting from plantation monocultures. Mainstream economics fought against such analysis because it advocated markets "free" for polluters, "free" for nations to pursue policies that made them poorer and dependent on foreign credit.

JS: So this is how the Wharton School's first professor of economics, Simon Patten, one of the founders of American sociology, fits into this anti-rentier tradition! That is such a revelation to me! They developed an analysis of technology's effects on the economy, of monopoly pricing and economic rent as unearned income that increases the cost of living and cost of production. They explained the benefits of public infrastructure investment. Today that is called "socialism," but it was industrial capitalists who took the lead in urging such public investment, so as to lower their cost of doing business.

MH: The first U.S. business schools in the late 19th century described rentiers as unproductive. That is why today's neoliberals are trying to rewrite the history of Institutionalism in a way that expurgates the Americans who wanted the government to provide public infrastructure to make America a low-cost economy, undersell England and other countries, and evolve into the industrial giant it became by the 1920s.

JS: That was Simon Patten's teaching at the Wharton School — government-subsidized public infrastructure as the fourth factor of production.

MH: Yes. America's ruling political class tried to make the United States a dominant economy instead of a rentiereconomy of landlords and financial manipulators.

JS: How did the robber barons fit into this story?

MH: Not as industrialists or manufacturers, but as monopolists opposed by the industrial interests. It was Teddy Roosevelt's trust-busting and the Republicans that enacted the Sherman antitrust act. Its spirit was continued by Franklin Roosevelt.

JS: Is today's economy a second age of robber barons?

MH: It's becoming a second Gilded Age. An abrupt change of direction in economic trends occurred after Ronald Reagan and Margaret Thatcher were elected in 1979/80. The result has been to invert what the 19th-century economists understood to be a free market — that is, a market free from a privileged hereditary class living on unearned income in the form of land rent, monopoly rent and financial extraction.

JS: I was in my first few years of college when Thatcher came in in 1979, and when Reagan was elected in 1980. I asked my economics professors what was going on, but I could not find a single professor to coherently describe the U-turn that was occurring. It certainly wasn't in Paul Samuelson's textbook that we were given.

MH: There's little logic for neoliberalism beyond a faith that short-term greed is the best way to optimize long-term growth. It is natural for the wealthiest classes to have this faith. Neoliberalism doesn't look at the economy as a social system, and it excludes as "externalities" concerns with the environment, debt dependency and economic polarization. It only asks how to make a short-term hit-and-run gain, regardless of whether this is done in a way that has a positive or negative overall social effect. Realistic economic logic is social in scope, and distinguishes between earned and unearned income. That is why economists such as Simon Patten and Thorstein Veblen decided to start afresh and create the discipline of sociology, to go beyond narrow individualistic economics being taught.

Today's mathematical economics is based on circular reasoning that treats all that has happened as having been inevitable. It is all survival of the fittest, so it seems that there is no alternative. This policy conclusion is built into economic methodology. If we weren't the fittest, we wouldn't have survived, so by definition (that is, circular reasoning), any alternative is less than fit.

Regarding the fact that you had to read Samuelson when you were in college, he was famous for his Factor Price Equalization Theorem claiming to prove mathematically that everybody and every nation tends naturally to become more and more equal (if government stands aside). He denied that the tendency of the global economy is to polarize, not equalize. The political essence of this equilibrium theory is its claim that economies tend to settle in a stable balance. In reality they polarize and then collapse if they do not reverse their polarizing financial and productivity and wealth dynamics are.

The starting point of economic theorizing should explain the dynamic that lead economics to polarize and collapse. That is the lesson of studying antiquity that we have discussed in our earlier talks. Writers in classical antiquity, like Bronze Age Near Eastern rulers before them and the Biblical prophets, recognized that a rentiereconomy tends to destroy the economy's productivity and widespread prosperity, and ultimately its survival. In today's world the Finance, Insurance, and Real Estate [FIRE] sector and monopolies are destroying the rest of the economy, using financial wealth to take over the government and disable its ability to prevent their operating in corrosive and predatory

ways.

JS: Why aren't more people up in arms?

MH: They're only up in arms if they believe that there is an alternative. As long as the vested interests can suppress any idea that there is an alternative, that matters don't have to be this way, people just get depressed. In our third interview you spoke about Socrates and the Stoics producing a philosophy of lamentation and resignation. By his day there seemed no solution except to denounce wealth. When matters got much worse in the Roman Empire, wealth was abhorred. That became the message of Christianity.

What is needed is to define the scope of the alternative that you want. How can the economy grow when households, business, and government have to pay more and more of their revenue to the financial sector, which then turns around and lends its interest and related income out to indebt the economy even more? The effect is to extract even more income. Rising government debt and tax cuts for the rentiers lead to the privatization of public infrastructure and natural monopolies. Higher prices are charged for tolls to pay for public healthcare, education, roads and other services that were expected to be provided for free a century ago. Financialized privatization thus creates a high-rent, high-cost economy — the opposite of industrial capitalism evolving into socialism to finally free society from rentier income.

JS: Wouldn't that be based on the insatiable desire [????????, *aplêstia*] for money and the super-rich [????????????, *hyper-ploutoi*] oligarchs in Book 8 of Plato's Republic? So we get back to my question: Is the behavior of the super-rich a constant in human nature?

MH: Money-love [????????????, *philochrêmatia*] has always been extreme because wealth is addictive. But their dynamic of credit — other peoples' debts — increasing at compound interest is mathematized and the economy is put on automatic pilot to self-destruct. Its business plan to "create wealth" by making financial gains at somebody else's expense, without limit. This kind of financial wealth is a zero-sum activity. The wealth of the creditor class, the One Percent, is achieved by indebting the 99 Percent.

JS: Why is it a zero-sum activity?

MH: A zero-sum activity is when one party's gain is another's loss. Instead of income paid to creditors being reinvested in means of production to help the economy grow, it's spent on buying more assets. The most wasteful examples are corporate stock buyback programs and financial raids. And the largest effect of financialization occurs as loans and Quantitative Easing simply bid up the price of real estate, stocks, bonds and other assets. The effect is to put housing and a retirement income further out of range of people who have to live by working for wages and salaries instead of living off absentee ownership, interest and financial asset-price gains.

JS: Why is this being done instead of investing in the economy to help the population live a better and more prosperous life?

MH: The tax and regulatory system is set up to make financial gains or create monopoly privileges. That is quicker and more certain, especially in an economy shrinking as a result of financialization and the austerity it imposes. It's hard to make profits by investing in a shrinking economy suffering from

debt deflation and a squeeze on family budgets to pay for health care, education and other basic needs.

JS: So it becomes more about extraction. Let's come back to Global Climate Change and rising sea levels as a foundation of American foreign policy.

MH: Since the 19th century, American policy has been based on the recognition that GDP growth reflects rising energy use per capita. Rising productivity is almost identical with the curve of energy use per worker. That was the basic premise of E. Peshine Smith in 1853, and subsequent writers, whom I describe in *America's Protectionist Takeoff: 1918-1914*. The policy conclusion is that if you can control the source of energy — which remains mainly oil and coal — then you can control global GDP growth. That is why Dick Cheney invaded Iraq: to grab its oil. It is why Trump announced his intention to topple Venezuela and take its oil.

If other nations are obliged to buy their oil from the United States or its companies, then it's in a monopoly position to turn off their electricity (like the United States did to Venezuela) and hurt their economies if they don't acquiesce in a world system that lets American financial firms come in and buy out their most productive monopolies and privatize their public domain. That's why America's foreign policy is to monopolize the world's oil, gas and coal in order to have a stranglehold on the rate of growth of other countries by being able to deny them energy. It's like denying countries food in order to starve them out. The aim is to exploit Europe, Asia, Africa and Latin America what Rome exploited its Empire.

JS: Would you be comfortable using words like evil to describe what's going on now?

MH: Evil essentially is predatory and destructive behavior. Socrates said that it ultimately is ignorance, because nobody would set out intentionally to do it. But in that case, evil would be an educational system that imposes ignorance and tunnel vision, distracting attention from understanding how economic society actually works in destructive ways. On that logic, post-classical neoliberal economics and the Chicago Boys are evil because their ideology breeds ignorance and leads its believers to act in ways that are injurious to society, preventing personal fulfillment through economic growth. Evil is a policy that makes most of society poorer, simply in order to enrich an increasingly wealth-addictive rentier layer at the top. Werner Sombart described the bourgeoisie as floating like a globules of fat on top of a soup.

JS: This is now happening on a path that follows an exponential extreme. I guess global warming makes it particularly evil. We're not simply talking about taking advantage of other people within a society, we're talking about destruction of the planet and its environment.

MH: Economists dismiss this as an "externality," that is, outside the scope of their models. So these models are deliberately ignorant. You could say that this makes them evil.

JS: That is what I've suspected since we started the Iraq War in 2003.

MH: America's military buildup, its anti-environmental policy and global wars are part of the same symbiotic strategy. The reason why America will not be part of a real effort to mitigate global warming is that its policy is still based on grabbing the oil resources of the Near East, Venezuela, and everywhere else that it can. Also, the oil industry is the most tax-exempt and politically powerful sector.

If it also happens to be the primary cause of global warming, that is viewed as just collateral damage to America's attempt to control the world by controlling the oil supply. In that sense the environmental impasse is a byproduct of American imperialism.

JS: What's hopeful in the United States right now? What is a possible good outcome?

MH: The precondition would be for people to realize that there is an alternative. Starting with wiping out of student debts, they can realize that the overall debt overhead can be wiped out without hurting the economy — and indeed, rescuing it from the financial rentier class inasmuch as all debts on the liabilities side of the balance sheet have their counterpart on the asset side as the savings of today's financial oligarchy, which is doing to the U.S. economy what Rome's Senate did to the ancient world.

JS: How can people proceed from here?

MH: Understanding must come first. Once you have to have a sense of history, you realize that there is an alternative. You also see what happens when a creditor oligarchy gets strong enough to prevent any public power from writing down debts and to prevent attempts to tax it.

You have to do to America today what the Republicans did after the Civil War: You have to have a new university curriculum dealing with economic history, the history of economic thought and the real world's long-term development.

JS: And what would be the premise for such economic history?

MH: The starting point is to realize that civilization began in the ancient Near East, and made a turn to oppose a strong public regulatory sector in Classical Greece and Rome. The long-term tension is the eternal fight by the oligarchy of creditors and large land owners to reduce the rest of society to serfdom, and to oppose strong rulers empowered to act in the economy's long-term interest by creating checks against this polarization.

JS: So how much longer does this go on — for months, for years, for decades?

MH: It always goes on longer than you think it will. Inertia has a great elastic self-reinforcing power. Polarization will widen until people believe that there is an alternative and decide to fight for it. Two things are required for this to happen: First, a large proportion of people need to see that the economy is impoverishing them, and that the existing picture of what is happening is misleading. Instead of wealth trickling down, it is defying gravity and sucking income up from the base of the economic pyramid. People are having to work harder just to stay in place, until their life style breaks down.

Second, people must realize that it doesn't have to be this way. There is an alternative

JS: Right now most people think that government regulation and progressive taxation will make things worse, and that the wealthy are job creators, not job destroyers. They think that the system needs to be bolstered, not replaced, because the alternative is "socialism" — that is, what the Soviets did, not what Franklin Roosevelt was doing. But today bailing out the banks and giving subsidies to new employers is said to be for our own good.

MH: That's what the Romans told their provinces. Everything they did was always to preserve "good order," meaning open opportunities for their own wealth grabbing. They never said they were out to

destroy and loot other societies. Madeline Albright followed this rhetorical pattern in describing as being, like the Romans and France's brutal mission civilisatrice, a program to uplift the world free-market efficiency. For performing this service, the imperial power takes all the money that its colonies, provinces and allies can generate. That's why the U.S. meddles in foreign politics, as we have just seen in Ukraine, Libya and Syria.

JS: You've described the greatest meddling as distorting the narrative of history to depict creditor and rentier drives toward oligarchy as being democratic and helping to raise living standards and culture. Your books show just the opposite.

MH: Thank you.

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