CHAPTER 2

The financial systems
of the ancient Near East

The following chapters try to connect the financial system of a country at a given date, that is, its financial instruments and its financial institutions, to its economic infrastructure of national product and national wealth. This is not possible for the ancient Near East, which here includes Mesopotamia and Egypt from the third to the middle of the first millennium B.C. The data are so deficient that hardly anything can be said in quantitative terms about the economic infrastructure, and that description must be limited to the monetary system and to whatever financial instruments and institutions existed. In view of the stability of these economies it is not necessary, nor possible, to try to determine trends in the financial superstructure.

These countries and millennia were essentially nonmonetized, though metals were used to a limited extent in pensatory payments and in the incurrence and discharge of debts, but were never coined, an innovation introduced late in the seventh century B.C. in western Asia Minor. The great majority of the population lived on and from the land. Most rents and taxes to secular and religious authorities were paid in commodities or in labor services. These countries thus had dual economies: A predominant nonmonetized sector of the type of a command economy and a smaller though slowly increasing monetized sector that was important in interlocal domestic trade and predominated in foreign trade.

Mesopotamia, to which most of this chapter will be limited, developed from about a dozen city states in Sumer, its southern part, to great empires, which controlled large areas beyond its borders in the neo-Babylonian and Assyrian periods. Except for its fertile soil, which depended for exploitation on an extensive system of irrigation limiting the cultivable area to not much over 40,000 km$^2$, \(^1\) Mesopotamia had few economic resources as it lacked metals, stone, and timber, which had to be imported from its northern or eastern neighbors. Barley was the most important agricultural product and main food,
followed by pulses, dates, and sesame, the main source of edible oils. There were substantial herds of cattle, asses, and sheep, the latter providing the basis for the country's most important industry and export product, textiles.

The population of the Near East, including Asia Minor and Iran, has been estimated at about 2.5 million around 3000 B.C. and that of Egypt at about 1 million. The 3.5 million people in these two areas at that time appear to have accounted for about one-fourth of the population of the world. During each of the third and the second millennia B.C. the population of the area is estimated to have doubled, an annual average rate of growth of 0.07 percent, to reach about 12 million around 1000 B.C. and about 15 million around 400 B.C., when their share in world population seems to have declined to about one-eighth (McEvedy and Jones, pp. 124, 226, 344). Population appears to have grown little in Mesopotamia, averaging about 1 million from the beginning of the second millennium B.C. to 400 B.C., its share of that of the Near East being reduced by about one-half.

Though the great majority of the population was engaged in agriculture and lived in villages in Mesopotamia, a substantial proportion lived in cities some of which seem to have had from 10,000 to 15,000 inhabitants as early as the third millennium, while in the early first millennium the largest cities reached 30,000 inhabitants (McEvedy, pp. 34, 44). The degree of urbanization in Mesopotamia was therefore fairly high, probably well in excess of one-fifth. A substantial and apparently increasing share of the populations were slaves, mainly females used in domestic service.

A rough estimate of the order of magnitude of the national product of Mesopotamia in the third and second millennia B.C. uses the scarce reported figures on wages and on the consumption of barley. The wage rate has been put at 6 or 10 shekels of 8.3 g of silver a year (Meissner 1920, p. 189). On the basis of a labor force of 40 percent of a population of 1 million, this indicated a total of 2.4 to 4.0 million shekels, figures which would be on the order of national product if it is assumed that the predominantly nonmonetized income of the agricultural population was equal to the wage rate. The daily consumption of barley can be estimated at about one liter per head or 360 liters per year per head or 3.6 million hectoliters for the entire population. At a price of 125 to 150 liters per shekel (Meissner 1936, p. 5), total barley consumption would have had a value of about 2.5 to 3 shekels per head, or for the entire population of between 2.5 and 3.0 million shekels. There is no information on the share of barley, the main food, in total consumption, but it can hardly have been higher.
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than one-half. On that basis total consumption would have been on the order of 5 to 6 million shekels or somewhat over 5 shekels per head. This is equivalent to fully 45 g of silver or at the Mesopotamian rates of 10 : 1 about 4.5 g of gold, an extraordinarily low value reflecting the high price of precious metals in terms of grains and other commodities. There are not enough data to choose between these two rough estimates, which range from 2.5 to 6 million shekels in the aggregate and 2.5 to 6 shekels per head.

Although no quantification is possible, there is little doubt that foreign trade was of substantial importance as was internal long-distance trade, mostly conducted by boats. Main imports were metals and timber; main exports textiles, the only important nonagricultural product of Mesopotamia (Oppenheim 1970).

Throughout Mesopotamian history most of the agricultural land was owned by temples or the palace, though their shares changed repeatedly and considerably. The share of privately owned land, though generally minor, also underwent considerable variations with a tendency to increase. Only part of the land owned by temples or by the palace was cultivated by servants or slaves; most was rented to individual operators. As a result, although ownership units were large, operating units were small. Rent usually was one-third for grain land and two-thirds for date plantations (Meissner 1920, p. 370). It was originally paid in kind, but in later periods increasingly in silver. For the twenty-third century B.C. land prices of about 3.5 to 10 shekels per hectar are reported (Meissner 1920, p. 367), but this figure is again of limited value because of the rarity of market sales of land. For a total grain area of about three-fourths of the total or of 30,000 km$^2$ the value would then be between 10.5 and 30 million shekels, or about 15 to 40 shekels per head, figures which would have to be considerably increased to include the value of date plantations and garden plots. These figures are not incompatible with the estimates of national product.

In Mesopotamia both barley and silver served as means of payment and standard of value, but silver became increasingly used in the latter function and became predominant from the second millennium on and by the seventh century B.C. had become the sole money. In the absence of coins silver payments were made by weight, the basic unit being the shekel of 8.3 g, 60 of which constituted one mina of 503 g with 60 minas equaling 1 talent of 30 kg silver. From the first millennium on bars of silver weighing 1 shekel or standard fractions thereof came into use and occasionally were stamped to attest purity, thus approaching the character of coins. Originally, 1 shekel of silver
was treated as equal to one gur (1.2 hectoliters) of barley, but the relation later became variable (Schneider, p. 75). Gold, which was not a general means of payment but was treated as a commodity, was valued at between 7 and 10 times its weight in silver (Garelli, p. 268). The shekel thus would have been valued at approximately 0.8 g of gold or at a gold price of $20.67 per oz at about $0.50 and at one of $400 per oz at about $10. Throughout Mesopotamian history the degree of monetization, though slowly increasing, remained low reflecting the predominance of nonmarket transactions except in long-distance domestic and foreign trade. The available supply of silver, difficult to divide among amounts hoarded and used as money in circulation, appears to have generally been scarce, in part because Mesopotamia had to rely entirely on imports, mainly from its eastern and northern neighbors, and thus on an excess in the trade in other commodities.

Enough is known about prices to indicate that, though many price relations were fixed by the authorities and persisted over long periods of time, considerable changes occurred in the general price level as well as in individual prices apart even from shorter-term fluctuations reflecting harvest conditions (Curtis and Hallo, p. 111). A considerable, though probably irregular, upward movement in prices is indicated by an estimate that the most important single relation, the silver price of barley, increased from about 200 liters of barley per shekel of silver in the twenty-third century B.C. to about 125 to 150 liters in the eighteenth century B.C. and to about 75 liters in the twelfth and tenth centuries, but then declined to about 150 liters in the sixth century B.C. (Meissner 1936, pp. 5, 34). A substantial increase also is reported for slave prices, namely, from about 20 shekels in the eighteenth century B.C. to 50 shekels in the eighth century when slaves were more numerous (Meissner 1936, p. 34). These figures may be compared to a wage rate of 6 to 10 shekels a year in the eighteenth century (Meissner 1936, p. 37). For that time the price of a slave has been put at 20 shekels — approximately two to three years’ wages — that of an ox at 20 shekels, ass at 16 shekels, a sheep at 1.5 to 2 shekels, and a pig at 1 shekel (Meissner 1920, p. 265). A hectare of grain land was valued at about 9 shekels while the price of garden land was nearly 10 times as high. By the sixth century B.C. prices were reported as only slightly higher for grain land but three to five times as high for garden land than a millennium earlier (Meissner 1920).

Temples, royal treasuries, and private landowners and merchants were the main sources of loans, which have been attested since the third millennium. The size of such loans and the share of the three
main groups of lenders varied considerably over the following 2,000 years, but it is not possible to quantify any of these developments. It has been asserted that the earliest loans were made by private lenders, but during the second millennium the temples became the most important source of loans when they started making interest-bearing loans; formerly their loans had been interest free. The loans made by temples apparently went mostly to needy poor peasants, partly to provide seeds. Most of the loans of the royal treasuries were connected with their trading activities, particularly in foreign trade. Private lenders supplied merchants, but also made consumption loans. Virtually all loans were made to provide working capital to traders and farmers or for consumption since there was hardly any fixed capital that required financing. As most of the land was owned by temples or by the palace, there was little room for loans financing purchases of real estate. Loans were made either in barley – probably for most consumption loans – or in silver and were repayable in the case of barley loans in kind or in silver. In the first millennium some loans became transferable but indossable bills of exchange never developed. Participation in individual ventures among merchants were common, but long-term associations apparently were not used until well into the first millennium. All lenders used only their own funds. Deposits of barley or silver for safekeeping were known, but not deposits that became commingled with the assets of the recipient and were repayable on demand or at fixed rates. Thus none of the lenders can be regarded as banks. Even the few firms operating in the middle of the first millennium in Babylon (the Egibi family) or in Niniveh (the Murasu family), which have sometimes been called banks, were not banks as they did not receive deposits and combined moneymaking with many other economic activities. In the absence of coins there was no need of money changers.

There are no measures of the volume of debt, but the facts that inability to repay led to servitude of the debtor or members of his family for a shorter or longer period and that several kings started their reigns with more or less radical reductions of consumers' debts indicate an often heavy burden of debt on poor peasants.

The level of interest rates on loans was high and reflected the influence of customs on most economic relations; it apparently did not change from the early third to the early first millennium. In Babylonia it was at the rate of 1 shekel per mina per month, that is, an annual rate of 20 percent for loans repayable in silver and at the rate of 5 shekels per mina for three months, corresponding to an annual rate of 33\( \frac{1}{3} \) percent for grain loans, possibly influenced by the custom-
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ary share of rent of one-third, although the annual rate appears to have been charged while many loans were repayable after the much shorter period between seeding and harvest time. Rates were higher in Assyria, namely, 25 percent to 33\%\% percent for silver loans and up to 50 percent for grain loans (Meissner 1920, p. 364). Silver loans among traders seem to have carried higher rates than the standard rates, which essentially concerned consumption loans.\footnote{Even higher rates appear to have sometimes been charged on small loans to distressed borrowers. In some cases the effective rates of interest were increased by the practice of deducting interest in advance. Compound interest appears to have not been uncommon though forbidden in Hammurabi’s law (Leemans 1950, p. 15). On the other hand, some of the loans made by temples were interest free.}

Pharaonic Egypt had no financial superstructure to speak of (cf. Helck, Chapter 14). There were no coins and the small volume of market transactions was settled by barter or in copper or silver by weight (Ebert, p. 226). During most of its history, the bulk of the land was owned by the Pharao or by temples that collected and distributed most of the product in kind. In a command economy of this type there was hardly any place for private traders, let alone for money changers, moneylenders, or any type of financial instrument or institution. From the New Empire on (fourteenth century B.C.), however, sales on credit and loans at very high rates of interest existed (Bogaert p. 43).

We must, therefore, conclude that the financial superstructure of the Mesopotamian economy, let alone that of Egypt, including its monetary system, was very small and rudimentary, certainly until well into the first millennium B.C. and cannot be regarded as the model of, or the preparation for, that which developed in the Hellenic world beginning with the sixth or fifth centuries B.C. and which reached substantial size and refinement in the fourth and third centuries.\footnote{We must, therefore, conclude that the financial superstructure of the Mesopotamian economy, let alone that of Egypt, including its monetary system, was very small and rudimentary, certainly until well into the first millennium B.C. and cannot be regarded as the model of, or the preparation for, that which developed in the Hellenic world beginning with the sixth or fifth centuries B.C. and which reached substantial size and refinement in the fourth and third centuries.}