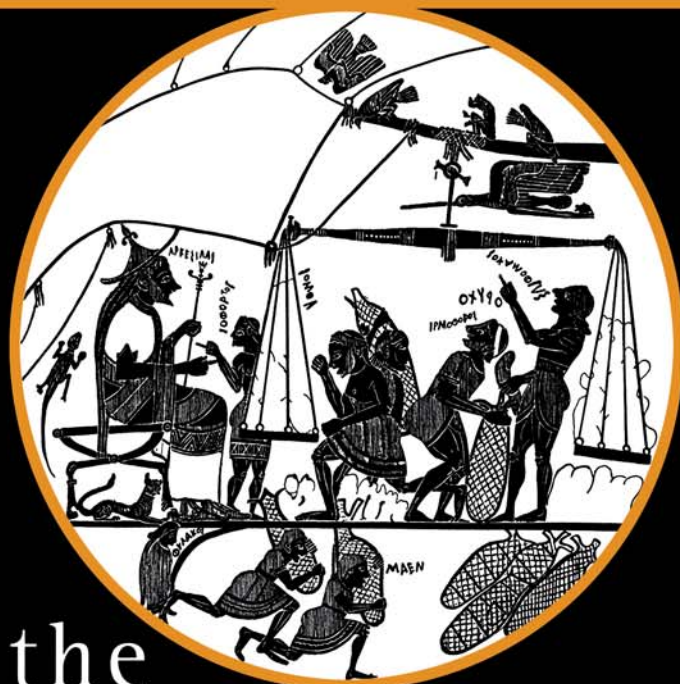


LOUIS BAECK

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# Mediterranean Tradition in Economic Thought

THE MEDITERRANEAN TRADITION IN  
ECONOMIC THOUGHT

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# THE MEDITERRANEAN TRADITION IN ECONOMIC THOUGHT

*Louis Baeck*



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## THE AUTHOR

In the course of the last three decades Louis Baeck has taught graduate students the history of economic thought and the economic problems of developing countries at the Catholic University of Leuven (Belgium). For six years he conducted field work and lectured at several African and Latin American universities. In the last decade he oriented his research on the Islamic world and on Indonesia.

A prolific writer, he has produced numerous articles and eleven books, the latest *Post-war Development Theories and Practice* (1993) published by Unesco and ISCC. The author's familiarity with classical philosophy and languages provides a solid basis for his work on the Mediterranean tradition.

# PREFACE

There are many ways to approach the study of economic problems. Today we notice a revival of interest in the history of economic thought. This book presents an original blend of cultural development, economic history and economic thought in the cradle of Western civilization, the Mediterranean. The author takes us on a fascinating intellectual voyage, illustrating how ideas on the economy and its management evolved since the dawn of the high cultures. Against the pretence of the moderns who depict economics as a timeless and formal science with universal validity, in this well-documented study economic thought is persuasively proclaimed to be an historical and cultural construct, with qualitative differences relative to time and place.

The book covers a time span of five millennia and demonstrates how doctrines emerged and matured in the different worldviews, cultures, religions and philosophical schools of the Mediterranean. The author demonstrates a familiarity with a quite extraordinary range of the immense literature, and selects and evaluates the most authoritative sources of our past in a well-balanced intellectual discourse, accessible to readers with only a limited background in economics.

The tale opens with the wisdom literature of pharaonic Egypt, where scribes sowed the seeds of the first rudiments of economic thought. The functioning of the well-organized temple and palace economy was embedded in a religious culture of outstanding originality and creativeness. The law-making kings of Mesopotamia followed suit, but they also opened the intellectual horizon to a legalistic way of thought for the normative ordering of the economy. In this they were followed by the authors of the biblical texts, who initiated an innovative and dialectic intermingling of lawgiving and moral consciousness. The bulk of the book concentrates on the trend-setting scriptures written by the most notorious Greek pamphleteers and philosophers of Antiquity. Their discourses on practical philosophy formed an historical bench-mark, engendering multiple renaissances. The book devotes a substantial and illuminating chapter to the economic doctrines produced by the scholars of classical Islam, and contextualizes Islam's unexpected retraditionalization, spearheaded by the revival of economic fundamentalism in the 1970s. The final chapters detail the

novel doctrinal developments of the Roman legists, canonists and theologians of the Middle Ages, as well as the new turn taken by the post-Renaissance schoolmen and Spanish mercantilists of the Habsburg Empire. In the eighteenth century, stimulated by the rationalism of the Enlightenment, economic thought departed from the Mediterranean tradition. In the process of its northward and westward move—its ‘atlantization’—modern economics characterized itself as a purely rational construct, freed from the so-called shackles of ethical and religious norms.

Economists, social scientists and historians who are dissatisfied with the highly abstract and formalized models of today’s economics will find the past a refreshing source of seminal ideas. In the West a renewed interest in the ethical perspectives of economics is noticeable. Leading scholars of the Islamic world turn their back on Western economics and rediscover the religious roots of their classical legacy. In other areas, for example, the economic tradition of the Slavophiles in the ex-Soviet Union, the cultural constructs of the past seem to have a promising future.

The author’s conclusion is that the new humanism of today comprises a resurgence in cultural identity, set in motion by an assertive quest for the moral base of economic development. This search for our Mediterranean roots elucidates the challenges and problems confronting us today. The Mediterranean tradition is valued as an important source of inspiration for problem solving in areas where the conventional wisdom of mainstream economics offers no ready answer.

# I

## THE MEDITERRANEAN TRADITION

### MEDITERRANEAN ECONOMIC THOUGHT AND ATLANTIC ECONOMICS

The etymological roots of the terms 'economy' and 'economist' are Greek. In ancient Greek, however, words like *oikonomia*, *oikonomike* and *oikonomos* were only used in the cultivated language of treatises like, for example, Xenophon's *Oikonomikos*, in connection with the keeping of the household or the management of an estate. In everyday language on economic matters and financial dealings, the term *chrematismos* was commonly used. The ancient Greeks simply had no word for 'economy' and for 'economies' in the sense that we use it today. The formalized discourse on the general functioning of the economy, and especially its intrinsic laws, is a development of modern times.

In 1621 a French manufacturer and pamphleteer by the name of Antoine de Montchrétien, published a book on the problems of the material wealth of the nation, with the title *Traité d'Economie Politique*. The label struck the imagination of his fellow mercantilists who used it freely. They generalized the label 'political economy' in the European languages. In later times, when the formal and scientific analysis of the economy came into ascendance, the term 'political economy' was replaced by the more neutral term 'economics'. Nowadays, the term 'political economy' is only used by authors who wish to underline the social and political dimension of economics.

From the middle of the nineteenth century until the Second World War, the history of economic thought had formed an important part of the curriculum for young economists. It played a significant role in the teaching of economics to student audiences as well as to the interested public at large. Keynes, Schumpeter and Hayek, three of the most influential economists of the 1930s, wrote extensively on topics of doctrinal history. Up to the 1930s, the history of thought represented an important part of research programmes in the faculties of economics. In the immediate postwar period, however, these programmes suffered a decline.

When asked for the date of birth of their science most economists hesitate. Some would mention the mercantilists and others the natural law philosophers of the seventeenth century. The mercantilists secularized economics by emancipating it from religious norms and moral standards. The natural law philosophers discovered the individual as the pivot of economic decision making. They paved the way for the methodological individualism of microeconomics.

Other contemporary economists would point to the Enlightenment philosophers of the eighteenth century in Scotland and on the Continent, with Adam Smith as godfather. They legitimated the idea of the minimal state and the material self interest of the individual, as well as the rising importance of commercial society and its market laws. Many who take microeconomics as the hard core of their science, would give preference to the neo-classical triad consisting of Walras, Jevons and Marshall. Under the impulse of this triad the economic calculus was highly formalized and mathematized, while techniques based on methodological individualism and atomized welfare preferences were integrated in a system of general equilibrium.

When asked for the origin of their science a great deal of economists would not care at all. In their view the predecessors of today's economic theory, and more so its prehistory, ought to be considered as quaint, bypassed and thus irrelevant for our contemporary understanding of the economic system and for its practical problem solving. To them the study of the archeology of economics is a luxury without intellectual benefit, since ancient authors represent the underdeveloped stage of the discipline. One should not waste precious time and energy with the reading of past theories. Only the mainstream 'orthodoxy' and its novelties are worthwhile. The intellectually narrow view of mainstream economists today is that the history of economic thought only reveals the mistaken opinions of dead men. This view is clearly the offspring of our Western prejudice that no other time but ours can possibly teach us anything fundamental about mankind and human society. This questionable stance may well buttress the superiority of contemporary economics, but it is not an ideal starting point for an impartial test of its scientific and practical relevance.

The pre-modern tradition of economic thought perceived the economy as embedded in a complex web of social and political institutions, regulated by religious and ethical norms. In this societal and cultural context, the articulation and development of a holistic approach was, from the conceptual point of view, more relevant than the specialized single-focus approach of modern times. At the end of the nineteenth century, economics emerged as an autonomous, specialized and formal framework of thought. Its paradigmatic focus and axiomatic principles were completely emancipated from non-economic constraints. A great number of today's economists would argue that economics became the queen of the social sciences just by completely disentangling its scientific core from the aforementioned social and moral determinants.

A large consensus between social scientists has it that 'modernity' initiated a qualitative break between the cultural roots of our past and our present. This cultural divide caused also a paradigmatic divide in the history of economic thought. Consequently, a problem arises in the choice of epochal labels to be used by historians. For references to the period prior to modernity, the use of prefixes like 'preclassical' and 'before Adam Smith' are very common. Intentionally or not, such labels convey the idea that modernity posits the universal norm for all times. This may be so in the West for the relatively short period of time following the Enlightenment, but in order to identify the more remote past, such derivative prefixes are evidently not the most adequate markers. A good label ought to bring out the proper identity of the subject under analysis. Since we choose to study ancient doctrines in their own right and from their proper perspective, the label 'Mediterranean' seemed to be a well-suited metaphor.

Indeed, the genesis and the later flourishing of our Western worldviews and conceptual roots are to be found in the successive civilizations of the Mediterranean. They initiated the tradition of conceiving society as an orderly cosmos, regulated by myth, religion, ethics and politics. In the worldview of our Mediterranean past, the material sphere and the things that we call economic, played only a subordinate role. As a consequence, a systematic articulation of thought on the material organization of life was slow to develop. In the Mesopotamian, Egyptian, Persian, Minoan, Mycenaean, Phoenician and Syrian civilizations hardly any theory evolved which merits the name of economic thought. This theoretical void stands in stark contrast with their capacity to organize the complex estates of kingly courts and temples, with the practice of banking and of long-distance trade, and with the considerable amount of empirical evidence on all these activities that survives in the literature.

In these complex societies, however, some sort of political ordering and moral legitimation was required to keep in check the excesses of the powerful and the wealthy against the weak and the poor. In the oldest civilizations of the Mediterranean, the registered economic comments—on the terms of trade, on monetary media of exchange, on interest and usury, on debt slavery, on banking and accounting—are entwined with religious and moral messages and with the codices of law. Their scriptures aimed at the legitimation of stability and order in the cosmos and in society. The basic theme was how to stave off chaos by a stable and just social order. Their compact worldview did not permit the aspectual differentiation which we moderns take for granted.

The gradual differentiation of the ancient worldview into separate domains like religion, philosophy, ethics and political science is due to the intellectual revolution of Greek thinkers. The Sophist movement gave the first impetus to which the Socratic philosophers reacted with a restorative synthesis. The Sophists were the first intellectuals in history to confer moral and social respectability to the material organization of society, to the economy and to the people engaged in it. Socrates, on the contrary, absorbed the ascetic bent of the

Pythagorean movement and set the pace for a philosophical counter-reaction. Plato, in particular, was the leading prophet of the counter-reformation against Sophism and against its economic ideology in particular. His disciple Aristotle broadened the spectrum of intellectual interest and rediscovered the economy. His pioneering efforts in the conceptualization of processes like the social and economic development of the city-state, of trade and barter, and of money-making, were of the highest quality to be found in Antiquity. After Aristotle's quantum leap, there followed a long period of intellectual uninterest in things economic.

The philosophers and intellectuals of the Roman Empire and also the early Church Fathers, with the exception of the Stoics, viewed the economy as a morally questionable domain of activity, which was left to people of lower status. As a consequence, economic thought was kept in a low key. With the unfolding of the second millenium of our era, the three religions of the book —Judaism, Christianity and Islam—took over the moral lead in the intellectual revival of interest in economic matters. In varying degrees all three absorbed elements of oriental wisdom, Roman law and Greek philosophy. In the beginning of our second millenium this combination produced a scholastic tradition which bloomed, first in Islamic culture, then in the Latin West.

Islam was the last religion of Antiquity. When the Arabs moved eastward they came into contact with the ancient culture of Persia, and an economic literature of exceptional quality emerged. The major preoccupation of the later scholastic scriptures, however, was the moral and religious demarcation between licit and illicit economic practices. As a sideline in this intellectual endeavour, some of their great masters discovered how the economy functioned in reality. Gradually they gained a better insight into its intrinsic laws. On the basis of a rediscovery and actualization of Roman law in the University of Bologna and the rise of humanism, a secular literature on the regulation of the economy evolved as a rival to the scholastic scriptures.

With the advent of modern times, the search for new ideas spilled over the bounds set by tradition. The ascendancy of the Spanish Empire and its conquest of the New World created new theoretical and practical problems which required fresh and adequate theological and moral legitimations. The intensification of international trade, the dislocation of the regional economies under the supranational pressure of the Empire and the development of worldwide financial markets, were intellectual challenges for the rejuvenated scholastic school of Salamanca. This second blooming of Latin scholasticism in the intellectual centre of the Empire met the challenge in a brilliant display of intellectual and moral capacity.

The malfunctioning of the Habsburg Empire as a supranational economic space, its military aggressiveness against France and Turkey, its religious wars against the Dutch Federation and the German princes, over-taxed and exhausted its resources. The invention of the printing press amplified the capacity of treatise writing and pamphleteering. The Spanish and Portuguese literature of the

seventeenth century *arbitristas* offered for the first time in history a concentrated intellectual effort to formulate theories and guidelines for the economic development of nations. After this last big push, the Mediterranean tradition went into decline and the Atlantic worldview of modernity took over the intellectual lead. The lands of Islam, from their side, had already passed their cultural and intellectual peak in the fifteenth century.

With the subsequent decline of the Habsburg Empire at the end of its 'Golden Age', the historical phasing out and the dwarfing of the Mediterranean zone set in. After four millenia of hegemony in the material as well as in the intellectual field, the Mediterranean civilizations had lost their spell and loosened their grip on history. The new nations of the North, especially England and Holland, entered the scene. After an intense struggle with the Spanish Empire they took over the initiative in colonization and in world trade. The industrial revolution that followed, and in its wake the international expansion of capitalism, was also the work of these new Atlantic nations. In the intellectual field the Enlightenment represented a radical push towards the secularization of thought and its differentiation in separate disciplines. The flourishing of an autonomous branch of scientific economics was one of its results.

The use of the label 'Mediterranean' for different cultures over a span of time stretching from the Sumerian beginnings to the School of Salamanca, may appear to be questionable. The modelling of thought, and thus also of economic thought, are essentially cultural constructs. As constructs of culture they are modelled in different ways. From the perspective of economic thought, however, these different Mediterranean cultures bear a family resemblance in a number of qualitative characteristics. Their kinship structure is clearly recognizable in the subordination of things economic to higher norms, in the insistence on the checks and balances to contain the accumulation drive, in the holistic and organicist conception of society, in the moral legitimation of the hierarchical societal order, and in the preference for stability over change.

The second point needing some clarification is the use of economic thought in our title. In his monumental study, Schumpeter quoted two criteria to distinguish 'economic thought' from 'economic science'. The latter presupposes a conceptual superstructure and applies special methods and tools in the process of investigation, while the former belongs to the pre-scientific stages. In another locus of his work, however, Schumpeter stated to begin with that: 'the history of economic thought starts from the records of the national theocracies of antiquity', and ended by proclaiming 'but the history of economic analysis begins only with the Greeks' (Schumpeter 1979:52).

The distinction drawn by J. Spengler is more specific: 'economic science may be viewed as a sub-category of economic thought and [is] restricted to models or analogues of market-oriented, price-system-dominated, capitalistic economies peopled by *free* rather than *hierarchical men*' (Spengler 1980: 16). Spengler correctly broadens the criteria with his reference to the hierarchical in contrast with the egalitarian structure of society.

This emphasis on hierarchy has been ably expounded on the basis of ample empirical evidence in the work of L.Dumont. After years of intense research on the Indian caste system, the French anthropologist published a study of Western society. In sharp contrast with its predecessors, modern society proclaims to strive at equality of opportunity for all individuals (Dumont 1966, 1977). According to Dumont, hierarchical society compensated for its structural inequality by worldviews in which the concepts of order and stability, as well as the holistic fibres of society, predominate over all other considerations. In the view of Dumont, the genesis of an economic ideology and the conceptualization of its scientific superstructure were only possible after the rise of individualism followed by the social and political emancipation of the *homo aequalis*. The interpersonal and the intertemporal utility calculus embodied by the *homo economicus*, can only come to bloom with the paradigm of modernity, since this celebrates the equality of opportunity. In the footsteps of Spengler and Dumont, we conceive the Mediterranean tradition as one of economic thought, but not of economic science. The rational-choice model and the methodological individualism of modern economic science could develop only in the cultural constructs of the Atlantic tradition.

### THE ROOTS OF THE TRADITION

To the question ‘How far have we to reach back to find our roots?’, the German philosopher Karl Jaspers introduced the concept of an ‘axial age’. According to the axial-age hypothesis, the period of about five centuries BC witnessed the emergence of a major spiritual, moral and intellectual breakthrough within the orbit of the higher civilizations. In less than two centuries a number of spiritual movements transformed the cultural project in five different zones of higher civilization. The first movement was animated by the Iranian seer Zarathustra. The second was Hebrew prophetism with Deutero-Isaiah as spiritual prince. In Classical Greece a group of philosophers explored unknown intellectual paths. In India the message of Buddha offered the inspiration for the Upanishad tradition. In China Confucianism and Taoism initiated a novel cultural flourishing.

Karl Jaspers used the term ‘axial age’ because he conceived its workings as the hinge on which human history has turned. According to his view these new departures in spiritual, moral and intellectual life were cultural benchmarks in the sense that they had an everlasting influence on human history. A great deal of the many cultural and spiritual renaissances the world has known, are in fact novel re-interpretations and revivals of this axial tradition.<sup>1</sup>

The ‘axial-age’ hypothesis challenged the historians of antiquity who, in due time, held a conference on the theme.<sup>2</sup> A more recent edition of a number of papers written by specialists in cultural dynamics explored the theme in greater detail (Eisenstadt 1985). As a result of the additional research on the religious, cultural and social dynamics of the first millenium BC, newly labelled as the age of transcendence, some specific aspects of the intellectual history of mankind

were clarified. As a consequence, we are better informed on the dynamics of spiritual reforms and social changes of the axial age. The Eisenstadt papers drew attention to the following points:

- 1 The rise of the ethical religions and their gradual rationalization.
- 2 The origin and genesis of a new sense of historical consciousness.
- 3 The intellectual exodus out of cosmological compactness and the gradual appearance of specific value spheres: religious, moral, political, philosophical.
- 4 The influence of independent and critical elites.

This enriched version of the axial-age thesis is more attentive to the crossfertilizations between the Mediterranean cultures. In order to exemplify this cultural intercourse, the oriental influences on the development of biblical theology offers a good case. The difference in spiritual and moral values of the post-exilic Deutero-Isaiah in comparison with those of the pre-exilic Isaiah are largely attributed to Babylonian and Persian influences.

The Jaspers thesis has also been challenged by recent research which has cast light on the material artefacts of the pre-axial civilizations. If we take into account achievements in various domains, such as agricultural techniques, bureaucratic organization and religious and moral ideas, from Mesopotamia and Egypt on the subsequent Mediterranean cultures, our cultural horizon widens considerably. The civilizations of Mesopotamia created palace and temple complexes of an unparalleled grandeur and pioneered with law codices. The Egyptian wisdom literature produced the first recorded expression of humanism in history. However, in the domain of economic thought they were only precursors, not founders of a tradition.

### **WHAT IS IN THE TERM 'TRADITION'**

The moment has come to clarify the last term figuring in our title, namely the concept of tradition. The history of ideas informs us that changes in worldviews are generally the work of spiritual and intellectual elites who are able to launch a new tradition of thought or to achieve a re-interpretation of an old one. The communication of new ideas by elites is a necessary but not a sufficient condition for the genesis of a tradition. As a rule the institutionalization of the communication process is an important step. A tradition may be called an historical embodiment of institutionalized communication which in the course of time grew into a classical reference (Lambert 1957; Grunebaum 1969; Assmann 1987). In the intellectual history of mankind, the concept of tradition represents a process of an organized and enduring influence. As a rule, the historical florescence of an intellectual tradition requires the following stages: thematization, textualization, institutionalization and canonization or canonicity.

The first step is the process of *thematization*. This is a condensation of elite communication caused by changes in the historical perspective, by a rupture in collective experience, by technical improvements or scientific discoveries, by social disruption, by economic crisis, by environmental and ecological degradation. New thematizations are generally elicited and become manifest in the wake of a crisis mood generated by shocks in historical consciousness.

Thematization can also be the result of an erosion or a breakdown of the censorship by the ruling power and by the cultural establishment, so that new horizons open up. New and intensive thematization produces a quantum leap in elite communication by which the formerly unspoken, latent or implicit cultural and intellectual novelties break into the open. According to the sociology of cultural dynamics, the issue-building of thematization is highly correlated with the *Zeitgeist* or with new trends in historical awareness.

An example of thematization in pre-axial times is the new interpretation of *maat*, the Egyptian principle of cosmic order and justice. This new interpretation was expounded by the scribal schools after the social upheaval that caused the transition from the Old Kingdom to the Intermediate Period. In ancient Greece, the crisis of the city-state in the fourth century BC provoked an intense wave of treatise writing by pamphleteers and philosophers. One of the major themes of the Islamic as well as Catholic scholastics was their ambition to harmonize faith with rational thought and to refine the concepts of theology in the wake of a revival of Aristotle's philosophy. This adaptation of a theological tradition to rational premisses also formed the first step in the development of scholastic economic thought.

The pamphleteering of the Spanish *arbitristas* represented another interesting case of new thematization in an age of crisis. As a consequence of dynastic felicity and military conquest, the Habsburg Empire had coalesced in the course of one generation into a common market composed of very unevenly developed regional economies. In their numerous treatises, the *arbitristas* dramatized in chorus the plight of Castile, its imperial centre. Indeed, this political centre of the Empire was economically underdeveloped. The central theme of the treatises challenged the idea of imperial coherence and emphasized the need for regional and national development.

In periods of intense problem awareness new themes flourish which render the old explanations obsolete.

Cultural and intellectual system building, however, cannot thrive on oral communication alone. The *codification* process is the second step of tradition building. In order to meet the test of historical impact, the results of thematization need to be put down in written form. This codification may also be called the process of *textualization*. Lost texts rarely lead to the founding of a tradition. The most important publications of the Sophists were lost. Their ideas are only known to us by an indirect way, the most important being the writings of Isocrates, Xenophon and Plato.

Some of the tradition-founding texts have been assembled by disciples after the death of the master. A great deal of Aristotle's important texts were published after his death on the basis of lecture notes. The teachings of Jesus were written down in a collection of gospels by authors who lived one or two generations after his death. When several manuscripts are extant with divergent versions, the interpretation of the various texts of a tradition invites an almost unending stream of exegesis.

Fundamental themes recorded in manuscript, even those written in beautiful prose like Plato's dialogues, rarely develop into a tradition without the supplementary process of *institutionalization*. The degree of social and intellectual independence of the theorizing elites from the establishment in power was a crucial factor in tradition building. In Pharaonic Egypt the scribal schools were staffed by elites submissive to the central power of the state. The Pharaoh was the only incarnation of the cosmic and social order. A change in the worldview or in the intellectual tradition could only arrive concomitant with a social revolution, or after an invasion by a foreign power. As a consequence the Egyptian scribes eschewed the formulation of personal views and of polemics in general.

Hebrew culture and religion, on the other hand, permitted the development of a spiritual and moral opposition against the earthly powers. It postulated the submission not only of ordinary people but also of the king and his officialdom to the will of Yahveh. The absolute freedom of Yahveh represented an ultimate check against the possible abuse of the earthly powers as well as against the human shortcomings of the people. The thematization of ethical radicalism by the Hebrew prophets who proclaimed themselves spokesmen of Yahveh, had not been possible without a margin of elite independence from the earthly power structure. However, this freedom of the prophets was not without limits, since Amos was told that Israel and its court could not bear his radical social criticism.

Tradition building was facilitated by and became more solid with the creation of institutions functioning as transmission belts. The School of Isocrates, Plato's Academy and Aristotle's Lyceum were examples of institutionalized propagation of texts and treatises. In the lands of Islam the *madrashas* were important law schools and scholastic centres by which the different schools of thought propagated their texts. In a similar vein, the schools of the monastic orders and the medieval universities played a crucial role in the institutionalization of themes.

Normally, the institutionalization of themes requires a great deal of energy spent on painful exegesis and on actualization of bypassed concepts. The reworkings of a tradition, codified in commentaries of classic texts, took form already in Antiquity. In some cases this exegetic and interpretative effort developed into an autonomous tradition in its own right, overshadowing or distorting the themes of the original. When this exegetic performance generates a 'back-to-the-roots' movement, a revival may set in to regain the primeval purity of the tradition. The history of economic thought is replete with such revivals.

The process of *canonization* is the fourth and last phase that completes the building of a tradition. Canonicity is a selective process aiming at institutional theme bundling and text stabilization. Canonization is not a monopoly of Church authorities. Ideological movements like Marxism and others have practised the process of canonicity as well. In the scholastic tradition of the Latin West, some of Aristotle's works, with the inclusion of those on economic issues, were regarded as one of the most respected theoretical references.

The pre-axial traditions of Mesopotamia and Egypt have had less direct impact on later traditions because their elites were less successful in the canonization process. Being submissive to and in compliance with the authorities in power, they took the existing order for granted and failed to develop an independent conceptual framework. However, the breakthrough of the Greek system builders would not have been possible without the achievements of the pre-axial predecessors of Mesopotamia and Egypt. Their worldviews were the first cultural constructs for a just social and economic order.

### **THE REVIVAL OF THE MEDITERRANEAN TRADITION**

In several European and American research centres a renewal of interest in the study of past economic doctrines is noticeable. On the European continent new associations have recently been set up. They organize symposia and conferences on the theme of the history of economics. In some centres of Islamic culture, the renewed intellectual interest in its own classical tradition forms part of the fundamentalist revival.

Also new is the fact that researchers study the past doctrines, even the most ancient ones, not only out of historical interest. Rather, they are valued as sources of inspiration in attempts to conceptualize and solve actual problems for which the conventional wisdom of mainstream economics offers no ready answer. An example of this doctrinal retraditionalization is the revival of interest in the relationship between economics and ethics. This is not the place to canvass in minute detail the renewal of interest in past doctrines in general, but a brief discourse on the revival of the Mediterranean tradition in economic thought seems appropriate.

The rapid changes we go through constitute an influential factor in this. In geopolitical terms, the postwar period has been identified as one of ideological bipolarism in which the superpowers achieved a high degree of societal order and political discipline within their sphere of influence. From the end of the 1940s the development process of nations was conceived as an effort to replicate everywhere the models of the hegemonic leader of the West (the United States) or of the Soviet Union. An intense wave of Westernization and of Sovietization set in, with the nations of the Third World as a peripheral zone, where at times conflicts of interest between the superpowers were fought. Since the 1980s the superpowers have gradually lost their grip on events. With the relative erosion of

the hegemonic discipline, the dynamics of history have produced an unexpected wave of ethnocultural reassertion and turbulence. The Islamic culture was the first to rediscover its classic tradition of thought, but others followed in this reawakening.

In the West, the Mediterranean heritage of economic thought never died out completely. Notwithstanding the triumph of the Atlantic tradition it generated notable revivals. The first assault against the deductive abstractions of Ricardian economics appeared in the first quarter of the nineteenth century. Its leading author was Simonde de Sismondi, a prolific writer and a militant for different causes. Sismondi rejected the abstract Ricardian modelbuilding, which he dismissed as a science of hedonistic calculus, but he praised Adam Smith for his empirical approach. Sismondi was an economist of Mediterranean flavour, a fighter for social reform and an inspirer of the German Historical School.

In reaction to the abstract, microeconomic models of the neo-classical revolution, the German Historical School held a brief for a more comprehensive approach. At the end of the nineteenth century, Gustav Schmoller as mentor of the younger branch of the school, influenced a whole generation of German social scientists with his historico-ethical approach. His rejection of abstract analysis resulted in a synthetic approach with great attention to minute empirical detail. The proclaimed ambition was the understanding of the historically anchored and socially determined matrix in which economic agents behave. Schmoller's method was truly interdisciplinary in the sense that it was attentive to all the relevant factors of economic action, and not only to its economic logic. The value of its research findings resided not so much in the slender analysis it offered, but rather in the empirical information it contained.

The most brilliant representative of the school, Max Weber, developed the *Verstehende Methode* on a more theoretical basis. He concentrated his research on the different cultural constructs of economic thought, on the moral motivations that move the economic agents and on the value systems of the past. By his systematic entwining of the value judgements (*Wertbeziehung*) of the actors with their historico-cultural roots, Weber was a pioneer of economic sociology. In his masterful comparison of traditional value systems with those of 'modernity', the reader senses that Weber was stirred by deep emotional feelings of nostalgia.

With a pang of disappointment Weber illustrated the ambivalent nature of modernity. In Western civilization, a pattern of culture had evolved whose technical, scientific and economic superiority was disputed by very few people. Yet the time was long past when modern man believed in rationality, and its scientific offspring, as the superior path, leading to the discovery of human fulfilment, of the true art, of real happiness and of the true God. Science had become a narrow and specialist activity. As such, it had become the motor of a development whose sense and whose overall rationality that same science was unable to explain.

Max Weber indicated the sore spot when he wrote sharply of the disenchantment (*Entzauberung*) emerging in the wake of modernization. True,

modernization engendered material prosperity, but it had also banned the poetry and mystery from life. It had eroded traditional value orientations and was, as yet, unable to create a relevant tradition to face the uncertainties of the future. According to Weber, our scientific world (and with it the economic profession) created too many *Fachmenschen ohne Geist*; that is specialists without imagination, and *Genuszmenschen ohne Herz*, hedonists without feeling. This sounds like a moral critique of modernity and of its misdevelopment, in true Mediterranean tradition.<sup>3</sup>

Of special interest is the debate between representatives of the Historical School and historians of Antiquity like E.Meyer and J.Beloch, since it has been taken up by the economic anthropologists of our time. The historian K. Bücher and his disciples of the Historical School maintained that the value orientations and the institutional matrix of the ancient economy were qualitatively different from those of modernity. For an adequate understanding of its functioning, these value systems had to be evaluated by a relevant criteriology, that is by a methodology that would take into consideration this cultural divide. The classicists who adhered to Meyer's group argued that the economic life of Athens in the fourth century BC made no difference to that of modernity. For them the Greeks were already moderns as far as economic motives are concerned. There was no use for a special method aimed at understanding the different mentality, since in Meyer's view the Mediterranean culture should not, methodologically speaking, be separated from modernity.

In the 1930s, K.Polanyi, a Hungarian economic sociologist, who by his studies in Germany became familiar with the debate, opted for the primitivist thesis of K.Bücher. After his emigration to the United States, he animated an interdisciplinary team of historians, anthropologists and economists. Its research publications have influenced the study of ancient economic history to this day (Polanyi 1944, 1957). Briefly stated, Polanyi's thesis may be summarized as follows:

- 1 The economic relations, especially the exchange relations, of the primitive societies and ancient civilizations can be classified under three broad headings: reciprocal, redistributive and commercial.
  - (a) In early primitive societies and in those studied by anthropologists today, the reciprocal type predominates. Their economy and its exchange relations are deeply 'embedded' in the overall system of religious, cultural and social relations.
  - (b) The redistributive type is characteristic of the ancient economies of the Near East, where the political and religious establishment, like the royal court and the temples, controlled and gathered the products of peasants and craftsmen and redistributed them to its dependants. The mobilizing power of the redistributive system aimed at the optimization of the

surplus of the subsistence economy for distribution to administrative staff and craftsmen engaged in court and temple service.

- (c) The commercial type is characterized by the trade and exchange relations in a market economy.

2 The predominance of the commercial type dates from the breakthrough of modernity in Europe. Under the impulses of a mercantilistic bourgeoisie the economy was gradually 'disembedded' from its social fabric and its economic value orientations were emancipated from the religious and ethical contexts. This resulted in a development model where economic considerations tend to dominate all other value orientations.

3 The paradigmatic and methodological framework of modern economics is of no use in the study of primitive or ancient economies, since their market relations were underdeveloped. The approach of the anthropologists may provide more valuable keys for the study of ancient economies.

Even the most critical scholars with serious reservations about the details, admit that the research findings of Polanyi's group have shed new light on the study of ancient economic history, as well as on the history of economic thought. The movement animated by Polanyi represented a revival of the Historical School, enriched by the field-work findings of contemporary anthropologists.

The nineteenth-century movement of Russian populism, enjoying a revival since Gorbachev's *perestroika* is another interesting case. Since the time of Tsar Peter the Great, Russia had been torn by ambivalent attitudes towards modernization and Europeanization. From the outset, Russian intellectuals perceived their culture and their religion as the better child of Christian Orthodox Byzantium. While Latin Europe since the Middle Ages had chosen the path of rationalization, modernization and secularization, Russia, like the other cultures rooted in the Christian Orthodox religion, kept to the social bounds and values of the Mediterranean tradition.

After the aborted attempt of Peter the Great, Catherine the Great opened her court to the ideas of the Enlightenment and encouraged the intellectual members of the Russian establishment to study and travel in Western Europe. The shocking radicalism of the French Revolution and the invasion of Holy Russia by Napoleon, cooled the admiration for the West in the circles of the Slav intelligentsia. In the second half of the nineteenth century, when industrialization took-off, Russian intellectuals interested in philosophy, art and literature, split up into two opposing camps: the Slavophiles or *narodniki*, and the Westernizers, or *zapadniki* (Berdiaëv 1970; Walicki 1975).

The Slavophiles idealized the Russian village and equated Westernization with capitalist industrialization, and thus with increasing penetration of Russia by European materialist ideas and values. From the beginning, this fundamentalist ideology had a messianic and nationalist flavour. The great writer and socially minded aristocrat, Leo Tolstoy, wrote in the 1860s his great novel *War and*

*Peace*, to celebrate the victory of the fatherland against Napoleon's armies and their revolutionary ideas of the Enlightenment. The Slavophiles were staunch defenders of the Christian Orthodox tradition of the pre-Enlightenment world. They built a wall against its rationalism and secularism. They were a sort of romantic socialists, who lived in the firm belief that their community-oriented development was superior to Western individualism and capitalism.

Those *narodniki* with an economic bent, were well aware that industrialization was necessary for Russian development, at least to keep foreign military powers at bay. The leaders of this movement separated themselves from the cultural Slavophiles and they transformed their movement into an anti-urban populist party in defence of the peasantry. This positive attitude toward economic development gained more adherents after the defeat of the Russian fleet by Japan in 1905, but even then the claim was made that Russian industry had to be less destructive for the peasantry and for the local artisans. In the early twentieth century the socio-economically minded *narodniki* evolved into a populist movement. The populists were severely attacked by the upcoming radical socialists and Marxists, and after the great proletarian revolution, they lost their grip on events (Van Regemorter 1985). They lived on as an undercurrent that re-emerged in the wake of Gorbachev's reforms.

In the mainstream textbooks on economic development and also in the studies of the history of economic thought, the analyses produced by the Slavophile movement have been neglected. Its major proponents professed an economic humanism whose main objective consisted in keeping the baleful influences of Westernization and capitalism at bay. Its most important economic thinkers and pamphleteers of the tsarist period, like Chernyshevsky, Flerovsky, Vorontsov and Danielson, as well as the influential agrarian economist Chayanov of the Communist period, were more or less ignored by the development literature of the Western scientific establishment (Chayanov 1966).<sup>4</sup>

Chayanov's penetrating analysis of the socio-cultural dialectics between economic motives and economic calculus, as well as his study of the kulak were rejected by the scientific approach of the Communist planners. In the 1960s Chayanov's writings influenced African populist regimes like, for example, Nyerere's *ujamaa* movement and other cooperative organizations in the Third World.

### THE READING OF ANCIENT TEXTS

From a methodological point of view textbooks on the history of economic thought offer a variety of perspectives. Indeed, the doctrines of the past can be ordered according to different criteria. The retrospective approach has a certain appeal to contemporary historians of thought because it sheds light on the question 'how and when' the authors of the past discovered what we modern economists consider to be the postulates of our science. The retrospective approach is also the most common (Gislain 1991; Servet 1991).