

FREE-MAN'S PERSPECTIVE

How Life, Liberty & Sanity Can Win

Issue #32

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The Economics of Rulership



In this issue:

The Nimrod Gang	2
Eridu & Sumer	3
Early Greece & Rome	8
The Empire	10
Proving The Work	12

We are going to do something in this issue that doesn't seem to have been done elsewhere: We're going to examine government as a business. I see and read a lot of books, but I've never seen one that ran the numbers on rulership.

While we will be starting from scratch here, we do have enough historical information for a good start. I'd love to see some economists get in on this, but for the moment, we are alone.

Precisely why we are alone in examining this is a good question. It seems that academics and institutions have generally considered it off-limits. No one issues rules on such things, of course, but

'approved' or 'certified' institutions have a lot to lose by displeasing the state, and people who live by the institution certainly understand such risks. We, however, stand in a privileged positions, as outsiders. So, let's be blasphemous and proceed.

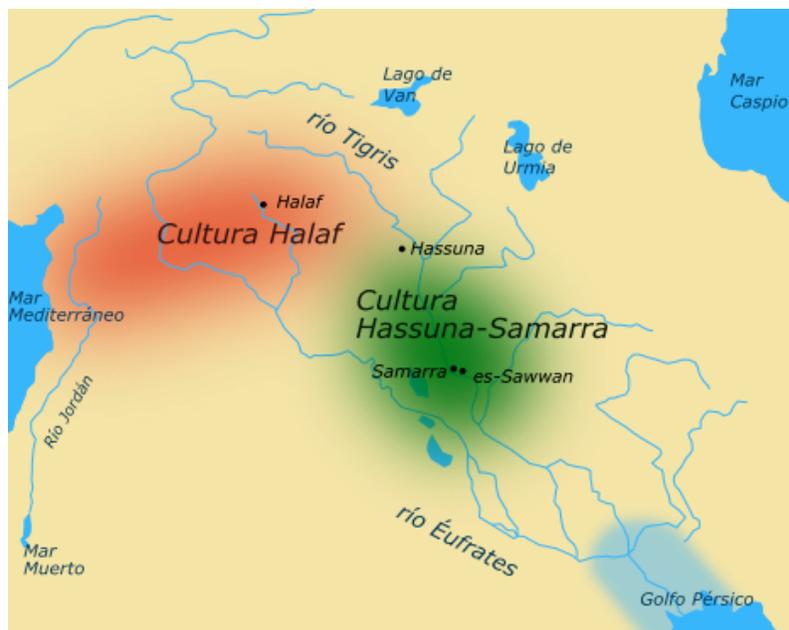
The big man in the relief above, by the way, was named Ka-Gemni. He was Vizier (like a Prime Minister) during Egypt's Old Kingdom, when they were building pyramids. The engraving informs us that the peasants needed Ka-Gemni; that without him they couldn't milk their cows, or at least not very well.

THE NIMROD GANG

One note: I'm not going to provide background information on Nimrod, Eridu and Sumer in this issue, but you can find it in FMP #24.

At about 6300 BC, give or take, the legend of Nimrod “the mighty hunter” took shape. (Nimrod is the biblical name; greek historians wrote about the same man but called him Ninus.) According to the Bible, Nimrod's cities were in the central Mesopotamian area shown below.

Nimrod and his associates set up public squares which probably served as threshing floors and installed associates to watch over the local farmers – to make sure that the big man got his full share at harvest time. (The Hebrew word for “city” in the biblical texts also has the meaning “watched place.”)



These people lived in small villages ranging from 2 to 8 acres (plus some outlying fields). You wouldn't think that ruling them would be especially profitable, but it was. Here are the numbers:

Costs: Ruling required:

- 1 Watchman for each city.
- 1 Guard for each city.
- 2-4 part-time spies for each city.
- 1 military group of 10-30 men.

So, the cost to Nimrod, measured in average incomes, was:

2 - One each, Watchman and Guard.

½ – In occasional payments to locals willing to spy on their neighbors.

2 – Assuming that Ninus has 10 cities (the Bible lists 11 or 12) and a group of 20 soldiers.

Each city, therefore, cost Nimrod 4.5 incomes to oversee.

Income: We'll assume that each city had 100 workers. (The number was possibly a bit higher, but we'll use 100.) And in keeping to a very old custom, we'll say that Nimrod's men took one fifth of the harvest and an approximately equal number of young livestock. Nimrod's take, then, was:

$$100 \div 5 = 20 \text{ incomes.}$$

$$20 - 4.5 = 14.5 \text{ incomes per city, after expenses.}$$

$$14.5 \times 10 \text{ cities} = 145 \text{ incomes, per year.}$$

Bear in mind that this 145 incomes was just Nimrod's base profit. In addition, his soldiers would have raided remote villages, herdsman and traders, and he would have received a portion of the plunder. Also, he might have demanded that the peasants work for him a few weeks per year, at convenient points in the agricultural cycle.

Ownership: The big factor in rulership that is often overlooked is the ownership of resources. In Nimrod's case, *he owned these cities*. He may have allowed the residents to “own” their houses, but he held the permanent right to their taxes – one fifth of their crops and so on. It was not uncommon for cities to be sold to neighboring rulers, and given that each city produced 14.5 incomes per year, each of them would probably be worth 5-10 times the annual net.

So, aside from his annual takings of 145 incomes, Nimrod owned resources that were worth 100 incomes each (possibly more), leaving him with assets worth at least 1,000 incomes.

ERIDU & SUMER

The Sumerian list of kings begins with these words: *After kingship descended from heaven, Eridu became the seat of kingship.*

It was at Eridu that rulership took its next step, at about 5400 BC. While Nimrodic rule manipulated men's actions, kingship manipulated men's wills. The chief tool for this was the concept of men sacrificing their goods as a spiritual duty.



The image above is a section of the excavation plan from Eridu, at a bottom layer, and it was here, so far as can be seen, where the ritual of sacrifice originated, at about 5400 BC. (Again, see FMP #24 for details.)

Notice that the community oven was placed next to the temple. This assured that every person using the oven (which was all of them) saw the temple and was reminded to sacrifice, both as they came to the oven and as they left the oven.

The Eridian way of life set plunderers as a respected class of beings. This had never happened before. Producers feared Nimrod and his ilk, they grudgingly cooperated with them, but they did not respect them. After Eridu, they did.

The Eridu model of rulership (which was completed by the Sumerians) had or developed a number of primary characteristics:

Order. Myths that implied nothing would get done without rulership.

Accounting and reporting. All major transactions were recorded by scribes, forming tax and ownership records.

A state-aligned intellectual class. Scribes were closely aligned with the state, while not being actual rulers themselves. They not only kept records, but they were also the equivalent of surveyors and appraisers. Scribes often became leading officials and the sons of officials became scribes.

Surveillance. From Eridu onward, groups of cities were built around temples, eventually almost within sight of one another. Since these were small cities, a ruler or a scribe was never terribly far away. A watcher was close and records were kept. Hiding was difficult.

Government buildings and monuments. Palace and temple complexes separated ordinary men from their rulers. This instilled the idea that the rulers and priests were of a different class than average men.

Competition, ambition and prestige. Lust for success and devotion to one's home city were used to drive men. Desire for status motivated them, even as much of their income was taken away.

Reassurance mechanisms. Compiling law codes and writing legal documents were important features of life. The populace was comforted by the idea that they had rights and that they could always appeal to the law.

Egypt

The system of rulership in Egypt was almost the same as the one that developed in Sumer, after Eridu. And we do have some good evidence of the daily operation of the Egyptian system.

Below is an engraving from Egypt's Old Kingdom (2686-2181 BC), showing precisely the taxation system that began at Eridu: Starting on the right (Egyptians wrote from right to left) we see scribes keeping track of every person's name, property and transactions. Then, moving left, we see armed men subduing reluctant taxpayers and bringing them to work for the state.

This payment of taxes in the form of labor is now called the *corvée*, and it was a common thing in the

ancient world. This was, among other things, how “public works” projects were conducted.



Another resource is the Amarna letters. While from a later period (1330-1360 BC), they show us the inner workings of the Egyptian Empire. In this passage, a regional ruler named Biridya complains that he is the only good “cultivator” for the king: that he’s the only regional ruler reliably forcing his subjects to work for Pharaoh.

May the king, my lord, take cognizance of his servant and his city. In fact, only I am cultivating in Sunama, and only I am furnishing corvée workers. But consider the mayors that are near me. They do not act as I do. They do not cultivate in Sunama, and they do not furnish corvée workers. Only I, by myself, furnish corvée workers...

Income: The agricultural cities – the small centers where farmers brought their grain – were larger than Nimrod’s, perhaps twice the size. The large cities each controlled 10 farming cities or more. We will continue to assume a 1/5th skim to the ruler.

The governmental units were certainly larger for the Sumerian/Egyptian arrangement than for Nimrod’s type of rule, including payment for scribes. We’ll assume that scribes were primarily paid by individuals (as we pay for our own accountants, surveyors and title insurance), but were also partly paid by the state.

We will also assume that the tribute to the superior ruler was high, since the stronger tends to take advantage of the weaker in systems of organized force.

Give all that, the numbers look like this for the small, agricultural centers:

Costs:

- 1 overseer for each city, who might be either a government or religious official.
- 2 Guards.
- 2 Scribes.
- Tribute to a superior city.

These costs, again measured in average incomes, were:

- 3 - One overseer. (A high salary.)
- 3 - For 2 guards. (Fairly high salaries.)
- 1 - For 2 scribes. (Half-pay per above, augmented by status, graft, and upward mobility.)

15 – Tribute. (A guess.)

Each city, therefore, cost 22 incomes to oversee.

Income: We'll assume that each city had 200 workers, and the usual 1/5th take.

$$200 \div 5 = 40 \text{ incomes.}$$

$$40 - 22 = 18 \text{ incomes per city.}$$

The local overseer in this case receives an extra 18 incomes, beyond his healthy base salary.

From this, however, he would probably have to buy building materials for new civic improvements like palaces, monuments and some weapons. The labor for building the monuments would be provided by the corvée.

So, the overseer, depending upon a variety of factors, would alternate between good years and very, very good years. He might also be tempted to gain control of the large city.

Ownership: The overseer is a middle manager, not really an owner. Under this arrangement he would have full control of his city's assets, but – even though he could use them however he wished – he would be considered the “holder” rather than the “owner.”

The large city: We'll consider each of these cities as the top of a rulership pyramid. That was not always the case, but it usually was, and this isn't intended as an absolutely complete analysis.

Income: We'll assume 12 tributary agricultural centers, which seems a low to middling number. So:

$$15 \text{ incomes} \times 12 \text{ cities} = 180 \text{ incomes.}$$

Costs: First of all, the big ruler would have to maintain a military force – enough to defeat challengers who would (for obvious reasons) like to take over his operation. The ruler could use his money to hire a large number of full-time mercenaries, but this seldom happened, for the obvious reason that it was expensive.

A much better idea for defense was to get the inhabitants to defend themselves. That, however, requires that the inhabitants hold the ruler as “legitimate,” and worthy of defense. That, as mentioned above, requires a manipulation, not of men's bodies, but of their minds, and especially of their wills.

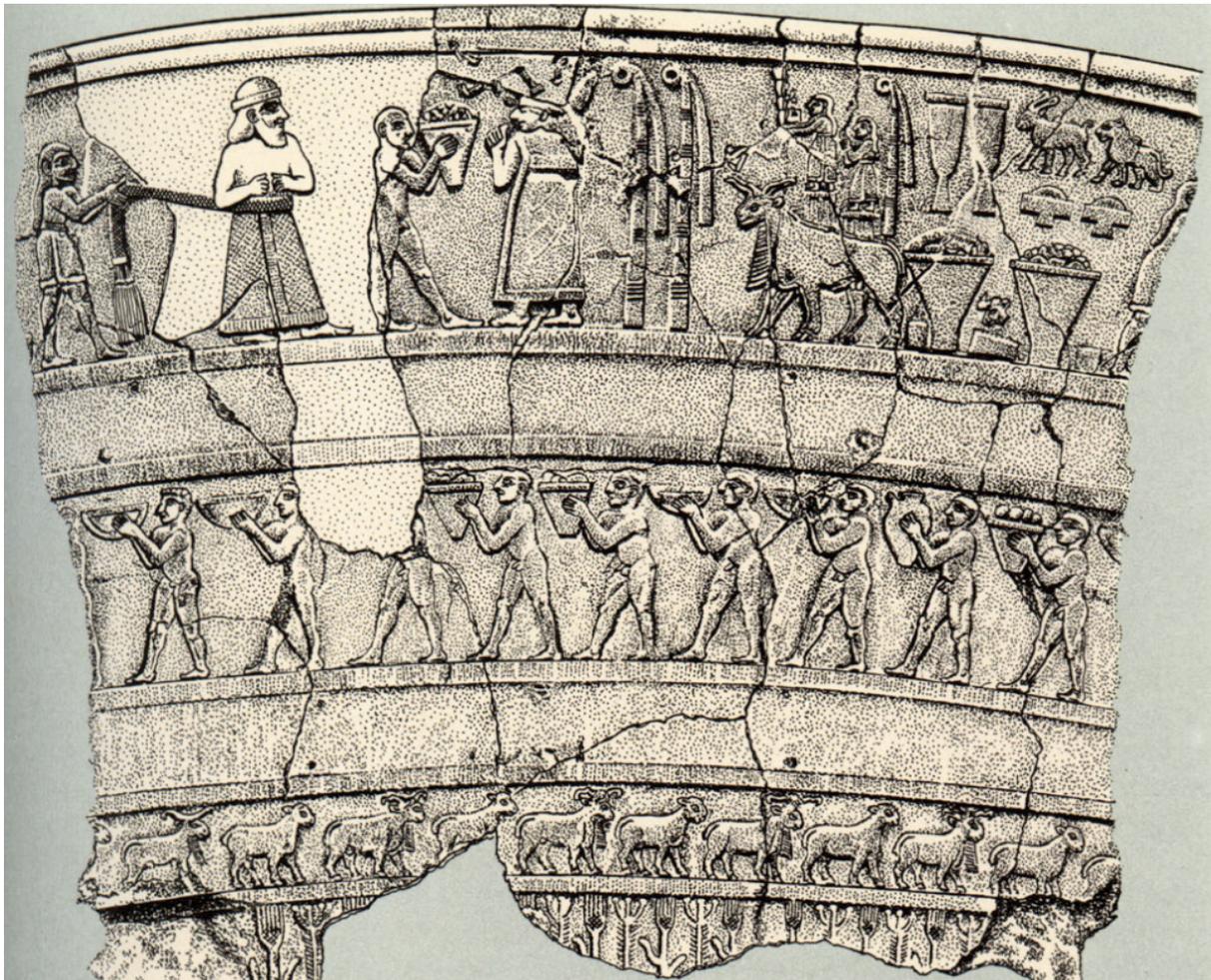
To assert control over the minds of men, specialists were required. In both Sumer and Egypt these were religious officials, and there were many of them. It was their job to convince the populace to give to the gods of the city, the gods' priests, and to defend their city, along with the king (whom the gods had set over the city).

A good example of this is shown in the image below, which is taken from a vase found at Uruk, a major and early Sumerian city. It shows the produce of the land at the bottom; moving upward, it shows a large number of men bringing this produce as sacrifices to their city's temple, then offering it to the god... via the religious officials, of course.

This was the standard model for both Sumer and Egypt, always making the local ruler a very special person to the god or gods, and requiring the populace to support their city and their local officials.

Under this model, the populace could be counted upon to defend their city from outside attacks. That made the king's most serious threat that of a quiet assassination or overthrow. With huge incomes involved (which we will get to momentarily), usurpers were an obvious threat. This is another reason

why kings spent most of their time hidden in well-separated and well-protected palace complexes.



The king could defend against an invading army at very little cost, having a nearly-free army of his own. A small team of usurpers, however, was quite another issue: if they took over with no threat to the populace, they could make some quick deals with the priests and become the “legitimate” rulers with little opposition.

So, the likely costs to the ruler were, measured in incomes:

- 2 - 2 priests, each of whose income was supplemented with offerings and other perks.
- 2 - 3 junior religious officials, also with supplemented incomes.
- 10 - 10 personal guards, who would also perform other duties.
- 6 - 3 ministerial-level officials at double salaries.

Given this 20 income set of costs, the king's profit was:

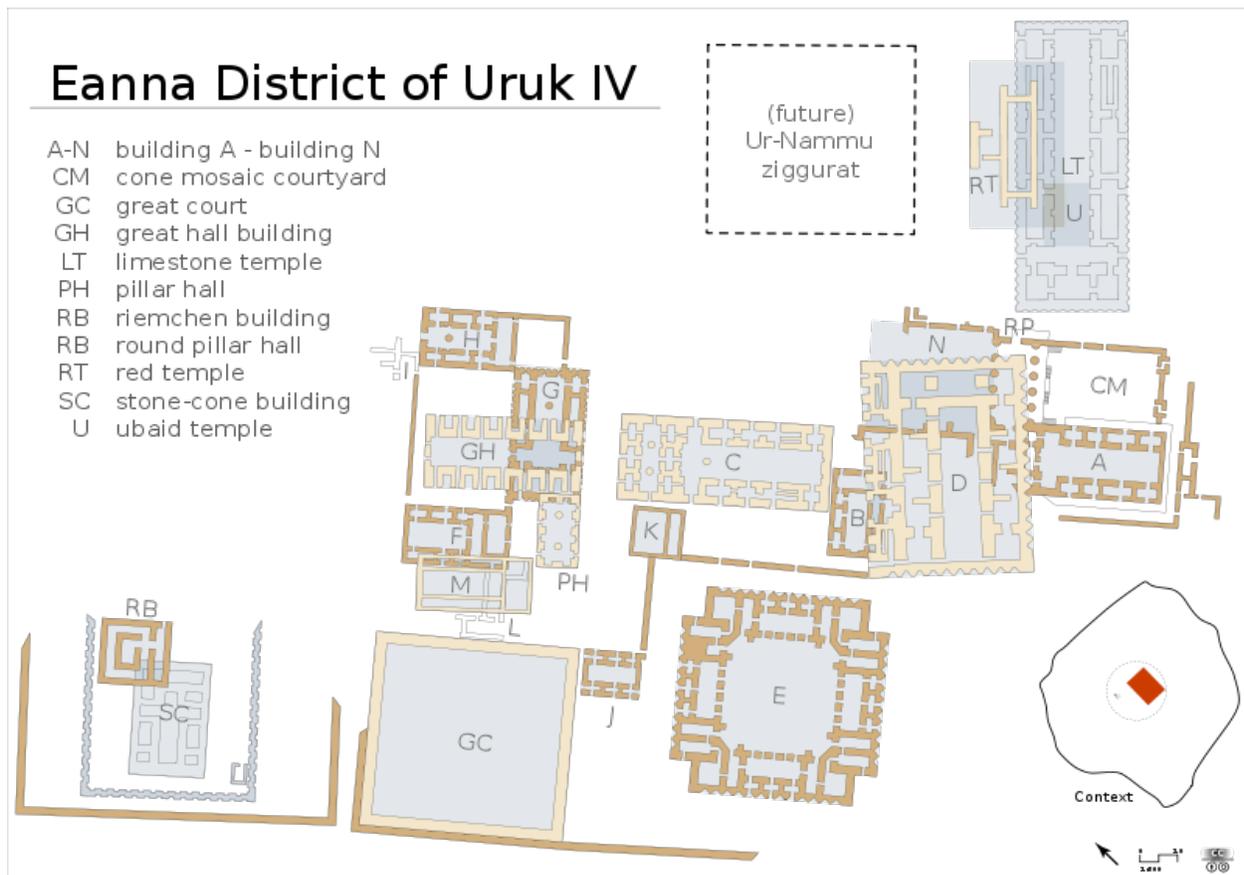
180 - 20 = 160 incomes, per year, plus the asset value of 12 agricultural centers.

Again, we see extreme profitability. The agriculture centers would have to be worth at least 100 incomes each, or 1,200+ incomes for the group, plus the ownership of natural resources such as mines.

From his immense surplus, the king would build finer palaces and monuments (with free *corvée* labor), distribute food and benefits to the populace to keep them happy, and to conduct foreign wars, gaining himself a few more cities as opportunities arose.

Below is a plan of the central Uruk area – the royal district – in about 3400 BC. I think you can see that affording all of this would not be a real problem to a regional ruler.

The kings of Sumer and the Pharaohs of Egypt owned phenomenally profitable businesses.



THE EARLY GREEKS & ROMANS

There were no monuments, no kings, very few famous men, and, at least by our standards, no professional armies. This was not at all what people usually think of as Greece or Rome.

Greece, between 800 and 500 BC, was a collection of perhaps 1,000 widely scattered city-states that had developed a prosperous way of life. The famous men of the time were poets and philosophers, not rulers. There was no central power structure. Citizens had far more allegiance with their own city (their *polis*) than they did with “Greece” (then called *Achaea*).

The Roman Republic began somewhat later, but adopted a very similar model. None of the great Roman structures we think of existed at the time. The Constitution of the Republic was primarily unwritten, being no more than guidelines and principles. It was modified by precedent, not by edict. The whole of their law consisted of twelve placards mounted at the central market. Any disputes were settled within a day.

All of this was long before Athens made itself the queen city of Achaea by forcing the others to pay tribute, and long before Caesars and intrigues and conquests. The early years of Greece and Rome created wealth and knowledge and engineering and progress. Athens and the Emperors merely took them over to generate conquest, fame and eventual ruin.

Early *Classical Civilization* (Greece and Rome) had a unique economic structure. But before we examine it, it is essential to understand that this was an utterly different model of rulership from Egypt, Sumer, and the empires that derived from Sumer; all of which featured centralized rulership. Roma and Achaea featured massively *decentralized* rulership.

In these places, every citizen was a ruler, and there was no central ruler. When joint decisions had to be made, they were made by agreed upon processes, but each citizen still stood alone. When fighting was necessary, a temporary commander was appointed and the citizens showed up, armed, at the appointed place. Once the fighting was done, nearly everyone went back to his home.

From this point on I will default to Rome rather than Greece, but the two were not very different. Here is how their economic system worked:

- Each citizen (property holder) owned a number of slaves, whose work in the field he carefully supervised and very often assisted personally.
- The surplus production of this small group of slaves became the property of the land owner, which allowed capital to be used in other productive endeavors.
- The citizen was absolute ruler over his land, family and slaves. There was no one in any superior position above him. (Friends and relatives might intervene if a citizen became erratic or cruel, but there was no superior position.)
- Citizens were proud of their virtues and expected virtue of all other citizens.
- Every citizen expected every other citizen to personally defend Rome as required.

Let's set up the numbers:

1. We must decide what percentage of a man's work is surplus. In our times, it is nearly 50% We know this because that is the total take of taxation. In the middle ages, serfs gave up about a third of their time and/or produce to the local ruler. Rome's level of surplus was very likely somewhere in-between. So, for our calculations, we'll use 40%
2. Next, we must guess at how many slaves the average citizen held. In the earliest years of the Republic it was very few, sometimes none. As time went on, the numbers rose dramatically. So, we'll use 4, which seems to reflect a condition of some stability; it's a conservative figure.
3. We will remain with average incomes as a standard of measurement. Income would again be primarily in produce (grain, oil, etc.) rather than in currency units.

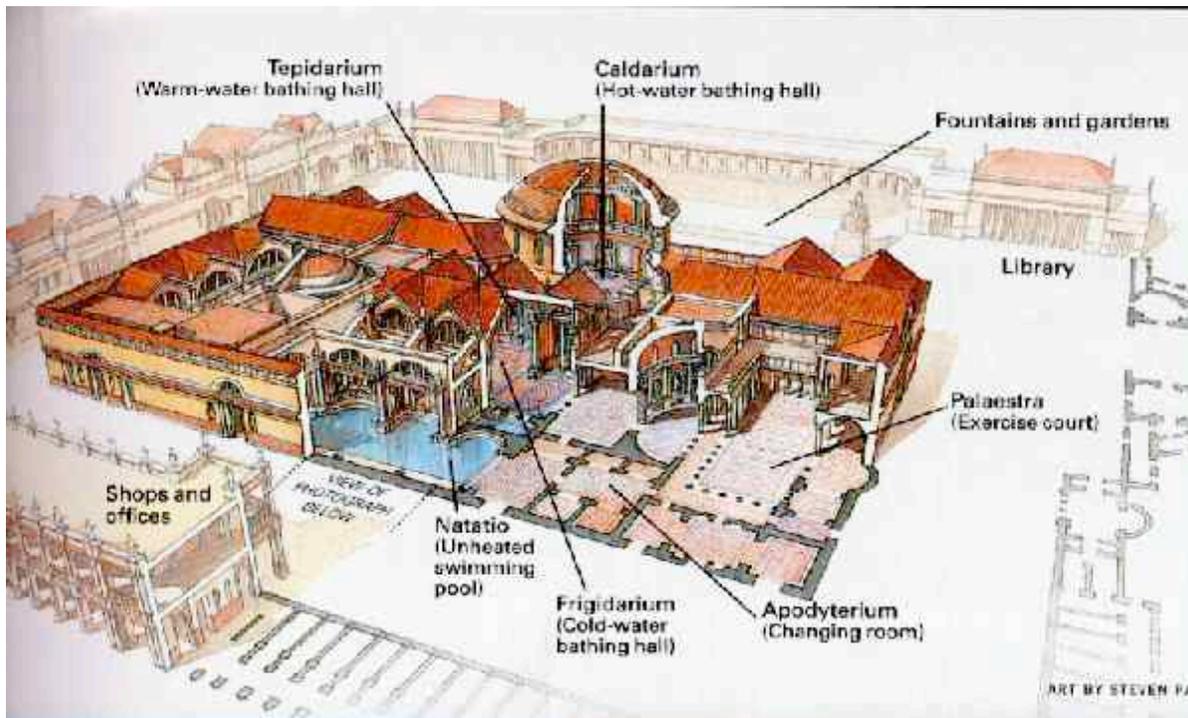
Ignoring the production of other family members (which would certainly be significant), the citizen would gain $4 \times .40 = 1.6$ incomes every year, to be used as investment capital.

Translated into modern terms, the numbers look like this:

- The family keeps all of its self-generated income; enough to enjoy a comfortable middle class lifestyle.
- The father gets an extra \$100,000 or more, *per year*, to invest in the family's future prosperity.
- This is true of *every family* within a few hundred miles.

Multipliers: Keeping all their surplus in their own hands freed Roman citizen from constant necessity and allowed for specialization and innovation. This is how engineering developed, and that was what made Rome special. With time and energy to devote to specialties, clever Romans had time to engineer arches and domes and concrete and roads and aqueducts. Moreover, they became confident in their culture – in their joint abilities to produce technologies and ways of living that had never been matched in history.

You can see, I think, how the Romans became very rich, very quickly. To illustrate, here is a drawing of a Roman bath complex. These were the facilities that really mattered, and there were many of them.



THE ECONOMICS OF THE EMPIRE

Taxation – the skimming of production from producers to a government – was erratic under the Roman Empire, changing frequently at the whim of the Emperor. There were poll taxes, inheritance taxes, wealth taxes, outright confiscations, corruption and abuses, and, of course, property and sales taxes. This being so, it is very hard to run the numbers on the Roman Empire as a business.

We can, however, see the stupendous wealth of Rome's rulers:

- By all accounts, emperors were the largest slave-holders, but one aristocratic woman named Melania owned 50,000 slaves herself. (A 1/5th share of that production would be 10,000 incomes per year.)
- In the late Empire, the average annual income of a ruling family (senatorial class) was 144,000 gold coins called *solidi*. A working man's annual salary at that time was about 7 *solidi*. That means that each ruling family took in 20,570 incomes per year.
- With a population of as many as 88 million, the Empire was administered by only 30,000-

40,000 men (aside from soldiers). That's a bureaucracy of less than one half of one tenth of one percent of the populace. The costs of running the Empire were minimal.

- Everything public was owned by the Emperor: Gold mines, silver mines, aqueducts, the monuments, the temples, the churches, the roads, huge plots of land, and, of course, plunder from foreign wars.
- An accounting of just the city of Rome (the *Notitia Romae*) lists these state assets, among others: 11 large bath houses, 856 small bath houses, 15 fountains, 19 aqueducts, 10 secular basilicas, 29 libraries, 45 major temples, 23 equestrian statues, 80 gold statues, 84 ivory statues, 3,785 other statues, 6 obelisks, 36 marble arches, the Circus Maximus (which seated more than 250,000!), 2 large and 4 small amphitheaters, 3 theaters and 5 large parks.
- Just to keep things running smoothly, Julius Caesar gave free grain to 320,000 people in the city of Rome; not once, but continually. (Subsequent emperors did this as well.)
- In just one set of games (and there were many), the emperor Justinian spent 4,000 pounds of gold.

So, there can be no question that running the Roman Empire was stupendously profitable, but we really can't put accurate numbers to the operation. (Or at least I can't at present.)

MEDIEVAL & MODERN

We won't have space to cover either medieval rulership or modern rulership in this issue, so they will have to wait for some other time.

At a minimum, I think we have established that rulership is an immensely profitable undertaking, more so than any other business by orders of magnitude.

WHAT DOES THE RULER WANT?

We've been running profit and loss calculations on government through this issue, but it is important to understand that the desires of rulers go beyond mere income.

First of all, rulers tend to care far less about money than do the rest of us; what they do care about is control. They want to control resources, which can easily produce money as required. Another thing rulers want is status. Those things are more than enough to get them what they want.

For example, the tyrants of the USSR didn't need money. They could get it if they wanted, but by controlling the produce of a continent and having status equal to kings, they didn't need money. Only when the USSR failed were they forced to use money to get what they wanted.

The one thing that did not change during all the versions of rulership is the need for dominance and power. There is a biological component in this, as humans experience higher levels of pleasurable hormones (like serotonin) when in positions of power. But far more important is the psychological component: people who actively seek power are psychologically different from well-adjusted people. That is why they crave power. They want to dominate others and for all others to acknowledge them as dominant. And after they obtain power, the condition only gets worse.

There is reason to believe that rulers are far more commonly sociopathic (lacking in empathy) than the rest of the population, but that is an area of inquiry that will have to wait for some other time.

One interesting illustration of 'what rulers want' comes from Greece:

In 483 BC the Athenians had strained relations with the Persians, but had not done much about it. Then, the lead mines at Sounion suddenly revealed a fabulous seam of silver. Immediately, the leaders of Athens built a fleet and defeated the Persians at Salamis. They went on to set themselves up as rulers over all Achaea.

This story illustrates both the importance of resources to rulers (in this case a mine) and the perpetual desire to extend their dominance.

PROVING OUR WORK

As I said at the beginning, this is, as best I know, virgin territory. So, while I have reason to think that these findings are close to accurate, a bit of proving would be nice. And as it happens, we can do precisely that.

Proof of the wild profitability of government lies in the immense outlays of governments, especially as tributes. The records of these payments are not particularly easy to find, but I'll give you some examples below, and I think you'll agree that the amounts are spectacular.

So, the proof to our findings lies in government spending:

*Governments paid these stupefying amounts because **they could** – government is **that** profitable.*

Here are a few examples of tributes that were paid:

- After a Hun victory at Chersonesus, the Roman Emperor Theodosius paid 6,000 pounds of gold, followed by an annual tribute of 2,100 pounds of gold. Previously, the annual tribute to the Huns had ranged from 350 to 700 pounds of gold.
- These are the annual tributes paid to King Darius I of Persia by his regional rulers: From Babylon, 1,000 talents of silver (70,000 pounds or so) and four months of food for the army. From India he got a very large amount of gold dust and 4,680 talents of silver, partly payable as commodities. Egypt was forced to give 120,000 measures of grain plus 700 talents of silver.
- In 991 AD the English rulers paid Viking raiders 10,000 Roman pounds (3,300 kg) of silver to leave. In 994, the Danes laid siege to London and were bought off with a “huge amount” of silver. Another payment was made in 1002. In 1007 the English purchased two years of peace for 36,000 troy pounds (13,400 kg) of silver. In 1012 the Danes were bought off with another 48,000 troy pounds (17,900 kg) of silver. In 1018 the English paid 82,500 troy pounds (30,800 kg) of silver.
- When the Visigoths threatened Rome in 408 AD, they were paid to go away. Rome's rulers gave them 5,000 pounds of gold, 30,000 pounds of silver, 3,000 skins dyed purple, 4,000 silk robes and 3,000 pounds of pepper.
- After an unsuccessful war, the Emperor Justinian gave the Persians territory (the tax rights to those areas) and 11,000 pounds of gold.

In addition to these examples of tribute, the Roman examples of ruling wealth we noted previously showed the same thing. Here are a few others:

- In 401 BC, prince Cyrus the Younger was able to hire 10,000 greek mercenaries to grab the kingship of Persia. (He failed.) That a 20 year old regional ruler was able to spend 10,000

incomes (probably more like 20,000 incomes, plus war materials) indicates massive wealth. And why did he spend it? So he could gain much greater income and status by becoming the central ruler.

- In 279 BC, Ptolemy II of Alexandria ran an astonishing Iso-Olympic games, at a cost of “2,239 talents.” The definition of *talent* varied a bit throughout ancient history, but it seems that Ptolemy spent at least the equivalent of 100 million dollars (probably more), as measured in today's money. And this on one event in one city.

These amounts are so large that they can seem unreal, but if you consider that these payments were first gathered from thousands or millions of farmers (and other producers), they become far easier to understand. The king's *business* was to gather a large share of the production of thousands upon thousands of working people.

The ruler cultivated and reaped his subjects, like a farmer cultivates and reaps his crops. The ruler's 'fields' were millions of productive people who had been trained to willingly hand over their goods.

I think it is fair to say that this study, rough though it may be, has shown that rulership (that is, the 'farming' of rigidly grouped humans) is – *by far* – the single most profitable financial activity on Earth.

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See you next month.

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