

of hunting, gathering, and storage would at this evolutionary stage determine the rhythms of expeditions of nutrition procurement and of idleness or leisure, as well as the capacity of a horde, tribe, or settlement to survive.

### Impact of the neolithic

People have been drawn together in small settlements since the Neolithic revolution; gatherers became farmers, and hunters became cattle breeders etc. As food was now being grown or pastured, its arrival could be more reliably planned for. More importantly, compared to itinerant hordes, nutrition production grew in quantity and quality thanks to technical improvements and to the division of labor. Craftsmanship developed and discoveries, innovations, and inventions were made, if terribly slowly compared to the speed they acquired since the 18th century. Nutrition production also became less dependent on individual success when making a kill or finding plants. As prey were domesticated, bred, raised, and slaughtered and plants were seeded, cultivated and harvested, nutrition production became, yet, more dependent on the rhythms resulting from the inclination of the earth axis, i.e., seasons, and from the different stages of animal life. Farmers must normally work on their fields and with their domesticated animals throughout the whole year, but what they are doing – preparing and fertilizing the soil, building and repairing irrigation systems, seeding, fighting against pests and vermin, harvesting, and further processing grains or vegetables – is seasonal or determined by stages of animal growth, accidental weather or natural catastrophes.

## Section 2. Primitive society and civilization

### The small step from exchange to capitalism

Societies did not remain consigned to small villages of families and tribes after the Neolithic Age. Larger towns and cities evolved at many places, e.g., the bronze-age Egyptian Civilization around the Nile River, the Harappa Civilization (or IVC, Indus Valley Civilization), and the Mesopotamia civilization in the Tigris-Euphrates-river-system, each around the third and second millennium BC. The Greek, Roman, or Chinese civilizations were born somewhat thereafter. Roughly in parallel, private ownership of the means of production, and of land in particular, was established, and exchange, money, profit economies, the state, law, philosophy, and monotheistic religions surfaced.

In particular, the economic system took off and quickly transmuted into ancient capitalism. We have defined the economic system not by a purpose or a physical result – goods procurement – but by a certain *mode of operation*, negatively in terms of

the absence of violence, and positively by exchange and the use of money. The use of money arose shortly after exchange, or with it, and there is, in fact, not much difference between these two moments. Exchange may have, to some extent, emerged “bottom up”, even though markets probably did not commonly have the innocent background of proverbial “village markets”. As long as village life, family, and tribal structures remained intact, the exchange of values-in-exchanges probably played no big role, and when markets came into play, they probably did not naturally grow out of village life but were superimposed following severe *disturbances* of locally integrated communities, e.g., to sustain mass armies, often by force. Alternatively, markets came up with long-distance luxury trade that served the early Neolithic elites. Long- and medium-distance trade in basic goods developed only thereafter, e.g., from south of the Yangtse to the changing Chinese capitals in the North near the Yellow River (Huanghe) via inland canals, mostly with rice,<sup>2</sup> or from the 15th century onwards via the Baltic Sea with wood, grains and wine in the European Hanseatic League.<sup>3</sup>

What could not be procured directly from nature, or via traditional kinship or tribal bonds or by way of violence, could, thus, be obtained by instigating the consent of suppliers by offering other goods.<sup>4</sup> This practice somehow became more and more frequent and the “market” became a metaphor, first for the expectation of a recurring local gathering of possible exchange partners, and then for the reachability of exchange partners via long distance communication and transport. Thus, from the perspective of goods procurement, e.g., the feeding of a community, the “market”, or rather the economic system, could assume the functions of either nature or of store houses. If I did not find what I needed to feed my community members in nearby gardens of nature and if I had not taken care of filling up my storehouses in due time, or if my surplus then had been insufficient, what could bail me out? Somebody ought to bring the needed goods to me... Yet, as *Peter J. Golas* reasons with a view to

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- 2 The Grand Canal whose origins date back to the 5<sup>th</sup> century BC with a final length of around 1.800 kilometers, which ultimately connected Hangzhou with Beijing or other Chinese capitals, stands out as the longest and most important one. During the Sung dynasty China had internal waterways of 50.000 kilometers in the aggregate (see *Vogelsang* (2013) page 238 et seq., 299 et seqs. and *Gernet* (1972 tome I) page 303 et seqs.
  - 3 *Kennedy* (1987) page 51, 65. *Polanyi* (1944) page 66 sees internal trade as being “created by the intervention of the state”. “Right up to the time of the Commercial Revolution, what may appear to us as national trade was not national but municipal. The Hanse were not German merchants; they were a corporation of trading oligarchs... Far from “nationalizing” German economic life, the Hanse deliberately cut off the hinterland from trade” (page 66). *Polanyi* concludes: “Neither long distance trade nor local trade was the parent of the internal trade of modern times” (page 67).
  - 4 *Boisguilbert* has already stated that “each member of the productive class only buys someone else’s commodity under the implicit assumption that someone else, directly or indirectly, buys the commodity he sells.” (*Faccarello* (2016) page 11).

the Chinese Sung dynasty: “Agricultural societies, even when relatively prosperous, inevitably have large numbers of people living near the subsistence level. Famine is therefore an ever-present thread. The problem is compounded by slow and erratic, transport systems, that impede distribution of goods from areas of plenty to areas of shortage.”<sup>5</sup> Other issues are no less important. First, there may simply not be enough areas of plenty and such areas may not have enough of the specifically needed nutritional inputs to give them away... Second, if they do have some excess goods, what should motivate them to transfer them to somebody else and put themselves at risk? Here the economic system can come in to play. It offers a strong generalized motive to render help to those in need, money payments. The problem is, however, that the motive to procure goods and transport goods will only arise if *proper* money payments will be made. Worse, the economic system not only requires money payment as condition sine qua non to provide its helping hand, but it will sometimes even itself become a part of the problem by creating “artificial scarcity” through, as *Golas* puts it “refined commercial practices, including speculation and market manipulation...”. The economic system relieves from finding the necessities when they are needed and from storing them, but not from having money or something else for exchange.

Once the economic system had been established, the following sequence unfolded almost automatically and did so rather quickly:

pre-economic goods procurement in primitive society (1)

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exchange economy (2)

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money economy (3)<sup>6</sup>

↓

profit economy (4)

↓

capitalism (5)

↓

... and its prosthetics (6).

Stages 2 to 4 may occur almost simultaneously; stage 5 may follow along, more or less quickly. With a view to the transition from a money economy to a profit economy, (2, 3) to (4), it is useful to consider the economic system as a “host system” earmarked by

5 *Golas*, The Sung fiscal administration, p. 204.

6 In *Luhmann* (1998) page 14, while in all social formations “...one has to agree on access to scarce goods,...the differentiation of a special functional system is only brought about by money as a medium of communication”.

exchange and money, and the drive for profit or the dynamic of capital as its “guest system”, which operates within the wider general economic system. The guest system relate to the first host system as a storm system relates to the atmosphere, an infectious disease to a population, or an ideology to a wider discourse. One can also say that it is like going hunting in a forest or like playing a soccer match on a playing field. Sure, there are markets, just as there is exchange, but they are only the playing field. The name of the game being played, however, is “profit economy” or “capitalism”. Talking about a “market economy” is, accordingly, a bit like talking about “stadium sports”. While this separates them from sailing, golf, mountaineering, and the Tour de France etc., it does not say anything about the game actually being played (javelin throwing, soccer, female pole-jumping, or boxing). Economic theory must, yet, name the game played, which includes the purposes of the exchanges and the systemic connections between them. This already explains why we generally prefer to speak about “capitalism”, and not about a “market economy”.

A profit economy and capitalism emerge, as we saw in the elementary economics of profit economies, in the economic system as soon as humans make a specific use of exchanges by not entering them to procure values-in-use for their consumption, but to turn money into more money. In so doing, they discover and use the internally available option of money – to generate exchange profit via  $M-C-M'$ -circuits. While the economic system as such takes regional control over goods procurement,  $M-C-M'$  (as guest-system) wrest control from the economic system. The guest-system's players become aware that they have the most powerful interest in the propagation of the economic system and give it a massive boost, extending it in space and into the depths of society. The growth of the money economy, as the host-system, is pushed not only by the interest to facilitate commodity exchange in  $C-M-C'$ -circuits, but also by the guest-system, to gain ground so that it can unfold additional  $M-C-M'$ -circuits.

Even if to the extent the economic system develops in a “bottom up” way, states will normally crucially support it. There are two sides of this: the more a domestic area is pacified, a monopoly of physical force is erected and laws and courts begin to operate; as we have seen, present values of future values-in-use increase. States, or even proto-states, are greatly interested in this process, in order to increase their territory's well-being, military power, and their tax revenue. However, the social classes represented by states also have a direct personal interest in evolving the economic system as they most immediately stand to profit from more and more voluminous  $M-C-M'$ -circuits.

## Host system and guest system

What the guest-system seeks in the host-system is “profit” – and therefore, “profit economy” is the first plausible name for the host-system when it gets dominated

by the guest system. “Profit” places the emphasis on the special motive or purpose of economic behavior ( $M-C-M'$  instead of  $C-M-C'$ ) and the logic behind it. As we have seen, this creates asymmetry of the roles involved in the exchanges. The pursuit of this motive and the logic of profiteering will soon bear fruit and will lead to a significant enrichment and capital formation in favor of the  $M-C-M'$ -players. The emphasis now shifts from some self-selecting themselves to be  $M-C-M'$ -players (the “trade heroes”) to its result, the accumulation of ownership of means for playing  $M-C-M'$  in one class; this, from thereon, justifies the term “capitalism”. It is insofar correct to even already apply this term to economic systems that have existed as early as in Greek, Roman, and Chinese antiquity. Making a “profit”, and the possession of “capital”, do not require that those who work enter into free contracts; accordingly, the term “capitalism” is proper irrespective of whether or not the immediate producers are slaves (personally dependent unfree peasants), “twofold free” workers, or any mix of the above. Making a “profit” is also independent of the tremendously lower development of productive forces in antiquity.

Like there are only small nuances between an exchange and a money economy, and between a money economy and a profit economy, there is hardly a palpable difference between profit economies and capitalism. The more we become aware that ancient Greece, Rome, or China were profit economies or ancient capitalist economies, the less we will be surprised that the re-discovery of Roman law as the law of a “slaveholder-society”, in Bologna in the 11th and 12th centuries, prepared the Renaissance and modern capitalism in Europe. We also need no longer be amazed by the relevance of Greek state theory (of another “slaveholder-society”) today, even including in mass-democratic societies. If today’s capitalism is not so remote from ancient capitalism, then this off course challenges the Marxist evolutionary scheme primitive society – slavery – feudalism – capitalism (and then socialism – communism). If we had capitalism already in ancient Greece, Rome, and China, and we still have it now, then the crucial historic “jump” or the great evolutionary and historic rupture must have happened much earlier. It happened precisely between primitive society and ancient profit economies or ancient capitalism, i.e., between primitive society and civilization.<sup>7</sup>

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7 The Marxist evolutionary scheme is primitive society – slavery – feudalism – capitalism (and then, some hope, socialism – communism). It is ultimately based on the theory of labor value and exploitation as the three first production methods are distinguished by different “methods” or “forms” of exploitation (in slavery, exploitation takes place via ownership of the laborer, in feudalism via feudal bonds, and in capitalism via employment of free workers). The scheme was always misleading. E.g., Greek or Roman slavery could be well combined with otherwise capitalist forms. By massively using slave labor in the 16<sup>th</sup> to 19<sup>th</sup> centuries (slaves were used in Cuba until the end of the 19<sup>th</sup> century), Spain did also not regress into a “slave-holder society” and it would be beside the point to view the US, even if it maintained

## A new view of the Middle Ages

Once we begin rewriting evolution and history around the two essential poles of primitive society and civilization, we open up the possibility to see the primitive society – slavery – feudalism – capitalism – sequence in a new light. Social anthropology has consistently taught that the antagonism between the profit economy and families, tribes, and the order of custom was most aggressive first in the “Axial Age” and, second, since the 15th century. In contradistinction, much social anthropology has portrayed the feudal Middle Ages, which are generally disparaged as being “dark”, full of superstition, and cruelty, much *like an extended rest for the lower classes* between two tougher evils. Feudal societies not only had one hundred to one hundred and fifty holidays per year (of course, peasants had to do what it took on the fields in order to bring in a proper harvest, and often that was not enough) but peasants, in fact, appear to have often been better off than before or after the Middle Ages. Equally, the dynamics of the profit economy and of ancient capitalism – or of the debt, which David Graeber puts in the center of his book “Debt” – were partially set out of operation or greatly moderated by ideological, mostly religious, anti-capitalist movements. Catholicism, Buddhism, and Islam, which dominated the world at that time, *all* had very strong anti-usury and anti-debt contents that protected the peasantry from the destiny of their predecessors in antiquity.<sup>8</sup> Furthermore, there

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slavery until the end of the civil war in its South, as having been a “slaveholder-society” until then.

- 8 *Luhmann* (1991) page 69 views the collapse of socialism in the early nineties of last century as a failure of a large-scale experiment of an ethical control of the economy. Quite surprisingly (or unsurprisingly), soviet style socialisms would then move closer to the Middle Ages as its predecessor-experiment of reducing the power of M–C–M' in favor of C–M–C', ethics and religion. On centrally planned and administered economies, see also *Luhmann* (1988) page 106 et seq. *Kornai* (1992) supplied an economic analysis of Luhmann's “large-scale experiment of an ethical control of the economy”. He, in particular, juxtaposed the methods of “coordination” within a socialist economy to the methods of a market economy. Socialism, he finds, is only a “semi-monetized economy” (page 131), which, although it possesses a quasi “monobank” (page 132), is largely “centrally managed” (he prefers “centrally managed” to “centrally planned” because of ongoing interference, page 117) by bureaucratic coordination. The process begins with a policy decision on what output is desirable in the planning period and the nearly megalomaniacal effort to draw a mental picture of how technological development, resources, investment, labour, intermediary output, monetary matters and foreign trade should integrate into this picture. But direct bureaucratic control could only work if perfect information on the past and precise predictions of the future were available, commands were faultless and carried out with impeccable accuracy (page 118). Resources are nevertheless directed accordingly, leading to persistent “vertical negotiations” between the central planning committee and ministries, within ministries, between ministries and firms and between different firms (page 122), in which the lower levels typically demand higher inputs and lower output targets. The “vertical negotiations” are accompanied by a

were strong institutions that shared an anti-M–C–M'-bias, e.g., churches, convents, and universities. The feudal structures, through which feudal lords appropriated surpluses of the work of dependent peasants,<sup>9</sup> often, indeed, involved a seriously meant personal bond; this was very different from the relationship between masters and slaves in slavery or between capitalists and workers in capitalism. It accentuated the self-interest that feudal lords had in a certain well-being of “their” dependent peasants.<sup>10</sup>

Of course, religions, which had all emerged as anti-debt-movements in the “Axial Age”, not only massively suppressed the development of money and profit economies, but they also depressed scientific, technological, and societal progress.<sup>11</sup> Stagnation reigned throughout the Middle Ages. This only changed when dynamical capitalism re-emerged alongside the Renaissance and Reformation. After all, it can be argued that it was not in the allegedly “dark” European Middle Ages that peasants suffered the most, but before the Middle Ages or afterwards, e.g., when large peasants’ upheavals and peasants’ wars, such as the great German peasants’ wars, took place between 1524–1526, when an estimated 70,000 were killed. (This number of dead will appear ridiculously low compared to the millions of dead in Chinese peasant rebellions and wars, which we shall encounter later).

### Section 3. The master drama of ancient capitalism: Land for peasants

#### Agriculture and small peasants’ land ownership

Today’s intellectuals tend to underestimate agriculture, but agriculture, and land, meant everything for more than 90 % of human history for almost 100 % of the peo-

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systematic distortion of the upward flow of information (page 123) and lead to the already mentioned permanent central interference, which renders prices rather irrelevant. E.g., if socialist states wish to enable consumer prices below costs, they subsidize them by a “negative turn-over tax.” (page 136). Kornai’s results are largely sober and well-balanced. Many planning officials of the former GDR and managers of people owned businesses, to whom the author could talk to when he worked for the German privatization agency the early 1990ties, would likely have shared Kornai’s views.

- 9 This expression does not imply a Marxian exploitation concept. The appropriated surplus is the difference of the value-in-exchange is attributed by markets and the costs.
- 10 Sometimes the case is made that the economics of slave economies convey stronger motives to take care of slaves than for capitalists to take care of free workers. However, ongoing supply of “fresh” slaves worked in the opposite direction.
- 11 Quite interestingly, *Graeber* explains patriarchalism, including prohibiting women and daughters from leaving the house and their wearing of veils, as an attempt to protect them against being enslaved and prostituted if the family’s father should become overindebted. (*Graeber* (2011) page 182 et seq.)