

## Formation of Economic Views in the Ancient Era

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**ABSTRACT.** Interesting examples of economic thinking are known since the ancient epoch. Certain elements of economic thinking were formed in Egypt and Babylon for centuries, which laid the foundation to the system of economic science. The researches show that one of the oldest economic "monuments" is the Teaching for King Merykara - the instructions of the King of Heracleopolis to his son Merykara created in Egypt, which focuses on the state's economic functions, lease relationships, tax reforms, etc. The Laws of Eshnunna established: the rules of slavery-owning and trade; the amount of the labor payment and fines; the shipping tariffs; various debt obligations, etc. The Hammurabi's Code of Laws established: the land use liabilities, the land renting and the rent amount, the tax exemption during natural disaster, the form of labor payment, the permit of trade, the 20% interest rate on the loan, etc. However, the progress of the ancient countries in economic thinking does not mean that they are the leaders in the development of current economy. In modern age, practice shows that the rich resources of a country do not provide its well-being. For example, Egypt and Iraq, which are rich in natural resources, became the arena of acute international conflicts for their rich resources. Those countries are far behind the average GDP per capita in the world and in Europe. © 2018 Bull. Georg. Natl. Acad. Sci.

**Key words:** Egypt, Babylon, state economic functions, land lease, interest rate

The first examples of economic thinking are found in the countries originating on the territories of the Tigris-Euphrates Basin (about 4,000 years ago) and in Egypt (3,000 years ago) [1-8]. One of the oldest economic "monuments" is "the Teaching for King Merykara, the instructions of the King of Heracleopolis to his son Merykara created in Egypt approximately in the 22<sup>nd</sup> century BC [9]. Some of its fragments are kept in Cairo (French Institute of Oriental Archeology), Copenhagen University and Russia (State Hermitage, Saint-Petersburg; Institute of Fine Arts, Moscow).

According to that instructions, [9] it was essential for the ruler thoroughly to know the ruling of the country. Special attention was to be paid to: efficient functioning of the state; material incentives of the warriors and officials - awarding them with land; personal skills rather than the origin; protection of the state borders; creation of bread supply, etc. The priority was given to the economic functions of the state; effective land management, necessity of economic structures in the court; protection of the property of the rich, protection of the hereditary property, employment

of young people, increase of wealth of certain people etc.

**The Code of Ur-Nammu** [10]. Sumerian civilization is the oldest in Mesopotamia (6<sup>th</sup> and 3<sup>rd</sup> centuries BC). Ur-Nammu (from the Third Dynasty of Ur), who reigned in 2112-2094 BC, was Sumerian, who created the Sumerian Irrigation, Sumerian writing, etc. After Ur-Nammu, his son Shulgi became the king.

The Code of Ur-Nammu is written in Sumerian language approximately in 2100-2050 BC (kept in the Istanbul Archaeological Museum) [10]. The Code was discovered during the Archaeological Expedition of the University of Pennsylvania in 1899-1900. In the introductory part of the Code, the activity of Ur-Nammu is described in a positive way. His reforms with respect to agricultural leases and the leaseholder liabilities (Article 39-45), labor agreement and labor payment (Article 55-77), contracts for money and bread lending (Article 72-75), terms of selling and renting (83-87), military and tax reforms, etc. are approved [10].

**The Laws of Eshnunna, Iraq.** The Laws of Eshnunna (20-19<sup>th</sup> cc BC) also called the Laws of the King Bilalama (the King of Eshnunna in the first half of the 20<sup>th</sup> c. BC) [11] was discovered in Iraq during archaeological excavations in 1945-47. It is written in ancient Babylonian Akkadian language. The Laws of Eshnunna consists of 61 articles and is kept in Baghdad museum. The Laws of Eshnunna [11] established the rules of slave-owning and trade relations. Silver was established as a means of payment for goods and services (Article 1) and the amount of labor payment and fines (Article 5-11) were defined. According to the Laws of Eshnunna, the slaves were prohibited from participation in the trade and their juvenile children from borrowing, the shipping tariffs were defined (Article 3,4) and the loan obligations (Article 19-24), double payment for stealing the slaves of others (Article 49), cash compensation for physical damage (Article 42-48), death penalty for severe offense (Article 58) etc. were established.

**The Code of Hammurabi, Babylon** [12]. Babylon ("Gate of God") was the capital of Mesopotamia (region between Tigris and Euphrates), the ruins of which remained in Iraq up to now. It was founded at the beginning of the third millennium B.C. Historical sources tell us that in the 23<sup>rd</sup> century Babylon became a holy city. The Code of Hammurabi (discovered in Susa in 1901 by the French Archaeological Expedition) or the laws of the King of Babylon (1792-1750 BC) is the acme of the old Eastern economic thinking. The Code of Laws is a kind of response to the inconsistency of the slave-owning system. It consists of the introduction, the main part (282 Articles) and the conclusion. The prologue and the epilogue are written in archaic literary language, while the laws themselves are written in a businesslike style [1-2].

Under the order of Hammurabi, the Code [12] was carved out on the stone stele to be kept unchanged. The Code approves the perpetuity of private property, justifies slavery and regards slaves as the property of the slave owners. The Code is divided into the following sections: 1) Basic principles of law (§§ 1-5); 2) Protection of the property of the king, temples, community and free people (§§6-25); 3) Norms of the state property (§§ 26-41); 4) Real-estate operations (§§ 42-87); 5) Trade operations (§§ 88-126); 6) Family and heritage law (§§127-134); 7) Physical damage (§§ 195-214); 8) Operations related to movable property and its rent (paragraphs 215-282).

According to the Code of Hammurabi [12]:

-If a man has accused another of murder, but has not proved it, he shall be put to death (Article 1);

-If a man accuses another and proves that the accuser shall be awarded money; if later the decision of the judge is found wrong, then he shall pay twelvefold the penalty, and he shall be expelled from his judgment-seat (Article 5);

-Death penalty is provided for a runaway slave. If anyone harbored in his house a slave from the palace or a patrician's and has not caused the

**Table. Some economic indicators of Egypt and Iraq in 2016**

Country	GDP (current US\$)	Population, total	GDP per capita (current US\$)
Egypt, Arab. Rep., Iraq	332.8 Bill.	95.7 mln.	3 478 \$
	171.5 Bill.	37,2 mln	4 610\$

According to: <https://data.worldbank.org>.

fugitive to leave on the demand of the owner, that householder shall be put to death (Article 16);

-If a man has caught a runaway slave in the open field and has brought him back to his owner, the owner of the slave shall give him two shekels of silver (Article 17);

-If a man has committed robbery and has been caught that man shall be put to death (Article 22);

-If anyone take over a garden for cultivation and obtain good harvest for four years, in the fifth year he will be employed in gardening. But if the gardener does not do the job well, then he shall be imposed compensation for the loss (Article 42);

-Failing to meet the debt obligations is one of the sources of slavery, but only for three years; (Article 117);

The Code protects big landowners. Apparently, in those days the lands were divided as follows: some were in the hands of the King, some were given to the outsource farmers for mandatory work, and some were given to the soldiers being in the King's service. The latter is particularly emphasized in the Code. The creditor could not take possession of the land up to 6 - 15 ha given to soldiers. That land could not be the object of trade either. According to the Code, if the soldier was captured in a war and he had nothing, the temple of his community or the court would pay for him. His lands could be inherited to his son if he joined the army. But if his son was still young, then his mother would take the obligations of her husband. Under the Code the King's servants could buy the lands [1-2].

The Code of Hammurabi approves the way of the land renting and defines the rent amount as 2/3 of the harvest (Article 64). But if the harvest fell off through the gardener's fault, he would still pay the estimated rent to secure the steady income for the

landowner (Article 65). According to Article 48 of the Code the debtor did not need to pay any rent if the harvest fell off due to natural disaster (draught, flood, storm, etc.) [1-2; 12].

In natural environment of Mesopotamia, the land could produce no harvest without irrigation. The owner of water and irrigation system was the king, and the community had to pay tax for water use. Besides, the community had to take part in the construction of irrigation system and irrigation facilities, i.e., they had bilateral liabilities to the community and the king. The Code of Hammurabi reflects the peculiar character of the ancient Babylonian epoch [1].

According to the Code of Hammurabi the hired labor was permissible, and the norms of labor payment were estimated. At the time, 6-7 shekels of silver annually paid to hired labor was increased up to 10-11 shekels of silver (the number of working days was about 20 days a month). [1-2]. The Code considered the trade (including slave trade) to be normal. The Babylon market was one of the important centers of trade at the time, where mainly silver was used as a means of payment. Also, the Code estimated the 20% interest rate on loan etc. [1].

According to the Code of Hammurabi selling slaves in return for debt was admissible. Anyone striking the body of a man higher in rank than he, would receive 60 blows with a rod in public and a man striking the body of another man equal in rank, would pay one golden mina, but if a man struck the body of another man lower in rank, then the victim would do the same to him. If a builder built a house for someone but he did not construct it properly and the house fell in, the builder would be put to death, and if that killed the son of the owner, the son of the builder would be put to death; if anyone broke into the house to steal, he

would be put to death and be buried in the wall of the house; if a child struck the body of his mother, his hands would be cut off etc. [1-2; 12].

Overall, the Code of Hammurabi shows the well-developed relationships in slave-owning system, clearly differentiated human rights, development of commodity and money relations and the principles of such issues as the property, rent, loan and interest rates, hired labor, the forms of labor compensation, money, taxes, etc., which are so important for development of economic science and economic doctrines.

However, the progress of the ancient countries in economic thinking does not provide them a leading role in the development of modern economy. The modern practice shows that the rich resources of a country do not mean its growing well-being [13-23]. For example, Egypt and Iraq, which are rich in natural resources became the subject of acute international conflicts because of their rich resources. A lot of people were killed in the conflicts and an unprecedented number of people immigrated. The income of the locally

employed people is very small. According to the World Bank data, those countries are far behind the average GDP per capita in the world and in Europe (Table 1) etc.

Thus, one of the oldest economic "monuments", the instructions of the King of Heracleopolis to his son Merikare - Teaching for King Merikare - created in Egypt is focused on the state's economic functions, leasing, tax reforms, etc. The Laws of Eshnunna established: the rules of slavery and trade; the amount of labor payment and fines; shipping tariffs, various loan liabilities etc. The Code of Hammurabi established the rules of land use liabilities, land renting and the amount of the land rent, tax exemption during natural disaster, the forms of labor payment, trade permit, the 20% interest rate on loan etc. However, the progress of the ancient countries in economic thinking does mean that they are the leaders in modern economy. As it was mentioned above, although Egypt and Iraq are rich in resources, they are far behind the average GDP per capita in the world and in Europe.

## ეკონომიკა

## ეკონომიკურ შეხედულებათა ფორმირება უძველეს ეპოქაში

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ეკონომიკური აზროვნების საინტერესო ნიმუშებს უკვე ვხვდებით უძველეს ეპოქაში - ეგვიპტეში, ბაბილონში. საუკუნეების განმავლობაში ყალიბდებოდა ეკონომიკური აზროვნების ცალკეული ელემენტები, რომელიც მომავალში ეკონომიკური მეცნიერების სისტემის შექმნით დაგვირგვინდა. კვლევის შედეგად მიღებული დასკვნის მიხედვით დღემდე მოღწეულ ეკონომიკურ „ძეგლებს“ შორის ერთ-ერთი უძველესია ეგვიპტეში შექმნილი „ჰერაკლეოპოლის მეფის ინსტრუქციები თავისი ვაჟის მერიკარისადმი“. მასში ყურადღება კონცენტრირებულია სახელმწიფოს ეკონომიკურ ფუნქციებზე, საიჯარო ურთიერთობებზე, საგადასახადო რეფორმებზე და სხვ.; „ემშუნის კანონებით“ დადგენილია: მონათმფლობელობისა და ვაჭრობის წესები; დასაქმებულთა ანაზღაურებისა და ჯარიმების მოცულობა; გემებით ტრანსპორტირების ტარიფები, სხვადასხვა სასესხო ვალდებულებები და ა.შ.; „ჰამურაბის კოდექსით“ დადგინდა: მიწის სარგებლობის ვალდებულებები, მიწის იჯარით დამუშავების წესი და იჯარის ქირის რაოდენობა, სტიქიური უბედურებისას გადასახდელისაგან განთავისუფლება, მუშახელის ფულადი ანაზღაურების ფორმა, ვაჭრობის ნებადართულობა, სესხზე 20%-იანი სარგებლის განაკვეთი და სხვ.; უძველესი ქვეყნების დაწინაურება ეკონომიკურ აზროვნებაში, იმავდროულად თანამედროვე ეკონომიკის განვითარებაში, ლიდერობას არ ნიშნავს. რესურსებით მდიდარი ეგვიპტე და განსაკუთრებით - ერაყი, სწორედ მდიდარი რესურსების გამო გახდა მწვავე საერთაშორისო დაპირისპირების არენა თანამედროვე პერიოდში. ეს ქვეყნები, მოსახლეობის ერთ სულზე მშპ-ს მაჩვენებლებით, დიდად ჩამორჩება საშუალო მსოფლიო და ევროპულ მაჩვენებლებს.

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