

The Byzantine Empire as Comparative Economic System

A Review on
Yasuhiro Otsuki, *Empire and Charity, Byzantium*
(Tokyo, Sôbunsha Publishers, 2005)

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An unexpected title, which tied together the seemingly contradictory words of “Empire” and “Charity”, has a mysterious charm that attracts not only experts of history. If you start to read this book, you will feel everywhere the wide vision and free contemplation of the author. The fact that a layman like me has been entrusted to write its review probably means that this book contains a message for a wide range of readers. However, this book is a specific monograph of socio-economic history, based on a thorough empirical analysis. Its scientific evaluation should be entrusted to historians. As an economist specializing in modern welfare economics and social choice theory, from the perspective of theoretical economics, I have conducted research on the social economic system and realities of public policy, which are to improve public welfare, and consider normative valuation standards for resource allocation and income distribution. After reading this book, I compared my own research interest to the modern world and developed a strong interest in the social economic system of the Byzantine Empire. Therefore, I would like you to read this writing by a layman not as a critical book review, but as a presentation of the book from the point of view of theoretical economics. I draw attention to the following two matters: 1) unexpectedly rational mechanism of a social welfare realization of the “past Empire”’s economic system before modern times; 2) consistency of the social choice that was surely guaranteed by the Empire’s political power determination system.

Modern microeconomics tries to understand socio-economic phenomena as the accumulation of decision-making of rational individuals. Here, a “rational individual” is not only a shrewd, who calculates everyday profits and acts selfishly. For the present, we will define “rational individual” as a subject who under given constraints makes optimum choices according to some standard of value.

As main classes in Byzantine history, four types of people appear repeatedly in “Empire

and Charity, Byzantium”: the Emperor, the Church or the clergymen, the propertied citizens and the poor. It can be considered that, while rationally acting in the above meaning, all of these subjects supported the circular flow of the Empire’s economic system. “One of the striking features of the Byzantine state is how it systematically incorporated the Christian faith and the entirety of the Church organization (made up of churches, monasteries and charitable institutions) into the state structure within the continuity of the mechanisms of the Roman Empire” (page 18). The Emperor already maintained a centralized administrative organization and a fiscal system inherited from the Roman Empire. The Byzantine state also inherited the ideology of the Christianized Roman Empire, the ideology of a world empire, based on the eschatology of the Old Testament. “The Roman Empire, nothing more than an accident of history, was to be the inevitable agent of God’s grand soteriological plan” (page 11). On the one hand, the Christian faith spread throughout the Mediterranean World, to the extent that it became the state religion of the Roman Empire. From a practical point of view, and under such preconditions, merely preparing and executing a mechanism of wealth appropriation in order to maintain a stable ruling system cannot be called a wise policy. “Since this state, led by the Christian God’s ‘providence of salvation’, was the “Empire” responsible for the peace of people, visibly showing this imperial nature of the state to the citizens” (page 178) is rather more effective for maintaining the social order. Through the times of the Byzantine state, the Emperor himself donated monasteries, institutions for the relief of the poor and hospitals to the Church, as well as for similar donations, every social class was given financial considerations by means of tax reductions or tax exemptions. These measures not only “visibly showed the imperial nature” of the state, but also contributed to the maintenance of the order through salvation of the ever-increasing poor people. Of course, there might have been emperors who made donations with pious faith, but it can be considered that these measures lasted for a long time because it was rational acting in line with the purpose of maintaining the ruling system.

From the point of view of microeconomics, the Byzantine social system comprised two-folded relations of principals and agents. The Church or the clergymen had a relationship as agent with both of the two types of principals: the Emperor and donating citizens. “The Catholic Church never set up new charitable institutions or monasteries by its own initiative and with its own financial resources. Institutions for the relief of the poor were promoted wholly by the good will of private individuals and expanded with the discretionary authority of the founder (and his family)” (page 190). “The bishop did not have proprietary authority over the privately established facilities. However, he was empowered with the authority to intervene in those independent institutions, when it was recognized that their activities were not serving the purpose of charity” (page 183). The propertied citizens set up the institutions for the relief of the poor and the monasteries with their own financial resources, make donations to the Christian “God”, and while keeping the proprietary authority for those facilities, entrust administrative supervision to the Church or the clergymen. Some of them had pure pious motives, whereas others were “looking for honor and glory arising from the institution’s

establishment” (page 65). As it was analyzed in detail in Chapter 4, I also cannot overlook their realistic motive to preserve the family’s hereditary property as the Church property. In any case, donations in the Christian society of that time were quite a rational behavior.

On the one hand, the state itself did not administrate the institutions for the relief of the poor and the monasteries, whose purpose was the public duty of the “world’s salvation”, but the Emperor, as another principal, entrusted that to the Church. In return, the Emperor himself made donations and provided financial considerations such as various tax reduction and tax exemption measures. Considering the fact that the Church and the clergymen had an advantage over the Emperor concerning information and know-how in relieving the poor and religious activities, and the fact that there was no big divergence in their purposes, as both shared the values of Christianity, this kind of “empowerment agreement” was really a rational contract with little inefficiency. Of course, these “empowerment agreement” relations also served the purposes of the Church and the clergymen functioning as agents, by granting social status and property maintenance to the Church, and guarantying the clergymen’s subsistence.

Such socio-economic system of the Byzantine state functioned as the social welfare system relieving the poor “when the poor, who were until that time subsumed in the various city-states, flowed into the larger world and became isolated” (page 17). “The “world empire”, as a mechanism that transcended races and appropriated wealth over a wide geographical area, was on the other hand a giant mechanism for redistributing wealth” (page 16). With the passing of time, however, this wealth redistribution mechanism also starts to have cracks, as it happens to every institutional system. As examined in detail in part three, the number of monasteries in the 10th century becomes excessive. These monasteries possess huge land areas, which are laid waste as they are not cultivated due to the lack of capital and farmers. This is a natural result, since social honor and religious satisfaction, arising from oblation, such as donations of land and institutions, as well as family’s property preservation are the incentives for the citizens to make donations. Even the system, which was effective in the times of shortage of charitable institutions, gives rise to inefficiencies when only land-capital becomes overabundant. The Emperor, who feared the decrease in agricultural productivity, which was the basis for the state’s finances, recognizes the reconstruction of the institutions to be consigned to the wealthy citizens (page 218). As a result of inevitable incentives for capital owners to invest in church facilities — certainly in return for some interest — problems such as “abuse” of the transfer of the church property and expansion of the latifundium system arise (Chapter 8). Nevertheless, the channels of wealth flow from the Emperor and rich citizens to the poor never became extinct through the whole history of the Byzantine Empire.

Why did the Byzantine Emperor keep maintaining the function of wealth redistribution, though it was also possible to concentrate on wealth appropriation by a strong mechanism of power under dictatorship? The key lies in “a unique mobility of this society, where even an illiterate from a farm village could become the Emperor” (page 322), and in the mechanism of political power determination. “The Emperor, who as an ‘agent of God’ was ideologically

an absolute being, in many cases was removed by force for concrete reasons (page 321). Coup d'états were caused by human interest motives, such as territorial bonds and blood relations, as well as utilitarian interests such as dissatisfaction with the Emperor's alms (page 322). From the point of view of game theory, in a ruling system such as an Empire, where intrinsically the top leaders are always exposed to the risk of being replaced, a policy that strikingly obstructs the Empire's public welfare only increases the risk of downfall of its leaders and cannot be called a rational choice. It can be considered, that the mechanism of redistribution was supported by the Empire's political power determination system.

From the viewpoint of the social choice theory, the political system of the Byzantine Empire is also of great interest. In a dictatorship, only the social choice consistency is somehow maintained, because the decision-making is entrusted to one human being. In contrast, the majority rule in democracy often causes "circulation" in social decision and does not guarantee consistency. This defect does not exist in dictatorship, but when the dictator recklessly expropriates wealth or is involved in foreign war, the social consequences are terrible. On the one hand, in the case when the dictator is diligent in charity according to some standards, the policy of social welfare is systematically and consistently materialized, the social situation is not bad, if judged only from the results. In the Byzantine Empire, as dictators were constantly exposed to the risk of downfall, similar to how emperors changed frequently, the latter social situation was realized. Moreover, due to the existence of the common belief in the "providence of salvation", the consistency of social choice was maintained not only during the reign period of one emperor, but also through the reign periods of different emperors.

Dr.Otsuki points out the similarities of the Byzantine Empire and the modern world: an economic system, which grows globally beyond the boundaries of nations, races and cultures, and an individual, who is sent there as a free (isolated) agent under the values of liberalism. This overlaps with the image of the period, when an individual was sent from the ancient city-state society to a vast world called the Roman Empire. However, neither a unifying political structure, ruling the "world empire", nor an institutionalized mechanism of wealth redistribution exists in the present time. A world without a mechanism to materialize a standard of aid is probably always going to give rise to endless tensions.

Economics is a "science" in which the verification of a theory by experiment is very difficult. Recently, experimental economics is becoming active, but it is still limited to the verification of local phenomena like auctions, while the functions of the whole economic system are not yet verified. However, observation is possible, the same as in other sciences — such as astronomy, a typical example — where experimentation is difficult. Objects for observation in the theory of economic system are various economic systems that have ever existed in the world history. Advantages and disadvantages of systems, created by humans, are expressed by numerous historical examples. Reading this book, I felt that the mutual interchange between history and theoretical economics can open new perspectives for both sciences.

This is an English translation of the original Japanese article, published in the monthly magazine "Sōbun" (No.482, December 2005).