How Excessive Government Killed Ancient Rome

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Beginning with the third century B.C. Roman economic policy started to contrast more and more sharply with that in the Hellenistic world, especially Egypt. In Greece and Egypt economic policy had gradually become highly regimented, depriving individuals of the freedom to pursue personal profit in production or trade, crushing them under a heavy burden of oppressive taxation, and forcing workers into vast collectives where they were little better than bees in a great hive. The later Hellenistic period was also one of almost constant warfare, which, together with rampant piracy, closed the seas to trade. The result, predictably, was stagnation.

Stagnation bred weakness in the states of the Mediterranean, which partially explains the ease with which Rome was able to steadily expand its reach beginning in the 3rd century B.C. By the first century B.C., Rome was the undisputed master of the Mediterranean. However, peace did not follow Rome's victory, for civil wars sapped its strength.

Free-Market Policies under Augustus

Following the murder of Caesar in 44 B.C., his adopted son Octavian finally brought an end to internal strife with his defeat of Mark Antony in the battle of Actium in 31 B.C. Octavian's victory was due in no small part to his championing of Roman economic freedom against the Oriental despotism of Egypt represented by Antony, who had fled to Egypt and married Cleopatra in 36 B.C. As Oertel (1934: 386) put it, "The victory of Augustus and of the West meant . . . a repulse of the tendencies towards State capitalism and State socialism which might have come to fruition . . . had Antony and Cleopatra been victorious."

Cato Journal, Vol. 14, No. 2 (Fall 1994).
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The long years of war, however, had taken a heavy toll on the Roman economy. Steep taxes and requisitions of supplies by the army, as well as rampant inflation and the closing of trade routes, severely depressed economic growth. Above all, businessmen and traders craved peace and stability in order to rebuild their wealth. Increasingly, they came to believe that peace and stability could only be maintained if political power were centralized in one man. This man was Octavian, who took the name Augustus and became the first emperor of Rome in 27 B.C., serving until 14 A.D.

Although the establishment of the Roman principate represented a diminution of political freedom, it led to an expansion of economic freedom.[1] Augustus clearly favored private enterprise, private property, and free trade (Oertel 1934: 386; Walbank 1969: 23). The burden of taxation was significantly lifted by the abolition of tax farming and the regularization of taxation (Rostovtzeff 1957: 48). Peace brought a revival of trade and commerce, further encouraged by Roman investments in good roads and harbors. Except for modest customs duties (estimated at 5 percent), free trade ruled throughout the Empire. It was, in Michael Rostovtzeff's words, a period of "almost complete freedom for trade and of splendid opportunities for private initiative" (Rostovtzeff 1957: 54).

Tiberius, Rome's second emperor (14–37 A.D.), extended the policies of Augustus well into the first century A.D. It was his strong desire to encourage growth and establish a solid middle class (bourgeoisie), which he saw as the backbone of the Empire. Oertel (1939: 232) describes the situation:

> The first century of our era witnessed a definitely high level of economic prosperity, made possible by exceptionally favorable conditions. Within the framework of the Empire, embracing vast territories in which peace was established and communications were secure, it was possible for a bourgeoisie to come into being whose chief interests were economic, which maintained a form of economy resting on the old city culture and characterized by individualism and private enterprise, and which reaped all the benefits inherent in such a system. The State deliberately encouraged this activity of the bourgeoisie, both directly through government protection and its liberal economic policy, which guaranteed freedom of action and an organic growth on the lines of "laissez faire, laissez aller," and directly through measures encouraging economic activity.

[1] In practice, the average Roman had little real political freedom anyway. His power lay not in the ballot box, but in participating in mob activities, although these were often manipulated by unscrupulous leaders for their own benefit. Especially during the Republic, the mob could often make or break Rome's leaders (Brunt 1966).

Of course, economic freedom was not universal. Egypt, which was the personal property of the Roman emperor, largely retained its socialist economic system (Rostovtzeff 1929, Milne 1927). However, even here some liberalization did occur. Banking was deregulated, leading to the creation of many private banks (Westermann 1930: 52). Some land was privatized and the state monopolies were weakened, thus giving encouragement to private enterprise even though the economy remained largely nationalized.[2]

Food Subsidies

The reason why Egypt retained its special economic system and was not allowed to share in the general economic freedom of the Roman Empire is that it was the main source of Rome's grain supply. Maintenance of this supply was critical to Rome's survival, especially due to the policy of distributing free grain (later bread) to all Rome's citizens which began in 58 B.C. By the time of Augustus, this dole was providing free food for some 200,000 Romans. The emperor paid the cost of this dole out of his own pocket, as well as the cost of games for entertainment, principally from his personal holdings in Egypt. The preservation of uninterrupted grain flows from Egypt to Rome was, therefore, a major task for all Roman emperors and an important base of their power (Rostovtzeff 1957: 145).

The free grain policy evolved gradually over a long period of time and went through periodic adjustment.[3] The genesis of this practice dates from Gaius Gracchus, who in 123 B.C. established the policy that all citizens of Rome were entitled to buy a monthly ration of corn at a fixed price. The purpose was not so much to provide a subsidy as to smooth out the seasonal fluctuations in the price of corn by allowing people to pay the same price throughout the year.

Under the dictatorship of Sulla, the grain distributions were ended in approximately 90 B.C. By 73 B.C., however, the state was once again providing corn to the citizens of Rome at the same price. In 58 B.C., Clodius abolished the charge and began distributing the grain for free. The result was a sharp increase in the influx of rural poor into Rome, as well as the freeing of many slaves so that they too would qualify for the dole. By the time of Julius Caesar, some 320,000 people were receiving free grain, a number Caesar cut down to about

[2]Rostovtzeff (1957: 54, 180, 287); Oertel (1934: 386–87). As time went by, the distinction between the emperor's personal assets and those of the state began to blur. Eventually, there was no meaningful difference (Millar 1963).

[3]The section draws largely on Geoffrey Rickman (1980: 156–97), and Paul Veyne (1990: 236–45).

150,000, probably by being more careful about checking proof of citizenship rather than by restricting traditional eligibility.[4]

Under Augustus, the number of people eligible for free grain increased again to 320,000. In 5 B.C., however, Augustus began restricting the distribution. Eventually the number of people receiving grain stabilized at about 200,000. Apparently, this was an absolute limit and corn distribution was henceforth limited to those with a ticket entitling them to grain. Although subsequent emperors would occasionally extend eligibility for grain to particular groups, such as Nero's inclusion of the Praetorian guard in 65 A.D., the overall number of people receiving grain remained basically fixed.

The distribution of free grain in Rome remained in effect until the end of the Empire, although baked bread replaced corn in the 3rd century. Under Septimius Severus (193–211 A.D.) free oil was also distributed. Subsequent emperors added, on occasion, free pork and wine. Eventually, other cities of the Empire also began providing similar benefits, including Constantinople, Alexandria, and Antioch (Jones 1986: 696–97).

Nevertheless, despite the free grain policy, the vast bulk of Rome's grain supply was distributed through the free market. There are two main reasons for this. First, the allotment of free grain was insufficient to live on. Second, grain was available only to adult male Roman citizens, thus excluding the large number of women, children, slaves, foreigners, and other non-citizens living in Rome. Government officials were also excluded from the dole for the most part. Consequently, there remained a large private market for grain which was supplied by independent traders (Casson 1980).

Taxation in the Republic and Early Empire

The expansion of the dole is an important reason for the rise of Roman taxes. In the earliest days of the Republic Rome's taxes were quite modest, consisting mainly of a wealth tax on all forms of property, including land, houses, slaves, animals, money and personal effects. The basic rate was just .01 percent, although occasionally rising to .03 percent. It was assessed principally to pay the army during war. In fact, afterwards the tax was often rebated (Jones 1974: 161). It was levied directly on individuals, who were counted at periodic censuses.

As Rome expanded after the unification of Italy in 272 B.C., so did Roman taxes. In the provinces, however, the main form of tax was a

[4]Eligibility consisted mainly of Roman citizenship, actual residence in Rome, and was restricted to males over the age of fourteen. Senators and other government employees generally were prohibited from receiving grain.

tithe levied on communities, rather than directly on individuals.[5] This was partly because censuses were seldom conducted, thus making direct taxation impossible, and also because it was easier to administer. Local communities would decide for themselves how to divide up the tax burden among their citizens (Goffart 1974: 11).

Tax farmers were often utilized to collect provincial taxes. They would pay in advance for the right to collect taxes in particular areas. Every few years these rights were put out to bid, thus capturing for the Roman treasury any increase in taxable capacity. In effect, tax farmers were loaning money to the state in advance of tax collections. They also had the responsibility of converting provincial taxes, which were often collected in-kind, into hard cash.[6] Thus the collections by tax farmers had to provide sufficient revenues to repay their advance to the state plus enough to cover the opportunity cost of the funds (i.e., interest), the transactions cost of converting collections into cash, and a profit as well. In fact, tax farming was quite profitable and was a major investment vehicle for wealthy citizens of Rome (Levi 1988: 71–94).

Augustus ended tax farming, however, due to complaints from the provinces. Interestingly, their protests not only had to do with excessive assessments by the tax farmers, as one would expect, but were also due to the fact that the provinces were becoming deeply indebted. A.H.M. Jones (1968: 11) describes the problems with tax farmers:

> Oppression and extortion began very early in the provinces and reached fantastic proportions in the later republic. Most governors were primarily interested in acquiring military glory and in making money during their year in office, and the companies which farmed the taxes expected to make ample profits. There was usually collusion between the governor and the tax contractors and the senate was too far away to exercise any effective control over either. The other great abuse of the provinces was extensive moneylending at exorbitant rates of interest to the provincial communities, which could not raise enough ready cash to satisfy both the exorbitant demands of the tax contractors and the blackmail levied by the governors.

As a result of such abuses, tax farming was replaced by direct taxation early in the Empire (Hammond 1946: 85). The provinces now paid a wealth tax of about 1 percent and a flat poll or head tax on each adult. This obviously required regular censuses in order to

[5]The basis for the tithe is not certain, but must have been linked at least loosely on ability to pay (Brunt 1981: 161; Goffart 1974: 8).

[6]There is evidence that taxes in-kind remained an important source of revenue well into the Empire despite the nominal requirement that taxes be paid in cash (Duncan-Jones 1990: 187–98).

count the taxable population and assess taxable property. It also led to a major shift in the basis of taxation (Jones 1974: 164–66). Under the tax farmers, taxation was largely based on current income. Consequently, the yield varied according to economic and climactic conditions. Since tax farmers had only a limited time to collect the revenue to which they were entitled, they obviously had to concentrate on collecting such revenue where it was most easily available. Because assets such as land were difficult to convert into cash, this meant that income necessarily was the basic base of taxation. And since tax farmers were essentially bidding against a community's income potential, this meant that a large portion of any increase in income accrued to the tax farmers.

By contrast, the Augustinian system was far less progressive. The shift to flat assessments based on wealth and population both regularized the yield of the tax system and greatly reduced its "progressivity." This is because any growth in taxable capacity led to higher taxes under the tax farming system, while under the Augustinian system communities were only liable for a fixed payment. Thus any increase in income accrued entirely to the people and did not have to be shared with Rome. Individuals knew in advance the exact amount of their tax bill and that any income over and above that amount was entirely theirs. This was obviously a great incentive to produce, since the marginal tax rate above the tax assessment was zero. In economic terms, one can say that there was virtually no excess burden (Musgrave 1959: 140–59). Of course, to the extent that higher incomes increased wealth, some of this gain would be captured through reassessments. But in the short run, the tax system was very pro-growth.

The Rise and Fall of Economic Growth

Rome's pro-growth policies, including the creation of a large common market encompassing the entire Mediterranean, a stable currency, and moderate taxes, had a positive impact on trade. Keith Hopkins finds empirical support for this proposition by noting the sharp increase in the number of known shipwrecks dating from the late Republic and early Empire as compared to earlier periods (Hopkins 1980: 105–06). The increase in trade led to an increase in shipping, thus increasing the likelihood that any surviving wrecks would date from this period. Rostovtzeff (1957: 172) indicates that "commerce, and especially foreign and inter-provincial maritime commerce, provided the main sources of wealth in the Roman Empire."

Hopkins (1980: 106–12) also notes that there was a sharp increase in the Roman money supply which accompanied the expansion of trade. He further notes that this expansion of the money supply did not lead to higher prices. Interest rates also fell to the lowest levels in Roman history in the early part of Augustus's reign (Homer 1977: 53). This strongly suggests that the supply of goods and services grew roughly in line with the increase in the money supply. There was probably also an increase in the demand for cash balances to pay taxes and rents, which would further explain why the increased money supply was non-inflationary.

During the early Empire revenues were so abundant that the state was able to undertake a massive public works program. Augustus repaired all the roads of Italy and Rome, restored the temples and built many new ones, and built many aqueducts, baths and other public buildings. Tiberius, however, cut back on the building program and hoarded large sums of cash. This led to a financial crisis in 33 A.D. in which there was a severe shortage of money. This shortage may have been triggered by a usury law which had not been applied for some years but was again enforced by the courts at this time (Frank 1935). The shortage of money and the curtailment of state expenditures led to a sharp downturn in economic activity which was only relieved when the state made large loans at zero interest in order to provide liquidity (Thornton and Thornton 1990).[7]

Under Claudius (41–54 A.D.) the Roman Empire added its last major territory with the conquest of Britain. Not long thereafter, under Trajan (98–117 A.D.), the Empire achieved its greatest geographic expansion. Consequently, the state would no longer receive additional revenue from provincial tribute and any increase in revenues would now have to come from within the Empire itself. Although Rostovtzeff (1957: 91) credits the Julio-Claudian emperors with maintaining the Augustinian policy of laissez faire, the demand for revenue was already beginning to undermine the strength of the Roman economy. An example of this from the time of Caligula (37–41 A.D.) is recorded by Philo (20 B.C–50 A.D.):

> Not long ago a certain man who had been appointed a collector of taxes in our country, when some of those who appeared to owe such tribute fled out of poverty, from a fear of intolerable punishment if they remained without paying, carried off their wives, and their children, and their parents, and their whole families by force, beating and insulting them, and heaping every kind of contumely and ill treatment upon them, to make them either give information as to where the fugitives had concealed themselves, or pay the money

[7]Keep in mind that the Roman economy was largely a cash economy. Credit was not widely available and money consisted mainly of gold and silver coins. Thus, when the state ran a budget surplus it caused a direct contraction in the money supply.

> instead of them, though they could not do either the one thing or the other; in the first place, because they did not know where they were, and secondly, because they were in still greater poverty than the men who had fled [Yonge 1993: 610].

Inflation and Taxation

As early as the rule of Nero (54–68 A.D.) there is evidence that the demand for revenue led to debasement of the coinage. Revenue was needed to pay the increasing costs of defense and a growing bureaucracy. However, rather than raise taxes, Nero and subsequent emperors preferred to debase the currency by reducing the precious metal content of coins. This was, of course, a form of taxation; in this case, a tax on cash balances (Bailey 1956).

Throughout most of the Empire, the basic units of Roman coinage were the gold aureus, the silver denarius, and the copper or bronze sesterce.[8] The aureus was minted at 40–42 to the pound, the denarius at 84 to the pound, and a sesterce was equivalent to one-quarter of a denarius. Twenty-five denarii equaled one aureus and the denarius was considered the basic coin and unit of account.

The aureus did not circulate widely. Consequently, debasement was mainly limited to the denarius. Nero reduced the silver content of the denarius to 90 percent and slightly reduced the size of the aureus in order to maintain the 25 to 1 ratio. Trajan (98–117 A.D.) reduced the silver content to 85 percent, but was able to maintain the ratio because of a large influx of gold. In fact, some historians suggest that he deliberately devalued the denarius precisely in order to maintain the historic ratio. Debasement continued under the reign of Marcus Aurelius (161–180 A.D.), who reduced the silver content of the denarius to 75 percent, further reduced by Septimius Severus to 50 percent. By the middle of the third century A.D., the denarius had a silver content of just 5 percent.

Interestingly, the continual debasements did not improve the Empire's fiscal position. This is because of Gresham's Law ("bad money drives out good"). People would hoard older, high silver content coins and pay their taxes in those with the least silver. Thus the government's "real" revenues may have actually fallen. As Aurelio Bernardi explains:

> At the beginning the debasement proved undoubtedly profitable for the state. Nevertheless, in the course of years, this expedient was abused and the century of inflation which had been thus brought about was greatly to the disadvantage of the State's finances. Prices

[8]This section draws heavily on A.H.M. Jones (1953).

> were rising too rapidly and it became impossible to count on an immediate proportional increase in the fiscal revenue, because of the rigidity of the apparatus of tax collection.[9]

At first, the government could raise additional revenue from the sale of state property. Later, more unscrupulous emperors like Domitian (81–96 A.D.) would use trumped-up charges to confiscate the assets of the wealthy. They would also invent excuses to demand tribute from the provinces and the wealthy. Such tribute, called the aurum corinarium, was nominally voluntary and paid in gold to commemorate special occasions, such as the accession of a new emperor or a great military victory. Caracalla (198–217 A.D.) often reported such dubious "victories" as a way of raising revenue. Rostovtzeff (1957: 417) calls these levies "pure robbery."

Although taxes on ordinary Romans were not raised, citizenship was greatly expanded in order to bring more people into the tax net. Taxes on the wealthy, however, were sharply increased, especially those on inheritances and manumissions (freeing of slaves).

Occasionally, the tax burden would be moderated by a cancellation of back taxes or other measures. One such occasion occurred under the brief reign of Pertinax (193 A.D.), who replaced the rapacious Commodus (A.D. 176–192). As Edward Gibbon (1932: 88) tells us:

> Though every measure of injustice and extortion had been adopted, which could collect the property of the subject into the coffers of the prince; the rapaciousness of Commodus had been so very inadequate to his extravagance, that, upon his death, no more than eight thousand pounds were found in the exhausted treasury, to defray the current expenses of government, and to discharge the pressing demand of a liberal donative, which the new emperor had been obliged to promise to the Praetorian guards. Yet under these distressed circumstances, Pertinax had the generous firmness to remit all the oppressive taxes invented by Commodus, and to cancel all the unjust claims of the treasury; declaring in a decree to the senate, "that he was better satisfied to administer a poor republic with innocence, than to acquire riches by the ways of tyranny and dishonor."

State Socialism

Unfortunately, Pertinax was an exception. Most emperors continued the policies of debasement and increasingly heavy taxes, levied mainly on the wealthy. The war against wealth was not simply due to purely fiscal requirements, but was also part of a conscious policy of extermi-

[9]Bernardi (1970: 39). For a discussion of how inflation may cause real tax collections to fall, see Vito Tanzi (1977).

nating the Senatorial class, which had ruled Rome since ancient times, in order to eliminate any potential rivals to the emperor. Increasingly, emperors came to believe that the army was the sole source of power and they concentrated their efforts on sustaining the army at all cost.

As the private wealth of the Empire was gradually confiscated or taxed away, driven away or hidden, economic growth slowed to a virtual standstill. Moreover, once the wealthy were no longer able to pay the state's bills, the burden inexorably fell onto the lower classes, so that average people suffered as well from the deteriorating economic conditions. In Rostovtzeff's words, "The heavier the pressure of the state on the upper classes, the more intolerable became the condition of the lower" (Rostovtzeff 1957: 430).

At this point, in the third century A.D., the money economy completely broke down. Yet the military demands of the state remained high. Rome's borders were under continual pressure from Germanic tribes in the North and from the Persians in the East. Moreover, it was now explicitly understood by everyone that the emperor's power and position depended entirely on the support of the army. Thus, the army's needs required satisfaction above all else, regardless of the consequences to the private economy.

With the collapse of the money economy, the normal system of taxation also broke down. This forced the state to directly appropriate whatever resources it needed wherever they could be found. Food and cattle, for example, were requisitioned directly from farmers. Other producers were similarly liable for whatever the army might need. The result, of course, was chaos, dubbed "permanent terrorism" by Rostovtzeff (1957: 449). Eventually, the state was forced to compel individuals to continue working and producing.

The result was a system in which individuals were forced to work at their given place of employment and remain in the same occupation, with little freedom to move or change jobs. Farmers were tied to the land, as were their children, and similar demands were made on all other workers, producers, and artisans as well. Even soldiers were required to remain soldiers for life, and their sons compelled to follow them. The remaining members of the upper classes were pressed into providing municipal services, such as tax collection, without pay. And should tax collections fall short of the state's demands, they were required to make up the difference themselves. This led to further efforts to hide whatever wealth remained in the Empire, especially among those who still found ways of becoming rich. Ordinarily, they would have celebrated their new-found wealth; now they made every effort to appear as poor as everyone else, lest they become responsible for providing municipal services out of their own pocket.

The steady encroachment of the state into the intimate workings of the economy also eroded growth. The result was increasing feudalization of the economy and a total breakdown of the division of labor. People fled to the countryside and took up subsistence farming or attached themselves to the estates of the wealthy, which operated as much as possible as closed systems, providing for all their own needs and not engaging in trade at all. Meanwhile, much land was abandoned and remained fallow or fell into the hands of the state, whose mismanagement generally led to a decline in production.

Emperor Diocletian's Reforms

By the end of the third century, Rome had clearly reached a crisis. The state could no longer obtain sufficient resources even through compulsion and was forced to rely ever more heavily on debasement of the currency to raise revenue. By the reign of Claudius II Gothicus (268–270 A.D.) the silver content of the denarius was down to just .02 percent (Michell 1947: 2). As a consequence, prices skyrocketed. A measure of Egyptian wheat, for example, which sold for seven to eight drachmaes in the second century now cost 120,000 drachmaes. This suggests an inflation of 15,000 percent during the third century (Rostovtzeff 1957: 471).

Finally, the very survival of the state was at stake. At this point, the Emperor Diocletian (284–305 A.D.) took action. He attempted to stop the inflation with a far-reaching system of price controls on all services and commodities.[10] These controls were justified by Diocletian's belief that the inflation was due mainly to speculation and hoarding, rather than debasement of the currency. As he stated in the preamble to his edict of 301 A.D.:

> For who is so hard and so devoid of human feeling that he cannot, or rather has not perceived, that in the commerce carried on in the markets or involved in the daily life of cities immoderate prices are so widespread that the unbridled passion for gain is lessened neither by abundant supplies nor by fruitful years; so that without a doubt men who are busied in these affairs constantly plan to control the very winds and weather from the movements of the stars, and, evil that they are, they cannot endure the watering of the fertile fields by the rains from above which bring the hope of future harvests, since they reckon it their own loss if abundance comes through the moderation of the weather [Jones 1970: 310].

Despite the fact that the death penalty applied to violations of the price controls, they were a total failure. Lactantius (1984: 11), a

[10] The complete edict can be found in Graser (1940). See also Kent (1920).

contemporary of Diocletian's, tells us that much blood was shed over "small and cheap items" and that goods disappeared from sale. Yet, "the rise in price got much worse." Finally, "after many had met their deaths, sheer necessity led to the repeal of the law."

Diocletian's other reforms, however, were more successful. The cornerstone of Diocletian's economic policy was to turn the existing ad hoc policy of requisitions to obtain resources for the state into a regular system.[11] Since money was worthless, the new system was based on collecting taxes in the form of actual goods and services, but regularized into a budget so that the state knew exactly what it needed and taxpayers knew exactly how much they had to pay.

Careful calculations were made of precisely how much grain, cloth, oil, weapons or other goods were necessary to sustain a single Roman soldier. Thus, working backwards from the state's military requirements, a calculation was made for the total amount of goods and services the state would need in a given year. On the other side of the coin, it was also necessary to calculate what the taxpayers were able to provide in terms of the necessary goods and services. This required a massive census, not only of people but of resources, especially cultivated land. Land was graded according to its productivity. As Lactantius (1984: 37) put it, "Fields were measured out clod by clod, vines and trees were counted, every kind of animal was registered, and note taken of every member of the population."

Taxable capacity was measured in terms of the caput, which stood for a single man, his family, his land and what they could produce.[12] The state's needs were measured in terms of the annona, which represented the cost of maintaining a single soldier for a year. With these two measures calculated in precision, it was now possible to have a real budget and tax system based entirely on actual goods and services. Assessments were made and resources collected, transported and stored for state use.

Although an army on the move might still requisition goods or services when needed, the overall result of Diocletian's reform was generally positive. Taxpayers at least knew in advance what they were required to pay, rather than suffer from ad hoc confiscations. Also, the tax burden was spread more widely, instead of simply falling on the unlucky, thus lowering the burden for many Romans. At the same time, with the improved availability of resources, the state could now better plan and conduct its military operations.

[11]This section draws mainly on Walbank (1987); Williams (1985: 102–39); and Brown (1887).

[12]For a discussion of the complex meaning of the word caput, see Walter Goffart (1974: 41–65).

In order to maintain this system where people were tied to their land, home, jobs, and places of employment, Diocletian transformed the previous ad hoc practice. Workers were organized into guilds and businesses into corporations called collegia. Both became de facto organs of the state, controlling and directing their members to work and produce for the state.

The Fall of Rome

Constantine (308–37 A.D.) continued Diocletian's policies of regimenting the economy, by tying workers and their descendants even more tightly to the land or their place of employment (Jones 1958). For example, in 332 he issued the following order:

> Any person in whose possession a tenant that belongs to another is found not only shall restore the aforesaid tenant to his place of origin but also shall assume the capitation tax for this man for the time that he was with him. Tenants also who meditate flight may be bound with chains and reduced to a servile condition, so that by virtue of a servile condemnation they shall be compelled to fulfill the duties that befit free men [Jones 1970: 312].

Despite such efforts, land continued to be abandoned and trade, for the most part, ceased (Rostovtzeff 1926). Industry moved to the provinces, basically leaving Rome as an economic empty shell; still in receipt of taxes, grain and other goods produced in the provinces, but producing nothing itself. The mob of Rome and the palace favorites produced nothing, yet continually demanded more, leading to an intolerable tax burden on the productive classes.[13]

In the fifty years after Diocletian the Roman tax burden roughly doubled, making it impossible for small farmers to live on their production (Bernardi 1970: 55).[14] This is what led to the final breakdown of the economy (Jones 1959). As Lactantius (1984: 13) put it:

> The number of recipients began to exceed the number of contributors by so much that, with farmers' resources exhausted by the enormous size of the requisitions, fields became deserted and cultivated land was turned into forest.

Although Constantine made an effort to restore the currency, subsequent emperors resumed the debasement, resulting in renewed price inflation (West 1951). Apparently, Emperor Julian (360–63 A.D.) also

[13]Aurelio Bernardi (1970: 81) suggests that from an economic point of view, the state's increasing efforts to collect taxes against the increasing efforts of taxpayers to avoid or evade the excessive burden was more burdensome than the taxes themselves.

[14]The depressing effect of heavy taxation on farm output is shown by the fact that land rent and real wages fell during this period (Muth 1994).

refused to believe that the inflation was due to debasement, but rather was caused by merchants hoarding their stores. To prove his point, he sent his own grain reserves into the market at Antioch. According to Gibbon (1932: 801),

> The consequences might have been foreseen, and were soon felt. The Imperial wheat was purchased by the rich merchants; the proprietors of land or of corn withheld from the city the accustomed supply; and the small quantities that appeared in the market were secretly sold at an advanced and illegal price.

Although he had been warned that his policies would not lower prices, but rather would exacerbate the shortage, Julian nevertheless continued to believe that his policy worked, and blamed complaints of its failure on the ingratitude of the people (Downey 1951).

In other respects, however, Julian was more enlightened. In the area of tax policy, he showed sensitivity and perception. He understood that the main reason for the state's fiscal problem was the excessive burden of taxation, which fell unequally on the population. The wealthy effectively were able to evade taxation through legal and illegal measures, such as bribery. By contrast, the ordinary citizen was helpless against the demands of the increasingly brutal tax collectors.

Previous measures to ease the tax burden, however, were ineffective because they only relieved the wealthy. Constantine, for example, had sought to ease the burden by reducing the number of tax units—caputs—for which a given district was responsible. In practice, this meant that only the wealthy had any reduction in their taxes. Julian, however, by cutting the tax rate, ensured that his tax reduction was realized by all the people. He also sought to broaden the tax base by abolishing some of the tax exemptions which many groups, especially the wealthy, had been granted by previous emperors (Bernardi 1970: 59, 66).

Nevertheless, the revenues of the state remained inadequate to maintain the national defense. This led to further tax increases, such as the increase in the sales tax from 1 percent to 4.5 percent in 444 A.D. (Bernardi 1970: 75). However, state revenues continued to shrink, as taxpayers invested increasing amounts of time, effort and money in tax evasion schemes. Thus even as tax rates rose, tax revenues fell, hastening the decline of the Roman state (Bernardi 1970: 81–3). In short, taxpayers evaded taxation by withdrawing from society altogether. Large, powerful landowners, able to avoid taxation through legal or illegal means, began to organize small communities around them. Small landowners, crushed into bankruptcy by the heavy burden of taxation, threw themselves at the mercy of the large landowners, signing on as tenants or even as slaves. (Slaves, of course, paid no taxes.) The latter phenomenon was so widespread and so injurious to the state's revenues, in fact, that in 368 A.D. Emperor Valens declared it illegal to renounce one's liberty in order to place oneself under the protection of a great landlord (Bernardi 1970: 49).

In the end, there was no money left to pay the army, build forts or ships, or protect the frontier. The barbarian invasions, which were the final blow to the Roman state in the fifth century, were simply the culmination of three centuries of deterioration in the fiscal capacity of the state to defend itself. Indeed, many Romans welcomed the barbarians as saviors from the onerous tax burden.[15]

Although the fall of Rome appears as a cataclysmic event in history, for the bulk of Roman citizens it had little impact on their way of life. As Henri Pirenne (1939: 33–62) has pointed out, once the invaders effectively had displaced the Roman government they settled into governing themselves. At this point, they no longer had any incentive to pillage, but rather sought to provide peace and stability in the areas they controlled. After all, the wealthier their subjects the greater their taxpaying capacity.

In conclusion, the fall of Rome was fundamentally due to economic deterioration resulting from excessive taxation, inflation, and over-regulation. Higher and higher taxes failed to raise additional revenues because wealthier taxpayers could evade such taxes while the middle class—and its taxpaying capacity—were exterminated. Although the final demise of the Roman Empire in the West (its Eastern half continued on as the Byzantine Empire) was an event of great historical importance, for most Romans it was a relief.

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[15]Gerald Gunderson (1976: 66) notes that tax evasion was greatest at the periphery of the Empire, where it was easiest for Romans to go over to the barbarians. See also Moss (1935: 5, 27).

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