

MICHAEL HUDSON: Bring Back the Clean Slate

by Lindy Davies

Michael Hudson is a scholar in the grand tradition of Henry George and other truth-seeking iconoclasts. His research and writing is resolutely interdisciplinary; he is constantly making connections. This has been partly due to the nature of his main topic, which resists pigeonholing. Although he is primarily interested in political economy, his current academic post is Visiting Scholar in Bronze Age Archaeology at New York University's Institute of Fine Arts. To disseminate his findings in the appropriate forum of an economics class, Dr. Hudson had to come to another idiosyncratic truth-seeking institution, the Henry George School. His thesis on debts and their cancellations was presented in a ten-week course at the HGS during the fall '92 term (see our Nov.-Dec. issue).

The paper presents a summary of the history of debt cancellations of the Bronze Age in Mesopotamia which were the basis of the (somewhat) more familiar Biblical laws on land tenure and debt cancellation, and the tradition of the "Jubilee Year" in the books of Leviticus and Deuteronomy. The Land and debt laws of the Old Testament followed a standard political practice of debt cancellation that Hudson dates back as far as the reign on Enmetna in ca. 2400 BC. The Hebrews added an innovation, however. In the Mesopotamian and Babylonian empires, rulers had long used the periodic cancellation of debts to

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maintain domestic peace, and to secure loyal local soldiery against the threat of foreign invasion. The Bible gave this social strategy the status of a divine command.

One reason why Dr. Hudson considers it so vital to understand the history of Bronze Age debt cancellation practices is to show that, far from being mere symbolic or rhetorical pronouncements of righteousness, the Old Testament's laws concerning debt cancellation and the proclamation of freedom (*deror*) had been a well-established function of civil society for thousands of years. Until the recent finding and deciphering of the ancient clay tablets on which the *deror* edicts were recorded, most biblical scholars doubted that these policies were actually practiced. "Modern readers of the Bible may skim over these laws quickly as if they were fine print, so to speak," writes Hudson, "but to the Biblical compilers they formed the very core of righteous lawgiving."

This vision of social justice is also pervasive in the New Testament. When Jesus says he has come to proclaim liberty to the captives, the word we translate as "liberty" is the very word that meant debt cancellation in the Mosaic Laws. Jesus's angry expulsion of the money-changers from the Temple in Jerusalem, Hudson argues, must be seen in the light of his

commitment to reinvigorating that tradition in his day. On that occasion Jesus cited Jeremiah, "My house will be a house of prayer, but you have made it a den of thieves." This is especially significant, because Jeremiah was one of the "social prophets" who, in the sixth century BC, sought to restore the Jews to the divine social contract of the ancient Mosaic laws.

Hudson notes a modern irony in that the inscription on the U.S.A.'s Liberty Bell, "Proclaim liberty throughout the land, and to all the inhabitants thereof," is usually thought to refer to democratic political liberties, but the full verse in Leviticus speaks explicitly of debt bondage: "Hallow the fiftieth year, and proclaim liberty throughout all the land... it shall be a Jubilee unto you; and ye shall return every man unto his family." The reunion of families was, of course, a consequence of the cancellation of debts, because debtors, having lost their own lands, were commonly compelled to live and work on the lands of their creditors.

Are there any valid lessons for modern policy in these historical practices of debt cancellation and land tenure? Dr. Hudson's answer is a resounding yes:

If there is any one region where social protest against debt and great landed estates (latifundia) logically should be most intense, it is Latin America. Yet the continent's liberation theologians seem to have a blind spot with regard to the Biblical economic laws. The upshot is a "liberation theology" without liberation in the single most important Biblical sense of the term - freedom from the impoverishing consequences of debt (now international as well as personal), and freedom of the earth from absentee appropriation (now by foreign corporations backed by World Bank underdevelopment programs as well as by individual landlords).

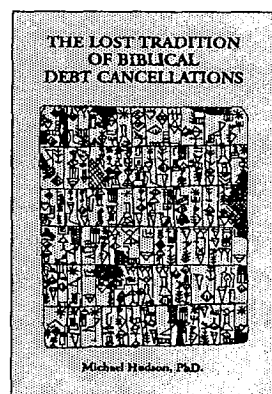
There are important points of agreement between Hudson's debt thesis and the theories of Henry George. Indeed, Hudson argues that because so much real

estate value is collateralized, the unearned increment of land rent is at the base of debt crises, both current and historical. His theory corresponds in a fundamental way with George's theory of the business cycle, which states that in any growing economy, speculative increases in rent take an ever-increasing share of the wealth produced, leading inexorably to cyclical decline in production. The speed and efficiency of modern electronic trading and banking systems has only served to accelerate this process, as seen in the wild speculative binges that resulted in the Savings and Loan crisis.

Indeed, Hudson observes that "most of today's debts have no counterpart in creating mutual gains between borrower and lender, and thus constitute parasitic usury rather than economically valid loans deserving interest."

An even more fundamental point of agreement between Hudson's views and those of Henry George, however, is the assertion that an economy which fails to make its debt and landholding patterns fit the natural laws of distribution does so at its own peril. "What once was the core of social renewal and religious ethics has now become the Unthinkable. That is the ultimate irony which may strike future social historians looking back on our era."

Editor's Note: Design and typesetting for this publication were done by HGS alumnus, faculty member, and all-round good friend Lynn Yost, who is a graphics and design consultant in Manhattan. Most of Lynn's work on the project, which is of first-rate professional quality, was donated. I'd like to take this opportunity to offer thanks and congratulations to Lynn, and to hope for many other future collaborative projects!



The Lost Tradition of Biblical Debt Cancellations is a 122-page booklet (including appendices, glossary and notes) published by the Social Science Forum of the Henry George School.