ECONOMICS OF THE EARLY ROMAN EMPIRE

Three economic factors dramatically influenced the rising prosperity of the Roman Mediterranean up through the early 200s AD.

(1) **GOVERNMENT**: Relatively small army (300,000) and a barebones bureaucracy (privatized system of tax collections known as tax farming; 25 governors reporting to emperor)

CIVILIAN POPULATION: 50 million people working to support and pay taxes to fund the government burdens

(2) Low taxes on land production (all told, estimated to be only 10% of harvest) encouraged investment in land, productive methods of farming (because landowners would get the vast majority of all profits made in farming enterprises). Many lands in western Mediterranean were first cultivated under the Roman era. Many of these regions also got their first cities under Roman rule.

(3) Low tariffs on goods moving from one region to the next (from 2 to 5 percent) encouraged trade among all the regions of the Roman empire. With cheap goods coming from all over the Mediterranean, each region was able to focus on producing what each region could do best. Over time, this made each region much more wealthy than if each region had to produce everything that it had, by itself. Not every region had the resources to make their own grain, olive oil, wine, pottery, metals, clothing, ships, etc. Forcing each region to make all of these on their own involved a lot of inefficiencies, which meant that each region would be paying top dollar for a lot of these products—decreasing everyone's wealth. Recall the graphic on shipwrecks.

After the civil wars in the mid 200s, and the plagues that devastated the population, the reforms of Diocletian turned this equation upside down, creating a massive military and civilian structure that squeezed more and more resources out of a depleted civilian economy. This required more taxes, that eliminated the advantages created by the unified Mediterranean economy of the early Empire.