

**Values and Institutions as Determinants of
Entrepreneurship in Ancient Athens**

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Values and Institutions as Determinants of Entrepreneurship in Ancient Athens

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Abstract: In classical Athens values and institutions encouraged all types of entrepreneurship. Successful entrepreneurs received social and many times political distinctions, which in the cases of some slaves reached the level of gaining their freedom. However, to deter phenomena of extreme individualism, success in business was judged by the means used to acquire wealth. For only those entrepreneurs were esteemed socially who worked hard and used ethical and fair means, who did not consume their wealth conspicuously, but shared it with the rest of the people by undertaking public expenses, and who abided by the laws and ordinances of the city-state.

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1. Introduction

Contemporary thinking about the fundamental forces that determine the rate and direction of economic growth has undergone significant shifts. In the 1950s the dominant view maintained that underdevelopment was due to the lack of adequate saving and investment. So the main emphasis was placed on policies that aimed at raising the propensities to save and invest. But per capita incomes in poor countries were already too low to increase savings. Then, in the 1960s, experts stressed the importance for rapid economic growth of an educated and skilful labor force. Yet, although governments rearranged their priorities in favor of education and training, the gap in material standards between rich and poor countries has grown wider. Thus, in view of the persistence of poverty in many parts of the world, economists turned to other hypotheses and one that has attracted considerable attention claims that laggard countries are not sufficiently entrepreneurial, because they lack appropriate social and institutional arrangements. For this reason, renowned experts as well as international organizations stress the importance of setting up well defined systems of property rights, establishing justice systems to adjudicate differences through the rule of law, adopting freedom of exchange as the main mechanism of transactions, etc.

These prerequisites are essential for entrepreneurship to take root and flourish. But they may not be sufficient because the effectiveness with which they motivate individuals to undertake entrepreneurial activities depends crucially on the values and attitudes of the general public towards them. For if such activities are viewed as unworthy of social praise and esteem, let alone denigrated because of the acquisitive and materialistic spirit that drives all those who initiate them, the entrepreneurial impulses of individuals would be discouraged and the outcomes will be less than expected (see Olsson and Frey, 2002). So our objective here is to contribute to this debate by drawing on the example of ancient Athens. In particular, our plan is to highlight the degree to which ancient Athens was entrepreneurial by reference to the nature of values and institutions that prevailed during the period from the battle of Marathon in 490 BC to the battle of Chaeronea in 338 BC, where Athens succumbed to the forces of King Philip II of Macedonia.

The paper is organized as follows. In the next section we link our research to the voluminous literature on the ancient Greek economy. Our intent here is to characterize the contribution that we try to make by reference to the main “controversies” that have emerged regarding the nature of available evidence and its interpretations. Then, in Section 3, we start with a quick description of the structure of the economy and the functions of entrepreneurship in ancient Athens. As a good part of the material covered comes from related contributions by

Bitros and Karayiannis (2006a, 2006b), the purpose of this abridged presentation is mainly to set the context. In Section 4 we investigate the affinity to entrepreneurship of the individual and social values that prevailed at the time.. In Section 5 we describe the fundamental institutions that operated in ancient Athens and comment on the incentives they generated to undertake entrepreneurial activities, whereas in Section 6 we focus on the restraints that were imposed to avoid extreme individualism. Finally, in Section 7 we conclude with a synopsis of our findings.

2. A brief digression on the literature on the Ancient Greek economy

The multifaceted evidence accumulated in recent decades has supported various interpretations regarding the nature, functioning and stage of development of the ancient Greek economy. On the one end of these interpretations there is the group of so-called “primitivists” who find that the economy of ancient Greece was primitive. In particular, Polanyi (1957), Finley (1973, 1977), Humphreys (1978: ch.2), Millet (1991:95-8), and others, have argued that the economy did not exist at the time as an independent entity, but it was embedded in the prevailing social and political institutions. Instead of wealth accumulation, the tenet of production was self-sufficiency in the household and in the city-state. Exchanges of goods and services were carried out mostly through barter and other non-entrepreneurial arrangements. There were no advances of loans for investment purposes; and, in general, absent from the city-states of Greece were the values, the institutions, and the web of interconnected markets that are characteristic of contemporary capitalist economies.

On the other hand, there is the group of so-called “modernists” who maintain that the ancient Greek economy, and particularly that of Athens, functioned much like the market economies of today. An example in this regard is Burke (1992) who identified city-state policies that aimed at raising the volume of maritime trade. These showed that by the second half of the fourth century the Athenian economy had developed activities that were distinct from the other social and political affairs. Another example is that of Cohen (1992) and Shipton (2000). The former found enough evidence to argue that “the Athenians functioned through a market process in which unrelated individuals ... sought monetary profit through commercial exchange” (p. 4), whereas the latter discovered evidence showing that by the fourth century the monetization of the Athenian economy had made great strides.¹

¹ The debate between “primitivists” and “modernists” has evolved into a debate between “substantivists” and “formalists”. The key distinction between the two terms is that although both groups stress that the ancient Greek economy is not like our modern economy, the substantivists stress a difference in quality (non-market, embedded in social relations, etc.), whereas the primitivists stressed a difference in quantity (small scale, household, etc.). In contrast to the substantivists, the formalists do not merely argue that the ancient Greek economy was larger in

The most widely accepted model of the ancient Greek economy is that of Finley (1973, 1977). But a third and growing group of researchers, comprising Thompson (1982), Morris (1994), Engen (2001, 2005), and others, have raised doubts about the explanatory power and the internal consistency of Finley's model. They have done so on the grounds that: a) it is too general to highlight the differences among the economies of the various city-states; b) it is not adequately structured because it treats the various sectors of the economy as if they were all governed by the same values and institutions, and c) it lacks the dynamic features that are necessary to explain the quantity and the quality of changes in these economies. In our view the above criticisms hold significant merits and probably in the not too distant future this model will be superseded as one analytical framework fit all possible cases.²

However, two important clarifications are in order. The first has to do with the range of applicability of our model. Drawing on the evidence emphasized by the "primitivists/substantivists", we accept that economic relations in ancient Athens were embedded to a significant extent in social and political institutions and that there was much production and distribution of goods and services that took place through non-market and non-entrepreneurial means (Schaps, 2004: 31-3). Yet from our reading of other evidence, and particularly the account presented recently by Amemiya (2007), we cannot help but conclude that: a) there was also a great deal of transactions that were conducted by entrepreneurs through markets that functioned mostly free of administrative controls, and b) that such entrepreneurship was fostered by values and institutions that coexisted with those that fostered non-entrepreneurial economic activities. Therefore, the model that we shall present should be construed to apply only to the market oriented activities, which provided the essential dynamism for the growth in incomes and wealth in classical Athens.

The second clarification is methodological and concerns the following issue. Suppose we establish a high correlation between entrepreneurship and the values and the institutions that prevailed in ancient Athens. Would such a correlation be credible as evidence that these values and institutions encouraged entrepreneurship, or would we need to show that such values and institutions were deliberately designed for this purpose? We believe that the latter test would be far more informative, and hence far more convincing, about the influence of values and institutions on entrepreneurship. For this reason in Bitros and Karayiannis (2006a) we found that the city-state of Athens applied policies that encouraged metics and slaves to assimilate into the Athenian society through success in

size and more "modern" than the primitivists had argued, but that it was disembedded from social relations and run according to market structures.

² For a noteworthy attempt in this direction see Davies (1998).

business. But in the present paper, aside from being harder to implement, this test would be accompanied by the risk that it might be inconclusive because, as we established in Bitros and Karayiannis (2006b), the moral norms and the institutions in ancient Athens emerged endogenously and were optimally adjusted to address the imbalance between the land and its productivity, on the one hand, and the need to feed the population, on the other.³ Hence, what we shall strive for here is to construct a model that will be sufficiently robust to confirm or reject our hypothesis that the values and the institutions in ancient Athens encouraged entrepreneurship, either by design or by implication.

This less demanding test is supported also by the following analysis. Assume that private property was introduced to preserve individual freedoms and democracy, i.e. non-economic reasons. But in the economy private property is known to lead to at least three consequences. First, it gives rise to free and willful transactions. Second, it provides the impetus for the organization of production and distribution of goods and services according to the system of interconnected markets; and third, it promotes the acquisitive and entrepreneurial impulses of people. Therefore, if we find that ancient Athens adopted private property, this finding alone would confirm that entrepreneurship was encouraged, irrespective of the true reasons for which private property had been established.⁴

3. The economy and the nature of entrepreneurship in ancient Athens

The Athenians, despite some philosophical arguments against vulgar works and occupations,⁵ mostly advanced after the Peloponnesian War, did not turn against work as a source of wealth. That they did so we know from Demosthenes (*Against Eubulides*,35) who says “do not scorn the needy (their poverty is misfortune enough), and scorn still less those who choose to engage in trade and get their living by honest means.” So, given that almost all who were elected in state functions were elected by lot and served only for a limited time, it seems reasonable to surmise that the majority of male adult citizens during peace times practiced income earning activities of some form or another. Their range and nature are described briefly below.

3.1 The economy

The structure of the Athenian economy could be reasonably conceived to consist of four

³ To understand the nature of this endogeneity, it may be helpful to note that Fleck and Hansen (2006) show that the necessity for long-term investment in agriculture was the driving force for the establishment of democracy in ancient Athens.

⁴ This argument emanates directly from the *law of unanticipated (unintended) consequences*, which has been explicated by Merton (1936).

⁵ See specifically Plato (*Gorgias*, 517D-E; *Laws*, 741E) and Aristotle (*Rhetoric*, 1367a,30-33; *Eudemian Ethics*, 1251a,30-40; *Politics*, 1254b, 5-25, 1277a, 40-45).

sectors. These were: a) the public sector, which included the military; b) the private sector, comprising the sub-sectors of production, distribution and money and banking; c) the import-export sector with its supporting capabilities of shipping, insurance and warehousing; and d) the system of *agoge* for the upbringing of young Athenians and maintaining their ethos through life. As our focus is on the private economy, below we shall limit our attention to b and c.

3.1.1 Production

The production sector consisted of agriculture, including animal husbandry, mining and manufacturing. Dominant among the three was agriculture. But mining and manufacturing expanded rapidly and contributed significantly to the wealth of Athens. Their stylized features were the following:

Mining

When the new vein of silver was discovered in Laureion in 483 BC, Herodotus (VII, 144) informs us that the revenues of Athens increased significantly. From the comment by Aeschylus (*Persians*, 240), the testimonies by Herodotus (*Ibid.*) and Thucydides (VII, 91), and a joke by Aristophanes (*Knights*, 362) we can conclude that the mines were an exceptional source of wealth. Andreades (1933: 339) estimates that around 450 BC state revenues from the Laureion mines amounted to 50-100 Talents. However, according to the evidence cited by Amemiya (2007: 97), in addition to the leases, the miners had to pay 10% tax on their total output of silver, the value of which amounted to about 1000 Talents. Hence, the estimation by other authors that state revenues from mines amounted to 160 Talents is reasonable.⁶

Agriculture

The arable land of Attica was devoted predominantly to the production of wheat and barley. The productivity of land used for wheat was roughly half of that cultivated with barley, and this explains perhaps why wheat was produced only in as little as one fourth of the cultivated areas. But the consensus is that Athens experienced significant deficits of grains, which had to be covered with imports (Goldsmith, 1987: 30; Isager and Hansen: 1975, 20-9; Amemiya, 2007: 74-5).

⁶ Some authors have argued that the wealth and glory of Athens would not have been possible without the funds from the *Delian League*. But as French (1964: 92-3, 96-7, 136-7) has shown, when the funds of the league were merged around 440 BC, Athens had already attained a high rate of growth in terms of living standards and population. Thus, the city had become rich through manufacturing, shipping and other export-import activities well before the alliance was established. But this conclusion should not be interpreted to imply that good governance and naval power did not contribute significantly to the economic growth of ancient Athens.

On the other hand, husbandry flourished by raising goats, sheep, oxen, horses, swine and other animals. Xenophon mentions the importance of this activity in at least two occasions. The first is in his (*Memorabilia*, IV.3.10) where Socrates stresses the benefits that accrue from these animals, while the second instance is in his *Oeconomicus* (VII.20, XX.23) where he emphasizes the combination of husbandry with farming.

Agriculture was organized mostly in small lots owned by citizens. Metics were not allowed to own land but they could rent farms and cultivate them for their own account.⁷ Cultivation was performed as a family activity but there were also large farms using good numbers of slaves.

Manufacturing

It has been established that many citizens and metics in Athens pursued manufacturing activities and became quite wealthy. According to Xenophon, by: "...manufacturing one of these commodities, ... Nausicydes keeps not only himself and his family, but ... has so much to spare that he often undertakes costly public duties; that Cyrebus feeds his whole family well and lives in luxury by baking bread; and most of the Megarians make a good living out of smocks" (*Memorabilia*, II.VII.6). Or, for another piece of evidence, craftsmen of just about everything one can think of are represented in the list of 170 occupations cited by Harris (2002: 88-99). Hence, all indications are that manufacturing aimed not only for covering local consumption but generating exports as well (Isager and Hansen, 1975:38-42).

Particularly active in this sector were manufacturers from the class of metics. The majority of metics were entrepreneurs or trained metal workers and potters (Ibid:70-3). Aside from farming, their entrepreneurial activities were concentrated in small-scale industrial enterprises. An example is that of Kephalus, the father of orator Lysias. Kephalus had been invited by Pericles from Syracuse in order to bring to the city his special knowledge and experience in shield production as well as his capital (Lysias, *Against Eratosthenes*, 4).⁸ Also, the well-known and rich banker, the metic Pasion and his freedman Phormio, directed a shield production enterprise (Demosthenes, *To Phormio*,4-5). Thus, the city-state of Athens became the center of expanding manufacturing activities, which aimed at covering local consumption as well as generate exports.

⁷ An example in this regard is that of freedman Alcias (Lysias, *On the Olive Stump*, 10).

⁸ We use forensic literature because it shows the prevailing ideas and beliefs, since the juries consisted mainly by citizens who were not specifically trained in legal affairs and the orators had to develop their arguments so as to be understood by them.

3.1.2 Distribution: Agora

In Athens the supply of and demand for goods and services met in a marketplace called agora. In cases of excess demand or inadequate supply, the rate of prices increased and equilibrium was thus restored (Xenophon, *Ways and Means*, iv.36).⁹ Moreover, in addition to prices, the number of firms in the market reached equilibrium. When the rate of supply increased, while demand remained at the same level, the rate of prices and profits decreased and thus the factors of production moved to another more profitable employment.

From the above we may infer that the market in Athens operated quite efficiently. But the price mechanism was aided also by other means. For example, from Xenophon we learn that, in the markets for goods, buyers and sellers were coming closer and, through the function of retail merchants (*Cyropaedia*, IV.V.42), the cost of transactions decreased significantly. Moreover, there were no price controls, with the exception of grain and grain products and the city with its various officers monitored closely the quality and the weight of the goods sold.¹⁰ As a result, the circumstances for sellers to practice opportunism were extremely limited and this enhanced further the efficiency of the market.

3.1.3 Money and banking

Laureion mines produced silver in plentiful quantities.¹¹ So given that silver money had been already established in the Hellenic classical world by Aegina, Corinth and others states, Athens gained a significant comparative advantage. By having her own currency, the Attic Drachma, Athens enjoyed all the benefits of coinage, particularly when she became the leading city-state of the *Delian League*. Engen (2005) has argued that monetary policy in ancient Athens was motivated partly by economic and partly by political (hegemonic) reasons and that its thrust in the economy aimed at reducing transaction costs, facilitating commerce, stimulating the productive motivations of individuals and promoting exports. Thus, in order to maintain the demand of their currency at home and abroad, Athenians refrained deliberately from altering the face of their coins and reducing its content in precious metals.

With respect to banking, the plentiful evidence shows that it functioned much like today. It was pursued on a profit-making basis (Demosthenes, *Against Stephanus*, 23). Like modern banking, it was involved in the changing of currencies of various city-states. It accepted deposits (Isocrates, *Trapeziticus*, 2,37). It offered loans with interest (Lycurgus, *Against Leocrates*, 23) both

⁹ For examples on how demand and supply determined the prices of goods, see e.g. Aristophanes (*Acharnians*, 755-60, 60-5; *Knights*, 645-52), Engen (2001;183) and Harris (2002;76).

¹⁰ See Lysias (*Against the Corn Dealers*); Aristotle (*The Athenian Constitution*, LI).

¹¹ Aristotle (*Nicomachean Ethics*, 1133a-b) discusses the qualities of silver in the function of money in much detail.

unsecured and after obtaining collaterals (Lysias, *On The Property of Eraton*, 3). It advanced bottomry loans to grain importers in which the ship and/or the cargo were given as security (Demosthenes, *Against Phormio*, 6-7; see also Goldsmith, 1987, 27, 29-30).¹²

Moreover, in some cases, when rich Athenians and metics stopped their entrepreneurial activities, they became rentiers by offering loans to other entrepreneurs (Karayiannis, 1992: 74-6; Schaps, 2004: 182-4). Ancient Athenians were not opposed to intermediation in the demand and supply of interest paying loans for investment. Specifically, the orators Isocrates (*Areopagiticus*, 31-35) and Demosthenes (*Against Aphobus I*, 61) emphasized that such kinds of loans to potential entrepreneurs were of prime importance for the economic development of the city. Thus, the supply of loanable funds was considered to be a very fruitful economic activity (Aristotle, *Politics*, 1320b,1-15) as was also the assumption of various risks, mainly in wholesale trade (Demosthenes, *Against Pantainetus*, 54; *Against Zenothemis*, 2; *To Phormio*, 6-7; *Against Lacritus*, 22, 25).

Finally, Athenian bankers had adopted forms of checking accounts and extended even sale credits (Cohen, 1992: 12-4). That this form of lending did exist is corroborated by the fact that Plato (*Laws*, 915E) in his scheduled ideal city prohibits credit sales by considering them as illegal.

3.1.4 The export-import sector

Athens experienced permanent deficits in grains that were covered by imports. To secure these imports on a sustained basis, Athens required: a) money to pay for them; b) port and warehousing facilities to store and preserve the imported grain; c) banking facilities to extend loans to grain importers and dealers; d) some insurance mechanism to spread the risks of cargos, which were transported mainly over the sea;¹³ e) some sort of mechanism to resolve conflicts that are customary in trading, particularly over long distances, and f) the naval power to keep safe the sea routes to the grain producing states. From the available evidence we know that during the fifth century Athens adopted policies by means of which it secured all these prerequisites.

As in the case of manufacturing, export-import activity was a vibrant business undertaking in Athens. Not only citizens but also metics established and directed wholesale enterprises in importing grain and exporting Athenian products. They were considered as

¹² For a detailed analysis of these banking activities see Isager and Hansen (1975: 90-98) and Cohen (1992: ch. 5).

¹³ Isager and Hansen (1975: 76-81) and Cohen (1990) analyze the maritime risks and the insurance policies that were adopted at the time.

offering a valuable service to the city of Athens (Lysias, *Against Andocides*, 49).¹⁴ In particular, ancient Athenians recognized that the importers of grain by assuming various risks deserved special recognition and that their riches were justified (Isocrates, *To Demonicus*, 19).

In conclusion, most enterprises in the city-state of Athens during the 5th and 4th centuries were small-scale, sole proprietor operations run by their owners as free citizens, freedmen or metics with the help of slaves. Moreover, there were partnerships in which profits and losses were shared in accordance with the share of capital contributed by the partners.

3.2 The nature of entrepreneurship

In ancient Athens the superior characteristic of human behavior was virtue (e.g. Isocrates, *To Demonicus*, 6-7). But at the same time they accepted: a) that the accumulation of wealth together with pleasure and social reputation are among the main motives of any human undertaking (e.g. Isocrates, *Antidosis*, 217); and b) that entrepreneurial activities contributed positively to the economic development and the military strength of the city-state.¹⁵ For these reasons they condoned such activities and condemned the idle rich who spent their wealth and enjoyed a luxurious life.¹⁶ Moreover, even though many Athenians were “survival entrepreneurs” meaning that they operated just to survive economically, others did invest in order to increase gradually the scale of their enterprises. To this effect they reinvested part of their profits (see Thompson, 1982: 80-1) and in addition they borrowed funds from other individuals and banks. So from our point of view it is interesting to identify the particular functions that were performed by entrepreneurs at the time.

Xenophon and some orators describe in considerable detail the roles assumed by an *entrepreneur as owner* and *manager* of a household-enterprise. More specifically, Xenophon (*Oeconomicus*, IV,5-11) argued that in order to establish an enterprise (mainly agricultural) the entrepreneur ought to furnish the necessary capital. What he meant was that the function of the *entrepreneur as owner* was quite distinct from the function of the *entrepreneur as manager*, because, after setting up the enterprise, the owner ought to supervise and coordinate all tasks so as to increase productivity through division of labor (Ibid. IV.1,IX.11,XII,3). But the role of

¹⁴ Engen (2001: 186-202) finds epigraphic evidence showing that import-export activities were conducted much like in our times and that the Athenians paid special tributes to traders for their services to the city.

¹⁵ For testimony in this regard, see e.g. Aeschines (*Against Timarchus*, 153); Hyperides (*In Defense of Euxenippus*, 36); Demosthenes (*For Phormio*, 8-9; *Against Nausimachus*, 25-6).

¹⁶ Xenophon (*Oeconomicus*, I,6); Aeschines (*Against Timarchus*, 30,42,105); Isocrates (*To Demonicus*, 9) and Demosthenes (*For Phormio*, 45,53).

entrepreneur as manager was not exercised exclusively by the owner, since from available records it turns out that not too rarely owners of enterprises trained their slaves for this purpose (see e.g. Isocrates, *Trapeziticus*, 12; Demosthenes, *Against Stephanus*, 1-2; *For Phormio*,30; Hyperides *Against Athenogenes*, IX,19).¹⁷

Another role performed by entrepreneurs was that of *market coordination*. This was most visible in international trade activities. By seeking profits an entrepreneur in this capacity (Lycurgus, *Against Leocrates*, 26-7, 57) tried to gather information about disequilibrium situations between supply and demand of specific goods in order to exploit the differences of prices in different markets. Xenophon describes this entrepreneurial function as follows:

“So deep is their love of corn [i.e. of merchants] that on receiving reports that it is abundant anywhere, merchants will voyage in quest of it: they will cross the Aegean, the Euxine, the Sicilian sea; and when they have got as much as possible, they carry it over the sea, and they actually stow it in the very ship in which they sail themselves. And when they want money, they don't throw the corn away anywhere at haphazard, but they carry it to the place where they hear that corn is most valued and the people prize it most highly, and deliver it to them there” (*Oeconomicus*, XX.27-8).

But the presence of *entrepreneurs as market coordinators* was not limited only to international markets. According to Xenophon the changes in prices that were caused by mismatches in the levels of supply and demand in various markets, induced changes in the number of enterprises until equilibrium was established. In a representative statement Xenophon wrote:

“An increase in the number of coppersmiths, for example, produces a fall in the price of cooper work, and the coppersmiths retire from business. The same thing happens in the iron trade. Again, when corn and wine are abundant, the crops are cheap, and the profit derived from growing them disappears, so that many give up farming and set up as merchants or shopkeepers or moneylenders” (*Ways and Means*, iv.6).

From this passage we understand that prices functioned as signals of disequilibrium in the markets and that the entrepreneurs who were on the lookout for profit opportunities entered in or exited from them so as to bring about equilibrium. As emphasized by Bitros (2005: 66), this is exactly the sequence of events that we would expect even today from the activity of *entrepreneurs as coordinators*.

Still another form of entrepreneurship observed at the time was the *discovery of previously unforeseen opportunities for profit*, i.e. the type of entrepreneurship associated

¹⁷ For specific examples of such managerial functions see Thompson (1982).

with the contributions of Kirzner (1973). Two celebrated examples are the following: Xenophon argued that Ischomachus' father looked for "not well farmed land" to buy, and who, by organizing and managing it more efficiently, increased its rate of return, thus enabling him to sell it at a much higher price (*Oeconomicus*, XX, 22-26). Second, Aristotle (*Politics*, 1259a,5-30) described the cases of the philosopher Thales the Milesian and of a banker in Syracuse in which the former by his knowledge of astrology and the latter by his capital, bought in time of low demand and price in order to exploit its future increase.¹⁸ By implication, what these traces of *Kirznerian entrepreneurship* show is that the entrepreneurial economy in ancient Athens had reached significant levels of sophistication.

Finally, an additional entrepreneurial function was that of *entrepreneur as venture capitalist* mainly in maritime enterprises (see e.g. Demosthenes, *Against Apaturius*, 4). The orator Lysias in his oration *Against Diogeiton* (23) suggested that capital must be employed or lent out to others to finance productive activities. Even more advanced was the view of Xenophon who proposed to his fellow citizens to form a fund, which would collect their surplus savings and invest them in some profitable activities and enterprises (*Ways and Means*, II, 9-14; IV,7-22,30-1). From these hints, as well as the apparatus that was applied in financing expeditions in the export-import trade, it follows that the participation of capital holders in the risk of an investment project or a simple trading opportunity was quite frequent. That this was the case is corroborated further from the analyses offered by Xenophon, regarding mining activities, and some orators such as Demosthenes (*Against Phormio*, 11) and Lysias (*Against Diogeiton*, 25).

At this point it was quite natural to inquire whether there operated in classical Athens entrepreneurs of the Schumpeterian type.¹⁹ That is, entrepreneurs who innovated by introducing new production techniques, new products, new management schemes, etc. Our search turned up few references to innovators and the particular innovations they introduced. But the leads we found suggest that the Athenians were inclined to such activities by their own nature and culture. One piece of evidence comes from Isocrates who emphasized the innovative activities of Athenians in developing and improving new arts and goods, In particular, in his (*Panegyricus*, 40) he writes:

“Yes, and the arts also, both those which are useful in producing the necessities of life and those which have been devised to give us pleasure, she (he means the city

¹⁸ Plato and Aristotle were opposed to materialistic pursuits. For example, Aristotle (*Politics*, 1257b,20-1258a,20) criticized sharply “capitalism” (using money to make more money). To our mind their admonitions imply that the activities to which they were opposed constituted not isolated exceptions from everyday practice, but rather the rule. That is why we believe that all such evidence from primary sources reinforces our arguments.

¹⁹ Schumpeter (1911).

of Athens) either invented or stamped with her approval, and has then presented them to the rest of the world to enjoy”.

Moreover, Xenophon (*Memorabilia*, III, X.9-10) mentions somebody named Pistias who produced armour that was better fitted for soldiers’ bodies, and thus commanded higher prices.

To summarize, the economy in ancient Athens was based primarily on agriculture. But a good part of the national income derived also from mining, manufacturing, money and banking services, and import-export activities. Exchanges took place in a market place called *agora*. Prices, with the exception of foodstuffs for which there existed some administrative controls, were formed freely through the interplay of supply and demand, thus signaling mismatches and inducing adjustments to the quantities of goods supplied and demanded, as well as, in the number of enterprises. An internationally accepted currency in the form of silver coins facilitated the settlement of transactions, whereas a developed sector of money and banking extended interest carrying loans and at times participated in risk bearing business ventures; and profit seeking entrepreneurs mobilized savings and directed them to their best uses. In turn, entrepreneurship was highly developed and performed more or less all the functions assumed by entrepreneurs today.

4. Entrepreneurial values

The structure of the economy in classical Athens evolved in the way we sketched above because of many reasons. In Bitros and Karayiannis (2006b), for example, we offered evidence of a lack of sufficient arable lands to produce the required quantities of grain to feed the population. But it is certain that external threats as well as the quest to annex surrounding areas in order to alleviate grain scarcities, may have contributed significantly to the organizational arrangements that were adopted. In any case, for the latter to take hold, or because of them, the people in Athens had to embrace a compatible set of values through a specific system of *agogy* scheduled mostly to mold ethos into their character so that their behavior in the rest of their life would conform to the imperatives set by the integrity and the efficient operation of Athenian institutions (Isocrates, *Areopagiticus*, 37, 40-2; see also Bitros and Karayiannis (2006b). So what we intend to do below is to identify the most fundamental of these values and examine their stimulating influences on entrepreneurship.

One such value was the uncompromising priority that Athenians assigned to their *individual freedoms* as well as their readiness to defend them against domestic tyrants and foreign aggressors. To harness the threats that emanated from the power of the city-state itself, they

invented the system of direct democracy, where decision-making was in the hands of many, whereas to reiterate their resolve to remain free from foreign occupation they participated at their own expense in the city's wars (Isocrates, *Panathenaicus*, 140-2,145-7). Thus, the Athenians were brought up to be self-reliant and take responsibility for the consequences of their actions. What this meant was that, while the city's government strived to balance the various conflicts that emerged naturally in the course of life, the citizens were free to pursue their objectives within the boundaries set by the laws and the ordinances that were adopted collectively.²⁰

As we would expect, the institutions that were set up to preserve the political freedoms of citizens, in the domain of the economy translated into the all-important value of *free* and *willful* transactions. Economic exchanges were voluntary and emanated from the existence of different surpluses of goods among individuals.²¹ Citizens had the flexibility to decide whether to work for other employers or become self-employed entrepreneurs. Freedom of exchange encouraged the setting up of partnerships as a means of increasing the scale of enterprises; it facilitated financial intermediation; it fostered import-export activities, etc. Thus, the principle of voluntary transactions became the cornerstone on which the Athenian economy was founded.

Another value that was highly cherished by Athenians was *fairness* in economic relations. Its enforcement in everyday life was motivated by appeal to several ethical norms. Business transactions and conduct were expected to be fair and in accord with the prevailing market ethics. Profits and wealth that resulted from economic activities that did not conform to these standards were considered illicit and people used the term *aischrokerdia* (profiteering) to describe them. Such was the scorn of Aristotle (*Eudemian Ethics*, 1232a,10-15; *Nicomachean Ethics*, 1122a,10-15) against profiteering that he exhorted his fellow citizens to treat those "pirates (who) now call themselves purveyors" (*Rhetoric*, 1405a,5-10) as social outcasts. But profiteering was not the only objectionable behavior. "Making profit out of what is petty or disgraceful, or out of the weak" (Ibid. 1383b, 25-30) was chastised and the same was true with paying lower wages than were deserved. Moreover, the public objected strongly to the collusion of traders who behaved as monopsonists by purchasing grain at low prices and selling it at higher prices by acting as monopolists (Lysias, *Against the Corn Dealers*, 5,6-8).

Quite related to *fairness* was also the value of *obedience to the laws* of the city, not because of the threat of sanctions, but because doing so willfully constituted an indispensable obligation of citizenship (Thucydides, II, 37; Aristotle, *Politics*, 1294a, 6). How important

²⁰ See Isocrates (*Areopagiticus*, 37); pseudo-Xenophon (*Athenian Constitution*, II,20).

²¹ See Aristotle *Nicomachean Ethics* (1131a,1-5); *Politics* (1257a,15-20). As is well known, such a right for voluntary exchanges and partnership has been considered of paramount importance for the function of free market economy (see e.g. Hodgson, 1988: 150-5).

was for Athenians to uphold the laws in earnest was demonstrated amply by the paradigm of Socrates. Certainly, with the help of his friends he could have escaped from the prison, where he had been sentenced to die on erroneous accusations. Yet, to maintain the high moral ground of his teachings that *obedience to the laws* was far more important than life, he chose to stay and drink the poison (Plato, *Crito*, 50a-b). Had Socrates succumb to the frivolity of human nature and escaped from prison, Aristotle, would not be able to claim later that: “the just man will be one who keeps the law and one who is fair” (*Nicomachean Ethics*, 1129a, 30-35). By implication, keeping the law required people to abstain from such breaches as stealing, not paying what was agreed to in a contract (Hyperides, *Against Athenogenes*, VI, 13, VII, 15), trespassing upon the land of others, (Aristotle, *Rhetoric*, 1374a, 5-20), etc.

Still another value that characterized Athenians was their *high degree of altruism*. While its origin could be traced to their common ancestry, as Attica “was inhabited by the same people always” (Thucydides, I, 2), its practice was reflected in their disposition towards their city-state. They “freely sacrificed to her the fairest offering it was in their power to give” (Ibid. II, 43.1-2). To avoid extreme inequality, they adopted a taxation system that aimed at meaningful redistribution of wealth (Ober, 1989; ch.V). As Isocrates (*Panegyricus*, 38) proudly informs us, Athenians had established a city-state that was not indifferent towards the poverty of its citizens, but tried to guarantee a living for the poor. This trait, he thought, is something that has to be adopted as a basis by all those who aspire to constitute a state that operates normally to all the rest as well. Moreover, it was a common practice by rich citizens to offer loans without interest to the poor,²² as well as undertake voluntarily expensive “liturgies”. The people applauded such demonstrations of altruism and in return the city-state of Athens encouraged voluntary giving by granting various honors and recognitions.

In essence altruism and compassion for one’s fellow citizens reflected a genuine inclination by the people to *minimize social and political inequality*. As Thucydides (I, 6) stressed, the wealthier Athenians “took up a style of living that brought them as far as possible into equality with the masses”. Given that they had established their city-state through economic and social struggles, they had come to believe that, by avoiding an extreme maldistribution of wealth, under certain democratic arrangements, there would result a fair and stable city without social disturbances (Ibid. I, 2.6; Aristotle, *The Athenian Constitution*, II). To this effect, it should be mentioned that Athenians had asked Solon to lay down laws in

²² See e.g. Aristophanes, *Plutus* (826-32); Xenophon (*Oeconomicus*, XI, 9-11); Isocrates (*Areopagiticus*, 312; *To Demonicus*, 28); Aristotle (*Politics*, 1263a, 30-5; 1263b, 5-15). Aristotle (*Politics*, 1263b, 5-10) recognized that an altruistic behavior increases the welfare of the donor.

order to reduce the inequality in the distribution of wealth and political power among citizens (Ibid. V; Plutarch, *Solon*, 13). Through his reforms a person was prohibited to offer his body or his family as security for debts (“seisachtheia”, i.e. “the shaking-off of burdens”) and the devaluation of money reduced further the extreme inequality of wealth among citizens (Aristotle, Ibid., X,1-2; Plutarch, *Solon*,15). Peisistratus made another attempt towards the same objective by offering funds to poor citizens to start productive and/or trade enterprises and thus gain their living by their own powers (Aristotle, Ibid. XVI,2-4). Yet, while they were opposed to extreme inequality in the distribution of wealth, they refused to accept wealth as a means for social and political advancement. For as we learn from (Thucydides, II,64), the way to social and political advancement entailed two main elements: to show “little distress of spirit and in action” and to “make most rigorous resistance.”

Lastly, Athenians were characterized by a certain ethic according to which only *work was the source of private property and accumulation of wealth*. From Solon’s time until –at least- the mid of 4th century BC this ethic was socially applauded and esteemed. However, some philosophers such as Plato and Aristotle declared that citizens ought to preoccupy themselves with the affairs of the city-state rather than take up vulgar works and employments. However, despite these philosophical objections, the majority of citizens and many influential persons did not distinguish between noble and menial income earning activities. For evidence it suffices to mention that the Athenians were the first Greeks that worshiped the goddess “industrious Athena” (“Athena Ergani”) (Pausanias, *Attica*,24.3). They regarded as a fruitful service even that of mercenaries (Thucydides,I,31;IV,52). In addition, other respectable persons such as the Sophists, as well as Isocrates (*Areopagiticus*, 24,44), stressed that the labor of free citizens must be regarded as a honorable activity. Pericles (Thucydides, II,40.1) in particular argued that the Athenians employed wealth “rather as an opportunity for action than as a subject of boasting; and with us it is not a shame for a man to acknowledge poverty, but the greater shame is for him not to do his best to avoid it”.

From the above it follows that Athenians had all the right values that characterize today the advanced entrepreneurial societies. They valued highly their individual freedoms, which implied that they were totally responsible for their material well-being. They were free to choose their occupation as well as the disposition of their incomes. They were risk takers but trusted that if they dared go into business and failed, the city-state would be there as guarantor of last resort for their survival. They were proud of their city-state and many successful in business contributed to its power and glory by undertaking expensive “liturgies”. In short, the values that

Athenians treasured were highly conducive to entrepreneurship.

On the other hand, all who were inclined to become entrepreneurs found in Athens most helpful conditions. Its currency was acceptable everywhere in the Greek world. People with shortage of capital could obtain loans to venture into business. At times the city offered financial incentives to establish small-scale self-employment handicrafts; and above all the institutions in place had been adjusted so as to facilitate economic progress in a cohesive social environment.

5. The entrepreneurial bent of institutions

Manville, Ober (2003: ch.II) attribute the success of Athens to the invention of participatory democracy. The Athenians by mobilizing the collective knowledge of a large and differentiated population, as well as maintaining a state of continuous learning, induced people to work hard in order to achieve set objectives. Participatory democracy was the driving force for the efficiency of Athens, the factor that brought it to unprecedented highs of power and material welfare and gave it the strength to recover again and again after suffering devastating blows (Galpin, 1983-4). But participatory democracy functioned effectively because institutions, supported it. So what we intend to do here is to refer to these institutions and comment on the ways in which they contributed to entrepreneurship.

Private property

According to Thucydides (II,15) and Plutarch (*Theseus*, 24,25), the *right to private property* received institutional backing from Solon (Plutarch, *Solon*, 21). It was so highly respected that even Solon, who was favorably disposed to claims by poor citizens for a redistribution of land, did not attempt to introduce it.²³ Athenians conceived of private property as an indispensable condition for preserving their individual freedoms. For this reason they never abolish it, not even during the devastating period after the end of the Peloponnesian War, and went out of their way to safeguard its integrity. The following pieces of evidence make the primacy of private property quite clear:

(a) Almost all Athenians had a small house and at-least a slave, while the poor peasants had in addition a mule (Lysias, *On the Murder of Eratosthenes*, 9,18; *On the Refusal of a Pension*, 11).

(b) Real estate property was offered as collateral for loans under specific terms (*horoi*) (Cohen, 1992: 132-6).

²³ Aristotle (*The Athenian Constitution*, XI,1-2); Plutarch (*Solon*, 13).

(c) The city-state of Athens owned only the silver mines of Laureion and the lands surrounding the temples.

(d) The confiscation of property without the consent of the owner was considered a significant breach of justice (Aristotle, *Rhetoric*, 1374a,15-20) and was punished with public trial (Lysias, *On the Confiscation of the Property of the Brother of Nicias*, 17).

(e) Until Demosthenes times (*Against Timocrates*, 149) the oath taken by the judges in Athens obliged them to defend private property to the best of their power.

The right to private property was justified on ethical, legal, and economic grounds. The arguments that ancient philosophers and orators advanced to highlight its significance for the well being of the people and the progress of Athens can be summarized as follows:

(a) Pleasure from ownership per se. Aristotle (*Politics*, 1263a,1-5) explains that private property gives pleasure to its owner. Also, Isocrates made the same point by stating that the owner "loves" his own things much more than those of other people (*Panegyricus*, 76).

(b) Pleasure from achievement. Aristotle (*Nicomachean Ethics*, 1168a,25-30) writes: "we are all most fond of such things as have cost us trouble. Thus people who have made money are always fonder of it than people who have inherited it."

(c) Private ownership increases the care, responsibility and work effort of individuals (Xenophon, *Oeconomicus*, ix.17; *Symposium*, viii,15).

(d) The productivity of land increases because the care that the owner gives to his own property is much higher than that given to common property. Lysias provides evidence in this regard by observing that the properties that were being confiscated by the city lost their productivity and value (*On the Confiscation of the Property of the Brother of Nicias*, 20-1).

(e) Athenians held the view that private property enhanced the harmony ("homonia") in the city. Aristotle (*Politics*, 1261b,35-40) counter argued Plato's (*Republic*, 416D, 464 D) idea of communal property claiming that: "property that is common to the greatest number of owners receives the least attention; men care most for their private possessions, and for what they own in common less, or only so far as it falls to their own individual share." Hence, since through private property the city was able to confront the so-called free-rider problem, the tensions arising from limited access to or inferior quality of services from common property, would tend to be alleviated, thus raising the degree of social cohesiveness.

(f) Through private property the middle class increased significantly and helped establish and sustain democracy. In Aristotle's words: "the idea of the state is to consist as much as possible of persons that are equal and alike, and this similarity is most found in the middle classes, therefore the middle-class state will necessarily be best constituted in respect

of those elements of which we say that the states is by nature composed.... It is clear therefore also that the political community administrated by the middle class is the best” (*Politics*, 1295b,30-40).

In short, private property became the corner stone on which the power and glory of ancient Athens was erected. By leading to an economic system of voluntary exchanges, it gave rise to a vibrant market economy. By stimulating the care, responsibility, and work effort of property owners, it contributed significantly to entrepreneurship and thereby to productivity and economic growth. By enlarging the middle class, it helped establish and sustain democracy (Euripides, *The Suppliants*, 238-245; Aristotle, *Politics*, 1295b,30-40, 1306b,10-20). Hence, the finding by researchers (see e.g. Barro, 1999: 171) of a positive relationship between private property, productivity and economic growth, should not come as a surprise. For it was well recognized and functioned in ancient Athens as a profound incentive mechanism.

Public administration

The city-state of Athens performed five main functions. The first of them was that of *purchaser*. In particular, the city built sanctuaries, temples and other sacred buildings, fountains, market places, fortifications, etc.²⁴ This implies that it offered a wide array of employment and entrepreneurial opportunities in the building trades (Plutarch, *Pericles*, 11-2; Schaps, 2004: 142-4). The second function was that of *vendor*. Since the city required funds to finance the construction of public capital as well as to carry out its everyday operations, at times it sold rights to exploit various assets in its possession.²⁵ For example, it sold contracts for the collection of taxes and it auctioned the rights to work the silver mines in Laureion. The third function had to do with the provision of various services to poor and needy people. This in essence constituted the analogue of today’s welfare state and catered to orphans of men who died in the wars, to people unable to work due to temporary or chronic illnesses, etc. Also, it extended various targeted supports to enable low-income citizens to participate in cultural and civil society events. The fourth function of the city was that of *guardian of laws*. From their values and their upbringing Athenians were expected to be law abiding. However, they did not leave it upon the free will of people to judge what constituted proper conduct. Instead they adopted mechanisms to enforce the laws and deter violations. These mechanisms took the form of public or private agencies to which the city assigned the power to police, impose fines, or even prosecute violators.

²⁴ Expenditures for infrastructure amounted to about 200 talents a year during Pericles’ time (Goldsmith, 1987: 31).

²⁵ See Salmon (1999).

A characteristic example is that of *astynomoi* who were in charge of the physical appearance of the city (Aristotle, *The Athenian Constitution*, L).

Lastly, the fifth function of the city was that of *regulator*. To implement this role, Athens put in charge various agencies. A few examples in this respect are the following. The “market controllers” had been assigned the task of “...superintendence of all merchandise, to prevent the sale of adulterated and spurious articles” (Ibid., LI,1); the duties of “controllers of measures or *metronomoi*” were to “...superintend all measures and weights, in order the sellers may use just ones” (Ibid. LI,2); the “corn-wardens or *sitophylakes*” were in charge of monitoring the trade in grains and the goods produced thereof (Ibid., LI,3); and port-superintendents had the task “...to superintend the harbor-markets and to compel the traders to bring to the city two-thirds of the sea-borne corn that reaches the corn market” (Ibid. LI,4).

Initially, all above functions were performed with a limited number of paid civil servants and considerable outsourcing. However, afterwards the number of civil servants increased significantly. In particular, Aristotle (Ibid., XXVII,LXII) informs us that during the time of the Athenian hegemony civil servants numbered about 20.000 (Ibid. XXIV,3). This development had detrimental consequences. For example, civil servants turned into rent-seekers.²⁶ As observed by Aristotle (Ibid. XXVII,4-5), “after Pericles instituted payment for the jury-courts, the result according to some critics was their deterioration, because ordinary persons always cared more than the respectable to cast lots for the duty. Also it was after this that the organized bribery of juries began.” Actually the outlook of Athenians changed and the majority of poor people in “demos” welcomed any state aid added to their income (Ibid. XXXVIII,3-4), thus sacrificing long-term development goals to short-term expediency.

To be sure, after the failure of Sicily’s campaign, Athenians were forced to reduce the level of public expenses so as economize on resources to continue the war. However, despite these efforts, the waste of public funds, bribery, and corruption became rampant and eroded the power and with it the glory of the Athenian democracy. As a result, it remained for the philosopher to conclude that “in every form of constitution it is a very great thing for it to be so framed both by its laws and by its other institutions that it is impossible for the magistracies to make a profit” (Aristotle, *Politics*, 1308b,35-40).

Welfare state

The city-state of Athens had instituted several programs for the relief of people unable

²⁶ Aristophanes ridiculed such endeavors by citizens in his comedies *Acharnians* (50-5, 595), *Knights* (100-5, 575-80); *Wasps* (300-10, .605-10, 1115-20).

to work as well as people with low incomes. Through public funds it offered to poor citizens “feasts”, “wrestling-quarters, dressing-rooms, and public baths” (pseudo-Xenophon, *Athenian Constitution*, II,9-10). Aristotle informs us that “The Council also inspects the incapables; for there is a law enacting that persons possessing less than three minae and incapacitated by bodily infirmity from doing any work are to be inspected by the Council, which is to give them a grant for food at the public expense at the rate of two obols a day each. And there is a Treasurer for these persons, elected by lot” (*The Athenian Constitution*, XLIX,4; see also Lysias, *On the Refusal of a Pension to the Invalid*, 4-8,26). The city cared even for the participation of citizens in cultural activities. In particular, through the “theoric fund” it enabled poor citizens to attend dramatic festivals by giving them two obols for an ordinary seat at the theatre (Aristotle, *The Athenian Constitution*, XXVIII,3). From ample such evidence it turns out that the city tried to provide a minimum necessary socio-economic and cultural livelihood for all citizens. This is perhaps the first ever reported attempt by a state to offer each citizen a minimum welfare level, equivalent to the notion of minimum guaranteed income proposed and adopted in our days in some developed countries. However, while as Calhoun (1926: 70) has argued the Athenians established a humanitarian economic system, the system was mostly directed toward an equality of opportunities, not an equality of income and wealth.

Moreover, it should be pointed out that after some time the welfare state in Athens got out of control. This we learn from Aristotle who wrote: “where there are revenues men must not do what the popular leaders do now (for they use the surplus for doles, and people no sooner get them than they want the same doles again, because this way of helping the poor is the legendary jar with a hole in it), but the truly democratic statesman must study how the multitude may be saved from extreme poverty; for this is what causes democracy to be corrupt” (*Politics*, 1320a,30-35). Instead of proceeding like we do in the present day welfare states, Aristotle suggested that it is better “to collect all the proceeds of the revenues into a fund and distribute this in lump sums to the needy, best of all, if one can, in sums large enough for acquiring a small estate, or, failing this, to serve as capital for trade or husbandry” (Ibid. 1320b,1-5).

Tax system

Still another institution was *taxation*. Aside from being moderate and democratically approved, taxation was partly obligatory (Aristotle, *The Athenian Constitution*, VII 4) and partly voluntary (see Demosthenes, *Against Aristogeiton I*, 51-2; *Against Phaenippus*, 32; Ostwald, 1995). Due taxes were reckoned in proportion to one’s income, whereas voluntary undertaking of

public expenditures, called “liturgies”, depended on one’s wealth and sense of altruism. Taxation served a dual purpose. On the one hand, it was a source of public revenues, and on the other it was used as an instrument for preventing extreme maldistribution of wealth.

Athenians were well aware of the possibility of tax evasion. So, to deter it, they introduced two mechanisms. The first of them was “antidosis”. Under this mechanism, a citizen who had been appointed to undertake a public expense could challenge another richer citizen to undertake it himself. The citizen who was challenged could only escape undertaking this public expense by exchanging estates with the challenger.²⁷ Secondly, they recorded and exposed in open view the names of all citizens and “metics” who owed money (from taxes and rent of land) to the city (Aristotle, *Ibid.*, XLVII,5).

Legal system

The courts in ancient Athens were considered a mechanism of last resort for solving disputes. Before bringing a case in front of the courts the litigants were obliged to go through several layers of auxiliary procedural steps that aimed at reaching compromised decisions. There was general disapproval both of habitual litigants as well as against those who rejected compromise. Moreover, those who resorted casually to litigation were exposed to severe penalties. Thus, the legal system worked efficiently and the large majority of disputes were settled out of court through negotiated solutions.²⁸

Noteworthy from our point of view is that the legal system aimed on the one hand at protecting consumers from anti-competitive practices such as collusion, cartelization and price fixing in grain trade,²⁹ and safeguarding the integrity of entrepreneurial agreements and transactions, on the other. With regard to the latter tenet it was accepted that: a) in conflicts that arose in the course of economic relations nothing commanded stronger legal power than a written private contract (i.e. land leasing, mortgage, etc.), because according to Demosthenes (*Against Lacritus*, 39) the written agreement “does not permit anything to have greater effect than the terms contained in it, nor that anyone should bring forward any law or decree or anything else whatever to contravene its provisions;” b) the contract expressed the free will of the parties involved (Isocrates, *Trapeziticus*, 20,25-30; Demosthenes, *For Phormio*, 4), and, c) expressing one’s free will took precedent over all other obligations. Moreover, to dispel any impression that the laws

²⁷ Isocrates (*Antidosis*,4); Aristotle (*Ibid.*,LVI,3).

²⁸ Isocrates (*Against Callimachus*, 10, 13-16); Demosthenes (*Against Meidias*, 94, *Against Apaturius*, 16-9, 28-9).

²⁹ For a detailed analysis of primary sources, see Figueira (1986). The Athenian legal system was concerned solely with the actions of individuals, since it did not recognize the separate legal entity of partnerships (Harris, 1989).

aimed chiefly at the protection of consumers, Demosthenes (*Against Phormio*, 50-2) explicitly invoked the laws for the protection of lenders.

In conclusion, private property rights were well respected and enforced and taxes were moderate. The public administration was efficient and provided the necessary facilities for private enterprises to be productive. Private contracts were strongly supported by the legal system, which favored out-of-court settlement of disputes over time consuming and costly litigation; and, last, but not least, the lack of prejudice and suspicion against foreigners (i.e. the metics) provided ample incentives for people with knowledge, experience and capital to locate in Athens and exercise entrepreneurship.

6. Restraints to extreme individualism

Profits seeking activities like those pursued by entrepreneurs were encouraged in ancient Athens on the grounds that: a) they lead to the accumulation of wealth, which is a useful thing in life;³⁰ b) through the accumulation of wealth by citizens, the city becomes stronger as they contribute more to public expenditures;³¹ c) the development of various arts is made possible (Aristophanes, *Plutus*, 160-2); and d) due to the changes they bring about in the prices, the markets reach equilibrium in regard to the number of enterprises and the supply of goods (Xenophon, *Cyrus Anabasis*, I.v.6; *Ways and Means*, IV.36). However, pursuing profits was approved under three conditions. The first of them was that entrepreneurs would seek to realize “moderate” profits. The second was that wealth would be spent according to certain ethical and social standards; and the third condition was that the distribution of wealth would not become “too unequal” (Bitros and Karayiannis, 2006a).³²

In regard to the first of these conditions, the majority of ancient writers condemned illegal and unfair business practices that resulted in excessive profits. One well-known example in this respect is the hostile attitude that Athenians showed against grain dealers who exercised monopoly power and increased the price of grain by restricting artificially its supply (Lysias, *Against the Corn Dealers*, 5-8,12,15-6). Another example is the view expressed by Demosthenes that only those entrepreneurs deserved social reputation that had accumulated their wealth through honest activities (*Against Phormio*, 43-4). It should also be pointed out

³⁰ Even Socrates (Xenophon, *Oeconomicus*, XI,10-11) who was not materialist, accepted wealth-gathering activities as useful, but only if they were based on fair transactions and took place according to the prevailing market ethics.

³¹ Isocrates (*To Nicocles*, 21); Demosthenes (*Against Leptines*, 26; *For Phormio*, 40).

³² Entrepreneurs who did not abide by these conditions were viewed as damaging the city because they minded only their own interest without giving due consideration to their obligations as citizens. This is the substance of our definition of extreme individualistic behavior.

that Athenians attributed social esteem to those entrepreneurs who had not inherited but earned their wealth (Karayiannis, 1992: 71-2).

Turning next to the restraints regarding the proper use of wealth, ancient Athenians emphasized the following social and ethical standards: (a) consumption was considered acceptable if it consisted of the necessary goods for a noble and non-luxurious life; (b) wealth was well spent if it financed various public expenses (“liturgies”); and (c) wealth was well spent if it were used to offer loans without interest to friends and to the fellow citizens (see e.g. Isocrates, *To Demonicus*, 27-8). At the same time, Athenians were very critical of those rich citizens and metics who did not undertake with willingness public expenses commensurate with the amount of their wealth and showed no respect to rich and idle people who spent their wealth and property in luxury consumption (Demosthenes, *Against Aphobus II*, 22, *Against Stephanus I*, 66). On the contrary, they esteemed rich citizens who employed their resources for productive and trade activities and then “shared” their wealth with the rest of citizens through the voluntary undertaking of public expenses.³³

Finally, with respect to the third condition, the case may have been that the city-state through progressive taxation and other egalitarian programs had gone too far towards an equal distribution of wealth. For, otherwise, Aristophanes would not have put “poverty” to claim in his comedy *Plutus* (505, 525-530) that an equal distribution of wealth would give rise to very serious negative effects. On these grounds we may infer that the citizens in ancient Athens believed that profit and/or wealth-seeking activities were beneficial to the city, and that a moderately unequal distribution of wealth would promote the work effort of individuals. These two generally accepted principles in conjunction with the maximization by individuals of their “individuality” and “happiness”, as taught by Sophists, provided the conditions for the emergence and development of entrepreneurship.

7. Conclusions

The values that Athenians treasured and the institutions they had put in place encouraged entrepreneurial activities and at times rewarded successful entrepreneurs with social and state distinctions. More specifically, in line with public opinion, but contrary to the philosophical teachings of the Socratic philosophers, highly successful entrepreneurs received social and political distinctions, which in the cases of some slaves reached the level of gaining

³³ See Demosthenes (*Against Aristogeiton I*, 51-2, *Against Phaenippus*, 32), Isocrates (*Areopagiticus*, 44-5, *To Demonicus*, 45, *To Nicokles*, 18, *Antidosis*, 159-160); see also (Millett, 1991: 26), Lyttknes (1997), Cohen (1992).

their freedom.³⁴ For example, Demosthenes' father (having the same name), a free citizen, through his successful entrepreneurial activities in establishing and directing two different manufactures (for knives and beds) gained a high social reputation (Demosthenes, *Against Aphobus I'*, 8-9,31).³⁵ Similarly, the successful entrepreneur and rich freedman Meidias, by undertaking large public expenses, gained high social distinction and reputation (Demosthenes, *Against Meidias*, 153-4,213). However, to deter instances of extreme individualism, success in business was judged not by the level of wealth that had been accumulated but by the means that had been used. For only those entrepreneurs were esteemed socially who earned their wealth by working hard and through ethical and fair means, who did not consumed their wealth conspicuously, but shared it with the rest of the people by undertaking voluntarily public expenses, and who abided by the laws and ordinances of the city.

The values of economic freedom, fairness in exchanges, obedience to laws, hard work and altruism functioned under the following important institutional mechanisms: a) the public administration of the city-state “was in the hands, not of the few, but of many” (i.e. the majority principle); b) all people were on an equality for the settlement of their private disputes (the principle of equality before the law); c) each man was distinguished for public honors, not because he belonged to a particular class, but because of personal merits (the principle of meritocracy), and d) there was freedom from suspicion of one another in the pursuits of every-day life” (the principle of personal liberty).³⁶

The above values and institutions functioned positively for the development of entrepreneurship because they molded into the character of Athenians through the system of *agoge* all the appropriate traits. From Pericles funeral speeches (Thucydides, I,141; II,39-41) and from the response of Corinthians to the Lacedaemonians (Ibid. I,70-1), we get a very penetrating view why Athens turned into the first ever-entrepreneurial society. The reasons were that Athenians were: laborious, energetic, progressive, fond of learning, risk takers, responsible, decisive, and innovative. In addition, they disposed of some characteristics well fitted for increasing general welfare such as: generous, moderate materialists, optimists and rational. All these characteristics of the Athenians were a product of their values and institutions and particularly of their educational system (*agoge-paideia*).

³⁴ As Humphreys (1978:71) comments “wealth and the traditional status hierarchy were becoming increasingly separated; some of the richest men in Athens at this time had begun their careers in banking or trade as slaves”.

³⁵ Humphreys (1978: 148-9) comments that in Athens, “the essential for self-respect was that each citizen was self-employed in his own small business.”

³⁶ See Pericles' epitaph in Thucydides (II,34,37); see also Isocrates (*Areopagiticus*, 21-24, 27, *Panathenaicus*, 139-143).

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