The liberating power of entrepreneurship in ancient Athens

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Abstract

Our objectives in this paper are threefold. First, we identify the nature of entrepreneurial climate in ancient Athens. Drawing on the analyses of Athenian writers we argue that, although philosophers, politicians, and generals enjoyed greater civil and social status relative to those pursuing wealth-creating activities, ancient Athenians were not negative to efforts at making “moderate” profits that were used also for promoting the well being of the city. Second, we inquire if and to what extent the city-state of Athens (mainly during the 5th century BC) had an active policy for encouraging metics (i.e. resident aliens) and slaves to assimilate into the Athenian society through success in business. And, finally, we characterise the degree to which metics and slaves were able to take advantage of the prevailing institutional set-up in order to achieve social advancement and individual liberty. Our main conclusion is that in ancient Athens there operated a system of economic and social incentives that had been deliberately designed to promote entrepreneurial activities.
I. Introduction

There are various motivations leading to entrepreneurial activities. One that promotes them strongly, particularly in a classed society, is the motive for individual autonomy and social advancement. This was recognised and stressed long ago (see, e.g. Marshall, 1890, p. 501; Taussing, 1911, vol. II, pp. 167,169). But more recently Hagen (1962, pp. 185-190; 1963, pp. 134-137) and Hoselitz (1964) invoked it as a basis for their theories of entrepreneurship. In particular, Hagen (1963, p. 134) has claimed that a major part of economic change begun by people who enjoyed a respected and valued place in the social hierarchy and who at some point felt that they were no longer respected and valued. So they became entrepreneurs in order to gain more autonomy and social respect. Similarly, Hoselitz (1964, p. 157) has emphasised that people belonging in marginal groups from a cultural or social standpoint, followed an entrepreneurial career in order to achieve social advancement. Moreover, Shapero and Sokol (1982) have provided corroborating evidence to the same effect by highlighting the way in which the process of immigration in some cases (such as Cubans in Miami) works as a fruitful mechanism in promoting entrepreneurship.

Our objectives in this paper are threefold. The first is to identify the nature of entrepreneurial climate in ancient Athens. From the analyses of Athenian writers, and particularly those by Xenophon and the Orators, we know that philosophers, politicians, and generals enjoyed greater civil and social status than those pursuing wealth-creating activities. But they were not negative to efforts at making “moderate” profits that were used also for promoting the well being of the city. For this reason, to understand the structure of incentives under which such activities were pursued, we shall focus on the views and attitudes that prevailed at the time towards entrepreneurial activities. Our second objective is to inquire, if and to what extent, the city-state of Athens (mainly during the 5th century BC) had an active policy for encouraging metics (i.e. resident aliens) and slaves to assimilate into the Athenian society through success in business. And, finally, our third objective is to characterise the degree to which metics and slaves were able to take advantage of the prevailing institutional set-up in order to achieve social advancement and individual liberty.

The paper is organised as follows: In the next section we focus on the views and attitudes that prevailed in ancient Athens regarding “wealth-creating” activities in general. Next, in section III, we turn to the policies that were followed for the purpose of encouraging entrepreneurial endeavours by non-native Athenians. Also, we
investigate the extent to which metics and slaves took advantage of the system to enhance their social status. The conclusion we derive from the discussion in this section is that in ancient Athens there operated a system of economic and social incentives that had been deliberately designed to promote entrepreneurial activities. Finally, in section IV we summarise our findings.

II. Views and attitudes towards entrepreneurship in ancient Athens

The establishment of private property rights in ancient Athens has tremendous economic and political effects. Athenians held that such an institution not only increases the work effort, responsibility and creativity of individuals, but also guarantees personal independence and “democracy” (see Xenophon *Oeconomicus*, ix. paragr. 17; Isocrates, *Panegyricus*, paragr. 103; Aristotle *Politics*, 1261b, paragr. 35-40; 1263a, paragr. 30-35; 1297b, paragr. 15-30; Plutarch *Solon*, paragr. 21). The majority of enterprises in various sectors of production, from agriculture and industry to services (Karayiannis, 1992, pp. 67-69), were small and operated under the management of their owners. Moreover, economic activities were taking place in an exchange market economy controlled by social and ethical norms and state regulations (mostly upon prices of necessary goods).

Xenophon and the Orators (see Karayiannis, 1992, pp. 77-83) note that the prevailing institutional and market environment provided for a multiplicity of entrepreneurial roles. In particular, they indicate that such roles involved: a) the establishment, management and supervision of productive or trade enterprises; b) the decision making in the firm, since the entrepreneur supplied the necessary funds and other factors of production; c) the discovery of profit opportunities, mainly by acting in the area of wholesale activities, and last, but not least; d) the provision of knowledge and information to realise some technical economies (i.e. mass production and increasing returns through the division and specialisation of labour).

Generally speaking, for ancient Athenians the superior characteristic of human behaviour was virtue (e.g. Isocrates, *To Demonicus*, paragr. 6-7). But at the same time they considered that: (a) the accumulation of wealth, together with pleasure and social reputation, are among the main motives of any human activity (e.g. Isocrates, *Antidosis*, paragr. 217), and (b) entrepreneurial activities contributed positively to the economic development and the military strength of the city-state (Karayiannis, 1992,
pp. 70-71). For these reasons they encouraged such activities under three conditions. Namely, first, that entrepreneur would seek to realise “moderate” profits. Second, that wealth would be spent according to certain social and ethical standards, and, third, that the distribution of wealth would not become “too unequal”.

In regard to the first of these conditions, profits were considered legitimate if they resulted from fair practices and if they were properly used. The majority of the ancient writers (Karayiannis, 1992, p. 72) condemned illegal and unfair business practices that resulted in abnormal (higher than moderate) profits and used a special word “aischrokerdia” (profiteering) to describe them.4 A well-known example in this respect is the hostile attitude that the Athenians showed against grain dealers who exercised monopoly power and increased the price of grain by restricting artificially its supply (see Lysias, Against the Grain-Dealers, paragr. 5-8, 12, 15-16).

But which was the rate of moderate profit? Was it the rate necessary to keep entrepreneurs in business, as Robinson (1934, p. 22) characterised the competitive rate of profit? Or was it equal to what Veblen (1921, p. 38) termed “what the traffic will bear”? Or was it a satisfactory level of profit in the meaning of Simon (1959)? Perhaps it was all of them. But in addition the rate of profit ought to reward entrepreneurial skills and also be in line with socially and ethically accepted standards.

As for the proper use of wealth, ancient Athenians emphasised 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 fellow citizens (see e.g. Solon Laws, paragr.73; Isocrates, To Demonicus, paragr. 27-28).

Athenians also attributed social esteem to those entrepreneurs who had not inherited but earned their wealth (Karayiannis, 1992, pp. 71-72). On the other hand, they blamed those rich citizens and metics who did not undertake with willingness public expenses commensurate with the amount of their wealth (Demosthenes, Against Aphobus II, paragr. 22; Against Stephanus I, paragr. 66). Moreover, they did not respect those rich idle consumers who spent their wealth and property in luxury consumption. 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 (Veyne, 1976, Ch. 1) of public expenses (see Demosthenes, *Against Aristogeiton I*, paragr. 51-52; *To Phaenippus*, paragr. 32). Isocrates emphasised particularly that the glory of the city of Athens owed much to the high rate of work effort of the citizens and the willingness of the entrepreneurs to undertake productive and risky (mainly trade) activities.

In a quasi-free market economy, as that of ancient Athens was, the emergence of the dilemma of efficiency vs. equality was unavoidable. In Aristophanes’ comedy *Ploutos* (paragr. 505, 525-530) “poverty” speaks claiming that an equal distribution of wealth would give rise to the following negative effects:

(a) The willingness of individuals to increase their work effort would diminished,
(b) The division of labour which depends on the different skills and preferences of individuals would decrease,
(c) The volume and variety of products would decline, and as a consequence,
(d) The welfare of citizens would be reduced.

Hence, citizens in ancient Athens believed that: (a) profit and/or wealth seeking activities performed a useful operation with beneficial results for the city, and (b) that a moderately unequal distribution of wealth would promote the work effort of individuals. These two generally accepted principles in conjunction with the maximisation by individuals of their “individuality” and “happiness”, as taught by Sophists (see Plato, *Protagoras*, paragr. 354-356), provided the minimum necessary conditions for the emergence and development of entrepreneurship.

Moreover, in the ancient Athenian economy there functioned a proto-capitalistic market system with the following main principles, institutions and characteristics (see Karayiannis, 1992, pp. 68-73; Hanson, Heath, 1998, pp. 69, 71, 85, 114):

a) There existed institutional and legal protection of property rights.
b) The middle class was prevalent. It consisted of proprietors and directors of small-scale enterprises who were able to cover their living expenses and undertake a portion of public expenditures.
c) The middle class was the prime mover of economic development and in addition it contributed towards a balanced economic and social structure without the extremes of richness and poverty. This guaranteed the individual liberty of citizens.
d) The operation of small-scale private firms in a slightly controlled market environment and the existence of a rather voluntary system of taxation (through “liturgies”) prevented the extreme misdistribution of wealth.

e) Through their proto-capitalistic free market economy Athenians managed to establish a system of meritocracy where each member (citizen or metic) received what he deserved according to his intelligence, skills and work effort.

f) They dismissed the various monopolistic activities and stressed the usefulness of a moderate and fair profit rate as the main target of business activities.

Such was the institutional and market environment that not only encouraged legal and ethically based entrepreneurial activities but also rewarded successful entrepreneurs with social and state distinctions (see e.g. Antiphon, Tetralogy I, b paragr.12-13; Demosthenes, To Naucimachus, paragr. 25-27; Lycurgus, Against Leocrates, paragr. 139-140). More specifically, in line with public opinion, and contrary to the philosophical teachings of the Socratic philosophers, a successful entrepreneur received a social and many times political distinction and reputation, which in the cases of some slaves reached the level of gaining their freedom. 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, paragr.8-9, 31). Similarly, the successful entrepreneur and rich freedman Meidias, by undertaking large public expenses, gained high social distinction and reputation (Demosthenes, Against Meidias, 153-154, 213).

As is deduced from the above, ancient Athenians had embedded into their ideological and institutional framework a sophisticated system of incentives for undertaking entrepreneurial activities and for using the wealth created thereof in a socially responsible way. For citizens and metics entrepreneurial success meant social and economic advancement, whereas for slaves the same success led frequently to their freedom.

III. Entrepreneurship for social advancement and individual liberty

Metics were admitted in Athens by the time of Solon (Plutarch, Solon, paragr.22, 24; see also Stanley, 1999, p. 228) because of their special knowledge in certain important industrial activities such as armoury, shipbuilding, etc. Metics were
obliged to pay a special tax called “metoikion” and to undertake specific “liturgies” according to the amount of their wealth. Also, in times of war they were obliged to pay a special income tax and it is mentioned (see Isocrates, *Trapeziticus*, paragr. 41) that they regarded it as a honourable obligation to share in the cost of the city’s wars.12

The majority of metics were entrepreneurs or trained metal workers and potters. Their entrepreneurial activities were concentrated in:

(a) Farming: Even though they did not have the right to own land, metics could become farmers by renting land and cultivating it for their own account. An example in this regard is that of freedman Alkias (*Lysias, To fig-tree apologia*, paragr. 10).

(b) Small-scale industrial enterprises: An example is that of Kefalus, who was the father of orator Lysias. Kefalus 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 Eratosthenus*, paragr. 4). Similarly, the orator Lysias and his brother owned a shield production enterprise. So, even though they were metics, through their profits they were able to undertake special expensive “liturgies” (*Lysias, Against Eratosthenus*, paragr. 8, 19). Also, the well-known and rich banker, the metic Pasion and his freedman Phormio, directed a shield production enterprise (*Demosthenes, To Phormio*, paragr. 4-5).

(c) Wholesale enterprises: Metics who established and directed wholesale enterprises in importing grain and exporting Athenian products were considered as offering a special and valuable service to the city of Athens (*Lysias, Against Andokides*, paragr. 49).13 In particular, ancient Athenians recognised that the importers of grain by assuming various risks deserved special profit and their riches were justified (*Isocrates, To Demonicus*, paragr. 19).14 Aristophanes in his comedy *Ploutos* (paragr. 900) notices that grain importers in times of war were released from taxes as they offered a valuable service to the city. Similarly, Xenophon (*Ways and Means*, III, paragr. 4) proposed to the city to pay special tribute to grain importers (e.g. to give them the front positions in gymnastic games and theatrical performances).

(d) Banking services: particularly in offering loans, in accepting deposits and in exchanging the various kinds of money (see Isocrates, *Trapeziticus*).15 In some cases, when rich Athenians and metics stopped their productive and trade activities, they became rentiers by offering capital to potential entrepreneurs. Not only free citizens
but also some metics started profitable enterprises by borrowing capital from rich rentiers and/or bankers (Thompson, 1982, pp. 79-81). Ancient Athenians were not opposed to intermediation in the demand and supply of interest paying loans for investment. Specifically, the orators Isocrates (Aeropagiticus, paragr.31-35) and Demosthenes (Against Aphobus I, paragr. 61), emphasised 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, paragr. 1-15; Pseudo-Aristotle, Oeconomica, 1349a, paragr. 4-9) as was also the assumption of various risks, mainly in wholesale trade (Demosthenes, To Pantaineton, paragr. 54; To Zenotheme, paragr. 2; To Phormio, paragr. 6-7; To Lacritus, paragr. 22, 25).

A famous case of a slave who gained his freedom by offering special entrepreneurial services to his masters Antisthenes and Archestratus is that of the banker Pasion. Pasion became rich by directing his own bank and by assuming very expensive “liturgies” gained a high social reputation and fame. His honesty, hard working, and special abilities in directing his enterprise, were his main qualities, which opened up the road for his social advancement and individual liberty (Demosthenes, To Phormio, paragr.48, 53-55). Pasion afterwards employed a slave named Phormio in his various businesses. As Phormio proved very successful in directing his masters’ enterprises (a bank and a shield production enterprise), gained not only his freedom but also continued to direct these enterprises by paying a special rent to Pasion’s two sons (Demosthenes, To Phormio, paragr. 4-5).16 As Demosthenes argued (Demosthenes, To Phormio, paragr. 57-59), Phormio, by becoming a successful entrepreneur, accumulated a fund through which he was able to undertake expensive “liturgies” and offered loans without interest to poor Athenian citizens.17

Metics who obtained their wealth from fair entrepreneurial practices and spent a part of it in undertaking “liturgies” gained a “ticket” to their social advancement and reputation (see Isocrates, Aiginiticus, paragr. 36-37). A famous case in point is that of the orator Lysias and his brother (see Lysias, Against Eratosthenus, paragr.20-21). In ancient Athens it was a well-accepted policy (see Isocrates, On Peace, paragr. 163; Xenophon, Oeconomicus, II.2. paragr.2) that metics who increased the wealth of the city through their entrepreneurial activities deserved and gained individual autonomy
and social advancement. Moreover, in recognition of their services they were included in the middle class (Humphreys, 1978, p. 153; Garlan, 1982, p. 93). As a matter of fact so favourable was the climate that Xenophon (Ways and Means, II, paragr.1-6) proposed that metics who offered capital and special services to the city be rewarded with property rights to a small portion of land and a house.18

From the above we may surmise that ancient Athens pursued a consistent policy of encouraging entrepreneurial activities that were conducted under ethically and socially accepted standards. This policy opened the road to social advancement not only for Athenian citizens but also for metics and slaves. Moreover, Isocrates (Antidosis, paragr. 159-160) supported it eloquently by commenting that it was a great honoured for someone to become rich through entrepreneurship because every citizen benefited.

However, there is no strong evidence that Athenians applied the same policy in their colonies. Of course we know that they purposefully settled colonies, like Amphipolis, by dividing the conquered land into lots and giving them to poor citizens (“cleruchies”) (Isocrates Panegyricus, paragr. 35-6, 107; see also Boeckh, 1817, pp. 424, 427, 429). But we have no specific information as to whether they established special colonies for trade purposes, as other cities like Corinth and Miletus had done through the establishment of “ports of trade” (Boardman, 1964, pp. 262-264; Andrews, 1967, pp. 157-162, 218; Austin and Vidal-Naquet, 1972, pp. 61, 66). Perhaps the explanation lies in that ancient Athenians did not need such ports because they had already at their disposal the port of Piraeus, for which Xenophon (Ways and Means, ii) had proposed a special developmental policy and Isocrates (Panegyricus, paragr. 42) wrote:

“Since the different populations did not in any case possess a country that was self-sufficient, each lacking in some things and producing others in excess of their needs, and since they were greatly at a loss where they should dispose of their surplus and whence they should import what they lacked, in these difficulties also our city came to the rescue; for she established the Piraeus as a market in the center of Hellas --a market of such abundance that the articles which it is difficult to get, one here, one there, from the rest of the world, all these it is easy to procure from Athens".
IV. Conclusions

In difference to the teachings of its philosophers, ancient Athens applied a consistent policy in support of entrepreneurial activities. This policy was based on the following pillars. First, it recognised the positive impact of entrepreneurial activities for the autonomy and liberty of the citizens and the strength of the city. Second, entrepreneurial activities were encouraged only in so far as they were conducted within certain ethical, social and economic boundaries. Third, success from entrepreneurial activities was rewarded by the city with various honours if the accumulated wealth was spent in a socially responsible manner by granting loans free of interest and undertaking expensive “liturgies” on behalf of the public. Fourth, the policy provided specific socio-political incentives such as social advancement to citizens and metics and/or liberation to slaves.
Endnotes

1. Metics were not native Athenians. They had the same obligations and responsibilities as the free citizens, but without having the right to own land, except in case they became “isoteleis” (i.e. equal to free citizens) in return for their special services (offering resources, military services, etc.) to the city. Those “isoteleis” were next in rank to citizens but they did not have full political rights (Boeckh, 1817, p. 540).

2. Solon (6th century BC) had established detail laws for the protection of property and its disposition through the free will of the proprietor (see Solon, Laws, paragr. 83, 117, and Diogenes Laertius, Solon, paragr.57). For a detail analysis of Solon’s economic reforms, see Stanley (1999, pp. 204-256).

3. While comparing the state of economies in various communists and non-communists countries in the 20th century, Kornai (2000, pp. 37-39) found recently a positive influence of private property and democracy on economic growth.

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

5. See his orations: Areopagitcus, (paragr. 44-45); To Demonicus, (paragr. 45); To Nicokles, (paragr.18); and Antidosis, (paragr. 159-160).

6. Thus, this dilemma, which in our days was investigated by Arthur Okun (1975), seems to be much older.

7. For a magisterial analysis of the social meanings of this comedy see Rothfield (1999, 225-228).


9. As Xenophon (Memorabilia, II.vii. paragr. 6) noticed: “manufacturing one of these commodities, …… Naucydes keeps not only himself and his family, but large herds of swine and cattle as well, and has so much to spare that he often undertake costly public duties; that Cyrebous feeds his whole family well and lives in luxury by baking bread, Demeas of Collytus by making capes, Menon by making cloaks; and most of the Megarians make a good living out of smocks”.

10. Plato and Aristotle were rather hostile toward the profit seeking activities of individuals, which they considered to be a source of economic injustice and social destruction (see Karayiannis, 1990, pp. 21, 28-29).

11. Humphreys (1978, pp. 148-149) comments that in Athens, “the essential for self-respect was that each citizen was self-employed in his own small business. Although Spartans and philosophers thought that craftsmen and shopkeepers should be banned from citizenship, their occupations were not shameful in Athens”.

12. About the various taxes and other obligation of metics in Athens see Boeckh (1817, pp. 537-541); Garlan (1982, pp. 108-111); Austin and Vidal-Naquet (1972, pp. 99-100); Finley (1981,pp. 81, 90).

13. There were many metics as Apaturius, Artemon, Apolodorous, etc. who exported wine, oil, vases, etc. and imported grain (see Demosthenes, Against Apaturius, paragr. 6; Against Laciatus, paragr.10).

14. The various investment opportunities in terms of returns and risk bearing in ancient Athens are analysed in Christesen (2003).
15. Shipton (2000) analysed the extensive monetisation of the Athenian economy through the establishment and functioning of various money-using institutions.

16. Apolodorus the son of Pasion is quoted as saying with pride that his father offered two thousand shields to the Athenian soldiers and five ships in addition to some other expensive “liturgies” (Demosthenes, Against Stephanus I, paragr. 85).

17. It seems that the majority of metics who acted as entrepreneurs preferred activities with moveable assets such as bankers, shopkeepers and traders, because they did not have the right to be proprietors of agricultural land (see Andrews, 1967, p. 200; Humphreys, 1978, p. 148).

18. As Austin and Vidal-Naquet have observed (1972, p. 101), “the city needed the metics, because of all the economic services they provide (manufacture, trade), because of the revenues they brought to the city without costing anything, and because of their use in the army and navy”. As the number of metics was high, above of twenty thousand (see Finley, 1981, p. 72), their assistance in wars was also very important for the city.
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