6-2013

Capitalism in Ancient Rome and Ancient Greece: Risk and Unethical Business

Sam Goldman
Union College - Schenectady, NY

Capitalism in Ancient Rome and Ancient Greece: Risk and Unethical Business

By

Sam D. Goldman

****

Submitted in partial fulfillment
of the requirements for
Honors in the Department of Classics

Union College

June, 2013

Abstract

Sam Goldman, Capitalism in Ancient Rome and Ancient Greece:
Risk and Unethical Business Practices
Department of Classics June 2013

This thesis compares the business practices of the upper classes of ancient Greece, and ancient Rome. Specifically, I dissect the business decisions that were made with an effort to increase social status. I will focus on the relationship between the social perception of material wealth and the risk or (unethical business practices) that ancient members of the upper classes faced when they attempted to increase their material wealth. In my first chapter I look at the issuance of maritime loans and the risk associated with this type of finance. I discuss the origin of the business, some of the factors involved with it, and I look at the aristocrats who involved themselves in this type of risky venture. My second chapter focuses on the *publicani* in Rome and how the system of tax farming enabled a wide variety of Roman magnates to become wealthy men, provided they were willing to extort less fortunate parties in the provinces. My last chapter compares different historical figures and how their business decisions were fueled by the desire to appear wealthy and powerful to the masses.

I decided to write a comparative essay on both ancient Greece and ancient Rome and analyze private business during antiquity because I wanted to test my thesis that even over thousands of years things rarely change. I try to highlight the unethical business practices and excessive amounts of risk taken by the aristocracy in their attempt to be perceived as powerful. This notion has been consistent in many other societies over the years, not just the classical civilizations.

Table of Contents

Introduction	1
Chapter 1: Maritime Loans in Athens, Worth the Risk?	5
Origin	5
Factors	7
Demosthenes	12
Pasion	14
Phormion	17
Chapter 2: The World's First Financial Companies?	21
Origin and Factors of "Tax Farming"	22
Cicero	24
Crassus	27
Pompey	29
Verres	31
Chapter 3: Connections between Private Business in Athens & Rome	34
Athenian Policy on Private Business	34
Roman Policy on Private Business	36
The Role of Status and Business Ethics in 4th Century Athens	39
The Role of Status and Business Ethics in the Late Roman Republic	41
Conclusion	46

Bibliography 49

Introduction

We have recently seen many men and women take on high levels of risk in order to achieve the most lucrative returns on their investment. Our generation has been touched by this conceived notion. In the Financial Crisis of 2009 many independent firms and investors on Wall Street acquired a variety of high yield financial instruments in hope of earning large returns upon maturity. However, these securities were considered risky investments. After the real estate bubble burst, these securities became basically worthless, and investors were left holding billions of dollars in toxic debt. This example is not intended to be a moralizing lecture on modern economic crises. However, we observe that men will take on risk and or participate in unethical business practices in attempt to enjoy high reward, and especially to better their socio-economic status.

With regard to limited government regulation in ancient times, the Greek and Roman worlds were almost similar to each other. 4th century Athens, and Rome towards the latter half of the Republic, were both hubs for commerce and private business ventures. They were truly laissez faire economic states. Both cities possessed a wide variety of private business enterprises as well as a multitude of wealthy entrepreneurs. Investors could carry out their business directly or indirectly through the involvement of private bankers or financiers. Both Ancient Athens and Ancient Rome are prime examples of two of the world's first fully functioning capitalist societies. The Greek and Roman societies possessed diverse social hierarchies relative to modern capitalist societies. Both of which contained an elitist class as well as middle and lower classes.

Class was exceptionally important in both societies and in both periods, and this notion of class was very highly scrutinized as well as observed by all members of ancient societies. There was a constant competition between wealthy political figures, entrepreneurs and other types of businessmen over the concept of status. The ideal of being the wealthiest man in either society was constantly on the minds of the Greek and Roman aristocrats. It was imperative to exhibit wealth in any way shape or form, via buying slaves, homes, ships, property etc. On the other hand, it was also just as important to preserve and maintain wealth, as it was to flaunt it. We will see what many of the historic figures from antiquity spent their money on, as well as the amount of money that they made over the course of their illustrious careers as entrepreneurs and or venture capitalists.

In Athens, the Greek nobility and the Greek aristocracy competed to attain wealth through the exploitation of profitable business ventures such as maritime loans. In Rome, the Roman nobility gained vast earnings from the likes of tax farming. These were not the only types of private business practices that were executed during the respective periods, but were exceptionally profitable and controversial. We will also see the wide variety of historically renowned politicians and financiers who took part in these types of business ventures.

Despite the high risks involved and or the controversial ways of making money in the ancient Greek and Roman worlds, both of the elite classes in Rome and Athens found these lucrative business endeavors necessary in order to climb their respective social ladders in antiquity. With increasing wealth came increasing power in Athens, and in Rome as we will see. Thus, in order to be become the most powerful figure in either Greek or Roman society you needed to be of great financial means. All sorts of men yearned to be of the highest status in the Greco and Roman worlds, at any cost. As we have seen over time (especially with regard to the ancient histories of Greece and Rome), the most powerful and well known historic names that we have come to know seem to have been the ones who achieved excessive wealth and capital by any means possible, ethically or unethically.

In the following chapters we will dissect the different components of ancient business that took place in both Athens and Rome, including the pros and cons, origins, and pertinent factors. We will then examine the similarities between the two periods, and how the business decisions that were made amongst the elite classes in each era were directly correlated, as well as the reasons that these groups of people chose to involve themselves with the different types of business practices. One overarching theme is status.

It is clear, when we look back to antiquity, that there were no such things as tradable mortgage backed securities or credit default swaps issued by large insurance companies. But there were certainly prospects ofor making large sums of money, either by unethically exploiting the unfortunate provinces who found themselves buried under great amounts of debt. Or one could have made profits by investing in high-risk maritime journeys, which although they were unlikely to be successful, paid off well when they were. In both ancient Athens and ancient Rome, being successful financially was of the utmost significance. Thus, throughout antiquity we see a large number of ancient Greek and Roman nobility who were infatuated with the idea that in order to be powerful politically or at least appear so to the public eye you needed to make a lot of money. Many of the most influential and renowned historical figures of ancient times truly stopped at nothing to make their fortunes. They involved themselves in controversial business ventures that were highly risky and or unethical. This suggests that greed was certainly a prevalent trait that existed amongst the variety of successful men in both eras of ancient history.

Chapter 1: Maritime Loans in Athens, Worth the Risk?

Origin

We will first analyze the risky business practice that was ubiquitous amongst aspiring Greek politicians and entrepreneurs, and then we will look at some of the names who involved themselves with these affairs. The first business practice that we will analyze from ancient Greece was known as maritime finance. Private enterprises and wealthy investors earned heaping profits from loans to merchants and ship owners looking to finance a treacherous journey at sea.[1] We will examine the origins and factors associated with maritime finance in ancient Greece and we will see how some individuals ended up making or losing money, while being enticed by the possibility of attaining great wealth in the process.

Regardless of being a lender or borrower (merchant/ship owner) in Athens during antiquity, the system of maritime finance was seemingly variable and controversial in many ways. However, we can gather a pretty accurate understanding of what this relationship entailed through a variety of historical references. Before we get into the particular variations, and factors of maritime loans, we will briefly discuss the origin and nature of the system. We are certain that maritime loans were prevalent in Greece during the 4th century.[2] At this time in Athenian society doing business was virtually unregulated. There were no stringent policies or specific legislation that dissuaded the

---

[1]Cohen, Edward E. *Athenian Economy and Society: A Banking Perspective*. Princeton, NJ: Princeton UP, 1992. Print. (Pg. 141)

[2] Cohen, Edward E. (Pg. 140)

transfer of funds from one party to another at a given rate of interest. The *trapezai* (private banks) essentially went about doing their business without any interference from government regulation, and there were no major business enterprises that could strong-arm other investors out of the market.[3] Thus, maritime loans were considered legal, acceptable, and in some ways encouraged by the Athenian government. Specifically, the process of maritime finance consisted of a given lender such as an entrepreneur or a *trapezae* (private bank) who offered to fund a particular *emporos* (merchant/ ship owner) who sought to deliver cargo in a distant region.[4] In agreement the moneylender received the ship and cargo within it, as a security for the money funded to the ship owner.[5] Upon the return of the ship from its voyage, the lender would receive the principal as well as an exceedingly high rate of interest. The reasons for this high yield on the loan was due to the overwhelming risk associated with the voyage. In ancient times ships were quite frequently wrecked in major storms, raided by pirates, and or the men aboard died from various ailments. It is quite evident that the creditor himself bore the entirety of the loan's risk,[6] that is, losing the overall value of his investment plus his expected return. Ultimately, this system of finance was untouched by government officials and or large monopolistic companies. It was essentially an open market for whoever was willing to take on the risk. For example

> There existed at Athens no single owner of a multiship fleet, no dominant trading companies, no enterprise controlling the harbor…Unregulated by oligopolistic or governmental controls, Athenian bankers were free to vary

---

[3] Cohen, Edward E. (Pg. 141)
[4] Cohen, Edward E. (Pg. 43)
[5] Andreau, Jean. *Banking and Business in The Roman World*. Cambridge, United Kingdom: Cambridge UP, 1999. Print. (Pg. 54)
[6] Andreau, Jean. (Pg. 54)

> the conduct of their operations, free to commingle ‘bank’ and individual funds, free to engage in speculative investment.[7]

In many ways maritime finance was a level playing field for anyone who wanted to step into the game. We can trace many of the fundamental concepts of our current financial system back to the one put in place in 4th century Athens.

Factors

Since we have discussed the origin and nature of maritime finance we will now delve into the relevant factors of the system. These factors included the particular knowledge of trade routes; the time of year or distance of travel, which justified the risk and reward of a given journey, the reliability of given business partners, and lastly, the use of financial intermediaries in an attempt to expedite the process. For instance, a local banker could be used as a lender’s payment agent, serving as an eyewitness to the contractual agreement between the lender and borrower, or he could be hired to hold the actual contract.[8] This ensured the contract’s safety, so that if anything were to go wrong, there was tangible proof of the agreement in the hands of a third party.[9] All of these pertinent facets within the system allowed for a variety of potential outcomes to occur, as we have seen through the development of this ancient source of finance.

We will first observe some of the factors related to risk and reward in regards to maritime finance. As mentioned earlier, just because maritime finance was considered a “legitimate” way of doing business did not mean that it was necessarily a safe way. Both

---

[7] Cohen, Edward E. (Pg. 44)
[8] Cohen, Edward E. (Pg. 178-179)
[9] Andreau, Jean. (Pg. 56)

the uncertainty and risk associated with this type of finance classified maritime loans as a dangerous investment. These two factors were the driving forces behind the high yields that were attached to the individual loans. But this often-high maritime yield was not always at a fixed rate, based on a variety of ancient sources. Throughout a multitude of these historical references we see a great deal of variability in the determination of given maritime yields. This variability in many cases was dependent on the length of the journey as well as the sailing conditions or time of year in which the voyage was scheduled. For instance, in Demosthenes 35 we see a prime example of how a particular maritime yield was determined by both sailing conditions and the distance of the trip.

> Merchants sailing from Athens are to purchase in Mende or Skione 3,000 containers of Mendaian wine, intended as collateral security for a loan of 3,000 *dr*. From option, the borrowers are authorized to proceed as far north on the western cast of the Black Sea as Borysthenes. The borrowers also had the option to avoid the Pontic area commenced before the rise of *Arktouros* (mid-September) but otherwise without regard to the course chosen or time required-then lenders were to receive a fixed yield of 675 *dr.* to be paid, in addition to principal, within days of the ship's return to Athens[10].

Clearly, in this account the yield was dependent on the proximity of Athens to the Black Sea. Thus, the distance of one port to another determined a given maritime yield. In addition, we also see the mention of *Arktouros* (mid-September) in this passage, which was the most treacherous time to sail a vessel in the Mediterranean. It is evident that the given time of year brought a tremendous amount of risk to the already uncertain business venture. Thus, it accounted for a stark increase in the particular maritime yield. Specifically, in Demosthenes 50.21 we see how *Arktouros* could greatly impact a given voyage. For instance "Maritime risk explains even the provision for an increase in yield

---

[10] Cohen, Edward E. (Pg 54)

from 225 *dr*. per thousand to 300 *dr*…as emphasized by Apollodoros at Demosthenes 50.21, dangers at sea from the weather and piracy rose sharply after *Arktouros*. But these perils might be offset by opportunity for enhanced profit following the star's rise."[11] In many scenarios wealthy investors and private bankers believed that the reward in high yields justified the propensity of failure for the entire operation as a whole. Some entrepreneurs and investors struck gold by gambling on their investments. We see this behavior of gambling on risky business ventures throughout the era.

It is clear that the risks and rewards of maritime finance rendered making decisions very difficult when considering a business venture. What made this type of finance an even bigger risk, other than the obvious treachery at sea, was the possibility of fraud within the business arrangement. Thus, the reliability of a potential business partner was also a considerable piece of the puzzle. In this particular scenario we will take a look at Demon son of Demomeles, who was accused of fraud by the Massalians.[12] "Although modern scholars generally conclude that the cargo probably did belong to the Massaliots, Demon's lending and loan administration skills had enabled him to prevail, juridically and pragmatically, in all prior stages of the dispute: he had even been able to take possession of the cargo and had forced his foreign adversary to litigate in Athens."[13] In this case, Demon was accused of taking cargo from the Massaliots and dishonoring the business agreement, but was able to skirt the allegations. Ultimately, this shows us another extraneous variable involved within maritime loans. Disputes and various allegations were quite typical and were yet another relevant aspect involved in the

[11] Cohen, Edward E. (Pg. 56)
[12] Cohen, Edward E. (Pg. 126-127)
[13] Cohen, Edward E. (Pg. 127)

maritime finance system. Yet, wealthy bankers, politicians, and investors still sought after countless opportunities to take part in these risky and uncertain business ventures due to excessive returns on investment based on exceedingly high yields.

In order to alleviate the conflicts of fraudulent allegations and contractual disputes, many people included intermediaries in their business arrangements. We will now take a look at the deviations of these third parties or intermediaries' use in maritime finance. Naturally, throughout the origin and development of the issuance of maritime loans there were issues and conflicts over the course of its progression. Thus, this type of finance grew and adapted over the years to cope with specific disputes like the ones mentioned in the previous paragraph. The mildly effective solution to these problems came with the incorporation of a third party. There were clearly a variety of different reasons and uses for the involvement of this particular "third party". One example of its uses in this genre of finance is given in Demosthenes 34. In this particular passage there is specific reference to a third party being used as a witness. That is, the witness' role was to observe the overall contractual agreement. In many cases a witness helped to clarify the logistical details of the contract, so that if one person alleged to have been cheated or slandered in regards to the stipulations of the contract, the witness could be summoned to give testimony (Phormion, the banker of Piraeus For instance):

> Phormion's function as a 'witness' to the Maritime loan contract should not be confused with the passive role of modern witnesses to the commercial agreements, whose principal, often exclusive task is to confirm in writing the fact of execution of a written contract. The Athenian witness orally makes confirmatory declarations as to the contents of the document, and the making of these declarations is noted at the end of the writing.[14]

[14] Cohen, Edward E. (Pg. 178)

Once again this proves the use of the third party involvement in this type of financing. It helps to distinguish the adaptation of the system over the course of the years in ancient Greece. Specifically, this particular passage points to the dynamic of the oral testimony as a witness of a maritime loan contract, which helped to ensure the validity of the document's information. This was considered to be a more effective approach rather than the role of modern witnesses who passively observe contracts without giving a verbal statement. But this was not the only way third parties were utilized in maritime finance in ancient Greece.

In Demosthenes 33, in order to confirm that a particular loan was given and was required to be repaid we see another dimension of the third party. Even though the overall intention of the presence of the party was congruent to that of the prior example, this account of the third party slightly differs. For instance,

> This public procedure necessarily rendered visible funds that had been held as 'invisible assets.' Since borrowers would seek similar public knowledge of repayment, return of monies generally occurred before an assemblage of onlookers: the bank loan of 3,000 *dr.* in Demosthenes 33, for example was repaid before a large crowd, which also witnessed the destruction of the relevant loan documentation.[15]

This excerpt from Demosthenes 33 confirms that the involved party was not just one individual banker or a private financier. Rather, it was in fact a large crowd of people that was summoned to help expedite the process and incentivize the repayment of the loan with interest. By gathering a large assembly of people to observe the repayment, it helped to alleviate any conflict or complication between the borrower and lender. That is, it

[15] Cohen, Edward E. (Pg. 206)

would be very difficult for anyone to lie or fabricate details of an agreement after having been witnessed by more than one person.

It is clear that this aspect of maritime finance was far from uniform and had its fair share of loopholes and uncertainties. Yet, in these scenarios the different roles of the third party all helped to ensure the “efficiency” and “integrity” of the agreement between borrower and lender in maritime finance. However, these third parties were not always present in the transactions in maritime finance and were essentially useless if the ship did not return from its voyage.

Demosthenes

We have observed through a variety of historical texts that the ancient Greek upper classes enjoyed lifestyles that were both decadent and luxurious. Demosthenes may certainly be included in this group of renowned Greek aristocrats. Known to many as a philosopher, statesman, and orator, Demosthenes was also amongst the elite class of wealthy-businessmen in Greece. He like other entrepreneurs earned his fortune in business practices that involved the incurring of large debts at high risk. Specifically, Demosthenes was involved in the practice of maritime loans, which was naturally considered a very risky business endeavor.

There have been several references in historical text that suggest the involvement of Demosthenes in maritime finance. Political figures such as Demosthenes seem to have taken on such risky investments to improve socio-economic status. Improved socio-economic status in antiquity meant greater power. This excerpt suggests that

Demosthenes and his relative Demon engaged in maritime finance just as their respective father's had once done before them. For instance

> Demon's father himself was a bank proprietor involved in making maritime loans; Demosthenes' father employed banks as intermediaries for deposits utilized for maritime loans. The two sons appear to have continued their fathers' practices. Demon, possibly a banker, may in any event have utilized bank funds in maritime loans. Even more than his businessman-father, Demosthenes would have needed intermediaries in making the maritime loans attributed to him by Hypereides.[16]

Evidently, Demosthenes was involved with lending to maritime merchants and ship-owners in attempt to earn hefty returns of capital much like his father. Although this passage suggests that Demosthenes could very well have benefited from intermediaries in maritime finance it also indicates that he and his relative Demon were very much beneficiaries of this process.

Demosthenes' involvement in maritime loans as well as the inheritance of his father's fortune certainly aided in his political ambitions in Greece. With great wealth came great power in Athens, and as a result of the great risk Demosthenes bore through his crediting of maritime loans, he became a man of great means. For instance

> From the time of his entrance into politics, Demosthenes was a man of considerable wealth, like his father among the wealthiest in the city; and in what we know of it, his fortune, like his father's, was quite mixed. But fundamentally different from his father, the younger Demosthenes from the start committed himself to the public arena, was actively engaged in politics, conducting himself in the manner of the economic and political elite.[17]

---

[16] Cohen, Edward E. (Pg. 172)
[17] Cohen, Edward E. (Pg. 172)
Burke, Edmund The Early Political Speeches of Demosthenes: Elite Bias in the Response to Economic Crisis *Classical Antiquity*, Vol. 21, No. 2 (October 2002), pp. 165-193. Web. (Pg. 187)

This passage illustrates Demosthenes' affluence as a young man, as well as his desire to achieve political success in Greece. Although Demosthenes' wealth was not solely accumulated through maritime finance it certainly made up a sizable portion of his assets. This goes to show that men of the elite class would make highly risky business decisions in attempt to increase their capital. Additionally, this passage highlights Demosthenes' desire to excel in the political arena. This aspiration was undoubtedly made capable by his private financial successes. Something that a man of meager means could not by any means wish to do. Thus if it be political or social, status was very much reliant on the prospect of obtaining wealth.

Pasion

Pasion is an unusual member of the Greek aristocracy in that he was not born into a family of means. The peculiarity of Pasion's story is that he was born a slave and eventually achieved his freedom and citizenship.[18] Pasion's background is much different from many of the other members of the Greek aristocracy, such as Demosthenes who was born into considerable wealth due to his father's successes. Pasion was a famous Greek banker from the Piraeus, and was known at his time as one of the wealthiest men in all of Athens.[19] He attained a sizable portion of his fortune through the development of his bank. He was involved with a variety of different lending practices, and was a major advocate and beneficiary of maritime lending. We will see how Pasion profited handsomely from maritime lending over his illustrious career, and we will see how the

[18] Cohen, Edward E. (Pg. 131)
[19] Cohen, Edward E. (Pg. 130)

risky lending that he took part in allowed him to become one of the wealthiest men in all of Greece.

Pasion and his bank played a pivotal role in much of the private business that took place in 4th century Greece. Specifically, Pasion was instrumental in the execution of a majority of the maritime commerce throughout Greece. Unlike many other businessmen in antiquity who carried out most of their business endeavors from within the city Agora in Athens, Pasion completed his financial transactions from Piraeus Harbor.[20] This was a strategic location for Pasion to establish and maintain beneficial business relationships with many of the merchants and ship owners coming in and out of Greece. Pasion was a seemingly convenient choice for funding these long treacherous journeys at sea, due to his willingness to take on great risk and his ability to support merchants with vast capital. For instance

> All of the merchants engaged in overseas trade (*emporoi*) were said to be his banking clients. He maintained overseas representation at Tenedos (Dem. 50.56) and at Lampsakos (Dem. 50.56). He is known to have disposed of financial resources at Peparethos (Dem. 45.28). He was capable of repaying huge sums at the far reaches of the Black Sea (Isok. 17.19). Through his network of representatives, he was said to have engaged in banking transactions throughout 'Hellas' (Dem. 50.56).[21]

As we can see Pasion was a major player in maritime commerce during his time. His great means allowed him to take on the burdens of risk that many of the maritime traders endured as they set sail for distant ports. It is clear that Pasion developed a legitimate network of business contacts, and as he accumulated more and more wealth he became a popular choice for funding when merchants began searching for financial support.

[20] Cohen, Edward E. (Pg. 123)
[21] Cohen, Edward E. (Pg. 123)

Pasion's wealth and his rate of lending seem to be positively correlated through different texts. It is clear that the more money he made the more powerful he became in the ancient world. Also as his business grew in size he was able to use different tactics to increase his clients fortunes as well as his own. Just as modern financial institutions do, Pasion was able to pool together different clients' capital through the form of bank deposits in order to fund the travel of other merchants and ship owners. For instance "Most strikingly (in view of the fragmentary nature of so much of the evidence), we have independent verification for Pasion's utilization of bank deposits in the making of maritime loans: at Dem. 36.5, Pasion's banks acts as intermediary on a massive scale between bank depositors and maritime borrowers." From this excerpt it is clear that as Pasion's bank increased in size he was then able to diversify his lending practices more and more. The diversification of Pasion's lending was particularly beneficial for those involved with maritime commerce.

Pasion's progressive socio-economic climb over the years can be attributed to a variety of different factors, perhaps his diligence, motivation or intellect. But the majority of his great fortune was undeniably accredited to the heaping returns that he enjoyed through maritime loans. The lucrative earnings that Pasion achieved through this particular business practice was undoubtedly more profitable than any other business endeavor he took part in over his career. For example "When Andreyev's insight is combined with a recognition of the basic landed/maritime contrast permeating Athenian finance…the meaning of Demosthenes 36.4-6 is clear: Pasion's assets incuded about twenty talents in 'landed loans' (*men*), but (*de*) more than fifty talents in 'maritime loans'."[22] Evidently, it was the yields from maritime finance that made up the largest portion of Pasion's portfolio. This suggests the potential gains associated with the issuance of maritime loans.

Pasion's path to success is noticeably different in comparison to that of Demosthenes and other Greek nobility. However, once Pasion was granted his freedom he too became infatuated with the concept of accumulating capital through highly risky business ventures. We continue to see this trend coincide with perceived social status and power throughout antiquity. Although, Pasion and Demosthenes differ in many ways they both were very much conscious of their own status and power in Greece. Demosthenes, was more so fixated on his political status in Athens, and Pasion on his reputation both socially and economically as one of the best Athenian bankers. The need to increase wealth through excessively risky business in attempt to better political or social status is an underlying theme that we see again in this account of Pasion.

Phormion

Phormion of Piraeus is another figure whose account differs from the characteristic class of ancient Greek elites. Phormion was Pasion's successor, and oddly enough married Pasion's widow after he had passed away.[23] Phormion resembled Pasion in many respects, in that he too was a slave and worked diligently as a banker until later achieving his freedom.[24] Phormion was eventually given Pasion's business to run after

[22] Cohen, Edward E. (Pg. 132)
[23] Cohen, Edward E. (Pg. 177)
[24] Cohen, Edward E. (Pg. 174)

his death. Phormion headed the bank as Pasion once did, helping to expand the bank's capital in its latter years. It is also believed that Phormion the banker from Piraeus could have also been a homonym for Phormion the celebrated trierarch of the Peloponnesian War.[25] Phormion's exploits as a financier, like his predecessor Pasion's were comprised of a wide variety of business endeavors. But Phormion specifically enjoyed close ties to maritime loans and merchant commerce.

Phormion like many others Greek aristocrats benefited handsomely from lending funds to various merchants and ship owners in need. His involvement in maritime finance not only helped him to attain great wealth and financial success over the years, but it also helped him to improve his social status in the eyes of the Greek aristocrats. For example,

> But Phormion had come to Athens an ignorant non-Greek slave: his sole education was 'learning the lettered accounts' at the bank where he slaved (Dem. 45.72). Years later, after Phormion had performed enormous public and private benefactions for the Athenians (Dem. 36. 55-57) and had attained almost unparalleled prosperity (Dem. 45.54 and 72), both as an independent banker and as a maritime businessman. (Dem. 45.64), Apollodoros tells him in open court that all his success and accomplishment were entirely dependent on a single vagary of chance.[26]

Phormion's engagement in maritime finance made him highly regarded amongst the Greek aristocracy. Evidently his productivity through banking and maritime business helped his master to become profitable. Phormion's successes through such business endeavors also helped him to escape his title of slave.

Essentially, Phormion changed the overall landscape for the Greek upper class in 4th century Athens. Successful businessmen of all backgrounds could now be mentioned in the same breath along with the Greek nobility. Even a slave, if fortunate enough, could

[25] Cohen, Edward E. (Pg. 176)
[26] Cohen, Edward E. (Pg. 83)

become an elite member of the aristocracy if proven profitable. Because of his successes through maritime finance Phormion's name was regarded as reputable and prestigious. For instance,

> The rise of a new 'mixed aristocracy' joining the traditional Athenian-citizen elite with influential resident foreigners and even wealthy former slaves-combined in fourth century Athens to make possible enormous upward mobility for bankers' slaves. In this environment, a Phormion could be linked to the descendants of Solon and to the mercantile-citizen oikos of Demosthenes.[27]

Through large financial success Phormion's status was forever changed. This goes to show how important material wealth was in antiquity, and how status was entirely dependent on how much money one made. Phormion would eventually rise in the social hierarchy of 4th century Athens becoming one of the most famous and well-regarded names in finance in all of Athens.

Phormion, like his predecessor Pasion, was not as fortunate as some of the other renowned members of the Greek aristocracy who were born into families of great means. Both Phormion and Pasion created names for themselves by attaining great wealth through maritime commerce. It was through these risky business ventures that they each enhanced their social standing in Athens. In many ways this was the sole motivation for most men in Greece. As we can see, the desire to achieve more and more wealth in order to improve social status was heavily dependent on risky business practices such as maritime lending.

We can gather from the variety of historical accounts that maritime loans were controversial ways of doing business because of the immense levels of risk that were involved in the process. But due to the potential prospect of earning great sums of money,

[27] Cohen, Edward E. (Pg. 83)

many entrepreneurs, private bankers, and politicians were seemingly drawn to the concept. They could all enjoy vast profits upon the return of a ship from a given port or harbor. Many of the factors involved in this type of finance encouraged large payouts for creditors, and or great disappointment in the destruction or raiding of an invested ship.

But the consequences and risks associated with maritime loans did not scare away investors. In some cases the risk actually enticed certain bankers and financiers into investment. Members of the Greek elitist class such as Demosthenes, Pasion, and Phormion were all greatly attracted to maritime finance. Thus, we can infer that men have been attracted to risk and challenge as we look back to antiquity. We have also gathered that the reasons for these business decisions were mainly based on the improvement of one’s own social status. The enjoyment of large treasures and earnings by wealthy aristocrats in ancient Greece certainly set the stage for many other future societies to come. One in particular would be the next great Mediterranean empire of Rome.

Chapter 2: The World's First Financial Companies?

As Rome grew larger, and obtained more and more distant provinces, groups of people began pooling together resources and capital and began buying debt. These groups were essentially structured like the financial companies that we see today. The individuals who "farmed" debt from others via contract were known as the *publicani*.[28] As the years went on, the organizations of the *publicani* grew more complex and eventually grew to resemble modern day corporations, with individuals given the opportunity to buy shares or *partes*, thus acting as shareholders. The tax companies also developed mid to upper level management with a *magister* and a *pro magistro.* The *magister* acted as the chief executive officer and the *pro magistro* represented those in charged of the business in the provinces.[29] However, we will see that it was not just any average Roman who took part in this type of business. Many well known Roman politicians felt as if opulence was the most essential piece to their façade as powerful Roman aristocrats. We see this trend constantly over the progression of the Roman Empire. Material wealth was equivalent to social superiority. This explains the reasons why names such as Cicero, Pompey, Crassus, and Verres were all involved with the *publicani's* system. Many believe that the means to the Roman nobility's political and financial successes was in some way or another traced back to the *publicani.* We will

---

[28] Toutain, Jules. "The Economic Life Of The Ancient World." New York, NY: Barnes & Noble Inc 1968. Print. 1968. (Pg. 246)
[29] Toutain, Jules. (Pg. 247)

now look at the *publicani,* and the reasons why some of the most renowned Roman names were affiliated with them.

Origin and Factors of "Tax Farming"

Before we discuss the accounts that link each, Cicero, Pompey, Crassus, and Verres, to this process we will look at the components that helped make this "tax farming" system one of the most marvelous spectacles in all of ancient business. The first factor was the rapid rate at which the Roman Republic conquered and annexed distant lands. The extensive rule of the Roman Republic was a major piece of the puzzle in regard to the collection and repayment of debt. In many cases, it helped enhance the profitability of private commerce through its newly acquired territories. For instance "By 133 B.C. lands added to the republic included Sicily, Sardinia, Corsica, Epirus (Albania), northern Italy up to the Alps, Spain, Greece, and Egypt."[30] The provinces in these lands were forced to pay tax, and the *publicani* quickly capitalized on the potential business venture by buying up the debt at high yields. However, the gains of the *publicani* from the expansion of Roman borders did not stop there. The *publicani* could go one step further and buy contracts for public works projects within various provinces. For example

> Its rise was stimulated by the Roman practice of depending as much as possible upon individual initiative for the conduct of public business... By the middle of the second century B.C., contracts were let for the construction of public works of various sorts, the operation of the Spanish and re-opened Macedonian mines, the collections of rentals from public lands in Italy and of harbor dues in Italy, Sicily, and Spain.[31]

---

[30] Patterson, Jeffrey. "The Development of The Concept of Corporation From Earliest Roman Times To A.D. 476" *The Accounting Historians Journal*, Vol. 10, No. 1 (Spring 1983), pp. 87-98. Web. (Pg 93)
[31] Patterson, Jeffrey. (Pg. 93)

Essentially, the *publicani* could also profit from "public business" as mentioned above. The shareholders were capable of profiting from the routine business that occurred everyday in these territories.

In the early stages of the *publicani* system there was an additional component that enticed investors. Because there could be such large groups of investors in one company with individual shares, it was an affordable enterprise. People pooled together sums of capital and resources allowing the collective group to take on the heavy burden and risks associated with debt in the contract. Thus, in theory each individual was only paying a modest sum. "Persons who undertook such contracts were called publicans (*publicani*). Great financial means were not necessary since publicans were allowed to form joint stock companies with limited liability."[32] Evidently, all of the shareholders were able to hedge risk by allying the capital that they were willing to invest with one another. The system encouraged variation amongst the assortment of investors. For instance, "The shareholders of the companies of publicans were men of every class-Senators, who were forbidden by law to take personal part in public auctions; Knights, who especially went in for big business of this kind; and even less wealthy citizens, who found these shares a profitable investment."[33] The eclectic mixture of beneficiaries within these companies allowed for an interesting dynamic in which very different men could achieve wealth.

The last appealing component of "tax farming" was that the *publicani* enjoyed an impregnable monopoly on the Roman provinces. That is, the vast size of the companies

---

[32] Patterson, Jeffrey. (Pg. 93)

[33] Toutain, Jules. (Pg. 247)

as well as their immediate ties to the Roman government was enough incentive for the provinces to pay their debts punctually. For example

> Sicily and Asia were scandalously squeezed in the interest of the publicans, who had such influence in Rome that it was impossible for the provincials to obtain justice, even in the most flagrant cases of organized, methodical spoliation. Against these powerful companies, the governors of provinces dared not or would not lift a finger. In fact they were often driven to it by urgent personal necessity.[34]

These companies of *publicani* were guaranteed a return on their investment. Many of the reasons for this guarantee can be traced back to the enforcement and intimidation by the Roman military, which helped to secure the monopoly of the *publicani* over the Roman provinces. Some may call it extortion, but the Romans called it capitalism. When payments were demanded, debtors paid. This dynamic allowed for a steady stream of income to flow into the pockets of the shareholders, while keeping the tax system efficient and timely.

Cicero

Despite many other ways of accumulating wealth over his lifetime, Cicero is one of the many Roman nobles to be associated with the *publicani.* Like many of the other historic Roman names, Cicero, was very conscious of his socio-economic status and made it a priority to succeed financially. Despite his lucid testimonies attacking the *publicani* in other ancient works, we have reason to believe that he was involved with them personally. In a number of his dialogues he refers to *publicani* in a more sincere

[34] Toutain, Jules. (Pg. 247)

tone. For instance, in one of his letters to his brother he mentions his affiliation with a specific tax company and his affinity towards that organization.

> *Vel obruere, vigilantem etiam delectare posit. Constat enim ea provincia primum ex eo genere sociorum, quod est ex hominum omni genere humanissimum; deinde ex eo genere civium, qui aut, quod publicani sunt,*
>
> For your province consists, in the first place, of that type of ally which all types of humanity is the most civilized; and secondly, of that type of citizen who, either because they are *publicani*, are attached to us by closest ties.[35]

In this excerpt from Cicero's letter to his brother Quintus he makes reference to the *publicani* being attached to them "by closest ties". This certainly hints towards a conflict of interest between Cicero, his brother Quintus, and the *publicani.* Based on this quotation we can see that he carries some sort of obligation to the company. He then makes yet another remark when writing a letter to a *quaestor* in Bithynia, which suggests that he may have been in business with this particular corporation as well

> It has always been the greatest pleasure to me to make much of the order of publicani as a whole, and considering the great serv-ices that order has rendered me, it has been my duty to do so. I am in a special sense friend to this Bithynian company... a large proportion of it are on very intimate terms with myself, especially . . . P. Rutilius... director of that company. .... I also promise you and pledge myself as a result of my own experience that if you oblige them, you will find the Bithynian partners neither forgetful nor ungrateful. To a fellow provincial governor in Bithynia.[36]

We have seen his mention of the *publicani* in these several excerpts in more of a cooperative tone, as opposed to his typical rants on their unethical business practices. In

---

[35] Cicero. XXVIII Letters to His Brother Quintus, Letters to Brutus, Handbook of Electioneering, Letter to Octavian. Cambridge, MA: Harvard UP, 1972 (Pg. 393)
[36] Boren, Henry. The Sources of Cicero's Income: Some Suggestions *The Classical Journal* , Vol. 57, No. 1 (Oct., 1961), pp. 17-24 (Pg. 21-22) Published by: The Classical Association of the Middle West and South

Jean Andreau's work *Banking and Business in The Roman World* we specifically see several accounts in which Cicero collected money from particular tax companies. For example "When Cicero went in 51 B.C to Asia Minor; where he was to serve as governor of Cilicia, he paused in Laodicea to collect the money owed to him by the State. It was handed over to him by tax-collectors. The operation was what Cicero called a *publica permutatio,* a transfer of public funds."[37] This account clearly indicates that Cicero purposely stopped in Laodicea to collect money owed to him, before arriving in Cilicia. This excerpt displays specific detail, and proves that Cicero was a beneficiary of the *publicani*.

Cicero, then mentions in this final passage how he has played the role of "confidential advisor" to another company in Bithynia in 51 B.C. For instance,

> I am myself closely associated with the partners in the grazing company, not only because I am the confidential advisor of the whole body, but also because I am on the most familiar terms with the majority of the partners.[38]

This passage certainly suggests that Cicero could very well have benefited financially from a given tax company. In some way or another, Cicero was an affiliate of this anonymous grazing company, and felt as if it was necessary to divulge his allegiance to the organization.

Despite Cicero's previous attacks on the "tax farming" system that the *publicani* implemented, in all of these excerpts it is clear that he had a genuine interest in their successes and wellbeing. Cicero's contradictions in writing about the *publicani* are

[37] Andreau, Jean. (Pg. 20)
[38] Boren, Henry. (Pg. 22)

exposed as well as his undeniable lust for wealth. These accounts suggest that even the biggest adversary of the *publicani* could have been seduced by the huge profits and large fortunes that many of the shareholders enjoyed. Cicero is just one of the many who sought to improve his social status and political career through these controversial business endeavors in antiquity.

Crassus

As mentioned earlier, Cicero was not the lone associate to the *publicani* in antiquity. There is a limitless list of names from the Roman nobility that enjoyed beneficial business partnerships with the *publicani*. It is evident that some of these partnerships were more discrete than others. One could define the role of many Roman Nobles as "silent partners" within various companies. However, Crassus' involvement with the *publicani* was much more than silent. It is clear in many historical accounts that Crassus was an indefinite affiliate of the *publicani*. He was a major advocate of their business throughout his lifetime, and reaped many of the benefits from their existence in Rome during his political climb. Here is specific evidence of Crassus supporting the *publicani*

> Q. Metellus Nepos' contemporary law (60 B.c.) abolishing *portoria* in Italy seems to reflect counter-pressure on other tax companies-perhaps those in which Crassus held shares-by eliminating a source of profit for them, with the same effect as Q. Cicero's tax removals in Asia (Att. 2.16.2; Dio 37.51.3). In sum, it seems that Crassus' support of the Asian company was neither predictable nor ideological, but *ad hoc*, motivated by finance and politics.[39]

---

[39] Parrish, Eve. Crassus' New Friends and Pompey's Return
Phoenix Vol. 27, No. 4 (Winter, 1973), p 378 Published by: Classical Association of Canada Stable URL: http://www.jstor.org/stable/1087808

In this particular quotation we see that Crassus had obligations to an Asian contracting company. His relationship with the company was strictly to help benefit him financially and politically. This passage also indicates that "Nepos' contemporary law" would counteract some of the tax companies in which Crassus was a shareholder by getting rid of the *portoria,* the tariff. It also illuminates the fact that Crassus also held shares in other tax companies as well.

It is plausible to accept the notion that if any of the Roman nobles were to be deemed the official "spokesman" of the *publciani*, it would have been Crassus. Due to the frequent mention of the *publicani* and Crassus' name in the ancient text, Crassus certainly fits this description. Crassus' addiction to opulence gives us plenty of reason to believe that he was an integral part of the *publicani* and their easy scheme. With such an immense craving for wealth it would only seem logical for Crassus to indulge in the other beneficiaries. For instance "If we are to believe Cicero, in the case of Crassus the passion for financial profit (he was *quaestuosus*) was a response to his desire to lead an even more luxurious life (he was s*umptousus*)."[40] From this passage we can see Crassus' appreciation for luxury, as well as his compulsive need to attain more and more wealth. Crassus like many of the other Roman Nobility was infected with greed. This desiret to obtain more and more is the type of mentality that we find most commonly amongst the "tax farmers."

In an additional excerpt it is quite obvious that due to strategic alliances with business connections as well as vast manipulation within the Senate, Crassus was able to

[40] Andreau, Jean. (Pg. 20)

enjoy great financial success. For example

> One company was already out of the running. Similar tactics could force partnerships into being. At the end, when ratification and contract auctions were at hand, Crassus would be able to negotiate arrangements and shares to assure himself of a profit worthy of his efforts. At the end of 60, Crassus could feel complacent…Crassus is often characterized as a makeweight, a partner invited to secure his financial support, a member who joined under political pressure to satisfy the demands of the *publicani.*[41]

Crassus was able to scheme his way to his said "complacency" at the end of 60. His vast appetite for luxury and power fueled his climb to the top. This in turn also sparked his allure of the *publicani,* and the wide array of tax companies that he felt compelled to defend. This passage also suggests that Crassus' motivation wasn't solely predicated on his socio-economic status but also his desire to achieve political success.

Over the course of his political and economic rise, Crassus was a major advocate of the *publicani.* We see the mention of his name in a number of ancient texts, as well as many other secondary sources that analyze his character and personality, and connect him to a variety of other tax companies. We have explored Crassus and his obsession with wealth and luxury, thus making him the perfect candidate for the *publicani.* The prestige of being among the wealthiest men in all of Rome is yet again present in another member of the Roman nobility. This prestige was undoubtedly the catalyst that caused many of Rome's nobility to take part in unethical business ventures of this nature.

Pompey

Like many of the other members of the Roman aristocracy, Pompey was also a

[41] Parrish, Eve. (Pg. 379)

major advocate of the *publicani* and the systematic concept of "tax farming." Pompey was born into a wealthy family and was known for his military conquests and political contributions during the late Roman Republic. Besides his known accomplishments as Roman statesman, Pompey had an innate knack for business, and achieved many of his profits through "tax farming". For instance

> Many of the equestrian order drew large profits from farming the provincial taxes. They farmed the customs in all provinces, but their main profits were derived from the tithe in Asia and from Pompey's time in Bithynia, Pontus, Cilicia and Syria…Here again it is impossible to estimate the sums involved but they undoubtedly were very large. Ariobarzanes of Cappadocia was paying Pompey 33 talents a month (between 2 and 3 million *denarii* a year) as interest on his loans, and was unable to satisfy Brutus and other creditors.[42]

This passage clearly indicates that Pompey received his "main profits" from the "tithe (tax) in Asia." Then later in the passage we see that Pompey was being paid a sum "between 2 and 3 million *denarii* a year" from a debtor in Cappadocia. Evidently, Pompey accumulated vast amounts of capital through the exploitation of tax contracts from various provinces as well as contracts from random individuals. An additional quotation indicates that a majority of Roman Nobility as well as Pompey benefited immensely from milking debt from the provinces. For instance,

> We only know that debt–surety to Roman leaders-was a grave problem in the provinces, not only in Asia after Sulla but in the western provinces as well. The enormous fortunes accumulated by Roman magnates in the late Republic confirm this impression. Crassus is said to have owned 40 or 50 million *denarii*. But this fortune was modest compared with that of the great conqueror Pompey, who apparently died worth 175 millions.[43]

Here Pompey is said to have died along with his fortune of "175 millions" which was

---

[42] Jones, A.H.M *The Roman Economy*. Totowa, N.J: Rowman and Littlefield, 1974. Print. (Pg. 118-119)
[43] Jones, A.H.M (Pg. 121)

nearly three and a half times the amount of *denarii* that Crassus possesed over the course of his lifetime. This excerpt is the perfect example of the sheer power that the Roman nobility carried over the various provinces. Additionally, once the members of the nobility made their fortunes, they simply spent their money on luxury items, such as slaves from abroad.[44] This solidifies the notion that at times, elitists wished to flaunt their wealth to the public to signify their power and high social status.

It is clear from some of these historical accounts of Pompey that he enjoyed vast earnings from the tax contracts that he picked up from the provinces as well as individual debtors. It is seems as if his infatuation with money fueled him to incur more and more debts over the course of his lifetime. Seemingly, the practices that he engaged in benefited him quite nicely. Yet, it is hard to disagree with the notion that his excessive accumulation of wealth was intended to portray power to the public eye with the large variety of assets that he possessed.

Verres

Gaius Verres is another notable Roman magistrate who was involved in tax contracts during his reign as governor in Sicily. He was perceived as a controversial political figure and used his power to extort capital from those in debt. After his governorship in Sicily his fortune grew exponentially. For instance,

> Cicero in the *Verrines* claims that he could prove exactions against Verres totaling 10 million *denarii* during his three year government of Sicily…Not all governors were as rapacious as Verres, but there were regular perquisites which almost all took, and most expected to make substantial sums out of their governorships.[45]

[44] Jones, A.H.M. (Pg. 121)
[45] Jones, A.H.M. (Pg. 117-118)

It is not hard to see Verres' greed through this passage, as well as his motive to exploit others through "tax farming." Here is yet another example:

> There is no evidence to estimate how much of the profits of the provinces went to the treasury, and how much into the pockets of the Roman upper class, but there are a number of figures which suggest that private profits greatly exceeded public revenue. Verres, as we have seen, made over 3 million *denarii* a year out of Siciliy, and the wheat tithe of Sicily, which accounted to 3 million *modii*, which at current prices, was worth under 2,000,000 *denarii.* Verres then probably put into his own pocket considerably more than the Roman treasury drew from Sicily.[46]

Evidently, Verres and the Roman upper class were able to extort funds that were intended as tax to the Roman treasury for their own benefits. This passage suggests that many of the Roman nobility may have been silent partners within the tax companies. Verres was a beneficiary of the tax collection and pocketed a small fortune at the expense of his own province and constituency. This example truly illustrates the deliberate corruption and betrayal of the Roman magnates and how they would do whatever was necessary to increase their own wealth. Verres like many of the other members of the Roman nobility used his power and influence to purchase debt, and by doing so was able to profit handsomely.

Evidently there was a large number of Roman officials who were involved with the *publicani* and the "tax farming" system which was introduced to the Roman Republic prior to the establishment of the Principate. But some of these figures who were said to be great contributors to Roman society and culture were also responsible for extorting money from some of their own provinces and constituencies. It seems as if the catalyst

---

[46] Jones, A.H.M. (Pg. 119)

for most of the behavior that we observe throughout this era was the prestige in appearing opulent and decadent to the public eye. Just as the role of status played a large role in Ancient Athens with regard to private business, it played just as big of a role in Rome during the late Republic. The concept of status stimulated the aristocracy to make questionable choices and decisions, when looking at some of the business practices that were executed during this time period. Without the desire to appear powerful and affluent to the remainder of the aristocracy as well the Roman mob as a whole, much of the controversial business that transpired during this time period, simply would not have occurred.

Chapter 3: Connections between Private Business in Athens and Rome

4th century Athens and Rome during the latter half of the Republic shared many similarities with regard to economic philosophy, as well as private business practice. Both maritime loans in Athens, and "tax farming" in Rome were controversial and lucrative ways to amass capital. The lenient economic culture in both societies made this possible. Rome and Athens became hotbeds for private business of all types. The reason for this common development was heavily dependent on the political structure in place during both eras. Both democratic governments implemented laissez faire economic philosophies, with limited government regulation. This prompted businessmen to loan and invest at will. In turn, this created vast capital accumulation for all parties involved. There is also a strong correlation in regard to the reasons and motives behind the private business practices that took place between 4th century Athens and Rome prior to the Principate. Many of the businessmen and entrepreneurs during the respective periods were comparable, in that they both wanted to make money so that they could be perceived by the general public as powerful and prosperous individuals.

Athenian Policy on Private Business

In the 4th Century, Athens was a bustling city full of energy and productivity. It had a variety of components that promoted its growth in business and commerce. The governance of business transactions was virtually nonexistent. The state was both lenient and flexible with its policy with regard to private finance. For instance "These *trapezai* operated entirely independently of governmental regulation or constraint, an autonomy highly compatible with the prevailing minimal state involvement with trade and finance."[47] Evidently, there was no heavy governmental intermediation during the period, which was an indefinite cause for the flourishing of private business and investment. It was also during this period that we catch a glimpse of the world's first established private banks and financial intermediaries.[48] The success of private finance in ancient Athens was heavily dependent on the flexibility that was given to these private enterprises by the state. Since private bankers were given the freedom to lend and invest without the government watching over them. Capital could be transferred freely between parties quite regularly. In some cases, Athenian policy actually promoted private trade and commerce within the city. For example, "Athenian law encouraged the import of grain to Athens: persons resident in Attica were not to ship cereals to other *emporia;* maritime lenders at Athens might provide funds for trade in grain only if the cereals were to be transported to Athens."[49] Thus, the Athenian government was a clear advocate of the importation of goods into the city. The government also supported lenders who provided traders with funds for bringing grain into Athens. Evidently, the relationship between the Athenian government and private business enterprises was more symbiotic than anything. If anything, the government shied away from interfering with financiers and private banks. For instance, "But the government did not even set standards or otherwise regulate the seaworthiness of vessels, their safe equipage or operation, today universal manifestations

---

[47] Cohen, Edward E. (Pg. 42)
[48] Cohen, Edward E. (Pg. 42)
[49] Cohen, Edward E. (Pg. 43-43)

of governmental oversight. Financial arrangements were subject to no control other than that of market conditions: 'commerce in Athens was never an affair of the state.'"[50] This illustrates the notion that 4th century Athens was a venue of increasing private business and advanced economic progress with respect to the establishment of private banks and financial intermediaries. More specifically, it allowed business practices such as maritime loans, which were especially important to Athens as well as landed loans (although not the focus of this essay) which also created profits for financiers.[51] The environment in 4th century Athens was one in which the accumulation of wealth was prevalent amongst a wide variety of citizens. Due to the lack of government intervention, an assortment of business practices were not necessarily monitored, allowing room for immoral or risk intensive finance.[52] In addition, the advancement of Athenian banks and their abilities to lend and hold "invisible" assets as opposed to tangible assets (land, jewelry, furniture) allowed them and their wealthy clients to conveniently evade risk and taxation. In many ways, the fiscal and economic structure of ancient Athens helped to establish a culture where private business could grow without restraint. Additionally, this culture is analogous to that of Rome prior to the Principate.

Roman Policy on Private Business

In the years leading up to the Principate the Roman Republic's economic policy resembled that of ancient Athens in certain forms. Due to Rome's fundamental political constitution as a republic, there were certainly sizable democratic characteristics in Rome

---

[50] Cohen, Edward E. (Pg. 43)
[51] Cohen, Edward E. (Pg. 49)
[52] Cohen, Edward E. (Pg. 191)

prior to the Empire. One such characteristic was the deregulation of private business and money lending. For instance, "Legal texts sometimes allude to the affairs of members of the elite, but no more than they do to those of any other Roman citizen. During the periods in which we are interested, they were subject to no specific regulations."[53] One of the periods that Andreau refers to in this quotation is the late Roman Republic. Thus, there was no formal observation of business by the government during this specific period. In addition, just as Athenian bankers would lend money at interest, members of the Roman aristocracy would likewise, loan money at given rates during the years of the late Republic. For instance, "Shatzman lists twenty-five senators attested as money-lenders in the last century of the Republic, and Nicolet lists seventeen knights. That represents a very significant sample."[54] In an additional excerpt we see just how common it was for members of the Roman elite to involve themselves with lending money. For example,

> By the end of the Republic, certain members of the two great orders were deriving a proportion of their income from advancing interest-bearing loans which was by no means negligible. In Cicero's day that was certainly the case of Q. Considius, who was probably a senator. (At the time of Catiline's conspiracy, he was said to hold fifteen million sesterces' worth of debt claims.)[55]

In this excerpt, it is clear that lending money in order to obtain profit was common in Rome during the latter half of the Republic. Another relevant characteristic to the economic climate of Athens is that Rome was a city in which trade was significantly encouraged by the government. Specifically, the upper class engaged in the importation

[53] Andreau, Jean. (Pg. 10)
[54] Andreau, Jean. (Pg. 12)
[55] Andreau, Jean. (Pg. 11)

of luxury items as well as the acquisition of new land.[56] For instance “The demand for luxury goods stimulated their manufacture, mainly in provincial centres, and trade, especially with the Far East, in items such as silk, spices and gems. This trade was as under the Republic one-sided, the imports being paid for in money.”[57] Evidently, trade, as well as the appetites of the Roman magnates helped to bring large amounts of foreign goods into the city of Rome. Given the lax economic policies present in Rome prior to the Principate, individuals had the opportunity to exploit different business practices. This allowed the Roman upper class to attain great wealth, and with great wealth different members of the elite class could obtain lucrative assets. For instance, “The land hunger of the Roman aristocracy carried further the formation of large estates in Italy at the expense of the surviving small holders. It also increasingly extended to the provinces.”[58] It was the private business decisions of these elites, as well as the imperialist strategies of the Republic that helped Rome accumulate capital during this period. As in Athens the lack of government regulation with regard to private business matters allowed certain individuals to manipulate and exploit commerce in and out of the city. In many cases various members of the Roman aristocracy acted immorally by exploiting debts owed by certain people or provinces for themselves. Specifically,

> At the end of the Republic, a number of large sums were lent to cities in the provinces, while others found their way into private commercial transactions in Italy or elsewhere. Whether or not such loans were contracted in Rome, the respective sums destined for those two purposes were probably for the most part handled by different sets of intermediaries. Credit for cities raised specific problems which senators, knights, and tax collectors were better placed to tackle.[59]

---

[56] Jones, A.H.M. (Pg. 125)
[57] Jones, A.H.M. (Pg. 125)
[58] Jones, A.H.M. (Pg. 125)
[59] Andreau, Jean. (Pg. 16)

"Tax farming", allowed for a wide array of creditors to prosper while many individual debtors, and provinces in debt suffered mightily. The culture of business in the late Roman Republic in many ways can be related to that of the Athenian society in the 4th century. Both exhibited laissez fair fiscal economic structure, both encouraged the importation of goods and crops, and both societies engaged in loaning money at interest. Not to mention that in both Rome and Athens individual status trumped all else. All relished the prospect of achieving wealth (morally or immorally) as a means to improves status.

The Role of Status and Business Ethics in 4th Century Athens

The Athenians were not much different than those who conduct business in many of the modern societies that we see today. The Athenians, like many modern cultures praised the accumulation of wealth, and truly stopped at nothing to acquire, and then preserve it. Thus, they in many instances were guilty of tax evasion and creditor avoidance.[60] For instance

> In reality, the Athenians were no more altruistic than other human beings, and much evidence has survived to confirm their efforts to obfuscate their assets and avoid creditors and taxes…The tax evasion, creditor avoidance, and profit motivation endemic in other societies were not unknown to Athens…[61]

The Athenians found ways to elude the payment of taxes by concealing their assets through banks and financial intermediaries. The primary way in which wealthy Athenians

[60] Cohen, Edward E. (Pg. 191)
[61] Cohen, Edward E. (Pg. 191)

evaded levied taxes upon income, was through loans and bankers' deposits.[62] By acquiring debts through loans and by making bank deposits, entrepreneurs and businessmen could escape large taxes that were imposed by the Athenian government. Bank deposits and debts were a popular choice of "invisible" property because the government could not "forcibly" seize the assets.[63] For instance, Demosthenes and his father were both guilty of tax evasion by tactically allocating their wealth through loans and deposits. "But Demosthenes was himself heir to a long tradition of tax avoidance…Demosthenes *pere* seems systematically to have kept his property "invisible", and successfully to have avoided the performance of even the smallest liturgy.[64]" Evidently, it was common to commit fraud in this way. But this was not the only way to preserve wealth by skirting the grips of tax policy.

Another technique that was commonly used was the engagement of liturgies, or the "selfless" public service that was contributed by Athenian citizens.[65] In additional attempts to avoid tax, men would often take on fiscal obligations, and then write off the expense that they endured as compensation for the given tax. "The speaker of Lysias 3 is not atypical: although he boasts of the many liturgies he has performed for his country, he actually undertook them only after exhausting all possibilities for tax avoidance, including protracted litigation to avoid these payments."[66] This practice was very common amongst generals and military officials who had claimed personal expenditure on such political and military obligations. But in most instances these officials committed

---

[62] Cohen, Edward E. (Pg. 201)
[63] Cohen, Edward E. (Pg. 201)
[64] Cohen, Edward E. (Pg. 200)
[65] Cohen, Edward E. (Pg. 199)
[66] Cohen, Edward E. (Pg. 199)

fraud by lying about their “commitment” and “service” to Athens.

> In fact some trierarchs actually managed to spend absolutely nothing on the obligation that allegedly had been undertaken only to obtain exemption from other state obligations. As embarrassingly detailed in Demosthenes 51, the mass of trierarchs appears to have sought to expend as little as possible…Even those liturgists seeking special commendation from the state are said to have neglected their ships, but not the speeches lauding their patriotism.[67]

All of these schemes helped the wealthy Athenian upper class to stay wealthy. Evidently, wealth meant status in 4th century Athens, and the members of the Athenian aristocracy were not willing to give that up, at any cost.

Additionally, these tactics coincide with the risk laden business ventures that Athenian investors gambled on during the era. Maritime finance was paramount to the process of achieving wealth in Athens. It is the culmination of maritime loans, creditor avoidance, and tax evasion (both through said liturgies, or through the allocation of hidden funds) that suggests wealth and status were of great significance to the Athenian aristocracy. All of these components directly correlate with the notion of status in the late Roman Republic, as well as the behaviors and business decisions in Rome during the time period.

The Role of Status and Business Ethics in the Late Roman Republic

Like the Athenians, the Roman elite conceptualized wealth with similar sentiments. Although the ways in which they acquired capital may not have been as elegant or diplomatic, the Roman aristocracy’s pursuit of money was truly relentless. In comparison to the 4th century Athenian upper class, the Romans too praised the accumulation and

[67] Cohen, Edward E. (Pg. 199-200)

preservation of wealth. However, in Rome, the aristocracy exploited their private gains through the likes of extortion, land acquisition, and unpaid slave labor. In many instances during the late Roman Republic, aristocrats relied on coercion by the Roman military to obtain their incomes. As mentioned earlier in the essay, the newly acquired provinces during the republican era proved to be quite lucrative for a variety of Roman aristocrats. In many instances provincial governors profited handsomely by extorting money from their own cities.[68] For instance,

> Extortion by provincial governors and their staffs began early; the first complaint recorded is that of the Spanish provinces in 182 B.C. By 149 B.C, it had become a common practice…It is impossible to estimate the amount of money that senators brought back from the provinces, but the few figures which we possess suggest that it was very substantial[69]

Thus, if necessary, governors threatened provinces with the force of the Roman military in order to gain money for their own benefit.

In addition to the coercive measures that the Roman aristocracy engaged in for the betterment of their own personal finances, they also took part in land acquisition. Just as the Roman Empire acquired distant provinces in attempt to extend the power and strength of the empire, the Roman aristocracy too purchased lands for their own profit. When they did this, native peoples were often evicted from their properties, and were forced to pay excessive rental fees as a result of remaining on respective properties. For instance,

> Some upper class Romans also used their surplus wealth to acquire provincial lands…Atticus possessed considerable estates in Epirus, and we hear of two other upper class Romans who owned large properties in Africa. We also hear of a number of Roman landowners in Asia. Some of these owners lived on their provincial estates, but the more important were absentee landlords and their rents swelled the movement of money to

[68] Jones, A.H.M. (Pg. 117)
[69] Jones, A.H.M. (Pg. 117)

Italy.[70]

Evidently, by purchasing real estate the Roman aristocracy could profit at the expense of the peasants who initially lived on the properties. Aristocrats exploited the land that they had acquired in many ways, and often unsatisfied with the massive estates that they had already owned back in Italy, simply purchased more. "Not content with expanding their Italian landholdings, the rich (senators, knights, and others) had already begun to acquire land in the provinces, a trend that probably gathered speed at the very end of the Republic."[71] With the aristocracy purchasing these distant lands, there were obvious residual effects with regard to the people who had initially inhabited the properties. For instance,

> But we do know that some provinces were severely exploited by Rome and its officials, that child-abandonment was commonplace in many regions, and that the poor had no economic safety-net. In the countryside, in particular, the job opportunities for the landless man were seasonal and sporadic…[72]

Clearly, the aristocrats had no regard for the people whose homes they were displacing. In some cases these peasants would actually be able to stay on the land and work on the properties as serfs.[73] But in other cases the peasants who worked and lived on the properties were quickly replaced by alternative sources of labor.

The acquisition of new property prompted the Roman elites to seek even cheaper sources of labor not just through serfs, but also additionally through the importation of slaves. For instance, "The vast import of slaves increased the distress of the Italian

---

[70] Jones, A.H.M. (Pg. 122)
[71] Jones, A.H.M. (Pg. 272)
[72] Jones, A.H.M. (Pg. 273)
[73] Harris, W.V. *Rome's Imperial Economy.* NY, NY: Oxford UP, 2011. Print. (Pg. 273-274)

peasantry. For since slaves were cheap and abundant landlords used them extensively to cultivate the estates which they had built up, and the peasantry was thus deprived not only of its land but of employment."[74] The Roman aristocracy like the Athenians truly stopped at nothing to protect their wealth, even if that meant seeking the cheapest and most efficient source of production.

Evidently, many members of the aristocracy accrued their fortunes in this controversial fashion. But this was of mere insignificance, as long as they walked away with a profit at the end of the day.

> It is not possible to determine precisely where the limits of the elite class were drawn…These landowning elite members derived large incomes (sometimes legally, sometimes illegally) from their political role in the city-a role for which, nevertheless, the cost was high.[75]

The Roman elite class was able to prosper financially through its boundless limits of power that reached across the empire. The corruption and greed of the upper class, in many instances, allowed for palatial earnings for many. It is obvious that the Romans recognized money for its value, and the ability to purchase and execute certain transactions. But their philosophy, on wealth went even further past this notion. Wealth, and the ability to amass capital, gave the Romans limitless opportunity to lead the most decadent of lifestyles. For example

> The point for them was to make as much money as possible. Where the desire for profit was not the manifestation of a passion pursued on its own account, the ultimate objective would be to increase one's fortune massively, either so as to be able to lead a more extravagant life, or else as to climb further up the social ladder…[76]

---

[74] Jones, A.H.M. (Pg. 123)
[75] Andreau, Jean. (Pg. 9)
[76] Andreau, Jean. (Pg. 25)

From this quotation one can clearly see that to the Roman aristocracy wealth was linked to the most valuable asset of all, power. The accumulation of one's wealth was directly correlated to an increase in social status. This is what mattered most in both Rome and Athens. Additionally, wealth helped to stimulate upward mobility not only in the social hierarchy of Rome, but also in politics. For instance,

> In the case of Vespasian, the quest for profit stemmed from the far more 'rational' desire to strengthen his patrimony, the better to assure his position in the senatorial order…many senators and knights, through fear of not being able to maintain their rank, had tended to launch themselves into as many ventures as possible, both pubic and private. It is not surprising that such an economic attitude and such a work status should have affected the nature of the financial techniques used by the elite and also the structure of their business ventures.[77]

Clearly, by accumulating large sums of money senators and knights could help to boost individual status within the political hierarchy as well. The accumulation of wealth was one of the most appealing ideas of all in Rome. Growing wealth undoubtedly helped to ensure the longevity of one's political career within the Roman Republic.

All of these tendencies certainly coincide with the likes of "tax farming" during the late republican era, and the exploitation of debts via the *publicani*. In both Athens and Rome, the respective aristocracies made similar business decisions with regard to risk and ethics. In Athens, it was by means of tax evasion, creditor avoidance and maritime finance. In Rome, it was through extortion, land acquisition, slave importation, and "tax farming." Ultimately, both of these societies were awed by the concept of making money to improve status. Thus, the businesses that they conducted were in some ways unethical and risk-laden.

[77] Andreau, Jean. (Pg. 25)

Conclusion

The societies that we have just analyzed, although different, shared many of the same characteristics. 4th century Athens like the latter half of the Roman Republic embodied the “cut throat” nature of making money at any cost. Men from each era seemed to have been infected with the notion of being the wealthiest or the most powerful in their respective society. Socio-economic status fueled the desire to obtain great sums of capital through various business endeavors. As we have seen throughout both time periods, the way the masses perceived particular individuals was of the utmost importance. Many of the figures that we have observed seemed to have been fixated on the way that other people viewed them. Thus, in both societies we were able to find instances in which different men spent excessive amounts of money on material items to make themselves appear powerful and successful. In antiquity, it seemed that the size of an individual’s wallet was more important than the quality of one’s character.

As we have seen in ancient Greece during the 4th century, maritime loans were a quick way to achieve great wealth in a relatively short period of time. The risks that investors incurred were paramount, but so were the profits that were inherently attached to each merchant’s return. This specific type of commerce was clearly a controversial way of making money. High yields were offered to financiers that were willing to take a large risk by offering capital to merchants and ship-owners. Many investors seeking returns on investment did not enjoy the sight of ships arriving with large payouts, but rather suffered news of wreckage and vast losses of capital. Thus, maritime loans were a true gamble amongst ancient financiers, and in many cases caused devastating losses to many different businessmen throughout Greece. We have assessed the risk through the components of this type of finance, and it is clear that the process was uncertain and non-uniform throughout the period. Yet, many of the Greek elites felt compelled to try and profit from this venture.

In Rome nearing the end of the Republic, huge profits were achieved through the systematic process of "tax farming." Many of Rome's finest and most well respected nobility took part in farming debt from provinces, and various constituencies that spanned across the extended territories of the Roman Republic. Just as many investors and entrepreneurs were hungry to achieve great fortune and status in Athens, many Roman politicians and aristocrats sought ways to accumulate sizable wealth in an attempt to climb the social ladder in Rome as well. Just as a wide variety of men attempted to exploit the lucrative returns on maritime finance in Athens by incurring great portions of risk, Roman investors essentially bullied large groups of debtors out of their money with the help of the Roman army. In both scenarios we see that even the most reputable of names from antiquity could be seduced into making reckless and or corrupted business decisions, in the hope of becoming wealthy and prosperous along with the desire to be perceived at the top of the social-hierarchy.

In Athens, Demosthenes took part in maritime loans, earning huge profits while exposing himself to large portions of risk in result. In addition to Demosthenes, bankers by the names of Pasion, and Phormion also engaged in maritime finance in an attempt to accumulate capital and achieve higher social status. These several names are only a few of the many who benefited from this type of business in Athens during the 4th century. But in Rome, magistrates by the names of Cicero, Crassus, Pompey, and Verres engaged themselves in a form of business that proved to be just as profitable and equally controversial. Through their exploits of "tax farming", these men achieved great fortunes as well as reputability as some of wealthiest and most powerful men in all of Rome, prior to the Principate.

Ultimately, the attainment of wealth by the Athenian and Roman upper classes was fueled by status. The desire to be perceived as wealthy and powerful caused men in both societies to engage in endeavors that were profitable, yes. But these endeavors were very much risk-laden and in some cases immoral. In both societies, the upper class was able to manipulate private business matters for their own personal gain. In conclusion, the accumulation of wealth in an attempt to improve status can cause men to make risky and unethical decisions. It is a perpetual theme, one that occurred in antiquity, and one that we find in our generation to this day.

Bibliography

Andreau, Jean. *Banking and Business in The Roman World*. Cambridge, United Kingdom: Cambridge UP, 1999. Print.

Boren, Henry. The Sources of Cicero's Income: Some Suggestions
The Classical Journal, Vol. 57, No. 1 (Oct., 1961), pp. 17-24
Published by: The Classical Association of the Middle West and South

Burke, Edmund. The Early Political Speeches of Demosthenes: Elite Bias in the Response to Economic Crisis *Classical Antiquity*, Vol. 21, No. 2 (October 2002), pp. 165-193. Web.

Cicero. XXVIII Letters to His Brother Quintus, Letters to Brutus, Handbook of Electioneering, Letter to Octavian. Cambridge, MA: Harvard UP, 1972 (Pg 393)

Cohen, Edward E. *Athenian Economy and Society: A Banking Perspective*. Princeton, NJ: Princeton UP, 1992. Print.

Harris, W.V. *Rome's Imperial Economy.* NY, NY: Oxford UP, 2011. Print.

Jones, A.H.M. *The Roman Economy*. Totowa, N.J: Rowman and Littlefield, 1974. Print.

Parrish, Eve *Crassus' New Friends and Pompey's Return*
Phoenix Vol. 27, No. 4 (Winter, 1973), Web. (Pg 379)

Patterson, Jeffrey The Development of The Concept of Corporation From Earliest Roman Times To A.D. 476 *The Accounting Historians Journal*, Vol. 10, No. 1 (Spring 1983), pp. 87-98. Web.

Toutain, Jules "The Economic Life Of The Ancient World". New York, NY: Barnes & Noble Inc 1968. Print.

Youtie, Herbert C. "Publicans and Sinners" *Zeitschrift für Papyrologie und Epigraphik* Bd. 1, (1967), pp. 1-20. Web.