

Entrepreneurial functions and characteristics in a proto-capitalist economy: The Xenophonian entrepreneur

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The present paper analyzes the various ideas, arguments and policy suggestions of Xenophon on the issue of entrepreneurship, and demonstrates that he had already recognized the role of the entrepreneur as a leading force in the free market economy that existed in the proto-capitalist environment of ancient Greece. While not actually using modern economic terminology, Xenophon nonetheless adequately described the fundamental role of the head of enterprise and distinguished it from those roles played by other economic agents, such as the labourer and the pure capitalist. Moreover, several modern concepts and theories regarding the appropriate treatment of labourers, under the function of specific material motives, in order to increase voluntarily their work effort, can be seen to have Xenophon as their real predecessor.

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1. Introduction

The entrepreneurial role as the leading force in the free market economy had already been recognized since the time of the proto-capitalist system of ancient Greece. The term "proto-capitalist economy" is used here to describe an economy characterized by some minimum free market conditions such as the institution of private property, the free - but controlled under some circumstances (i.e. grain prices) - market mechanism, an adequate monetary and credit system and free wage earners¹. While some philosophers considered that within such a system the materialistic incentives, targets and actions of individuals existed on a lower plane than the spiritual ones, generally speaking, among most thinkers - particularly in the ancient Athens of the 5th BC century - a different ideal prevailed. The majority of orators and writers, including Xenophon, constructed a materialistic model of the economic development of Athens (Karayiannis, 1992a; 2000). They stressed the strategic economic role of the entrepreneur through various functions and activities in the small-scale private enterprises which comprised the majority of those operated during the 5th-4th centuries, mainly in Athens. In their discussions related to the functioning of such an economic system, a number of ancient writers (Karayiannis, 1992a), while not using modern economic terminology, adequately described the fundamental role of the head of enterprise and distinguished it from those roles played by other economic agents, such as the labourer and the pure capitalist (i.e. the rentier).

The main purpose of the present paper is to describe the fundamental economic and social roles of the entrepreneur or proprietor: the person solely responsible for the small-scale enterprise as it functioned in proto-capitalist Athens. Setting aside the description of the Athenian economy², the analysis will concentrate primarily on the relevant ideas presented and developed by Xenophon, who was more a person of action and realism than of abstract theorizing. More specifically, the first section details Xenophon's descriptions of the main economic institutions and the productive activities in the Athenian economy. The next section analyses his ideas regarding various entrepreneurial actions, while the last section discusses

¹ For an analysis of such characteristics, see Karayiannis (1992a), Bitros/Karayiannis (2002).

² On this matter, see the review article by Humphreys (1978, ch. 6) as well as a recent critical analysis by Stanley (1999).

his arguments for the relationship between the specific characteristics of the successful entrepreneur and his differential rate of return. Such an analysis will demonstrate that many modern entrepreneurial activities and characteristics were already functioning in a proto-capitalist environment that had been accurately observed, and commented upon, by the philosopher-economist Xenophon.

2. Economic institutions and productive activities

Xenophon, a professional soldier, farmer³ and follower of Socrates' philosophy, presented some rather interesting observations regarding the activities associated with entrepreneurship.⁴ He mostly concentrated on the socially and ethically accepted entrepreneurial activities of the free citizen who was the proprietor and head of the household and (if available) the family's enterprise. He analyzed, as we are going to see, the proper economic activities of the head of the household in order to show that similar ones must be adopted by the city's governor and the army's general.⁵

After the end of the Peloponnesian War, the attitude and behaviour of the Greeks towards economic matters underwent a tremendous change. In Athens, "the relations of men to one another increasingly became a matter of money" (Higgins, 1977, 129). As Xenophon noticed (*The Constitution of the Lacedaemonians*, vii.2-6; xiv, 3-6), even Spartans, who until then had not actively engaged in economic matters, began to pursue wealth and luxurious living. In other words, the economic environment was mature enough for Xenophon to try persuading his fellow-citizens to become as active in economics as in political and military matters.⁶

He was well aware of the fact that the economic actions of individuals are mostly directed by the self-interest motive, namely "all men have a choice between various courses, and choose and follow the one which they think conduces most to their advantage" (*Memorabilia*, III.ix.4).⁷ Then, he emphasized that the institution of private property increases responsibility and the work effort of the owner. As he put it: "he who gains most by the preservation of the goods and loses most by their destruction, is the one who is bound to take most care of them" (*Oeconomicus*, ix.17). Thus, "the man whose attention is attracted only by his beloved's appearance is like one who has rented a farm; his aim is not to increase its value but to gain from it as much of a harvest as he can for himself" (*Symposium*, viii.15).

He interpreted the economic actions of the individual more from the side of production than that of consumption, turning at the end against the consumption patterns and behaviour of the

³ Xenophon lived many years of his exile from Athens on an estate given to him by the Spartans, where he wrote his books and engaged primarily in agricultural tasks (Higgins, 1977, 23, 76, 132). As Anderson (1974, ch. 2) has shown, Xenophon developed some economic ideas and suggestions from his personal family experience.

⁴ Though some of his economic ideas and arguments are presented in his dialogues as belonging to Socrates or others, we shall treat them as his own.

⁵ Lowry (1987a, 47) argues that Xenophon's ideas "are framed in terms of the individual decision-maker, whether military commander, public administrator or head of an extended family estate. His outlook is anthropocentric". Similarly, Tatum (1989, 190-1), comments: "The metaphoric connection between household management and the management of an empire conceived as *oikos* is fully developed in *Oeconomicus* ... where the administration of the Persian Empire serves as paradigm for the management of the household of Ischomachus and his wife. In Xenophon's view, polis and oikos, public and private life, can be organized according to the same principles".

⁶ Singer comments on such an economic environment: "if there was ever a Greek approximation to the bourgeois style of life, the fourth century would mark its germination, and the rise of the *oikonomos*-manager is one of its symptoms". Calhoun (1926, 15-6) has similarly argued that "not every Athenian spent his days in singing hymns to the Olympian gods or debating ultimate metaphysics; ... Many were busied with the more banal tasks of trade and manufacture and finance. This less fortunate and less famous portion of the population cannot be left out in estimating the debt we owe to Greece, or in seeking to trace the long process that has given the modern businessman an adequate apparatus and fairly advanced standards of honesty and service".

⁷ The maximizing behaviour of investors toward the various profit opportunities in terms of return and risk-bearing in ancient Athens, are extensively analysed by Christesen (2003).

idle rich consumer (*Oeconomicus*, i.16). He considered that the scope of economy as an art among others such as agriculture, carpentry etc, (*Memorabilia*, I.i.7), is the produced knowledge of using, managing and augmenting the possessions of the household.⁸ In some of his well-known passages he argued the following: "Well now, we thought that estate management [oikonomia] is the name of a branch of knowledge, and this knowledge appeared to be that by which men can increase estates, and an estate [oikos] appeared to be identical with the total of one's property, and we said that property is that which is useful for supplying a livelihood, and useful things turned out to be all those things that one knows how to use" (*Oeconomicus*, vi, 4–5, brackets added; see also *Ibid.*, i. 4-7). Thus, "the business of a good estate manager is to manage his own estate well" (*Oeconomicus*, i.2; brackets added).

He held that the economic agent as the head of the household (both of its production and consumption activities) was mainly acting as an entrepreneur-manager in directing and controlling its operations (Higgins, 1977, 35; Housmanidis, 1992). Lowry (1987a, ch. III) described such function as one of "an administrator".⁹ However, as we will see, Xenophon's head of the household and the family's enterprise was engaged in more dynamic and risky activities than the ordinary administrative ones.

Realizing that the noblest of aspirations of the free citizen was to become a soldier or a farmer, Xenophon drew some parallel lines between such activities (Austin/Vidal-Naquet, 1977, 169). Moreover, he stressed that the proper role of the head of the household is similar to the role of those who govern a city or an army: "Don't look down on businessmen, Nicomachides. For the management of private concerns differs only in point of number from that of public affairs. In other respects they are much alike, and particularly in this, that neither can be carried on without men, and then men employed in private and public transactions are the same. For those who take charge of public affairs employ just the same men when they attend to their own; and those who understand how to employ them are successful directors of public and private concerns, and those who do not, fail in both" (*Memorabilia*, III.iv.12).

Xenophon was well aware (*Cyrus's Anabasis*, II., iii.27; VI.ii.8; VI.vi.3) that the various economic activities of "oikonomos" were taking place not in a small isolated village, but in a well-organized market of goods and services which was different from the place of the various political activities.¹⁰ In such an organized market of goods and services, metallic money,¹¹ as he argued (*Cyrus's Anabasis*, VII.iii.5; *Cyropaedia*, VI.ii.39), performed the dual roles of both, measure of value and medium of exchange. Also, in those markets, buyers and sellers were coming closer and through the function of the retail merchants (*Cyropaedia*, IV.v.42), the cost of transactions was tremendously decreased. As he put it: "the city as a whole has ten thousand times as much of everything as we have; and yet you may order any sort of servant to buy something in the market and to bring it home, and he will be at no loss: every one of them is bound to know where he should go to get each article. Now the only reason for this is that everything is kept in a fixed place" (*Oeconomicus*, viii.22).

⁸ Xenophon's definition of economics has been the object of various explanations. For example, Lowry (1987b, 12) argued that by the term "economy" Xenophon meant "a formal administrative art". On the other hand, Campbell (1987, 33-4) rightly comments that "Xenophon's treatment of economics seems much closer to the old *Marshallian* concept which defines economics as concerned with the everyday business of life".

⁹ The term "entrepreneur" is used here to describe the economic activities of the "head of the household" according to Xenophon, instead of the term "administrator" used by Lowry (1987a) for the following reasons: the first term explains not only the static but also some dynamic (such as the search and exploitation of new profit opportunities) economic actions of a specific economic agents; and also, the first term places more emphasis than the second on the relationship that existed in ancient Athens between private property, the self interest motive and the deduced relevant economic activities.

¹⁰ Xenophon (*Cyropaedia*, I.ii.3) approved and applauded the act of Cyrus the Great of separating the area of the market for goods from the market for ideas (mainly for political activities).

¹¹ A monetary system of bimetalism - silver and gold coins — was operating at this time (Xenophon, *Memorabilia*, I.iii.2; *Cyropaedia*, III. 1.33).

Xenophon (*Memorabilia*, III.vii.6) concentrated his analysis on small-scale enterprises operating in various industrial and trade activities, where the owner was working with the assistance of some employees - a type of family enterprises still common in our days all over the world. He was well aware that when the entrepreneurial activities were profit-oriented, something that he clearly recognized,¹² the following positive effects in economy would be produced:

- The head of enterprise will be able to cover his household expenditure and public duties. For example, by "manufacturing one of these commodities, namely groats, Nausicydes, 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 undertakes costly public duties; that Cyrebus 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" (*Memorabilia*, II.vii.6).
- Price fluctuations clear the market. In cases of excess demand or inadequate supply, the rate of price is increased and equilibrium is thus restored (*Cyrus's Anabasis*, I.v.6; *Ways and Means*, in.36).
- The number of firms in the market reaches an equilibrium point. When the rate of supply is increased while demand remains at the same level, the rate of prices and profits would be decreased and thus the factors of production would move to another more profitable employment: "An increase in the number of coppersmiths, for example, produces a fall in the price of cooper work, and the coppersmiths retire from business. The same thing happens in the iron trade. Again, when corn and wine are abundant, the crops are cheap, and the profit derived from growing them disappears, so that many give up farm-ing and set up as merchants or shopkeepers or money-lenders" (*Ways and Means*, iv.6).

However, such a movement of the factors of production, as Xenophon mentioned (*Way and Means*, iv.6,11), could not take place in the silver-mining sector because its demand would always increase at least at the same rate with supply and the price of silver could never be decreased (Houmanidis, 1992). He justified such a response of demand and supply on the basis of the following arguments:

- In times of prosperity, the demand for silver money would be increased (*Way and Means*, iv.8);
- In times of recession or in case of war, when the supply of agricultural products has been decreased, the demand for silver would be increased for the payment of imported agricultural goods (*Way and Means*, iv.9);
- Under the system of bimetallism, when the volume of gold is increased, the value of silver (in terms of gold) will be relatively increased (*Way and Means*, iv.10).

Xenophon (*Oeconomicus*, iii.1-3) emphasized the function of the head of household and enterprise in economizing the various consumption and production goods. He particularly described such activities in agriculture which he considered - as Plato also did (Karayiannis, 1992a) - to be the most productive and fundamental activity for the achievement of economic autarky and development of the city. He held, as the Physiocrats in the 18th century claimed, that only through the advancement of agriculture is the progress of other arts and industries made possible, viz: "It has been nobly said that husbandry is the mother and nurse of the other arts. For when husbandry flourishes, all the other arts are in good

¹² Xenophon comments relevantly: "the work done is insufficient to show a profit on the expenditure; after that there's no need to wonder if the expected surplus is converted into a loss" (*Oeconomicus*, xx.21). And "In other states [except Sparta], I suppose, all men make as much money as they can. One is a farmer, another a shipowner, another a merchant, and others live by different handicrafts" (*Constitution of the Lacedaemonians*, vii.1; brackets added).

fettle; but whenever the land is compelled to lie waste, the other arts of landsmen and mariners alike well-nigh perish" (*Oeconomicus*, v.17).

He was against the employment of free citizens as ordinary labourers in "illiberal" or mechanical arts, because he believed — following the philosophical stream of his times (Karayiannis, 1990a)- that it would be detrimental to the soul and body (*Oeconomicus*, iv. 1-3; *Memorabilia*, II.viii. 1-4; see also Trever, 1916, 69-70). However, he urged his fellow-citizens to become drastically active as agricultural entrepreneurs (*Oeconomicus*, iv.4; Barbiery, 1975, 32). He did that as he regarded the most honourable and noble employment of the free citizen to be that of fanning (*Oeconomicus*, v.1-3, 8, 12). Moreover, he admitted the usefulness of mining and wholesale activities both to the economy of Athens and to the well-being of those engaged in such activities as entrepreneurs.¹³

3. Entrepreneurial actions

Xenophon adequately described various entrepreneurial roles and activities in the sectors of production (agriculture and mining) and services (wholesale trade). More specifically, he recognized the following crucial activities and responsibilities of the capitalist-entrepreneur and labourer-entrepreneur in owning, managing and directing an enterprise:¹⁴

- He must supply the necessary capital and raw materials for the operation of the household and/or enterprise (*Oeconomicus*, iv, 5-11; *Cyropaedia*, I.vi.7).¹⁵
- He has to organize, control and supervise all the activities that are taking place in his enterprise (mainly agricultural) in order to increase its productivity (*Oeconomicus*, vii.3-4, xi.16; Higgins, 1977, 29).¹⁶
- As he co-ordinates the various factors of production (mainly the labourers and slaves), he is also functioning as an income-distributor (*Oeconomicus*, vii.3-4).
- He has to proceed in a division of labour according to the skills, training, experience and knowledge of his labourers and slaves, "for it is not easy to get workmen who are skilled in all the arts, nor is it possible to become an expert in them" (*Oeconomicus*, iv.1).¹⁷
- He must select the most efficient labourers and/or slaves for his enterprise (*Oeconomicus*, ix.II,xii.3).¹⁸
- He has to teach and properly train through the learning-by-doing method those employed (mainly slaves) in his enterprise and, more particularly, those placed in managerial positions (*Oeconomicus*, vii.41). The main result of such a training process, which must also

¹³ Besides agricultural activities in the pseudo-Xenophonian work *The Constitution of the Athenians* (ii.6-7, 12-3), it is claimed that in terms of usefulness for the city, the role of the traders was accepted. It has been argued that through trade (mainly the wholesale trade), the volume and quality of goods in circulation are increased and the market discrepancies between demand and supply are eliminated.

¹⁴ Such a theoretical distinction has been introduced by Kirzner (1973, 16) to distinguish between the role of the non-pure entrepreneur as a function of a mixture of proper endowments such as capital and/or labour, and the role of the pure entrepreneur which is exercised in the absence of such initially owned assets.

¹⁵ Xenophon noticed (*Memorabilia*, II.vii. 11-2) the useful services of those offering loanable funds (with or without interest) for the establishment of enterprise.

¹⁶ Xenophon draws the main similarities between the coordinating role of the entrepreneur-manager and that of the governor (e.g. Cyrus the Great) and the general in army (*Cyropaedia*, VI.ii, VIII.i.9-15; *Oeconomicus*, iv.5-7).

¹⁷ Xenophon, one of the first writers (beside Democritus and Plato; Karayiannis, 1988; 1990a) to examine the causes and effects of the division of labour, mentioned that such division's earlier appearance had occurred when the tasks of man and woman had been separated (*Oeconomicus*, vii.19-23, 30). In his most quoted passage on the division of labour in *Cyropaedia* (VIII. 11.5) he stressed that with the division of labour the productivity of labourers is increased (both in terms of quantity and quality) and that the degree of such division depends on the expansion of the market (Finley, 1981, 187; Lowry, 1987a, 69-70, 72).

¹⁸ As Lowry (1987a, 50) rightly comments, for the Greeks "the development of human skill was the determinative element in any enterprise, from the management of the household to the administration of a community", and Xenophon (*Ibid.*, 52) "was clearly conscious of both production and productivity. From his administrative perspective, human capacity, guided by good leadership, was the chief variable".

include ethical teachings and advice (*Oeconomicus*, ix.12-3, xii.3-4, xv.1-2), is the increase of labour productivity.

- He must behave properly towards his labourers and/or slaves and convince them to increase their work effort and performance: "the man in authority ... who can make the workers keen, industrious and persevering, he is the man who gives a lift to business and swells the surplus" (*Oeconomicus*, xxi.9). In order to succeed in such a function, the entrepreneur has to offer various material incentives to his employees¹⁹ - a managerial practice very well known and extensively used in our days.²⁰
- He must rationalize his activities in such a way as to gain a surplus (*Oeconomicus*, i.8-9).
- He must exploit any price variations, namely "good householders, ... say that the right time to buy is when a valuable article can be bought at a low price" (*Memorabilia*, II.x.4).
- He is assuming the various risks of uncertainty in his enterprise (mainly in mining activities) as the sole and ultimate responsible person (*Memorabilia*, I.iii.2). Recognizing that entrepreneurs have a risk aversion behaviour in the investment process, he suggested the establishment of companies with a view to sharing risks, profits and losses, namely "private individuals ... are able to combine ... and pool their fortunes in order to diminish the risk" (*Ways and Means*, iv.32; *Ibid.* iv. 27-30).²¹

From the above list of entrepreneurial activities, it is obvious that Xenophon understood quite well and analysed accurately the role of the entrepreneur as manager of enterprise and coordinator of resources, roles which have received detailed analysis by many economists from the time of Smith and Marshall to the present (Karayiannis, 1990b; Niman, 1991). He also recognized the entrepreneurial function of assuming the risk of uncertainty, a theory which was developed during the 18th, 19th and 20th centuries by Cantillon, Hamilton and Knight respectively (Karayiannis, 1992b).

In addition to the above entrepreneurial activities, Xenophon described in detail the role of entrepreneur (mainly in wholesale activities) as the agent who, having special market information and knowledge, tries to discover and exploit any new profit opportunity - an entrepreneurial function recently developed by Israel Kirzner (1973, 39, 66, 73). As Xenophon noticed: "So deep is their [i.e. of merchants] love of corn that on receiving reports that it is abundant anywhere, merchants will voyage in quest of it: they will cross the Aegean, the Euxine, the Sicilian sea; and when they have got as much as possible, they carry it over the sea, and they actually stow it in the very ship in which they sail themselves. And when they

¹⁹ As Xenophon noticed: "Now these are precisely the things that I do myself with a view to making men more obedient; but they are not the only lessons I give to those whom I want to appoint my bailiffs. I have other ways of helping them on. For the clothes that I must provide for my work-people and the shoes are not all alike. Some are better than others, some worse, in order that I may reward the better servant with the superior articles, and give the inferior things to the less deserving. For I think it is very disheartening to good servants, Socrates, when they see that they do all the work, and others who are not willing to work hard and run risks when need be, get the same as they. For my part, then, I don't choose to put the deserving on a level with the worthless" (*Oeconomicus*, xiii.10-12). Also, "But, Socrates, if the appearance of the master in the field, of the man who has the fullest power to punish the bad and reward the strenuous workmen, makes no striking impression on the men at work, I for one cannot envy him. But if at sight of him they be-stir themselves, and a spirit of determination and rivalry and eagerness to excel falls on every workman, then I should say: this man has a touch of the kingly nature in him. And this, in my judgment, is the greatest thing in every operation that makes any demand on the labour of men, and therefore in agriculture" (*Oeconomicus*, xxi.10-11).

²⁰ Thus Lowry (1987a, 169, ft. 17) rightly noticed that: "some recent economic studies have returned to focusing on the importance of the human variable in the economic process. Drawing lessons from America's best-run companies, one study advises entrepreneurs to identify people - not capital expenditure and automation - as the primary source of productivity gains".

²¹ Another means of undertaking risky activities, namely to increase the searching investments for the discovery of new silver ore, suggested by Xenophon (*Ways and Means*, iv.30-1), was through the establishment of a public enterprise. However, he questioned the efficiency of such a scheme by commenting: " what may well excite surprise is that the state, being aware that many private individuals are making money out of her [i.e. land] does not imitate them" (*Ways and Means*, iv.14; brackets added).

want money, they don't throw the corn away anywhere at haphazard, but they carry it to the place where they hear that corn is most valued and the people prize it most highly, and deliver it to them there" (*Oeconomicus*, xx.27-8; brackets added).²²

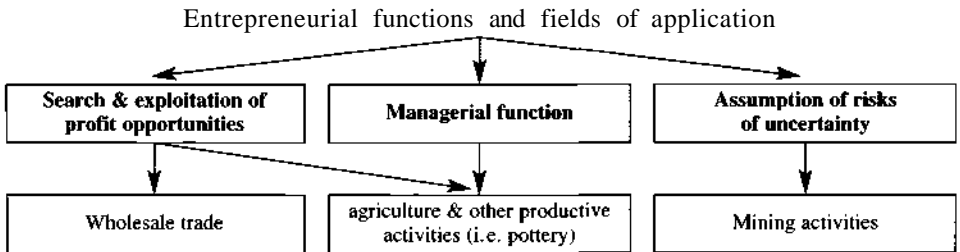
Xenophon, moreover, recognized that the entrepreneurial role in searching and exploiting the various profit opportunities could be exercised in agriculture as well. He mentioned (*Oeconomicus*, xx. 22-26) the case of Ischomachus' father who looked for "not well farmed land" to buy, and who, by organizing and managing it more efficiently, increased its rate of return, thus enabling him to sell it at a much higher price.

Xenophon described such activities in detail because he was well aware of the different productive possibilities existing in the sectors of agriculture and mining (Lowry, 1987a, 63, 271 ft 41; 1987b, 14). He noticed that in agriculture, production operates under the principle of diminishing return, while in mining, it operates under increasing return: "When there are few diggers and searchers, the amount of metal recovered is small, and when there are many, the total of ore discovered is multiplied" (*Ways and Means*, iv.4), while "every farmer can tell just how many yoke of oxen are enough for the farm and how many labourers. To put more on the land than the requisite number is counted loss. In mining under-takings, on the contrary, everyone tells you that he is short of labour. Mining, in fact, is quite different from other industries" (*Ways and Means*, iv.5).

He not only analysed the various profit opportunities of the individual entrepreneur, but also those of the city. He argued (*Oeconomicus*, ii.10) that it is the volume rather than the rate of profit that is proportional to the capital invested. Thus, he advised the authorities of the city to invest a large amount of capital in the following profitable enterprises and activities in order that the revenues of the city be increased:²³

- To grant loans to private entrepreneurs at the prevailing market rate of interest (*Ways and Means*, ii.9-10).
- To invest in the production of capital goods such as buildings, ships, etc. which will then be leased to individual entrepreneurs (*Ways and Means*, ii, 12—4).
- To invest in searching for and exploiting new sources of silver at the Lavrion mine (*Ways and Means*, iv.1, 30—1).
- To buy a number of slaves which would then be rented to individual entrepreneurs (*Ways and Means*, iv, 17-22).

Thus, based on the previous discussion, Xenophon's analysis of entrepreneurial activity may be presented in the following diagram:



²² Although Xenophon accepted the usefulness of the role of wholesale merchants, he dismissed that of retail-traders or the activities of "the traffickers in the market-place who think of nothing but buying cheap and selling dear?" (*Memorabilia*, III.vii.6).

²³ For the same purpose he also proposed to his fellow-citizens to offer some incentives (i.e. small land ownership) to the "metics" (foreigners), so that their work effort and income be increased and thus be able to undertake more expensive public expenses. Additionally, he suggested that some extra facilities should be offered to the foreign wholesale merchants so that the volume of import and export goods (and the city's duties) could be increased (*Ways and Means*, ii, 1-2).

4. Entrepreneurial behaviour and characteristics

Although Xenophon recognized the existence of some positive effects of the profit motive, he drew two main constraints on entrepreneurial actions: fairness in transactions; and a proper use of accumulated wealth. He mentioned that, in his day, wealthy citizens were looked upon with suspicion regarding their honesty and fairness. Then, he advised entrepreneurs to conduct their business according to the commonly accepted ethical and legal codes (*Symposium*, iv.42-3; *Hellenica*, II.iv.40; *Memorabilia*, I.v.3-4; *Cyrus's Anabasis*, I.ix. 19-20). He also stressed that the rate of profit and wealth is determined subjectively rather than objectively and, therefore, its use mainly in undertaking public expenses ("leitourgies")²⁴ plays a significant role in shaping the image of virtue and the social acceptance of the individual.²⁵ Thus, under these two constraints, he advised the Athenian entrepreneurs to be "covetous of gain in a moderate degree" (*Oeconomicus*, xii, 16).

Xenophon (*Memorabilia*, II. VII.7-8; *On the Cavalry Commander*, viii.8) was trying to persuade Athenians to be involved more intensively in the management and development of their enterprises by arguing that such involvement would make them more judicious and fair in comparison to the idle rich consumer. He also stressed (*Cyropaedia*, I.vi.5) that only through the accumulation of knowledge and experience would the entrepreneurial function be proved profitable. He thought that such a function should be based upon the personal specific knowledge of managing and properly combining the various production goods and services. In a representative passage, he wrote: "Then don't you remember saying just now in our conversation, when you wouldn't give me leave to utter a syllable, that if a man doesn't know how to manage horses, his horses are not wealth to him, nor his land, sheep, money or anything else, if he doesn't know how to manage them? Now these are the sources from which income is derived: and how do you suppose that I can possibly know how to manage any of these things, seeing that I never yet possessed any one of them? Still we held that, even if a man happens to have no wealth, there is such a thing as a science of household management. Then what reason is there why you should not know it?" (*Oeconomicus*, xx.5).

Xenophon additionally held that the personal capacities and characteristics of the head of the household and enterprise are of paramount importance for the success of its operation. He stressed (see *Memorabilia*, II i 28, III.iv.11; *Oeconomicus*, ii. 17—8, xx.2-3, 13-18, xxi.2; *Symposium*, vii.2; *The Cavalry Commander*, ix.1-2) that in order to succeed in his role, an entrepreneur must:

- Have adequate knowledge of the operation and targets of his enterprise.
- Be efficient in managing and superintending the operation of the enterprise, because "if you want land to yield you fruits in abundance, you must cultivate that land: if you are resolved to get wealth from flocks, you must care for those flocks" (*Memorabilia*, II.i.28). That is why "diligence is profitable" (*Oeconomicus*, xxi.2).
- Use specific strategy in order to maximize ends by a minimum effort (i.e. cost).
- Try to eliminate, as much as possible, any cause of failure in enterprise.

²⁴ The Athenians socially promoted those rich and honest entrepreneurs (citizens and "metics") who would spend part of their wealth in financing public expenses (Bitros/Karayiannis, 2002).

²⁵ As Xenophon stressed, "I conceive that people's wealth and poverty are to be found not in their real estate but in their hearts. For I see many persons, not in office, who though possessors of large resources, yet look upon themselves as so poor that they bend their backs to any toil, any risk, if only they may increase their holdings" (*Symposium*, iv.34-5). Also, he comments relevantly: "What kind of men do you call poor and rich respectively? The poor, I imagine, are those who have not enough to pay for what they want; the rich, those who have more than enough. Have you observed, then, that some who have very little not only find it enough, but even manage to save out of it, whereas others cannot live within their means, however large?" (*Memorabilia*, IV.ii.37—8; *Oeconomicus*, ii.2—4; and the extensive analysis of Lowry (1987a, 37-8)).

- Be so qualified as to treat his employees (labourers and slaves) in such a way as to increase their work effort voluntarily: "I don't think I have discovered a bad master with good servants: I have, however, come across a good master with bad servants" (*Oeconomicus*, xii.19), and "I suppose you know that under all conditions human beings are most willing to obey those whom they believe to be the best. Thus ... on a farm the farmer, whom they think to be most skilled in his business" (*Memorabilia*, III.iii.9).

By recognizing the above personal qualities and characteristics, Xenophon justified the reward of a differential rate of profit (mainly in agriculture). As he put it: "you told me that you have discovered the reasons why some farmers are so successful that husbandry yields them all they need in abundance, and others are so inefficient that they find farming unprofitable" (*Oeconomicus*, vi.11). "And now I ask, How is it then, Ischomachus, if the operations of husbandry are so easy to learn and all alike know what needs to be done, that all have not the same fortune? How is it that some farmers live in abundance and have more than they want, while others cannot get the bare necessities of life, and even run into debt?" (*Oeconomicus*, xx.1).

As a consequence of the differential rate of profit, he argued that a capable manager may offer his services as a labourer to other entrepreneurs, namely, "anyone who understands carpentry can do for another exactly the same work as he does for himself; and so, I presume, can a good estate manager" (*Oeconomicus*, i.3-4).

From the previous analysis of the various characteristics of the successful *Xenophonian* entrepreneur may be outlined an economic agent who, as can be seen in the following table, has authentically modern capitalistic, rather than agrarian, economic characteristics.

Characteristics of the successful and socially accepted Xenophonian entrepreneur

- Fairness in transactions
- Awareness of market information
- Knowledge of production process
- Efficient management, control and supervision
- Cost reduction strategies

5. Conclusions

Xenophon based his observations and drew his suggestions for entrepreneurial practice on a proto-capitalist society in which the meaning and the role of individual success were significantly different from our materialistic ones. However, from the previous analysis, it may be readily deduced that many of our modern entrepreneurial activities and characteristics, mainly involving the functions of managing and directing an enterprise, were clearly recognized and developed by the ancient Athenian soldier, farmer and philosopher Xenophon. Moreover, it is shown that some modern ideas and theories regarding the appropriate treatment of labourers, under the function of specific material motives, in order to increase voluntarily their work effort, have Xenophon as their real predecessor.

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Entrepreneurs and entrepreneurship have key effects on the economy. Learn how to become one and the questions you should ask before starting your entrepreneurial journey. 7 Characteristics of Entrepreneurs. Types of Entrepreneurs. 4 Types of Entrepreneurship. Entrepreneurs and the Economy. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures. Entrepreneurs play a key role in any economy, using the skills and initiative necessary to anticipate needs and bringing good new ideas to market. Entrepreneurship that proves to be successful in taking on the risks of creating a startup is rewarded with profits, fame, and continued growth opportunities. The entrepreneurial question as an economic phenomenon is not a product of the centuries between the mediaeval and modern era. 5 Entrepreneurial functions and characteristics in a proto-capitalist economy: The Xenophontian entrepreneur, classical and neo-classical views delivered by Van Praag, Some classic views on entrepreneurship The entrepreneurial ecosystem is the collection of people, companies, organizations, venues, activities and government agencies that surround and support high growth startup companies in a given region. It includes the startups themselves and their founders. But it also includes government grant programs and publicly funded venture capital funds, government tax and financing incentive programs, government purchasing and procurement programs aimed at small businesses, and a host of tech- and startup-focused job skills, training and education programs. Taken as a whole, a vibrant entrepreneurial ecosystem brings together and supports everything needed for the formation and growth of innovative, scalable businesses, including human, intellectual and financial capital. 8. 4. An entrepreneur does a little more than that. They also contribute to the economy of a country in a big way. Let us see how. Well, you might be surprised to know that there are quite a few functions of the entrepreneurs in our economy that we will discuss in this article. A little clarification can be found by understanding what the economy actually means. Suggested Videos. Functions of Entrepreneurs in the Economy. In layman's terms, an economy can be defined as a general area of production, distribution, trade and consumption. It follows a simple rule of demand and supply. Whatever the consumers need and demand is produced and supplied by the producers in the economy.