

---

**Democracy and Money:  
Lessons for Today from Athens in Classical Times**

Bitros, G.C., Economou, E.M.L., Kyriazis, N.C.

Routledge, London and New York, 2020

---

Book Review by Panagiotis E. Petrakis<sup>1</sup>

The present book presents the Athenian monetary and financial system in relation to current problems of the international financial system. The authors argue, that useful lessons for the present may be drawn from the Athenian example. The authors maintain that to forestall another financial crisis like that of 2007/8, which may prove more unsettling nationally and internationally, the US must reform its central banking.

In particular, the book explains how the main political institutions (mainly the Assembly of the citizens and the Council) were functioning regarding monetary matters. It explains the Athenian monetary system as a benchmark for reference and adaptation, which would provide an effective way out of the current dreadful predicament that government managed money holds for the US and the world at large. The Athenian monetary system may be conceived as a benchmark, for under it: i) money would be produced in private markets as every other good and service, e.g., money supply was driven by the private and the state sectors needs in combination ii) the general price level remained stall for almost two centuries iii) following the Athenian example, the US government should return to its main task of minding the common good through prudent fiscal policies, instead of hiding the looming risks of unsustainable national debt behind the Fed's monopoly over the issuing of fiat money and reducing nominal interest rates close to zero.

Like the US today, Athens during the Classical times reached the apex of its military, economic, political, cultural, and scientific influence in the history of the world. A critical difference between the Classical times and today is the institutional (political and economic) setting. Athens was a direct democracy where decisions were taken at the Assembly by voting. Thus, the citizens-decision makers were the

---

<sup>1</sup> Professor in the Department of Economics at National and Kapodistrian University of Athens, Greece, [ppetrak@econ.uoa.gr](mailto:ppetrak@econ.uoa.gr);

real stakeholders of the state and had strong incentives to keep the currency sound (in its silver content) and stable. The state defined the unit of account, the Athenian drachma, linked to a specific amount of silver content. Whoever had silver bullion (mainly the operators-entrepreneurs who obtained after the auction tracks in the silver producing district of Laurion) could turn it into drachmae at a small fabrication and seignorage cost. Thus, supply was driven also by the private sector.

The Athenians through their Assembly of citizens enacted and enforced rules and regulations that aimed at safeguarding the integrity of the currency, leaving money and banking markets to operate freely. During the 4<sup>th</sup> century the Athenian drachma circulated in parallel with all sound foreign currencies, thus reducing transaction costs. Since a great part of the citizens were employed and remunerated by the state as rowers in the fleet, jurors, civil servants, participating at the Assembly by being paid (the first 6,000 to attend) a small fee, and the same to attend theatrical plays they had a very strong incentive to be paid in sound money, and this is the reason why the drachma was not devalued, leading to an inverse of Gresham's law, where good money drove out the bad.

The supply of currency, silver bullion and credit, thus, money, was determined by competitive forces in the markets. Thus, the state acted as a major but not the sole supplier of the said currency. All equilibrium level and rate variables (e.g., price and quantity of silver as currency and bullion, the amount of bank credit, the reserve ratio and interest rates were determined by uninhibited supply and demand conditions. The Athenian monetary system had an institutional setting where the state did not mingle up directly in the money and banking industry but served the "common good" by guarding strenuously against adulteration of its currency through general regulatory decrees and laws.

The authors suggest that the US and the other representative democracies should transform, following the Athenian example into digital direct democracies, where citizens will become real stakeholders and active as decision makers.

The book follows an interdisciplinary approach, combining economics, history and political science. The authors address a plethora of issues, such as: money related institutions in Classical Athens, public finance, the various coinage decrees, currency issues in ancient Greek federations, structure and evolution of the economy (they show that Athens may be considered as the first "modern economy" in the sense that handicraft and services contributed more to GDP than agriculture), alternatives to established central banking, examining here modern issues of monetary policies and some of its failures and comparing them to Athens.

The final chapter provides arguments on some failures of modern representative democracies (such as the self-interest of politicians, bureaucracy, uncoordinated administrative polycentrism, rent-seeking, regulatory and state capture, impossibility

---

of representation in groups, asymmetry of information, deficit spending etc.). They end by putting forward arguments in favour of direct democracy.

For these reasons, the authors argue in favor of the imperative that representative democracy in the U.S should be transformed into digital direct democracy, i.e. go back to the form of the Athenian democracy that the American founding fathers would have wished to introduce, but has become feasible, if not inescapable, only in our times by the ongoing revolutionary advances particularly in the fronts of digital technology and cryptography.

The book was, of course, written in the aftermath the Great Recession of 2008-2012 and before the onset of the COVID-19 pandemic. During that time period, the main quandary was how to manage debt (specifically in the public sector) by employing the overreaction of the Central Banks.

Today (under COVID-19) the main quandary is how to cure the great recession that follows the pandemic, which, as expected, leads to even greater debt and an almost unprecedented rise of the balance sheet of the Central Banks.

Consequently, the main two issues that dominated before COVID-19 will most probably become relevant again in 2022 and in future, which makes the book's themes more critical than ever. There is even a possibility that the authors' research can even shape insights for the future (which includes digital currency, digital transactions etc.), which will entail the significant increase in public debt, balance sheet increase of Central Banks, and insights from the monetary policy of the ancient Athens Republic.

In addition, in their valuable future research the authors should perhaps include another aspect of the political economy of representative democracy. Namely, that the influence of power of interest groups and elites is constant and increasing, as they attempt to affect and shape economic policy. This, along with the surge of autocracy and populist governance, alters the nature of the representation. This development complicates today's scene of fiscal and monetary policy practice but it also makes the subject of its historical analysis more intriguing. Besides, let us not forget that both the latter political phenomena were also present in the ancient Athens Republic.

Concluding the book is a very interesting, challenging and well-argued book, that should interest economists, political scientists, historians but also the general public.

Panagiotis E. Petrakis is Professor in the Department of Economics at National and Kapodistrian University of Athens, Greece,

[ppetrak@econ.uoa.gr](mailto:ppetrak@econ.uoa.gr);