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## A View of Athenian Banking

By Wesley E. Thompson, Davis, Cal.

Bankers at Athens paid high rates of interest to attract deposits and in turn had to charge high rates on their loans. Athenian businessmen, however, did not earn enough on their investment to be able to afford borrowing at such rates, and lucrative maritime lending was too risky for the bankers. Therefore, they dealt in personal consumption loans at exorbitant interest. This, at any rate, is the interpretation proposed by Raymond Bogaert in his comprehensive study of Greek banking and adopted by M. H. Hansen in his excellent introduction to Athenian society<sup>1</sup>. In my view, however, our evidence for Athenian banking is too meagre and too accidental to support these conclusions. One papyrus find could alter the picture radically. But if, in fact, it is legitimate to generalize from the scraps of evidence we do possess, Athenian bankers normally did not pay interest on deposits and lent to producers and sellers rather than final consumers, as I shall try to show.

In treating the different aspects of Athenian banking scholars usually accept the evidence of the orators with but few reservations. They are right to do so, for whether a speaker is telling the truth or not, he was bound to make his story seem plausible. It does not matter then, whether Apollodoros really borrowed money from a banker to help ransom a friend, as he says<sup>2</sup>: we can be confident that that sort of thing actually did happen. Where many economic historians go wrong in treating the speeches is their failure to reconstruct what the other side alleged. If, for instance, his opponent replied that Apollodoros really used the loan to buy a concubine<sup>3</sup>, we could not know whether that was true, but once again we would know that some Athenians did in fact buy concubines. This is the normal way students of Athenian law, such as Lipsius and Harrison<sup>4</sup>, proceed. In principle, then, we can accept both versions even though – paradoxically – one of them is a lie.

1 R. Bogaert, *Banques et banquiers dans les cités grecques* (Leiden 1968) (hereafter cited as *Banques*) 331–374; cf. also his *Banquiers, courtiers et prêts maritimes à Athènes et à Alexandrie* (hereafter cited as *Prêts*), *Chron. Eg.* 40 (1965) 140–146; Signe Isager and Mogens Herman Hansen, *Aspects of Athenian Society in the Fourth Century B.C.* (Odense 1975) 91–98. L. M. Gluskina, *Vestnik Drevnej Istorii* (1970, 3) 17–43, adopts a position much closer to mine.

2 *Dem.* 53, 6–13.

3 For Apollodoros' women cf. *Dem.* 36, 45.

4 J. H. Lipsius, *Das attische Recht und Rechtsverfahren* (Leipzig 1905–1915); A. R. W. Harrison, *The Law of Athens* (Oxford 1968–1971).

Following this method, let us examine the main features of banking at Athens.

\* \* \*

Modern banks normally distinguish between demand deposits, which bear no interest, and time deposits, which do. Money in a checking account, for instance, can be withdrawn instantly and thus normally earns no interest. A one- or two-year savings certificate cannot easily be converted into cash until maturity, so the yield is fairly high. Some scholars have failed to notice this distinction when discussing Greek banking and have thus fallen into error. One can show instances where deposits in Athenian banks did not earn interest<sup>5</sup>, but these may be demand deposits. It would still be possible for time deposits to draw interest.

Bogaert, who understands the difference between the two types of accounts, tries to show that bankers paid interest only on time deposits. Some of his evidence, however, is inconclusive. For example, he says that a young man from the Crimea deposited 6 talents in Pasion's bank<sup>6</sup>. Later, when he got into trouble and required a guarantor, Pasion's bank acted as his surety in the amount of *seven* talents. Bogaert and others hold that interest had accrued in the young man's account so that it now stood at 7 talents or more, a theory "qui concorde parfaitement avec les faits"<sup>7</sup>.

In reality the Crimean never says how much he deposited. The sum of 6 talents is inferred from Pasion's rejoinder that the Crimean and his friend actually owe him that much<sup>8</sup>. Thus another explanation will fit the "facts" equally well. Athenian bankers attracted customers, in part, by offering such services as safe keeping for their money and convenient payment of funds to creditors or suppliers. The bankers of medieval seaports, such as Venice, Barcelona, and Bruges, operated in much the same way<sup>9</sup>. Acting as a guarantor was apparently another of these services. We find that a banker in Bruges during the 14th century acted as surety for three of his customers<sup>10</sup>. Two of them did not have enough money in their accounts at the time of the guarantee to meet their debts at maturity. One of them eventually deposited enough money to pay his

5 Cf. especially Dem. 52, 3–7 and 24. In 24 the speaker relies on the fact that the jurors will not immediately think of interest as a motive for the bank deposit in question.

6 *Banques* 346–347, based on Isocr. 17, 42–44. On another occasion Pasion acted as surety for a much smaller sum (37).

7 *Banques* 347.

8 *Banques* 65, n. 27.

9 Frederic C. Lane, *Venice and History* (Baltimore 1966) 69–86; Abbott Payson Usher, *The Early History of Deposit Banking in Mediterranean Europe* (New York 1943) 237–268; Raymond de Roover, *Money, Banking and Credit in Mediaeval Bruges* (Cambridge, Mass. 1948) 171–357.

10 De Roover (*supra*, n. 9) 316–317.

obligations, but the other did not. The banker then paid his debt for him and recorded the payment as a loan to the customer. Thus it may be that Pasion, operating in similar circumstances, guaranteed more than the Crimean had on deposit, assuming the risk in order to retain such an important customer. Accommodation of this type would be provided *in lieu of* interest.

Just as equivocal is Apollodoros' remark that his foe Stephanos was trying to make "invisible earnings through the bank"<sup>11</sup>. This is, of course, a variation of the standard charge that a man is trying to avoid taxes by converting his wealth from land, which could be traced, to cash, which could not. In this particular case it is not necessary to suppose that Stephanos was receiving interest from the bank. In fact, Stephanos hardly sounds like an ordinary bank depositor:

"For he, when it fell to Aristolochos the banker to prosper, went along step for step, fawning upon him, and many of you who are here know it. But when Aristolochos was ruined and deprived of his possessions, plundered especially by him and such men ..., [Stephanos] saw Phormion [another banker] and became intimate with him, having chosen him out of all the Athenians, and sailed to Byzantium as a representative on his behalf when they were holding his ships, and spoke the case against the Chalkedonians ... One who is a flatterer of the prosperous and a betrayer of these same men if they have misfortune and associates on terms of equality with none of the many other citizens who are fine and proper, but willingly fawns upon such men [as Phormion] and does not consider whether he will harm any of his nearest or have a base reputation among others or anything else except how he will get more – is it not fitting to hate him as a common enemy of all human nature? ... These things, then, having such great shame, he has chosen to do with a view to avoiding public service and hiding his possessions so that he might make invisible earnings through the bank and not serve as choregos or trierarch or do anything else of what is fitting<sup>12</sup>."

Clearly what Apollodoros is describing is a business associate of bankers, not simply a man who collects interest on deposits. I suggest that he made money through the bank by participating as a partner in some of its ventures and by learning from the bankers what investment opportunities were available.

We know that Phormion, while working as a loan officer in Pasion's bank, had a partner in some sort of commercial transactions<sup>13</sup>, and from the fact that Aeschines the Socratic "owed money at 36% interest to Sosinomos the banker and Aristogeiton"<sup>14</sup> it seems legitimate to conclude that they were partners in a single loan.

11 Dem. 45, 66.

12 Dem. 45, 63–66.

13 Dem. 49, 31.

14 Ath. 13, 611F.

The remainder of Bogaert's evidence is more decisive, but not all of it supports his conclusions. He argues that Demosthenes' father received interest from his two bank accounts: "Dans son discours *contre Aphobos* § 11, Démosthène a rangé les dépôts de 2400 drachmes et de 600 drachmes, qui se trouvaient respectivement à la banque de Pasion et à celle de Pyladès, parmi les prêts, ce qui indique que probablement ils rapportaient des intérêts."<sup>15</sup> Hansen expresses the logic of this argument more forcefully: "Demosthenes lists these deposits immediately after maritime loans amounting in all to more than 7000 drachmas. Since we know with certainty that maritime loans earned interest, it is practically certain that the bank deposits were also interest-bearing."<sup>16</sup>

Both scholars ignore the fact that Demosthenes makes a distinction between earning and non-earning assets in his father's legacy: τὰ τ' ἐνεργὰ αὐτῶν καὶ ὅσ' ἦν ἀργά<sup>17</sup>. The first group includes two workshops and one talent of money lent (δεδανεισμένον) at 12% per annum. "And these things he left ἐνεργά, as they themselves admit. Of which the total of the principal is 4 talents, 5000 drachmai, and the income (ἔργον) from this 50 minai each year." The second group, χωρὶς δὲ τούτων, included raw materials for the shops, a home, furnishings, jewellery, money at home, the two bank accounts, the naval loan, 1600 drachmai left with a relative, and "in amounts of 200 and 300 drachmai altogether about a talent" διακεχρημένον, which usually means lent without interest<sup>18</sup>. Demosthenes includes all these items in the second group in the total of his father's estate, but in his summation they do not contribute to the annual income from that estate.

Demosthenes seems to believe that the profits from the workshops derive entirely from the slaves who work there and fails to recognize that the raw materials also contribute. To put it another way, he sees the contribution of labor but not that of capital. What matters at this point is the distinction between money lent at interest in the first group and the loans of the second, made apparently without interest. Some of these may be the well known *eranoi*, interest-free "accommodation" loans made to friends and clients, while others may be credits which Demosthenes' father granted his customers to enable them to buy his merchandise. Likewise, the inclusion of the bank accounts in this second group shows that they did not draw interest. They were probably demand deposits intended to facilitate the purchase of raw materials.

This conclusion is not contradicted by the presence of a naval loan in this

15 *Banques* 347–348.

16 Isager and Hansen (*supra*, n. 1) 95.

17 27, 7.

18 Dem. 27, 9–11; cf. also 27, 60. The basic meaning of χράω is "furnish". Sometimes it means "furnish, i.e., lend" objects, such as ships or a razor, where interest is out of the question (cf. Hdt. 6, 89; Ar. *Ra.* 1159 and *Th.* 219; Xen. *Mem.* 3, 11, 18). When money is furnished, it can be with or without interest (cf. Eduard Schwyzer, *Dialectorum Graecarum exempla epigraphica potiora* [Leipzig 1923] no. 324 and Dem. 53, 12).

group, for we do not know with certainty that this particular loan was earning interest. The money was in the hands (παρά) of Xouthos, but scholars disagree about his relationship to the father of Demosthenes. If Xouthos was acting as his agent, as Bogaert suggests<sup>19</sup>, it would follow that he was holding the money until an attractive opportunity arose for lending it. It would thus be ἀργά, non-earning<sup>20</sup>.

There is, then, only one piece of evidence which proves that bankers paid money to obtain money. The scholia to Demosthenes explain that the treasurers of Athena and the treasurers of the Other Gods burned the Opisthodomos in order to cover up their embezzlement of sacred funds. "Some say that they stole from the monies *themselves*, but others that the treasurers lent (δανείσαι) the monies of the city lying in the so-called Opisthodomos to some (τισί) bankers."<sup>21</sup> Whether one believes the second version or not, it could not have been suggested if Athenian bankers did not sometimes offer interest in order to raise funds. One thing which seems worth noting is the characterization of these transactions as loans, not deposits. The normal deposit of money with a banker, I suggest, would not draw interest; one had to reach a specific agreement to lend him money in order to receive interest.

We also know that on two occasions various men paid 100 minai a year to lease Pasion's bank, including the deposits<sup>22</sup>. If someone was willing to pay the owners of a bank for its deposits, why not pay the depositors directly in the form of interest? In this respect we must first notice that one group of lessees apparently consisted of the owners' slaves<sup>23</sup>. They could have been forced to labor without pay, but it is unlikely that they would have performed good work on these terms. In effect, by leasing, the owners obtained a fixed income from the bank while at the same time giving the slaves an incentive to increase the bank's profits for themselves. If an outsider had leased the bank, there would be more reason to say that he was paying for the deposits, but in the case of slaves it seems more a matter of buying the right to work for one's own benefit. The first lessee of the bank was Pasion's freedman, and one can suspect that the lease and the manumission were closely connected.

19 *Prêts* 143–144.

20 Since according to Dem. 29, 36 the agreement with Xouthos was destroyed, it may be that Demosthenes was unaware of all its provisions. G. M. Calhoun, *Cl. Ph.* 25 (1930) 87, suggests that Xouthos borrowed a talent and agreed to repay 70 minai. If Demosthenes found among his father's papers only a memorandum that Xouthos owed 70 minai, he may have been unaware that this figure included interest.

21 Scholion to Dem. 24, 136 (= 743, 1) found in one group of the mss. The version in the other group is not as full, omitting the explanation that the treasurers stole the money themselves. Rather, "it seemed best to the treasurers to lend this money to *the* (τοῖς) bankers without the city's knowledge in order that they themselves might benefit from this".

22 Dem. 36, 4–13.

23 Dem. 36, 14.

We know, then, that Athenian bankers did sometimes try to obtain capital by paying interest, but we have not established how important an aspect this was of their business. Indications are that it was only a small one and that Athenian businessmen, rather than placing their savings in the bank, preferred to make loans directly to borrowers and to keep the bulk of their ready cash at home. As we have seen, Demosthenes' father had two non-interest bearing accounts, totalling one-half talent. He was willing to trust the bankers' solvency to that extent, but he did not deposit additional money with them in order to receive interest. Instead he lent one talent at interest, had another 70 minai in a maritime loan, and kept 80 minai in cash at home<sup>24</sup>. Each of these components of his legacy is at least twice the size of his bank accounts. Konon, who appears in Dem. 48 as the owner of two workshops for weaving and dying, had a bank account which proved to be just large enough to pay his funeral expenses<sup>25</sup>. Wyse summarizes the evidence for burial costs as follows: "In Lys. 31. 21 a mother who has no confidence in her son entrusts a friend with 3 m. εἰς τὴν ἑαυτῆς ταφὴν, in [Dem.] 40. 52 a son borrows 10 m. 'to bury his father'. ... Apollodorus accuses Phormio of having expended 'more than 2 t.' on a monument (Dem. 45. 79). In the 13th Epistle (361 E) Plato is made to say that 'not more than 10 m.' would be needed to construct his mother's tomb."<sup>26</sup> Konon was buried by the speaker and his accomplice, an outrageous pair of scoundrels solely interested in obtaining his property. Whatever they spent on the funeral was not worth mentioning, so we can certainly suppose that it was no more than 10 minai. In contrast to such a sum in his bank account, Konon had, according to the speaker, *eighty* minai in cash at home<sup>27</sup>. Of course we do not have to believe him, but surely he did not expect the jury to burst into laughter when they heard this figure.

In addition, the orators review a number of estates left by other wealthy Athenians. These include money loaned at interest and/or large sums left in the house but no bank accounts. At the end of the 5th century the businessman Diodotos left 9½ talents in loans, along with 5½ talents in coinage with his brother and wife<sup>28</sup>. According to Isaeus<sup>29</sup>, Kiron was a lender and Stratokles, a farmer, had 4000 drachmai out at 18% plus 9 minai in cash at home. Aeschines says that Timarchos' father lent 30 minai at interest<sup>30</sup>. In other cases, where we

24 Dem. 27, 9–11. Notice also that he had a deposit of 1600 drachmai with a relative, Demomeles (11). In addition, Demosthenes' guardians allege that the father had buried 4 talents (27, 53 and 29, 48–49).

25 Dem. 48, 12.

26 William Wyse (ed.), *The Speeches of Isaeus* (Cambridge 1904) 263–264. Cf. Lys. 32, 21 for a monument costing 25 minai.

27 Dem. 48, 14–15.

28 Lys. 32, 5–6 and 14–15.

29 8, 35 and 11, 42–43.

30 1, 100. Of this 23 minai had been repaid by the time he died.

are not told the full extent of a man's property, we learn that Lysias himself had about 5 talents at home, Konon's friend Aristophanes was keeping 40 minai for his brother, and another wealthy man had 7 minai in his house<sup>31</sup>. Indeed Xenophon says that when people have more money than they can use, they *bury* it<sup>32</sup>! Bankers apparently were not successful in attracting time deposits with the promise of interest.

The reason for this is not difficult to imagine. Anyone who contemplates making a loan will be concerned about the borrower's integrity, his ability to repay, and the security he can offer. An Athenian farmer will probably prefer to lend to a neighbor, accepting a "mortgage" on his farm, and a businessman to a colleague, with perhaps a workshop (including the slaves) or merchandise as a pledge. Thus the lender will be able to watch and judge the way the borrower is managing his affairs and maintaining the value of the pledge. If he acts irresponsibly, the lender can step in to protect his interests. On the other hand, when one lent money to a banker, he was trusting in the man alone. There could be no specific security, and the lender could not monitor the bank's activities at all closely. By the time he realized that something was amiss, it might be too late to do anything about it.

Most people today are content to place a large portion of their savings in insured bank accounts and leave it to the bank to find ways of making the money productive. The Athenian saver apparently preferred to place his money with borrowers himself and personally define the risk he was prepared to assume.

\* \* \*

We turn now to the facet of banking called "asset management". Bogaert lists eleven banker's loans known from the orators<sup>33</sup>. Three of these are for productive purposes, five for consumption. The use of the remainder cannot be determined. This is the evidence for the view that Athenian bankers were primarily concerned to finance consumption rather than production.

One should first observe that four of the five instances of "consumer" loans occur in a single speech (Dem. 49), Apollodoros' attempt to recover four separate loans which his father Pasion made to the general Timotheos. If Timotheos had repaid his debts or Apollodoros' speech had not been preserved, our notions of Athenian banking would be considerably altered: a salutary example of the fragile and accidental nature of the evidence for banking.

The loans themselves were political in nature, not commercial. Apollodoros is seeking only repayment of the principal and makes no mention of interest.

31 Lys. 12, 11 and 19, 22. Rumor had it (Lys. 19, 47) that the general Nikias kept most of his enormous fortune at home.

32 *Vect.* 4, 7.

33 *Banques* 370, n. 391.

According to his account<sup>34</sup>, his father made these unsecured loans in the expectation of receiving Timotheos' help in other matters, while Timotheos used most of the money to meet military expenses and to entertain state guests. Pasion's dealings with Timotheos resemble the medieval practice of lending to royalty. "Loans" to princes were, in effect, payments to obtain influence or merely to secure a licence to do business<sup>35</sup>. All too often the royal "borrowers" simply did not bother to repay. Accommodations of this type do not indicate the normal relationship between a medieval banker and his customer, nor do Pasion's dealings with Timotheos reflect the nature of an Athenian banker's regular business. As a naturalized citizen, Pasion needed to curry favor with the people and its leaders.

The only consumption loan, proper, we have was taken by Apollodoros himself in order to ransom a friend<sup>36</sup>.

The three loans which ought to be classed as commercial loans for productive purposes include one for opening a perfumery and another to acquire mining concessions<sup>37</sup>. The third appears to be a maritime loan and thus will be treated more extensively in the next section<sup>38</sup>. Suffice it to say here that the men who loaned money to a captain on the security of his ship were unwilling to extend the loan past the date for repayment. He then borrowed from a banker to satisfy them. He did not consume the proceeds of the loan but used them to keep control of commercial assets.

In addition to the loans which Bogaert has tabulated we can find other evidence hidden away in the orators. According to Apollodoros, the king of Macedon gave a supply of wood to Timotheos, which the latter's agent (Philon-das) conveyed to Athens<sup>39</sup>. On instructions from Timotheos Pasion's bank provided funds to the agent to pay freight charges on the wood. This material was later used in some construction on Timotheos' house. Thus a "consumption" loan. Yet Timotheos alleged that the so-called agent was a businessman who imported the timber in order to sell it<sup>40</sup>. It scarcely matters who is telling the

34 Cf. especially 49, 2–3. According to Apollodoros one loan was for military purposes (cf. 6–8), one was used to repay a private loan which had been used for such purposes (14–17), a third went for entertainment (22–23), and the fourth paid the freightage on wood imported from Macedon (25–30). Even if Timotheos was right in saying (cf. 49, 44–54) that the borrowers in the first two instances were his military treasurer and a Boiotian admiral, these would probably still be political loans.

35 Cf. Usher (supra, n. 9) 238, and Raymond de Roover, *The Rise and Decline of the Medici Bank 1397–1494* (Cambridge, Mass. 1963) 328–330. When the Sultan approved the establishment of the Ottoman Bank in 1856, he received its first loan, and at a very favourable rate; cf. Roger Fulford, *Glyn's: 1753–1953* (London 1953) 159–160.

36 Dem. 53, 9.

37 Ath. 13, 611F; Dem. 40, 52.

38 Cf. infra, pp. 235–237.

39 Dem. 49, 25–30 and 36.

40 Dem. 49, 35.

truth or that Apollodoros won the case<sup>41</sup>. What is significant is the way he seeks to refute this claim. He does not deny that Pasion would have lent money to an importer but says that, once he had lent it, he would have used the cargo as security, would not have permitted it to be removed from the harbor, would have set a slave to watch it, and would have recovered his loan as the goods were sold<sup>42</sup>. This, then, is how a banker at Athens would *normally* function.

We find a requirement in the loan agreement in Dem. 35 that the borrower must repay his loan within twenty days after returning to Athens<sup>43</sup>. The lenders are anxious to recover their money so that they can put it to work again. What happened if there was a glut on the market when a cargo of grain or timber arrived so that the borrower could not sell his wares in order to repay the loan? The only way out would be to refinance. We see from Dem. 34 how this was done<sup>44</sup>. When the borrower arrived in the Crimea from Athens and was unable to sell his product, his story is that he borrowed money on the spot to repay the original maritime loan. The new loan must have been secured by the unsold cargo<sup>45</sup>, and we are told that the interest rate was much lower than in the original transaction. A cargo which had reached its destination was a much better risk than one at sea, even if sales were sluggish. Timotheos' version of the loan to Philondas shows a fertile field for bankers in the financing of slow moving imports.

We probably have another instance of commercial lending by a banker in the suit brought by the young Crimean against Pasion<sup>46</sup>. The speaker alleges that he had a large deposit in Pasion's bank but in order to avoid confiscation of it by the authorities of his homeland he not only kept the account a secret but even admitted being in debt to Pasion (for 300 drachmai) and sundry others. Pasion took advantage of that public admission to convert the deposit to his own use. He went even further and counter-claimed that the speaker and his friend managed to obtain 6 talents of the bank's money by corrupting one of the clerks.

There can be little doubt that Pasion won his case; it is hardly conceivable that a banker convicted of such treatment of a customer could continue to

41 Cf. Plut. *Dem.* 15, 1.

42 Dem. 49, 35–36.

43 11 and 24.

44 22–23.

45 The phrase ἔγγειοι τόκοι in sections 23 and 24 means that the loan was secured, not by land, but by a cargo that had reached land. The speaker of Dem. 33 says (3) that he has no συμβόλαιον with his opponent, a foreigner, either ναυτικόν or ἔγγειον. Clearly he is not limiting his remarks to agreements about real estate, but means any kind of business on dry land. The lenders at Dem. 35, 12 have the right to distrain on the borrowers' property, ἐγγείων καὶ ναυτικῶν, which must mean all their possessions, not just real estate and naval loans. Cf. also A. S. Hunt and C. C. Edgar, *Select Papyri* 1 (Cambridge, Mass., and London 1952) no. 1, where a wife is given the same claim on her husband's property.

46 Isocr. 17, 7–12 and 38.

prosper, become rich, and eventually be awarded citizenship. "If you are ignorant of this fact, that *trust* is the greatest capital for money-dealing, you must be ignorant of everything", writes Demosthenes<sup>47</sup>. Pasion had the Crimean's public acknowledgement of his poverty and his written release of any claims against him<sup>48</sup>.

If we but had Pasion's speech, we could see just how he made his own version of the affair plausible. It would make no sense to say that the clerk had simply given away 6 talents. Pasion must have presented the transaction as a loan. Yet a consumption loan of this magnitude would be ludicrous, for he depicts his opponent as in trouble with his own government and in debt for more than a talent<sup>49</sup>. On the other hand, we know that the Crimean first came to Athens in the manner of Solon, κατ' ἐμπορίαν καὶ κατὰ θεωρίαν, managing a shipment of grain dispatched by his father<sup>50</sup>. Later he lent money on the security of a ship<sup>51</sup>. We must suppose that Pasion represented the corrupt loan as intended for the Crimean's business.

If one can generalize at all from such a limited amount of material, it would appear that lending for commercial purposes was more important to the banks than lending for consumption.

\* \* \*

Did this commercial activity extend to maritime loans? Bogaert states the case: «Pourtant, les documents concernant le prêt à la grosse ne font pas défaut. Nous pouvons en citer au moins une quinzaine, mais aucun ne mentionne un banquier comme créancier.»<sup>52</sup> We must make certain, however, that these examples are taken from a universe in which bankers are fairly and properly represented. I propose, therefore, to consider only the examples known from commercial cases and to exclude those from family disputes and political controversies<sup>53</sup>. For, as foreigners, bankers will not normally figure in such matters. The exception is Pasion, who became a citizen, but even here his business activity was so multifarious that litigants could not afford to examine it in detail<sup>54</sup>. As a result we know really very little about the nature of his lending policy.

In the commercial cases it is sometimes difficult to determine a lender's occupation, but even omitting doubtful cases we still have a long list of lenders who are not bankers<sup>55</sup>. First there are bankers' customers, of whom I count

47 36, 44.

48 Isocr. 17, 8 and 23.

49 5 and 35.

50 4; cf. Arist. *Ath.* 11, 1.

51 42.

52 *Prêts* 141.

53 Cf. Lys. 32, 6; Dem. 27, 11; 38, 11; 50, 17; and Hyp. *Dem.* 16.

54 Dem. 36. 45. 46. 49. 52.

55 Various lenders in Dem. 32 (4. 8. 14); the prior lenders at Dem. 33, 6; Nausikrates (Dem. 35,

nine<sup>56</sup>. Next, at least eight men who sail the Mediterranean<sup>57</sup>. Finally, we have the guileless youth of Dem. 35, who can hardly be a banker, and two people who are taken as non-bankers because they are Athenian, Demosthenes' relative Demon and the speaker of Dem. 35<sup>58</sup>. This proves the paramount importance of private lenders in maritime commerce, but it does not, I submit, show that bankers did not have a part in that activity. With only two exceptions all the instances come from a set of five speeches<sup>59</sup>. If chance had preserved a different set of five speeches or had merely permitted the survival of a single speech dealing in extenso with the activities of a banker, the picture could be radically altered.

Furthermore, the speeches we do have do not reflect the ordinary course of Athenian business but result from disputes between the parties. In some of these cases, the lender brings charges of fraud against the borrower and supports them with testimony. The lender normally required the borrower to invest some of his own money in a venture. Generally each party provided half the capital. The lender thereby assured that the borrower would have a financial stake and thus work for the success of the enterprise. Furthermore, if the value of the cargo fell below its original cost because of oversupply at the port of destination, the borrower had to absorb most or all of the loss. As long as a cargo worth 1 talent, for instance, could be sold for 3000 drachmai, the lender was completely protected on this score. Thus it was a serious wrong for a borrower to fail to provide his half of the cargo<sup>60</sup>.

In one of the cases from the *Corpus Demosthenicum* two lenders lay claim to a single cargo, each saying that his debtor purchased it<sup>61</sup>. We cannot tell which is in the right, but certainly one of the borrowers defrauded his lender by failing to ship the necessary freight. In another case the borrowers, who are partners, after receiving two separate loans, shipped only 450 jars of wine instead of the 3000 in their contract<sup>62</sup>. In a third case a merchant loaded only 55 minai in merchandise even though he was bound to ship 115 minai worth<sup>63</sup>.

10); Antipatros (Dem. 35, 32). In Dem. 32 I do not consider it necessary to assume that the lenders at Syracuse sailed with their debtors: they may simply have sent a representative to Kephallenia and Athens once they had learned of the dispute which had occurred.

56 The Crimean (Isocr. 17, 42); Lykon (Dem. 52, 3 and 20); the speaker of Dem. 33 (7); Chrysippos and his partner (Dem. 34, 6); Dionysodoros and his partner and Dareios and his partner (Dem. 56, 15–17).

57 Parmenon (Dem. 33, 5–7); Zenothemis (Dem. 32, 2–5); Lampis and Theodore (Dem. 34, 6 and 22); Artemon (Dem. 35, 36), probably acting with his brother and partner Apollodoros (10–13); a Chian merchant (Dem. 35, 52–53); the lenders mentioned at Dem. 56, 29–30.

58 Dem. 32, 31 and 35, 10 and 22.

59 Dem. 32, 33, 34, 35, 56. The two exceptions are the Crimean of Isocr. 17 and Lykon at Dem. 52, 3 and 20.

60 Cf. 34, 33, where a fine of 5000 drachmai was imposed for failure to ship the full amount of goods.

61 Dem. 32, *passim*.

62 Dem. 35, 18–20.

63 Dem. 34, 6–7.

One of these cases also involves borrowing by a captain whose financial situation was so precarious that a Chian trader was able to require the prior lenders to subordinate their claims to his before he would lend to the captain<sup>64</sup>. In addition he exacted a mortgage on all the captain's property<sup>65</sup>.

Surely maritime lending was risky, for the lender lost his money if the ship sank and had no recourse against the borrower. Yet it may be still the case that bankers were willing to lend money despite the risks of the sea. But where the borrower is known to be a bad risk personally, bankers and other careful men may have shied away, leaving the business to the inexperienced or the bold. Thus we find that one of the lenders who was defrauded is called a "youth"<sup>66</sup>. And even dubious credit risks can often find accommodation by paying a very high risk premium: a loan shark today will provide funds to someone who cannot obtain bank credit. Half of the maritime lenders mentioned in our sample made loans to people who were known to be or turned out to be bad risks<sup>67</sup>. The absence of bankers from these transactions is no sign that they avoided maritime lending altogether.

In one of our cases (Dem. 34) a ship captain needed 40 minai to repay his creditors. A private lender, Parmenon, provided a quarter of this sum, and a go-between (the speaker) introduced the captain to the banker Herakleides, who then supplied the rest. The go-between had to guarantee that he would repay the loan if the captain failed to do so<sup>68</sup>. Recent writers refuse to classify this as a maritime loan by a banker. De Ste. Croix, for example, says, "the ship was not about to sail out on a voyage (see paras. 9–11), and the form of transaction, a sale with option of redemption (ὥνῃ or πρᾶσις ἐπὶ λύσει, para. 8), is unknown, as far as I am aware, in bottomry transactions"<sup>69</sup>.

It is true that when the captain tried to sail from Athens, Parmenon intervened to prevent his departure, and violence ensued<sup>70</sup>. But the intervention no more proves that the captain was forbidden to sail than the attempt proves his right to do so. In fact the speaker does not actually charge that the captain violated their agreement. He merely *hints* at it in characteristically rhetorical fashion: the captain plotted (ἐπιβουλεύει) to remove the ship and its servile crew from the harbor<sup>71</sup>. For his part the captain acted the injured party. When

64 Dem. 35, 36.

65 52.

66 Dem. 35, 22.

67 One of the lenders in Dem. 32, all four in Dem. 34, and all four in Dem. 35.

68 Dem. 33, 6–7.

69 G. E. M. de Ste. Croix, *Ancient Greek and Roman Maritime Loans*, in H. Edey and B. S. Yamey, *Debits, Credits, Finance and Profits* (London 1974) 52. Some have argued that maritime lending was too risky for bankers, but this assumes that they acted conservatively. Yet we know that some of them went bankrupt.

70 9–13.

71 9. Actually the speaker seems to admit that the captain had the right to sail. The type of case

Parmenon sued him for violence, he countersued<sup>72</sup>. Since the arbitrator held in his favor, the captain must have argued that he was permitted to sail<sup>73</sup>. Since on principle we have to regard either version as plausible, we are obligated to admit that a banker might make a loan to a ship captain actively engaged in maritime commerce.

As for the form of the agreement, we do not in fact know whether it was normal for owners to "sell" their ships to lenders with the right of redemption, as here, or to "pledge" them as security while retaining actual ownership. In the few instances of loans to captains it is generally not possible to determine the legal status, for, as Fine has shown in connection with land loans, the orators are very lax in their use of legal terminology<sup>74</sup>. Furthermore, it appears that *πρᾶσις ἐπὶ λύσει* was employed in this transaction because it was the form used by the captain and the original lenders. After Parmenon had given the captain 3 of the 10 minai he agreed to lend him, he began to have doubts about the matter and asked the speaker to assume responsibility for the loan. The speaker then "took the 7 minai from Parmenon and the 3 which [the captain] received previously from him and, after making a new agreement with [the captain], made a purchase of the ship and the slaves for my own account"<sup>75</sup>. If he bought the ship from the captain, why did he take the 3 minai from him and then return them immediately<sup>76</sup>? If, on the other hand, he made the purchase from the original lenders, he would have to take the 3 minai from the captain to give to them<sup>77</sup>. The lenders would have title if they too had purchased the ship *ἐπὶ λύσει*.

This transaction is similar to one mentioned in Dem. 37, where Pantainetos' creditors hold title to his workshop and slaves *ἐπὶ λύσει*, and he lacks the funds to redeem them. He gets the speaker and his associate to purchase the property from the creditors, again *ἐπὶ λύσει*<sup>78</sup>. In both cases the new lenders take title, while the businessman receives an extension of his redemption period and use of the property.

The key to the case, I submit, is the unexpected failure of Herakleides'

the captain is bringing, a merchant suit, was only available to "captains and traders (in matters of) agreements to and from Athens and in writing" (cf. Edward E. Cohen, *Ancient Athenian Maritime Courts*, Princeton 1973, 100–114). The speaker does not argue that there was no agreement for a voyage to or from Athens. He says that the agreement was terminated and that he secured release from the captain (3 and 12).

72 Cf. 11 and § 1 of the *hypothesis* to the speech.

73 20–21. As the orators themselves say, no one ever admitted being in the wrong; cf. Dem. 31, 12; 40, 51; 58, 22; Is. 4, 20. Parmenon left Athens and did not return.

74 John V. A. Fine, *Horoi* (Hesperia Suppl. 9) 61–95.

75 8.

76 Isager (supra, n. 1) 153, could be correct that the act was merely *pro forma*, but the similarity to the events in Dem. 37 indicates that the legal form was the same in both cases.

77 On any explanation it is hard to determine how Herakleides handled his part of the deal: did he pay out his loan to the creditors or to the captain?

78 Cf. Fine (supra, n. 74) 146–148 for the form of the transaction.

bank<sup>79</sup>, which upset the calculations of all the other parties to the transaction. There was no plotting on either side, just bad luck. What happened is this: the banker made a maritime loan and hedged it round with extra protection, not by restricting the use of the ship, but by requiring the speaker to guarantee repayment of the loan. Everyone expected the captain to carry a cargo and repay the loan from the freight charges, and so he might have. But then the bank failed, souring the deal. Parmenon expected the receivers of the bank to call in all its loans and without possession of the ship itself his friend, the speaker, did not have the cash to repay the loan which he had guaranteed. Parmenon in panic prevented the ship from sailing, in violation of the captain's rights. The captain then agreed to let the speaker sell the ship in order to repay the bank but went to law to recover damages from Parmenon for his interference<sup>80</sup>.

One should conclude, then, that bankers did sometimes make maritime loans but may have been more careful than the average lender in selecting borrowers. I return later to the question, why they played such a small part in this area of commerce.

\* \* \*

As we have noted, Bogaert's position is that banks paid interest on time deposits and this practice, in turn, made it necessary to charge borrowers a high rate of interest<sup>81</sup>. Athenian businessmen did not earn enough on their investment to afford these rates, so the bankers were restricted to making personal consumption loans at extremely high rates of interest.

The linchpin of Bogaert's system is the payment of interest to attract deposits. If bankers could obtain funds at a much lower cost, they could lend at much lower rates, and businessmen could afford to borrow. Our review of the evidence has shown that this was probably the case, for commercial loans by bankers are much better attested than the practice of soliciting deposits with interest. We have bank loans assisting one man to establish a perfume manufactory, another to purchase mining concessions, and a third to keep control of his ship<sup>82</sup>. In addition we have Apollodoros' description of how a banker would finance an inventory of imported merchandise in a warehouse<sup>83</sup>. That is, bank-

<sup>79</sup> 9.

<sup>80</sup> 12. Why did the captain strive so hard to refinance his ship and later allow it to be sold? I suggest that the first lenders intended to keep possession of his ship so that he would get nothing back from his investment. (That seems to be the meaning of 6.) In the actual sale he retained anything left after the loan was paid off. I take 12 to mean that the *ship* brought in just enough to satisfy the creditors, which implies that the captain got to keep the price of the slaves.

<sup>81</sup> *Banques* 345–361.

<sup>82</sup> *Supra*, p. 231.

<sup>83</sup> *Dem.* 49, 35–36.

ers helped finance mining, shipping, wholesaling, and manufacturing<sup>84</sup>. In contrast, we have only one testimonium which mentions the payment of interest by bankers, but we know that several wealthy men instead of depositing their savings in banks preferred to place loans directly with borrowers or keep their money at home<sup>85</sup>.

The evidence, then, suggests that the bankers had access to low cost funds. Just as a modern bank can attract enormous sums of money into interest-free checking accounts by offering the great convenience of checking, so Athenian bankers were able to obtain demand deposits without paying interest by providing services to businessmen. Payment of a debt through a bank was a much surer way of settling than private payment. The bankbooks were an excellent form of legal evidence, and one did not need to round up people to witness the repayment<sup>86</sup>. Thus we find one of Hyperides' clients, a farmer, gathering 40 minai from his friends and placing them in a bank preparatory to closing a deal for the purchase of three slaves and their store<sup>87</sup>. When foreign merchants went abroad they could leave their surplus cash with a banker rather than risk losing it on the high seas. In view of the steep premiums they were willing to pay in order to insure their maritime borrowings<sup>88</sup>, it would not be surprising that they should forego interest on these deposits in return for the safety offered. They could even arrange for payments to creditors or borrowers in their absence<sup>89</sup>. On his return it would only be natural for a merchant to present his foreign coinage to a banker and receive *a credit* in drachmai. There would then be no risk of carrying large sums of money about when he made the rounds of the Piraeus and the Agora, selling his wares and buying a new cargo. An Athenian like Demosthenes' father who bought a lot of imported merchandise would also appreciate this convenience. It would also be important for any merchant, traveling or sedentary, to establish an account so that he could build his reputation with the banker in case he might someday need a loan. These advantages, then, would induce any man of commerce to have an account even without receiving interest. Instead of paying fees for each separate service, he would compensate the banker by allowing him the use of the money on deposit<sup>90</sup>. Of course he would have to bear the risk that the bank would fail.

84 We have found no sure indication that they advanced credit to small shopkeepers or their customers nor any connection with agriculture. Pasion had many loans secured by land and apartment houses (Dem. 36, 5–6), but it cannot be proven that these were commercial loans.

85 *Supra*, pp. 228–230.

86 Cf. Dem. 36, 41; 49, 2; 52, 4; and Isocr. 17, 2.

87 *Ath.* 4.

88 Between 20 and 30%; cf. Dem. 34, 23 and 35, 10.

89 Dem. 52, 4. Surely a banker could be appointed to collect receivables in view of the fact that the captain of a ship could do so (Dem. 34, 32).

90 Cf. D. M. Joslin, *London Private Bankers, 1720–1785*, *Ec. Hist. Rev.*, second series, 7 (1954) 180, on the many services provided by one such banker: "For these various services the bank charged no commission, but expected a fairly substantial deposit of cash upon the account, which it could profitably employ."

That a banking system of a thriving port could run almost exclusively on demand deposits is demonstrated by the case of Bruges in the 14th century. Raymond de Roover observes that in "the Collard de Marke and Guillaume Ruyelle account books, there is nothing which would indicate that interest was paid to depositors", while "the statement of the debts of Diederick Urbaens' widow mentions only one [interest-bearing] deposit"<sup>91</sup>. These individuals ran large, medium, and small banks, respectively, and would have been forced to pay interest if their competitors had done so. Both Athens and Bruges, then, knew interest-bearing deposits but used them very sparingly.

The bankers of Bruges attracted their deposits by convenience, for there too "the books of the money-changers were public records and there was no need to give acquittance, to have witnesses, or to draw up legal instruments"<sup>92</sup>. Payments through the bank eliminated the need to carry cash, and the bankers converted foreign coin for merchants.

As we have seen, the manufacturers Konon and the elder Demosthenes kept only a small portion of their wealth in the banks, the latter (at least) in accounts which paid no interest<sup>93</sup>. Clearly these were not savings accounts, but demand deposits intended to facilitate the conduct of their business. Demosthenes' father, for instance, would use the funds in his accounts to pay importers who supplied raw materials for his workshops.

Once a banker had acquired a number of such accounts, he could afford to lend a portion of his deposits, since his depositors would not all remove their funds at one time. When an importer received payment from Demosthenes' father, he would repay the man who made him a loan to help buy the cargo in the first place, but both the importer and the lender would leave part of the money in the bank until they could work out another merchant venture. Moreover, the banker could protect himself by making short-term, self-liquidating loans. As Apollodoros says, anyone who lent on the security of a cargo would recover his money as the goods were sold<sup>94</sup>.

This, then, I suggest, is the main method Athenian bankers had of attracting deposits. On the other hand, it is not likely that they could secure patronage this way from farmers, small tradesmen, or those who lived on dispensations from the state. Athenian banks could not offer the convenience of checking since they made little use of the written instrument<sup>95</sup>. Because the payer had to accompany the payee to the bank to effect a transfer, it was actually handier for shopkeepers to pay or receive small sums at their place of business. Nor did bank accounts offer much protection for the small depositor against loss. As we

91 (Supra, n. 9) 249.

92 Ibid. 250.

93 Supra, pp. 227-229.

94 Dem. 49, 35.

95 *Banques* 333-337.

have seen, burying one's money was the Athenian's way of protecting himself against theft<sup>96</sup>. Any money left with a banker was subject to loss through bank failure. The banks, then, offered safety and convenience to substantial businessmen, but not to the ordinary citizen.

Not only can the modern bank attract the deposits of a far larger percentage of the population, it can also lend far more money than has been deposited with it, by creating credit. When a man borrows to build a home, the bank assigns the money to his contractor's account. He then writes checks to pay his employees and subcontractors. The latter in turn pay their workers with checks, and these employees pay many of their bills with checks. Most of the original loan remains in the banking system, with only a portion being withdrawn in cash. It is true that Athenian banks were fully capable of transferring credits from one account to another without an actual exchange of silver<sup>97</sup>, but as soon as the second customer withdrew his balance, the bank would have to come up with coins in place of credit. The modern system is possible only because people are willing to leave large amounts of money with their banker. The same willingness made it possible for the banking system at Bruges to function. But, as we have seen, Athenians kept minimal balances. The Athenian bank, therefore, could not lend greatly in excess of what it had actually taken in, it could not increase its assets and earnings this way, and it could not expand the amount of money in circulation and the volume of business activity.

The conclusion to be drawn from this discussion is clear. The banks at Athens were not great repositories of capital as they are today. Rather, they lived off the crumbs provided by their customers, who found it advantageous to keep their balances to the minimum necessary to operate their businesses. The rest of their money they lent at interest or kept at home for greater safety. If a banker had one hundred depositors, he might have at his disposal more than any single one of them, but he would still control only a small percentage of their total savings. He would also have to retain a large portion of his deposits as a reserve. Therefore, even when we add to the lendable deposits the private resources of a tycoon like Pasion<sup>98</sup>, the banks still appear to be rather small fish in a large pond. The lenders who met the credit demands of the Athenian economy were primarily businessmen like Demosthenes' father and *rentiers* like Demosthenes himself rather than bankers<sup>99</sup>.

This helps explain our evidence for maritime lending. Bankers did not avoid this type of business entirely. They may have insisted on a higher credit

96 Xen. *Vect.* 4, 7.

97 *Banques* 342–343.

98 Cf. Dem. 36, 5.

99 A banker might use his depositors' money to finance his own private business in preference to assisting another borrower, as in the Middle Ages; cf. de Roover (*supra*, n. 9) 29–47 and (*supra*, n. 35) *passim*, and Lane (*supra*, n. 9) 69–86. Pasion and Phormion both had outside businesses (Dem. 36, 4 and *passim*; Dem. 49, 31).

rating and more stringent safeguards than the private lender<sup>100</sup>, but the main reason that they were an insignificant factor in maritime lending is that banks were insignificant as providers of credit in all aspects of the Athenian economy.

<sup>100</sup> *Supra*, pp. 235–237. Since it was important to watch one's debtor and his security, traveling merchants had the advantage in maritime lending, bankers in financing domestic commerce. It was possible, however, to have the best of both worlds by forming a partnership, with one member based on land, the other traveling; cf. Dem. 37, 4–8; 49, 31 and 56, 7.