Norman Schofield · Gonzalo Caballero · Daniel Kselman *Editors*

Advances in Political Economy

Institutions, Modelling and Empirical Analysis

This book presents latest research in the field of Political Economy, dealing with the integration of economics and politics and the way institutions affect social decisions. The focus is on innovative topics such as an institutional analysis based on case studies; the influence of activists on political decisions; new techniques for analyzing elections, involving game theory and empirical methods.

Social Sciences / Political Science

ISBN 978-3-642-35238-6

springer.com

Schofield · Caballero
Kselman *Eds.*

Advances in Political Economy

Norman Schofield
Gonzalo Caballero
Daniel Kselman *Editors*

Advances in Political Economy

Institutions, Modelling and Empirical Analysis

EDITOR'S PROOF

Jones P, Hudson J (1998) The role of political parties: an analysis based on transactions costs. Public Choice 94:175–189
Jones P, Hudson J (2001) Political parties, political integrity and public policy: a transactions costs approach. Polit Stud 49:70–88
Katznelson I, Weingast BR (2005) Intersections between historical and rational choice institucionalism. In: Katznelson I, Weingast BR (eds) Preferences and situations: points of intersection between historical and rational choice institutionalism. Russell Sage, New York
Keohoane RO, Nye JS (1977) Power and interdependence: world politics in transition, Little, Brown, Boston
Kickert WJM, Klijn EH, Koppenjan JFM (1997) Managing complex networks: strategies for the public sector. Sage, London
Kingston C, Caballero G (2009) Comparing theories of institutional change. J Inst Econ 5(2):151–180
Kiser L, Ostrom E (1982) The three worlds of action: a metatheoretical synthesis of institutional approaches. Ostrom E (ed) Strategies of political inquiry. Sage, Thousand Oaks
Laffont JJ, Martimort D (1998) Transaction costs, institutional design and the separation of powers. Eur Econ Rev 42:673–684
Majone G (2001) Nonmajoritarian institutions and the limits of democratic governance: a political transaction-cost approach. J Inst Theor Econ 157:57–78
March JG, Olsen JP (1984) The new institutionalism: organizational factors in political life. Am Polit Sci Rev 78:738–749
March JG, Olsen JP (1989) Rediscovering institutions. Free Press, New York
Matthews RCO (1986) The economics of institutions and the sources of economic growth. Econ J 96:903–918
Menard C, Shirley M (2005) Handbook of new institutional economics. Springer, Dordrecht
Moe TM (2005) Power and political institutions. Perspect Politics 3(2):215–233
Murshed SM (2001) Transaction cost politics, institutions for commitment and rent-seeking, Discussion paper 125. WIDER. United Nations University
Nee V (1998) Sources of the new institutionalism. In: Brinton M, Nee V (eds) The new institutionalism in sociology. Russell Sage Foundation, Thousand Oaks
Nee V (2005) The new institutionalism in economics and sociology. In: Smelser N, Swedberg R (eds) Handbook for economic sociology. Princeton University Press, Princeton
North DC (1989) A transaction cost approach to the historical development of polities and economies. J Inst Theor Econ 145:661–668
North DC (1990a) Institutions, institutional change and economic performance. Cambridge University Press, Cambridge
North DC (1990b) A transaction cost theory of politics. J Theor Polit 2(4):355–367
North DC (1994) Economic performance through time. Am Econ Rev 84(3):359–368
North DC (1999) In anticipation of the marriage of political and economic theory. In: Alt J, Levi M, Ostrom E (eds) Competition and cooperation. Russell Sage Foundation, New York
North DC (2005) Understanding the process of economic change. Princeton University Press, Princeton
North DC, Weingast BR (1989) Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England. J Econ Hist 49(4):803–832
North DC, Wallis JJ, Weingast BR (2009) Violence and social orders: a conceptual framework for interpreting recorded human history. Cambridge University Press, Cambridge
Nye JV (1997) Thinking about the state: property rights, trade, and changing contractual arrangements in a world with coercion. In: Drobak J, Nye J (eds) The frontiers of the new institutional economics. Academic Press, San Diego
Ostrom E (1990) Governing the commons. The evolution of institutions of collective action. Cambridge University Press, Cambridge
Ostrom E (2004) Rules without enforcement are but words on paper. IHDP Update 2:8–10
Ostrom E (2007) Challenges and growth: the development of the interdisciplinary field of institutional analysis. J Inst Theor Econ 3(3):239–264

UNCORRECTED PROOF

EDITOR'S PROOF

Parsons T (1937) The structure of social action. McGraw-Hill, New York
Patashnik E (1996) The contractual natural of budgeting: a transaction cost perspective on the design of budgeting institutions. Policy Sci 29:189–212
Peters G (1999) Institutional theory in political science: the new institutionalism. Routledge, London
Pierson P (2000) Path dependence, increasing returns and the study of politics. Am Polit Sci Rev 94:251–267
Pierson P, Skocpol T (2002) Historical institutionalism in contemporary political science. In: Katznelson I, Milner (eds) Political science: the state of the discipline. Norton, New York
Ruiter DWP (2005) Is transaction cost economics applicable to public governance? Eur J Law Econ 20:287–303
Rutherford M (1994) Institutions in economics. Cambridge University Press, Cambridge
Rutherford M (2001) Institutional economics: then and now. J Econ Perspect 15(3):173–194
Scartascini C (2007) The institutional determinants of political transactions. W.P. 580, Inter-American Development Bank, Washington
Scartascini C, Stein E, Tommasi M (2010) Political institutions, actors, and arenas in Latin American policymaking. In: Scartascini C, Stein E, Tommasi M (eds) How democracy works. Inter-American Development Bank, Washington
Schofield N (2010) Social orders. Soc Choice Welf 34:503–536
Schofield N, Caballero G (2011) Political economy of institutions, democracy and voting. Springer, Berlin
Schofield N Gallego M et al (2011) Leadership or chaos: the heart and soul of politics. Springer, Heidelberg
Schofield N, Levinson M (2008) Modeling authoritarian regimes. Polit Philos Econ 7(3):243–283
Shepsle KA (1986) Institutional equilibrium and equilibrium institutions. In: Weisberg HF (ed) Political science: the science of politics. Agathon, New York
Shepsle K (1999) The political economy of state reform. Political to the core. Rev Econ Polit-Braz J Polit Econ 19:39–58
Shepsle KA (2006) Rational choice institutionalism. In: Binder S, Rhodes R, Rockman B (eds) Oxford handbook of political institutions. Oxford University Press, London
Sorensen RJ (2006) Local government consolidations: the impact of political transaction costs. Public Choice 127:75–95
Spiller PT, Tommasi M (2003) The institutional foundations of public policy: a transactions approach with applications to Argentina. J Law Econ Organ 19(2):281–306
Spiller PT, Tommasi M (2007) The institutional foundations of public policy in Argentina. A transaction cost approach. Cambridge University Press, Cambridge
Ter Bogt H (2003) A transaction cost approach to the autonomization of government organizations: a political transaction cost framework confronted with six cases of autonomization in the Netherlands. Eur J Law Econ 16:149–186
Thelen K (1999) Historical institutionalism in comparative politics. Annu Rev Pol Sci 2:369–404
Thelen K, Steinmo S (1992) Historical institutionalism in comparative politics. Steinmo S et al (eds) Structural politics: historical institutionalism in comparative analysis. Cambridge University Press, Cambridge
Twight C (1994) Political transaction-cost manipulation. An integrating theory. J Theor Polit 6(2):189–216
Vanhuysse P (2002) Efficiency in politics: competing economic approaches. Polit Stud 50:136–149
Weber K (1997) Hierarchy amidst anarchy: a transaction costs approach to international security cooperation. Int Stud Q 41:321–340
Weingast BR (1996) Political institutions: rational choice perspectives. In: Goodin RE, Klingemann HD (eds) A new handbook of political science. Oxford University Press, London
Weingast BR (2002) Rational choice institutionalism. In: Katznelson I, Milner HV (eds) Political science. The state of the discipline. Norton, New York

Weingast BR, Marshall WJ (1988) The industrial organization of congress; or, why legislatures, like firms, are not organized as markets. J Polit Econ 96(1):132–163
Williamson OE (1975) Markets and hierarchies: analysis and antitrust implications. Free Press, New York
Williamson OE (1985) The economics institutions of capitalism: firms, markets, relational contracting. Free Press, New York
Williamson OE (1996) Revisiting legal realism: the law, economics, and organization perspective. Ind Corp Change 5(2):383–420
Williamson OE (1999) Public and private bureaucracies: a transaction cost economics perspective. J Law Econ Organ 15(1):306–342
Williamson OE (2000) The new institutional economics: taking stock, looking ahead. J Econ Lit 38:595–613
Wood BD, Bohte J (2004) Political transaction costs and the politics of administrative design. J Polit 66(1):176–202

EDITOR'S PROOF
UNCORRECTED PROOF

EDITOR'S PROOF

Political Transitions in Ancient Greece and Medieval Italy: An Analytic Narrative

Leandro De Magalhães

Keywords Political transitions · Wars · Ancient Greece · Athens · Venice · Genoa · Democracy · Republic

1 Introduction

Models of political transitions to democracy or on the extension of the suffrage have tended to focus on the 19th and 20th centuries (Acemoglu and Robinson 2001; Lizzeri and Persico 2004; Llavador and Oxoby 2005), disputes over redistribution, and over the provision of economic public goods, such as infrastructure. These issues are relevant for the period intended in these papers. But as we go back in history, the defining public good is defence, and the contention policy issues seem to be whether to go to war and which wars to fight.

De Magalhães and Giovannoni (2012) propose a model where wars play a key role in explaining political transitions. They model the bargaining game that may bring an absolutist ruler to hand over power to an assembly of citizens (the commercial elite in the paper). Wars determine both the policy available to the players (whether to go to war and which wars to fight), and their threat points (what happens to the players when a war is lost). In De Magalhães and Giovannoni (2012) the focus is on the English case and the Glorious Revolution of 1688. The objective of this paper is to provide an analytic narrative to test whether the model in De Magalhães and Giovannoni (2012) is relevant to the understanding of political transitions in Ancient Athens, Medieval Venice, and Genoa.[1]

Literature on the historical emergence of inclusive institutions has focused on the economic changes that made it easier for rule by parliament to emerge. Bates and Lien (1985), for example, formalize the idea that the tax elasticity of a sector increases its bargaining power. They show that the most elastic sector will be taxed

[1]For a detailed description of the method of analytic narrative see Arias (2012).

L. De Magalhães (✉)
Department of Economics, University of Bristol, 8 Woodland Road, Bristol BS8 1TN, UK
e-mail: leandro.magalhaes@bristol.ac.uk

N. Schofield et al. (eds.), *Advances in Political Economy*,
DOI 10.1007/978-3-642-35239-3_2, © Springer-Verlag Berlin Heidelberg 2013

Book ID: 306518_1_En, Date: 2013-02-19, Proof No: 1, UNCORRECTED PROOF

EDITOR'S PROOF

less and that the equilibrium policy will be closest to the preferred policy position of the most elastic sector. As the economy becomes more dependent on trade and manufacture and less on agriculture, we should observe a transfer of power to the commercial classes. A similar argument is made in Levy (1988), where stable institutions must include a form of quasi-voluntary financial contribution to the state. Fleck and Hanssen (2006) focus on ancient Greece to show that the extension of political powers may be necessary to provide the right economic incentives when effort is not observable.

Bates and Lien (1985), Levy (1988), and Fleck and Hanssen (2006) describe how a particular economic environment makes it easier for a transition to occur. As we will see below, their broad predictions of the joint rise of commercial wealth and democracy (or rule by parliament) holds true for both ancient Greece and Medieval Italy, but to understand the transitions themselves we need to look at the role of war.

Extensive literature has focused on how the threat of war drove the formation of the state and helped states build capacity (see Tilly (1990), Hoffman and Rosenthal (2000), Besley and Persson (2009), Gennaioli and Voth (2011), Boix et al. (2011), and Arias (2012)). In these papers, a war is a common threat and the defence of the country is a common-interest public good. The objective of these papers is to explain institutional changes such as the size of the states, investments in financial capacity on a judicial system, or on a centralizing bureaucracy. The institutional change we are interested in here is a transition to rule by assembly and considerable constraints on the executive (we will call such a regime a democracy or rule by assembly, council, or parliament).

The model in De Magalhães and Giovannoni (2012) builds on Acemoglu and Robinson (2001), where the handing-over of power is a commitment device to ensure higher redistribution for the poor in the future. High redistribution is necessary to prevent the poor from acting on their threat of revolution. Contrary to Acemoglu and Robinson (2001), De Magalhães and Giovannoni (2012) focus on wars. The ruler will be unable to commit to going to the wars preferred by the commercial elites in the future. Handing over power to an assembly (where the commercial elite plays the leading role) solves this commitment problem and buys the financial assistance of the commercial elites during a defensive war, when the ruler is at risk.

Wars are introduced in De Magalhães and Giovannoni (2012) by building on Jackson and Morelli (2007), where wars have different risk-reward ratios for rulers and citizens. De Magalhães and Giovannoni (2012) allow for different types of war. Some wars, called misaligned, have an intrinsic bias: the ruler receives an ego-rent from winning, but this brings little economic return to both the ruler and to the commercial elite. Alternatively, aligned wars are also available: both the commercial elite and the ruler receive high economic returns if an aligned war is won, but there are no ego-rents involved. A key example of misaligned wars are costly dynastic wars that benefit the ruler and his kin, but not the commercial elite. Examples of aligned wars are commercial wars that expand the markets for the commercial elite's products.

UNCORRECTED PROOF

EDITOR'S PROOF

De Magalhães and Giovannoni (2012) show that for an absolutist ruler to hand over power to an assembly, there must be a credible threat that the sitting ruler will be replaced if the war is lost. The commercial elite must prefer the alternative invading ruler to their sitting ruler. This condition is satisfied, for example, if the invading ruler is better at winning wars (maybe because of alliances with other foreign powers). The commercial elite may then prefer to withhold financial assistance to the sitting ruler on a defensive war against the stronger contender. If they do so, they increase the probability of a transition to either rule under the stronger contender, or to self rule as the sitting ruler may be willing to hand-over power in return for their assistance. Therefore, one of the predictions of the model is that transitions should occur in countries of intermediate military strength (if they were hegemonic there would be no credible threat to the ruler). De Magalhães and Giovannoni (2012) also show that transitions to rule by parliament are likely to be preceded by a period of unstable absolutist rule, which is characterized by a ruler who goes on dynastic wars and defensive wars without the assistance of the commercial elite.

We will also confront the evidence in ancient Greece and medieval Italy with Ticchi and Vindigni (2009), where the threat of war helps the elite make a credible commitment—in the form of democratization—to the citizen-soldiers, who demand redistribution in return for exerting effort during wars. As we will see, their model seems particularly relevant for the first steps of representative government in Greece, where the Army and later the Navy was manned by the citizens. For Venice and Genoa this also played a role, but the main constraint seems to have been the financing of the fleet.

In summary, we will go through historical examples of transitions to rule by assembly and check what role, if any, was played by wars. Did the transitions take place during a period of strong foreign threat? Is there evidence that the aristocracy and the merchants had diverging opinions on foreign policy; that the merchants withheld resources from their ruler; or that the merchants preferred a foreign ruler to the sitting ruler? By trying to answer these questions, we should be able to gauge the relevance of the model in De Magalhães and Giovannoni (2012) in understanding the political transitions in ancient Greece and medieval Italy.

2 Political Transitions in Ancient Greece

Before looking into the political reforms of Athens in detail, let's briefly discuss the evidence from general trends towards democratic government in ancient Greece. There seems to be a clear link between economic activity, in particular trade, and democracy. This evidence supports the predictions of models such as Bates and Lien (1985), Levy (1988), and De Magalhães and Giovannoni (2012).

Specific to ancient Greece, Fleck and Hanssen (2006) show how democracy can mitigate a time inconsistency problem. Workers and property owners must input unobservable effort to plant and maintain olive trees in the Athenian hills that only

EDITOR'S PROOF

bear fruit years later. The time inconsistency problem arises because the aristocracy cannot commit ex ante not to expropriate the fruits of the laborers' investment. The hand-over of power to the producers is a way to mitigate this problem. Democracy is therefore more likely to arise the greater the gains from solving this time inconsistency problem are.

The Athenian example contrasts with Sparta according to Fleck and Hanssen (2006). Sparta's vast plains were ideal for growing grain. Not only is the effort exerted by the workers in grain production more easily observable, but also the time inconsistency is of a smaller scale. There was little economic gain for the Spartan elite in handing over power to grain producers.

Fleck and Hanssen (2006) extend their analysis to other cities and find support for their model. Cities with dry soil unsuitable for grains, such as Argos, achieved moderate democracy, whereas cities with richer soils, such as Corinth and Thebes, were oligarchies.

In De Magalhães and Giovannoni (2012) one of the key variables is the relative importance of commercial wealth (versus land). Raaflaub and Wallace (2007, p. 43) discuss how there is evidence that some archaic cities—in the period before 480BC—had democratic constitutions. These are: Achaea (coast of mainland Greece), Croton (Sicily), Acragas (Sicily), Ambracia (coast of mainland Greece), Argos (next to coast on mainland Greece), Chios (coastal island facing Izmir), Cyrene (coast of Lybia), Heraclea Pontica (coast of Turkey), Megara (coast near Athens), Naxos (Greek island), and Syracuse (Sicily). It is interesting to note that all these are coastal cities and off-shots from Greece. They would have invariably been highly dependent on trade.

The other important consideration is that a form of government with some degree of representativeness appeared even in Sparta, away from the coast and surrounded by high quality soil for grain production. Neither the models of Fleck and Hanssen (2006) or De Magalhães and Giovannoni (2012) explain these institutional changes. These changes are better understood in the context of the model of Ticchi and Vindigni (2009), where power is granted to the citizen-soldiers in order to guarantee their effort during war.

The advances in warfare practice that led to Hoplite regiments manned by small landowners (those who could afford the weapons and the time off from their farms) created some sense of equality in Sparta and in the rest of Greece (see (Raaflaub and Wallace 2007, p. 37)). In Sparta this took the form of the set of laws called the Great Rhetra, laid down sometime in the 9th century. It established the two hereditary Kings of Sparta, a council of 28 Elders, and that a full Assembly should have final decision on state matters. It also divided the population into villages and tribes, which made military organization into phalanxes easier. Eventually, the two kings gave themselves veto power 'if the assembly spoke crookedly'.[2] Besides this veto power, the militarization of all aspects of life, potentially also voting, suggests that Sparta was not a fully fledged Democracy.[3]

[2]See Raaflaub and Wallace (2007, p. 39) for more details and primary sources.

[3]See Raaflaub and Wallace (2007, p. 34).

UNCORRECTED PROOF

EDITOR'S PROOF

Within the interpretation of De Magalhães and Giovannoni (2012) the lack of democratic institutions in Sparta could be due not only to the lack of trade, but also to Sparta becoming hegemonic—at least on land. There seems to have been few credible threats to the rule of the Spartan elite. Without such a threat there was no incentive for the elite to hand over power.

2.1 Athens

The transition to democracy in Athens has, by most accounts, consisted of three steps: Solon's reforms in 594, Kleisthene's reforms in 508, and Ephialte-Perikles' reforms in 462–450.

2.1.1 Solon, 594BC

The main innovation of Solon's reform in 594 was to change how status had been defined in Athenian society (and therefore a place in public life). Status was no longer determined by belonging to a hereditary aristocracy, but was linked instead to wealth, which was measured by the amount of agricultural output, and on the capacity to either keep a horse, a span of oxen, or neither.[4] Solon's reforms also included an Assembly of 400 (100 from each of the four Ionic tribes) with limited powers. Participation in the Assembly was probably restricted to the top land-owning classes, as were the offices of the nine Archons (the executive offices). Solon also codified civil and criminal law.

The reforms of Solon (unlike the later reforms) do not seem directly motivated by a foreign threat, but are described as the result of socio-economic strife within Athens. Osborne (2009, p. 211) describes Solon's world as "a world of bitter conflict between the elite". Moreover, Osborne (2009, p. 213) goes on to describe how the economy of Athens was changing rapidly during that time. Athenian fine pottery and amphorae (used to transport olive oil and wine) had been found all over the Mediterranean from around 700 onwards. According to Osborne (2009) this new trade related wealth generated competition within the elite, and possibly between the elite and the poor, as trade created an incentive to maximize agricultural production. The interpretation of Solon's institutional reforms seem closely related to the political-economy model proposed by Fleck and Hanssen (2006).

2.1.2 Kleisthenes, 508BC

Kleisthenes's reforms in 508 extended the assembly to 500, reorganized the four old Ionic tribes in Attica (the region surrounding Athens) into ten new tribes and,

[4] See Hansen (1991, p. 30). for further details and primary sources.

UNCORRECTED PROOF

EDITOR'S PROOF

most importantly, extended political rights to those who could afford to be part of a hoplite regiment (each of the ten tribes had to supply one regiment). Political rights were also extended to all the demes (villages) of Attica and were no longer confined to Athens itself. Kleisthenes also introduced the law of ostracism, which allowed Athenians to vote for important political figures to leave the city for a certain period of time without losing title or property.[5] In 501, a board of ten Generals was introduced. These Generals commanded the Army jointly with the Polemarch (one of the nine Archons).[6] The Generals were elected by popular vote and the post could be held repeatedly—contrary to most other public offices. The Generals yielded great influence over Athenian policy. Both Themistocle and Cimon would hold the post of Polemarch within the nine Archons in the early 5th century and Perikles would be elected General repeatedly later in the 5th century.

The reforms of Kleisthenes were directly linked to foreign threats and both models in De Magalhães and Giovannoni (2012) and Ticchi and Vindigni (2009) help us understand this transition.

Athens was under the rule of the tyrant Peisistratos and his son Hippias from 561 until 510. Sparta attacked Athens in 511 and lost to Hippias (who made use of Thessalian mercenary support to defend Athens). Sparta attacked again and was able to capture Hippias' children; in exchange for the hostages Hippias went in exile in Sigeion.[7] Osborne (2009) suggests that Sparta's motives were part of a deliberate policy to increases its influence beyond the Peloponnese. The wealth and size of Athens would be an important addition to Sparta's network of allies against Argos (a rival city-state).[8] In the past, Sparta had generated allies by delivering cities from their unpopular tyrants.[9]

With the tyrant Hippias in exile Athenian factions fought for power. Isagoras, who favored an alliance with Sparta, was elected Archon. Kleisthenes, who was defeated, tried to gather popular support by proposing the political reforms described above. Sparta invaded Athens again to support Isagoras and forcing Kleisthenes into exile. The Athenian people rioted and were able to defeat Isagoras and the Spartan forces. Kleisthenes's reforms were subsequently implemented.[10]

Kleisthenes's reforms had important military consequences. The newly formed Assembly of the 500 gave a clear say in foreign policy to the hoplite classes all over Attica. This new power was immediately put into use with Kleisthenes himself ostracized for supporting an alliance with Persia.[11] The organization of Attica in

[5]See Hansen (1991, p. 35) for further details and primary sources.

[6]See Hansen (1991, pp. 34–35) for more details and primary sources.

[7]See Osborne (2009, p. 277) for more details and primary sources. See also Hansen (1991, p. 36).

[8]See Osborne (2009, p. 275).

[9]Athenian stories about the fall of Hippias either omit Spartan intervention or mention that the intervention was due to the oracle of Delphi, see Osborne (2009, p. 277) for more details and primary sources.

[10]See Osborne (2009, p. 278) for more details and primary sources. See also Ober (2007).

[11]See Fornara and Samons (1991, p. 56) for more details and primary sources.

UNCORRECTED PROOF

EDITOR'S PROOF

ten tribes and 139 demes strengthened and modernized the Athenian army, reducing their dependence on mercenaries.[12] The power of the people over foreign affairs would increase even further with the creation of an elected board of generals in the year 501.

Kleisthenes's reforms handed over power from the elite to the Athenian citizens needed to both finance and man the Hoplite regiments. It is noteworthy that the tyrants were not able to summon the Athenians themselves to fight against Sparta, but had to rely on mercenaries to defend their rule. The Spartan attack on Athens can be interpreted, in the context of De Magalhães and Giovannoni (2012), as a defensive war where the Athenians (the commercial elite in the model) chose not to help defend their ruler. Instead, their aim was to trigger a political transition, which eventually took place.

The Athenian army had parallels with the mass armies of the early 20th century, in that citizen-soldiers must exert unobservable effort in war. In Ticchi and Vindigni (2009), external threats make an equilibrium possible, where the elite hands over power (which guarantees redistribution) and the citizens exert effort during a war. This is another way to understand the extension of political rights in the late 6th century.

The threat to Athens remained high, not only were the Persians intent on conquering Greece, but the exiled tyrant Hippias seemed to be in alliance with the Persians.[13] The new Athenian army defeated the Persians at Marathon in 490. The threat persisted as Aigina (a prosperous island rivaling Athens in commerce)[14] sided with Persia. Themistocles as Archon persuaded the Assembly to pay for the harbor of Peiraieus to be fortified, and later to use the revenue from a recent silver strike to pay for 100 triremes to be added to the Athenian Navy. In 480, Athens led the victory in a naval battle against Persia at Salamis. In 478, the Dealian league was created solidifying Athenian naval supremacy in the Aegean.[15] This turn to the sea is important to understand the further developments of the Athenian democratic reforms. It is also important to notice that the decision to invest the silver windfall on the Navy was approved by the Assembly. The alternative would have been to pay each Athenian a lump sum transfer. The investment on the Navy was a deliberate move to strength Athenian naval power and a deliberate choice of foreign policy.

The political consequences of this turn to the sea were clear as 100 trimeres implied organizing almost 20,000 men to row them.[16] Most of these men would have to come from the property-less class, the Thetes. Both models in De Magalhães and Giovannoni (2012) and (in particular) Ticchi and Vindigni (2009) would predict that political powers would be extended to the Thetes and that is what eventually happened under Ephialtes and Perikles.

[12]See Osborne (2009, p. 279).

[13]See Hansen (1991) for more details and primary sources.

[14]See Osborne (2009, p. 308).

[15]See Hansen (1991, p. 36).

[16]See Osborne (2009, p. 310).

UNCORRECTED PROOF

EDITOR'S PROOF

2.1.3 Ephialtes, 462BC

In 461/2 Ephialtes proposed a reform to transfer power from the Areopagos—the main judiciary body and a bastion of the land owning aristocracy—to other institutions more representative of the Demos (mostly the Assembly). Opposers of these reforms included the Aristocracy and Cimon, an Archon and General of the Athenian Navy. The reform was passed while Cimon was away with a large Hoplite contingent to help Sparta suppress a Helot revolt. The conditions under which the reform was approved shows that a dispute over foreign policy was a key issue: those that proposed the political reforms were also against the willingness of Cimon to assist the Spartans. The other key element is that due to a large regiment of Hoplites being away, the Assembly was tilted towards the poorest citizens.[17] The reforms resulted in bitter dispute with Cimon ostracized as he tried to reverse the reforms, and Ephialtes eventually assassinated. Raaflaub (2007, p. 122) explains these democratizing reforms and the support for a prominent Athenian naval role as a result of the empowerment of the Thetes, who were essential for the Navy, and who therefore benefited directly from Empire. Perikles's reforms followed soon after and allowed the Thetes to take a more active part in public life, as they started to be paid for it.

With Empire, Athens became the center of a large network of Mediterranean trade. Within Athens commerce was financed by maritime loans and a strong commercial elite emerged.[18] The financing of the Navy was considerably different from that of financing a Hoplite regiment. An important component in financing the Navy was a liturgy (a rotating tax) that required the wealthiest citizens to pay for, maintain, and command (or hire another to command) a trireme for one year (in some cases rich individuals would pool together for this purpose).[19] Of course, such systems were prone to free-riding problems, and tax avoidance was common. Christ (1990) describes in detail the extent of the tax avoidance problem and the attempted solutions.

For the wealthiest individuals in society to quasi-voluntarily finance Athenian foreign policy, we should expect that the Athenian political system gave the commercial elite some degree of control over foreign policy. Indeed, up to and including Perikles, the main political leaders in Athens were part of the Aristocracy. After Perikles they were often of lower birth, but still considerably wealthy. Hansen (1991, p. 39) gives the following examples: tannery-owner Kleon, lamp-manufacturer Hyperbolos, and lyre-maker Kleophon. This evidence suggests that we can interpret the political transition of Ephialtes within the model of De Magalhães and Giovannoni (2012). Ephialtes (himself an aristocrat) reduces the power of the Areopagos, the last bastion of the Aristocracy intent on alliance with Sparta. The transfer of power increases the relative weight of those who finance the Navy, and Athens goes

[17] See Raaflaub (2007, p. 113) for details and primary sources.

[18] See Raaflaub (2007, p. 118) and Millet (1983) for details and primary sources.

[19] See Hansen (1991, p. 110) for more details and primary sources.

UNCORRECTED PROOF