



HANDOUT 2

Ancient Entrepreneurs: A Case Study

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The term *entrepreneur* has several constant connotations. First, it generally implies a small businessperson. Second, it almost always implies a large element of risk. Further, it seems generally to imply some form of a capitalistic economy. What it does not imply, for most people, however, is an ancient economy. Nevertheless, entrepreneur is a descriptive concept that can be applied over many eras in history. In our own day, the concept covers everything from the local handyman to a franchisee to anyone who starts a new business. In the ancient world there were also many different forms of entrepreneurship. Some of the possibilities are illustrated in the following case study of Demetrios the Greek.

Demetrios the Greek

Our ancient entrepreneur has just fought his way from the Hellespont down the West Coast of Asia Minor. After participating in the first great Macedonian victory at Granicus River, he marched across the southern coast to Issus (where his Greek army defeated the Persian King Darius III) and continued south until the army reached the city of Tyre. This ancient city of the Phoenicians was thought to be impregnable. Alexander successfully besieged the city, and in so doing he permanently separated the Persian Empire from its fleet and procured it for his own use. Using the Persian fleet, the Greeks destroyed Egyptian resistance and proceeded to occupy Egypt. After fighting valiantly and witnessing the transformation of the landscape as he traveled, Demetrios saw great opportunity in the newly established city of Alexandria, Egypt. Consequently, he resigned his commission in the army and embarked upon a new career as a North African trader.

Economic Conditions in Alexandria, Circa 330 B.C.

In the year 330 B.C., the Persian Empire was coming to a close. This meant that, for entrepreneurs, the future was filled with great risk and great promise. The roads to the East — and the luxury goods to be found there — remained open even though the Persian Empire was collapsing. New cities were being established with the ongoing conquests of Alexander the Great. The future was promising since the economic opportunities to be found in an increasingly urbanized environment would continue to develop as long as market contacts continued to expand.

Access to Capital By the year 300 B.C., coinage was a concept less than 400 years old. While its effects are visible in the great commercial cities such as Athens, Tyre, and Carthage, it still has not permeated the barter economy that predominates generally in the area. For a small entrepreneur like Demetrios, therefore, starting out would be challenging since access to capital would be difficult. Because banking, as we know it, was still centuries away, the would-be entrepreneur could only access capital by trading his skills for



the backing of a person who already possessed capital. Raising capital often depended upon one's ability to access the resources of family members or close personal contacts.

Transportation Southwest Asia in 330 B.C. certainly had the best system of roads in the world to the west of China. These roads were well engineered and well constructed, serving as important transportation links. Political stability facilitated the establishment of trading relationships that could transcend great distances. Furthermore, this era witnessed a process of urbanization, with cities growing into centers of commerce with as many as 500,000 inhabitants. The Upper Nile, Asia Minor, and the Mediterranean islands also presented great opportunities for water-based trading networks.

Problems and Opportunities

Having fought his way through Asia Minor, Palestine, and Egypt, Demetrios has had enough. What should he do next? Far from home, Demetrios has limited resources to use in creating a new business in Alexandria. As an officer, he has had access to substantial amounts of plunder in Tyre, Sidon, and other cities. However, he soon realizes that fiscal assets alone will not suffice.

One thing Demetrios is not confronted with is regulators and regulations of the sort that are now part of the marketplace. However, he will have to confront informal rules and regulations in the form of government officials who will demand payoffs and individuals who will provide for the "protection" of his business. Furthermore, if a competitor tries to drive him out of the marketplace, he must settle the matter successfully, on his own, or go under.

In the ancient world as in the modern, location is everything. What had been an isolated piece of farm land — Egypt — is about to enter a boom cycle, and that cycle will be fueled by goods brought in and taken out on the backs of camels and in the holds of ships. Obviously, then, Demetrios is going to be much better off than a competitor in Sparta, simply because in Alexandria there will be more consumer traffic and a broader range of consumer demand.

Demetrios is most interested in the transportation business. His most obvious options would be shipping by water and shipping by camel. Demetrios realizes that the traffic through the Nile Delta, both east-west and north-south, will expand many times in the foreseeable future. The individual who establishes a network of transportation in this region stands a very good chance of making a fortune. The only question is how.

Summary

Ancient economies contain in broad outline many of the elements that we find in the business community today. Although we may believe them to have been somnolent compared to markets today, they obviously were not, as our example shows. There was plenty of opportunity for the entrepreneur 2,300 years ago, if he was willing and able to create a vision for the economic future of an area, arrange financing, and survive through good times and bad.