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# **A Comparative analysis of federations: The Achaean federation and the European Union**

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Abstract: In the present paper we analyse the emergence of the first federations in history, taking as an example the Achaean one. We analyse its structure decision making, institutions and finances. Then, we compare it to the present European Union and point out similarities and differences. Lastly, we attempt a valuation of the two federations according to two criteria: democratization and community of interest. Our conclusion is that the present European Union lags far behind the Achaean federation according to both criteria and has a long way to go in order to develop into a true federation.

## **Introduction**

It is generally accepted that direct democracy emerged by the end of the 6<sup>th</sup> century BC in classical Greece, the first fully developed example being Athens after

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Cleisthenes reforms of 510-507 and the fall of tyranny<sup>1</sup>. This development was the result of a preceding macroculture, a long term framework of values, norms, customs, institutions and ideas that evolved in different fields of human activity, like war, religion, athletics, and the city-state, which in their combination were unique from 8<sup>th</sup> to 6<sup>th</sup> century BC Greece.<sup>2</sup>

What is less known generally, but very important due to the early modern and contemporary developments is that within the same democratic macroculture the idea of voluntary federations of democratic city-states also emerged and practiced. Leagues and alliances were of course well known during the sixth and fifth centuries, and even much earlier, since the Mycenaean Kingdoms who fought the Trojan war (during the late 13<sup>th</sup> or early 12<sup>th</sup> century BC) were an ad-hoc alliance under a “supreme military commander” king Agamemnon of Mycenae.<sup>3</sup>

But the concept of federations of free democratic city-states that unite voluntarily to evolve into a specific political unit with an appropriate institutional structure was completely novel in its width and depth. Many modern authors continue

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<sup>1</sup> See Josiah Ober, *Democracy and Knowledge. Innovation and Learning in Classical Athens* (Princeton: Princeton University Press, 2008).

<sup>2</sup> Nicholas Kyriazis & E. M.L. Economou, “Macroculture, Sports and Democracy in Classical Greece”. Paper presented at the 25<sup>th</sup> Heilbronn Symposium in Economics and the Social Sciences, June 21-24<sup>th</sup>, 2012 in Heilbronn; Nicholas Kyriazis & E. M.L. Economou, “Property Rights and Democratic Values in Bronze Age and Archaic Greece. MPRA Paper 42399, University Library of Munich, Germany, 2012; Nicholas Kyriazis & E. M.L. Economou, “Macroculture, Sports and Democracy in Classical Greece”, *European Journal of Law and Economics*, 2013, DOI 10.1007/s10657-013-9390-3.

<sup>3</sup> Kurt A. Raaflaub, “Homer to Solon: The Rise of the Polis”, in: Mogens Hermann Hansen (ed.), *The Ancient Greek City-State*, 1993), 41-105.

to call them “leagues”. But as it will become clear in the following analysis, this denomination is inappropriate, since the term “league” is almost a synonym of “alliance”. The political units which we will examine are certainly much more than a mere alliance, thus we will define them as *proto-federations*.

Federations, like the Boeotian one, and many more, are attested already with certainty during the 7<sup>th</sup> century, but what was new with the emergence of the 4<sup>th</sup> century federations was their democratic basis, both at participating city-state and federal level, as well as their elaborate political and economic structure. For example, Rzepka among others analyses extensively the institutional functioning of one of the most advanced ancient Greek federations, the Aetolian one<sup>4</sup> while Caspari analyses the system of monetary circulation of 18 Greek proto-federations of the so-called *Hellenistic era* (4<sup>th</sup> to 2<sup>nd</sup> century BC).<sup>5</sup>

In the present essay we analyse first, as a case study, the Achaean federation. Then, we compare it to the European Union and make some suggestions as to what lessons for today’s development of the EU can be drawn from the functioning of the Greek proto-federations.

### **The Achaean federation**

The Achaean federation was established in 280 BC, but an older alliance of city-states of the North-Western Peloponnese (a part of today’s southern Greece) comprising 12 members, is attested already during the 5<sup>th</sup> century and may have served as a model

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<sup>4</sup> Rzepka J. “The Aetolian Elite Warriors and Fifth Century Roots of the Hellenistic Confederacy” *AKME Studia Historica* 4 (1999): 5-34.

<sup>5</sup> M.O.B Caspari, “A Survey of Greek Federal Coinage”, *The Journal of Hellenic Studies* 37, (1917): 168-183.

for the Achaean federation.<sup>6</sup> The main reason for its establishment, as was the case also for the other major contemporary federations, was defense mainly against the militarily mighty northern Greek kingdom of Macedonia.

The federation increased from 10 members in 280 BC, to as many as 50 members later. It developed from a previous regional federation, by the voluntary adhesion of city-states all over the Northern and Central Peloponnese including such important ones, as Sikyon (251 BC), Corinth (243 BC), Megalopolis (capital of the ex-Arcadian federation, 235 BC) and Argos (229 BC).<sup>7</sup> The Achaean federation was a major political force in Greece, trying to balance Macedonian and Spartan power in a series of wars and shifting alliances, being successful in safeguarding its city-states independence against both powers. It was abolished after resisting Roman encroachment during the 2<sup>nd</sup> century BC, being decisively beaten by the Romans at the battle of Leukopetra in 146 BC, which resulted to the destruction of Corinth, one of its most prominent cities.

This is not only spelled the end of the federation, but the end of Greek

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<sup>6</sup> B.D. Rahtjen "Philistine and Hebrew Amphictionies", *Journal of Near Eastern Studies*, 24 no. 1/2 (1965): 100-104.

<sup>7</sup> Polybius, *Histories* 2. 41; M.O.B Caspari, "The Parliament of the Achaean League", *The English Historical Review* 29 no. 114 (April 1914): 209-220; Guy Thompson Griffith, *The Mercenaries of the Hellenistic world*. (Cambridge: Cambridge University Press, 1935); Jesse Russell & Ronald Cohn, *Aetolian League* (Edinburgh: LENNEX Corp, 2012).

independence and the abolishment of democratic regimes. Achaean region then, formed during the first century BC a roman province.<sup>8</sup>

### *2.1 Political organisation*

The main contemporary source concerning the Achaean federation is Polybius, but the information he provides has led modern historians sometimes to different interpretations. The main institutional bodies of the Achaean federation were the *Assembly*, to which all citizens of all constituting city-states aged 30 and above could participate (Pol. *Hist.* 29. 23-35; 29. 24.6; Larsen, 1972). Apparently, the Assembly was called for specific purposes within the years, to decide on specific important issues.

Possibly, the Assembly was called once a year during April-May, which may be an indication that strategic matters for the year were discussed and decided upon, since spring (April) was usually the beginning of the campaigning season during ancient times. A second political body was the *Synodos* or *Boule* (meaning the Council), which may have been a preparatory body which set-up the agenda for the Assembly's meeting, having perhaps as a model the Athenian *Boule*.<sup>9</sup> It appears though, that for the period 217-200 BC, the Assembly decided on issues of great importance like war and alliances, and delegated day to day affairs of the federation to

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<sup>8</sup> E. Badian, "The Treaty between Rome and the Achaean League", *The Journal of Roman Studies* 42 no. (1/2) (1952): 76-80; J. H. Oliver, "Panachaeans and Panhellenes", *Hesperia: The Journal of the American School of Classical Studies at Athens* 47 no. 2 (April-June 1978): 185-191.

<sup>9</sup> Polibius (*Histories.* 2. 46. 6).

the *Boule*. The members of the boule were elected representatives of the city-states.<sup>10</sup> If this interpretation is correct, then we have for the first time in history, a mixed democratic system combining elements of both direct democracy, the Assembly, with elements of representative democracy, the Boule.

The reason for the development of this dual system must have been that as the federation increased in size, distances became longer, thus making the participation of simple citizens costly and time consuming. The distance for example from the city of Patra to the capital of the federation Aegion, is about 100 km, and from the city of Megalopolis to Aigion more or less the same, necessitating if one takes account of the roads of the period, at least three days and likely four or five on foot to travel to Aigion.<sup>11</sup> It seems also, that the federation did not provide its citizens with remuneration for participating in the Assembly as was the case in classical Athens. It is not known if this was a conscious political decision, or was due to an economic impossibility to provide funds for this participation, but the result was that in the Assembly more prosperous citizens tended to be overrepresented.<sup>12</sup>

On the other hand, since members of the Boule were voted locally in their city-states, they were the more representative of all citizens. At the beginning, the Assembly met at Aigion, but later on, General Philopoemen established a system under which the Assembly met periodically also in other member city-states like

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<sup>10</sup> J.A.O. Larsen, "A Recent Interpretation of the Achaean Assemblies", *Classical Philology* 67 no. 3, (1972): 178-185.

<sup>11</sup> Caspari, M.O.B. (1914). The parliament of the Achaean League. *The English Historical Review*, 29(114), 209-220; John Briscoe, "The Greek Resistance to Rome". *The Classical Review: New Series* 24, no. 2 (November 1974): 258-261.

<sup>12</sup> John Briscoe, "The Greek resistance to Rome", *The Classical Review, New Series* 24, no. 2 (1974): 258-261.

Argos. The other institutional bodies of the federation were elected by the Assembly. First, among them was the *Strategos*, (the General), who was combining the offices of both the supreme military commander of the military forces and of political head of the federation, reminding somewhat the de facto position of George Washington during 1776-1783, or Napoleon during 1798-1814.

Under the General, a governing body of a 10 member Council, called the *synarchontes*, undertook the day to day administration. Further, three military commanders, the *ipostrategos* (major-general) the *hipparchos*, head of the cavalry, and *navarchos* (admiral) served under the general. Ancient sources attest also the existence of a *grammateus* (“secretary”) who may have been responsible for the “paperwork” of the federation, like the Assembly's and the Boule's decrees and laws.<sup>13</sup>

A very important element of the federation, was the *isopoliteia* of its citizens, meaning that a citizen of one member city-state, had political rights as a citizen, if he moved into another member city-state, a situation that clearly surpasses today's European Union. A Portuguese moving for example to Germany, does not get automatically voting rights at German federal elections, as would be the case say, for a citizen of ancient Patras moving to Megalopolis, who were both members of the Achaean federation. Another innovative institutional element was the establishment of some kind of a Federal Court of Justice.

Usually, such court(s) were empowered to solve political differences arising among member city-states, taking over a role of intermediation. Usually, a third member city-state was chosen for this task, as for example Megara in a dispute between Corinth and Epidaurus, or Patras between Thourioi and Megalopolis.

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<sup>13</sup> Larsen, “A Recent Interpretation of the Achaean Assemblies”.



Sometimes, a body of more than one city undertook this task, as for example 11 cities intermediating in litigation between Epidaurus and Arsinoe.<sup>14</sup> The Federal Court(s) were also responsible for some criminal and property rights cases (possibly involving citizens of different member city-states).<sup>15</sup>

Polybius goes as far as to write<sup>16</sup> “*During times, these cities came to such perfection and welfare, that they were connected not only in friendship and alliances, but they had the same laws, the same measures and currency and common archons (government officials), members of the Boule and judges. In general, only this point showed that almost the whole of the Peloponnese was not a unique city: Its inhabitants were not circumvallated by the same wall, everything else was common and the same for everyone together and for each city-state apart*” (our own translation from the original text).

## 2.2 Military Organisation

The federation disposed of a federal army under the Strategos, organized according to that period armies. It comprised heavy infantry in *phalanx* formations, light infantry and cavalry. The federal army consisted of formations provided by the city-states and augmented by mercenaries if and when needed. In 217 BC for example, the federal forces comprised of 3000 infantry, 300 cavalry, 8000 mercenary infantry and 500

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<sup>14</sup> Sheila Ager, *Interstate Relations in the Greek World 337-90 BC*, (Berkeley, Los Angeles and London: University of California Press, 1996).

<sup>15</sup> Larsen, “A Recent Interpretation of the Achaean Assemblies”, p. 82.

<sup>16</sup> *Histories* (2. 27. 9-11).

mercenary cavalry.<sup>17</sup> An individual as commander of the naval forces of the federation is also attested. Many of the constituting city-states of the federation, such as Corinth, Sikyon, Epidaurus had a long-standing and strong naval tradition.

### 2.3 *Economic organization*

We have less information about the economic organization of the federation than about its political, so that in order to answer even tentatively some crucial questions, we will advance a few conjectures. The federation was a monetary union like today's European Monetary Union (EMU), with the difference that it was a multicurrency area: There was a parallel circulation of federal coins and city-state coins, as attested by archaeological findings.<sup>18</sup>

This raises a number of questions: What was the analogy of federal to city-state coins? To this, no answer can be given. Who was responsible for the minting of coins? We assume that there were city-state and federal mints, working in the city-states and the capital. We further assume that the federal coins were linked to payments of the federal budget, as for the federal army and navy, federal administration, federal buildings in Aegion etc. An analogy to the EMU is that federal

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<sup>17</sup> Frank William Walbank, *Aratos of Sicyon* (Cambridge: Cambridge University Press, 1933); J.K. Anderson, "Philopoemen's Reform of the Achaean Army", *Classical Philology* 62 no. 2 (April 1967): 104-106; J.A.O. Larsen, "The Rights of Cities within the Achaean Confederacy", *Classical Philology* 66 no. 2 (April 1971): 81-86.

<sup>18</sup> Caspari, M.O.B. "A survey of Greek federal coinage"; Margaret Thompson, "A Hoard of Greek Federal Silver" *Hesperia: The Journal of the American School of Classical Studies at Athens*, 8 no. 2 (1939), 116-154.

coins had on the one side a head of Zeus or Artemis and the inscription AXAIΩN (meaning, “of the Achaeans”) and on the other side, the name of the issuing city-state like AXAIΩN-AIΓEIPATΩN (“Achaeans of Aigira”) like euro coins which bear on the one side the symbol of the issuing member-state. This again could mean that federal coins were minted also at city-state mints, on behalf of the federation.

A further question refers to the exchange rates: We assume that since all coins had silver content, the exchange was made according to the silver value of each coin. Then, again we presume the existence of banks that would have undertaken this task, in the main member city-states and the capital, Aegion. It is now accepted<sup>19</sup> that already during the fourth century Athens had a very developed banking system, and that the Greek world was monetized. Thus, we believe that the fourth century Athenian experience would have been diffused to the rest of the Greek world, especially in areas and city-states like Corinth, which were also important international trading centers. On this issue it has been estimated that thirty-five hellenistic cities included private banks during the 2<sup>nd</sup> century BC.<sup>20</sup>

Lastly, and very importantly, is the issue of the federal budget, on which we know nothing, but whose existence is made clear by the existence of federal coins. Such coins indicate the existence of a federal budget, else for what purpose should they have been issued? We assume as stated above, that the federal budget covered federal army, federal administration and buildings expenses, and perhaps a few extraordinary expenses, like public federal festivals. Since the rise of the army and navy were variable, the size of budget must have varied too.

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<sup>19</sup> Edward Cohen, *Athenian Economy and Society* (Princeton: Princeton University Press, 1997).

<sup>20</sup> Keith Roberts, *The Origins of Business Money and Markets* (New York: Columbia University Press, 2011), 130.

We will attempt at least an estimate of the military expenditure based on known army size for some years, to give at least an order of magnitude for the budget, bearing in mind that military expenditure was the major federal budget item: According to ancient sources<sup>21</sup> the daily wage of soldiers during the 3<sup>rd</sup> century must have been 1.5 drachmae, and for cavalryman (including fodder) perhaps 5.<sup>22</sup>

The 217 BC federal army comprised in total 11.000 infantry and 800 cavalry, thus a total of 20.500 drachmae per day, or 615.000 per month, or about 100 talents, (one talent equals 6000 drachmae). Assuming an eight month campaign period per year excluding winter, the total military cost for this year would have been 800 talents, a very substantial sum for the period. Even if we assume that all the other federal items came to about 100 talents, we arrive at a total federal budget estimate of 900 talents, which is a very substantial sum, comparable to the Athenian budget with a revenue of 1200 talents in the 330's during the time that Lycurgus was *tamias* (eg. finance minister).<sup>23</sup>

This sum must have represented also a substantial percentage of the, unknown size, federation's total GDP, but certainly much more than the 0.95% of the current EU's GDP represented by the EU budget. We know nothing also about the revenue

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<sup>21</sup> See William T. Loomis, *Wages, Welfare Costs and Inflation in Classical Athens* (Michigan: Michigan University Press, 1988).

<sup>22</sup> Paschalis Arvanitides & Nicholas Kyriazis, "Public Choice, Economy and War in Classical Athens. Paper presented at the 16<sup>th</sup> Annual International Conference on Economics and Security, Cairo, June, 2012; David Pritchard, *Sport, Democracy and War in Classical Athens* (Cambridge: Cambridge University Press, 2012).

<sup>23</sup> Nicholas Kyriazis, "Financing the Athenian state: Public Choice in the Age of Demosthenes", *European Journal of Law and Economics* 27, (2009): 109-127.

side of the federal budget, but based on a related analysis<sup>24</sup> we will advance some hypothesis taking as a benchmark the Athenian 4<sup>th</sup> century budget. Revenue sources must have been: a) city-state contributions: The existence of federal coins minted in the city-states mints is such an indication: Possibly, the city-states gave their contributions by minting in their own mints coins which they then forwarded to the federal budget. b) custom duties levied on exports, imports, as was the case in ancient Athens, in the port of Piraeus, where the rate was 2% on value. We do not know if this is the case in fact, but it is a possibility, especially if we assume the existence of an internal market, as we will discuss next. c) Military plunder: We assume, that military plunder during successful expeditions against enemies would accrue to the federal budget.

It seems that the possibility of plundering during war campaigns must have been very common during ancient times. Roger De Laix<sup>25</sup>, based on Polybius (4.5.1) argues that the troops of a neighbor state to the Achaean federation, the Aetolian one, were accustomed to plundering. d) *Liturgies*.<sup>26</sup> Again, we know nothing about it, but it might be possible, that some kind of *trierarchy* existed for the fleet's warships,

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<sup>24</sup> Nicholas Kyriazis, "Financing the Athenian state".

<sup>25</sup> Roger A. De Laix, "The Silver Coinage of the Aetolian League", *Californian Studies in Classical Antiquity* 6 (1973): 47-75.

<sup>26</sup> *Liturgies* were a very special type of taxation and service levied on rich Athenians, as for example *trierarchy* Under this, a wealthy Athenian undertook the running expenses (not wage costs) for the upkeep of a trireme warship for a year, of which he undertook also command. Being its commander in battle, the *trierarch* had a strong incentive to have a well-kept ship, since his own survival depended on this. See Vincent Gabrielsen, *Financing the Athenian fleet* ( Baltimore: John Hopkins University Press, 1994).

inspired by the Athenian example. A last issue we raise here, is if and to what extent, the federation was not only a monetary union, but also an economic one. Again, we have limited evidence, but the indication we possess, permit us to advance tentative answers: The existence of monetary union and the circulation of parallel currencies are evidence of free mobility of capital within the federation. The existence of *isopoliteia* for citizens is very strong evidence for the free circulation of labour. If a citizen of one member city-state has free political rights in another, then presumably he can settle and work there. Thus two of the main pillars of today's EU, free circulation of capital and labour existed already in the Achaean federation.

The harmonization of measures and standards as attested in the passage of Polybius above, is an indication for the existence of free circulation of goods, and the existence of an internal market. These measures make sense only in order to implement such an internal market, else why they introduced them? Thus, it seems that all three basic freedoms of modern federations were already present in the Achaean one. In the above section we have raised more questions than we could provide specific answers, due to a lack of evidence. Still, since these particular questions have been raised by us know, we hope that they will be a useful contribution for the start of research on these topics.

### **The European Union: A comparison with the Achaean federation**

Since the institutional setting of the EU is well known, we will not present it here in detail, but only its main institutional characteristics in table 1. Taking as a basis of our discussion the characteristics illustrated in Table 1, which provides a

**Table 1:** A comparative analysis of the institutional framework of the Aetolian federation in relation to the EU.

Federation	Member states <sup>1</sup>	Capital	Political structure	Common citizenship	Monetary union	Common Foreign Policy Federal Armed Forces	Federal budget	Democratic Structure
Achaean	> 40	Aigion	Local (city) Assemblies + Federal Assembly ( <i>Synkletos</i> )  Federal Council (Boule)  <i>Strategos</i> (General-military commander and head of federation)  Supreme Council of the 10 ( <i>synarchontes</i> )  Deputy General <i>hipparch</i> commander of cavalry <i>Nauarchos</i> (Admiral) , Public Secretary  Federal Courts	<i>isopoliteia</i> , yes	Yes, federal and city-states currencies in parallel circulation	Yes, army and navy	Yes, strong own means, probably custom duties and cities contributions	Strong direct democracy at local and federal level
EU	27 member-states	Brussels	European Parliament  European Commission  European Court of Justice  European Councils of Ministers + Council of the EU  President  Ministers of external Affairs	no	Yes, for EMU and the European Central Bank	No federal army and navy-weak CFSP	Very weak (0,95% of GDP in 2013)  Own means, mainly custom duties and small percentage of vat	Weak, no direct democracy, only elected Parliament with limited powers, non-elected other bodies

Interactive analysis based on the findings of related studies.<sup>27</sup>

<sup>27</sup> See André Aymard, *Les Assemblées de la Confédération Achaienne: Etude Critique d'Institutions et d'Histoire*, (Bordeaux: Féret & fils); John Briscoe, "The Greek resistance to Rome"; Margaret Thompson, "A hoard of Greek federal silver"; Larsen, J.A.O. "The rights of cities within the Achaean Confederacy", J.A.O Larsen, "A recent interpretation of the Achaean assemblies" and F. W. Walbank,

comparative analysis of the institutional framework of the Achaean federation in relation to the EU, we arrive at the following conclusions: First, the two cases show similarities in their political structure and administration. The main difference, a crucial one, concerns their democratic structure: In this, the Achaean which practiced direct democracy at both the local and the federal level, comes out as the most democratic.

The EU is a representative democracy at member-state level (with elements of direct democracy at city and country level in some member states like Germany<sup>28</sup> and a weak representative democracy at the federal (Union) level, with only one elected body, the European Parliament, which has only limited competences. Second, all three were monetary unions with a common currency (for Europe, the 17-member EMU) with the difference, that the Achaean federation had also a parallel circulation of city-states currency. Third, both cases practiced the so called “three fundamental economic freedoms”, free circulation of goods, labour and capital. This was augmented in the Achaean case with the fundamental “political freedom” of *isopoliteia*, eg., citizen and voting rights in other member city-states.

Fourth, both cases had a federal budget, to finance the military forces. Both had some “own” federal means (mainly custom duties) as federal revenues. None can be regarded as a “fiscal union”, in the sense of having a harmonized tax system, tax basis and tax rates. We know nothing on this for the Achaean, we know that for the

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“*Aratos of Sicyon*” and Nicholas Moussis, *Access to European Union: Law, Economics* (Rixensart: European Study Service, 2008) for the EU.

<sup>28</sup> See Dieter Nohlen & Philip Stöver, *Elections in Europe: A Data Handbook* (Berlin: Nomos Publishers, 2010).



EU, there is a common tax base for vat, but different tax rates for incomes, property and capital profit. There are serious doubts if the EU is an “optimal fiscal area” so that harmonization could proceed in the future.<sup>29</sup> During recent years, dissatisfaction of citizens and *euro-scepticism* is growing fast in many EU member-states (Bulgaria, Cyprus, Greece, France, Hungary, Italy, Ireland, Portugal, Romania, Spain), mainly due to the austerity measures introduced by their governments. What we believe is crucial here, is the perception by citizens in these countries (and we emphasize the world perception) that these measures have been imposed by the EU, and its strong member, Germany against their own and possibly, their elected government’s wishes.<sup>30</sup>

All successful federations are based on three fundamental principles,

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<sup>29</sup> George Halkos & Nicholas Kyriazis, “Is Tax Competition Harmful and is the EU an Optimal Tax Area? *European Journal of Law and Economics* 21, (2006): 163-177.

<sup>30</sup> N. Kyriazis in a series of press articles analyses the perception prevalent among a majority of southern member-states citizens of the imposition by the EU of harsh measures under extreme pressure or even threats, as in the cases of Cyprus. The analogy goes back to the western powers and Japan’s treatment of Ts’ing Dynasty China during the second half of the 19<sup>th</sup> century-beginning of the twentieth, which resulted in the Opium Wars, the Taiping and Boxer revolts, civil war, the fall of empire of Chinese, a Japanese invasion and chaos. The utter contempt with which the EU and Chancellor Merkel has treated property rights, as for example the PSI also of individual Greek bondholders and the expropriation of deposit holders of some Cypriot banks, is truly amazing and without precedent. This, certainly does not generate feelings of solidarity and trust. The prevailing feelings of insecurity and uncertainty among almost all the EU citizens concerning that safety of their bank savings does not promote growth. Econometric studies have established how important trust is for growth. See Jacob Dearmon & Kevin Grier, “Trust and Development”, *Journal of Economic Behavior & Organization* 71 (2009): 210–220; Paul J. Zak & Stephen Knack, “Trust and Growth”, *The Economic Journal* 111, (2001): 295-321.

solidarity, trust and community of interest, both in the relations between their member-states, and the attitude of citizens towards, the federation. Where the three principals were strong, the respective federation had great cohesion. When they are weak or begin to waken, as in today's EU, cohesion starts to suffer and the federation may be in danger. This argument is also verified by the findings of Musgrave<sup>31</sup> who argued through the theory of *economic federalism* that states willingly decide to participate in a federation type multinational political entity in order to increase their level of national security, to establish a custom union or to achieve a series of other specific goals. The relation between economic development and federal political structures is also verified by the findings of other authors too.<sup>32</sup>

In previous studies<sup>33</sup> we have analysed for classical Greece, how these principles-values evolved in the military field due to the introduction of the *phalanx* formation, the heavy infantryman-*hoplite*, and the fleets. These values such as trust,

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<sup>31</sup> R.A. Musgrave, "Approaches to a Fiscal Theory of Political Federalism" in National Bureau of Economic Research (ed.), *Public Finances: Needs, Sources and Utilization* (New York and Princeton: Princeton University Press, 1961), 97-122; R.A. Musgrave, "Approaches to a Fiscal Theory of Political Federalism" in Wallace E. Oates (ed.), *The economics of Fiscal Federalism and Local Finance* (Cheltenham: Edward Elgar Publishing Limited, 1998), 187.

<sup>32</sup> M.V. Pauly, "Income Reduction as a Local Public Good", *Journal of Public Economics*, 2 no. 1 (1973), 35-58; M.V. Pauly, "Income Reduction as a Local Public Good", in Wallace E. Oates (ed.), *The Economics of Fiscal Federalism and Local Finance* (Cheltenham: Edward Elgar Publishing Limited, 1988), 364-388.

<sup>33</sup> Nicholas Kyriazis & Xenophon Paparrigopoulos, "The Birth of democracy: Values in War and Politics in Classical Greece", in Peter. Hermann (ed.), *Democracy in the Theory and Action* (New York: Nova Publishers, 2011), 277-287; Nicholas Kyriazis, & Xenophon Paparrigopoulos, "War and Democracy in Ancient Greece", *European Journal of Law and Economics*, 2012, DOI 10.1007/s10657-012-9352-1; Kyriazis, N. & Economou, "Macroculture, sports and democracy",

cohesion, bravery, courage, discipline), virtue, self-sacrifice, self-consciousness, altruism, harmony, friendship, politeness, justice, self-denial, fair competition, equality, egalitarianism, self-awareness, temperance, *isonomia* (political equality), cohesion and a sense of community of interests, *isegoria* (right to speak and express freely one's personal ideas, otherwise, democracy), *homonoia* (concord), freedom etc were transformed into political and democratic values. Ancient and modern sources of literature such as those we present here so far, convey that this tradition continued also with the Achaean case. Federations which their main reason of establishment was mainly defense against a great external threat, such as the Achaean and Aetolian cases in ancient Greece, the medieval Swiss against the Austrians and Burgundians, the United Provinces against Spain, and the USA against Great Britain, developed solidarity trust, cohesion and a sense of community of interest.

These values and principles are the “glue”<sup>34</sup> that hold them together, so long as the threat persists, defense is successful and the economy thrives. If this persists long enough, the political and institutional structure is embodied in the society, so that it continues even after the initial reason, the external threat ceases to exist, as in the cases of the Swiss federation and the USA. This endurance is founded still on common defense, a strong federal budget that undertakes the finance of policies at the federal level, and strong political and democratic institutions at the same level, that legitimize the federation in the eyes of their citizens.

If you vote for example for the federation's president (even if indirectly) as in the USA and if you serve and perhaps fight in the armed forces of the federation, then

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<sup>34</sup> We call this a “glue”, inspired by the Athenian 4<sup>th</sup> century orator Demades, who called *theorika* (eg. money paid out of the Athenian budget to citizens, in order to enable them to participate in the Assembly) the “glue of democracy”. See Plutarch *Moralia*. 1007B).

you have a sense of being a citizen of the federation, of belonging to the USA or Switzerland, and not, just say, to the State of Arizona or the canton of Unterwalden, a sense of promoting the supreme political idea of *homonoia*.<sup>35</sup> All the above seem to be lacking in today's EU and we advance these preliminary ideas as a possible explanation, to be analysed more in future works. The EU lacks a strong federal budget, common defense and armed forces, and democratic legitimization in its organs, as indicated above. For example, the *subsidiarity principle* as Hayek defined it<sup>36</sup>, which delegates many competence to the national level, although understandable in today's political situation, certainly does not increase cohesion. In view of the above, can we learn something for the Achaean federation thus, may be useful in reducing the EU's democratic deficit and increase solidarity, trust, community of interests and cohesion among its citizens?

We think, that a possible future achievement of such principles as those mentioned here by the EU, would strongly counterbalance the arguments and the fears of a portion of European citizens that still are afraid of a possible creation of an absolutist or monolithic type of pan-European "Super-state".

## **Conclusions**

By the functioning and analysis of the Achaean federation and with its the comparison with the EU, a series of ideas arise, which they could be regarded as a

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<sup>35</sup> *Homonoia* is usually being translated as "concord", but P. Cartledge in a personal communication suggested to us that a better translation could be "same-mindedness" and unanimity, which is stronger than concord.

<sup>36</sup> See Friedrich August Hayek, *New Studies in Philosophy, Politics, Economics and the History of Ideas* (Chicago: University of Chicago Press, 1978), chapter 14.

benchmark for current EU integration issues: Firstly, a more democratic and direct democratic procedures must be introduced at the political level, for example, the President and the “Foreign Minister” of the EU, known also as the *High Representative of the Union for Foreign Affairs and Security Policy* must be elected by universal vote and not be appointed. The only elected EU body, the European Parliament, should have increased its competences. Secondly, legally binding popular initiatives at EU level should be introduced (and not as per Lisbon Treaty, only of a consultive character) as practiced in other federations like the Swiss, or some states of federations (such as for example, in California in the USA and in Bavaria in Germany).

Thirdly, the size of resources of the EU budget intended for the recovery of the European economies because of the *eurocrisis*, which are approximately 0.95% of the total EU Gross National Income (GNI), should be increased. A “0.95% solidarity” is just not sufficient, if the EU really wants to develop into a true federal union. Economic measures should be discussed, and we believe, as increasingly more economists suggest, be changed. Austerity measures were necessary in many member-states in the recent past. But solidarity in austerity is certainly not a permanent solution because citizens of member-states suffering under it, and the recession it induces will not be accepted forever, thus threatening the future cohesion of the EMU and the EU.

We are aware that this analysis and our suggestions open up a vast future area of research and discussion, which we hope that our paper helps to promote.

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