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Development of Ancient Athens Before Hellenistic Period

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Abstract

This paper describes a brief overview of the history of ancient Athens, from the period of the first legislators to the Hellenistic period. One of the basic features that characterize this period is the continued presence of conflicts and hostilities between Athens and rival city-states, including those in present-day Greece, but also in Asia Minor and Southern Italy. Also, this period is followed by the continuing threatening and battles with the Persian Empire. It is a period of the history of Athens in which huge social development takes place, in all segments of social life. The various institutions of the state are established, and during this period, regardless of the presence of phases of tyranny as a form of government, the foundations of the democratic system, which exists in the modern world, are being created. Also, there has been an unprecedented period of development in history in the fields of philosophy, science, culture, art and social life in general.

Keywords: ancient Athens, democracy, legislative, Golden age, Peloponnesian war.

1. Introduction

In ancient times, Athens was ruled by kings, i.e. basileus (βασιλεύς). Their rule was first restricted and then abolished by eupatrids. In order to justify it, the abolition of royal authority is shrouded in the veil of legend. The last Athenian king, Kodros, was killed in the war against the Dorians from the Peloponnese. Upon learning of the prophecy that the losing side of the king would win, he disguised himself as a lumberjack and went to the enemy camp. There he attacked Doric soldiers and heroically died in battle (*What was democracy in ...*, 2019). After his death, the Athenians no longer chose kings because there was no citizen worthy of succeeding him.

With the abolition of the monarchy, all power in the Athenian state passed into the hands of eupatrids. Nine archons were selected from their ranks. Their rule was initially lifelong and therefore similar to royalty. It is then restricted, first to ten and then to one year. The first among the archons was an archon-eponym who had administrative and judicial authority. The second was an archon-basileus who had religious authority, the third was an archon-polemarch who had military authority, and at the same time regulated relations with metics (μέτοικος, foreigners permanently resident in Athens, who were free but without political rights). The other six were archon-tesmotets who charged with maintaining and interpreting the laws and controlled the work of the other functionaries. The archons governed the Athenian state together with the Areopagus (Ἄρειος Πίλαγος), the larger one named after the hill dedicated to the god Ares (Hill of Ares), on which it sat. Former archons were entering the Areopagus. This council oversaw all state affairs and kept the laws of Athens. In Athens, as in Sparta, there was a national assembly – the

Ecclesia (Εκκλησία). It consisted of all free Athenian citizens. In the oldest period it did not play a significant role in the management of Athens.

Athenian social order was similar to that of most cities (polis) of the Hellenic world. Citizens were divided into aristocracy and demos, so aristocrats were people of noble descent. Their lineages were thought to be descended from Hellenic gods. The Athenians called them *Eupatrids*, meaning “born of noble fathers” (*What was democracy in ...*, 2019). They lived in Athens itself, or on large tracts of land in a fertile plain around the city. Demos, i.e. people, consisted of peasants, artisans and merchants. The peasants lived mostly in the interior of Attica, where they cultivated their land. Some of them have become so impoverished over time that they have been forced to cultivate the land of eupatrids, giving them one-sixth of the yield. As there was relatively little arable land in Attica, many citizens had to devote themselves to crafts and trade. They resided in smaller settlements along the banks of Attica and in Athens itself. In the city, for example, there was a quarter of potters called Keramikos (Κεραμεικός).

Every wealthier Athenian owned slaves. They were his property; he could sell, gift or free them, at his own request (Bitros & Karayiannis, 2012). The position of the slaves varied and depended on the duties they performed. Most often they assisted in cultivating the land and raising livestock. Some worked as servants or doctors in the houses of their masters; those more educated reared their children. Some slaves ran craft workshops or trading shops for their masters. In the most difficult position were the slaves who worked in the mines. Every day, they were exposed to a life of danger, descending into the stuffy and dark mining shafts. Some slaves were turning millstones in the mills to grind grain. Debt slavery also existed in Athens: poor people borrowed from the rich; when they could not repay their debts, they fell into debt bondage with their family members.

2. The first legislators

Theseus first divided the inhabitants of the city into three classes: the rich and educated, the *Eupatrids*, the farmers and herders, the *Geomorous*, and the craftsmen, the *Creators*. By the time of the Dorian descent in Athens, it seems that the institution of kingship, which had been replaced by the aristocracy, had receded. Athens was ruled by a class of aristocrats known as the Eupatrids. Legislative power was exercised by a group of aristocrats, known as the *Legislators* (*What was democracy in ...*, 2019). The legislators in 624 BC. They commissioned the Drakon (Δράκων) to draft new legislation, which was also the first written legislation of ancient Athens. The Laws of the Drakon were only kept for thirty years because they were extremely harsh and eventually replaced by Solon’s law in 594 BC. The period of aristocracy came to an end in 560 BC, when Peisistratos (Πεισίστρατος), who established tyranny, took power. Peisistratos was succeeded by the sons of Hippias and Hipparchus, who were the last tyrants of Athens. In 510 Tyranny was abolished and the legislator Cleisthenes laid the groundwork for Athenian democracy.

With the departure of tyranny from Athens, new political clashes arose between aristocracy and demos. The riot was ended by legislator Cleisthenes (Κλεισθένης). He divided the Athenian citizens into ten territorial branches (deme) (Pritchard, 2000). Each of these branches gave fifty representatives to the Chamber of five hundred, which replaced the Chamber of four hundred. Each deme had 500 representatives, and then a selection of 50 was made by throwing a dice. Cleisthenes is also prescribed the introduction of ostracism. This was initially a measure directed against people who wanted to restore tyranny in Athens, but it soon turned into a means of political calculation among the citizens (*What was democracy in ...*, 2019). Ecclesia was summoned for ostracism, and the vote was secret. The presence of 6,000 full-fledged Athenian citizens was necessary in order to be able to meet the ecclesiastics of ostracism. They were ostracized in exile for ten years, but did not lose property and civil rights. Some Athenians, though

exiled for ten years, returned to this policy located in the Attica Peninsula before (this was the case with Aristides from whom the Athenians sought help), while others remained forever outside the policy of Athens (Themistocles, who was so disappointed that he was banished, that he crossed over to the Persian side).

3. Persian wars

The Persian wars were fought in the first half of the 5th century BC between the Greeks and the Persians. These conflicts began with the conquest of Ionia by Cyrus II. The first phase of the wars, which was the cause of the subsequent conflicts, was the Ionian rebellion, which began after the failed siege of Naxos by the Persians.

After the Ionian rebellion, the Persian king Darius decided to avenge Athens and Eretria because they helped the Ionian cities. In 492 BC, Mardonius captured Thrace and Macedonia, but his fleet sank in Mount Athos. Two years later, Datis and Artabernes were able to conquer the Cyclades, Naxos and Eretria, but suffered a severe defeat at the Marathon. After Darius' death, Xerxes took over the leadership of the Persians, who attacked Greece in 480 BC in order to conquer it (Lazenby, 1993). Although initially his army had successes (Thermopylae, Artemisio), the Greeks succeeded in defeating the Persians in the battle of Salamis and the following year they defeated near Plateaus and Mycalis.

After the last two reported battles, the Greeks attacked Asia Minor. Then the Delian alliance was founded, which continued the war with the Persians for another thirty years. The Greeks fought the Persians in Thrace, Egypt, Asia Minor and Cyprus. After these conflicts, the Peace of Callias was signed, which meant the end of the wars and the victory of the Greeks.

In the first Persian campaign against Greece, organized by King Darius, the Persian fleet sailed against the two Greek cities that had assisted the Ionian cities during the Ionian rebellion, Eretria and Athens (Lazenby, 1993). After completely destroying Eretria, the Persian fleet headed for the Marathon. There, an Athenian force of 10,000 men, with about 1,000 Plateans, led by Miltiades, awaited the Persian army. The Athenians without allies overwhelmed the Persian power and forced them to cancel their plans to occupy Greece prematurely.

Ten years later the successor of Darius Xerxes designed the same campaign. Most Greek cities in southern Greece allied to Xerxes. After failing to halt the Persian invasion of Thermopylae, the Greek army concentrated on the Corinthian isthmus while the fleet anchored in Salamis. The Persians reached undisturbed as far as Athens, which had been abandoned by its inhabitants, and caused huge disasters in the city. Shortly afterwards, however, the Persian fleet was destroyed in Salamis and the Persians withdrew from Attica. A year later the Persians lost the battle of Plataea and finally abandoned their plans to occupy Greece. There even Mardonius, although there were reactions from other Persian generals, believed that simply the numerical superiority of the Persians would not be enough to secure the victory. Mardonius was killed in the Battle of the Plateaus and his army was defeated.

4. Prosperous period (Golden age)

Shortly after the end of the Persian wars, the Pan-Hellenic alliance formed in 481 BC to confront the Persians broke up (Lazenby, 1993). The main reason was the continuation of the war against the Persians on the part of the Athenians, while the Peloponnesians did not wish to continue the war operations. So, when the Athenians sailed to Hellespont to liberate the Greek cities of the area, the Spartans with the rest of the Peloponnesians left. Without the help of the rest of the Greeks, the Athenians went on a siege of Sestos and occupied it in 478 BC. In the same year, or perhaps a year later, in 477 BC. Athens established the Delian alliance or the first Athenian

alliance. The organization of the alliance was undertaken by Aristides. With the founding of this alliance, the Athenians sealed their supremacy at sea.

After the Persian wars ended and the Persians left, Athens was a devastated city. During this period the construction of the city walls began. Sparta reacted to the construction of the walls and demanded from the Athenians not to fortify the city. Themistocles then went to Sparta to negotiate the matter, ordering the Athenians to continue building the walls. He delayed negotiations with the Spartans until the wall reached a height sufficient to repel the attacks, and then revealed to them that Athens had already been fortified.

In the years following the end of the Persian wars, Themistocles (Θεμιστοκλῆς) dominated the political scene in Athens. From 476 to 462, Kimon (Κίμων) dominated the political scene of the city, which continued its war operations against the Persians. In 476 BC he occupied the city of Hion (Chrysopolis) at the mouth of the Strymon, which was still under Persian control. A year later, he attacked the Dolopes, pirates of Skyros, who defeated them by liberating the central Aegean from their action. The Dolopes were expelled from Skyros and Athenian clerics settled on the island.

The Athenians then carried out a series of operations aimed at strengthening the Delian alliance. They first occupied Karystos (473 BC) and then overthrew Naxos (469 BC) by returning the city to the alliance. The Delian alliance had begun to gradually become Athenian hegemony. In 467 BC the Athenians and their allies again confronted the Persians who defeated the battle of the River Eurymedon on the coast of Lycia. With this victory of the Athenians the Persians abandoned their efforts to recover the Greek cities of Asia Minor. The first attempt to colonize Amphipolis by the Athenians confronted the Thassians. The Athenians finally conquered Thassos in 463 BC and converted it into a taxable slavery.

Kimón's period ended in 462 BC and a year later his ostracism followed. During this period, political reform took place in Athens, with Pericles (Περικλῆς) and Efiáλης (Εφιάλης), as the pioneers. This reform removed many privileges from the Areopagus that were transferred to the Ecclesia of deme, the House of Pentecost (Parliament of 500 members) and Heliáia (Supreme Court). With these changes, the system became more democratic. From 461 BC Pericles dominates the political life of the city. The thirty years that followed until the outbreak of the Peloponnesian war were a period of great prosperity for Athens and became known as the golden age of Pericles. Pericles further strengthened the democratic character of the state by taking a series of pro-democracy measures. He established a salary for the citizens who participated in the Heliáia or the House of Pentecost in order to gain the opportunity to poorer Athenians to join the two institutions, who had not until then had the opportunity to temporarily quit their jobs and be elected to some office. The couple of institutions was also granted the right to elect nine archons.

In the military sector in 459 BC. Athens secured the Alliance with Megara and gained access to the Corinthian gulf. The Long walls were also built during this period (Camp, 2004). The development of Athens and the Corinthian gulf worried Corinth, which, by securing Aegina's alliance, undertook war operations against the Athenians. In 458 BC the two opposing forces clashed in the city of Halia in southern Argolis with the Corinthians and Aeginites overpowering. Shortly after, however, the Athenians besieged Aegina and occupied it, forcing it to join the Delian alliance. The following year (457 BC) Sparta took action against Athens, which managed to ally itself with the Boeotians. Then began a long-standing dispute between the Athenians and the Spartans, often referred to as the first Peloponnesian war. In the first year the two opposing coalitions clashed in Tanagra with the Peloponnesians and the Boeotians over the Athenians but a few days later the Athenians led by Myronides defeated their opponents at Oinofyta. With the victory of the Athenians in the battle of the Oinofyta, Boeotia temporarily passed into their control. Athens then made aggressive moves against Sparta. Under the command of the fleet by Tolmidis and then Pericles himself, the Athenians destroyed Gytheio and secured the alliance of Zakynthos,

Kefalonia and Akarnania (Herodotus, 1998). The Athenians also carried out a second operation in Egypt during this period, assisting the local archon who had rebelled against the Persians. The operation failed, causing financial and military losses to Athenians. This forced them to terminate their operations against Sparta by declaring a ceasefire. At the same time, they ended peace with the Persians, known as the Peace of Callias by the name of the Athenian negotiator.

In 447 BC the Thebans expelled the pro-Athenian group of the cities. The Athenians campaigned against them and defeated them in the battle of Chaeronea. After this failure, Athens lost control of Boeotia, which it had secured ten years earlier, at the Battle of the Oinofyta. A year later, Megara also withdrew from the Athenian alliance. Attempting to recover Megara led to a new conflict with Sparta. Eventually the Spartans and the Athenians decided to establish peace for thirty years and maintain the status quo before Megara's accession to Athens, that is, before 459 BC. The peace agreement is referred to as the Thirty years war (446 BC).

In the period after thirty years of peace Athens reached its peak. He founded the Thurian colonies (444 BC) in Greater Greece and Amphipolis (437 BC) in Macedonia, while forming an alliance with Rigios, and the Leontines in Greater Greece and Sicily. The development of Athens in the west again led her into a fierce rivalry with Corinth. The hatred of the Corinthians and their close allies of the Megara led to the implementation of the Megarian decree banning the Megara from using the ports of the Athenian alliance. A year later the Athenians reinforced Corfu in the war against Corinth. The Corinthians then incited their former colony Potidaea to revolt and leave the Delian alliance. The Athenians soon after sent an army to suppress the rebellion, which triggered the Peloponnesian war.

5. Peloponnesian war

The Peloponnesian war broke out in 431 BC. During the first period called the Archidamus' war the Spartans invaded and camped in Attica every year, while the Athenians closed the Long Walls and undertook operations with their fleet (Herodotus, 1998). In the second year, a terrible plague broke out in Athens that led to the death of two-thirds of the city's population. A year later, in 429 BC. Pericles saw his two sons, Paralos and Xanthippos, die from the terrible plague that struck the city. He himself died of the plague in August 429 BC. His successors succeeded Cleon (Κλέων) in the following years. The most important activity of the Athenians in the following years was the capture of Pylos, which took place in 425 BC and their victory over the Spartans in the battle of Sphacteria. The Athenians led by Demosthenes (Δημοσθένης) had captured and fortified Pylos. After this operation the Spartans departed from Attica and sent an army to the area, which was fortified on the island of Sphacteria. The Athenians then sent reinforcements led by Cleon, and in the ensuing battle on the island the Athenians succeeded in defeating the Spartans and capturing them, achieving their first major victory in the war.

One year after the success of Pylos, the Athenians turned against the Boeotians who defeated them in the battle of Delion. Conflicts then shifted to Halkidiki, where new cities had been moved by Sparta. The Athenians occupied Skionis and Mendis and then turned to their former Amphipolis colony, which had also left. The city was defended by the Spartans led by Brasidas. In the ensuing battle the Athenians were defeated, while Cleon and Brasidas were killed. Cleon was succeeded by his political opponent, Nicias. A year later, the Athenians and the Spartans seized peace known as the Nicias' peace, by the name of the Athenian leader who participated in the negotiations.

After Nicias, Alcibiades (Αλκιβιάδης), who was a follower of the war continuation, dominated the political scene. By his actions he secured the alliance of Argos by triggering the immediate intervention of Sparta that resulted in the battle of Mantinea (Herodotus, 1998). In this

battle the Spartans prevailed, breaking up the Athenian alliance with Argos. In 416 BC the Athenians decided to relocate to Sicily, as they were attracted to the island's wealth and were always concerned about the empowerment of Syracuse, a city friendly to the Peloponnesians, which was able to provide them with food and supplies. Already in 427 BC they had sent a small force to help Rigio (today Reggio di Calabria) and the Leontines (today Lentini) who were threatened by Syracuse. In 416 BC the reason was given when the city of Egesta (Segesta) sought the help of Athens to protect itself from the attacks of neighboring Selinunte, which was an allied city with Syracuse. At the instigation of Alcibiades, they organized a very costly campaign, known as the Sicilian campaign, which was undertaken by the leaders Alcibiades, Lamachos and Nicias. Shortly after the departure of the mission, in the spring of 415 BC, Alcibiades was accused of a sacred act, the decapitation of Hermes, which had taken place in Athens shortly before the fleet's departure. The Athenians summoned Alcibiades to try him, but he escaped to Sparta. To avenge the Athenians, he advised the Spartans to send aid to Syracuse and fortify Dekeleia in Attica. The Spartans followed Alcibiades' advice and sent aid to Syracuse led by Gillippos. He forced the Athenians to abolish the siege of the city. In spite of the large fortifications sent by the Athenians under the command of Demosthenes and Eurimedes, the Athenian fleet and the army were defeated by the Syracuseans and Peloponnesians, suffering great turmoil. About 7,000 Athenians and allies were captured and transported for forced labor to the Syracuse quarries.

Following the unfortunate outcome of the Sicilian campaign for the Athenians, the Peloponnesian war was rekindled. The Spartans, fortified at Dekeleia as Alcibiades had advised, severely harassed the Athenian countryside while the Athenians again fled into the Long walls (Herodotus, 1998). Apart from Sparta, they had to face the Ionian cities that were expanding. Chios gradually disbanded the Klazomenai, Eritrea and Miletus forcing the Athenians to send a fleet to bring them back to the Athenian alliance. Using Samos as their loyal base, they reinstated the above cities to the alliance. In 411 BC there was an attempt in Athens to change the regime, by a group of oligarchs with their leaders, Phrynichus and Antifontas. The power temporarily fell to a body of 400 oligarchs overthrown that year. The fleet, which was in Samos at the time, retained leaders of the democratic line-up and recalled Alcibiades. Alcibiades assumed command of the Athenians in the siege of Kyzikos, where the Athenians defeated the Spartans by destroying their fleet. In the following years, the Athenian fleet continued operations in the wider area of Propontis, occupying Byzantium and Abdera. After these successes, Alcibiades was admitted to Athens, relieved of the accusations against him, and elected a new Athenian general (407 BC). He was defeated in the naval battle in the South and was deposed. Conon, who succeeded in defeating the Spartans in the battle of Arginus, took over as captain in the summer of 406 BC. Despite the victory of the Athenians, they condemned to death the generals who were held responsible for not collecting the corpses of the dead. A total of six generals were sentenced to death. The following year, the Spartans occupied Lampsacus, forcing the Athenians to send a fleet against them. After a year of siege Athens surrendered and the Peloponnesian war ended.

6. Recovery of the city

After the surrender of Athens, Sparta imposed an oligarchic regime on the city. Thirty oligarchs known as the Thirty tyrants came to power (Herodotus, 1998). Ten of them belonged to the oligarchic class of Critias (Κριτίας) and the other ten belonged to the oligarchic class of Theramenes (Θηραμένης). During this period, a climate of terrorism prevailed in Athens and many citizens were executed. Moderate oligarchs reacted and their spokesman Theramenes was executed. Eventually Thrasivoulos was overthrown by the cruel regime of the thirty tyrants, a year later (403 BC) with 70 comrades occupying the fortress of Phylis and then with the support of more democrats occupying Piraeus. The oligarchs clashed with the democrats in Piraeus where they lost. Critias was also killed in this conflict. The oligarchs then fled to Eleusis where they remained until they were granted asylum by the new Athens regime.

In the following years the Athenians allied themselves with the Boeotians, taking advantage of the latter attitude towards Sparta. In 395 BC Sparta sent an army against them, on the occasion of the intervention of the Boeots in Fokida. The two opponents clashed in Aliartos, where the Boeotians prevailed with their Athenian allies. The defeat of Sparta prompted other unhappy cities to turn against it, resulting in the creation of a large coalition of cities that now turned against Sparta. The result of the new situation was the outbreak of the Corinthian war that lasted nine years. The Spartans dominated the coalition at the Battle of Nemea just outside Corinth and at the Battle of Chaeronea but were defeated at sea, in the area of Knidos, by the fleet of Conon, reinforced by the Persians. In the following period, Sparta repeatedly raided Corinth, plundering the area. The Corinthians were supported by the Athenians under the leadership of Iphicrates and then by Chabrias. At the same time, the war continued in the sea where the Athenians were able to win back older allies, such as Lesbos, Samothrace and Thrace. The war caused great damage to both sides and led the warring parties to desire peace. As a result, they finally accepted a plan proposed by the Persian King of Artaxerxes. Under the peace agreement known as the Peace of Antalcidas, the Persians regained control of Asia Minor and Cyprus, while the Athenians retained the islands of Skyros, Lemnos and Imbros.

In 378 BC Athens founded the second Athenian alliance with the aim of preventing Spartan expansion into the Aegean islands (Herodotus, 1998). The alliance was joined by most of the Aegean islands, Euboea, Halkidiki, the cities of the southern coasts of Thrace and later the Ionian islands except Zakynthos. In 371 BC Athens worried about strengthening Thebes closed peace with Sparta. Thebans after their win in the Battle of Leuctra in 371 BC they dominated Greece in the next period. Eventually they clashed with their opponents in Mantinea with the Athenians fighting alongside the Spartans. The Battle of Mantinea did not prove to be a winner but led to a peace treaty between the opposing sides. Athens, meanwhile, was trying to maintain the cohesion of the second Athenian alliance that was facing repeated attempts by cities to defect. Commanding the fleet chiefs, Iphikrates, Havria, Timotheus and Haris sought to maintain the integrity of the alliance. Between 357 and 355 a coalition of cities that had fled the alliance, with Rhodes, Kos and Chios, clashed with Athens. During the Allied war, as the war between the former members of the second Athenian alliance became known, the Athenians failed to bring the above cities back into the Alliance. During this period the third war broke out, in which the Athenians sided with the Phocians. This attitude confronted them with the Macedonians of Philip who had hastened to confront the Phocians. The Macedonians finally prevailed and made peace with the Athenians, the so-called Philocratic peace (346 BC). The Athenians, however, drifted away from Demosthenes' reasons, quickly abandoned the friendly attitude towards the Macedonians and began to form a coalition against them. The Thebans, Corinthians and Megara joined the coalition. The two adversaries clashed in Chaeronea in 338 BC, and in the ensuing battle the Macedonians who became the dominant force in the Greek territory prevailed.

7. Conclusion

The period described above represented a key period in the development of the ancient Athens, as a city-state. A few lines in this development are noticeable. Athens has strengthened economically, based on the development of the trade and maritime sectors, before all. Along with economic development, social development took place through the establishment of various state institutions. Notwithstanding the fact that in the described period of the history of Athens there were also tyrannies, as a form of government, the foundations of the democratic doctrine that exists today, were formed precisely during this period of Athens' development. Also, economic and social development was accompanied by uplift in all key areas of social life (culture, art, philosophy, science, sports, etc.).

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May Plato's Academy be Considered as the First Academic Institution?

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Abstract

Plato's Academy is undoubtedly the first higher education institution in history, and in ancient Athens itself represents the most important educational institution. It constituted in the context of the universal development that took place in ancient Athens, in the 5th and 4th century BC, and it continued to work until the Byzantine Emperor Justinian forbade the work of all schools of philosophy (529 AD). This development, which is part of the so-called Golden Age of ancient Athens, represents the period of Greek history in which the foundations of Western civilization originated, as we know it today. Plato appears as one of the greatest philosophers of ancient Greece, along with Socrates and Aristotle, to the first of whom appears as a student and to the second as a teacher. Philosophy in the true sense of the word was created in Plato's era in ancient Athens (Russell, 1975), and Plato's Academy, in which he, along with his students, talked about various philosophical topics through the Garden of Akademos, was the impetus for this development. There are also opinions that the development of philosophy after Socrates, Plato, and Aristotle is only of reproductive character when it comes to the basics of philosophy.

Keywords: Athens, Plato, Academy, Plato's philosophy.

“Let no one ignorant of geometry enter the door.”

“Μηδείς ἀγεωμέτρητος εἰσὶτω μοι τῆ θύρα.”

1. Introduction

The Academy was founded in Athens around 387 BC from Plato, after his first voyage (398-390 BC) to Sicily. It was in a grove of the Academy, a suburb of Athens dedicated to the Athenian mythical hero Akademos, whose name was derived from it. The site was considered sacred because, according to legend, Theseus had concealed Helen of Sparta there and out of respect for his long tradition and identification with Dioscuri (Helen's brothers Castor and Polydeuces), the Spartans did not destroy him when they invaded in 413 BC in Attica (Ghomshei, 2012).

The Academy continued to operate throughout the Hellenistic period, to be shut down for four years during the First Mithridatic war (between 88 BC and 63 BC), when Philo from Larissa left Athens and fled to Rome in 88 BC, where he seems to have remained until his death. In 86 BC Lucius Cornelius Sulla Felix besieged Athens, causing great destruction. During the siege he “put his hands on the sacred groves and plundered the Academy located in the most wooded

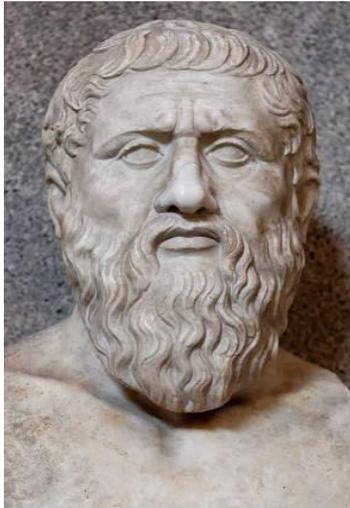
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suburbs of the city, as well as the Lyceum” (Nails, 1995). The destruction of the Academy seems to have been so severe that its reconstruction and re-operation was almost impossible. When Antiochus of Ascalon returned to Athens from Alexandria in 84 BC, it resumed its operation, not in the Academy but in the Lyceum. Cicero, who was also a student of Philo, describes a visit to the Academy one afternoon, which was “quiet and deserted at that time of day”.

It was finally closed in 529, after nearly 10 centuries of continuous existence, abolished by the Byzantine Emperor Justinian. In the following centuries the presence of the Academy continued, which at times underperformed, declined, and was renewed. According to Agathia (Russell, 1975), her remaining members, including Siblikos, sought protection in the courtyard of Chosros I in Persia. They carried with them scrolls of literary, philosophical and, to a lesser extent, scientific texts. With the Persian and Byzantine peace treaty in 532 their personal security was guaranteed.

2. Plato as founder of the Academy

Plato was born in 428 BC, the seventh day of the month of the targelion that would correspond to the second half of our month of May. He was born on the same day that the birth of Apollo was celebrated on the island of Delos, and was later called Apollo’s son and messenger.



Picture 1. Plato

He was a native of an aristocratic family who came from Kodros, the last king of Athens, and from his mother’s side, from Solon (Annas, 1996). His parents named him Aristocles after his grandfather and brought him up carefully from birth, giving him the best education possible. He acquired the nickname Plato (with broad shoulders) from gymnastics teacher Ariston from Argos, either because of his wide forehead, shoulders, manner of speech or breadth of spirit. Although he had the best teachers in gymnastics, music, mathematics, geometry and philosophy, and read the writings of older thinkers, Ionian cosmologists and Anaxagoras, Socrates would leave the deepest mark on him, whom he would perpetuate in his dialogues. The day before their first encounter, Socrates had a dream that a swan, a bird of Apollo, had fallen from his altar on Eros, landing on his chest, and then, as his wings immediately grew, he flew to the sky with a song that enchanted both humans and gods. When he saw Plato the next day, who was twenty years old, he immediately understood the meaning of the dream and said it was a swan he had seen in a dream (Huby, 1972). This encounter will cause a turning point in Plato’s life. Socrates’ life wisdom and virtue have conquered Plato and he will remain faithful to him all his life.

After Socrates' death, Plato, like most of Socrates' disciples, leaves Athens. He travels to Megara with Euclid who founded the Megara school. From Megara he went to Egypt where he learned from hierophants in Heliopolis and Memphis. Diodorus states that in his day, when he visited these lands, he was shown the house where Plato was staying with one Pythagorean. From there he went to Cyrene (in present-day Libya) where he stayed for a long time with the famous mathematician Theodore, whom he met in Athens before Socrates' death (Annas, 1996). From Cyrene he went to the Pythagoreans in the Great Greece (Magna Graecia), what was then called Southern Italy because of the large number of Greek colonies. The Pythagorean center was the peaceful and happy city of Taranto in which there was a strong Pythagorean tradition, headed by Archytas, mathematician, statesman and philosopher. With the intervention of the Pythagoreans, Plato was summoned to Syracuse, the court of the tyrant Dionysius the Elder. In spite of all Plato's efforts, Dionysius failed to consent to the establishment of a more humane order. Moreover, Plato fell out of favor and his first trip to Sicily almost did not end fatally. The captain of the ship, on which Plato boarded, was given a secret order by Dionysius the Elder to kill or sell him into slavery (Nails, 2019). The captain disembarked him on the island of Aegina and sold him as a slave. Although the law was passed at that time, every Athenian who steps on the soil of Aegina should be killed for hostility to Athens, they decided to spare him "because he is a philosopher" and they sold him as a prisoner of war. Destiny then wanted to find him in the slave market a wealthy foreigner, Anikerid of Cyrene, who had met Plato and befriended him during his stay in that African colony. He redeemed the prisoner and sent him to Athens for friends. These immediately raised the money to repay it to the redeemer, but Anikerid refused, saying that they were not the only ones worthy of taking care of Plato. This story is cited by Plutarch and Diogenes Laertius, who adds that some of the land and houses where the Academy operated later were purchased from the money raised.

Although Plato gave up direct political work after Socrates' death, he accepted the upbringing and education of a new generation that, as a true aristocracy of spirit and character, would transmit ethical-political ideas to the entire Greek world and practically implement them in many cities (Annas, 1996). The young people who attended the lectures at the Academy did not renounce active participation in political life, but on the contrary, they were preparing to establish better political systems that would resonate with the spirit of the best laws.

When Plato returned to Athens after a ten-year journey in 387 BC he founded a training school, named after the hero Akademos, a philosophical school called the Academy. At its entrance, Pausanias writes, there was an altar dedicated to Eros, the oldest of all gods, as told in Plato's dialogues *The Feast* or *On Love* (Plato: *Life and work*, 2019). Within the premises of the Academy was a shrine dedicated to the Muses, the patron saints of human art, as well as the altars dedicated to Prometheus, Hermes, Athens and Heracles. An olive tree is also growing there, which is said to have grown in Athens after the one located near the Acropolis itself.

Plato initially taught in the training area itself, and later in the garden and in the house he moved to and lived there in the company of young people who came not only from Greece, but also from foreign countries, one for knowledge, the other for general education and preparation for the civil service.

Plato interrupted his work at the Academy twice: between 366-365 and between 361-360 BC when, on the invitation of Dionysius the Younger, he traveled to Syracuse for the second and third time. The unsuccessful attempts to bring the tyrant of Syracuse to a more humane form of government are evidenced by the Seventh Letter, as well as by Dion's biography, which Plutarch conveys to us (Gondek, 2019). Plato's ideal of the philosopher on the throne would come true, though only for a short time and at the cost of his own life, Syracuse Dion, one of his favorite students.

In addition to Dionysius, Plato was also invited by many other kings and statesmen to come and help with his advice in establishing a better social order. Among other things, he was summoned by the Macedonian king Perdikas III, but instead of leaving alone, Plato sends him his student Euphreus, and the reasons for this are given in his Fifth Letter.

According to Seneca, Plato died at the age of 81 on the same day he was born in 347 BC. Plato owned an estate at Iphistiadae, which by will he left to Adeimantus, presumably a younger relative, as Plato had an elder brother or uncle by this name.

2.1 *Plato’s Athens*

Athens, once the confluence of philosophers, artists, statesmen and warlords, lived in the shadow of ancient times in Plato’s time.

After the victory in the Persian wars, a bloody Peloponnesian war ensued, and when in 404 BC after the aristocrats came to power, Plato, as he stated in his autobiographical Seventh Letter, wanted to devote himself to the tasks of state life. However, it soon became apparent that the earlier constitution was real gold in relation to the rule of the new government. In 403 BC the earlier democratic order was restored, which would condemn Socrates four years later to death, to whom Plato told that he is “the most righteous man of his time”.

The general loss of moral values, which was reflected above all in politics, and from there, as a certain criterion of “anti-value”, was transmitted to other aspects of life and society itself, cemented Plato in his belief: “All that I saw and more, which was not insignificant, angered me and distracted me from the evils”, calling evil what was happening in the political life of Athens.

The founding of the Academy is Plato’s response to the negative experience with Athenian politics (*Plato: Life and work*, 2019). Plato did not become a politician, but chose another path that would more easily influence society, through the education of youth. Not many of his students later became politically active.

3. Work of the Academy

Plato’s Academy (Greek Ἀκαδημία) was a kind of philosophical school in which Plato taught. The modern term “academy” itself originated from Plato’s philosophical school “Akademia”, which was founded two kilometers northwest of the Acropolis of Athens (or on the estate at Kefis), about 387 BC. This place was the shrine of the Greek goddess of wisdom, Athena. Upon his return from Sicily, Plato began to formally teach at the Academy. Details from Plato’s life are surprisingly rare, partly due to the Athenian custom of not naming contemporaries in literary works. Aristotle was a student at Plato’s Academy for nearly twenty years.

In fact, very little is known about Plato’s Academy.

It is certain that Plato and the Academy wanted to establish an education that is philosophical, but it also pays attention to the issues and problems that fall within the scope of the natural sciences and mathematics in particular.

In the area of that large park there was a Gymnasium, a kind of sports school of the time, where young men from the Athens’ upper class met, trained together and organized various competitions (Gondek, 2019). There were lectures in that Grammar School in three basic directions: Grammar, Sport and Music.

Plato did not charge for his classes, but the school endured regular student contributions. Plato kept in touch with his students every day, whether in the classroom or at lunch. Lunch was common, which had a significant educational role, and that’s why later

Speusippus and Xenocrates, Plato's immediate successors at the head of the Academy, wrote rules for this type of meeting.

Socrates regularly visited the Academy, and it is no accident that in almost all of Plato's dialogues Socrates discusses with young people and that this is exactly what happens in one high school, as it was the Academy (Gondek, 2019). After his first trip to Sicily, he taught first in the gymnasium at Academy Park (Sicily was the Greek province at the time). Later, Plato buys one piece of land next to the Academy, where he built a modest residence and several lecture rooms, thus establishing his own school, which later became known as the Platonic Academy.

At the Academy there were various fields of study in philosophy, mathematics, science and politics. The lamp of the Academy contained the phrase "Let no one ignorant of geometry enter the door", meaning that no one who did not know geometry shouldn't enter. Plato believed that geometry and mathematics were the only safe way to approach the world of ideas and God. In another interpretation, the word "ignorant" had a broader meaning, meaning lack of measure or prudence.



Picture 2. Raphael: *The School of Athens*

In broad terms, it can be distinguished five Academies in Antics. *First Academy* is signed as Senior Academy. It had heads such as Speusippus (Plato's nephew and teacher at the helm of the Academy), Xenocrates, Crates, Polemon, Hermodor, Philip of Opus, and Crantor. This first Academy continued Plato's teaching, with a certain presence of Pythagoreanism, and under Speusippus the Academy turned to abstract mathematical studies and the practical equalization of philosophy and mathematics, which probably led to Aristotle's departure from the Academy. The *Second Academy* is governed by Arcesilaus. The latter Academy was close to skeptical views. *Third (Young) Academy* is governed by Carneades. The *Third Academy* was also close to skepticism. The *Fourth Academy* is governed by Philo of Larissa. The *Fifth Academy* is governed by Antiochus of Ascalon. The Fourth and Fifth Academies were mostly eclectic.

As we can see, like any living system, the Academy has gone through different ideological phases, so they are usually mentioned: the older Academy (Platonic-Pythagorean), middle and younger (close to skepticism), but also the fourth and fifth (eclectic). We can see at a glance that this is a necessary adaptation that has brought with it time, because we must not forget that it is a span of almost a thousand years.

It is generally believed that the education at the Academy lasted for ten years, and many students later continued to spread her ideas throughout the Mediterranean and there was almost no city that had not been influenced by it (Ghomshei, 2012). The list of Academy members, one of which is found in Herculaneum in Italy, shows that one of the Chaldeans was a regular member. Two women also listened to the lectures: Axiothea of Phlius in Arcadia and Lasthenia of Mantinea who began listening to Plato after reading a passage of *The State*.

After the collapse of Alexander's empire, the next important role of the Academy was outlined in Megalopolis, a newly founded city on the Peloponnese that from the outset was tied to the philosophers of Plato's school.

The ideal that the Academy instilled and pursued was the rule of mind and virtue, both in the life of the individual and in the life of the state (Blackburn, 1996). This was the basis on which the humane political system could later be built and the knowledge of tradition built upon.

After Plato, the Academy was run by Speusippus for eight years, up to 339 BC. Towards the end of his life, he invited Xenocrates to Athens, who remained in charge of the Academy for twenty-five years, until 314 BC. With his moral earnestness, his boldness, and his pure and strict character, he gained a great reputation with King Philip and his son Alexander, who asked him for directions to his reign. In his time, the life of another prominent student of the Academy falls, the great Athenian commander Phocion, a friend of Xenocrates who was forty-five times named commander of the Athenian army. Phocion was an example of a top military leader and philosopher. Humble, noble and moral, with no hair on the tongue when it was necessary to tell the truth, he had devoted his entire life to Athens like Socrates and the Athenians, and even experienced the same end. Charged and convicted without a clear reason by the Athenian democracy, and sentenced to die by drinking hemlock.

Politician, philosopher and speaker Demosthenes also descended from the Academy. He participated in the political life of Athens for years. Someone who also passed through the Academy was Chabrias, an admiral who in 376 BC at Naxos took the first Athenian naval victory over the Spartans after the Peloponnesian war.

Next at the head of the Academy were Polemon and Crates, both Athenians. One of the notable academics who ran the school at the time when Plato with Speusippus and Crates resided in Sicily was Heraclides. After Speusippus' death, he returned to his homeland of Heracles, on the shores of the Black Sea, and founded a distinguished school there, leading until 330 BCE.

Crates was succeeded by Arcesilaus of Pitan, Asia Minor. Then only the names Lakydes of Cyrene, Evander, Telekles and followed by Hegesinus, who was Carneades' teacher. Carneades was as ambassador sent to Rome in 156 BC with two other philosophers to represent Athens. He did not write anything, but in Rome he gave lectures performed by Cicero and other Romans. Carneades died in 129 BC and was replaced by Clitomachus of Carthage. He was a prolific writer, and his works seemed to inspire Cicero when writing some of his works. In 110 BC Clitomachus inherited by Philo from Larissa. He left Athens and took refuge in Rome in 88 BC where he gave lectures with great success and was listened to by Cicero himself. He died around the age of 85 BC. Many contemporary authors consider him as the last great academic.

Although the Academy itself will last until 529 AD, when Emperor Justinian I gave the general ban on all philosophical schools, after Philo only Heraclitus of Tire and Eudorus of Alexandria are mentioned as prominent academics.

The Academy's relationship with Alexander of Macedon, Aristotle's student, is certainly an indispensable topic. It is rarely mentioned that Aristotle brought up Alexander at the time when he was still a member of the Academy, and when the young throne ascended the throne in 336 BC. Aristotle left Pella in the same year, returned to Athens and there founded his Lyceum. Over time, the two became increasingly distant. Perhaps Plato's dream of a philosophically

educated ruler came true in Alexander. Through many of his actions, Alexander proved himself a worthy student of the Academy. He spoke of the Greeks as one unified nation, and later, when he conquered much of Asia, he never spoke of these nations as barbarians. He offered sacrificial gifts to the gods of Egypt, Persia and Phoenicia with full reverence. The dream of Pan-Hellenic unity extended to the unity of all mankind, through a culture and philosophical education that was supposed to transcend separatisms and differences between people.

Despite the political breakdown, Athens' reputation has survived and has been the center of philosophy for almost a millennium. The Academy, where Plato taught, survived all other schools and took place, "like a pagan island" (as Russell said), and two centuries after the Roman Empire converted to Christianity. Finally, in 529 AD, because of his religious intolerance, Justinian I closed the Academy and abolished all non-Christian schools "and the Dark Ages descended on Europe". The new Platonic Academy was founded in 1440 by the Cosimo de Medici. He did it at Pleton's instigation.

Since the eighteenth century the name Academy has the meaning of the highest scientific institutions.

3.1 *Respect to mathematics*

They were mathematically oriented scientists who were involved in the Academy, such as Aristotle, Theodoros of Kyrenia, Leodamas of Thasos, Theaetetus of Sunium, Eudoxus of Cnidos, Dinostratos, and Proclus, Euclid, and many others.

The main contribution of the Academy to mathematics consists in gathering mathematical knowledge up to that time, mainly derived from the Pythagoreans and the School of Chios, classified, enriched, expanded and put them into a logical proof system. It further refined the proof methods and developed mathematical logic.

Composed of all these were the *Elements of Euclid*, which, although written in Alexandria, are the sole work of the Academy. Proclus states in his work *Comments in the 1st Book of the Elements* that "the system that Euclid chose for the Elements was Platonic (in accordance with Plato's dictates), and after accepting the Platonic philosophy he set the purpose of writing the Elements.

3.2 *Archeological spot of the Academy*

Today's visitor to Athens can visit the archaeological site of the Academy, located on either side of Kratilou Street in the area of Kolonos and Plato's Academy. There are important monuments, some earlier than the Academy, such as the sacred house of geometric times, the gymnasium from the first century BC up to the first century AD, where the student-athletes exercised, the Early Helladic arched house, and the peristyle building of the 4th century BC also were built. In the small park surrounded by Monastiriou, Teleefan's, Creont's and Plato's streets it was inaugurated in late November 2015 and operates the Digital Museum of the Plato's Academy, which prepares the visitor for his acquaintance with Plato and his work.

4. Conclusions

Plato's philosophy continued to live throughout ancient times, especially through Alexandrian New Platonism, and would later flourish again in the Renaissance. Its echo with the nineteenth-century German idealists, but still today, is large. The English mathematician and

philosopher A. N. Whitehead wrote that the whole of Western philosophy after Plato represented only notes to Plato’s text.

The Plato’s Academy was the first school of philosophy set up as a university (Huby, 1972), it had its own statute, program, rules of conduct, student dormitories, a library and everything else. It was modeled after the Pythagorean School, but with the difference that the students did not separate from the world. In addition to philosophy, students of Academy studied mathematics, geometry, astronomy, speaking, music, logic, grammar, ethics and many other knowledge that aimed to get to know the person himself, that is, to recognize the key moral values that an individual can develop.

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Hyperinflation in Yugoslavia: An Example in Monetary History

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Abstract

Hyperinflation most often occurs at a time when the amount of money in circulation is increasing without the Gross Domestic Product (GDP) showing growth. Excessive printing of money from the monetary authority (central bank) in a country is a fundamental reason for hyperinflation. The case of hyperinflation in the Federal Republic of Yugoslavia (FRY) in the early 1990s represents one of the largest hyperinflations in history. It was a time of wars in the former Socialist Federative Republic of Yugoslavia (SFRY) and it is followed by sanctions imposed on FRY by the international community, for participation in war activities in the territories of other former SFRY Republics. Starting from 1992, the Yugoslav dinar experienced a hyperinflation episode which lasted for a total of 25 months. Prices are rising very fast, so that in late 1992 and in 1993, hyperinflation erupted, taking on almost unimaginable proportions. In the whole of 1993 prices went up by 116.5 thousand billion percent, and in the first three weeks of 1994 by 313 million percent.

Keywords: Yugoslavia, dinar, hyperinflation, denomination.

1. Introduction

Inflation is one of the most important economic concepts and represents a general increase in the prices of products and services within an economic area (the phenomenon of rising prices). Inflation is actually the rate at which the prices of products and services have increased over a period of time (Devetaković, Jovanović Gavrilović & Rikalović, 2012). This phenomenon reduces the purchasing power of the population in the country.

There are different causes for inflation. One of the most important is the excessive increase in the money supply in circulation. When a larger amount of money follows a smaller quantity of products and services, an imbalance in the commodity-money relationship results, which leads to a logical rise in prices and a decrease in the value of money.

Hyperinflation is extremely high or *rapid inflation* (rising prices), which causes a considerable fall in the value of the national currency. Hyperinflation is actually inflation that is very difficult to control. In extreme form, it can cause the entire monetary system in the country to collapse. Although the threshold for hyperinflation is not clearly defined, some economists

¹ PhD student.

argue that inflation becomes hyperinflation when price growth exceeds 50% per month (Devetaković, Jovanović Gavrilović & Rikalović, 2012).

Hyperinflation most often occurs at a time when the amount of money in circulation is increasing without the gross domestic product showing growth (Fergusson, 2010). Excessive printing of money from the monetary authority in the country (Central Bank) is a fundamental reason for hyperinflation. This imbalance of supply and demand in the money market (too much money and too little commodity) affects the prices of products and services that start to rise and the local currency starts to lose its value.

2. Hyperinflation throughout history

If we look at the political or economic history of the world, we can find that hyperinflation has always been preceded by political instability, the powerlessness of governing structures and, as we have stated before – the loss of citizens' trust in the country and, consequently, in its money.

The first recorded case of hyperinflation occurred in Rome in the third century AD.

Five of the biggest hyperinflations in history are the following (Five biggest ..., 2018):

(1) Hungary, 1946.

- Daily inflation rate: 207%,
- Double the prices every 15 hours.

(2) Zimbabwe, 2008.

- Daily inflation rate: 98%,
- Duplication of prices every 25 hours,

(3) Federal Republic of Yugoslavia, 1994.

- Daily inflation rate: 65%,
- Double the prices every 34 hours.

(4) Germany, 1923.

- Daily inflation rate: 21%,
- Duplication of prices every three days and 17 hours.

(5) Greece, 1944.

- Daily inflation rate: 18%,
- Duplication of prices every four days and 6 hours.

3. Characteristics of hyperinflation in Yugoslavia

The Federal Republic of Yugoslavia was created by the dissolution of the SFRY in the early 1990s. It existed until February 2003, when a state union with the name Serbia and Montenegro was created. On April 27, 1992, in Belgrade, the “remnants” of the SFRY Assembly, which included MPs from Serbia and Montenegro, proclaimed the Constitution of the Federal Republic of Yugoslavia.

Sanctions on the FR Yugoslavia were imposed on 30 May 1992, by the United Nations Security Council on charges of involvement in the war in Bosnia and Herzegovina. The UN Security

Council resolution 757 imposing sanctions on the FRY provided for a complete international economic embargo on this country.

Under the influence of international sanctions, there was a major economic crisis in the country and the emergence of hyperinflation, which also saw the issuance of a banknote with a record denomination of RSD 500,000,000,000.



Image 1. Banknote of 500,000,000,000 dinars at the time of hyperinflation

Starting from 1992, the Yugoslav dinar experienced a hyperinflation episode which lasted for a total of 25 months. Prices are rising very fast, so that in late 1992 and in 1993 hyperinflation erupted, taking on almost unimaginable proportions. In the whole of 1993 prices went up by 116.5 thousand billion percent, and in the first three weeks of 1994 by 313 million percent.

In the context of international comparisons pertaining to the twentieth century, in the intensity of hyperinflation recorded in late 1993 and early 1994, the FR Yugoslavia is at the top (Milošević, 2017). Hyperinflation, measured in millions of percent that would not have developed without an accommodating monetary policy, had devastating effects on many spheres of society and the economy, including the banking sector. In the conditions of hyperinflation, the banks have redistributed huge income for the benefit of the loan beneficiaries who claim debt, which is only one of the possible forms of initial capital accumulation in our country.

The monetary policy decision for the fourth quarter (Q4) of 1993 established that the budget deficit (federal and republican) would be allocated by 116,158.8 billion of the primary issue. However, it was clear at the outset that the Federal Government was counting on an unrealistically low rate of inflation in Q4, and that due to the unrealistically deficit and galloping inflation that was detrimental to the already low original budget revenues, the said amount would be used before the end of Q4.

In a context where the Federal Government and the republican governments have virtually no concept of economic policy, or taken at least partial measures to halt inflation (except for the September price freeze), the originally planned amount to cover budget deficits was used in full till 20 November 1993.

The established dynamics of using long-term loans with the National Bank of Yugoslavia (NBY) has never been honored in practice, and the increasing use of primary emission to cover budget deficits has led to over 90% of the Federal Budget expenditures being financed by primary emission in November 1993. Due to the described pressure to monetize the budget deficit in November, 88% of primary issue loans were directed to budgets, and only 12% to banks.

The entry of the country into the final phase of hyperinflation in late 1993, in which the loss of national currency occurs, can best be seen by the degree of impairment of banknotes issued by the NBY in the fourth quarter of 1993. They lost their circulation, from 1 October until the day of new denomination appeared for fourteen days, 66% of the value measured according to the German mark (DEM) rate. Since mid-October, eight more denominations have been put into circulation, a manifestation of devastating hyperinflation that in a short time reduces the purchasing power of a new denomination to zero. For example, on 15 December 1993, a denomination of 50,000,000,000 dinars was put into circulation. At the time of release it was worth of DEM 12.50. Only seven days after that, the denomination of ten times of the nominal value was put into circulation, and the previously issued denomination was worth only DEM 0.38 in that day, which means that in seven days it lost 97% of its value (Milošević, 2017).

The perniciousness of the aforementioned policy is reflected in the fact that, first, there was no increase in production, secondly, banks, thanks to approved credit lines, have recorded almost complete melting of the economy due to approved credit lines, were not able to provide credit support even to companies offering propulsive loans after the relaxation and lifting of sanctions against FR Yugoslavia. In addition, the obligations of individual banks to foreign creditors will be activated after the lifting of sanctions, which will put them in an even more difficult situation.

Many banks were forced to setting up their own trading companies to protect their capital. The rapid expansion of parabanking occurred, in the form of buying, stocking and selling goods, especially scarce consumer goods and supplies in order to maximize price differentials, as well as buying real estate in attractive locations, and it is a by-product of the administrative restriction of interest rates and thus the practical suspension of the bank loan market (Đukić, 1994). This should be treated as a rational behavior of the banks in the given business conditions, especially with the NBY interest rate policy.

As we have already mentioned, the Federal Republic of Yugoslavia in 1992-1994 saw hyperinflation which ranks third in world economic history, both in terms of duration of 22 months (March 1992 – January 1994), and at maximum a monthly level of 314 million or more precisely 313,563,558% (January 1994). Daily inflation was 62%, and inflation in just one hour (60 minutes) of 2.03% was higher than the annual inflation of many developed countries. January 1994 inflation calculated on an annual basis was a fantastic 116,545,906,563,330% or 116,546 billion percent. At a time of such high inflation in the FR Yugoslavia, prices in stores were expressed in a conditional unit – point, which was equal to the German mark. The turnover was made either in German marks or in dinars at the current “black” rate, which changed often several times during the day. At the end of 1993, a 500,000,000,000 banknote was also printed (500 billion dinars, see Picture 1), for which it ultimately could not be bought not a single German mark on the street market in money changers. Just after the denomination of the dinar from 1 January 1994 (when one billion dinars was denominated in one dinar), on 13 January in the morning street money changers sold the German mark for 500,000, around noon for 600,000, and in the evening for 800,000 dinars. The midday black market German mark was 900,000 on 14 January, 2,500,000 on 15 January, on 16 January, 3,500,000, on 17 January 5,000,000, on 18 January 5,500.00, on 20 January 14 million, and on 21 January 15 million dinars.

The money was so quickly devalued that it came to absurd situations. At the beginning of 1994 (after a denomination in the ratio of one billion “old” dinars to one “new” dinar), a 1 dinar metal coin appeared, but soon 700 tons of these coins were to be set aside for one dollar. Pension payments were made on 17 January, and for the average pension amount of RSD 4.8 million on the “black” market could not buy any German mark. At the same time, a kilogram of beef was RSD 70 million, and a laundry bag of 3 kg costs RSD 67 million. Disruptive hyperinflation has squeezed national monetary unit – dinar from economy. In January 1994, the money supply was only 0.4% of GDP, while this percentage in normal circumstances ranges between 25 and 30%. The dinar has

ceased to fulfill such functions of money as measures value, means of payment, value stock and, well partly, the functions of money as a means of transport, or a means of exchange. Everyone was trying to get rid of the dinar so that is the speed of money turnover, at the time of hyperinflation, reached a staggering 3,673, that is, the dinar has “gone hand in hand” 10 times in just one day. It was hard to believe that such a chaotic state would be interrupted in just a few days thanks to the program of Dr. Dragoslav Avramović, when it was executed, among other things and monetary reform (reconstruction), when a new dinar is introduced (Petrović, Bogetić & Vujošević, 1999).

As a part of the monetary reconstruction program, among others, the denomination of the dinar was also made. By denomination we mean the consolidation of the domestic national currency through replacements of old to new banknotes in a particular relationship, after of which one new currency is equivalent in value of a large number of national currency units valid until then. All prices of goods and services, foreign exchange rates, bank accounts, etc. are calculated in the same way. This is most often done by “deleting” a certain number of “zeros”. For example, after the first denomination made in SFRY (1 August 1965), 100 “old” equals one “new” dinar. In addition to the denomination, a number of other measures are being undertaken, as the measures of economic policy for monetary reform to be successful. In countries with high hyperinflation, monetary reform often leads to increased confidence in the new national currency. This was the case in the FR Yugoslavia when on 24 January 1994 was the sixth denomination of dinars in order after World War II. After incredible hyperinflation, prices and the exchange rate were stabilized for one day, and after that for several months to come.

4. Conclusion

Hyperinflation in the FR Yugoslavia in the early 1990s is a direct picture of the catastrophic economic situation the country fell into, in the context of the wars that took place in the territories of Croatia and Bosnia and Herzegovina. In the context of international comparisons pertaining to the twentieth century, in the intensity of hyperinflation recorded in late 1993 and early 1994, FR Yugoslavia is at the top. Hyperinflation, measured in millions of percent that would not have developed without an accommodating monetary policy, had devastating effects on many spheres of the society and economy, including the banking sector. In the conditions of hyperinflation, the banks have redistributed huge income for the benefit of the loan beneficiaries who claim debt, which is only one of the possible forms of initial capital accumulation in our country.

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