

# EC411, Lecture 1

## Aristotle (Part 1) on Life and Economics



Depiction of Plato and Aristotle walking and disputing in Ancient Greece, by Raphael (painted, circa 1510 A.D.)

# Introduction: How Aristotle and the other scholars should be read for the purposes of this course.

- 1. There are **three purposes for the review of scholars** that we'll undertake in part I of the course (part III of my book)
  - (a) By inducing you to read and think about various theories of ethics, it is hoped that your understanding of your own ethical ideas will deepen and you'll come to appreciate that ethics is more than a “gut feeling” or intuition. Ethics can be given rational foundations and used to analyze the world about you.
  - (b) In particular, we are interested in how ethics can be used to judge the relative merits of alternative actions and societies—especially ones that affect the extent and nature of commerce (market networks).
  - (c) And in addition, we are interested in how refinements in ethical theories have affected the extent of markets—both directly and indirectly. Ethical norms have changed through time and the scholars that we review can be used to “plot” the course of ethical assessments of the importance of market activities in a good life and good society in the West.

# Introduction: Choice of Translation(s)

- 2. Several of the authors that we will review in Part I of the course published their works in other languages and so we'll be relying on translations. In several cases, there are several possible translations from their original language into English that I could have used. In general, I chose ones that were commonplace, available in a Kindle format, and that would not cause copyright problems for the webnotes or the book.
  - (a) For Aristotle, I chose a mid-19<sup>th</sup> century translation in part because I like some parts of it better than some of the later ones, which seem to be more colored by 19<sup>th</sup> century philosophical and scientific developments.
    - Similar versions were likely to be in the minds of many of the authors reviewed in Part I.
    - Examples of subtle differences among translators are illustrated in the Appendix of the Aristotle chapter.
    - Greek was widely taught in schools before the 20<sup>th</sup> century, so many readers in the period before 1900 would have read Aristotle in Greek or undertaken their own translations.
  - (b) For the other authors, I simply looked for readable ones that were available at a relatively low cost from Amazon and free of copyright issues. Their low cost(s) should make it easy for interested students to read more of the books or works that they find of interest.

# Introduction: Why Study Aristotle?

- 3. Aristotle wrote the *Nicomachean Ethics* and *the Politics* during his time as the leader of the Lyceum a school that he founded in Ancient Greece in approximately 334BC.
  - Just two of his many books are relevant for this class—books that he regarded to be among his **practical** books.
  - (If any single person deserves the term genius, it Aristotle. There is no single person who had as much impact on as many fields of study as he did.)
- We start with Aristotle, because he has one of the clearest discussions of ethics, and developed a theory that links ethics to a good life and good society.
- In addition, his work influenced most of the other scholars that we'll review in the first part of the course (indirectly or directly).

Aristotle: The Aim of a Good Life is obvious: Eudaimonia (lifetime happiness)—but how to become happy is not entirely obvious,

- **So far as the name goes, there is a pretty general agreement:** for happiness both the multitude and the refined few call it, and “living well” and “doing well” they **conceive to be the same with “being happy;”** but about the nature of this happiness, men dispute, and the multitude do not in their account of it agree with the wise. (*Nicomachean Ethics*, p. 26)
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- Happiness is manifestly something final and self-sufficient, being the end of all things which are and may be done. (*Nicomachean Ethics*, p. 34)
- As for the life of money-making, it is one of constraint, and **wealth manifestly is not the good we are seeking, because it is for use, that is, for the sake of something further.** (*Nicomachean Ethics*, p. 29)

# Aristotle: the Nature of a Good Human Life

- This object [happiness] may be easily attained, when we have discovered **what is the work of man**; for as in the case of flute-player, statuary, or artisan of any kind, or, more generally, all who have any work or course of action, **their chief good and excellence is thought to reside in their work.**
- **So, it would seem to be with man, if there is any work belonging to him.**
- **What then can this be? not mere life**, because that plainly is shared with him even by vegetables, and we want what is peculiar to him. We must separate off then the life of mere nourishment and growth, and next will come the life of sensation: but this again manifestly is common to horses, oxen, and every animal.
- There remains then a kind of **life of the rational nature** apt to act: and of this nature there are **two parts** denominated rational, the one as being obedient to reason, the other as having and exerting it. (*Nicomachean Ethics*, p. 34)
- **.The good of man comes to be “a working of the soul in the way of excellence,”** or, if excellence admits of degrees, in the way of the best and most perfect excellence. And we must add, **in a complete life; for as it is not one swallow or one fine day that makes a spring**, so it is not one day or a short time that makes a man blessed and happy. Let this then be taken **for a rough sketch of the chief good**, since it is probably the right way to give first the outline and fill it in afterwards. (*Nicomachean Ethics*, p. 35).

# Aristotle: Human Moral and Intellectual Excellence are a reliable route to happiness

- **Human excellence** is of two kinds, **intellectual and moral**. The intellectual springs originally, and is increased subsequently, from teaching (for the most part, that is), and needs therefore experience and time; whereas the moral comes from custom [routines, habits, or dispositions]. (*Nicomachean Ethics*, p. 49).
  - **In speaking of a man's moral character**, we do not say he is a scientific or intelligent but a **meek man**, or one of **perfected self-mastery**: and we praise the man of science in light of his mental state; and of **these such as are praiseworthy we call excellences**. (*Nicomachean Ethics*, p. 48).
  - [T]he notion represented by the term **meek man** is **being imperturbable, and not being led away by passion**, but being angry in that manner, and at those things, and for that length of time, which reason may direct. (*Nicomachean Ethics*, p. 114).

# The development of Virtuous habits as the method by which moral excellence is achieved.

- So too then is it with the virtues: for **by acting in the various relations in which we are thrown with our fellow men, we come to be, some just, some unjust: and by acting in dangerous positions and being habituated to feel fear or confidence, we come to be, some brave, others cowards. Similarly is it also with respect to the occasions of lust and anger: for some men come to be perfected in self-mastery and mild, others destitute of all self-control and passionate.** (*Nicomachean Ethics*, p. 50).
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- From this fact, it is plain that **not one of the moral virtues comes to be in us merely by nature:** because of such things as exist by nature, none can be changed by custom. (*Nicomachean Ethics*, p. 49).



# Virtuous choices are voluntary deliberate choices

- **Involuntary actions** then are thought to be of **two kinds**, being done either on **compulsion**, or by reason of **ignorance**.
  - An action is, properly speaking, compulsory, when the origination is external to the agent, being such that in it the agent (perhaps we may more properly say the patient) contributes nothing; as if a wind were to convey you anywhere, or men having power over your person. (*Nicomachean Ethics*, p. 67).
  - If this be so, **no other animal but man, and not even children, can be said to act voluntarily**. (*Nicomachean Ethics*, p. 71)
- But **not all voluntary action is an object of moral choice**. (*Nicomachean Ethics*, p. 74)
  - Now since that which is the object of moral choice is something in our own power, which is the object of deliberation and the grasping of the will, **moral choice must be a grasping after something in our own power consequent upon deliberation: because after having deliberated we decide, and then grasp by our will in accordance with the result of our deliberation**. (*Nicomachean Ethics*, p. 77).

# Ethical disposition are deliberately acquired

- Furthermore, it is wholly irrelevant to say that the man who acts unjustly or dissolutely does not wish to attain the habits of these vices: for **if a man wittingly does those things whereby he must become unjust he is to all intents and purposes unjust voluntarily.** (*Nicomachean Ethics*, p. 80).
- Whether then we suppose that **the end impresses each man's mind with certain notions not merely by nature, but ... is somewhat also dependent on himself**; or that the end is given by nature, and yet virtue is voluntary because the good man does all the rest voluntarily. (*Nicomachean Ethics*, p. 82).

# Virtue is (usually) a “golden mean” (1)

- Aristotle has a very interesting theory of virtue in which most virtues are “means” between two extreme forms of the same sort of behavior (vices). For example:
- First, then, of **courage**. Now that it is a mean state with respect of **fear and boldness**, has been already discussed. The objects of our fears are obviously things fearful or, in a general way of statement, evils; which accounts for the common definition of fear, viz. “expectation of evil.” **Of course we fear evils of all kinds: disgrace, for instance, poverty, disease, desolateness, death;** but not all these seem to be the object-matter of the brave man, **because there are things which to fear is right and noble, and not to fear is base.** (*Nicomachean Ethics*, p. 83).



# Virtue as (usually) a “golden mean” (2)

- We will next speak of **liberality**. Now this is a **mean state having for its object-matter wealth**. The liberal man is praised not in the circumstances of war, nor in those which constitute the character of perfected self-mastery, nor again in judicial decisions, but in respect of giving and receiving wealth, chiefly the former. By the term wealth I mean all those things whose worth is measured by money...**the Liberal man will give from a motive of honor, and will give rightly; I mean, to proper persons, in right proportion, at right times**, and whatever is included in the term “right giving” and this too with positive pleasure, or at least **without pain**...The man who gives to improper people, or not from a motive of honor but from some other cause, shall be called **not liberal** but something else. (*Nicomachean Ethics*, pp. 97–99).
- Here **each of the extremes involves really an excess and defect** contrary to each other: I mean, the prodigal gives out too much and takes in too little, while the stingy man takes in too much and gives out too little. (*Nicomachean Ethics*, pp. 60–61).



# Virtue is (usually) a “golden mean” (3)

- **We call the virtuous character meek, we will call the mean state meekness**, and of the extremes, let the man who is excessive be denominated passionate, and the faulty state passionateness, and him who is excessive angry, and the defect angerlessness. (*Nicomachean Ethics*, p. 62).
  - With respect of **pleasures and pains** (but not all, and perhaps fewer pains than pleasures), the **mean state is perfected self-mastery**, the defect total absence of self-control.
  - There is a character that takes **less pleasure than he ought** in bodily enjoyments. Such persons also **fail to abide by the conclusions of reason**. The man of self-control is the mean between him and the man of imperfect self-control—that is to say, the latter fails to abide by them because of somewhat **too much**, the former because of somewhat **too little**.
- **The man of self-control and the man of perfected self-mastery have this in common**, that **they do nothing against right reason** on the impulse of bodily pleasures, but then **the former has bad desires, the latter not**.
- **The latter is so constituted as not even to feel pleasure contrary to his reason**, the former feels but does not yield to it. (*Nicomachean Ethics*, p. 193)



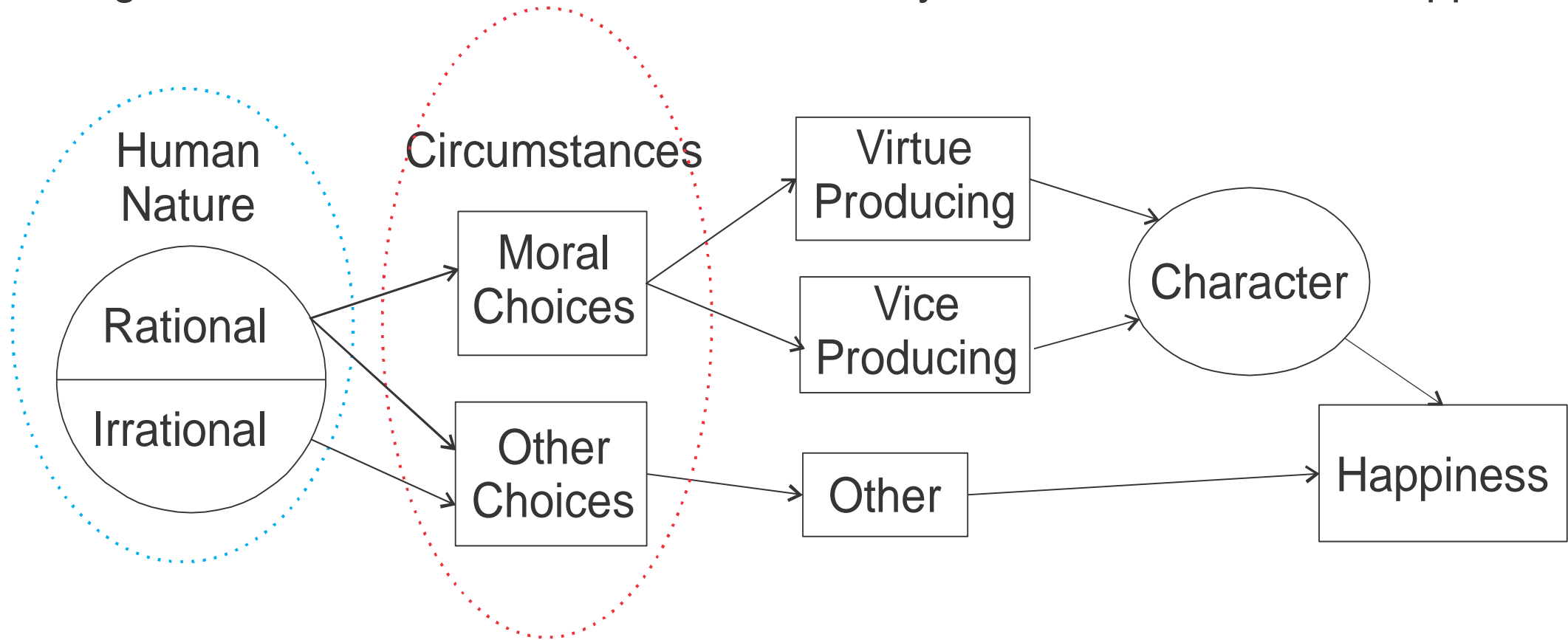
# Virtue is (usually) a “golden mean” (4)

- A possible exception to this rule is “justice,” which is also where Aristotle takes up economics for the first time in the *Nicomachean Ethics*.
- We see then that all men mean by the term justice a moral state such that in consequence of it men have the capacity of doing what is just, and actually do it, and wish it. (*Nicomachean Ethics*, p. 124).
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- **Justice**, it must be observed, **is not a mean state in the same manner as the forementioned virtues**, but because it **aims at producing the mean**, while injustice occupies both the extremes. (*Nicomachean Ethics*, p. 137).



# A geometric representation of Aristotle's theory of the obtainment of happiness

Figure 9.1A Schemata of Aristotle's Theory of Moral Choice and Happiness





# Aristotle (part 2) Virtue, Economics and Politics





# Proportionate Justice and Market Exchange (1)

- The **just, then, is a certain proportionable thing**. For proportion does not apply merely to number in the abstract, but to number generally, since it is **equality of ratios**. (*Nicomachean Ethics*, p. 131).
- **In dealings of exchange** such a principle of justice as this **reciprocation forms the bond of union**, but then **it must be reciprocation according to proportion and not exact equality**, because **by proportionate reciprocity of action the social community is held together**. (*Nicomachean Ethics*, p. 134).
- The builder is to receive from the shoemaker of his ware, and to give him of his own. **If there is proportionate equality, the reciprocation [exchange] takes place, [and] there will be the just result of which we are speaking**. If not, there is not the equal, nor will the connection stand...And this is so also in the other arts, for they would have been destroyed entirely if there were not a correspondence in point of quantity and quality between the producer and the consumer. (*Nicomachean Ethics*, p. 135).



# Equilibrium Prices as “just” prices

- All things **which can be exchanged should be capable of comparison. For this purpose, money has come in, and comes to be a kind of medium. It measures all things** and so likewise the excess and defect. [It determines] for instance, **how many shoes are equal to a house or a given quantity of food.**
- **As then the builder to the shoemaker, so many shoes must be to the house (or food if instead of a builder an agriculturist is the exchanging party); for unless there is this proportion there cannot be exchange or dealing, and this proportion cannot be [acceptable] unless the terms are *in some way* equal. (Nicomachean Ethics, pp. 135–36).**
- Let A represent an agriculturist, C food, B a shoemaker, D his wares equalized with A's. Then **the proportion will be correct,  $A:B::C:D$ ; now reciprocation will be practicable**, if it were not, there would have been no dealing. (Nicomachean Ethics, p. 136).



# Money as a measure of all traded things

- And further, **money is a kind of security to us in respect of exchange at some future time** (supposing that one wants nothing now that we shall have it when we do): the theory of money being that whenever one brings it one can receive commodities in exchange: of course this too is liable to depreciation, for **its purchasing power is not always the same, but still it is of a more permanent nature than the commodities it represents.**  
(*Nicomachean Ethics*, p. 137).
- Let B represent ten minæ, A a house worth five minæ, or in other words half B, C a bed worth 1/10th of B: it is clear then how many beds are equal to one house, namely, five. **It is obvious also that exchange was thus conducted before the existence of money: for it makes no difference whether you give for a house five beds or the price of five beds.**  
(*Nicomachean Ethics*, p. 137).



# Virtue, optimizing, and the choice of careers (1)

- **The useful parts of wealth-getting** [for farmers] **are, first, the knowledge of the livestock which are most profitable, ...**, for example, what sort of horses or sheep or oxen or any other animals are most likely to give a return.
- **A man ought to know which of these pay better than others, and which pay best in particular places**, for some do better in one place and some in another. Secondly, husbandry, which may be either tillage or planting, and the keeping of bees and of fish, or fowl, or of any animals which may be useful to man. **These are the true or proper arts of wealth-getting** and come first. (*Politics*, KL: 282).



# Virtue, optimizing, and the choice of careers (2)

- There are **two sorts of wealth-getting: one is a part of household management, the other is retail trade. The former is necessary and honorable**, while that which consists in exchange is justly censured; for it is unnatural, and a mode by which men gain from one another.
- A third sort of wealth getting...is also concerned with exchange, viz., the industries that make their profit from the earth, and from things growing from the earth which, although **they bear no fruit**, are nevertheless profitable; for example, the cutting of timber and all mining. (*Politics*, KL: 285). Those occupations are most truly arts in which there is the least element of chance; **they are the meanest in which the body is most deteriorated, the most servile** in which there is the greatest use of the body, and **the most illiberal in which there is the least need of excellence**. (*Politics*, KL: 295–96).
- **The most hated sort, and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural object of it.** For money was intended to be used in exchange, but not to increase at interest. And this term interest, which means the birth of money from money, is applied to the breeding of money because the offspring resembles the parent. **Of all the modes of getting wealth this is the most unnatural.** (*Politics*, KL: 275).



# Aristotle on Progress and Private Property

- The members of a state must either have (1) all things or (2) nothing in common, or (3) some things in common and some not.
- That they should have **nothing in common is clearly impossible**, for the community must at any rate have a common place- one city will be in one place, and **the citizens are those who share in that one city**. (*Politics*, KL: 371–73).
- **Property should be in a certain sense common, but, as a general rule, private**; for when everyone has a distinct interest, men will not complain of one another, and **they will make more progress**, because everyone will be attending to his own business. (*Politics*, KL: 458–60).



# Private Property as a Source of Happiness and Virtue

- And further, **there is the greatest pleasure in doing a kindness or service to friends or guests or companions, which can only be rendered when a man has private property.** These advantages are lost by excessive unification of the state.
- The exhibition of two virtues, besides, is visibly annihilated in [without private property]: first, temperance towards women (for it is an honorable action to abstain from another's wife for temperance's sake); secondly, liberality in the matter of property. **No one, when men have all things in common, will any longer set an example of liberality or do any liberal action; for liberality consists in the use which is made of property.** (*Politics*, KL: 465–73).



# Governance and the Good Society (1)

## The Necessary Ambiguity of Law

- The law takes the generality of cases, **being fully aware of the error thus involved**; and rightly too notwithstanding, because **the fault is not in the law**, or in the framer of the law, but is **inherent in the nature of the thing**, because the matter of all action is necessarily such.
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- When then the law has spoken in general terms, and there [are always] **exceptions** to the general rule, **it is proper—insofar as the lawgiver omits the case and by reason of his universality of statement is wrong—to set right the omission by ruling it as the lawgiver himself would rule were he there present.** (*Nicomachean Ethics*, p. 149).





# Governance and the Good Society (2)

- **We have now to inquire what is the best constitution for most states, and the best life for most men**, neither assuming a standard of virtue which is above ordinary persons, nor an education which is exceptionally favored by nature and circumstances, nor yet an ideal state which is an aspiration only, **but having regard to the life in which the majority are able to share**, and to the form of government which states in general can attain. (*Politics*, KL: 1641).
- [T]he **best political community is formed by citizens of the middle class**, and that those states are likely to be well-administered in which the middle class is large, and stronger if possible than both the other classes, or at any rate than either singly; for the addition of the middle class turns the scale, and prevents either of the extremes from being dominant. ...
- **The mean condition of states is clearly best**, for no other is free from faction; and where the middle class is large, there are least likely to be factions and dissensions. For a similar reason, large states are less liable to faction than small ones, because in them the middle class is large. (*Politics*, KL: 1679–87).



# Governance and the Good Society (3)

- [T]he legislator should **direct his attention above all to the education of youth**; for the neglect of education does harm to the constitution. The citizen should be molded to suit the form of government under which he lives. For each government has a peculiar character which originally formed and which continues to preserve it. The character of democracy creates democracy, and the character of oligarchy creates oligarchy; and always **the better the character, the better the government**.
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- And since the whole city has one end [the encourage of virtues necessary for happiness and survival], **it is manifest that education should be one and the same for all, and that it should be public, and not private.** (*Politics*, KL: 3172-3178).



# Why Aristotle is Important

- (1) Important ideas, many of which remain relevant today
- (2) Influenced many generations of thoughtful persons, and served as points of departure for economic and philosophical developments about 2000 years later.
- (3) Adam Smith, for example, points out differences between his moral theory and that of Aristotle. His ethical ideas also influenced Christian and Islamic ideas about morality.
- (4) Not all of his ideas remain well regarded, as with respect to slavery, but as a rule his was the “moderate” “reasonable” position on most issues for many centuries.



# A Few Discussion Questions

- If Aristotle were alive today, what would he think about the education system that you have been passing through for the past 12-16 years?
- Why does it make sense that Aristotle would support public education given his theory of a good life?
- When Aristotle ranks types of careers he ranks them roughly as: (1) farming, (2) fishing, (3) commerce, (4) finance. Can one use his theory of a good life to explain why he might rank them this way?
- How similar does Aristotle's theory of money seem to be to modern monetary theory?