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# **Aristotle on Wealth-Acquisition: Ethical, Economic and Political Issues**

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**Declaration**

I hereby declare that this thesis is of my composition and that it contains no material previously submitted for the award of any other degree. The work of this thesis has been produced by myself except where due acknowledgement is made in the text by use of quotes and references.

Panayiotis Kapetanakis  
15 September 2018

## Abstract

Aristotle's virtue theory is considered the main depository of prominent pro-business/market and anti-business/market approaches to business and economic ethics. However, Aristotle's ethical and economic thought is not clearly in favor or against business and other market institutions. Hence, most writers assume what they should prove independently. The former tend to overlook his anti-business claims as these appear mostly in his writings about the art of wealth acquisition (*chrematistics* or χρηματιστική; *Politics* I.8-11). The latter make a superficial reading of Aristotle's writings on chrematistics, commercial justice and economics and downplay the pro-business implications of these writings. My thesis is a study of Aristotle's account of chrematistics in relation to his ethical, political and economic thinking because, currently, there is no book-length reconstruction and interpretation of it. My exegetical task is to reconstruct and interpret his writings in chrematistics and my critical task is to answer whether he was a friend or foe of business and other market institutions. While I examine all modes of chrematistics, my main research question is concerned with the ethical status of business.

In the first chapter I present how the question about chrematistics arises in the *Politics*, and how it relates to Aristotle's concerns in the *Nicomachean Ethics* and the *Politics*. In the second chapter I present Aristotle's quasi-historical and ethical account of chrematistics as these appear in *Pol.* I.8-11. In the third chapter I examine further in the *Politics* why Aristotle censures the lower occupations, including commerce, and I argue that his critique is not ideological as most scholars contend; his objections rest on his perfectionist view of constitutions and citizenship. In the fourth chapter I present and examine Aristotle's theory of just price as this appears in *NE* V.5. I argue that the market price of a product is just when the utility of exchangers is equally satisfied and approximates the 'natural' price of the product. In the fifth chapter I examine the reading that business is an unjust way of wealth-acquisition. I argue that Aristotle mainly objects to business *qua* the principle of unlimited wealth-acquisition and to parasitic forms of business. Instead he seems to approve of business that closes gaps in self-sufficiency and generates profit within the bounds of the natural prices of goods. The sixth chapter examines the reading that the institutions of commercial

economies are inimical to virtue and necessitate greed and injustice. I suggest that, for Aristotle, money and business are neutral devices; greed and acquisitiveness are natural propensities that arise independently from the institutions of money and business. However, Aristotle is wary of the mercantile life and commercial economies, and thinks that the cities which rank wealth higher than virtue are less conducive to happiness (εὐδαιμονία).

## **Preface and Acknowledgements**

My engagement with Aristotle's theory of business started life in the wake of the Global Recession (2008-2010) and the fiscal crisis of my home country, Greece, which affected me financially and led me to interrupt my PhD study for three years. Before the interruption, my doctoral research aimed at developing an Aristotelian approach to the ethical responsibilities of businesses, especially of the large corporations of the financial sector. During the interruption I realized that most virtue-theoretic research in economic and business ethics is not informed by Aristotle's philosophy of business and economic thought. Virtue-ethicists usually take it for granted that Aristotelian virtue theory is indispensable in business although Aristotle himself questioned the very possibility of virtuous business. Hence, their project somehow assumes what it should prove independently.

I decided to write my thesis on Aristotle's philosophy of business since there is no book-length treatment of the subject that informs current research in virtue-theoretic business ethics. The only book that examines Aristotle's philosophy of business is Meikle's 'Aristotle's Economic Thought' although only in part. However, his book differs from mine in subject matter which seeks to contribute a close reading of Aristotle's work on business. My choice of topic started from discontent with both Meikle's Marxian reading and the disregard of Aristotelian business ethicists of Aristotle's critique of business. In addition, I found in Aristotle a corrective to the alarming consequences of the ethics of neo-classical economics and policy-making. Mainstream economists, governments and policy-makers usually prioritize economic efficiency over social, political, ethical, and environmental concerns. They believe that the self-interested pursuit of profit-maximization is the 'invisible hand'—the driving force behind self-regulating markets—that maximizes efficiency, preference-satisfaction, and secures freedom and distributive justice. However, the recent financial crash disproved the dogma of unfettered markets. Governments were forced to use massive bail-outs in order to restore the banking sector at the expense of taxpayers, although the financial crisis resulted from the excessive and unregulated profit-seeking of both the depository and the shadow banking system. Evidently, the



current system of governance lacks substantive ethical orientation and, most importantly, there is no inbuilt ethical limit on market operation.

As a student of Aristotle's philosophy, I was surprised to see that his main worry with the primitive market economy of his time is so current: wealth-acquisition should not be detached from ethical and political ends. In my view, his inquiry in chrematistics is chiefly an attempt to arrange economic and ethical ends properly, and to place a limit on market operation because he realized that there is no natural limit in profit-seeking. The 'economic' and the 'ethical' are two separate spheres and, unfortunately, societies have failed to place wealth-acquisition under higher ethical and political ends.

This dissertation would not have been possible without the teaching, inspiration and support of numerous people. First, I am grateful to the whole staff and postgraduate community at Edinburgh who over the years have, knowingly or otherwise, taught me philosophy in both formal and informal ways (e.g. in seminars and conversation). I am unable to name each one of them but Dr. Christos Kyriakou and Owen Kelly are due special thanks. Second, I owe a great deal to my teachers during my MSc study. I was lucky enough to have been taught by such philosophers as Huw Price, Richard Holton, Rae Langton, Peter Kail and Mike Ridge (my MSc thesis supervisor). Third, I am greatly indebted to my supervisor Dory Scaltsas not only for his exquisite supervision and teaching, but also for his kindness, patience and moral support during a difficult time for me. Dory has taught me a great deal about ancient and contemporary philosophy since my MSc study when I joined his seminar in Ancient Philosophy with other budding philosophers. He is not only an erudite professor but also an exceptionally skillful 'interlocutor' who offers a most exquisite kind of philosophical training through rigorous and exhaustive argument analysis. Dory guided me skillfully through the exegetical and philosophical puzzles of Aristotle's texts and encouraged me to grapple with them confidently and methodically. He helped me attain clarity and avoid lots of inconsistencies and mistakes during the writing of my thesis. Dory taught me that classical philosophy should have to be neither a prison nor a museum. I'm most grateful to him for showing me how to avoid a pure antiquarianism and how to use classical philosophy in order to fertilize

contemporary thought. Last, but not least, I have to thank my family—my parents Giorgos and Eleni, and my sister Katerina. Without their love, their patience and invaluable support I wouldn't have been able to write this thesis.

## Abbreviations

<i>Ath. Const.</i>	<i>Athenian Constitution</i>
<i>Cat.</i>	<i>Categories</i>
<i>DA</i>	<i>De Anima</i>
<i>Econ.</i>	<i>Economics</i>
<i>EE</i>	<i>Eudemian Ethics</i>
<i>MM</i>	<i>Magna Moralia</i>
<i>Met.</i>	<i>Metaphysics</i>
<i>NE</i>	<i>Nicomachean Ethics</i>
<i>Phys.</i>	<i>Physics</i>
<i>Pol.</i>	<i>Politics</i>
<i>Rhet.</i>	<i>Rhetoric</i>
<i>Top.</i>	<i>Topics</i>

**Unless otherwise stated, quotes and excerpts from *The Nicomachean Ethics* and *The Politics* are based on the following translations:**

1. Ross, W. D. (1925). *The Nicomachean Ethics*. In *The Works of Aristotle*, Vol. 9. Edited and Revised by Lesley Brown (ed. 2009). Oxford: Oxford University Press.
2. Reeve, C. D. C. (1998). *Aristotle: Politics*. Indianapolis/Cambridge: Hackett Publishing Company.

### **For Aristotle's other works:**

Barnes, J. (ed.). *The Complete Works of Aristotle*. Princeton (NJ): Princeton University Press, 1991.

### **For Plato's works:**

Cooper, J. & Hutchinson, D.S. (eds.). *Plato: Complete works*. Indianapolis: Hackett, 1997.

## INTRODUCTION

Aristotle's ethical and political writings have been the main repository of ideas of the virtue-ethical paradigm in business and economic ethics since the early 1990's.<sup>1</sup> Nowadays there is a profusion of Aristotelian answers to perennial ethical questions at the intersection of economics, ethics and politics regarding the operation of the market system and business. Does business profit derive from unjust exchanges? Is the profit-motive antithetical to moral virtue? Does the market solution to societies' economizing problem help us realize core ethical and political aims like justice, freedom, happiness, solidarity?<sup>2</sup>

On the one hand, Aristotelian business ethicists hold that his virtue theory is integral in the field: the moral virtues are indispensable in ethical business practice since the business enterprise is a form of Aristotelian community aiming at happiness.<sup>3</sup> They also assume that Aristotle's ethics is compatible with capitalist economies. On the other hand, Aristotle's critique of business has fueled a long-standing suspicion of the profit-motive. This hostility runs from the Antiquity through the Medieval schoolmen to modern philosophy (e.g. Rousseau and Marx).<sup>4</sup> Today, Aristotle is often cited in critiques of the market system as well in contemporary anti-market strands in ethics which hold that business ethics is an oxymoron.<sup>5</sup>

It is puzzling that friends and foes of the market system both claim Aristotle as their precursor because Aristotle could not have been both a friend and a foe of business. Unfortunately, most writers in business ethics ignore Aristotle's account of wealth-

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<sup>1</sup> See Capaldi (2013).

<sup>2</sup> According to economists, the 'economizing' problem is as follows: "The ends are various. The time and the means for achieving these ends are limited and capable of alternative application. At the same time the ends have different importance"; Robbins (1932:12). Economizing is possible because agents can put resources into alternative uses and rank their preferences. Over the course of history, there have emerged three major types of economies as solutions to the economizing problem: economies run by tradition, by command, and by markets; see Heilbroner (2012:6-11).

<sup>3</sup> Solomon (1992).

<sup>4</sup> Rousseau (1997 [1750]); Marx (1995 [1867]).

<sup>5</sup> The prominent Aristotelian critic of the market system is MacIntyre (1984). For market and anti-market approaches to business ethics see Capaldi (2013). For pro-market approaches see Solomon (1992), van Staveren (2001), Kay (2003), Crespo (2014), Miller (1990) and (2017). Except for MacIntyre (1984) and Meikle (1995), for more recent anti-market approaches to business and economic ethics see the volume Bielskis & Knight (2015).

acquisition (χρηματιστική; *chrematistics*)<sup>6</sup> and commercial justice. It should be said in fairness to Aristotelian business ethicists that Aristotle actually held mixed views about business, or so I argue. Hence, his account of chrematistics appears complex and filled with contradictions. On the one hand, he held that foreign trade is necessary for the survival of cities. Also, he argued that landless citizens could become traders. On the other, hand, he was wary of the mercantile life because he argued that it is inimical to virtue. He also censured commerce as a perversion of the natural end of exchange, i.e. self-sufficiency. In addition, he appears to think that commercial profit is gain at the expense of others.

With a few notable exceptions, most commentaries of Aristotle's chrematistics tend to be brief, dismissive or ignore the political and economic dimensions of his account.<sup>7</sup> In my view, there is no convincing account of Aristotle's contradictory claims about business. Some commentators argue that his negative claims about business are just evidence of his aristocratic bias against merchants. Others take his negative claims at face value and think that Aristotle offers a straightforward rejection of business and commercial economies. While his account of chrematistics is not conclusive and parts of it pertain to the economy of his time (e.g. his account of wage labor), his theory of business and commercial justice can fertilize current research in business and economic ethics. Most notably, Aristotle highlights the need for an economy of self-sufficiency which places a limit on wealth-acquisition and market economies.

In effect, the aim of my dissertation is to contribute the first comprehensive treatment of Aristotle on chrematistics. My interest in Aristotle's account is both exegetical and critical. The exegetical task aims at clarifying what he has said and, partly, what he should say about business, especially in light of his economic thought and his theory of commercial justice in *NE* V.5. My critical task is to see what contemporary philosophy of business and economic ethics can learn from Aristotle. The main question I examine is whether he was a friend or foe of business and, more broadly, of commercial economies because this has important implications for the philosophy of

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<sup>6</sup> Variably translated as, for example, 'the art of getting wealth' (see Jowett (1885)), or the 'skill of acquiring goods' (see Saunders (2002)).

<sup>7</sup> Meikle (1996).

business. If Aristotle's account, and/or his ethical and political theory, imply that business is an inherently unethical practice, then it is difficult to see how there could be an Aristotelian defense of business or a virtue-theoretic analysis of business practices. On the other hand, if his account implies that business is not inherently unjust, then an Aristotelian critique of market economies would be a non-starter.

My dissertation consists of the reconstruction of Aristotle's account of chrematistics as this appears in *Pol.* I.8-11, the presentation and critical discussion of the interpretations offered so far. Contrary to most commentators, I argue that Aristotle was neither a friend nor a foe of business. Rather, he was after an ethical limit on wealth-acquisition and commercial exchange because he realized that these are not limited by nature. For Aristotle, wealth should be limited by the material self-sufficiency required for survival and the good life.<sup>8</sup> In addition, I argue that, in principle, business can be compatible with Aristotle's virtue-theoretic standards, *viz.* if it aims at self-sufficiency. However, Aristotle thought that the mercantile life is not suitable for the virtuous person and he favored agrarian economies because commercial economies facilitate the acquisitive tendencies of individuals. On the other hand, he was aware that commerce arises out of necessary exchange and is unavoidable since it serves pragmatic purposes—it is useful for the survival of cities and households.

Aristotle's inquiry in chrematistics starts in *Pol.* I.3 as part of his inquiry into the nature of the art of household-management (οικονομική; *Pol.* 1253b11-14).<sup>9</sup> The main bulk of his theory appears in *Pol.* I.8-11 and unfolds from his problematic of the relationship between the two arts, economics and chrematistics. For Aristotle, the art of chrematistics is not identical with the art of household-management but a part of, and auxiliary (ὕπηρετική; *hupêretikê*) to, it. The two arts differ in terms of function

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<sup>8</sup> My interpretation places Aristotle squarely in the current debate about the moral limits of markets. The central issue in the debate is whether there is something morally wrong with a society in which non-economic goods are commodified; see Sandel (2012). It is also the question about which things should / should not be for sale and the derivative question about the limits of profit-making.

<sup>9</sup> Οικονομική here is not the same field with the modern discipline of economics, i.e. "the science which studies how individuals and societies make economic choices under conditions of scarcity"; McConnell (2009:2).

(*Pol.* 1256a10-13): the art of chrematistics aims at supplying the property required for the exercise of household-management. Hence, chrematistics, says Aristotle, should be subsumed under, and limited by, household-management. His interest in chrematistics and economics was not primarily analytic but ethical: it starts at the very beginning of the *Politics* with the question ‘How we can live well as a community?’. In particular, the purpose of the *Politics*, as he states it in the concluding passage of the *Nicomachean Ethics* (1181b17-24), is to find out the economic and constitutional arrangements most conducive to human flourishing (εὐδαιμονία; i.e. flourishing or happiness). That is why his inquiry in chrematistics is inextricably linked to his discussion of household-management and politics. The economic arrangements of a city should not undermine the natural end of human happiness, civic friendship and reciprocal justice.

My plan for answering whether Aristotle was a friend or foe of business follows the order of Aristotle’s exposition of chrematistics (*Pol.* I.3 & I.8-11) and commercial justice (*NE* V.5). His **first** question is concerned with the relationship between chrematistics and household-management. This is the key to the **second** problem: the distinction between natural and unnatural chrematistics. On the basis of his answers to these two questions Aristotle describes the economic responsibilities of the householder and the ethical forms of wealth-acquisition, that is, the natural and the unnatural modes of chrematistics. His **third** question is whether commercial profit is an inherently unjust gain and, hence, whether a commercial economy necessitates injustice and greed.

Let me now provide a preview of my dissertation. The first chapter is the backdrop of the theory of chrematistics. In particular, it puts forth the main questions about chrematistics, it explains the origin of these questions in the *Ethics* and the *Politics*, and describes Aristotle’s method. In addition, this chapter presents the psychological elements of his economic thinking.<sup>10</sup> Aristotle’s naturalistic analysis of economic

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<sup>10</sup> For Aristotle, “economics is chiefly concerned with the ordering of human purpose and function within the two dominant economic units of his day—the household and the state”; Gordon (2005:400). Aristotle develops an economics of the household—not an economics of markets—which is chiefly concerned with the efficient administration of the household, including the efficient distribution of resources.

behavior is normative since it is based on his normative moral psychology:<sup>11</sup> the standards of virtue and happiness prescribe the ethical scope of the economic arts and the extent to which wealth is necessary for happiness. Aristotle's starting question about chrematistics is (1) the relationship between chrematistics and household-management in the teleological order of practical and productive arts. His inquiry in chrematistics starts as a quasi-historical reconstruction of the development of socio-political and economic arrangements. As we shall see in chapter 2, this inquiry is an attempt to delimit the natural from the unnatural modes of acquisition—namely, question (2)—and culminates in an ethical critique of unnatural chrematistics (*Pol.* I.10). In particular, Aristotle seeks to analyze the forms of chrematistics that are suitable for the good person / citizen, the good city and the good life. In effect, I explicate Aristotle's system of arts and show how this system is structured with politics in topmost position and the two economic arts subsumed under it. Second, I sketch Aristotle's view of human nature and moral psychology because his answer to question (2) is based on standards of his ethical and political theory—*viz.* virtue, happiness, citizenship. I give special attention to his views of human reason, happiness, pleasure and desire as these are implicated in economic behavior. Third, I discuss the place of wealth in Aristotle's hierarchy of goods and propose that, for Aristotle, wealth is both an instrument required for virtuous activity and leisure, and a constituent of happiness provided that the user of wealth is a good person.

In the second chapter, I reconstruct Aristotle's writings about chrematistics in *Pol.* I.3 & I.8-11. I show how he analyzes the tasks associated with household rule, including the acquisition of wealth, on the basis of the natural limit of self-sufficiency. This analysis delimits the ethical scope of chrematistics in accord with the highest human end (i.e. happiness) and carves out the space of the natural economy where some modes of acquisition are ethical and promote human flourishing, whereas others, like commerce and money-lending, are unsuitable for the good person and citizen. According to Aristotle's answer to question (1), chrematistics is the art of supplying wealth; household-management is the art of using wealth efficiently. In regards to

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<sup>11</sup> In Aristotle's ethical theory there seems to be no gap between facts about human nature and norms about how humans should live. The natural end of flourishing or happiness prescribes the conditions that fulfill this end.



question (2), Aristotle separates natural from unnatural chrematistics by using a standard (Natural Standard, hereafter) that comes in three forms: first, the source of wealth must be natural; second, chrematistics must aim at true wealth (the wealth required for the good life); third, wealth from exchange must be based on the use value of the good exchanged. Hence, only natural chrematistics is *part* of household-management: the householder should know how to manage the tasks of natural chrematistics. Also, natural chrematistics may be an *auxiliary* to household-management: the acquisition of wealth should be delegated to others and supervised by the householder—e.g. the householder should not necessarily be a farmer but should know how to manage production. However, some commercial modes of chrematistics are not clearly natural or unnatural—e.g. mining for trade. Also, in other parts of the *Politics*, Aristotle does not use the Natural Standard in his categorization of the lower occupations. While in *Pol.* I.8 he classifies farming in natural chrematistics, in *Pol.* VII.9 he delegates it to non-citizens because he considers it as an obstacle to the leisure required for political participation. Also, in *Pol.* III.5 he argues that workers and craftsmen should not be citizens; this raises the social categorization problem of the industrial class of the βάνανσοι (the *banausic* class). Since his objections to the lower occupations are not based on his natural standard, as in *Pol.* I.9-11, most scholars argue that his objections rest on class prejudice. I examine further this problem in chapter three in light of his accounts of citizenship and the best state because it appears that his objections to these occupations are informed by his perfectionist political theory. In regards to question (3), Aristotle offers no discussion of justice in market exchange in *Pol.* I.8-11 except for a quick remark in *Pol.* 1258a40: commercial gain derives at the expense of others (ἀλλ' ἀπ' ἀλλήλων ἐστίν). For most commentators here Aristotle claims that market exchanges are zero-sum and profit can only be had unjustly. I examine this reading in chapters four and five in the light of *NE* V.5. Also, for some commentators, *Pol.* I.9 raises the further question whether, for Aristotle, a commercial economy makes people greedy. His analysis points out that commerce and money facilitate the tendency to pursue unlimited wealth. Does this tendency arise from the market institutions or independently from them? This requires a clarification of economic virtues and vices.

In chapter 3, I reconstruct and examine Aristotle's critique of the banausic occupations because his discussion of hired labor and the crafts in *Pol.* I.11 is very brief and incomplete. Most importantly, his objections to hired labor, commerce and the crafts appear to be no longer based on his Natural Standard. Rather, his critique of these occupations is part of his answer to the problem of the social categorization of the industrial class in the ideal city-state. Aristotle contends that the industrial class should not participate in office. For most scholars, his objections are ideological rather than philosophical.<sup>12</sup> My aim in this chapter is to illuminate further which modes of acquisition Aristotle thinks suitable for the good person and the citizen of ideal and non-ideal regimes.<sup>13</sup> In effect, first, I present and explain the inconsistencies between Aristotle's discussions of *Pol.* I.8-11 and *Pol.* IV, VII and VIII—for example, his different approach to farming in *Pol.* I.8 and VII.9. Second, I examine the reading which holds that Aristotle's objections to the lower occupations are ideological and I reject it. In brief, I argue that his objections are based on his ethical perfectionism and on his empirical observation that the lower occupations damage the moral character of individuals. I also argue that the ideological-bias reading overlooks that in Aristotle's ideal regime the industrial and mercantile classes should consist of a non-Hellenic population who are not citizens. The ideal city-state seems to be his blueprint for Hellenic colonies where Greek citizens should be devoted to political activity. Also, the ethical status of occupations varies with the constitutional arrangement at hand. For example, while Aristotle's ideal regime is an aristocracy, his best practicable state is the *polity*—the mixed constitution with a large middle-class pursuing various occupations, including perhaps the lower ones. If Aristotle's rejection of the lower occupations was ideological, he would have contended that aristocracy is also the best practicable regime. Perhaps, he exaggerates the effects of these occupations on the moral character of agents because of empirical error. Or he might have used it for rhetorical purposes—he warns that the mercantile and the menial life are unsuitable for the free person and inimical to the life of virtue and political activity.

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<sup>12</sup> For example, see Newman (1887:138); Barker (1906:376); Ross (2005:255); Schumpeter (1954a:60).

<sup>13</sup> By 'ideal' state Aristotle refers to the best conceivable regime "if there were no external obstacles" (*Pol.* 1288b23). This is not the same with the best *practicable* city-state of *Pol.* V which combines the unqualifiedly ideal regime and "the best [regime] in the circumstances" (*Pol.* 1288b25).

Aristotle's analysis of the ethical status of business in *Pol.* I.9-10 is incomplete because we lack an account of its justice. In the *Politics* he only makes a quick remark about justice and business: "...commerce is a mode by which men gain from one another" (*Pol.* 1258a38-b2). In the fourth chapter I present and examine Aristotle's solution to the problem of justice in exchange, as he analyzes it in *NE* V.5: how is justice in exchange achieved? For most commentators, this passage implies that one can gain only by selling in excess of the just price. According to Aristotle, an exchange is just when exchangers transfer the amount of value they receive in accord with proportionate equality. His formula of proportionate equality 'as builder is to shoemaker, so many shoes to a house' (*NE* 1133a22-23) has generated an astounding amount of interpretations. Is proportionate equality, equality of utilities or equality of labor? This question brings us to Aristotle's economic thinking. If prices are fixed independently from the need of exchangers, by some quantitative factor, like labor or cost-of-production, then the just price is proportionate equality of that factor. Hence, business profit can be had only in excess of the just price. On the other hand, if prices are formed by the subjective preferences and needs of exchangers, then the just price is fixed by equality of utility; hence, in principle, business profit can be had fairly as long as the price satisfies both exchangers. In the first section of chapter 4, I present Aristotle's theory of justice and explain how commercial justice differs from corrective and distributive justice. In section 4.2, I present Aristotle's analysis of commercial justice as this appears in *NE* V.5. In particular, I explain how his analysis raises the problem of commensurability and how he tackles with it.<sup>14</sup> In section 4.3, I present the utility and labor theories of economic value and I explain why I find the readings of Aristotle based on these theories unsatisfactory. In effect, I propose an alternative interpretation of his formula that is in line with his thinking about economic value. For Aristotle, prices are formed by the needs of exchangers but the just price must take into account the value of each exchanger's work in a non-subjective way so that they are compensated properly. I introduce here Adam Smith's notion of 'natural' or 'long-term' market price: the value of one's work is the natural price of one's product which is non-subjective utility. Like Smith's natural price,

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<sup>14</sup> Aristotle sought the standard which brings incomparable goods, such as houses and beds, etc., in proportionate equality. In other words, the problem of commercial justice raises the problem of commensurability.

Aristotle's just price derives from undistorted competition: the seller and the buyer bargain on the basis of equal need as if they formed a bi-lateral monopoly. As a result, each exchanger receives and transfers an equal amount of utility. The natural price is a guide to the just price: the builder and the shoemaker must receive as many shoes and houses as the natural price of their products commands.

The aim of the fifth chapter is to present and discuss Aristotle's ethical critique of business profit. For most commentators, Aristotle maintains that trade is a zero-sum economic practice. Hence, one's business profit can only be had at another's loss. Their reading is based on *Pol.* 1258a38-b2. However, this interpretation overlooks that Aristotle's just price allows the possibility of business profit as long as the market price is within the bounds of the natural price. They also overlook the pro-business evidence in Aristotle's writings. In *Pol.* I.9 and I.11 Aristotle approves certain profitable business practices, such as the trade of household surpluses, foreign trade (ἐμπορία; *empōria*), manufacture for trade, commercial agriculture, and trade based on mining (μεταλευτική) and logging (ύλοτομία). I argue that the standard interpretation is not the correct rendering of Aristotle's critique of business profit and I propose an alternative way to understand the *Pol.* 1258a38-b2 passage. In section 5.1, I present the standard reading and argue that it presupposes an objectivist view about economic value. In section 5.2, I critically discuss the standard interpretation. I explain that this reading faces three difficulties. It must square the *Pol.* 1258a38-b2 passage with, first, Aristotle's non-objectivist conception of economic value, second, the zero-sum assumption, and third, the pro-business evidence. In section 5.3, I propose a way to square this passage with these three conditions. I argue that this passage is not an all-out rejection of commercial profit but refers to the kinds of business that create profit from the exchange itself (καπηλική). Such profit violates the Natural Standard and the just price: the seller gains more use value he/she offers. My interpretation helps explain why Aristotle does not reject all forms of business; he rejects only the parasitic ones. I argue that, however, his main objection to business is that it pursues unlimited wealth and, hence, that there is no natural limit in profit-making from market exchanges, like the limit of self-sufficiency, as this is expressed by the natural price of goods. This raises the question whether the organizing and ethical principles of commercial economies— especially, the principles of self-

interest and profit-maximization which mobilize economic activity in market economies—foster selfishness and greed. Although Aristotle’s psychological account of chrematistics in *Pol.* 1257b21-1258a14 suggests that it is up to agents whether they pursue fair or unfair gain from commerce, some commentators argue that commerce and money are not neutral devices; they *necessitate* greed and injustice. This is the subject of the sixth chapter of my dissertation.

In chapter 6, I examine whether Aristotle held that greed and injustice arise as a result of the institutions of money and business, or whether these serve to satisfy the desire for excessive acquisition. The key question is whether business *necessitates* greed and commercial injustice. In the *Pol.* 1257b21-1258a14 Aristotle says that those attached to the life of physical gratification misuse the mechanism of exchange in order to maximize their wealth. However, he is also aware that there is no natural limit on prices and on the desire for unlimited wealth. Business and money create the belief that wealth-acquisition is about unlimited wealth. Hence, business, for Aristotle, is not as neutral as some commentators argue. In section 6.1, I present the two competing interpretations, what I call the *structuralist* and the *agential* readings. According to the structuralist reading, money and business necessitate greedy behavior and create the desire for unlimited wealth. On the other hand, the agential reading holds that acquisitive tendencies do not originate from the institutions of commercial economies independently but are somehow inborn in the agent. In addition, the agential reading stresses that it is up to agents to manage their characters and desires. In section 6.2, I explain how particular injustice differs from the other vice of acquisition, illiberality in taking, and how it arises. I argue that the greedy person is selfish (φιλαυτος); selfishness leads to particular injustice but not to illiberality necessarily. Aristotle’s psychology implies that economic structures do not necessitate but rather reinforce greed because they operate on the basis of material self-interest and profit-maximizing behavior. In section 6.3, I argue that the agential reading cannot explain away why the mercantile life is unfavorable to virtue. Aristotle insists on that the mercantile life harms moral character, most likely, through habituation: the more opportunistic and parasitic a trader’s practice, the more accustomed to injustice one becomes. In my view, Aristotle either errs about the effects of the mercantile life on moral character or he exaggerates these effects for rhetorical purposes. A third

possibility is that he was biased against the mercantile class but I dismiss this possibility in chapter 3.3.

As a final note, I should stress the following caveat. Aristotle's account of commercial chrematistics pertains to commerce in a predominantly agrarian and household-based economy which aimed at self-sufficiency. The ideal of this economic model is the efficient management of the household and the city.<sup>15</sup> On the other hand, modern economies are market economies whose aim is the allocative and productive efficiency of interconnected, self-regulating markets which aim at maximizing utility.<sup>16</sup> There is a lasting but inconclusive debate about the nature of the ancient economy—whether it was a primitive non-market economy or a small-scale version of a modern market economy—which we need to take into account in order to avoid the risk of anachronism by false comparisons between ancient and contemporary economies. In particular, we need to identify carefully the economic practices and principles that are the subject of Aristotle's critique of business because some of his economic concepts are quite different from ours. Hence, we should extrapolate his critique to contemporary economies only to the extent that it overlaps with the organizing principles of market economies and the concepts of modern economics. For example, Aristotle's conception of profit (κέρδος) is not ethically neutral, like the contemporary concept of 'accounting profit', but has the pejorative sense of 'unfair gain'. Also, in modern market economies, profit-maximization and the maximization of wealth serve to attain the ends of efficiency and preference satisfaction. In modern economics, the more a society maximizes its economy's efficiency the more successfully it deals with the problem of scarcity: it maximizes preference satisfaction at minimum cost and with minimum waste. Efficiency in modern economics is the efficiency of self-regulating markets in maximizing utility, where this is construed as preference satisfaction from the consumption of goods and services. In the modern solution, the 'invisible hand' is the driving force of market economies where self-interested buyers and sellers compete in order to maximize their utilities and profits. An axiom of modern economics is that competitive markets

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<sup>15</sup> Xenophon's *Oeconomicus* "is a systematic treatment of the organization and administration of the agricultural estate, emphasizing human capital and organizational efficiency"; Lowry (1987:13).

<sup>16</sup> Utility is construed as preference satisfaction from the consumption of goods and services.

maximize efficiency. There is an equilibrium price at which the quantity supplied equals the quantity demanded; it is the price that maximizes the utility of consumers and businesses. We need to take into account that, for modern economists, opportunities for profit arise as a result of consumer demand or need.

While modern economists have purged the idea of profit-maximization and wealth-maximization in the name of efficiency and social welfare, we do know if Aristotle would concur to this ideal. Markets at his time were not interconnected and the role of business operation in producing allocative efficiency escaped him. In addition, his critique of business is not concerned with the business enterprise of modern capitalist economies as such. Also, his theory of just price does not deal with the ethics of the price-mechanism of self-regulating markets where prices result from the interplay of aggregate supply and demand. Rather, Aristotle's theory is concerned with the ethics of price formation in barter and local trade which was often opportunistic and preyed on the needs of customers. Also, he does not discuss financial markets and productive lending. Hence, apart from the exegetical difficulties that could arise by using modern economic concepts in interpreting Aristotle's critique of business, modern business ethicists and economists should also watch out for false comparisons. Although Aristotle offered useful discussion of such concepts as the just price and economic value, as it appears, we cannot extrapolate Aristotle's work on chrematistics to each and every organizing principle and practice of market economies.

We also need to take into account that he approached economic phenomena as a moral and political philosopher who realized that the emerging commercial economy of his time raised the problem of a limit on acquisition and profit-making. In contrast to the modern solution to the economizing problem, which emphasizes the pursuit of ever-increasing wealth, Aristotle argues that human flourishing does not require unlimited wealth. Rather, economic activity should be limited by the requirements of happiness; unlimited wealth serves no purpose and is an irrational end. In addition, while modern economics is neutral about the rational evaluation of our preferences, ancient economic thinking emphasizes the evaluation of our ends and their proper ordering. Accordingly, Aristotle's response to the economizing problem is that we need to re-adjust and manage our preferences regarding the acquisition and use of

wealth. Wealth-acquisition should be an intermediate end that serves politics which aims at the flourishing of society as a whole. This core idea of Aristotle's theory of chrematistics sets apart modern from ancient economic thinking and could be an invaluable lesson for contemporary theorists.



# CHAPTER 1

## Chrematistics, Aristotelian Principles and Method

### Overview

This chapter is the conceptual backdrop of Aristotle's inquiry in chrematistics. In particular, I introduce Aristotle's main questions about chrematistics: first, how chrematistics is related to household-management; second, how natural chrematistics differs from unnatural chrematistics; third, which modes of chrematistics are compatible with his virtue-theoretic standards, i.e. happiness, virtue and justice. Then, I outline the main concepts and principles of Aristotle's ethical, psychological and political theory that inform his answer to these questions.

In section 1.1, I discuss how the questions about chrematistics arise from his *Ethics* and *Politics*. In section 1.2, I outline the main questions, methodology and principles of Aristotle's ethical and political theory as these underlie his work on chrematistics. In section 1.3, I present the main moral-psychological concepts involved in Aristotle's theory of chrematistics. I explicate the relationship between happiness and virtue, and between happiness and pleasure as these are implicated in economic behavior. In section 1.4, I outline Aristotle's political naturalism. In particular, I present his quasi-historical account of political and economic arrangements—the household and the city—in order to explicate the political origin of his questions about chrematistics. This section is also the background of section 1.5 because it provides structure to Aristotle's teleological system of practical arts and informs his answer to question (1), including how chrematistics ought to be related to politics. Also, section 1.5, examines the relationship between wealth and happiness—question (1.a).

### 1.1 The Questions about Chrematistics

In this section I address the main questions about chrematistics and then explain how they arise from Aristotle's background inquiry in happiness, citizenship and the best city.

### 1.1.1 *The Master Question*

Aristotle's inquiry in chrematistics starts at *Pol.* I.3 as part of his inquiry into the art of household-management:

But there is also a part which some believe to be identical to household management (i.e. οἰκονομική), and others believe to be its largest part. We shall have to study its nature too. I am speaking of what is called wealth acquisition (i.e. χρηματιστική). (*Pol.* 1253b11-14).

Here we learn that the received view<sup>17</sup> about wealth leaves it unclear whether chrematistics is identical with the art of household-management or whether it is an auxiliary to it (ὕπηρετική; *hupêretikê*). In *NE* 1094a9 Aristotle appears to subscribe to this view. He says that wealth is the end of household-management. However, in *Pol.* I.3 he casts doubt on this popular opinion and sets out to examine the relationship between chrematistics and household-management because he thinks that they might not be identical after all. In effect, Aristotle asks the following question:

#### **The Master Question**

Is the art of wealth-acquisition identical with the art of household-management?

This is the key question because his other questions about chrematistics unfold from it. Very briefly, Aristotle replies that they are not identical arts because they have different aims or functions (*Pol.* 1256a10-13). So, the Master Question becomes:

1. What are the aims of the two economic arts? And how are the two arts related to one another? For example, is chrematistics a part or auxiliary to household-management?

The main body of Aristotle's theory of chrematistics unfolds from this problematic. In *Pol.* I.8-11, question (1) becomes:

2. When is chrematistics a proper part of household-management and, hence, natural? When chrematistics is not part of household-management and hence, unnatural?

Aristotle's theory of chrematistics subdivides into the following ethical problems:

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<sup>17</sup> The source of this opinion is not clear; see e.g. Newman (1887:127); cf. Saunders (2002:84) cites *Pol.* 1257b24-31 and Xenophon's *Oeconomicus* III.15.

(1.a) Which tasks of natural chrematistics are proper for the householder and the statesman and to what extent should householders pursue wealth?

(2.a) Which modes of chrematistics are suitable for the good city and the good person / citizen?

(2.b) Does greed arise as a result of the practice of business and more broadly, the institutions of money and market exchange? Or is business a neutral device that serves to satisfy the natural predisposition of agents for excessive acquisition?

As we shall see in chapter 2, the key to questions (1) and (2) and their components is the following: the end of household-management prescribes the tasks of the householder and the proper scope of wealth, and it delimits the natural from the unnatural forms of chrematistics. Aristotle's answer to (1.a) and (2.a) is also informed by his views about citizenship and the best constitution. Also, question (2.a) requires his theory of commercial justice. If, for Aristotle, commercial profit can be had only unjustly, then commerce is not an ethical mode of acquisition and, more broadly, a commercial economy is inimical to justice—this is the problem (2.b). Hence, there is the further question about commercial justice which is the key to answering questions (2.a) and (2.b):

(3) When is a commercial exchange just?

In other words, we need to know when a price is just and then examine how Aristotle defines business profit. If prices that include business profit exceed the just price systematically, then it appears that business is not an ethical mode of chrematistics.

As a start, let us see why Aristotle feels bound to ask the Master Question and its components and, then, how the answer to it is related to the main questions, methodology and principles of his *Ethics* and *Politics*. We need to understand the backdrop in which this question arises because his inquiry in chrematistics is not self-standing. The Master Question is an intermediate step in a long analysis that starts at the very beginning of *Politics* as this takes up the *Ethics*' question about the human good to the collective level, namely, how we can live well as a community. So, let us remind ourselves briefly the general purpose of the *Ethics* and the *Politics*.

The *Ethics* is an inquiry into the human good and how individuals should best live. To understand the Master Question, we also need to remind ourselves of the purpose of the *Politics* as he states it in the concluding passage of the *Nicomachean Ethics* (1181b17-24): “to see with a comprehensive view which constitution is best, and how each must be ordered, and what laws and customs it must use, if it is to be at its best.” The *Politics* is an inquiry into the good of the political community. More specifically, it inquires in what the best constitution is. A constitution is the kind of organization or ordering of a society’s population (*Pol.* 1274b36). By ‘ordering’ Aristotle, refers to a certain way of arranging and distributing power in an association of persons. His thinking about constitutions rests on the Platonic idea that “the existence and well-being of any system requires the presence of a ruling element” and “some individual or group should rule or govern over the other members of the community”.<sup>18</sup> In short, then, a constitution specifies the ruling element, i.e. “the ruling class and those with authority over others”.<sup>19</sup> The various types of constitution—aristocracy, monarchy, polity, democracy, oligarchy and tyranny—that Aristotle discusses in *Pol.* III.7 are actually different forms of rule. In the *Politics* Aristotle asks:

What is the difference between ruling a household and ruling a city or ruling over slaves?<sup>20</sup>

This is a question about **rulership** which Aristotle inherits from Plato and tackles with in order to respond to question (1.a). In the *Statesman* (258e-259c) Plato holds that the art of rulership applies the same to all forms of association; the forms of rule differ only in terms of the number of subjects ruled. Aristotle disagrees with Plato. He argues that it would be a mistake to rule the city as if it were, for example, a household; “those who suppose that the roles of a statesman, of a king, of a household-manager, and of a master of slaves are the same, put the matter badly” (*Pol.* 1252a7-16). Very briefly, Aristotle thinks that each association requires a distinct kind of rule that must be in line with the ends of the association at hand. He takes up

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<sup>18</sup>Miller (1995:20) and (2011) <http://plato.stanford.edu/entries/aristotle-politics/supplement2.html> cites Plato’s *Phaedo* 79e-80a. Aristotle posits this principle in *Pol.* 1254a28-36 but the whole of *Politics* rests on this idea; see for example his classification of regimes in *Pol.* III.7.

<sup>19</sup> Shields (2007:364).

<sup>20</sup> *Pol.* 1252a7-16.

the question about rulership further in *Pol.* I.2-3 where he explicates the teleology of the household and the economic duties of the householder.

With this brief background in mind, let me preview Aristotle's responses to the Master Question and its components. In regards to (1), he argues that chrematistics is concerned with the acquisition of wealth while household-management is concerned with the management and use of wealth (*Pol.* 1256a10-12). The householders' duty regarding wealth-acquisition—question (1.a)—depends on which tasks the householder could delegate to others in order to secure leisure; the tasks which require the householder's engagement are *part* of household-management, whereas the tasks that can be delegated are *auxiliary* to it.<sup>21</sup> In addition, Aristotle reasons that household-management requires a supply of goods limited by the natural end of self-sufficiency (*Pol.* 1256b28-30). This is a crucial step in answering questions (1.a) and (2): natural self-sufficiency delimits the scope of wealth required for household-management. It is also the standard that separates natural from unnatural chrematistics (*Pol.* 1257b19-20).

Aristotle's answer to (1.a) and (2.a) is also informed by his standards of happiness, virtue, citizenship and the ideal constitution. For example, aristocracies and polities require that the rationality and moral character of citizens be of a high standard in order to be able to share in the aim of the best city, i.e. happiness (e.g. *Pol.* 1284a1-3). For Aristotle, people of the industrial class lack the deliberative and ethical abilities required for citizens of aristocracies.<sup>22</sup> Hence, question (2.a) is entangled with the

### **Citizenship Question:**

Who should be citizens of the best city? Should members of the industrial class be citizens? (*Pol.* III.5)

Does Aristotle think that artisans, workers and traders could not partake in political and judicial decision-making in the best city?<sup>23</sup> And if he thinks that the members of the industrial class should not be citizens, what should be their socio-political status?

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<sup>21</sup> Saunders (2002:84)

<sup>22</sup> See Plato in *Republic* IV. Aristotle deals with this question in *Pol.* III.1-5 and VII.8-9.

<sup>23</sup> *Pol.* 1275a8. A citizen is anyone capable of partaking in judicial and political decision-making.

Hence, the question about citizenship and social categorization informs the question (2.a) about the occupations—*viz.* modes of chrematistics—that are compatible with virtue and citizenship.

The question about commercial justice, i.e. question (3), is a key question and I discuss it in connection to *NE* V.5. The problem is whether, for Aristotle, commercial profit is an unjust economic practice and, thereby, a commercial economy—*viz.* an economy mobilized by the principle of profit-maximization—is an inherently unjust economic system that fosters greed. Hence, Aristotle’s answer to question (3) informs his answer to question (2.a)—whether business is suitable for the virtuous person—and (2.b)—whether business brings about greed and injustice.

I showed how the Master Question is entangled with teleology, happiness, virtue, rulership, citizenship and the ideal constitution. I turn now to present these concepts in more detail. These are the founding blocks of Aristotle’s analysis of wealth-acquisition

## 1.2 Aristotle’s Principles and Method

In this section, I sketch briefly the recurring concepts, principles and method that underlie Aristotle’s analysis of chrematistics.

### *The Principle of Teleology*

Since Aristotle’s analysis of chrematistics is teleological and happiness is the final end of both the individual and the city, let me start with his **Principle of Teleology**. According to this principle, everything in nature has a purpose, a final cause or end (*Phys.* 194a28–9; 199b15–18). Aristotle identifies the end of a thing or organism with its characteristic function (*EE* 1219a8). For Aristotle, we can know the nature of something if we know its characteristic function. For example, we can define the pen as that which is made for writing and the eye as the organ for seeing. As regards natural organisms, an organism’s nature is an internal principle of organization that explains its generation, growth and behavior (*Phys.* 192b32–3). For example, acorns grow into oak trees due to their own in-built principle of growth. This principle

underlies the naturalness of a tree's existence and development, as opposed to artifacts, whose existence depends on social factors. Humans, too, have a characteristic function in line with their internal organization or structure which determines how they function and how they differ from non-human animals: unlike other animals, humans are rational and political beings (*NE* 1098a7–17; *Pol.* 1253a2–8). Different organisms have different ways of flourishing and they flourish as long as they perform their characteristic function well (*NE* 1098a17–18). Aristotle's teleological principle has fundamental importance for his ethical thought: the ultimate human end or 'good' is happiness (*NE* 1095a17–18) and whatever realizes this natural end—i.e. whatever enables the optimum exercise of the distinctive capacities of humans is good. In contrast, whatever stands in the way to the realization of this end is bad. As we shall see in chapter two, Aristotle assesses the ethical import of chrematistics in teleological terms: does the end of chrematistics really serve the chief end of human beings and societies? Also, his critique of commerce and money-lending rests on whether they distort the teleology of chrematistics; he thinks that these modes of money-making are unnatural because they pervert the natural ends of exchange and money (*Pol.* 1257a28–30 and 1257a38–40; as perversion of its nature see *Pol.* I.10).

#### *The Good and Function*<sup>24</sup>

According to Aristotle, the ultimate 'good' has three properties (*NE* 1097a15–b6): first, it is **complete** (τέλειον; *teleion*), i.e. it is *not* chosen for the sake of anything else; second, it is **self-sufficient** (αὐταρκες; *autarkes*), i.e. it lacks in nothing and does not depend on other goods; third, it is most **choice-worthy** (μὴ συναριθμούμενον), i.e. it is not counted as one good among others, but as the most desirable of all goods. But since this is very general, what is the human good? Aristotle offers a functional account of the human good via his famous **function argument** (*NE* 1097b25–1098a18; especially 1098a16–18). His answer is that happiness is the ultimate good. The key premise is that a thing's 'goodness' depends on exercising its defining **function** well—that is, happiness is the excellent exercise of the human function. Hence, we can know the human good if we know the human function (*NE* 1097b25–

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<sup>24</sup> Scaltsas (1993) and (1996).

1098a18). The human function is the property or capacity in accord with which humans do things in a way characteristic of their nature, *viz.* a capacity that distinguishes humans from non-human animals. In *NE* 1098a16-17 Aristotle defines the human function as activity of the soul in accordance with reason and in *Pol.* I.2 he identifies the human function with political activity—i.e. humans are also political beings or animals.

### *The Rule of Reason Principle*

Aristotle agrees with Plato that reason must be the ruling element of a political community.<sup>25</sup> He uses this principle to explain who should rule and what form of rule is proper for different kinds of relations or association (*Pol.* I.13; III.6; III.11). The form of rule varies with the degree of rationality of those subject to the rule (see *Pol.* I.13 and III.6). For Aristotle, rule over children, women and slaves is not the same with political rule, *viz.* rule over citizens, because he thought that the deliberative capacity of children and women is underdeveloped or insufficient respectively. On the other hand, citizens must rule and be ruled *politically*, that is, rule over free and equal persons, because their rationality is in place. The bearing of this principle on our examination of chrematistics is very important. Aristotle argues that constitutions vary with the capacity or degree of rationality of a city's citizens. For example, aristocratic constitutions and polities require that the rationality and moral character of citizens be of a high standard in order to share in political and judicial decisions. Hence, Aristotle's answer to question (2.a) depends on the constitution under examination.<sup>26</sup> Aristotle's relaxes his strictures on citizenship in his analysis of the best practicable constitution, whereas the industrial class people should not be citizens of the ideal city.

### *The Principle of Perfection*<sup>27</sup>

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<sup>25</sup> *Republic* 441e.

<sup>26</sup> The question is whether the members of the industrial and mercantile classes could be citizens and whether citizens should practice these professions.

<sup>27</sup> The term 'Principle of Perfection' is coined by Miller (1995:18-19). It is the normative ideal "that one ought to strive for perfection" but, in a more general way, it is the idea that human perfection consists in excellent human functioning. As an explicit statement of the principle, Miller cites *Pol.* 1333a29-30: "What is most choice-worthy for each individual is always the highest it is possible for him to attain".



Aristotle's principle of teleology is also the link between his perfectionist ethical and political theory. Since happiness is a matter of realizing the political and rational nature of human beings, then happiness is a matter of perfecting human nature. Aristotle's perfectionism has objective basis, in the sense that the human good is independent from what human beings may happen to desire; it is rooted in human nature which flourishes under certain forms of activity and social conditions. So, Aristotle's theory of good differs from subjectivist theories of the 'good' as well as from Plato's objectivist but non-naturalist theory of the 'good'.<sup>28</sup> His perfectionism links the individual and the city because human flourishing depends on the city. Apart from moral education and the laws, the city provides the full range of goods required for the exercise of the human function. Part of this process is political participation: by sharing in political and judicial decision-making, humans exercise their rational and political nature and, hence, they perfect themselves. Hence, Aristotle's perfectionism forges a link between his ethics and politics: the way a city is constituted—its political institutions and laws—shapes the character of citizens; a city either promotes or hinders the exercise of the human function. In this respect, Aristotle's perfectionism underlies his ethical assessment of the economic arrangements and occupations most conducive to the development of human nature.

### **1.3 Aristotle's Moral Psychology**

In this section I present the main concepts of his virtue-theoretic moral psychology, virtue and happiness, as these are involved in his answer to the Master Question in subsequent chapters. Virtue and happiness delimit how much wealth one ought to pursue and determine the distinction between natural / unnatural or ethical / unethical modes of chrematistics. Happiness is also the principle of organization of the various practical arts, including the two economic arts. In addition, the Citizenship Question is virtue-theoretic since the ethical status of the lower occupations depends on the prospect of those who practice these occupations for virtue and happiness. Section 1.3 explains how human nature prescribes happiness as the chief end and why happiness requires intellectual and moral virtue. Also, it explains how pleasure and desire are

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<sup>28</sup> The 'good' is one of the transcendent Forms of Platonic metaphysics.

related to happiness. As I show, Aristotle's economic thinking is partly based on his virtue-theoretic psychology.

### 1.3.1 *Happiness & Virtue*

According to Aristotle, happiness is the highest good and the ultimate aim of all human beings; it is the ultimate aim of all acts and arts (*NE* 1094a1-2 and 1098a18-22). He argues that happiness does not consist in pleasure, wealth or honor (*NE* 1095b15-1096a10). So, what does happiness consist in? According to Aristotle, happiness is "rational activity of the soul in accordance with the best and most complete virtue" (*NE* 1098a16-17). Let me present the steps that lead to this definition. First, Aristotle argues that every action aims at some good and that no one disputes that this good is happiness, i.e. living and doing well (*NE* 1095a15-20). Second, happiness is the chief good because it meets the criteria of the chief good: it is complete, self-sufficient and most choice-worthy (*NE* 1097a27-b22). Third, he develops his *function* argument:<sup>29</sup>

1. A thing's goodness depends on doing its function well.
2. The function of an F is the same in kind as the function of an excellent F.
3. Humans have a function.
4. The function of humans is a certain kind of life, an activity or actions of the soul involving reason.
5. So, the function of the excellent human being is to do the activities and actions that involve reason well.
6. The chief human good is happiness, i.e. living and doing well.
7. Each action is completed well when in accordance with the appropriate virtue.
8. So, happiness, i.e. living and doing well, is rational activity of the soul in accordance with virtue, or in accordance with the best and most complete virtue.

The *function* argument shows what is distinctive about humans and links happiness with intellectual and moral virtue. For Aristotle, the defining human function is 'rationality' or activity of the soul in accordance with reason (*NE* 1098a16-17)—in *Pol.* 1253a2 and *NE* 1097b11 he adds that humans are also political beings.<sup>30</sup> While the rationally conducted life distinguishes humans from non-human animals, living

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<sup>29</sup> The argument is located at *NE* 1097b25-1098a17. This reconstruction is by Paula Gottlieb (Project Archelogos: <http://www.archelogos.com/project/archie-frameset.jsp?xmlfile=en17.xml>) and Gottlieb (2009:66-68).

<sup>30</sup> Human beings are also economic animals (*EE* 1242a22).

well presupposes the good exercise of this capacity in a way that the rational and non-rational parts of the soul are coordinated properly. This activity presupposes the intellectual and ethical virtues or excellences. The main function of practical reason is the discovery of the good action.<sup>31</sup> Aristotle suggests that the intellectual virtue regarding practical life is *practical wisdom* (φρόνησις); this is the ability to discern the good.<sup>32</sup> A practical judgment of what the good is in the circumstances is actually a choice (προαίρεσις), a combination of rational and non-rational states.<sup>33</sup> These judgments are also motivational states: they move the agent to act well.

The role of moral virtue is to provide one's deliberations with the proper affective *direction* and to dispose the agent to act well—they offer the desiderative element which is essential for action. According to Aristotle, moral virtue is neither a capacity to be affected by passions nor a passion itself (*NE* 1105b19-1106a10). His definition of moral virtue is as follows (*NE* 1106b36-1107a4): (a) “ethical virtue is a reasoned disposition concerned with choice (ἔξις προαιρετική) that lies in a mean between vices”; (*NE* 1107a1-3). (b) “the mean is determined by a principle (λόγος; *logos*) by

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<sup>31</sup> Excellent practical reason or practical wisdom is “a true and reasoned state or capacity to act with regard to the things that are good or bad for man”; *NE* 1140b4-6.

<sup>32</sup> For Aristotle, the discovery of the good involves deliberation informed by ethical dispositions, experience and factual knowledge. There is controversy whether deliberation is over means only or over both means and ends. While the cognitivist reading is more received, the non-cognitivist reading—i.e. the specification of ends is not the outcome of deliberation over ends but is the work of affective states—has been explored by several commentators and continues to be engaging; see Irwin (1975) and (2007:158-177). Some notable proponents of this reading are Fortenbaugh (1964) and Moss (2011) who think that, for Aristotle, ethical virtue makes the end right and that deliberation is about means only, not about ends—that is, some affective state determines ends (*NE* 1144a7-9; 1112b11-12). For Aristotle, deliberation is a particular form of reasoning, one in which one works out that this *x* is for the sake of *y*. But the rational work involved in forming a conception of the good is to recognize for oneself that certain things are good, and then making comparative judgments about how different goods fit into an overall picture of the good (e.g. *x* is better than *y*, etc.). Aristotle's account of habituation reinforces this reading: we are trained to desire certain ends; later these become the starting points of ethical deliberation. Moreover, he says that deliberation is not necessary for choice (*NE* 1117a17-22; a courageous act may be done in an instant, without deliberation). This reading of Aristotle is non-cognitivist: how we see and what we aim at is related to how we feel and what we desire, which is the province of passions. But when Aristotle says that we do not deliberate about ends he may also mean that we do not deliberate about happiness, the final end. Perhaps, he thinks that it is in our nature to desire happiness non-deliberatively (*NE* 1097b22). Also, if happiness consists of plural goods, we may have to deliberate about ends *qua* constituents of happiness in order to discover what qualifies as an adequate specification of the constituents of happiness. Several commentators, for example Wiggins (1980:228), argue that deliberation is about components of the good; see also Sorabji (1980:201-219) and Irwin (1975:567-578). It is also possible that, for Aristotle, we do not deliberate about such constituents of happiness (e.g. the virtues) since these are intrinsic goods.

<sup>33</sup> The paradigm contrary position is Hume's who thinks that ethical judgment is essentially desiderative.

which the practically wise person (φρόνιμος; *phronimos*) would choose the right action” (*NE* 1107a3-4). In other words, ethical virtue is a reasoned disposition because it disposes agents to act well by choice or decision (προαίρεσις). The virtuous person is disposed to choose the mean between extremes. For example, with regard to fear, the mean between the extremes of cowardice and foolhardiness is courage. Cowards tend to be overly fearful, whereas foolhardy persons tend to be overly fearless. The courageous person feels fear for the right reason, to the proper extent and acts accordingly. In sum, the ethical virtues provide the appropriate affective and actional responses in accordance with rational prescriptions and co-determine correct ends along with reason. Practical wisdom and moral virtue constitute happiness and ensure that rational activity is not mere cleverness.<sup>34</sup>

### **1.3.2 Happiness, Pleasure and Desire**

For Aristotle pleasure (ἡδονή) is “necessarily a good” (*NE* 1153b4) but neither the *chief* good (*NE* 1095b19-22) nor the only good (*NE* X.3). Definitely, happiness involves pleasure (*NE* 1153b15) but is not identical with pleasure (*NE* 1095b14-1096a11). Pleasure is a by-product of unhindered activity of a natural state, like happiness (*NE* 1153a7–17); it accompanies activities because we feel pleasure by doing pleasant activities. Aristotle says that pleasure perfects our activities: “pleasures intensify the activities, and what intensifies a thing is proper to it” (*NE* 1175a35). And since life itself is an activity, and the good life is activity—the exercise of our essential capacities—, pleasure is indispensable to the good life. In a general way, all instances of pleasure may be good but they are not all worth choosing (*NE* X.5). For Aristotle, only the pleasures enjoyed by the person whose body and soul is in good condition (in a natural state) are really good. Also, some pleasures are bad unqualifiedly (*NE* 1152a26-33): “...those which are admittedly disgraceful plainly should not be said to be pleasures, except to a perverted taste” (*NE* 1176a22-23). There is also the problem of choosing between rival pleasures: “Since activities differ with respect to goodness and badness, some being worth choosing, others worth avoiding, and others neither, the same is true of pleasures as well” (*NE* 1175b24–6). The standard for making comparisons between competing pleasures is virtuous

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<sup>34</sup> That mere cleverness differs from practical wisdom see *NE* 1144a24-b1.

activity (*NE* X.4): a pleasure's goodness depends on the goodness of its associated activity. In other words, a pleasure is good when the activity that generates this pleasure is good and a pleasure is bad when the activity that generates it is bad. For example, one's sadistic pleasure from torturing animals is not good.

For Aristotle, the virtuous person desires the right things; it is a mark of virtue when someone desires and takes pleasure in the right things (*NE* 1104b13-16). There are three types of desire in his psychology; desires differ by definition and capacity (*DA* 433b3-5).<sup>35</sup> The first type is sensual desire. This operates on the pleasure principle: it is desire for bodily gratification and for the avoidance of bodily pain. The second type is rational desire: this is desire for the good. The third kind is emotion and falls in-between sensual and rational desire (*NE* 1111b12-13). Aristotle divides sensual desires in two classes (*NE* 1118b8-22; 1147b24-31): first, natural sensual desires which are common to all humans, such as the desire for food and water, second, sensual desires which are peculiar to the individual person, such as the desire for peanut-butter (“...different things are pleasant to different kinds of people...”; *NE* 1118b13). Conflicting motivations arise when different types of desire conflict, e.g. the peculiar desire for junk food may conflict with the rational desire for a healthy diet. Virtuous action involves desiring the right objects, to the right extent and using the right means to achieve them—see for example the temperate person (*NE* 1146a12) and the self-restrained person who acts on rational desire (*NE* 1145a17). There are two ways to understand the division between natural sensual desires and peculiar sensual desires. The first is the familiar one between wants and needs. Natural sensual desires are akin to the idea of ‘needs’ because they are over things necessary for survival and the avoidance of pain.<sup>36</sup> In a second, corollary, sense, these desires are not subject to choice or volitional control (*NE* 1147b24-28).<sup>37</sup> It is useful to invoke here the economic principle of Diminishing Utility. In general, the objects of natural

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<sup>35</sup> My discussion of ‘desire’ is based on Modrak (2009:318-321).

<sup>36</sup> Aristotle defines the ‘necessary’ as follows: “(a) That without which, as a concomitant condition, life is impossible; e.g. respiration and food are necessary for an animal, because it cannot exist without them. (b) The conditions without which good cannot be or come to be, or without which one cannot get rid or keep free of evil—e.g., drinking medicine is necessary to escape from ill-health, and sailing to Aegina is necessary to recover one's money” (*Met.* 1015a20-24).

<sup>37</sup> The ‘necessary’ says Aristotle is contrary to choice (*Met.* 1015a26). In a general way, we do not choose to be hungry or thirsty.

and peculiar desires seem to be subject to the Principle of Diminishing Utility: the more we use a good, the more its utility diminishes.<sup>38</sup> Aristotle does not clarify whether there is a difference between peculiar and natural desires in terms of natural satiation.<sup>39</sup> However, it seems that there is no natural point of satiation to the objects of peculiar desires, like the desire for unlimited wealth. Such desires are insatiable and limitless:

...[H]uman greed is an insatiable thing. Thus two obols is enough at first, but once that has become traditional, they go on always asking for more, until they go beyond all limit. For there is no natural limit to desires, and satisfying them is what the many spend their lives trying to do. (*Pol.* 1267a40-b4)

In contrast, the desire for food is naturally satiated as a matter of human physiology.<sup>40</sup> As we shall see in chapter two, Aristotle's psychological account of unnatural chrematistics points out that most individuals confuse the good life with the life of physical gratification. Since peculiar desires are unlimited in number and insatiable, excessive wealth is the main means to satisfy them.

We need to highlight here important differences between the psychology underlying Aristotle's economic thinking and the psychology of classical and neoclassical economic theory. As we shall see in chapter two, Aristotle's theory of pleasure and desire features in his psychological analysis of unnatural chrematistics as the kind of acquisition that aims at unlimited wealth (*Pol.* I.9). While the good life requires an adequate supply of wealth, natural chrematistics may stray to the unnatural kind of chrematistics which seeks excessive, unnecessary wealth. In addition, his analysis of desire has important implications for his solution to the economizing problem.<sup>41</sup> By maximizing the productive or allocative efficiency of an economy, a society does not necessarily close off the gap between unlimited desires and scarcity. Nor will profit-maximizing behavior and excessive acquisition help solve the asymmetry between

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<sup>38</sup> The idea that utility diminishes with consumption can be found in his discussion of consumption for *use* (*Pol.* I.9) and *Pol.* 1323b6-10: "External goods have a limit, like any other instrument, and all things useful are useful for a purpose, and where there is too much of them they must either do harm, or at any rate be of no use, to their possessors". The diminishing utility of certain goods is the natural limit on desire. For discussion of such a limit see Lowry (1974).

<sup>39</sup> Desires for necessities, like food and water, are satiated naturally although temporarily.

<sup>40</sup> In *NE* 1118b15-19 Aristotle says that natural desires aim at the replenishment of a deficiency and that there is a natural amount required for the replenishment of such a deficiency.

<sup>41</sup> This is the problem of how to satisfy unlimited desires with limited resources.

one's desires and disposable income. Furthermore, Aristotle distinguishes between pleasure and happiness, whereas in modern economic theory, pleasure and happiness are identical; they are cashed out in terms of utility or preference satisfaction.<sup>42</sup> Moreover, Aristotle recognizes an evaluative or desiderative aspect in human rationality—humans deliberate over ends and means—, whereas in modern economic theory, rationality is over means only, or instrumental, and preferences are rational as long as they are transitive, not when they conform to standards of evaluative rationality, *viz.* practical wisdom or *phronesis*.<sup>43</sup> Also, his solution to the problem of equality of resources presupposes that desires are under the volitional control of agents (*Pol.* 1267a1-10). He argues that equalizing the properties of citizens will not solve the problem of greed (*Pol.* II.7). For Aristotle, a society can tackle with greed when agents educate and manage their desires effectively; that would be impossible if agents had no volitional control. As we shall see in chapter six, his analysis of desire and pleasure features in his explanation of greed and injustice in wealth-acquisition (*NE* V.1-2).

#### 1.4 Aristotle's Political Naturalism

This section provides the concepts and principles of Aristotle's political naturalism, *viz.* the idea that the city and political rulership are natural.<sup>44</sup> This might mean that they arise out of natural propensities or that they grow out of an internal principle. In particular, Aristotle's naturalistic doctrine consists of three elements: first, his natural genealogy of communities and economic arrangements; second, his view of humans as political beings by nature; third, his argument for the teleological priority of the city which provides the principle of organization of the practical arts. This sketch will inform Aristotle's answers to question (1) and (2a). For Aristotle, individuals and

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<sup>42</sup> In neo-classical economic theory, human welfare is identified with utility, i.e. preference satisfaction from the consumption of goods and services. See O'Neill (1998:38-53); Hausman (2006:118-133).

<sup>43</sup> The paradigm contrary position is Hume's who thinks that ethical judgment is essentially desiderative. Aristotle argues that thought cannot motivate action without the mediation of passion ("Thought by itself sets nothing in motion; thought that sets in motion is for the sake of something and practical"; 1139a37-b1. See also *DA* 433a6-8 and 433a17-19). He also claims that passions can be responsive to reason (*NE* 1113a22-33; *DA* 433a9-26) which has its own impulses through *wish*, i.e. the desire for the good arising from reason's effort to discover the good (*DA* 433a22-5); see Cooper (1999:241-49) for commentary on rational desires. On that score, reason has the power to determine ends. Hence, beliefs can guide passions or oppose them and determine ends. About the rationality of preferences in terms of transitivity see Hausman (2006:46).

<sup>44</sup> Miller (1995:27-30).

states need economic resources in order to survive and flourish (*Pol.* 1253b23-26). The natural economy which Aristotle describes in *Pol.* I.8 arises from the political nature of humans and their ends of survival and happiness. Also, the teleological priority of the city warrants the supremacy of politics over the economic arts.<sup>45</sup> Lastly, Aristotle's political economy of occupations for the ideal city is based on his argument for the teleological priority.<sup>46</sup> I examine this idea in chapter 3.

#### **1.4.1 *The City: Origin and Purpose***

At the start of the *Politics* Aristotle argues that an association inclusive of all associations aims at the highest end:

Clearly, then, while every community aims at some good, the community that has the most authority of all and encompasses all the others aims highest, that is to say, at the good that has the most authority of all. This community is the one called a city-state, the community that is political. (*Pol.* 1252a3-7)

According to Aristotle, each association has an end; the city is the sovereign association because it embraces the ends of all smaller associations, the family and the village. Also, the city aims at the highest of all ends, i.e. happiness (*NE* 1097a15-b20). However, at this stage, his conclusion rather names what the city aims at. Aristotle further substantiates why this is so in the course of his famous argument for the naturalness of the city: the city arises naturally from smaller associations for the sake of the good life. Aristotle's proof works from parts to whole. He seeks the final end of the city by first laying out the ends of smaller association based on two assumptions:<sup>47</sup> (a) everything and every activity in nature aims at some end or goal (Teleological Assumption); (b) the function or final aim of the parts of something contributes to the function of this thing as a whole; understanding the whole involves understanding the parts (Methodological Assumption).

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<sup>45</sup> See also *NE* I.2.

<sup>46</sup> By Aristotle's 'political economy' I refer to his thinking about the interchange of political governance, ethics and economics. On the one hand, economic arrangements—the patterns of production, distribution and consumption—shape the ethical life and character of individuals. On the other hand, the ethical dispositions and nature of individuals shape economic arrangements.

<sup>47</sup> Saunders (1992:53-54).



Aristotle starts his proof with a quasi-historical reconstruction of the formative process of the city (*Pol.* I.2). The first or elementary associations are the pairs of husband-wife and master-slave; these are brought together for the sake of procreation and preservation, respectively. The pairs of husband-wife and master-slave give rise to the second form of association, the household, which aims at the satisfaction of daily needs. The third association is the village which is an association of households that aims at the satisfaction of extra-daily needs. The formative process culminates in the formation of the city-state:

A complete community constituted out of several villages, once it reaches the limit of total self-sufficiency, practically speaking, is a city-state. It comes to be for the sake of living, but it remains in existence for the sake of living well. That is why every city-state exists by nature, since the first communities do. For the city-state is their end, and nature is an end; for we say that each thing's nature—for example, that of a human being, a horse, or a household—is the character it has when its coming-into-being has been completed. Moreover that for the sake of which something exists, that is to say, its end, is best, and self-sufficiency is both end and best. (*Pol.* 1252b27-1253a1)

Here is a reconstruction of Aristotle's argument: (a) the smaller associations exist for the sake of living (from: Teleological Assumption); (b) the smaller associations lack in self-sufficiency; (c) the city-state is formed from smaller associations for the sake of complete self-sufficiency [from: (a); (b)]; (d) hence, the city-state is the natural end or nature of smaller associations [from (c) and the Teleological Assumption, *viz.* the end of a thing is its nature]; (e) self-sufficiency is both a goal and best (nature is an end and an end is best); (f) hence, the city-state exists by nature for the sake of the good life.

I have already explained premises (a), (b), and (c). However, premises (d) and (e) need further explaining. Aristotle's claim about 'nature as an end' refers to his familiar teleological principle that a thing's nature is the thing's final end.<sup>48</sup> In particular, the nature of a thing *x* is what *x* is when *x*'s generation has reached completion, i.e. when *x* has reached its goal.<sup>49</sup> Obviously, Aristotle refers to the city-state as being the nature of smaller associations—hence, the end of these

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<sup>48</sup> *Phys.* 194a28–9; 199b15–18.

<sup>49</sup> Complete generation is nature; the goal is nature; Simpson (1998:21-22).

associations—on account of their inhabitants' impulse towards self-sufficiency. In particular, he argues that the city is the final stage of a process in which smaller associations propagate towards higher and more complex forms of association. The city is the goal and terminus of this process. The principle of growth of the smaller associations is the natural impulse of humans towards self-sufficiency where this includes the desire for living and the desire for living well.<sup>50</sup>

As regards premise (e), self-sufficiency is analytically connected to the final end of happiness (*NE* 1097a27-b22). According to Aristotle's formal analysis, the final good is self-sufficient, i.e. it lacks in nothing and does not depend on other goods. Self-sufficiency is, formally speaking, 'end' and 'best' because the lack of self-sufficiency is a constraint on human flourishing, not vice versa.<sup>51</sup> In other words, Aristotle seems to reason that when a thing *x* reaches the limit of self-sufficiency, *x* can exist for the sake of the final good; the city reaches this limit; hence, the city can exist for the sake of the final good.<sup>52</sup> This step completes Aristotle's proof. He has analyzed the parts of the city in order to explicate its nature—its final cause or end—as a whole: the city exists for the sake of the good life because it is the natural end of the smaller associations that are themselves natural.

Aristotle forwards further his political naturalism.<sup>53</sup> First, he argues for his famous claim that 'man is a political being'<sup>54</sup> and then he defends the teleological priority of the city. The priority argument further substantiates his claim that the city should not be governed like a household and, hence, that the city is the proper object of political expertise (*politikê technê*). This argument is the mainstay of Aristotle's teleological hierarchy of practical arts.

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<sup>50</sup> I follow Simpson (1998:21-22): if there were only the desire for living, and not also the desire for living well, humans would not be moved to form an association that serves this end.

<sup>51</sup> Shields (2007:360).

<sup>52</sup> Miller (2011) <http://plato.stanford.edu/entries/aristotle-politics/index.html#return1-supplement1>

<sup>53</sup> For a detailed discussion of Aristotle's political naturalism see Miller (1995:27-30).

<sup>54</sup> *Pol.* 1253a2. In *NE* 1097b11 Aristotle states (without argument) the same point: "man is by nature a civic being."

### 1.3.2 *The Priority of the City*

Aristotle claims that his proof for the naturalness of the city further implies that man is a political animal by nature (*Pol.* 1253a2; *NE* 1097b11). In a general way, this means that humans are *fit*<sup>55</sup> by nature for life in a city because they have both the impulse and the capacity for such a life—it is not contrary to their nature. In addition, humans are political animals because they, and their associations, naturally need the city due to their **functional** insufficiency which is a constraint on the realization of their natural ends.<sup>56</sup> His argument is as follows: humans are by nature members of the first, smaller associations; the natural end of these associations is the city; hence, the end of associations and humans must be the same, i.e. the city.<sup>57</sup> Aristotle qualifies further his claim about the political nature of humans by claiming that humans are political beings also because, unlike other animals' associations, they “alone have perception of good and evil, just and unjust, etc.”, (*Pol.* 1253a15-17) which they can communicate through speech.

Then Aristotle argues that the city is prior to individuals and smaller associations because the defining function and flourishing of humans depend on the political community (*Pol.* 1253a18-28). He reasons that the city, as a self-sufficient association, provides the full range of goods required for a flourishing life, including the moral habituation, education and the laws for the development and exercise of the virtues. As Aristotle contends, humans would be the worst kind of animal “when divorced from law and justice” (*Pol.* 1253a34). Here is Aristotle's argument for the priority of the city:

The city-state is also prior in nature to the household and to each of us individually, since the whole is necessarily prior to the part. For if the whole body is dead, there will no longer be a foot or a hand, except homonymously, as one might speak of a stone "hand" (for a dead hand will be like that); but everything is defined by its task and by its capacity; so that in such condition they should not be said to be the same things but homonymous ones. Hence that the city-state is natural and prior in nature to the individual is clear. For if

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<sup>55</sup> See Saunders (2002:69) translates ‘πολιτικόν’ as ‘fit for a state’ in the sense that humans are born with the capacity (δύναμις) for communal life.

<sup>56</sup> Aristotle's argument for the naturalness of the city is in contrast to the Protagorean and the Hobbesian view that the state is an artifice (e.g. a contractual construction or the result of agreement); if the city arises naturally and is prior to the individual, then it cannot be an artifice.

<sup>57</sup> The reconstruction of the argument is based on Simpson (1998:22).

an individual is not self-sufficient when separated, he will be like all other parts in relation to the whole. Anyone who cannot form a community with others, or who does not need to because he is self-sufficient, is no part of a city-state—he is either a beast or a god. (*Pol.* 1253a19-29)

This is an argument by analogy: any human being apart from a city is like a foot or a hand apart from the body. When a part *P* (e.g. a human, a body organ, etc.) is separated from a whole *W* (a city, a body, etc.), then *P* is no longer a *P*; it is *P* by homonymy (*viz.* it is *P* in name, not in nature).<sup>58</sup> To prove his point, Aristotle stresses a crucial difference between part and whole: a hand exists for as long as a body exists, whereas a body can exist even without a hand because it is more self-sufficient.

There is consensus that in the above argument Aristotle is not arguing for priority in the temporal sense because the city is posterior to smaller associations in generation.<sup>59</sup> For most commentators, the priority that Aristotle has in mind here is metaphysical: being political animals, humans depend on the city for the exercise of the function that realizes human happiness.<sup>60</sup> This further suggests a *teleological* ordering of ends.<sup>61</sup> Since the city aims at the most inclusive end, the particular ends of individuals are posterior to the end of the city.<sup>62</sup> This argument helps Aristotle prioritize political expertise over the economic arts. He seeks to show that the city (not, for instance, the household) is the most authoritative end and the proper object of political expertise. But if the city's end is prior to the ends of individuals, are the life pursuits of individuals less important or subservient to the city's end, where this should be understood as a collective end? The answer depends on the form of functional determination that Aristotle has in mind.

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<sup>58</sup> For Aristotle, parts are not prior to the whole as a matter of their functional dependence on the whole: a part *P* depends on a whole *W* for its defining function (a thing's nature is defined by its function). In other words, body parts are essentially what they are as functioning parts of a body.

<sup>59</sup> A part *P* is *P* in virtue of its being a functioning part of a whole *W* such that when *W* perishes or *P* is severed from *W*, *P* loses its defining function; see Miller (1995:45-56); Roberts (2009:30-41); Shields (2007:353-363). Aristotle's account of the emergence of the city points out that in the first place individuals form households and then villages; hence, these associations precede the city in generation.

<sup>60</sup> Happiness is fulfillment of nature and fulfillment of nature comes by the exercise of the human function, i.e. activity of the soul in accordance with reason. Aristotle adds the function of 'life in the city' as a condition of a flourishing life.

<sup>61</sup> For Shields (2007:353-363) Aristotle suggests a teleological form of priority based on his functional determination principle: things with a nature are defined by their function. (see also above section 1.2 that everything is defined by its function and capacity).

<sup>62</sup> Simpson (1998:14) suggests that since the city aims at happiness and happiness is the end of all individual pursuits, then the end of the city is the end of all individual pursuits.

The first possibility is that determination is ‘existential’: humans *exist* in virtue of their being parts of a city, in the way that a hand exists in virtue of its being an organ of the body. Most possibly, this is not what Aristotle had in mind because individuals can exist apart from a city as hermits. The second possibility is that determination is ‘definitional’: humans *are* humans in virtue of their being *functioning* parts of a city, as a hand is a hand by virtue of its being a functioning organ of the body.<sup>63</sup> On that score, individuals are defined by their functions (or roles) as contributing parts to the city’s end—as limbs are for locomotion, lungs are for breathing, eyes are for vision, etc. However, in this form of dependence, individuals’ various life pursuits are defined exclusively by their function in the organic whole; their ends seem to be pursued for the sake of the city’s function.<sup>64</sup>

The passage also suggests a third, weaker form of dependence, the ‘perfective’ sense hereafter: humans are not subservient instruments of the city’s function since the end of the city is inclusive of their natural ends (procreation, preservation, safety, the good life)—the city exists for the sake of these ends. While humans can exist and be humans apart from the city, they depend on the city for the *exercise* of the function in virtue of which they can progress to full existence and happiness.<sup>65</sup> Unfortunately, Aristotle’s analogy of citizens to human organs obscures the fact that parts of a whole are not always subservient to the function of a whole. For example, different kinds of plants and flowers may exist as constituent parts of a garden. However, a flower’s natural end is not to serve the garden’s end. Rather, it has an inbuilt end (i.e. a principle of growth and flourishing) that is better fulfilled by being part of a garden

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<sup>63</sup> Miller (1995:46-47) distinguishes between priority in ‘separateness’ and priority in ‘completeness’.

<sup>64</sup> Aristotle would want to avoid this connection because the human good should be, in principle, independent from how a community happens to specify the content of the human good. What if a city ranks wealth over virtue? For Aristotle, the human good is objectively given by human nature, i.e. the human function. In addition, the definitional dependence reading has raised the worry that it might imply a totalitarian reading of Aristotle.

<sup>65</sup> The background of this reading is Aristotle’s hylomorphism: something has a nature when it is complete, not possible (or when its form is present). The nature of humans is what it is when humans have developed fully (perfected or complete; τέλειον), and full development results from the excellent exercise of their defining function, i.e. virtuous activity of the rational and non-rational capabilities (*NE* 1098a16-17). When something reaches completion, it is faring well. Newman (1887: 32) says that for Aristotle existence is complete existence, and “without the State a man is a mere bundle of capacities for good or evil without the faculty”. This form of priority is possible if functional determination has a weaker sense.

taken care by a gardener. Likewise, the city is prior because it enables the fulfillment of the natural end of its parts, i.e. their flourishing; any individual could ever hardly enable the fulfillment of the city's end on his/her own.

It is not clear which sense of dependence has more weight for Aristotle. All in all, the idea of the city as an organic unity is suggestive of a complex interdependence between individuals, associations and the city. However, as we shall see in *Pol.* III.1-2, for Aristotle, political life is fit for free humans (*viz.* citizens); this implies the ability for reasoned self-guidance and the capacity to rule and be ruled. This, certainly, discredits the definitional reading which implies subservience. But the crucial difference between the definitional and the perfective senses of priority is the difference between *servicing* an end (definitional) and *sharing in* an end (perfective). The perfective sense fits more naturally with Aristotle's closing remarks in *Pol.* I.2: "man is the best of all animals when he has reached his full development" (*Pol.* 1253a34). For Aristotle, life in a city perfects or completes humans because they progress towards full development only as citizens of a city. A life apart from the city is impoverished, even damaged (corrupted), in the way a foot is damaged when severed from the body. Hence, the perfective sense of priority is more in line with Aristotle's commitment to the idea that the city exists for the sake of the good life. The city is teleologically prior in the sense that its end is ethical: without the city and its institutions, without moral habituation and education, without friendship, and without the laws, humans cannot exercise the capabilities required for the good life (*εὐδαιμονία*).

Let us take stock. Aristotle's political naturalism suggests that political and economic arrangements arise naturally for the sake of the good life. The city is prior to individuals in the sense that they need the city in order to exercise the human function well. The teleological priority of the city places political expertise on top of all practical arts; hence, the arts should serve the end of the city since politics is the art concerned with the sovereign end.<sup>66</sup> These concepts are central in his answers to the

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<sup>66</sup> This is very important because it fleshes a crucial difference between Aristotle's and modern economic thinking. In the pre-capitalist economies of Aristotle's time, economic interests were subordinate to political concerns while social organization was based on non-economic factors, such as

Master Question (1)—the place of the two economic arts in the hierarchy of practical and productive arts and the economic duties of the householder—and to questions (1.a) and (2.a)—the nature of humans is perfected by sharing in the aim of the city through citizenship and political participation; a life devoted to money-making is not proper for the free person / citizen but a barrier to the ethical development of individuals.

Let us see now in more detail the structure of Aristotle's hierarchy of arts and the relationship between wealth and happiness—whether wealth is among the constituents of happiness or whether it is just an instrument of happiness. This is a key step in Aristotle's answer to question (1.a)—the extent to which householders and citizens should pursue wealth.<sup>67</sup>

## 1.5 Happiness, the Arts and Wealth

The teleological priority argument suggests that political expertise is the most authoritative of all arts. But how are the various arts structured under political expertise and happiness? Aristotle's answer to this question is the basis of his answer to the Master Question (1) in chapter two.

### 1.5.1 *The Threefold Division of Arts*

Aristotle classifies all human knowledge into three divisions: theoretical knowledge, practical knowledge, and productive knowledge.<sup>68</sup> The principle of division is the end that each division aims at. The purpose of *theoretical* knowledge is to inquire about truth for its own sake and pertains to things that are invariable and eternal. Its fields of study include logic and metaphysics, natural science (physics, biology, etc.), and mathematics. *Practical* knowledge aims at correct or excellent action—*viz.* it is knowledge about how to live and act well. Such matters are not immutable and, hence, are up to agents to change. Ethics and politics are the characteristically practical fields

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social status, community bonds and reciprocity. In Polanyi's (1957) terms, the economies of Aristotle's time were 'socially embedded'. The mechanism of market exchange was not extensive and co-existed with gift exchange.

<sup>67</sup> This is a problem discussed in length by Cooper (1985/2004) and Roche (2014).

<sup>68</sup> "The end of theoretical knowledge is truth, while that of practical knowledge is action" *Met.* 993b21-22; see also *Met.* 1025b20-21; 1025b19ff. Also, *NE* 1095a6 and *NE* 1103b27-28.

of expertise in that they both deal with the question of how to act in ways that promote happiness. Their main difference is that ethics deals with this question at the level of the individual agent, whereas politics deals with the same question at the communal level, *viz.* how to live well together as a group. However, ethics and politics are interrelated: they both aim at correct action. The third division is *productive* knowledge: how to create and produce things required for survival and happiness. Fields like agriculture, building, carpentry, rhetoric, etc., belong to the productive division. The productive arts are individuated by their products. For example, the art of shipbuilding produces ships which are definitive of this art.

As regards ethics and politics, Aristotle argues that they are practical in the further sense that merely contemplating about the central question of ethics and politics in the abstract is of no use. Individuals and societies need to act on this knowledge in order to become good and live well (*NE* 1103b25). In addition, unlike theoretical knowledge, the answers to ethical and political questions (e.g. the question of justice) lack in precision and certainty (*NE* 1094b14) because practical matters are not fixed and unchanging as the principles of mathematics. Hence, ethical and political decisions do not admit precise answers that hold for everyone at all times. Instead of consulting a rulebook of correct action, the good person will choose to do the right thing in the circumstances for the right reasons.

### 1.5.2 *The Hierarchy of Arts*

In *NE* 1094a1-b12, Aristotle ranks political expertise over all practical and productive arts, e.g. generalship, household-management (οικονομική; *oikonomikê*), rhetoric, etc. The logic of Aristotle's hierarchy of practical and productive arts is as follows.<sup>69</sup> An art *A* falls under another art *B* (e.g. military action falls under strategy or bridle-making falls under the art of horse-riding) because *A* is needed / desired for the sake of *B*; hence *A* is subordinated under *B*. For example, the art of bridle-making aims at producing equipment (bridles) for aiding horse-riding which in turn aims at victorious

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<sup>69</sup> In *NE* 1094a9-16 Aristotle argues that “But where such arts fall under a single capacity- as bridle-making and the other arts concerned with the equipment of horses fall under the art of riding, and this and every military action under strategy, in the same way other arts fall under yet others—in all of these the ends of the master arts are to be preferred to all the subordinate ends; for it is for the sake of the former that the latter are pursued.”



military action which is the aim of strategy. Aristotle reasons that since each art is pursued or desired for the sake of a higher end, there must be an art whose end is desired on account of nothing else but itself—otherwise the process would go on infinitely. It follows that all arts are subordinated under an ultimate end or good. Aristotle's proof concludes:

And politics appears to be of this nature; for it is this that ordains which of the sciences should be studied in a state, and which each class of citizens should learn and up to what point they should learn them; and we see even the most highly esteemed of capacities to fall under this, e.g. strategy, economics, rhetoric; now, since politics uses the rest of the sciences, and since, again, it legislates as to what we are to do and what we are to abstain from, the end of this science must include those of the others, so that this end must be the human good. (*NE* 1094a27-b7)

We should note here that political expertise is most authoritative because it includes all human ends and the disciplines that pursue these ends; its authority is not arbitrary. The teleological priority argument of the *Politics* supplies an unstated premise in Aristotle's reasoning above. It shows that the city (not, for instance, the household)<sup>70</sup> is the proper object of the art concerned with the chief good because the city aims by nature at the most complete good. It follows that this art is politics and all other arts are subordinate to it.

Aristotle does not explain whether chrematistics and household-management belong to the practical or the productive arts. Given his distinction between practical and productive arts it follows that chrematistics is a productive art, whereas household-management is a practical one.<sup>71</sup> Also, Aristotle does not rank the ends of the various arts and does not explain how the various arts aid happiness. The priority argument suggests that the end of the city is inclusive of all ends but offers no method to rank them. This structure parallels Aristotle's statement of a three-fold division of goods

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<sup>70</sup> Simpson (1998:14).

<sup>71</sup> Newman (1887:126) and Miller (1995:6-11) argue that household-management is practical, whereas chrematistics is productive. For a full discussion why household-management is a practical art see Crespo (2013:39). Crespo argues that chrematistics produces wealth, whereas household-management is concerned with the use of wealth to serve living and the good life. While both involve action, their difference is that action in productive arts is transitive (poiesis), whereas action in practical arts is immanent (praxis).

which recapitulates his formal account of the chief good in the first half of *NE* I.7 (1096a22-1097b22):

- (a) The chief good or happiness (*NE* 1099b26).
- (b) Goods that are necessary constituents of happiness (τὰ μὲν ὑπάρχειν ἀναγκαῖον; *NE* 1099b27).
- (c) Goods that contribute to happiness as useful instruments (συνεργὰ καὶ χρήσιμα; *NE* 1099b27-28).

As regards (a), the chief good is pursued only on account of itself and not because of something else. There are two main ways to understand the structure of the chief good and the other goods in Aristotelian exegesis: the final end is either a single dominant good which explains why anything else is pursued, or it is an inclusive end made up by several intrinsic goods.<sup>72</sup> The main bulk of the *Nicomachean Ethics*, especially *NE* I, states that the good life is a life of virtuous activity based on practical reason; it is both the ethical and the civic life. In this best practical life Aristotle adds various external goods as both constituents of happiness and instruments of virtuous activity. In a general way, a life that lacks in any of these components is less complete and blessed. Second, in both the *Politics* and the *Nicomachean Ethics* Aristotle says that the end of the city is the most complete end; this end is more godlike:

...[T]he good of the city is a greater and more complete thing both to attain and to preserve...to do it for a nation or for cities is finer and more godlike. (*NE* 1094b7-11)

However, in *NE* X.7-8, Aristotle appears to say that happiness is a single, dominant good: the life of contemplation (*NE* 1177a12-19).<sup>73</sup> This is a godlike life based on the activity of theoretical reason. It is possible that Aristotle did not see a contradiction in his conflicting claims and thought that ‘dominant’ and ‘inclusive’ are not contradictories.

The two readings appear contradictory in the following sense. If happiness is a dominant end—the direct cause / reason of all activities—, then the other goods are

<sup>72</sup> Ackrill (1980) is in favor of inclusivism. Kraut (1991) is in favor of the dominant view.

<sup>73</sup> See Kraut (1991) chapter 4 for a full defense of exclusivism.

only pursued for the sake of happiness; hence, the other goods cannot be intrinsic constituents of an inclusive end. However, Aristotle could also have in mind that happiness is both dominant *and* inclusive in the following sense. Happiness might be a dominant end in a *non-causal* sense:<sup>74</sup> we would not need to cite happiness in order to explain why agents want to be just or love their friends; agents are not just or love their friends because they want to be happy.<sup>75</sup> Nonetheless, happiness is also a dominant end in the sense that it explains what all intrinsic goods constitute and contribute to, *viz.* a happy life.

As regards the conflict between *NE I* and *NE X*, whether the best life is the practical or the contemplative life, it is possible that Aristotle considered virtue and contemplation (*theoria*) as individually necessary and jointly sufficient constituents of happiness. Since the good practical life and the good contemplative life require wisdom, then the best life requires the perfection of both theoretical and practical reason.<sup>76</sup>

Also, since the good life is partly practical, as *NE I* suggests, and requires external goods (*NE* 1099a31-b6), we need to understand the place of wealth in this life. For example, is it a useful instrument—something sought because of higher ends, like virtue (*NE* 1096a6-7; 1097a25-27)? Or is it also a constituent of happiness (*Rhet.* I)? The purpose of this discussion is to find out the scope of wealth-acquisition since Aristotle does not discuss its scope in the *Ethics* and *Politics*.

### 1.5.3 Happiness and Wealth

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<sup>74</sup> I use ‘causal’ here in a loose sense to denote the idea of a ‘determining’ or ‘motivating’ reason. Strictly speaking, there is a received distinction between reasons and causes, i.e. humans act for reasons. A reason is ‘determining’ in the sense that it can be cited in the explanation of action; alternatively we can call it a ‘motivating’ reason as well as a ‘normative’ reason. Happiness, for Aristotle, is a final end which is not cause in the sense of efficient cause.

<sup>75</sup> A utilitarian view of welfare, especially hedonism, holds that the ultimate end is the maximization of happiness, i.e. pleasure, and the minimization of pain. This is a monistic view of motivation.

<sup>76</sup> We can conceive of this combination as follows: successful practical life requires theoretical expertise while the contemplative life requires the aid of practical expertise that actualizes human function and secures the material conditions necessary for the leisured life of *θεωρία* (*theoria*). Cooper (1999:235) also argues that while Aristotle seems to favor the contemplative life, because it is godlike, the virtues of practical reason are expressions of the perfection of reason; their kinship makes the practical virtues instances of the divine form of happiness in practical life.

According to Aristotle, “wealth is not the good we are looking for, since it is useful, and for the sake of something else” (*NE* 1096a6-7); happiness, most certainly, requires the goods of fortune or external goods (τά ἐκτός ἀγαθά), including wealth (*NE* 1099a31-b6). However, it is not clear in what sense they are necessary components of happiness. Some commentators doubt that external goods make an intrinsic contribution to happiness in the sense of (b) above.<sup>77</sup> They hold that happiness is virtuous activity *exclusively* and that external goods are only instruments that contribute to happiness indirectly by enabling the exercise of such virtues as generosity, magnificence and magnanimity.<sup>78</sup> Let us call this the ‘exclusivist’ or Stoic reading:<sup>79</sup> if virtuous activity is necessary and sufficient for happiness, then it is the exclusive constituent of happiness—it excludes the other components, like wealth.<sup>80</sup> The rival interpretation holds that external goods constitute happiness along with the virtues and other goods of the soul. On that score, virtue is necessary but not sufficient for happiness.<sup>81</sup> Let us call this the ‘inclusivist’ reading since external goods, like wealth, make both direct contribution to happiness—by enhancing agents’ happiness in their own right—and indirect contribution to happiness—by aiding virtuous activity.

There is evidence for both readings. The exclusivist reading is directly based on *NE* 1098a16-20. It is also based on the idea that external goods are not constituents of happiness “[happiness] falls among goods of the soul and not among external goods” (*NE* 1098b12-20).<sup>82</sup> On the other hand, the inclusivist reading is based on *NE* 1099a31-b6 where Aristotle says that the lack of external goods diminishes the quality of one’s life (“takes the lustre from happiness”; *NE* 1099b2) and on *NE* 1101a14-16 where he says that the happy person is both virtuous and “sufficiently equipped with external goods”. Also, his definition of happiness in the *Rhetoric* (1360b14-31) suggests that happiness does not consist in the exercise of virtue alone; happiness

<sup>77</sup> See Kraut (1991) and Cooper (2004).

<sup>78</sup> The Stoics denied that external goods are really ever goods.

<sup>79</sup> The life of virtue is sufficient for happiness; see Roche (2014:37).

<sup>80</sup> Virtuous activity is happiness in the sense that its lack decreases the welfare of agents.

<sup>81</sup> Ackrill (1980); Irwin (1985/2007); Nussbaum (1986); Annas (1993); and Broadie and Rowe (2002).

<sup>82</sup> See also *Pol.* 1323b15-17: “Again, it is for the sake of the soul that goods external and goods of the body are desirable at all, and all wise men ought to choose them for the sake of the soul.” Here Aristotle seems to say that, as such, external goods are desired as instruments productive of virtue and desirable only for the sake of psychic goods.

consists in prosperity combined with virtue and pleasure:

We may define happiness as prosperity combined with excellence; or as independence of life; or as the secure enjoyment of the maximum of pleasure; or as a good condition of property and body, together with the power of guarding one's property and body and making use of them. That happiness is one or more of these things, pretty well everybody agrees. From this definition of happiness it follows that its constituent parts are: good birth, plenty of friends, good friends, wealth, good children, plenty of children, a happy old age, also such bodily excellences as health, beauty, strength, large stature, athletic powers, together with fame, honour, good luck, and excellence. A man cannot fail to be completely independent if he possesses these internal and these external goods; for besides these there are no others to have. (Goods of the soul and of the body are internal. Good birth, friends, money, and honor are external.) (1360b14-31)

Here Aristotle holds that happiness includes the complete range of intellectual and moral virtues along with the various external goods, pleasure, etc. which appear to be constituents of happiness. By having any of the above goods, one is better-off; presumably the lack of pleasure, freedom and external goods diminishes the quality of one's life without making one less virtuous necessarily.

About riches Aristotle says that they are *instruments* of noble activity (*NE* 1099b1-2); he does not clarify whether by 'external goods' in *NE* 1101a14-16 he refers to wealth. Possibly, wealth belongs to the class of goods which are instruments (συνεργὰ καὶ χρήσιμα), not constituents (τὰ μὲν ὑπάρχειν ἀναγκαῖον) of happiness:

...[H]appiness has been said to be a virtuous activity of soul, of a certain kind. Of the remaining goods, some must necessarily pre-exist as *conditions* [i.e. constituents] of happiness, and others are naturally co-operative and useful as *instruments* [συνεργὰ καὶ χρήσιμα]. (*NE* 1099b26-28)

Yet, in the *Rhetoric* (1362a13-25) Aristotle seems to suggest that certain forms of wealth are not only instruments but also make a direct contribution to happiness (they are *conditions* or constituents of happiness):

The constituents of wealth are: plenty of coined money and territory; the ownership of numerous, large, and beautiful estates; also the ownership of numerous and beautiful implements, livestock, and slaves. All these kinds of property are our own, are secure, gentlemanly, and useful. The useful kinds are those that are productive, the gentlemanly kinds are those that provide enjoyment. (1362a13-17)

Wealth, Aristotle says, consists of things that have utility; they are productive of other goods or income. Also, wealth consists of things that offer pleasure and beauty. However, while it might appear that wealth, like beautiful estates, directly contributes to the good life, we should not ignore that Aristotle does not rank them on an equal footing with the goods of the soul which have intrinsic value and constitute happiness directly. Also, wealth Aristotle says, primarily consists in *use* rather than in ownership:

Wealth as a whole consists in using things rather than in owning them; it is really the activity—that is, the use—of property that constitutes wealth. (*Rhet.* 1362a24-25)

In other words, what makes wealth a member of the class of goods, is the use of it. And, presumably, not any use of wealth makes it such a good—see the prodigal person; wealth should be a good when it is used *well*. Hence, for instance, one must be liberal (*NE* 1104a4-8) and temperate in using wealth in order to attain happiness. Also, the possession of wealth may be harmful after some point (*Pol.* 1323b5). If this is what Aristotle has in mind, the mere possession of goods does not constitute happiness; one must be good in order to use external goods well. In other words, wealth is a constituent of happiness only if it is used well.<sup>83</sup> However, as passages like *Pol.* 1323b15-17, *NE* 1096a6-7 and 1099b1-2 suggest, wealth, for Aristotle, has no intrinsic value. He most possibly thought that wealth is both an instrument and a constituent of happiness but not an intrinsic constituent, like the internal goods. In sum, I suggest that, for Aristotle, (a) wealth enables the exercise of virtue, and (b) the *use* of wealth by a good person contributes to one's well-being in its own right although it is not an intrinsic good. Hence, whether wealth is a constituent of happiness depends on the use one puts it into and on the goodness of the user. Yet, there is no evidence that wealth, for Aristotle, is an intrinsic good.<sup>84</sup>

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<sup>83</sup> For this proviso see Roche (2014) who furnishes evidence like *NE* 1124a26–31 in favor of the reading that wealth is a good—a constituent of happiness—when it is used well.

<sup>84</sup> Roche (2014) does not clarify whether wealth has intrinsic value when it is used well. I think that would be a mistake; if it were intrinsically good, it would not be sought for the sake of other things (it would have some of the properties of the good); for instance, contrast wealth with intrinsic goods like knowledge which is sought after for what they are.

## 1.6 Conclusion and Summary

This chapter introduced Aristotle's problematic from which his inquiry about chrematistics arises. I put forth the questions about chrematistics against the backdrop of Aristotle's main concerns, principles and concepts of his *Ethics* and *Politics*. Also, I provided the conceptual groundwork of his inquiry in chrematistics—i.e. the main concepts of his moral psychology and ethical and political theory—without which we cannot work out his answers to the main questions about chrematistics. In the next chapter I present Aristotle's writings on chrematistics as these appear in *Pol.* I.8-11. Aristotle analyzes the tasks associated with household rule, including the acquisition of wealth, as prescribed by the natural limit of the household economy: material self-sufficiency. This analysis will delimit the ethical scope of chrematistics in accord with the higher, natural end of human happiness, and will carve out the space of the natural economy where some modes of acquisition are ethical, whereas others, like commerce and money-lending, are unsuitable for the good person and citizen. While Aristotle's economic thought deals with central questions of microeconomics—such as money and market exchange—his is an economics of the household since it is chiefly concerned with the efficient administration of the household, including the efficient distribution of resources, rather than the economics of markets (*viz.* the interplay of supply and demand). The latter is concerned with how the market mechanism achieves productive and allocative efficiency in order to solve the fundamental economizing problem. The administrative tradition of economics does not accept this solution to the economizing problem but aims at the efficient management of desires and resources. For Aristotle, “economics is chiefly concerned with the ordering of human purpose and function within the two dominant economic units of his day—the household and the state”.<sup>85</sup>

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<sup>85</sup> Gordon (2005:400).

## CHAPTER 2

### The Theory of Chrematistics

#### *Politics* I.8-11

#### Overview

This chapter is a reconstruction and interpretation of *Pol.* I.8-11 where we find the main bulk of Aristotle's answer to the Master Question. Here is the structure of the second chapter. Aristotle, first, distinguishes between chrematistics and household-management based on their difference in purpose—hence, he answers question (1). Second, he distinguishes between natural and unnatural chrematistics and argues that the first belongs to household-management—hence, he answers question (2). Third, he argues that natural chrematistics is *both part and auxiliary* to household-management: the natural modes of acquisition belong to household-management and are suitable for the householder and citizen; the study and execution of natural chrematistics should be delegated to others. Fourth, he lays out the various modes of chrematistics in terms of their ethical status; commerce, money-lending, the crafts and working-for-pay are unnatural modes of chrematistics and the householder should refrain from them, especially from money-lending—hence, he answers question (2.a).

However, Aristotle does not provide a single standard that separates natural from unnatural chrematistics as asked by question (2). Consequently, his taxonomy of the ethical modes of acquisition—namely, question (2.a)—is not neat. Also, in regards to question (1.a) he seems to allow that when need arises, unnatural chrematistics could be an *auxiliary* to household-management. Aristotle does not tackle with these questions neatly and thoroughly in *Pol.* I.8-11. In addition, the second chapter raises further questions on its own. First, why was Aristotle in favor of disenfranchising the industrial class of the best city? Is it because the lower occupations violate his standard of natural chrematistics or was it class-prejudice? Second, why does he think that commerce is rightly censured (*Pol.* I.10) given that elsewhere he treats commercial exchange as necessary for the householders, the landless citizens and the city (e.g. in *NE* V.5)? The related question, then, is which forms of commerce



Aristotle approved and by which standard. Third, what is Aristotle’s theory of commercial justice—namely, his theory of just price— given that he approves of certain forms of commerce? Fourth, did Aristotle think that commercial profit-seeking is an inherently unfair economic practice that nurtures injustice and greed? In effect, I examine these questions in chapters 3-6.

## 2.1 Chrematistics and Household-Management

In this section I show how Aristotle replies to question (1). His answer starts in *Pol.* I.3-4 where Aristotle lays out the parts of the household and argues that chrematistics is an essential part of household-management. After a detour in slavery, he takes up the Master Question again in *Pol.* I.8. Chrematistics is the art of supply; it aims at the acquisition of things useful for survival and the good life. Household-management is the art of managing wealth; it aims at the use of wealth.

### 2.1.1 Chrematistics in Politics I.3-4

Aristotle uses his familiar method of analyzing the parts of an entity in order to understand the end of the whole. We saw that the household “is the community constituted to satisfy everyday needs” (*Pol.* 1252b12-13). In *Pol.* I.4 Aristotle explains the duties of the householder by laying out the elements or parts (μέρη; *merhê*) of the household. The household consists of the master/husband, the slave, the wife, and the children. The rule of the householder is rule over slaves, wives and children, and involves three ruling arts corresponding to each of the three pairs:

1. Δεσποτική (*Despotikê*), viz. the skill 'of a master' or ‘mastership’.
2. Γαμική (*Gamikê*), viz. 'marital' skill or ‘matrimonial’.
3. Τεκνοποιητική (*Teknoipoietikê*), viz. 'procreative' skill or ‘paternal’.

The fourth art is chrematistics. Since, first, property is part of the household, and, second, both mere living and the good life require an adequate supply of goods or wealth, then, third, the householder must be concerned with the acquisition of property (*Pol.* 1253b23-26). According to Aristotle, property consists of various goods and instruments—both inanimate and animate instruments, i.e. tools and slaves—meant for doing or living—for life is action, not production (*Pol.* 1253b23-

1254a8). However, the tools used for production belong to property derivatively since they are used for producing the things that the householder needs for action.

After a detour in slavery (*Pol.* I.4-7), Aristotle returns to the question about the end of household-management (*Pol.* I.3). In *NE* 1094a9, he had stated without argument that household-management aims at wealth.<sup>86</sup> As we saw in the previous chapter, Aristotle's concern is to inquire about the proper place of wealth in the good life, the economic duties of the householder and the ethical orientation of the household's and the city's economy. We need to take into account that, for Aristotle, a life devoted to wealth-acquisition, where wealth is sought for itself, (the life of a χρηματιστής; *chrematistês*, viz. money-maker) is not the good life:

The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else. (*NE* 1096a5-7)

Since a life devoted to wealth-acquisition is not the good life, question (1) seeks the proper place of chrematistics in the hierarchy of arts, especially in relation to the other economic art, i.e. household-management.

### **2.1.2 *Politics* I.8: *Economic Terms and Concepts***

Aristotle restates the Master Question (1) in a tripartite form (*Pol.* 1256a4-6):

(a) Is the art of chrematistics the same as the art of household-management?

If it is not the same,

(b) Is the art of chrematistics a part of the art of household-management?

Or

(c) Is it an auxiliary to the art of household-management (ὕπηρετική; *hypêretikê*)?

As regards (a), Aristotle's answer is straightforward: the two arts are not the same because they have different ends: the end of chrematistics is to provide goods while

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<sup>86</sup> Perhaps, that was some kind of reputable opinion which held that the householder should be the provider of wealth. See e.g. Newman (1887:127).

the end of household-management is to use them (*Pol.* 1256a10-13). Since (a) is left out, Aristotle turns to examine (b) and (c).

Before explaining these questions, let me note some points about terminology. First, in *Pol.* I.8, Aristotle uses the term κτητική (*ktêtikê*) instead of the term χρηματιστική. Κτητική appears to be the generic term for the art of property-acquisition concerned with things useful for the household and the city;<sup>87</sup> it is his prototype of natural acquisition which is an indispensable part of οἰκονομική (household-management). Hence, chrematistics belongs to κτητική since it is concerned with the acquisition of goods or property that one needs or uses (χρήματα; *chrêmata*),<sup>88</sup> in particular, “money and the commodities whose worth is measured in money”.<sup>89</sup> But, as we shall see shortly, exchange and money gave rise to the business kind of chrematistics which pursues unlimited wealth; this mode of chrematistics is not part of household-management and κτητική. Hence, the term κτητική is the genus of natural chrematistics which refers to goods with exchange value.<sup>90</sup>

This brings us to the second terminological point. While ‘οἰκονομική’ primarily deals with the relations of the householder to the parts of the household (namely, wives, children, slaves and wealth) and bears no relevance to the modern discipline of ‘economics’—the science which deals with the economizing problem—we should note that Aristotle offered recognizable economic ideas and made significant contributions to economic thought.<sup>91</sup> In addition, the rendering of οἰκονομική as

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<sup>87</sup> Aristotle considers the wealth sought by κτητική as “a store of the goods that are necessary for life and useful to the community of city-state or household” (*Pol.* 1256b28-29). Κτητική is concerned with the acquisition of property that is necessary for both life and the good life: “ἐπεὶ οὖν ἡ κτήσις μέρος τῆς οἰκίας ἐστὶ καὶ ἡ κτητικὴ μέρος τῆς οἰκονομίας ἄνευ γὰρ τῶν ἀναγκαίων ἀδύνατον καὶ ζῆν καὶ εὖ ζῆν” (*Pol.* 1253b24-25).

<sup>88</sup> Finley (1970:15); Langholm (1983:51).

<sup>89</sup> Simpson (1998:50).

<sup>90</sup> We may define chrematistics as that part of κτητική concerned with property which has exchange value in a market.

<sup>91</sup> For example, he delved into the nature of such phenomena and institutions as economic value, market exchange, money, etc. Meikle (1995) argues that Aristotle took up the metaphysical question about economic value which is a considerable contribution to economic analysis. Schumpeter (1954a:54-55) argues that Aristotle wrote on economic phenomena with an ‘analytic intention’ in mind. Finley (1970:15) contends that there is no economic analysis in Aristotle’s *Ethics*; e.g. “pricing was actually not Aristotle’s concern” (p. 18). Crespo (2014) summarizes these discussions (chapters 1-3) and aptly explains (e.g., p. 11) that Aristotle was no economist in the modern sense of the term. Rather, he took up economic thinking as a moral and political philosopher. Nonetheless, as Crespo rightly points out, Aristotle offered recognizable economic ideas found in the foundations of medieval and

‘household-management’ should not obscure the fact that Aristotle was aware of the ‘economic’ as a distinct sphere and that he dealt with problems of political economy.<sup>92</sup> While his discussion of the ‘economic’ uses the household as the prototype of a ‘natural’ and ‘administrative’ form of economy,<sup>93</sup> this discussion extends to the city. The city, too, requires the two economic arts, χρηματιστική and οἰκονομική, for the acquisition and use of property. Of course, the two economic arts are subordinate to political expertise.<sup>94</sup> This has a very important implication: for Aristotle, an economy’s ends, especially the task of wealth-acquisition, should not be divorced from ethical and political concerns. For this reason, economic historians rightly argue that Aristotle’s economic thinking is predominantly social, ethical and political.<sup>95</sup> As we will see, Aristotle uses his prototype of the household economy as the standard for recognizing the natural kinds of chrematistics, *viz.* those within the scope of household-management.

A third point about terminology is that, unfortunately, Aristotle sometimes slides between different uses of the term χρηματιστική: sometimes chrematistics is the natural part of household-management (οἰκονομική) and at other times he uses the

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modern economic thinking; see Gordon (1993) and Polanyi (1957:66) about Aristotle’s influence on the Medieval Schoolmen and modern economic thinking (e.g. Marx).

<sup>92</sup> By ‘Aristotle’s political economy’ I mean the way he theorizes the interchange between political governance, ethics and economic tasks.

<sup>93</sup> For proponents of the ‘administrative’ tradition (e.g. Plato, Xenophon and Aristotle), economics is the art of organizing and running the economic units—the household and the state—efficiently. Unlike the modern idea of productive and allocative efficiency, the ideal of the ancient tradition was ‘administrative’ efficiency, namely, the prudent management of the household and the city. According to Lowry (1987), Xenophon’s *Oeconomicus*, the most seminal work on administrative economic thinking, “is a systematic treatment of the organization and administration of the agricultural estate, emphasizing human capital and organizational efficiency” (p. 13). The good administrator aims at increasing the quantity of the goods through proper organization, allocation of resources, and division of labor. Aristotle’s principle of division of labor is most characteristic of the governance of the *Republic*; for discussion of Plato’s political economy see Karasmanis (1997). These principles are applicable to all forms of association—the family, the village, and the state—by the householder, the military commander, the public administrator and the statesman.

<sup>94</sup> *Politics* 1259a33-36.

<sup>95</sup> A number of scholars argue that the economy of classical Greece was similar in structure with modern market economies and only differed in scale. However, the received view of the economy of Aristotle’s time is that it was a primitive economy quite unlike the market economies of the modern era. Polanyi (1957), a prominent proponent of primitivism, argues that ancient economies were based on such factors as social status, gift exchange or state-controlled redistribution. In contrast, in market economies, economic interests are coordinated by the market mechanism and generate the social order (or governance) characteristic of capitalist societies. For primitivists the ‘economic’ is not a distinct concept and sphere since economic tasks were socially embedded.

term to denote unnatural chrematistics (*Pol.* I.11).<sup>96</sup> So, our understanding of Aristotle's theory of chrematistics requires disentangling the terms χρηματιστική, οικονομική, κτητική and their variants, carefully.<sup>97</sup>

### 2.1.3 *The Master Question in Politics I.8*

We saw that chrematistics and the art of household-management are not identical. Now the Master Question breaks down to the following questions:

- (b) Is the art of chrematistics a part of the art of household-management? Or
- (c) Is the art of chrematistics an auxiliary to the art of household-management (ὕπηρετική; *hypêretikê*)?

Aristotle has already stated that κτητική is a *part* of household-management (*Pol.* 1253b23-24). Hence, the householder, as user of property, must somehow get property first.<sup>98</sup> If κτητική is part of household-management, then κτητική is a 'duty' of the householder, as (b) suggests (*Pol.* 1256b26-30). That is, 'part' implies 'duty' or 'responsibility', *viz.* the householder is responsible for carrying out the task of property acquisition.<sup>99</sup>

But, then, what does Aristotle mean by 'auxiliary' (ὕπηρετική) art? And what would be the bearing of the difference between κτητική as 'part' and κτητική as 'auxiliary' on the ethical characterization of chrematistics? Aristotle suggests that an auxiliary art provides the tools or the material to some higher-ranking art (*Pol.* 1256a5-10). To illustrate this idea, he draws an analogy: shuttle-making is subsidiary to weaving and bronze-founding is subsidiary to sculpture; both arts stand to their principals as providers stand to users (*Pol.* 1256a5-10). While both (b) and (c) rest on a provider-user model, each implies different ways of engagement with κτητική. Statement (b) implies that the householder must be *both* user and provider, hence, an expert in both household-management and κτητική. On the other hand, (c) implies that the

<sup>96</sup> This is a problem recognized by most economic historians, e.g. Polanyi (1957), Finley (1970), Langholm (1983:51).

<sup>97</sup> Κτητική is the generic term for the art of property acquisition. Chrematistics is a form of property-acquisition concerned with goods valued in monetary terms, in particular.

<sup>98</sup> Barker (1906:375).

<sup>99</sup> Saunders (2002:84).

householder must not necessarily be an expert in κτητική because an auxiliary art can be delegated to experts.<sup>100</sup> Hence, being a ‘part’ implies ‘being a duty’ of the householder while being an ‘auxiliary’ suggests that the task can be delegated to someone who is expert—that is, someone with the know-how—in κτητική. In other words, the question (1) of the Master Question asks whether κτητική is a duty *and* expertise of the householder or whether it is a different kind of expertise and *not* a duty of the householder.

Aristotle argues that the householder should be concerned with what is required for household-management (*Pol.* 1256b40-1257a2). Definitely, this idea, as such, does not dictate whether the householder should be an expert in κτητική or whether he could delegate its execution to others. In effect, Aristotle tasks himself of laying out the forms of chrematistics that belong to household-management and then examines which of them are part *or* auxiliary to household-management. I provide the full answer to Master Question (1.a) in section 2.3.4.

## 2.2 Natural Chrematistics

In this section I present Aristotle’s account of natural chrematistics, namely, κτητική (2.2.1) and necessary exchange (2.2.2). My second task is to explicate Aristotle’s standard that separates natural from unnatural chrematistics.

### 2.2.1 *Politics* I.8: Κτητική

Aristotle employs his familiar method of dividing a whole into parts in order to lay out the parts of property that falls under household-management. With this analysis he will prove that the proper kind of κτητική is that concerned with the property required for use by the householder. This analysis will elucidate how κτητική is a part of, and / or auxiliary to, household-management. It will further reveal the forms of κτητική which are genuine parts of household-management and the form of expertise required by the householder. In addition, this analysis will explain why certain forms of chrematistics appear to be part of household-management when they are not.

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<sup>100</sup> This is a plausible suggestion by Saunders (2002:84) because Aristotle seeks to limit the householder’s engagement with chrematistics and prefers that the householder delegate the tasks of κτητική to someone else (e.g. a slave) and oversee its proper execution. The citizens/householders need time to devote themselves to statecraft and philosophy (*Pol.* 1255b36).

Aristotle's analysis starts with the articles of property that are necessary for sustenance, in particular, food (*Pol.* 1256a19). He observes that nature provides for such necessities as food by design. In addition, and on account of natural teleology, the pursuit of different kinds of food (on account of need or desire) by different animals, involves a variety of ways of life and modes of acquisition (*Pol.* 1256a21-29). This plurality holds for humans, too. For example, carnivores live in herds whereas herbivores may live scattered around (*Pol.* 1256a23-29). Humans pursue different ways of life in accord with their needs and tastes, likewise (*Pol.* 1256a29-40). The first is the life of nomads who prefer to feed on domestic animals; the second is the life of hunters, raiders and fishermen; the third is the life of farmers who feed on cultivated crops. Aristotle notes that some combine two modes of acquisition, e.g. farming and hunting, in order to make up for any insufficiency whatsoever.

In *Pol.* 1256a40-b1, Aristotle takes the first step towards delimiting κτητική, the natural mode of acquisition, from barter and trade. The natural mode, he says, is based on self-engendered (αὐτόφυτον; *autophyton*; 1256a41) toil which involves either the collection or the production of goods.<sup>101</sup> In barter and trade, the acquisition of goods comes from the exchange of goods. Let me summarize the modes of acquisition as Aristotle presents them in *Pol.* I.8:

Modes of Natural Property-Acquisition (*Κτητική*):

- Nomadic
- Agricultural
- Raiding, fishing, and hunting.

Modes of Non-Natural Property-Acquisition:<sup>102</sup>

- Barter

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<sup>101</sup> According to Saunders (2002:85), αὐτόφυτον means 'by natural growth'. Wilson (1895:187) renders αὐτόφυτον as 'grow up of itself', that is 'naturally', by natural growth. "...[T]his contrasts what springs up of itself with what arises from human design and choice. In other words, the natural from the artificial" (p.187).

<sup>102</sup> I use the term 'non-natural' because Aristotle allows that some forms of acquisition which are not natural, are not unnatural either—as is the case with barter. In other words, 'natural' and 'non-natural' are contraries but not contradictories.

- Trade

For Aristotle, κτητική is most natural because it is in accord with nature's design; nature has created everything for the sake of humans (*Pol.* 1256b20-22).<sup>103</sup> He argues that nature provides almost anything that organisms need for their preservation because “nature makes nothing either incomplete or to no purpose” (*Pol.* 1256b20-21).<sup>104</sup> Aristotle observes that, on account of natural teleology, plants exist for the sake of animals and animals (and plants) exist for the sake of humans. In particular, tame and wild animals, plants and trees serve as food and as material for tools, clothing, shelter, etc. Also, he considers piracy, warfare and the forcible enslavement of humans as natural modes of acquisition.<sup>105</sup>

Aristotle concludes his discussion of κτητική by stating that it is part of household-management by nature:

One kind of property acquisition [κτητική] is a natural part of household management, then, in that a store of the goods that are necessary for life and useful to the community of city-state or household either must be available to start with, or household management must arrange to make it available. (*Pol.* 1256b26-30)

It is not clear yet whether κτητική is only part of household-management or an auxiliary to it as well. So far, Aristotle has used his teleological method to establish that κτητική is concerned with getting the fruits of natural providence: goods that are “necessary for life and useful to the community of city-state or household” (*Pol.* 1256b30). Hence, κτητική belongs to household-management as a matter of natural teleology (see also *Pol.* 1253b23-26). This idea prescribes a form of ‘**Natural**

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<sup>103</sup> Saunders (2002:85) rightly notes: “However, we should beware of concluding that Aristotle believed animals evolved historically into their present forms, under *pressure* of the environment: species are eternal and were ever thus; for nature has made them so. Nor does the quasi-personification of nature necessarily imply some cosmic intellect that designed the whole world as we know it, in all its detail. Aristotle means only that animals are (somehow) fitted *for* living in their respective environments. It is in this sense that certain foods, the modes of acquiring them, and the consequential life-styles, are 'natural' to certain animals-including ... human beings”.

<sup>104</sup> For discussion see, for example, Shulsky (1991:80). Wilson (1896:186) says that the source of profit for Aristotle is the natural product; Newman (1887:113) says that the natural mode of acquisition is in “intrinsic conformity to the design of Nature.”

<sup>105</sup> As Saunders (2002:85) points out, we may wonder how such an immoral action as raiding or enslavement could belong to natural chrematistics which Aristotle considers ethical.



**Economy**', an economy where nature is the source of the goods required for the end of household-management:

### **Natural Economy**

Nature provides for everything necessary for life and useful to the community of city-state or household.

However, it is not always possible to use what nature provides directly. Chrematistics must “contrive that property is available” (ἤτοι ὑπάρχειν ἢ πορίζειν αὐτὴν ὅπως ὑπάρχει; *Pol.* 1256b28). Aristotle here introduces the non-natural forms of acquisition—barter and trade. On the one hand, the natural modes of acquisition “have their work self-engendered [αὐτόφωτον], and do not procure their food through exchange, barter or trade” (*Pol.* 1256a40-b1).<sup>106</sup> On the other hand, non-natural forms of acquisition are not based on what nature provides directly. Non-natural acquisition is not based on self-engendered items; it is based on exchange. In a general way, the natural forms of acquisition conform to the design of nature. Let us call the standard which Aristotle uses to separate the natural from the non-natural forms of acquisition Aristotle’s ‘Natural Standard’. This appears in more than one form. In *Pol.* I.8 it appears in the following form:<sup>107</sup>

### **Natural Standard<sub>1</sub>**

A form of wealth-acquisition is natural when it is based on the collection of goods from nature or on the production of goods.

Does this standard prescribe that the householder be an expert in chrematistics and the practitioner of the tasks related to it? That is, should, for instance, the householder be a farmer or shepherd? Aristotle postpones his answer to this question and moves to show that κτητική is an art that pursues wealth with a limit, namely, ‘true’ wealth:

At any rate, true wealth seems to consist in such goods. For the amount of this sort of property that one needs for the self-sufficiency that promotes the good

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<sup>106</sup> This term (*viz.* self-engendered) helps Aristotle further stress the difference between natural and non-natural chrematistics.

<sup>107</sup>Shulsky (1991:80); Wilson (1896:186); Newman (1887:113). The two main kinds of chrematistics, says Newman, are “here distinguished, not according to their effect on the agent, but according to their intrinsic conformity to the design of Nature.”

life is not unlimited, though Solon in his poetry says it is: "No boundary to wealth has been established for human beings." But such a limit or boundary has been established, just as in the other crafts. For none has any tool unlimited in size or number, and wealth is a collection of tools belonging to statesmen and household managers. It is clear, then, that there is a natural kind of property acquisition for household managers and statesmen, and it is also clear why this is so. (*Pol.* 1256b30-39)

We see here that, apart from the naturalness of its sources, κτητική is properly related to household-management for an additional reason: it is concerned with property that has a limit. This property Aristotle calls 'true' wealth, i.e. property required for the end of household-management. Aristotle's argument is as follows:<sup>108</sup> (a) the property required for the end of household-management (i.e. sustenance and the good life) is true wealth;<sup>109</sup> (b) contra Solon's verse, true wealth has a limit; (c) the sufficiency in property required for the exercise of household-management is not unlimited;<sup>110</sup> (d) hence, the sufficiency in property required for household-management is true wealth.

But why should the property required for the good life have a limit? That is, why should true wealth have a limit?<sup>111</sup> Aristotle must prove that only property with a limit (i.e. true wealth) is what the good life requires, namely, he must prove premise (b). With the concept of 'true wealth', he introduces a variant of the Natural Standard. Natural chrematistics does not only rest on producing or getting goods from nature but also on the natural self-sufficiency in property required for sustenance and flourishing:

### **Natural Standard<sub>2</sub>**

A form of wealth-acquisition is natural if it aims at **true wealth**.

In light of the previous standard (NS<sub>1</sub>), κτητική is the art of acquiring wealth from nature directly, in conformity with the design of nature. By this new standard (NS<sub>2</sub>),

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<sup>108</sup> See *Pol.* 1256b26-40. This reconstruction is based on Simpson (1998:46-50).

<sup>109</sup> We saw that κτητική aims at providing an adequate supply of property necessary for both life and the good life (*Pol.* 1253b23-25). Humans do not need an unlimited amount of wealth for the realization of their natural ends of subsistence and flourishing.

<sup>110</sup> The sufficiency in property is limited by the material requirements of sustenance and the good life.

<sup>111</sup> Simpson (1998:50) raises this question because Aristotle must show that only property with a limit is required for the good life; otherwise unlimited money (which is property without a limit) could be the property required for the good life. Aristotle must rule out the latter for his argument to work.

κτητική becomes the art of acquiring true wealth, i.e. property limited by natural self-sufficiency. NS<sub>1</sub> is based on the idea that nature would not have provided less of what humans need for their survival and flourishing. However, while NS<sub>1</sub> ensures that humans will not have less than the material conditions of the good life prescribe, it alone does not place an upper limit on acquisition. In other words, Aristotle needs to establish that human happiness does not require an unlimited amount of wealth.

In effect, he devises the following proof (*Pol.* 1256b26-40):<sup>112</sup> (a) every art requires a collection of tools for its exercise; (b) these tools have a limit in quantity or size because beyond a certain quantity or size they would be useless for the end of the art; (c) accordingly, the exercise of household-management requires a multitude of tools (e.g. crops, animals, slaves, etc.); (d) the multitude of tools required for the exercise of household-management is limited because wealth is useless for household-management if it exceeds the limit of self-sufficiency;<sup>113</sup> (e) hence, the property required for household-management has a limit.

Let me summarize what Aristotle has said about κτητική and why he thinks it is the proper part of household-management (*Pol.* 1253b23-26; 1256b26-27). Nature, Aristotle says, makes everything for the sake of humans in order to assist them in realizing the goal of self-sufficiency. In particular, nature provides the things required for the satisfaction of the needs of the household and the city-state which are naturally formed to satisfy the human need for sustenance and the good life. The end of household-management is the use of true wealth. The things required for the satisfaction of the needs of the household and the city constitute true wealth—i.e. wealth that is provided by nature’s design and limited by natural self-sufficiency. Hence, household-management requires the acquisition of true wealth. The kind of chrematistics whose end is to provide the association of state or household with true wealth is κτητική.

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<sup>112</sup> Simpson (1998:49-50).

<sup>113</sup> Wilson (1896:187) says that our natural need for food makes κτητική natural, too. This Aristotle does not state clearly but the perishability of food and human satiation place a natural limit on κτητική; see Shulsky (1991: 82-83) for a discussion of how NS<sub>2</sub> places a natural limit on acquisition.

Aristotle does not say here that the city should be run as a large household. But since the city aims at the good life and the administration of the city requires the acquisition and use of wealth, chrematistics is necessarily a concern of political expertise. The tasks of the householder and the statesman in regards to wealth-acquisition are the same. Aristotle clarifies these tasks in *Pol.* I.10-11.

### **2.2.2 *Politics* I.9: *Exchange-based Acquisition***

So far, Aristotle has argued that κτητική is a significant part of household-management—as provider is related to user. Having concluded his discussion of κτητική, Aristotle re-introduces the term χρηματιστική which is, as he says, justly called so because it appears to be concerned with unlimited wealth:

But there is another type of property acquisition [κτητική] which is especially called wealth acquisition [χρηματιστική], and justifiably so. It is the reason wealth and property are thought to have no limit. For many people believe that wealth-acquisition is one and the same thing as the kind of property acquisition we have been discussing, because the two are close neighbors. But it is neither the same as the one we discussed nor all that far from it: one of them is natural, whereas the other is not natural, but comes from a sort of experience and craft. (*Pol.* 1256b40-1257a5)

Here Aristotle explains why people confuse the genus of κτητική with the unnatural kind of χρηματιστική that pursues unlimited wealth—let us call the kind that pursues unlimited wealth as the ‘business’ kind of chrematistics—and requires experience and skill. He points out that people fail to recognize that each kind pursues different forms of wealth because of their resemblance. Here Aristotle introduces a further way of distinguishing between natural and non-natural chrematistics: the non-natural kind comes from “experience and craft”. But in what sense natural chrematistics—such as hunting, fishing and farming—does not require skill and experience.<sup>114</sup> Perhaps, Aristotle wants to describe how each form of chrematistics arises in the first place. Or, he might want to say that nature has prepared humans to develop the skill required for the natural modes of acquisition—e.g. the idea that hunting comes more naturally to

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<sup>114</sup> Saunders (2002:91) rightly points out: “Yet he [Aristotle] can hardly be denying that mankind had to learn the skills of hunting too”.

humans than commerce does.<sup>115</sup> An alternative reading is that the objects of natural acquisition are created (*γίνονται*; *ginontai*, i.e. ‘come about’) and provided by nature, whereas the objects of non-natural chrematistics come about as a result of art (i.e. invention). As we shall see shortly, non-natural chrematistics arose when humans invented money to facilitate exchange. However, the chrematistics whose objects are contrived from ‘a certain kind of experience and craft’ do not automatically fall in the *unnatural* kind. In other words, we need to see whether acquisition from exchange violates both NS<sub>1</sub> and NS<sub>2</sub>; if it does, then it is not a proper part of household-management.

In effect, Aristotle takes up the task of explaining in detail how exchange and money gave rise to the non-natural kind of chrematistics, how exactly this kind differs from the natural forms of chrematistics, and, finally, how it relates to household-management. Aristotle starts his inquiry into the forms of exchange by drawing his much-discussed distinction between proper use and use for-exchange:

Every piece of property has two uses. Both of these are uses of it as such, but they are not the same uses of it as such: one is proper to the thing and the other is not. Take the wearing of a shoe, for example, and its use in exchange. Both are uses to which shoes can be put. For someone who exchanges a shoe, for money or food, with someone else who needs a shoe, is using the shoe as a shoe. But this is not its proper use because it does not come to exist for the sake of exchange. (*Pol.* 1257a7-12)

Aristotle says that the first use of a thing is the proper use (*οικεία*; *oikeia*) whereas the second use is the use for-exchange (*μεταβλητική*; *metablêtikê*). For example, one may use a pair of shoes to wear it (the proper use) or to exchange it for, say, food or money. Aristotle notes that in both cases the thing used is used for what it is. Wearing a shoe is using it as a shoe. Similarly, exchanging a shoe is using it *as* an

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<sup>115</sup> Saunders (2002) explains the difference between the skills in natural and non-natural chrematistics as follows: “Presumably trade requires more experience and skill than (say) hunting, because animals are simply and naturally ‘there’, as it were ready-made, to be taken by us, who are by nature already at least partly equipped to take them; but nature has not equipped us with the skills of trade, which had to be developed from scratch, either by individuals or by the race over a period of history” (p.91). In other words, the difference lies in that we are more prepared by nature to pursue κτητική than we are prepared for trade. In my view, it is also possible, as Simpson (1998:50) and Wilson (1896:187) point out, that the word ‘γίνονται’ (come about) stresses that the two arts differ in *kind* in virtue of how their objects come about, naturally or artificially. The skill of natural chrematistics is skill in *getting* wealth while non-natural chrematistics requires skill in *creating* wealth (*ποιητική χρημάτων*) from exchange.

exchangeable item. The difference between these two ways of using a shoe lies in that the proper use is in accord with the nature of the thing, that is, in accord with the purpose it was made, *viz.* a shoe is made *for* wearing. In contrast, exchange (ἀλλαγή; *allagê*) involves using a shoe for the purpose of exchanging it with something else—a thing or money.

Aristotle’s analysis of μεταβλητική starts with a genealogy of exchange:

The same is true of other pieces of property as well, since the science of exchange embraces all of them. It first arises out of the natural circumstance of some people having more than enough and others less. (*Pol.* 1257a12-15)

We saw that exchange is possible because anything has a dual use. In practice, according to Aristotle, exchange arose as a natural way of making up for deficiencies in necessary goods—*viz.* to “fill in gaps in a natural self-sufficiency” (*Pol.* 1257a29). As he explains, exchange “has no task to perform in the first community (that is to say, the household), but only when the community has become larger” (*Pol.* 1257a19-20) because members of the household share their possessions. In contrast:

...[T]hose in separate households shared next many different things, which they had to exchange with one another through barter when the need arose, as many non-Greek peoples still do even to this day. For they exchange useful things for other useful things, but nothing beyond that—for example, wine is exchanged for wheat, and so on with everything else of this kind (*Pol.* 1257a23-28)

Exchange, then, arises from the fact that there is a lack in a natural self-sufficiency; any household or city, at any time, may have a surplus of *x* and a shortage of *y* (*Pol.* 1257a14-16). Hence, the natural move was to make an exchange with another household or city which used to have a surplus of *y* and a shortage in *x*. Aristotle calls this form of exchange ‘necessary’ (ἀναγκαῖα ἀλλαγή) because it is based on the need for self-sufficiency:

...[P]eople needed to engage in exchange only up to the point at which they had enough (ὅσον γὰρ ἰκανὸν αὐτοῖς, ἀναγκαῖον ἦν ποιεῖσθαι τὴν ἀλλαγήν; *Pol.* 1257a19)

He also says that exchanges between states (μεταδόσεις) were necessary (ἀναγκαῖον ποιεῖσθαι τὰς μεταδόσεις) in virtue of the fact that they are the only way to satisfy

their needs (ὧν κατὰ τὰς δεήσεις ἀναγκαῖον ποιεῖσθαι τὰς μεταδόσεις; *Pol.* 1257a23-25). However, necessary exchange is not unnatural when it aims at filling “gaps in a natural self-sufficiency” (εἰς ἀναπλήρωσιν γὰρ τῆς κατὰ φύσιν αὐταρκειᾶς ἦν; 1257a30), i.e. when it aims at true wealth—the wealth limited by natural self-sufficiency.

Then, Aristotle contrasts necessary exchange with καπηλική (*kapêlikê*), viz. retail trade.<sup>116</sup> However, with the term καπηλική Aristotle also refers to skill in ‘business’ more broadly:<sup>117</sup> it is the art of maximizing profit through exchange (*Pol.* 1257b2-5). Καπηλική is not necessary exchange and therefore it is unnatural chrematistics: “καὶ δῆλον ὅτι οὐκ ἔστι φύσει τῆς χρηματιστικῆς ἢ καπηλικῆ” (1257a17-18). By which standard does Aristotle classify καπηλική to the unnatural kind of chrematistics? Aristotle says:

...[T]he part of wealth acquisition [χρηματιστική] which is commerce [καπηλική] does not exist by nature; people needed to engage in exchange only up to the point at which they had enough. (*Pol.* 1257a14-19)<sup>118</sup>

The phrase “καὶ δῆλον ὅτι οὐκ ἔστι φύσει τῆς χρηματιστικῆς ἢ καπηλικῆ” connotes that καπηλική is not natural. Here are some renderings of the predicate ‘οὐκ ἔστι φύσει τῆς χρηματιστικῆς’:

1. The art of trade does not exist by nature<sup>119</sup>

A different rendering of the passage is as follows:

2. The art of trade is not a natural part of the art of money-making [i.e. chrematistics].<sup>120</sup>

<sup>116</sup> Retail traders (κάπηλοι) carried out local trade. Long-distance and foreign trade was carried out by merchants (ἔμπορος/οι) who were usually (μέτοικοι; *metics*, i.e. free non-citizens); see Hasebroek (1965:1-6) and Finley (1970).

<sup>117</sup> Aristotle uses the term καπηλική to denote both retail trade and the kind of chrematistics that seeks unlimited wealth; Finley (1970:16). Also, Simpson (1998:50) suggests that Aristotle uses καπηλική here, broadly, as the skill in acquisition that operates on the profit-maximization principle and seeks unlimited wealth, namely, business.

<sup>118</sup> This translation is by Saunders (2002:13).

<sup>119</sup> Saunders (2002); Reeve (1998).

<sup>120</sup> Jowett (1885:15).

Translation (1) rather misleadingly implies that only the modes of chrematistics prescribed by NS<sub>1</sub> are natural, and hence, καπηλική is unnatural because it “is not a natural way of getting goods”.<sup>121</sup> Also, it is an invention. Hence, it muddies the fact that necessary exchange is natural chrematistics by NS<sub>2</sub><sup>122</sup> but non-natural by NS<sub>1</sub>, whereas καπηλική violates both NS<sub>1</sub> and NS<sub>2</sub> because it gets goods through exchange but it is not necessary exchange, *viz.* it pursues spurious wealth.

Translation (2) highlights what I think is Aristotle’s point: καπηλική is unnatural because it is not the kind (εἶδος) of chrematistics that belongs to household-management. Rather, it is detached from household-management. Jowett’s translation is more continuous with the passage where Aristotle considers necessary exchange:

This kind of exchange [μεταβλητική] is not contrary to nature, nor is it any kind of wealth acquisition [χρηματιστική]; for its purpose was to fill a lack in a natural self-sufficiency. None the less, wealth acquisition arose out of it, and in an intelligible manner. Through importing what they needed and exporting their surplus, people increasingly got their supplies from more distant foreign sources. Since not all the natural necessities are easily transportable, the use of money had of necessity to be devised. (*Pol.* 1257a28-35)

We see here that, for Aristotle, the art of changing-round (μεταβλητική here, *i.e.* necessary exchange) is not contrary to nature for it arises from the natural need to make up for any shortage in things essential and useful for life. As Aristotle says, in simple barter, which is necessary exchange, partners exchange “useful things for other useful things” (*Pol.* 1257a25).<sup>123</sup> Jowett’s translation captures the fact that καπηλική is not a kind of natural chrematistics, the kind that belongs to household-management. Yet, his claim that μεταβλητική is neither unnatural nor “any type of skill [or art] in acquiring goods” is puzzling: namely, μεταβλητική is not part of chrematistics either (ἢ μὲν οὖν τοιαύτη μεταβλητικὴ οὔτε παρὰ φύσιν οὔτε χρηματιστικῆς ἐστὶν εἶδος οὐδέν; *Pol.* 1257a28-29). The basic sense we can get from this passage is that μεταβλητική is not a form of natural chrematistics by NS<sub>1</sub> but, of course, it is a form

<sup>121</sup> For example, Saunders (1992:82) renders it as “trade is not a natural way of getting goods”.

<sup>122</sup> NS<sub>1</sub> is not sufficient for placing καπηλική in unnatural chrematistics. It can do so jointly with NS<sub>2</sub>. Saunders’ translation seems to hinge on his thinking that the forms of acquisition approved by NS<sub>1</sub> are more natural to humans than trade. However, ‘naturalness’ here is not a matter of degree but a matter of kind.

<sup>123</sup> See Wilson (1896:188).



of natural chrematistics by NS<sub>2</sub> since necessary exchange is good μεταβλητική, i.e. it aims at true wealth.

Let me introduce a further distinction here between two kinds of μεταβλητική. The first kind is natural chrematistics and part of household-management (also called **οἰκειοτάτη** χρηματιστική; *oikeiotatê*; *Pol.* 1258b21).<sup>124</sup> In necessary exchange, the exchange value of a good is based on the proper (οἰκεία) use of the thing: people use things to get other useful things. In other words, the exchange values or prices of goods are based on the real use values of things. In the second kind, καπηλική, the exchange value of goods is partly generated by the exchange itself (*Pol.* 1257b7). While the good μεταβλητική (οἰκειοτάτη χρηματιστική) is an art that may use money, it is not contrary to nature because money arose under pressure of necessity in order to facilitate necessary exchange.

In *NE* V.5 Aristotle explains that money emerged as a conventional representative of value (need or utility) which allows incomparable goods to be exchanged (*NE* 1133a19-26); hence, money makes exchange possible (*NE* 1133b14-18). In *Politics*, he explains that coinage emerged to facilitate trade by being a portable store of value. Barter was cumbersome because “not all every natural necessity is easily carried” (*Pol.* 1257a35-38).<sup>125</sup> For example, a household or city A with a surplus of grain and a shortage of milk cannot trade directly with a household or city B which has a surplus of milk, when B does not need grain (e.g. B has a surplus of grain). Such a situation requires that A first exchange with a household or city C which is short on grain but sufficient on something that B needs, e.g. meat. Only after A exchanges grain for meat with C, can A exchange with B and get the milk. Money, as a medium of exchange and storage of value, solves this problem.

Although the good and bad forms of μεταβλητική share the same origin and use the same means, they differ because the former belongs to οἰκειοτάτη χρηματιστική, whereas the latter does not. Also, the use of the term ‘οἰκειοτάτη χρηματιστική’ should alert us to the possibility that Aristotle sought to distinguish two forms of

<sup>124</sup> The good μεταβλητική is part of οἰκειοτάτη χρηματιστική (*Pol.* 1258b21); see Wilson (1896:188).

<sup>125</sup> Translation: Saunders (2002).

trading goods, namely, καπηλική from good μεταβλητική, on the basis of the concepts of ‘proper use’ and ‘use for-exchange’. Let me sketch briefly this idea. The prototype of exchange for-use is barter where people do not use things as sources of maximizing profit but exchange useful things for useful things (*Pol.* 1257a25-26). Barter does not alter the natural purpose of exchange, which is use within the bounds of self-sufficiency (τῆς κατὰ φύσιν αὐταρκείας).<sup>126</sup> Nor does barter alter the proper use of things which is tied to their nature or function. Hence, in barter, the exchange value of things is tied to their proper use or use value; exchangers exchange use-values or things useful, e.g. wine for corn. On the other hand, the business kind of μεταβλητική (καπηλική, broadly) alters and perverts the original purpose of exchange since it aims at the maximization of profit, not at use for self-sufficiency. Also, in καπηλική the exchange value of things does not derive from their use value as a whole—the value that derives from the nature or function of things—since traders and middlemen increase the exchange value of goods in order to make as much profit as possible; this incremental value does not derive from their proper use.

While this is a tentative reading, Aristotle needs the concept of use in order to make the distinction between good and bad μεταβλητική more neatly. Let me state **tentatively** the Natural Standard that distinguishes the two kinds of μεταβλητική:

### **Natural Standard<sub>3</sub>**

An exchange-based form of acquisition is natural when (a) it is limited by the natural end of exchange (filling a gap in self-sufficiency); (b) it is based on production; (c) the exchange value of the goods exchanged or sold derives from the proper use of things.

This standard explains why barter may be non-natural by NS<sub>1</sub> but not unnatural by the standards NS<sub>2</sub> and NS<sub>3</sub>. Barter is usually an exchange of useful things for useful things. Although Aristotle objects to the business kind of chrematistics, i.e. καπηλική, μεταβλητική can be natural (*Pol.* I.11). This may be explained by NS<sub>3</sub> since in various forms of trade, as in commercial agriculture, sellers make money from the sale of their own products, not from the exchange itself. But we need to keep in mind that

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<sup>126</sup> Proper use aims at natural self-sufficiency.

this is a tentative reading, for the moment. In general, Aristotle does not use a single standard that distinguishes *καπηλική* from natural forms of exchange.<sup>127</sup> In the next section I present *καπηλική*.

## 2.3 Unnatural Chrematistics

In this section I reconstruct and present in detail Aristotle's analysis of the unnatural forms of chrematistics: *καπηλική* (i.e. trade practiced by hucksters, middlemen and brokers), *ὀβολοστατική* (i.e. money lending), *μισθαρνία* (wage-labor), and the crafts. My purpose is to examine why Aristotle objects to these modes of acquisition.

### 2.3.1 *Politics* I.9: *Καπηλική*

According to Aristotle *καπηλική* and money originated in trade between city-states, that is, from necessary exchange with the aid of coinage:

After money was devised, necessary exchange gave rise to the second of the two kinds of wealth acquisition, commerce [*καπηλική*]. At first, commerce was probably a simple affair, but then it became more of a craft as experience taught people how and from what sources the greatest profit could be made through exchange. That is why it is held that wealth acquisition [*χρηματιστική*] is concerned primarily with money, and that its task is to be able to find sources from which a pile of wealth will come. For it is productive of wealth and money, and wealth is often assumed to be a pile of money, on the grounds that this is what wealth acquisition and commerce are concerned to provide. (*Pol.* 1257a41-b10)

Aristotle defines *καπηλική* as productive (*ποιητική*; *poiêtikê*) of wealth and money; it creates wealth from profitable exchanges (*Pol.* 1257b6-10). The competent practitioner of *καπηλική* is someone who can find out the sources of maximum profit (*πλεῖστον ποιήσει κέρδος*; *Pol.* 1257b5). Hence, *καπηλική* can be used as a way to maximize one's wealth (*Pol.* 1257b2-5). Typically, *καπηλική* is the commercial

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<sup>127</sup> Simpson (1998:52n70). Meikle (1995) suggests that for Aristotle exchange and use belong to different ontological categories (quality and quantity respectively). For Meikle, the whole of commercial *μεταβλητική* is unnatural because it is not exchange for use. Simpson (1998:51) argues that "exchange is parasitic on use" but not divorced from use. Hence, he doubts that Aristotle's critique of commercial chrematistics (especially, *καπηλική*) rests on a distinction between exchange value and use value, as Meikle suggests.

practice that starts with buying a commodity at price  $p_1$  and then selling it at a higher price  $p_2$ . The margin between the two prices is the profit.<sup>128</sup>

According to Aristotle, the received view at his time was that true wealth consists of large sums of coinage and that chrematistics is concerned with finding out the sources of such wealth (*Pol.* 1257b7-10). Aristotle argues that people fail to notice that a large stock of coinage is not true wealth since money is useful by convention. If the convention about money changes, one's supply of money is useless; one cannot use it in exchange of commodities, like food, and would die of hunger, "like Midas in the fable, when everything set before him turned to gold in answer to his own greedy prayer" (*Pol.* 1257b15-17; see also *Rhet.* 1362a24-25 that wealth consists in use rather than possession).

Furthermore, according to Aristotle, coinage is the unit and limit of exchange (τὸ γὰρ νόμισμα στοιχείον καὶ πέρας τῆς ἀλλαγῆς ἐστίν; *Pol.* 1257b22-23). Also, the wealth of καπηλική is infinite (*apeiros*; καὶ ἄπειρος δὴ οὗτος ὁ πλοῦτος, ὁ ἀπὸ ταύτης τῆς χρηματιστικῆς; *Pol.* 1257b24). Let us try to understand first, in what way coinage is the limit of exchange (πέρας τῆς ἀλλαγῆς ἐστίν), second, how Aristotle defends his claim that the wealth pursued by καπηλική has no limit, and, third, what he says about the relationship between καπηλική and household-management. Aristotle makes an analogy between chrematistics and medicine (*Pol.* 1257b25-31). He says that every art pursues its end in an unlimited way—because each art tries to achieve its end as fully as possible. However, the means towards an art's end are not unlimited (we saw this before: no art has any tool which "is unlimited in size or number"; *Pol.* 1256b35) because the end is the limit of the means. Accordingly, money is the end of commercial exchange. Yet, unlike medicine whose means are different from, and limited by, its end, in καπηλική, money is both the end and the means of commercial exchange. In principle, καπηλική is an art without limit (οὕτω καὶ ταύτης τῆς χρηματιστικῆς οὐκ ἔστι τοῦ τέλους πέρας, τέλος δὲ ὁ τοιοῦτος πλοῦτος καὶ χρημάτων κτήσις; *Pol.* 1257b28-30) because money itself has no limit (ἄπειρος δὴ οὗτος ὁ

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<sup>128</sup> Meikle (1996:140) represents commerce (καπηλική) as a cycle: Money<sub>1</sub>—Commodity—Money<sub>2</sub> (or M<sub>1</sub>—C—M<sub>2</sub>). That is, the merchant uses money to buy a commodity at a price (M<sub>1</sub>) and then sells the commodity at a price (M<sub>2</sub>) where M<sub>1</sub> < M<sub>2</sub>. The margin between the two prices is the profit.

πλοῦτος, ὁ ἀπὸ ταύτης τῆς χρηματιστικῆς; *Pol.* 1257b25). Since money is infinite, τὸ γὰρ νόμισμα στοιχεῖον καὶ πέρασ τῆς ἀλλαγῆς ἐστίν, most likely, refers to the price of a good. Hence, first, the only limit of an exchange seems to be the unwillingness of exchangers to accept a price.<sup>129</sup> Second, since καπηλική usually produces money by using money, its means is also its end in itself. In other words, καπηλική is not a means to a further end that is unlimited.<sup>130</sup> In particular, third, καπηλική is not limited by the end of household-management, and since its means—money—is infinite and unlimited, it is an art without limit. Καπηλική is only limited by the unwillingness of exchangers to accept a price. Traders treat money as their final end and pervert its original function as a measure and storage of value, and as a medium of exchange. They also pervert the original function of exchange as a subsidiary to the higher-ranking end of household-management (*Pol.* 1257a28-30).

In *Pol.* 1257b32-40 Aristotle explains why people assent to the business kind of chrematistics. He argues that the two kinds of μεταβλητική—necessary exchange, as in μεταδόσεις between states and καπηλική—resemble one another since they both use money as a medium of exchange. Hence, the monetary basis of both arts obscures the difference in their purpose: necessary exchange aims at true wealth, whereas καπηλική aims at the increase of wealth through profit-seeking. Hence, people fail to notice that the same use hides two different aims. They think that καπηλική is the blanket practice of the whole of chrematistics, and conclude that necessary exchange aims at unlimited wealth, too. Hence, they further conclude that household-management aims at the increase of wealth, not at a natural self-sufficiency in wealth.

Then, Aristotle explains the psychological origins of καπηλική (*Pol.* 1257b40-1258a8). We saw that people confuse the two kinds of chrematistics because these seem alike. But why are people *disposed* to the kind of chrematistics which pursues unlimited wealth? Why do people think that they should maintain or increase their wealth? According to Aristotle, people are so disposed (they desire unlimited wealth) because they are preoccupied with *mere living*, not with the good life (*Pol.* 1257b41).

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<sup>129</sup> Prices are formed by the needs of exchangers (see *NE* 1133b18-20).

<sup>130</sup> In principle, there is no limit in monetary or numerical value. However, the means of medicine are in principle limited in number.

In particular, he reasons as follows: the desire for living is unlimited; hence, most people desire the things that are conducive to the satisfaction of this desire; such things are unlimited; hence, most people desire unlimited things (i.e. money). In addition, according to Aristotle, people tend to think that the good life is the life of physical gratification (*Pol.* 1258a3-4). Since the latter life requires large sums of wealth, they devote their lives in the pursuit of ever-increasing wealth. This excessive desire for gratification is, Aristotle concludes, the psychological origin of the pursuit for unlimited wealth—for people use the art that satisfies this desire.

Moreover, the desire for excessive wealth explains why people convert various arts, like medicine and generalship, into money machines. In their pursuit for unlimited wealth, people may go as far as to convert virtuous traits, like courage, into instruments of money-making. For Aristotle this is a misuse of virtue and contrary to nature:

For the end of courage is not to produce wealth but to produce confidence in the face of danger; nor is it the end of generalship or medicine to do so, but rather victory and health. None the less, these people make all of these into forms of wealth acquisition in the belief that acquiring wealth is the end, and that everything ought to promote the end. (*Pol.* 1258a10-14)

With this remark about the lurking perils of commercialization which I discuss further in chapter six, Aristotle concludes his discussion about the economic and psychological origins of *καπηλική*.

After a quick return to the Master Question (1) where he gives a puzzling answer—namely, that chrematistics is *both* a part *and* auxiliary to household-management (*Pol.* 1258a27-38)—Aristotle launches a critique to business and money-lending. We should await *Politics* I.11, where Aristotle summarizes the main forms of chrematistics and discusses monopolies, in order to see how the householder should practically engage with the tasks of chrematistics and which forms of acquisition are improper for the householder. For now, let me present his ethical critique of business (*καπηλική*) and *ὀβολοστατική* (money-lending) which explains further why the householder and citizen of an ideal city-state *should not* practice these forms of chrematistics—namely, the Master Question (2.a).

### 2.3.2 *Politics I.10: The Ethical Critique of Καπηλική and Όβολοστατική*

In *Politics I.10*, Aristotle argues:

But, as we said, there are two kinds of wealth acquisition [χρηματιστική]. One has to do with commerce [καπηλική], the other with household management. The latter is necessary and commendable, but the kind that has to do with exchange [μεταβλητική] is justly disparaged, since it is not natural but is from one another. Hence usury [όβολοστατική] is very justifiably detested, since it gets wealth from money itself, rather than from the very thing money was devised to facilitate. For money was introduced to facilitate exchange, but interest makes money itself grow bigger. (That is how it gets its name; for offspring resemble their parents, and interest is money that comes from money.) Hence of all the kinds of wealth acquisition this one is the most unnatural. (*Pol.* 1258a38-b8)

Καπηλική, Aristotle explains, is blameworthy because one creates wealth by taking from others, not from nature (ἀλλ' ἀπ' ἀλλήλων ἐστίν). The received interpretation is that καπηλική is a zero-sum game where one can gain only at the expense of others.<sup>131</sup> The retailer or the middleman buys goods and resells them for as much as he can make it.<sup>132</sup> On the other hand, as we see in the next section, Aristotle does not object to foreign trade, the trade of surpluses and services, commercial agriculture, and the extractive industries. So, the reading that business is inherently zero-sum requires further examination. I come back to this problem in chapter five.

In addition, Aristotle says that money-lending involves the misuse of money. It perverts the nature or function of money as a medium of exchange and store of value: by using it as a source of wealth, money-lenders pervert its function, in order to achieve unlimited gain. It is also possible that for Aristotle charging interest distorts a natural pattern. The parent-child analogy above suggests that according to the natural

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<sup>131</sup> This is the zero-sum view of profit. I discuss this interpretation in chapter five because Aristotle's objection to commercial profit is not clearly that commerce is by definition a zero-sum game. Rather, 'taking from others' might also refer to 'not taking from nature' which is a violation of the Natural Standard, *viz.* a perversion of aims, not primarily a matter of parasitism.

<sup>132</sup> Retail traders and hucksters (κάπηλοι) carried out local trade. Long-distance and international trade was carried out by merchants (ἔμπορος/οι) who were usually (μέτοικοι; *metics*, i.e. free non-citizens); see Finley (1970).

prototype of reproduction, parents give birth to children. Money-lending violates this pattern because money breeds money. For Aristotle, this is unnatural.<sup>133</sup>

### 2.3.3 *Politics I.11: Further Kinds of Μεταβλητική*

Aristotle returns in *Pol.* I.11 to the Master Question and analyzes further how the householder should practically engage with chrematistics. Then, he offers a detailed classification of the main kinds of μεταβλητική.

Starting with the natural kind, Aristotle says that the householder should have useful and necessary experience of natural chrematistics (τὴν δ' ἐμπειρίαν ἀναγκαίαν; *Pol.* 1258b11). He subdivides natural chrematistics in three kinds (τῆς μὲν οὖν οἰκειοτάτης χρηματιστικῆς ταῦτα μόρια καὶ πρῶτα; *Pol.* 1258b11-12): livestock, farming, animal-rearing. What kind of experience and engagement should the householder have? Should the householder be a hunter or farmer himself? Aristotle explains:

[O]ne needs practical experience of which breeds are by comparison with one another the most profitable, and which breeds yield the most profit in which places, as different ones thrive in different places. (*Pol.* 1258b15-18)

‘Experience’ in this context is over what is profitable or valuable (ἐμπειρον εἶναι πρὸς ἄλληλά τε τούτων τίνα λυσιτελέστατα; *Pol.* 1258b20). Does Aristotle also mean that the householder should have gained this experience from working, e.g. as a farmer? He does not rule out this possibility explicitly but as I show below his analogy between chrematistics and weaving suggests that the householder should avoid practicing himself such tasks as production, farming, hunting, or fishing. As we saw, for Aristotle, a life burdened with the toil of farming, fishing or hunting would be a barrier to the higher commitments of political activity, moral development, and

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<sup>133</sup> Simpson (1998:59). The economy of Classical Athens was fully monetized and this led to the development of banking. There were no financial and capital markets and money was not considered as capital. Bankers were individuals, *metics* in particular, who offered the following services: they secured cash deposits, money-changing, money-lending, pawn-broking. As regards bank lending, this was based on the bank’s reserves which bankers then lent to their clients at interest. While most loans were provided for consumption, bankers provided some loans for tradesmen, especially maritime loans, which were repaid once a cargo was delivered. It is a matter of dispute whether this form of business lending and borrowing aimed at business growth or whether it was a form of insurance. However, the bulk of lending was non-commercial and non-productive. It was lending in the form of ἔρανος between friends and acquaintances; See Millet (1991) especially chapter 8.



philosophy (*Pol.* 1255b36; 1328b40-1329a2). Hence, the experience Aristotle refers to here should be of an intellectual or cognitive kind, albeit different from the kind of knowledge already assigned to experts which is theoretical as well: the householder should know which sources and methods are **profitable** (λυσίτελέστατα) by consulting the books of people “who have written on these topics, for instance Charetides of Paros and Apollodorus of Lemnos on tillage of land for grain and land planted for fruit, and others too on other subjects similarly, anyone who is interested may study them in their works” (*Pol.* 1258b39-1259a3).<sup>134</sup> In short, the requirements of household-management and the good life, including the commitments to civic activity and virtue, prescribe that the householder should use the knowledge of experts in order to manage natural chrematistics, including the procurement of the right supplies, etc. As we shall see in the next chapter, for Aristotle the execution of these tasks should be delegated to the industrial class and slaves.<sup>135</sup> This is arranged by nature’s design.<sup>136</sup>

Then, Aristotle lists the *actual* forms of **μεταβλητική**:

Exchange's [μεταβλητική] most important part, on the other hand, is (1) trading [ἐμπορία (foreign trade)], which has three parts: (1.1) ship owning, (1.2) transport, and (1.3) marketing. These differ from one another in that some are safer, others more profitable. The second part of exchange is (2) money-lending; the third is (3) wage earning. As for wage earning, some wage earners are (3.1) vulgar craftsmen, whereas (3.2) others are unskilled, useful for manual labor only. (*Pol.* 1258b20-26)<sup>137</sup>

His presentation concludes with an odd kind of chrematistics which is in-between natural and unnatural chrematistics:

A third kind of wealth acquisition comes between this kind [μεταβλητική] and the primary or natural kind, since it contains elements both of the natural kind and of exchange. It deals with inedible but useful things from the earth or extracted from the earth. Logging and mining are examples. Mining too is of

<sup>134</sup> Translation: Saunders (2002).

<sup>135</sup> Newman (1887:125-126) says that the necessary functions (occupations) of the Hellenic state, including trade, should be delegated to non-citizens. For Aristotle natural slaves are provided as living instruments to take up the task of soil cultivation and other household tasks.

<sup>136</sup> Shulsky (1991:102).

<sup>137</sup> ...τῆς δὲ μεταβλητικῆς μέγιστον μὲν ἐμπορία (καὶ ταύτης μέρη τρία, ναυκληρία φορτηγία παράστασις· διαφέρει δὲ τούτων ἕτερα ἑτέρων τῶ τὰ μὲν ἀσφαλέστερα εἶναι, τὰ δὲ πλείω πορίζειν τὴν ἐπικαρπίαν).

many types, since many kinds of things are mined from the earth. (*Pol.* 1258b26-33)

As regards his use of the term ‘μεταβλητική’ in *Pol.* 1258b21, Aristotle does not clarify whether ἐμπορία (namely, foreign trade) and its three branches—namely, ship owning, the transportation of goods, and the marketing of goods—are instances of καπηλική (business), the bad form of μεταβλητική.<sup>138</sup> Aristotle elsewhere says that foreign trade is necessary for the city, and that landless citizens can take up ἐμπορία, that is, become merchants (ἔμπορος; *Pol.* 1320a32-b1). This implies that some citizens will have to carry out this essential economic task. Also, here he does not evaluate the kinds of μεταβλητική in terms of his natural standard but in economic terms, namely, as ‘profitable’ (τὰ δὲ πλείω πορίζειν τὴν ἐπικαρπίαν); the less secure the trade, the more profitable it is. The third kind of chrematistics, the mixed kind, involves selling non-edible products which come directly from nature. On the other hand, this kind appears to involve the exchange of household surpluses. It is rather a form of production for-profit.

Aristotle classifies working-for-pay (μισθορνία; *mêstharnêa*) as a form of exchange (μεταβλητική), too and censures it a little below:

The operations that are most craft-like depend least on luck; the more they damage the body, the more vulgar they are; the most slavish are those in which the body is used the most; the most ignoble are those least in need of virtue. (*Pol.* 1258b35-39)

It might strike us contemporary readers why he objects to working for-pay. Why is it unnatural to offering one’s labor or services in exchange for a fee or wage given that one offers a service and aims at true wealth? I examine this further in chapter three.

Let us take stock of the exegetical gaps so far. Aristotle does not clarify which of the above kinds of μεταβλητική are good (natural) and which ones are bad (unnatural). So, this passage raises the following questions for further examination. **First**, does the commercial branch (ἐμπορία) conform to NS<sub>3</sub> or is it an in-between kind (between

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<sup>138</sup> For Simpson (1998:61) these three tasks were performed by a single trader: arranging a shipment, transporting the goods, selling them at a marketplace.

good and bad μεταβλητική), like the third kind of chrematistics? Also, how does the third kind of chrematistics differ from καπηλική? I deal with these questions in chapters three and five. This will enable us to answer fully which forms of chrematistics are unethical, namely, question (2.a). **Second**, as regards working for-pay: why does Aristotle object to the manual and technical jobs? Is it only because they are menial and ignoble as Aristotle claims?<sup>139</sup> Some commentators argue that his objection to these occupations is ideological.<sup>140</sup> In the next chapter I examine Aristotle's idea that nature assigns the menial and unskilled occupations to non-citizens and the noble occupations to citizens.<sup>141</sup> Yet, Aristotle does not say whether he approves of practicing the noble professions for *pay* (i.e. for fees). He only censures the idea of using generalship and medicine as money machines in *Pol.* 1258a10-14. This discussion will illuminate question (2.a). As I explained in chapter one, the discussion about occupations is entangled with his views about citizenship (*Pol.* III.1-4), the social placement of the industrial class (*Pol.* III.5), and the ideal constitution (*Pol.* IV and VII).

### 2.3.4 *Politics* I.10-11: Recapping the Tasks of the Householder

Aristotle's answer to the Master Question (1) and (1.a) is puzzling:

And in fact there is a way in which it is the task of a household manager or ruler to see to health, but in another way it is not his task but a doctor's. So too with wealth: there is a way in which a household manager has to see to it, and another in which he does not, and an assistant craft does. (*Pol.* 1258a33-34)

Here Aristotle says that natural chrematistics is a part and an auxiliary to household-management but in different ways. But in which ways would chrematistics be both part *and* assistant of household-management? Aristotle illuminates this question with two analogies. First, like the weaver, who only has to know how to procure the “usable and suitable” kind of wool (*Pol.* 1258a27), the householder should know how to acquire the useful goods (χρήματα) required by household-management. This

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<sup>139</sup> Simpson (1998:61) suggests that manual labor is the work of natural slaves. Hence, a free man who does these jobs goes contrary to nature and, hence, violates Aristotle's natural standard, presumably, it perverts the nature of the free human-being. Possibly, Aristotle employs the Natural Standard<sub>1</sub> here in the sense that natural providence has assigned the technical and manual tasks (the most mechanical ones) to natural slaves. Hence, it would be unnatural for the householder to practice these occupations.

<sup>140</sup> See for example Ross (2005:255).

<sup>141</sup> The professions that require intelligence, training, precision and excellence.

analogy suggests that, as the weaver, who should not be a producer of wool, the householder should not produce goods oneself (*viz.* should not be a farmer) but only know how to recognize the sources of wealth (*Pol.* 1258b20) and delegate the tasks of production or acquisition to others. Hence, chrematistics is part of household-management in regards to knowledge: the householder should know how to acquire wealth. On the other hand, chrematistics is an auxiliary art, i.e. the householder should delegate the tasks to others. But, **first**, to what extent should the householder be an expert of chrematistics? And, **second**, which tasks regarding acquisition should the householder delegate to others? He replies to the first question with another analogy (*Pol.* 1258a27-35). The householder's expertise in chrematistics should not be like the doctor's. The householder should not have to be a doctor in order to look after the health of his family. Yet, the householder should know how to look after the health of the family *using* the doctor's instructions and knowledge (*Pol.* 1258a34-38). Likewise, the householder should consult or use the knowledge of experts who have studied the subject (*Pol.* 1258b39-1259a3).

This analogy is Aristotle's reply to (1.a). Expert knowledge of chrematistics is not part of household-management but auxiliary to it. The householders should not be experts of chrematistics themselves. They should know how to discern the profitable sources of wealth and how to manage the tasks of acquisition and production; hence, the use of knowledge of chrematistics is part of household-management. In addition, the householders should delegate the tasks of acquisition or production to the suitable persons and to oversee the execution of these tasks; hence, chrematistics is an auxiliary to household-management in regards to the execution of these tasks.

Aristotle ends his account of chrematistics in *Pol.* I.11 with a discussion of monopolies. He recounts the story of Thales from Miletus who created a monopoly by hiring all olive presses in Miletus and Chios at a low rate before the harvest and then, when the olive season came, he hired them out at whatever rate he wanted (*Pol.* 1259a6-21). Aristotle says that Thales' intention was to demonstrate that "philosophers could easily become wealthy if they wished, but that this is not their concern" (*Pol.* 1259a16-18). It is not clear whether Aristotle suggests that householders use monopolistic tactics when need arises. Perhaps, he takes delight in

Thales' story because he thinks that philosophers could be rich if they so wanted but there are higher commitments in life than wealth-acquisition. However, it might strike us that Aristotle endorses monopolies in trade:

Hence some city-states also adopt this scheme when they are in need of money: they secure a monopoly in goods for sale. (*Pol.* 1259a21-22)

It is also useful for statesmen to know about these things, since many city-states have an even greater need for wealth acquisition and the associated revenues than a private household does. (*Pol.* 1259a33-35)

Aristotle does not say that the city-state should pursue spurious wealth. He only says that monopolies could be used as part or auxiliary of οἰκονομική when need arises. Most likely, monopolies should be auxiliary to the economics of the city-state because the statesman should not have to be a businessman, e.g. a merchant, in order to know how to secure a monopoly in trade. In any case, Aristotle seems to relax his strictures on what he considers as natural chrematistics. However, it is not clear whether he endorses only natural monopolies or both natural and coercive ones.

In sum, Aristotle's analogies do not provide a very neat way for understanding the different ways that chrematistics should be *part* as opposed to being *auxiliary* to household-management. While the weaving analogy suggests that the householder, like the weaver, must see to the supply of goods, the extent of involvement with such tasks, as farming or the trade of household surpluses is less obvious. It is also unobvious whether the practice of vocations for pay (e.g. teaching and medicine) is part of natural chrematistics. I discuss these exegetical issues in subsequent chapters.

## 2.4 Conclusion and Summary

Aristotle answer to Master Question (1) is that chrematistics is the art of supplying wealth and household-management is the art of using wealth; natural chrematistics serves household-management but it is part and auxiliary to household-management in different ways. Also, both economic arts should serve politics. His answer to Master Question (2) is that natural chrematistics conforms to the Natural Standard: first, the source of goods must be production or nature itself; second, chrematistics

must aim at true wealth; third, in exchange-based acquisition the exchange value of goods must be based on their use value. The answer to Master Question (1.a) is that the householder should use the knowledge of experts in order to manage chrematistics. In addition, the householder should better delegate the tasks related to the practice of chrematistics, e.g. farming, to others. Questions (2.a), (2.b) and (3) need further examination.

As regards question (2.a), we need to clear certain inconsistencies. While in *Pol.* I.8 Aristotle classifies farming in natural chrematistics, in *Pol.* VII.9 he argues that it is not proper for citizens and delegates it to non-citizens. Also, in *Pol.* III.5 he argues that workers and craftsmen should not be citizens; this raises the problem of the social categorization of the industrial class. Most scholars argue that his objections to the lower occupations and the mercantile class rest on class prejudice. I examine further this interpretation in chapter three in light of his accounts of citizenship and the best constitution. Moreover, Aristotle does not clarify whether he considers foreign trade as natural or unnatural in *Pol.* I.8-11. Nor does he offer a discussion of commercial justice in the *Politics* except for a quick remark in *Pol.* 1258a38-b2 (in commerce wealth comes from one another; ἀλλ' ἀπ' ἀλλήλων ἐστίν) which most commentators think is about the injustice of business. I examine Aristotle's thinking about just price, viz. question (3), in chapter four. In chapter five I examine which forms of commerce are ethical in the light of (3). Lastly, *Pol.* I.9 raises question (2.b): does greed and injustice rise with business and money or independently of them? I examine Aristotle's analysis of injustice and greed in light of his *NE* V.1-2 in chapter six. The answer to (2.b) informs and completes my examination of (2.a).

## CHAPTER 3

### Chrematistics, Citizenship and the City

#### Overview

The primary aim of this chapter is to reconstruct the missing parts of Aristotle's answer to question (2.a) in the light of his political philosophy. My second aim is to discuss whether his rejection of the lower occupations is ideological. In the previous chapter, I laid out his main principles of division between natural and unnatural chrematistics. However, his discussion of unnatural chrematistics, especially of hired labor and the crafts, in *Pol.* I.11 is very brief and incomplete. It is also in conflict with various passages from the *Politics*. For example, in *Pol.* I.8-11 Aristotle classifies farming in natural chrematistics but in *Pol.* VII.9 he argues that citizens should not be farmers. Also, Aristotle's objection to hired labor, commerce and the crafts appears to be no longer based on his distinction between natural and unnatural chrematistics. Most scholars argue that his objections rest on class prejudice and ideology rather than on ethical or psychological theory.<sup>142</sup> I argue that his criticism of the industrial class is based on his teleological thinking and political philosophy.

In effect, I reconstruct and examine why Aristotle censures the so-called 'banausic' or 'lower' occupations. In particular, my aim is to illuminate further which modes of acquisition Aristotle thinks suitable for the good person and citizen of the ideal state and non-ideal states.<sup>143</sup> First, I explain the inconsistencies between Aristotle's discussions of *Pol.* I.8-11 and *Pol.* IV, VII and VIII—for example, his different approach to farming in *Pol.* I.8-11 and *Pol.* VII.9. Second, I examine whether scholars are right that Aristotle's objections to the lower occupations rest on class prejudice or

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<sup>142</sup> Newman (1887:138); Barker (1906:376); Ross (2005:255); Schumpeter (1954a:60); Mulgan (1987:48-50).

<sup>143</sup> By 'ideal' state here I refer to a city-state with the *ideal* regime (κατ' εὐχίην). Aristotle outlines this regime in *Pol.* VII: it is the best conceivable regime "if there were no external obstacles" (*Pol.* 1288b23). This is not the same with the best *practicable* city-state of *Pol.* IV. The latter is constituted by a regime that combines the unqualifiedly ideal regime and "the best [regime] in the circumstances" (*Pol.* 1288b25).

ideology. In brief, I reject this reading and suggest that Aristotle's objections stem from his teleological thinking, his view of citizenship and his virtue theory.

### 3.1 The Lower Occupations and the Problem of Ideology

In this section, I present the main steps of Aristotle's argument against the vulgar occupations as these appear in various passages from *Pol.* IV, VII and VIII where he discusses his theories of citizenship and the ideal city-state. As we shall see, some commentators dismiss this argument as ideological.

#### 3.1.1 *The Argument from Citizenship*

In *Pol.* I.11 Aristotle explains why hired labor and the crafts are not natural modes of acquisition:

The operations that are most craft-like depend least on luck; the more they damage the body, the more **vulgar** they are; the most slavish are those in which the body is used the most; the most ignoble are those least in need of virtue. (*Pol.* 1258b35-38)

By the term 'vulgar' occupations Aristotle refers to the crafts and hired labor. I will use the term 'lower' occupations to denote the banausic occupations along with commerce and farming because Aristotle considers them inappropriate for the citizen of the ideal city, too.<sup>144</sup> While Aristotle uses his Natural Standard to criticize commerce as unnatural, he does not use the same standard to place the vulgar occupations in the unnatural kind here. Instead, he says that the more unskilled and manual the occupation, the more ignoble and slavish it is. In principle, artisans could seek spurious wealth by becoming businessmen, too.<sup>145</sup> It might also strike us that Aristotle does not consider the banausic occupations as a form of necessary exchange—like barter—although they usually aim at true wealth.<sup>146</sup> Since Aristotle censures the lower occupations as unnatural without using NS<sub>2</sub>, he possibly uses 'natural' in the sense of 'function'. Perhaps, he means that the vulgar occupations are not in accord with the human function. However, this is not clear from this passage

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<sup>144</sup> As we shall see in *Pol.* 1328b39-40, Aristotle places farming with the lower occupations.

<sup>145</sup> Some artisans owned workshops of significant size and employed a high number of slaves and non-slave workers. Engen (2008): <http://eh.net/encyclopedia/the-economy-of-ancient-greece/>

<sup>146</sup> Hired labor and the crafts used to be a means to making a living at the level of subsistence.



and we will have to reconstruct this idea further because Aristotle shifts his discussion of the lower occupations to political-theoretic ground.

As we shall see shortly, Aristotle's discussion about the ethical status of the lower occupations makes some indirect use of the Natural Standard but the main bulk of his criticism is based on his accounts of citizenship (*Pol.* III) and the ideal state (*Pol.* VII-VIII). By 'ideal' state I refer to the city with the *ideal* regime (κατ' εὐχὴν): it is the best conceivable regime "if there were no external obstacles" (*Pol.* 1288b24). This is not the same with the best *practicable* city of *Pol.* IV. The latter is constituted by a regime that combines the unqualifiedly ideal regime and "the best [regime] in the circumstances" (*Pol.* 1288b27).

Aristotle stresses that the vulgar occupations are not suitable for citizens of the ideal city. On the one hand, the best city must be prosperous.<sup>147</sup> On the other hand, the best city flourishes only if its members are both good citizens and virtuous in order to be able to share in political rule and take wise political decisions with a view to the best life of happiness:

It is in the best one, however, that he is the one who has the power and who deliberately chooses to be ruled and to rule with an eye to the virtuous life. (*Pol.* 1284a1-3)

A city-state is excellent, however, because the citizens who participate in the constitution are excellent; and in our city-state all the citizens must participate in the constitution. (*Pol.* 1332a33-34)

If active political participation requires leisure and a toil-free life, then, who would carry out the economic functions of the city? Aristotle divides the population of the best state in 'parts' (the citizens) and 'necessary conditions' (the non-citizens).

Since, as in the case of every other naturally constituted whole, the things that it cannot exist without are not all parts of it, clearly the things that are necessary for the existence of a city-state should not be assumed to be parts of it either, and likewise for any other community that constitutes a single type of thing...But whenever one thing is for the sake of another and the other is the

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<sup>147</sup> "But for now, let us assume this much, that the best life, both for individuals separately and for city-states collectively, is a life of virtue sufficiently equipped with the resources needed to take part in virtuous actions" (*Pol.* 1323b40-1324a2). See also *Pol.* 1323b21-36.

end for whose sake it is, they have nothing in common except that one produces and the other gets produced. (*Pol.* 1328a23-29)

According to Aristotle, the ‘necessary conditions’ of the city are not ‘parts’ (i.e. citizens) but exist for the sake of the latter. Therefore:

The best city-state will not confer citizenship on vulgar craftsmen, however; but if they too are citizens, then what we have characterized as a citizen's virtue cannot be ascribed to everyone, or even to all free people, but only to those who are freed from necessary tasks. Those who perform necessary tasks for an individual are slaves; those who perform them for the community are vulgar craftsmen and hired laborers. (*Pol.* 1278a7-12)

Those who are not freed from the necessary tasks are the necessary conditions for the function of a city. Roughly, necessary work is work done for the convenience of others. These are the vulgar occupations and should be performed by those who are *necessary* conditions for the function of a city. The basis of this division is unclear but it seems that, for Aristotle, it is a matter of teleology: those who must do the necessary work are those who cannot reach a high level of ethical development.

For it is impossible to engage in virtuous pursuits while living the life of a vulgar craftsman or a hired laborer. (*Pol.* 1278a20-21)<sup>148</sup>

Later, in his account of the best state, Aristotle summarizes his argument as follows:

Since we are investigating the best constitution, however, the one that would make a city-state most happy—and happiness cannot exist apart from virtue, as was said earlier—it evidently follows that in a city-state governed in the finest manner, possessing men who are unqualifiedly just (and not given certain assumptions), the citizens should not live the life of a vulgar craftsman or tradesman. For lives of these sorts are ignoble and inimical to virtue. Nor should those who are going to be citizens engage in farming, since leisure is needed both to develop virtue and to engage in political actions. (*Pol.* 1328b34-1329a1)

Let me reconstruct Aristotle's argument:

1. Citizens of the best city must be virtuous—or be capable of virtue—at a high

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<sup>148</sup> See also *Pol.* 1260a38-b1 and *Pol.* 1337b4-21.

standard (*Pol.* 1332a33).<sup>149</sup>

- a. Because cities aim at the best possible life of happiness (*Pol.* 1328a35).
    - i. True happiness is an activation of virtue (*Pol.* 1328a36-37).
  - b. Because citizens of the best city must be able to be ruled and to rule with an eye to the virtuous life (*Pol.* 1284a1-3).<sup>150</sup>
2. Necessary work is a barrier to political activity, servile, ignoble and inimical to virtue.
- a. Necessary work is a barrier to the leisure and the virtue required for political participation in the best city (*Pol.* 1278a20-21).
  - b. Necessary work is servile and ignoble because it is practiced for the convenience of others (*Pol.* 1258b35-38; 1278a7-12).
3. Hence, citizens of the best city should not practice necessary work and those who engage in it should not be citizens of the best state.

The main task of the remaining chapter is to explain further the two premises of Aristotle's argument in the light of his political philosophy.<sup>151</sup>

### 3.1.2 *The Problem of Ideology*

A considerable number of commentators argue that both premises of the argument above are based on ideology.<sup>152</sup> For example, Schumpeter writes:

Nothing would be easier than to show that he [i.e. Aristotle] was primarily concerned with the 'natural' and the 'just' as seen from the standpoint of his ideal of the good and virtuous life, and that the economic facts and relations between economic facts which he considered and evaluated appear in the light of the ideological preconceptions to be expected in a man who lived in, and wrote for, a cultivated leisure class, which held work and business pursuits in contempt and, of course, loved the farmer who fed it and hated the money lender who exploited it.<sup>153</sup>

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<sup>149</sup> For Aristotle's requirements of citizenship in the ideal city-state, see the exchange between Martha Nussbaum (1988) and David Charles (1988) who debate whether the actual possession of virtue or the capability for virtue is a necessary condition for citizenship in the ideal state.

<sup>150</sup> Aristotle argues that the citizen of the ideal state is both a good citizen and a good man and rulership requires practical wisdom.

<sup>151</sup> My purpose is to connect the discussion of *Pol.* 1258b35-38 with his Natural Standard and certain passages from the *Politics*, especially from III, VII and VIII.

<sup>152</sup> For example, Ross (2005:255), Barker (1906:376), Newman (1887:138), Jowett (1885:24), Irwin (1988:415).

<sup>153</sup> Schumpeter (1954a:60).

Some commentators also hold that Aristotle reacted to the rising class of merchants who threatened the status-quo of the rich, land-owning aristocracy of his time.<sup>154</sup> While the charge of ideological bias is difficult to confirm or disprove,<sup>155</sup> we should expect that if Aristotle fails to offer independent reasons for his two premises above, this charge would be justified.<sup>156</sup> To be sure, Aristotle clearly favors aristocracy as the best regime for the ideal city but, on the other hand, we need to keep in mind his praise of the middle-class people and that polity, not aristocracy, is his idea of the best *practicable* regime. In the next section, I explain Aristotle's first premise and then show how he divides the population of the ideal city by occupation. In section 3.3.3, I reconstruct and explain in detail the second premise: his ethical objections against the lower occupations.

### **3.2 Chrematistics and Citizenship in the Best State**

My aim in the present section is to explain the first premise of Aristotle's argument which states that citizens must be virtuous, or capable of reaching a high standard of virtue.<sup>157</sup> Let us call this view 'perfectionism' about citizenship and see how Aristotle develops it on the basis of his theory of constitutions and citizenship. Then I present the occupational structure of Aristotle's best city which informs his answer to (2.a).

#### **3.2.1 Types of Regime and Citizenship**

We saw before that the natural purpose of the city is happiness.<sup>158</sup> Aristotle restates that humans are political animals brought together by the common aim of happiness

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<sup>154</sup> Schumpeter (1954b:11) says that Plato's and Aristotle's "examination of the various economic functions reflects the attitude of an aristocracy which is confronted by a rising merchant class and has essentially an agrarian outlook". Soudek (1952:72) also holds that Aristotle "never gave up his opposition to this class [i.e. the class of money-makers and the plutocracy]". Finley (1970:17n60), says that Schumpeter and Soudek have painted an illusory class conflict between aristocrats and merchants.

<sup>155</sup> Proponents of this reading do not offer us a precise characterization of what constitutes ideological bias in philosophical argumentation, nor do they provide a method of confirming such a bias.

<sup>156</sup> Samaras (2007:82) and Ober (1998:306n17) argue that Aristotle does not offer such an argument, i.e. for the psychological inferiority of the artisans and workers.

<sup>157</sup> This view of citizenship stems from Aristotle's 'perfectionist' political philosophy; see Charles (1988:185-6) about perfectionism in Aristotle's moral and political philosophy. According to this view, only those who have reached a high standard of moral and intellectual virtue should be citizens of the ideal state. Nussbaum (1988:146-150) argues that actual possession of virtue is not a necessary condition for citizenship in Aristotle's ideal state. She suggests that Aristotle extends the right of citizenship to all those *capable* of intellectual and moral excellence.

<sup>158</sup> This is Aristotle's naturalistic or teleological view of the state; *Pol.* 1252a1-7.

(*Pol.* 1278b15-30). Then, he uses the distinction between political rule and despotic rule and argues that political rule is exercised for the interest of all citizens, whereas despotic rule is primarily exercised for the advantage of the ruler (the master) and only incidentally for the advantage of the ruled (*Pol.* 1278b30-1279a7). The interests of the master are overriding because the master is superior to the slave, whereas citizens must be ruled by political rule because their interests are not inferior to the interests of the ruler—citizens are free and equal in rule.<sup>159</sup> Hence, the ruling element of a political association—an association that aims at happiness—must serve the common advantage.

Then, Aristotle provides a classification of the correct and deviant regimes (*Pol.* III.6-7). His classification is based on two criteria. The first condition is ‘who is ruler’ and ‘how many are those who rule’. There are three types of regime each corresponding to a different form of rule: rule by one person, rule by a few men, and rule by the many. The second condition is whether the rule aims at the common interest. Aristotle claims that correct regimes rule for the interest of all citizens “according to what is unqualifiedly just...whereas those which look only to the benefit of the rulers are mistaken and are deviations from the correct constitutions” (*Pol.* 1279a16-21). Aristotle combines his two conditions and devises a classification of correct and deviant regimes. Correct regimes serve the common good and differ by the number of rulers. These regimes are monarchy (rule by a king), aristocracy (rule by a few best men), and polity (rule by the many). Deviant regimes do not serve the common interest. These are tyranny (it serves the interest of one person), ‘oligarchy’ (it serves the interest of a few persons), and ‘democracy’ (it serves the interest of the many at the expense of the few). The table below summarizes Aristotle’s classification of correct and deviant regimes:

	<b>Correct</b>	<b>Deviant</b>
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<sup>159</sup> *Pol.* 1279a16-21; 1283a16-20; 1283b39-41; 1287a12: “For justice and merit must be by nature the same for those who are by nature similar...Which is precisely why it is just for them to rule no more than they are ruled, and, therefore, to do so in turn”.

<b>One Ruler</b>	Kingship	Tyranny
<b>Few Rulers</b>	Aristocracy	Oligarchy
<b>Many Rulers</b>	Polity	Democracy

In addition, Aristotle proposes an economic distinction between oligarchy and democracy. Since the many are mostly poor and the wealthy are usually few, democracy is the rule of the poor, whereas oligarchy is the rule of the wealthy (*Pol.* 1290a30-b6). This is an important distinction because the social structure of a regime depends on which economic class has more power. The socio-political status of the lower occupations varies with the constitution at hand—artisans, farmers and workers are citizens in democratic city-states since these regimes aim at equality of freedom.<sup>160</sup> As we shall see, Aristotle’s analysis of *Pol.* IV concludes that aristocracy<sup>161</sup> is the only regime with a relatively egalitarian socio-economic structure of land-owning citizens, freed from the necessary occupations. While the main body of Aristotle’s critique of the lower occupations concerns the ideal city-state of *Pol.* VII, the status of these occupations in his realist-theoretic account of *Pol.* IV is relatively higher. We will see the details of this difference in section 3.3.2.

In *Pol.* III.1-2, Aristotle tackles with the question of **citizenship**: who the citizen *is* and who *should* be citizen. A citizen is trivially a member of a city; the substantive question is what constitutes citizenship.<sup>162</sup> According to Aristotle, a citizen is:

[S]omeone who is eligible to participate in deliberative and judicial office...  
(*Pol.* 1275b17)

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<sup>160</sup> The varieties of constitutions arise from combinations of the parts of a population in accord with the ruling element and the conception of the best life that the ruling element pursues, e.g. oligarchies pursue wealth while democracies pursue equality and freedom (*Pol.* 1317a40-b17). See Simpson (1998:219).

<sup>161</sup> In *Pol.* IV.7-8 Aristotle outlines the varieties of aristocracy and explains that the term ‘aristocracy’ applies also to constitutions that mix virtue with equal freedom and wealth; these are aristocracies in a secondary sense, like Carthage.

<sup>162</sup> Aristotle asks this question in order to understand the parts that constitute the city, hence, its nature; see *Pol.* III.1.

The entitlement of participation in office is either indefinite (in democracies) or for some definite duration (in oligarchies).<sup>163</sup> Obviously, since Aristotle's definition of 'citizen' is analytically connected with the political community—for a city is a multitude of citizens—, rule over citizens is *political rule*. Hence, citizens are subject to political rule which is rule over men “who are similar in birth and free” (*Pol.* 1277b7). Hence, political authority is within the bounds of equality of freedom and similarity of birth. This lets all citizens to take turns in ruling (*Pol.* 1279a8-10). In a general way, then, a citizen “is someone who participates in ruling and in being ruled” (*Pol.* 1284a1). For Aristotle, the good citizen of any regime is anyone who contributes to the preservation and stability of the regime (*Pol.* 1276b16-35). However, the virtue of the good citizen is not single but relative to the constitution:

[T]he virtue of a citizen must be suited to his constitution. Consequently, if indeed there are several kinds of constitution, it is clear that there cannot be a single virtue that is the virtue—the complete virtue—of a good citizen. (*Pol.* 1276b29-32)

Hence, since there are several regimes, each with its own specific function, there are different types of good citizen, *viz.* traits that enable them to perform their role and to support the purpose of the regime (*Pol.* 1276b27).

Aristotle further distinguishes between the good citizen and the good man.

But the good man, we say, does express a single virtue: the complete one. Evidently, then, it is possible for someone to be a good citizen without having acquired the virtue expressed by a good man. (*Pol.* 1276b32-35)

The good man is the practically wise man (φρόνιμος). And practical wisdom is essential for rulership in a political community that aims at virtue (*Pol.* 1277a14-15). On the other hand, practical wisdom is not essential for being a good citizen (*Pol.* 1277a15).<sup>164</sup> This is how the two concepts pull apart in a variety of non-ideal city-states. Only in the best city of *Pol.* VII, the good citizen must also be a good man. In

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<sup>163</sup> “[I]n the other constitutions [i.e. in non-democratic constitutions], it is not the holder of indefinite office who is assemblyman and juror, but someone whose office is definite” (*Pol.* 1275b13-14).

<sup>164</sup> Aristotle refers to citizens of cities with non-ideal regimes.

that regime, any citizen takes turn in ruling over the other free men—by political rule, not as a despot—and in being ruled as a free man, *viz.* without being servile.<sup>165</sup>

It is in the best one, however, that he is the one who has the power and who deliberately chooses to be ruled and to rule with an eye to the virtuous life. (*Pol.* 1284a1-3)

We say that there are three correct constitutions, and that the best of them must of necessity be the one managed by the best people... Furthermore, as we showed in our first discussions, the virtue of a man must of necessity be identical to that of a citizen of the best city-state. (*Pol.* 1288a32-38)

Here is the connection between the ideal regime and ideal citizenship: only the practically wise citizen of the ideal regime can rule with an eye to the virtuous life. Participation in office in an oligarchy or in a democracy, which aim at wealth or equal freedom respectively, does not require practical wisdom. In sum, the perfectionist element in Aristotle's political philosophy is the idea that the characteristic function of humans is best exercised in city-states with the ideal regime. The only way to share in the aim of the best state and to participate in office is for someone to be both a good citizen and a good man. Here is the connection between the ideal regime and the proper occupations for the ideal citizen: since the cities which are constituted by the ideal regime aim at virtue, citizens should not devote their lives to money-making or engage with the necessary occupations because wealth is not the final end and ignoble work is a barrier to virtue and political activity. But which occupations are proper for citizens of the ideal state?

### **3.2.2 *The Necessary Occupations***

We saw Aristotle's distinction between necessary conditions and parts of the ideal city based on the following analogy: the parts of a compound object differ from the necessary conditions of its existence. For example, a plant needs soil to exist—soil is a condition of a plant's existence—but soil is not a part of the plant. He argues that the former exist for the sake of the latter. In *Pol.* IV.4 he argues by use of another analogy that a city cannot function without some essential occupations. As any organism depends on certain organs for its function, i.e. organs of sense-perception,

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<sup>165</sup> *Pol.* 1277a12-25; 1278a40-b5; 1288a32-b2.



nourishment, locomotion, etc., it is essential that any city be based on the following occupational classes (*Pol.* 1290b39-1291a40):

1. Farmers (γεωργοί)
2. Manufacturers and craftsmen (τό βάνουσον; βάνουσοι)
3. Merchants and middlemen (τό ἀγοραῖον; ἔμποροι καί κάπηλοι)
4. Laborers (τό θητικόν; θήτες)
5. Soldiers (τό προπολεμήσον)
6. *Unidentified*
7. The Rich (benefactors; τὸ ταῖς οὐσίαις λειτουργοῦν)
8. Civil servants (το δημιουργικόν) and officials or governing class (τὸ περὶ τὰς ἀρχὰς λειτουργοῦν)
9. The Deliberative (τὸ βουλευόμενον καὶ τὸ κρίνον περὶ τῶν δικαίων τοῖς ἀμφισβητοῦσιν)

Let us call this list (A). This list shows the occupational classes which are necessary for the operation of *any* city. However, according to Aristotle, as different combinations of organs result in different kinds of animals, different combinations of a city's classes result in a variety of constitutions or varieties of the same constitution (*Pol.* 1290b39-1291a10). In particular, the element that is dominant in a city—the wealthy or the poor—gives rise to an oligarchy or democracy. Also, a democracy where the farming element is dominant differs from a democracy where craftsmen are the dominant class. (*Pol.* 1291b14-1292a31).

In *Pol.* 1328b5-22 Aristotle offers a classification of occupational classes that is suitable for the *best* city:<sup>166</sup>

1. Farmers (γεωργοί)
2. Craftsmen (τεχνίτες)
3. Soldiers (το μάχιμον)

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<sup>166</sup> Aristotle places both the parts and the essential functions of the state in the same list presumably because they are all necessary for its survival and flourishing (*Pol.* 1328b15-23). However, he does not explain the difference between the two lists although it seems that list (A) aims at explaining how different varieties of regime arise, while list (B) aims at explaining why some groups of the population of the best city should not share in the regime, *viz.* why they should not be citizens. For this reading see Simpson (1998:220).

4. Rich people (εὐποροὶ)
5. Priests (ἱερεῖς)
6. Judges (κριτὰς τῶν ἀναγκαίων καὶ συμφερόντων)
7. Laborers (τό θητικόν; *Pol.* 1329a36; καὶ πᾶν τὸ θητικὸν ἀναγκαῖον [ὑπάρχειν] ταῖς πόλεσιν)

Let us call this list (B). This list includes the whole population of the best city; a city-state cannot exist without farmers, workers and craftsmen but these groups should not be citizens of the best city.<sup>167</sup> Likewise, citizens should not practice these necessary occupations.<sup>168</sup> But while all occupations from list (B) are essential for the function of the best city, some of them are not necessary work.

As we saw, the ‘necessary conditions’ of the city are for the sake of the parts (*Pol.* 1328a26-29);<sup>169</sup> they are those who must do necessary work in list (B). According to Aristotle, this work consists of the crafts, hired labor and farming (*Pol.* 1329a35-38). Along with commerce, these occupations should not be practiced by citizens of the best city. Also, essential professions are not necessary work because those who practice them are not forced to work by economic necessity. In addition, as we shall see in the next section, these occupations are the noble ones.<sup>170</sup> These are the military, the judicial and the clergy. The rich are essential for the city but they do not practice any occupation.

According to Aristotle, citizens could be both soldiers and statesmen but not at the same time (*Pol.* 1329a2-17). Young citizens should belong to the military class—for they are physically stronger—and when they grow older they should become members of the deliberative class—for they are practically wiser (1329a12-16; also *Top.* 117a27-28). Priesthood should be assigned to the elders who have retired (*Pol.*

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<sup>167</sup> Aristotle has stressed earlier that “what we have characterized as a citizen's virtue cannot be ascribed to everyone, or even to all free people, but only to those who are freed from necessary tasks” (*Pol.* 1278a7-10).

<sup>168</sup> “[T]he citizens should not live the life of a vulgar craftsman or tradesman” (*Pol.* 1328b38).

<sup>169</sup> Aristotle illuminates the distinction by a further analogy: the builder and his tools are necessary for building a house but they are not parts of it. Then he goes one step further and says that that which is necessary is for the sake of something; “the builder’s craft is for the sake of the house” (*Pol.* 1328a32). As tools are essential for building a house but not part of a house, likewise property is necessary for states but it is not a part of a state; property is for the sake of the state’s function.

<sup>170</sup> Newman (1887:113-117).

1329a30-34). The division between ‘parts’ and ‘necessary conditions’ bars those who practice necessary work from priesthood.<sup>171</sup> We also saw that citizens should not be farmers because Aristotle says that farmers lack the leisure required for political and ethical activity (*Pol.* 1328b40-1329a1). Although in *Pol.* I.8 agriculture is classified as a natural and ethically appropriate mode of wealth-acquisition, in *Pol.* VII.9 Aristotle delegates farming to foreigners:

As for the farmers, ideally speaking, they should be racially heterogeneous and spiritless slaves, since they would then be useful workers, unlikely to stir up change. As a second best, they should be non-Greek subject peoples, similar in nature to the slaves just mentioned. (*Pol.* 1330a25-29)

Aristotle does not raise any ethical objection to farming as such. His only objection is that the life of the farmer lacks leisure. Unfortunately, the other modes of natural chrematistics, like hunting and fishing, are missing from both lists; hence, we do not know their status in the best city. We also lack a classification of professionals, like officials, teachers, physicians, architects, artists, writers, etc. Hence, we do not know how Aristotle thinks that such services should be compensated. In regards to the officials—the members of the governing class—who are not in list (B), Aristotle discusses their role in the administration of the best city shortly afterwards separately.<sup>172</sup> Civil servants (το δημοουργικόν) are missing from list (B), too but it is highly unlikely that Aristotle considers them unnecessary for the city.<sup>173</sup>

Also, we lack an account of the place of the commercial class (τό ἀγοραῖον) in the best city since merchants and retail traders are missing from list (B). While Aristotle holds that the best state should engage in trade with other nations and should have a

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<sup>171</sup> Also, they should not be allowed to become soldiers and statesmen of the best city; *Pol.* 1329a27-34.

<sup>172</sup> See *Pol.* 1331b3-10. Officials (ἄρχοντες) are administrators of the city and they serve in the boards that supervise “contracts, legal indictments, summonses, and other administrative matters” (*Pol.* 1331b5-6). Public servants were usually slaves who executed the administrative tasks, such as marketplace police (ἀγορανόμοι).

<sup>173</sup> The fact that Aristotle does not include the public administrators in list (B) is no evidence that they are not necessary in the best city. In *Pol.* 1291a34-35 he says that a city cannot function without officials. Since officials have supervisory and managerial role, there should be public servants who executed the administrative orders. Also, while laborers are not in list (B), Aristotle adds them in the list elsewhere; see *Pol.* 1329a36.

marketplace for commerce (the ‘necessary’ market),<sup>174</sup> merchants are not part of list (B). Also, Aristotle does not explain who will carry out trade with other states.<sup>175</sup> In certain passages, he classifies commerce with the vulgar occupations which automatically delegates the commercial activities to non-citizens.<sup>176</sup> The fact that he classifies commerce with the vulgar occupations (citizens must not live the mercantile life) does not imply that market exchanges should not take place among citizens. We saw in *Pol.* I.9 that householders exchange their surpluses with other householders using barter or money as a stand-in; also, all professionals need to exchange their services; e.g. farmers with doctors. It is natural, then, to think that citizens of the best city exchange products and services since exchange is the only way to fill in gaps in their self-sufficiency. However, Aristotle does not describe how exchange among various professionals—e.g. doctors with farmers—should take place. In the context of his discussion about the profit-motive, he only says that physicians and generals should not practice their vocations for profit (*Pol.* 1258a11-12). While he denounces profit from vocations, it stands to reason that landless doctors or teachers should be paid for their services in order to acquire various goods.<sup>177</sup>

This was an outline of the best city’s occupational structure—*viz.* modes of acquisition. For Aristotle, this socio-economic structure suits the ethical orientation of the best state and its respective distribution of power. On the other hand, the occupational structure of democracies is different: “in some constitutions [i.e. in democracies] vulgar craftsmen and hired laborers must be citizens, whereas in others it is impossible—for example, in any so-called aristocracy in which offices are awarded on the basis of virtue and merit” (*Pol.* 1278a15-18). Also, in oligarchies, “hired laborers could not be citizens (since participation in office is based on high property assessments), vulgar craftsmen could be, since in fact most craftsmen

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<sup>174</sup> About international trade, see *Pol.* 1327a26-28. Aristotle separates the marketplace that is intended for leisurely activities (*ἐλευθέρων*) from the lower marketplace which is intended for necessary activities, mainly barter and commerce; see *Pol.* 1331b11-12.

<sup>175</sup> Since the members of the commercial class should not be citizens, they must be foreigners. Those who work in farming should be slaves or foreigners, too; see *Pol.* 1330a25-29. There is evidence of the state’s involvement in international trade.

<sup>176</sup> For example, “[C]itizens should not live the life of a vulgar craftsman or tradesman. For lives of these sorts are ignoble and inimical to virtue” (*Pol.* 1328b37-38).

<sup>177</sup> Newman (1887:115) suggests that it would be rather ignoble if these occupations were practiced for pay. However, Aristotle’s objects to the commercialization of professions, like medicine or generalship, because that would pervert their purpose, not clearly to getting paid for one’s services.

become rich” (*Pol.* 1278a21-23). Let us now examine the second premise of Aristotle’s argument against the lower occupations.

### **3.3 Aristotle’s Objections to the Lower Occupations**

In this section I reconstruct and explain the second premise of the argument from citizenship. Aristotle’s first premise (1) states that citizens cannot share in office of city-states that aim at the best possible life unless they have reached a high standard of moral and intellectual virtue. According to his second premise:

**2. Necessary work is a barrier to political activity, servile, ignoble and inimical to virtue.**

- a. Necessary work is a barrier to the leisure and the virtue required for citizenship in the best city (*Pol.* 1278a20-21).
- b. Necessary work is servile and ignoble because it is practiced for the convenience of others (*Pol.* 1258b35-38; 1278a7-12).

His argument is straightforward: since the necessary occupations deprive citizens of the leisure required for the life of virtue and political activity, and since they are servile and ignoble, they are not proper for the citizens of the best city.<sup>178</sup> Let me explain, first, statement (a).

#### **3.3.1 *The Necessary Occupations as Barriers to Political Activity and Virtue***

##### *i. Leisure*

The best regime requires that the good citizen is also virtuous. Aristotle argues that leisure “is needed both to develop virtue and to engage in political actions” (*Pol.* 1329a1) and that “it is impossible to pursue the things of virtue when one lives the life of a vulgar person or a laborer” (*Pol.* 1278a20). Let me briefly sketch Aristotle’s view of leisure.<sup>179</sup>

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<sup>178</sup> Virtuous activity, including political activity, requires leisure (*Pol.* 1278a20; *Pol.* 1328b34-1329a1).

<sup>179</sup> My discussion of leisure is based on Owens (1981) and Solmsen (1964).

Aristotle argues that happiness depends on leisure (*NE* 1177b4), it is more choice-worthy than work, and it is the end of work (*NE* 1177b4-6; *Pol.* 1334a15).<sup>180</sup> In a trivial sense, leisure might seem to refer to spare time or idleness because Aristotle contrasts leisure with work (*Pol.* 1333a30-32) but the intended contrast is that between the un-freedom of having to do necessary work and the toil-free life (*Pol.* 1330a30-36).<sup>181</sup> Hence, Aristotle's notion of 'leisure' differs from the notion of 'being at leisure'. He also contrasts leisure with play and recreation because leisure aims at the best life, not at play and recreation—the latter are not the end of life. Play and recreation aim at rest from the toil of necessary tasks (*Pol.* 1337b35-36). We can recognize at least two kinds of leisure in Aristotle's writings. The first is the leisure time required for political and virtuous activity which involves freedom from necessary work (*Pol.* 1333a30-36). The second kind is the cultured leisure that Aristotle discusses in *Pol.* VIII. The latter kind includes philosophy (*Pol.* 1334a22-25), music and the other arts (*Pol.* 1339a25-26; 1339b13; 1341b17). The best life must include such activities. This type of leisure requires education from an early age in music, reading, writing, gymnastics (*Pol.* VIII).

Aristotle's objection to a life lacking in leisure is the pedestrian point that those who have to work for a living have no time for participation in the popular assembly and the courts. They also have no time to engage with the higher pursuits of cultured leisure and the theoretical life of philosophy. This is his main objection to the life of the farmer; it lacks in the leisure required for political and cultured activity.

ii. *Inimical to Virtue* (πρὸς ἀρετὴν ὑπεναντίος)<sup>182</sup>

Aristotle's objection to the lower occupations is not only the pedestrian point that those who practice them lack leisure time. His other worry is the following:

Any task, craft, or branch of learning should be considered vulgar if it renders the body or mind of free people useless for the practices and activities of virtue. That is why the crafts that put the body into a worse condition and work done for wages are called vulgar; for they debase the mind and deprive it of leisure. (*Pol.* 1337b8-14)

<sup>180</sup> Work may include both necessary tasks and noble work.

<sup>181</sup> Leisure is a condition of freedom, including freedom from necessary tasks; see Irwin (1988:411).

<sup>182</sup> *Pol.* 1328b40.

Here Aristotle argues that the vulgar occupations render the body useless for the performance of certain virtuous acts. However, he does not explain how these occupations render the body useless for the practice of virtuous acts. Does he mean that one's virtuous activity requires that one be in good shape—e.g. as a matter of unity of body and mind?<sup>183</sup> Or is it a matter of lacking the leisure for physical exercise required to perform virtuous acts, e.g. brave acts in warfare?<sup>184</sup> As regards the mind, Aristotle says that the lower occupations render the mind useless for the exercise of virtue by debasing the mind and making it abject (ἄσχολον γὰρ ποιοῦσι τὴν διάνοιαν καὶ ταπεινήν). By ταπεινήν Aristotle seems to contrast the mind (διάνοιαν) of the free and noble person with the mind of the ταπεινός person, someone who is servile and base.<sup>185</sup> He censures the vulgar occupations because of their effects on the free person: (a) someone who works for the convenience of others develops the mindset of a servile person; (b) by working for a living, one focuses on the necessary and the useful alone and loses the power to discern the good or the ability to act for the sake of a noble end by choice.<sup>186</sup> By ἄσχολον γὰρ ποιοῦσι τὴν διάνοιαν, Aristotle contrasts the leisured mind—i.e. the mind devoted to higher pursuits—with the mind bound by the concerns of necessary work and money-making. Here Aristotle stresses again the negative impact of necessary work on the mind. We do not know if he thinks that farming too renders the body or mind of free persons useless for the practices and activities of virtue or whether it debases the mind.

For Aristotle, necessary work is usually mechanical, menial and unskilled work. When he says that it becomes a barrier to virtue he may mean any one of the following. First, one who practices necessary work does not use intelligence, decision-making or practical wisdom; these are essential functions for those who practice the citizen occupations, e.g. administrative and political undertakings. Nor do

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<sup>183</sup> *Rhet.* 1360b18-22. Aristotle notes that health is an internal good because the goods of the body, i.e. health, beauty, physical power, etc. are internal goods (*Pol.* 1360b18-31). And “the excellence of the body is health” (*Pol.* 1361b3).

<sup>184</sup> Simpson (1998:257). See also about gymnastics and the body; Aristotle stresses that gymnastics promotes courage (*Pol.* 1337b27).

<sup>185</sup> Liddell and Scott. On various renderings, the ταπεινός person is submissive, of low rank, lowly (contrast with the ‘noble’). Aristotle possibly echoes here the low opinion of his contemporaries about ταπεινήν work, like hired labor.

<sup>186</sup> Simpson (1998:257) suggests that vulgar work makes the mind “unfit for discerning virtue”.

these occupations involve the exercise and development of moral virtues, like the courage required for being a good soldier. Since virtue is activity and develops by doing virtuous acts, one's ethical development stagnates when one is absorbed in the life of money-making or subsistence. Second, the vulgar occupations bar virtue in the sense that the person who is compelled to work for a living usually lacks either the surplus or the uncalculating attitude required for the exercise of virtues that depend on wealth, like liberality and magnificence.<sup>187</sup> Third, a life devoted to necessary work or to the increase of wealth crowds out the higher ends, like virtue and noble action. In other words, such a life subverts the rational ordering of ends sketched by Aristotle in *NE* I.7-8. In this hierarchy, wealth is primarily an instrument of the good life. Those occupied with necessary work may become absorbed with mere living and confuse the life of subsistence or pleasure with the best life, as Aristotle explains in *Pol.* 1257b31-1258a1. Fourth, and as a corollary of the previous point, when someone is compelled to hold a necessary job for a living, then one does not shape one's life by decision and, most importantly, by the kind of rational agency realized by virtuous activity.<sup>188</sup> Lastly, the utilitarian or calculating outlook of someone whose life is shaped by necessity is not compatible with Aristotle's view of political activity and civic friendship. Ruling and judging require that the person is able to deliberate about the useful and the just, where the useful aims at the common advantage. For Aristotle, those who practice the lower occupations could not be good deliberators of things just,

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<sup>187</sup> Those who are compelled to work for subsistence and those who want to increase their property adopt a calculating attitude that is contrary to Aristotle's idea of acting well from choice, *viz.* for the sake of the noble itself by decision. Aristotle is convinced that the utilitarian outlook is antithetical to virtue, especially with virtues like magnanimity: "It is completely inappropriate for magnanimous and free people to be always asking what use something is" (*Pol.* 1338b2). For Aristotle, an act is virtuous if it is done from choice, i.e. if one chooses to act for the sake of the act itself or because it is noble; *NE* 1105a32. Hence, generosity requires the uncalculating attitude of someone who chooses to donate money because it is a good act in itself. Also, virtue involves choice (*προαίρεσις*) by definition; see Aristotle's definition of virtue as *ἔξις προαιρετική* (*NE* 1106b36-1107a3). For the idea that virtue is bound up with choice and the 'voluntary', see also *NE* 1111b5-6.

<sup>188</sup> This point is aptly explained by Irwin (1988:410). Virtuous activity requires rational decision and voluntariness (*NE* 1109b35-1110a1). The point of Irwin is that a life shaped by necessity lacks the voluntary character of the virtuous life. It resembles the category of 'mixed' acts of *NE* 1110a4-14 which are neither voluntary nor involuntary. They are done by decision but are not chosen for what they are because the agent acts under duress—e.g. the sea-captain in the midst of a storm who decides to throw away the cargo in order to save the ship with the crew. Likewise, a life shaped by decisions taken under compulsion, lacks in the freedom characteristic of the virtuous person.



noble and collective.<sup>189</sup> These occupations are more suitable for citizens of states that are constituted for mere living and the increase of wealth.<sup>190</sup>

### 3.3.2 *The Necessary Occupations are Servile and Ignoble*

With statement (b) Aristotle proscribes the necessary occupations for citizens because they are servile. We saw in *Pol.* 1258b35-38 that the more manual the necessary work the more servile it is. They are also servile because they are practiced for the convenience of others (*Pol.* 1337b17-21). He also says:

Those who perform necessary tasks for an individual are slaves; those who perform them for the community are vulgar craftsmen and hired laborers. (*Pol.* 1278a10-12)

For Aristotle, working for others is contrary to the freedom required for citizenship; free men are those who exist for their own sake, not for the sake of another man.<sup>191</sup> We also saw that political rule is fit for those who are free and able to rule and be ruled. In the best city, free men share in rule by choice with a view to the best life. On that score, it is not unnatural for a slave to perform slavish work. Nor is it unnatural for a hired worker or artisan to serve the needs of others. On the other hand, a citizen should not practice these occupations because such labor is servile and, hence, unsuitable for the free person (*Pol.* 1329a33-39).

However, the passage of *Pol.* 1278a10-12 names the difference between servile and

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<sup>189</sup> Human beings are political animals in virtue of their capacity to recognize and deliberate about the useful and the just; e.g. *Pol.* 1253a12-18. And political activity is essentially self-realizing activity; Irwin (1988:410) says: "...Aristotle recognizes essentially political constituents of happiness. Happiness includes virtuous activity, since this fully realizes rational agency; virtuous activity must include the extended deliberation and rational action that results from friendship; and the same argument justifies the further extension to political activity. The good citizen in the ideal state is not merely doing what is instrumentally necessary for his good; he realizes it in his political activities themselves." Irwin stresses here that political activity for Aristotle is a constituent of happiness in the sense that through proper political activity humans realize their nature as rational and political beings who are able to deliberate about matters that lie beyond their narrow interests. Also, Irwin (1988:404) points out that, for Aristotle, to share in happiness requires concern for the welfare of one's fellow citizens.

<sup>190</sup> Political activity is intrinsically good, especially in the ideal city-state which aims at living well, not mere living or living together (*Pol.* 1280b39-1281a4). Since non-ideal regimes are constituted as instruments that satisfy mere living or living together (e.g. for protection), political activity in such cities has instrumental character; it is not self-realizing activity, *viz.* activity that aims at realizing the essential function of human nature as political beings.

<sup>191</sup> "[A]s the man is free, we say, who exists for himself and not for another" (*Met.* 982b25).

free work but does not explain why artisans and workers are servants of a community while priests, soldiers and statesmen are not servants given that the latter serve the community, too. A plausible explanation is that:

...[W]hat one does for one's own sake, for the sake of friends, or on account of virtue is not unfree (οὐκ ἀνελεύθερον), but someone who does the same thing for others would often be held to be acting like a hired laborer or a slave. (*Pol.* 1337b17-21)

The mechanical work of artisans and workers is servile (ἀνελεύθερον) because it is done (a) neither for one's own sake, (b) nor for the sake of friendship, (c) nor for the sake of virtue. Hence, Aristotle possibly means that soldiers, statesmen, officials and priests are not servants—although their work serves the community—because their work is done for the sake of a noble purpose. However, Aristotle's analysis is not neat. So far he has said that the necessary occupations are unsuitable for citizens because:

- 1) They create a shortage of leisure and freedom
- 2) They are a barrier to virtue
- 3) They are servile

We may wonder though why he says that “what one does for one's own sake, for the sake of friends, or on account of virtue is not unfree” (*Pol.* 1337b17-18) when even tasks done for one's own sake or virtue may—contra condition (1)—create a shortage of leisure, too, e.g. household-management or the military life. A further complication is that Aristotle allows that citizens may practice some forms of servile work, *viz.* the crafts, either for their own benefit or for the sake of a noble purpose:

Accordingly, the tasks performed by people ruled in this way [i.e. craftsmen] should not be learned by a good person, nor by a statesman, nor by a good citizen, except perhaps to satisfy some personal need of his own (for then it is no longer a case of one person becoming master and the other slave). (*Pol.* 1277b5-7)

Now some commands differ not with respect to the tasks they assign but with respect to that for the sake of which they are done. That is why it is noble even for free young men to perform many of the tasks that are held to be appropriate for slaves. For the difference between noble and shameful actions

does not lie so much in the acts themselves as in their ends, on that for the sake of which they are performed. (*Pol.* 1336a6-11)<sup>192</sup>

These claims conflict with the conditions above. We may wonder whether such work could undermine the virtue and freedom of the youth; by doing such work they might develop the mindset of servile persons.

A possible way to have a neat analysis is to attend more closely to the two senses of the term ‘necessary’ task.<sup>193</sup> The first sense refers to the opposite of leisure, *viz.* tasks or occupations taken up under compulsion—necessary work as the opposite of leisure (*Pol.* 1333a30-36). In this respect, a necessary task or occupation creates a shortage of the leisure required for political activity and ethical development. The second sense of ‘necessary’ refers to the tasks or occupations which are pursued for the sake of something else.<sup>194</sup> For example, hired labor and the crafts are pursued for the sake of others and as a means to subsistence. On that score, these occupations are not pursued for what they are—they do not have intrinsic value.

The first sense of ‘necessary’ does not explain why commerce, labor and the crafts are ignoble; it is an empirical observation about the negative effects of necessary work on moral character. The second sense is more helpful for understanding servile tasks: they are ignoble because they do not aim at a noble end but only at serving others.

Again, it is noble not to practise any sordid craft, since it is the mark of a free man not to live at another’s beck and call. (*Rhet.* 1367a28)

The noble is that which is both desirable for its own sake and also worthy of praise; or that which is both good and also pleasant because good. (*Rhet.* 1366a33-34)

In contrast, the ends of noble occupations are chosen for what they are, not because they are useful or profitable. Hence, ‘necessary’ work implies that the work is either

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<sup>192</sup> According to Reeve (1998:215n69), “the contribution (*eranos*) the young make is their obedience to their elders; they are compensated when they are older by being obeyed in turn”.

<sup>193</sup> Newman (1887:113-114) suggests these senses of ‘necessary’ based on the familiar distinction between things desirable in themselves and things desirable for the sake of something else. He cites the following passage: *ἐπεὶ δ’ ἐστὶ τὰ μὲν ἀναγκαῖα τῶν ποιούντων ἡδονήν, τὰ δ’ αἰρετὰ μὲν καθ’ αὐτὰ* (*NE* 1147b24). Noble occupations are *αἰρετὰ καθ’ αὐτὰ*. He also cites the following passage: “studies [of noble subjects] are undertaken for their own sake, whereas those relating to work are necessary and for the sake of things other than themselves” (*Pol.* 1338a12-13).

<sup>194</sup> *Pol.* 1338a12-13.

servile or ignoble. In other words, ‘necessary’ is contrasted with both the ‘free’ and the ‘noble’. Let us see some further properties of the ‘noble’.

- The noble is what promotes or brings about virtue (*Pol.* 1366b25)
- The reward for noble actions is “simply honour, or honour more than money” (*Pol.* 1366b34).

Also, any of the actions below are noble (*Rhet.* 1366b23-1367b6):

- Actions which are good absolutely, such as those a man does for his country without thinking of himself
- Actions which are good in their own nature
- Actions that are not good simply for the individual, since individual interests are selfish
- Services done to one’s benefactors (for this is just)
- Good deeds generally, since they are not directed to one’s own profit.

Let us try to explicate the difference between necessary and noble acts. First, it is a difference in ends: the former aim at utility, profit or at the production of necessities, whereas the latter aim at intrinsic or higher ends, like service to one’s community. Second, they differ in their relation to virtue. Noble occupations require virtue (*Pol.* 1258b35-38) or promote virtue (*Rhet.* 1366b35), whereas the necessary occupations do neither require virtue nor do they promote it. Hence, necessary work:

- 1) Creates a shortage of leisure and freedom
- 2) It is a barrier to virtue
- 3) It is servile

Furthermore:

- 4) **Necessary work is done for the sake of utility alone or aims at ignoble ends.**

Property (4) is important because it helps us explicate the difference between necessary and noble occupations in a neater way. Aristotle does not discuss whether

medicine, teaching, architecture, music, writing, etc. are noble occupations.<sup>195</sup> Possibly he would consider them noble because they aim at noble ends, like knowledge, or because they promote one's intellectual and moral excellence. Surely, he would object to practicing noble occupations for the sake of gain or for other ignoble ends.<sup>196</sup>

We reject professional education in instruments, then, (and by professional education I mean the kind that aims at competition). For the performer does not take part in this kind of education for the sake of his own virtue but to give his audience pleasure, and a boorish pleasure at that. That is precisely why we judge this sort of activity to be more appropriate for hired laborers than for free men. For performers do indeed become vulgar, since the end they aim at is a base one. (*Pol.* 1341b9-15)

However, it is not clear whether Aristotle would object to the idea of exchanging certain services, like medicine or teaching, with other products and services in order to supply the means for household-management. We also do not know whether Aristotle thought that a lower occupation—e.g. a craft—is ignoble when it is practiced for the sake of a natural end, like subsistence and providing for one's family. It seems that the proper structure of Aristotle's ideal city is a land-owning citizenry who are freed from necessary tasks but are trained in these tasks for the sake of household-management, that is, in order to be able to manage the execution of necessary work and the exchange of household surpluses.

Let us take stock. Conditions (2) and (4) are the main principles of division between necessary and noble occupations. Each of the other two conditions—(1) and (3)—must be joined with either (2) or (4) in order to characterize a necessary task as ignoble. For example, Aristotle says that manual or servile work is not slavish when one practices it for the sake of oneself or for a noble end. Hence, a manual or servile work is really improper when it is done for the sake of others—condition (3)—*and* for an ignoble end. Condition (4) also explains why Aristotle mildly objects to farming; mainly, it deprives farmers of leisure—because of condition (1). But while household management is necessary work—hence, may deprive one of leisure time—it is not

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<sup>195</sup> Newman (1897:115).

<sup>196</sup> Aristotle says that medicine and generalship should not be used as sources of profit (*Pol.* 1258a7-14). This is not the same as practicing these occupations in exchange for other goods or services as long as the price is just.

ignoble. Having mapped the criteria of Aristotle's ethical evaluation of occupations, *viz.* modes of acquisition, let us now turn to discuss the aristocratic-bias reading.

### 3.4 The Aristocratic-Bias Reading

If Aristotle's objection to the lower occupations was based on ideology, then his analysis would be philosophically vacuous. However, this reading owes us a clear characterization of what constitutes ideological bias in philosophical argumentation and, of course, a method for tracking such bias. One suggestion is that Aristotle does not offer a psychological theory to justify why those who practice the lower jobs lack the capacity for citizenship and virtue.<sup>197</sup> Another suggestion is that Aristotle's account of chrematistics has rhetorical function in the sense that it is a cautionary tale for the land-owning citizenry to refrain from the ignoble life of the craftsman or the tradesman.<sup>198</sup> In my view, there are two ways to sustain this reading. The first way would be to show that Aristotle stipulated his first premise without argument or that he offered no support for his second premise. The second way would be to establish that these two premises inexplicably clash with some central tenet(s) of his thought.

#### 3.4.1 *Criticism (1)*

Let us discuss the first premise. The aristocratic-bias reading is based on the fact that Aristotle posits aristocracy as the best regime (*Pol.* 1293b20). However, we should not overlook that Aristotle's defense of aristocracy is informed by his perfectionist political philosophy and his objectivist view of human nature that undergirds it.<sup>199</sup> His defense results from his account of the correct regimes as rule by the best men without qualification (*Pol.* 1293b1) for the advantage of all citizens—rule that aims at “what is best for the city-state and its members” (*Pol.* 1279a36). In other words, Aristotle thinks that aristocracy secures the natural end of the city-state, as he explicated it in *Pol.* I.1.

Also, we should take into account that his recommendations about constitutional matters depend on his theoretical task at hand. Aristocracy is Aristotle's answer to his

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<sup>197</sup> See Samaras (2007:82).

<sup>198</sup> Shulsky (1991:104-111).

<sup>199</sup> See his function argument (*NE* 1097b22-1098a4).

ideal-theoretic task of *Pol.* VII which seeks the best conceivable regime in abstraction from the existing circumstances, *viz.* “if there were no external obstacles” (*Pol.* 1288b23). On the other hand, ‘polity’ is his answer to his realist-theoretic task—the search of a regime that is a combination of the unqualifiedly best regime and “the best [regime] in the circumstances” (*Pol.* 1288b25). Polity, Aristotle argues, is the best *practicable* regime. This is a combination of oligarchic and democratic institutions. Aristotle argues that the middle-class people are in general more virtuous than the rich or the poor. If he was in favor of a regime based on class-privilege and wealth, he would not have recommended the middle-constitution. Aristotle makes the empirical observation that extremes of poverty and affluence are usually prone to vice: the poor and the rich are prone to wrongdoing because of malice or arrogance respectively.<sup>200</sup> Polity is a mixture of oligarchic and democratic institutions with a large middle-class standing between the rich and the poor<sup>201</sup> that best safeguards the stability of the city-state (*Pol.* 1296a7-9).<sup>202</sup> The person of moderate wealth is more responsive to reason and more virtuous.<sup>203</sup> The cities that lack in a strong middling element allow the opposing extremes to rise and conflict. The few wealthy “neither wish to be ruled nor know how to be ruled”; they know “only how to rule as masters rule” (*Pol.* 1295b14-17). Those who are exceedingly poor “do not know how to rule, but only how to be ruled in the way slaves are ruled... The result is a city-state consisting not of free men but of slaves and masters, the one group full of envy and the other full of arrogance” (*Pol.* 1295b18-22). In contrast, the middling-element is more suitable to take turns in ruling because they are neither excessively eager to rule nor servile:

[T]he middle classes are least inclined either to avoid ruling or to pursue it, both of which are harmful to city-states. (*Pol.* 1295b11-12)

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<sup>200</sup> “...[W]hatever is exceedingly beautiful, strong, well-born, or wealthy, or conversely whatever is exceedingly poor, weak, or lacking in honor, has a hard time obeying reason. For the former sort tend more toward arrogance (*hubristai*) and major vice (*megaloponhroi*), whereas the latter tend too much toward malice and petty vice; and wrongdoing is caused in the one case by arrogance (*hubris*) and in the other by malice (*kakourgia*)” (*Pol.* 1295b4-10).

<sup>201</sup> According to Aristotle, there are three socio-economic classes in all cities: “the very rich, the very poor; and, third, those in between these” (*Pol.* 1295b1).

<sup>202</sup> Aristotle’s proposal seems to be an application of his Doctrine of the Mean. Like moral virtue, which is a mean between excesses, the middle class is the mean between the very rich and the very poor. Aristotle considers the middle class people as having the right amount of goods and the right ethical attitude towards wealth.

<sup>203</sup> “So, since it is agreed that what is moderate and in a mean is best, it is evident that possessing a middle amount of the goods of luck is also best. For it most readily obeys reason...” (*Pol.* 1395b2-3).

Aristotle argues that a three-class social structure with a strong middle-class is the buffer between the wealthy few and the many poor.<sup>204</sup> He is also confident of the stabilizing power of democracies, as opposed to oligarchies, because of their large-sized middle classes:

Democracies are also more stable and longer lasting than oligarchies because of those in the middle (for they are more numerous in democracies than in oligarchies and participate in office more), since when the poor predominate without these, failure sets in and they are quickly ruined. (*Pol.* 1296a13-17)

We need also to bear in mind that Aristotle applies the term ‘aristocratic’ loosely to any regime that combines virtue with either equal freedom for the common people—such as the regime of Sparta—or equality *and* wealth—such as the regime of Carthage (*Pol.* 1293b16-22). In addition, he believes that aristocratic regimes must be mixed with other constitutions in order to be stable (*Pol.* 1297a6-14).

In sum, Aristotle’s perfectionist views of politics and citizenship require *ideally* an aristocratic regime run by the best men but practically this could be a mixed constitution, preferably one that combines virtue with freedom or virtue with freedom and wealth.

### 3.4.2 *Criticism (2)*

Aristotle’s first premise restricts citizenship only to those who are freed from the necessary occupations. We may wonder why Aristotle does not consider, like Plato did, the possibility that citizenship should extend to all those who are *capable* of virtue, including those doing the necessary occupations. Is it because he thinks that some individuals are more fit *by natural design* for the lower occupations and, hence, unfit for virtuous and political activity?<sup>205</sup> Or does he think that they are capable for virtue but their lack of property is sufficient for disenfranchising them? In the first case, Aristotle owes us a nativist psychological argument or a teleological argument. In the second case, he needs to explain why the ideal state would not secure the

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<sup>204</sup> “It is clear, therefore, that the political community that depends on those in the middle is best too, and that city-states can be well governed where those in the middle are numerous and stronger, preferably than both of the others, or, failing that, than one of them. For it will tip the balance when added to either and prevent the opposing extremes from arising” (*Pol.* 1295b34-39).

<sup>205</sup> Does Aristotle think that they are naturally less capable of virtue, as it appears at *Pol.* 1260a36-b7 and *Pol.* 1328a37-40?



material conditions for citizenship to all those who are *capable* of virtue regardless of their birth. For if citizenship is a matter of having such resources as property and time in order to be free from necessary work, then the state could redistribute its resources as to enable the lower classes to participate in politics and be citizens.

Martha Nussbaum tries to deflect the charge of ideology and argues that having the capacity for virtue is sufficient for citizenship in the best city.<sup>206</sup> In particular, she argues that Aristotle recognizes the right of citizenship to all those *capable* of virtue—virtually to all members of a city’s population—because the best city secures the material conditions of a good life for all its members. This includes the provision of basic necessities, like medical care, and benefits that enable citizens to develop morally and pursue the good life.<sup>207</sup> Nussbaum cites the following evidence:

(a) It is evident that the best constitution must be that organization in which anyone might do best and live a blessedly happy life. (*Pol.* 1324a24-25)

(b) The task of an excellent legislator, then, is to study how a city-state, a race of men, or any other community can come to have a share in a good life and in the happiness that is possible for them. (*Pol.* 1325a7-10)

If Nussbaum is right, then *all* inhabitants of a state—including those engaged with the lower occupations—should be citizens of the best city. In my view, the evidence that Nussbaum cites is very limited. However, the evidence in favor of a narrow reading of (1)<sup>208</sup> is overwhelming and unambiguous. Aristotle clearly suggests that hired laborers and craftsmen should not be citizens (*Pol.* 1278a4-5; 1329a2-5; 1329a33-39); those who work as farmers should not be citizens either (*Pol.* 1330a25-30). If Nussbaum’s reading was correct, then Aristotle’s solution would be similar to Plato’s: the lower classes should be formal (or nominal) citizens although they should not share in office.<sup>209</sup> However, Aristotle says that those who practice the lower occupations

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<sup>206</sup> Nussbaum (1988).

<sup>207</sup> *Ibid.* 146-150.

<sup>208</sup> By ‘narrow’ I mean the formulation that ‘only the virtuous can be citizens of the best city-state’. If the scope of the first premise were wide, as Nussbaum argues, Aristotle should have said that ‘all those who are *capable* of virtue should be potential citizens’.

<sup>209</sup> Newman (1887:109-110) and Samaras (2007:84-86) cite *Republic* 590C-D.

should not be citizens of the best state, in any sense, formal or substantive (*Pol.* 1278a4-5). Hence, Nussbaum's reading cannot deflect the charge of ideological bias on the basis of a narrow reading of premise (1).<sup>210</sup>

Did Aristotle want to disenfranchise the lower occupational classes? I think that his solution is to delegate the lower occupations to foreign residents and slaves, *completely* (*Pol.* 1330a25-30). As Newman says, Aristotle prefers to build the industrial and mercantile substructure of his ideal city-state from "non-Hellenic material".<sup>211</sup> His purpose is not to disenfranchise the citizens of existing cities who practice the lower occupations or to offer them formal citizenship but deny them access to office.<sup>212</sup> In other words, his concern is not to reform the existing cities with non-ideal regimes of mainland Greece by disenfranchising those citizens who are already craftsmen, farmers and workers.<sup>213</sup> We should take into account that his ideal-theoretic account of *Pol.* VII is probably a blueprint for new colonies in Asia Minor.<sup>214</sup> In these new city-states, Greek settlers would be land-owners and citizens, whereas non-Greeks would practice the necessary tasks. The following passage about the effect of climate on racial characteristics may explain why Aristotle thinks that foreigners should not be citizens of an ideal city-state in Asia Minor:

The nations in cold regions, particularly Europe, are full of spirit but somewhat deficient in intelligence and craft knowledge. That is precisely why they remain comparatively free, but are apolitical and incapable of ruling their neighbors. Those in Asia, on the other hand, have souls endowed with

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<sup>210</sup> Nussbaum (1988) admits that education and actual virtue are required for claiming office (*Pol.* 1283a25-26). In this respect she brings Aristotle in line with Plato of the *Republic* who recognized the right of citizenship to artisans, tradesmen and workers but denied them access to office (*Rep.* 590C-D). Being a Producer is to be dominated by the appetitive part (*Rep.* 495b-e; 590c). They are the spirited element and they cannot rule. However, Plato suggested that talented children of the lower class should have the opportunity to become guardians and share in office (*Rep.* 414a-c). In the *Laws*, Plato gives a different solution that Aristotle seems to adopt: those who practice the lower occupations exist for the sake of the ruling class and should not be citizens (in the *Laws* cited by Newman (1887:110)).

<sup>211</sup> Newman (1887:125).

<sup>212</sup> For Aristotle a low class of landless mechanics and merchants on the one hand and an upper class of land-owners on the other, would be an unstable socio-economic structure. Hence, he has good reason to delegate the necessary tasks to non-citizen foreigners instead of conferring formal citizenship to a class of Greeks who would practice these tasks because citizens, by definition, should share in office.

<sup>213</sup> Aristotle seeks to steer between Plato's solution of conferring formal citizenship to the lower occupational classes and Hippodamus's solution which confers substantive citizenship to these classes (*Pol.* II.8). See, for example, his criticism of Hippodamus' proposal in *Pol.* 1268a17-25. Aristotle thinks that this solution would undermine the stability of the city-state.

<sup>214</sup> Ober (1998:339-349).

intelligence and craft knowledge, but they lack spirit. That is precisely why they are ruled and enslaved. The Greek race, however, occupies an intermediate position geographically, and so shares in both sets of characteristics. For it is both spirited and intelligent. That is precisely why it remains free, governed in the best way, and capable, if it chances upon a single constitution, of ruling all the others. (*Pol.* 1327b22-33)

Aristotle here argues that foreigners are unfit for political activity in his ideal city-state. He thinks that foreigners lack either the spirit (the races from Asia) or the intelligence and craft knowledge (the races of the North), whereas citizenship—the ability to rule and be ruled—requires *both* spirit and intelligence. For Aristotle, the Greeks are more suitable to be citizens of an ideal city—because they possess both spirit and intelligence—where individuals must be able to take turns in ruling.

The commentators of Aristotle do not discuss the possibility that his account of the ideal city could also be a blueprint for new cities with Greek citizens and a non-Hellenic industrial and mercantile class of non-citizens. They think that Aristotle's proposal aims at disenfranchising those who already practice the vulgar occupations due to his aristocratic contempt for manual work. But there is no evidence that Aristotle seeks to disenfranchise those who already practice the necessary tasks, i.e. the citizens of Greek cities. Nor do commentators discuss the possibility of a distinction between parts and necessary functions based on nativist psychology or natural teleology. Aristotle's idea of dividing labor in terms of parts and necessary functions might have been influenced by Plato's principle of division of labor: different people are *naturally* fit for different kinds of work (*Rep.* 370a-b). Like Plato, he thinks that the craftsmen are intemperate:

If what we have now said is true, one might raise the problem of whether vulgar craftsmen too need to have virtue; for they often fail to perform their tasks through intemperance. Or are the two cases actually very different? For a slave shares his master's life, whereas a vulgar craftsman is at a greater remove, and virtue pertains to him to just the extent that slavery does; for a vulgar craftsman has a kind of delimited slavery. Moreover, a slave is among the things that exist by nature, whereas no shoemaker is, nor any other sort of craftsman. (*Pol.* 1260a36-b2)

Yet, Aristotle does not explain their deficiency —e.g. if it is by nature.<sup>215</sup> The passage about the servility of Asian people is a hint that craft-like people tend to lack the capacity of self-governance and the ability to rule and be ruled. Aristotle was possibly influenced by his teacher Plato who thought that the appetitive element dominates over the rational part of the Producers. That is, the appetitive part tends to overrun the rational part and, hence, craftsmen lack sufficient rational self-control—they are not sufficiently reason-responsive. According to Plato’s principle of the division of labor, people are *naturally* fit to practice different kinds of work and belong to one of the three classes in accord with their psychological constitution (*Rep.* 370a-b). Hence, the appetitive element is stronger in the Producers; they represent the appetitive element in Plato’s Republic. For Aristotle, craftsmen have a deliberative or volitional deficiency, like the natural slaves do, but their deficiency cannot be about the capacity to deliberate over means—because the craftsmen are instrumentally rational.<sup>216</sup>

While it is likely that Aristotle was somehow influenced by his teacher on the matter and thought that the craftsmen are born with some form of deliberative or affective deficiency, he departs from Plato’s principle of division of labor; as he says above, craftsmen do not exist by nature. However, this might be the point that craftsmen become craftsmen by training.<sup>217</sup> The distinction between parts and necessary functions may not be based on nativism but on his Principle of Teleology; nature provides people who are more fit for necessary work (necessary conditions) in the same way it provides natural slaves. However, Aristotle does not offer any such clear argument. This leaves him open to the charge of class prejudice.

The other possibility is that he exaggerated the effects of the lower occupations on the life and character of individuals for rhetorical purposes in order to convince citizens to refrain from the lower occupations. Certainly, the fact that Aristotle does not consider the reasonable possibility of practicing a lower occupation without living an ignoble life may be a sign that he shared the contempt of aristocrats for the craftsmen

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<sup>215</sup> Because they might lack ‘natural’ virtue; *NE* 1151a18-20.

<sup>216</sup> They need to think how to produce artefacts.

<sup>217</sup> ‘Natural’ most possibly means here ‘not the product of art or training’; Simpson (1998:69).

and the workers. But it is also possible that he made an empirical error. Aristotle seems convinced that these occupations warp the character of agents.

Another explanation is that he prefers to delegate the lower occupations to foreigners because a large industrial class of relatively poor, landless citizens (workers, farmers and craftsmen) would inevitably clash with the landowners (*Pol.* 1262b25-32), hence, causing civil unrest. The industrial and mercantile classes might press the land-owning elite, who often felt entitled to a greater share of political power, for a more egalitarian distribution of political power based on equality of freedom. Aristotle's practicable solution is the three-class social structure of a polity with a strong middle-class of moderate means being the buffer between the wealthy few and the lower classes. Yet, his solution for the ideal city is different. The way to avoid class conflict is to create a relatively egalitarian citizen body of landowners with foreign non-citizens doing all the necessary occupations for the convenience of citizens.<sup>218</sup>

### 3.5 Conclusion and Summary

In this chapter I reconstructed and examined Aristotle's account and critique of the lower occupations. In particular, I examined the inconsistencies between Aristotle's discussions of *Pol.* I.8-11 and *Pol.* IV, VII and VIII, as well as his different approach to farming in *Pol.* I.8-11 and *Pol.* VII. I tried to show that these inconsistencies arise because, for Aristotle, the ethical status of an occupation depends on the constitutional arrangement at hand, on its effects on the character of individuals, and on whether it is a necessary or noble occupation—this distinction has escaped consideration by most commentators. In addition, unlike in *Pol.* I.8-11, in later chapters Aristotle makes rather limited use of his Natural Economic Standard—except in the case of the craftsmen. However, his teleological thinking underlies his distinction between the noble and the lower occupations; these differ in virtue of the purpose they serve. The aristocratic-bias reading holds that Aristotle's critique of the lower occupations is

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<sup>218</sup> Irwin (1988:415) rightly points out that Aristotle's solution does not safeguard social peace and political stability. He argues that "if the citizens are freed from menial labor altogether, they must use the labor of non-citizen menial workers—natural slaves and foreigners. If they do this, they will be admitting potentially discontented and dangerous non-citizens into the state. Since they cannot pretend to consider the interests of the menials, they must rule them by force, threats, and incentives that make them even more menial and potentially dangerous than they were already".

ideological. However, they overlook that in the best state, the industrial and mercantile classes consist of a non-Hellenic population of non-citizens. The citizen body consists of land-owners who are free from the necessary tasks and are devoted to political activity. Commentators also downplay Aristotle's sympathy for polity which is not aristocratic; it is a mixed constitution with a large middle-class pursuing various occupations. While some of his empirical observations about the effects of the lower occupations, including commerce, on freedom and moral character may strike as exaggerated or biased, they are rather based on error or have a rhetorical function. He warns that a life devoted to money-making and business is inimical to the life of virtue and political activity. However, his arguments run deeper than mere rhetoric and the ideological reading is rather unfair because in *Pol.* I.9-10 Aristotle launches a thorough though incomplete critique of business. As I show in subsequent chapters he raises further worries about business based on considerations of justice not on aristocratic ideology.

## CHAPTER 4

### Commercial Justice

#### Overview

The aim of this chapter is to present and examine Aristotle's solution to the problem of commercial justice, as he analyzes it in *NE* V.5, because in *Pol.* I.8-11 he only makes a quick remark about justice and commercial chrematistics: "...trade [μεταβλητική] is a mode by which men gain from one another" (*Pol.* 1258a38-b2). In particular, my main concern is to interpret Aristotle's answer to the problem of commercial justice: how can justice in exchange be achieved?<sup>219</sup> This examination is useful for two reasons. First, this is the third component of the Master question, namely, question (3), namely, when an exchange is just. Second, if we know when an exchange is just, then we will be able to understand whether Aristotle believed that business profit is unfair gain and, hence, which forms of μεταβλητική are just or unjust—i.e. question (2.a).<sup>220</sup>

According to Aristotle, commercial justice requires reciprocity: the amount of value that the exchangers receive in an exchange must equal the amount of value they give away, in accord with proportionate equality.<sup>221</sup> His formula of just price (i.e. proportionate equality) is obscure: 'as builder is to shoemaker, so many shoes to a house or food' (*NE* 1133a22-23; δεῖ τοίνυν ὅπερ οἰκοδόμος πρὸς σκυτοτόμον, τοσαδὶ ὑποδήματα πρὸς οἰκίαν ἢ τροφήν). This formula has generated an astonishing amount of interpretations seeking Aristotle's standard of value that determines, for example, the number of shoes or beds that should equal one house. Is it the labor and other costs that each producer-exchanger has expended, as *NE* 1133a22-23 seems to suggest? Or is it the *utility* of the producers-exchangers (i.e. their want-satisfaction) as

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<sup>219</sup> This is a question about the ratio that equalizes unequal quantities of different products.

<sup>220</sup> In chapter five I examine whether Aristotle's thinking about economic value and just price, as this underlies his thinking about commercial profit, allows for profit from retail and foreign trade, the extractive industries (the mixed kind of chrematistics), commercial agriculture, etc.

<sup>221</sup> Commercial justice requires proportionate equality, not arithmetic equality (ἀλλ' ἐν μὲν ταῖς κοινωνίαις ταῖς ἀλλακτικαῖς συνέχει τὸ τοιοῦτον δίκαιον, τὸ ἀντιπεπονηθὸς κατ' ἀναλογίαν καὶ μὴ κατ' ἰσότητα; *NE* 1132b32-33). Commercial exchange (buying and selling) actually replaced the mutual gift economy which was based on friendship; Meikle (1991b:193).

Aristotle claims in *NE* 1133b18-20? And how is proportionate equality achieved? Hence, Aristotle's account of just price requires an understanding of his economic thinking about value.<sup>222</sup> However, this is not economic analysis in the modern sense of the term, i.e. a self-standing analysis of exchange value in a market economy. Aristotle rather delved into the economic phenomena of the emerging market economy of his time as a moral and political philosopher who thought that when exchanges are not reciprocal, they become a source of injustice and social unrest.<sup>223</sup>

For most commentators, *Pol.* 1258a38-b2 implies that one trader must sell in excess of the just price in order to gain. As I show in the present chapter, this reading presupposes that commodities have an objective just price which is determined by some objective, quantitative standard, like labor or cost-of-production. However, Aristotle's solution to the problem of commensurability of goods in *NE* 1133b18-20 suggests that prices are actually formed by bargain based on the subjective preferences of exchangers.<sup>224</sup> Hence, it should puzzle us how he could think that business is an *inherently* unjust mode of acquisition and at the same time hold that the just price is formed by agreement.<sup>225</sup>

In the first section of this chapter, I present Aristotle's theory of justice and its kinds. Then I explain what is distinctive about commercial justice as a form of reciprocal justice. In section 4.2, I present Aristotle's analysis of commercial justice from *NE* V.5. In effect, I explain how his analysis raises the problems of economic value and commensurability, and how he tackles with them. In section 4.3, I present the subjectivist and objectivist theories of economic value, *viz.* the utility and labor

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<sup>222</sup> A theory of economic value is an "explanation of how prices [i.e. exchange values] are formed in a market economy, how the system is held together by interlocking markets and the normative properties of such a system"; Wilson (1975:56). In other words, it is an inquiry in the two major determinants of exchange value, i.e. supply and demand, and the minimal conditions of justice in price formation.

<sup>223</sup> Aristotle argued that without reciprocal exchanges a city may fall apart (τὸ ἀντιπεπονηθὸς σὸφζει τὰς πόλεις; *Pol.* 1261a30). Also: τῷ ἀντιποιεῖν γὰρ ἀνάλογον συμμένει ἡ πόλις (*NE* 1132b32-35).

<sup>224</sup> This is the problem of commensurability between incomparable goods. Aristotle's challenge was to discover the property that brings such diverse and incomparable goods as houses, beds, medical services, etc., in proportionate equality. In effect, he tackled this problem practically with the concept of *χρεία* (*chreia*, i.e. 'need' or 'demand'): "Now in truth it is impossible that things differing so much should become commensurate, but with reference to need they may become so sufficiently" (*NE* 1133b18-20).

<sup>225</sup> If exchangers agree on a price that satisfies their subjective preferences, then that price is the just price. The just price is constructed by the exchangers who bargain in isolated exchanges.



theories of value. Most commentators use these two main paradigms in order to interpret Aristotle's formula of just price. In the last section, I explain why I find these two readings unsatisfactory and propose an alternative interpretation of the formula. I suggest that, for Aristotle, the just price of goods should be understood in terms of their natural price, *viz.* the price that results from undistorted competition or bilateral monopoly; justice requires that the market price of goods should approximate their natural price.

#### **4.1 Aristotle's Theory of Justice**

In this section I outline Aristotle's analysis of justice and I explain how commercial justice differs from other forms of justice, corrective and distributive justice.<sup>226</sup> In addition, I will explain how his virtue-theoretic analysis of justice—justice as a virtue—is intertwined with his normative-economic thinking about just price.

##### **4.1.1. *General and Particular Justice***

The main bulk of Aristotle's analysis of commercial justice is located in *NE* V.5. Before that chapter, he divides justice into 'general' justice and 'particular' justice (*NE* V.1-2) and then he analyzes particular justice into distributive justice (*NE* V.3) and corrective justice (*NE* V.4). Aristotle says that commercial justice is a separate kind—it is a form of reciprocal justice—whereas distributive and corrective justice should not be identified with reciprocal justice (*NE* 1132b32-1133a2).

Let me first outline Aristotle's theory of justice which starts with an analysis of the use of the predicate 'just' in ordinary language. Actually, he says, the terms 'justice' and 'injustice' are couched in character terms, *viz.* as the dispositions to desire and do what is just or unjust:

We see that all men mean by justice that kind of state of character which makes people disposed to do what is just and makes them act justly and wish for what is just; and similarly by injustice that state which makes them act unjustly and wish for what is unjust. (*NE* 1129a7-10)

Aristotle finds two senses of 'justice' at play in ordinary language:

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<sup>226</sup> My sketch is based on several commentaries, most notably Irwin (1988), Young (2006) and Kraut (2002).

The just, then, is the lawful and the fair, the unjust the unlawful and the unfair (τὸ μὲν δίκαιον ἄρα τὸ νόμιμον καὶ τὸ ἴσον, τὸ δ' ἄδικον τὸ παράνομον καὶ τὸ ἄνισον). (*NE* 1129a30)

The predicate ‘just’ (τὸ δίκαιον) denotes the ‘lawful’ (τὸ νόμιμον) and the ‘fair’ (τὸ ἴσον; the equal-minded), and these correspond to two character terms (*NE* 1129a30). First, the ‘lawful’ refers to the disposition to conform to the law (τὸ νόμιμον; ὁ νόμιμος) or the disposition to do the right thing in accord with the laws of a city. Second, the ‘fair’ (τὸ ἴσον; i.e. equal-minded) refers to the disposition to seek one’s due. In contrast, the predicate ‘unjust’ (τὸ ἄδικον), first, refers to the disposition to disobey the law (παράνομον; ὁ τε παράνομος ἄδικος εἶναι; i.e. “the law-breaker is unjust”; *NE* 1129a31-32). Second, the ‘unfair’ (τὸ ἄνισον) refers to graspingness (*NE* 1132a32).

On the basis of these two senses of ‘justice’ Aristotle draws his distinction between ‘general’ and ‘particular’ justice.<sup>227</sup> General justice (κατὰ τὴν ὅλην ἀρετὴν δικαιοσύνη; *dikaiosynê*) is complete virtue (*NE* 1129b25-27; 1130a7-13) because it is concerned with the good of others: the just man does what is advantageous to another (*NE* 1130a4) or to the political community (*NE* 1129b13-19).<sup>228</sup> On that score, Aristotle says, general justice is the whole of virtue (*NE* 1130a8-10), not a separate virtue— like courage or temperance. The just person’s inclination to obey the law and to care for the common good of the city requires the other virtues; “the law bids us do both the acts of a brave man...and those of a temperate man...and those of a good-tempered man and similarly with regard to the other virtues and forms of wickedness, commanding some acts and forbidding others...” (*NE* 1129b17-24).<sup>229</sup>

<sup>227</sup> See Young (2006:181) on the basis of the distinction.

<sup>228</sup> Aristotle identifies general justice with the lawful, *viz.* the laws of a political community; the laws preserve and promote the common good of the political community. “Now the laws in their enactments on all subjects aim at the common advantage either of all or of the best or of those who hold power, or something of the sort; so that in one sense we call those acts just that tend to produce and preserve happiness and its components for the political society” (*NE* 1129b13-17).

<sup>229</sup> Irwin (1988:424) argues that this is based on the Unity of Virtue thesis: one cannot have one virtue without having them all (*NE* 1144b32-1145a2). Likewise, one cannot be lawful unless one possesses the virtues and one cannot exercise the virtues unless one is just. According to Young (2006:183), the laws of a community aim at the common advantage of citizens, *viz.* to promote their happiness; virtuous activity promotes happiness; happiness and the law require the same virtuous activity; hence, the injunctions of law will be the same with the injunctions of virtuous activity—virtuous activity

Since general justice is *complete* virtue, particular justice (τὴν ἐν μέρει ἀρετῆς δικαιοσύνη) is, therefore, a part of general justice (NE 1130a14-15; 1130a22-23).<sup>230</sup> For Aristotle, particular justice is a distinct virtue (NE 1130a22-23), like the other particular virtues, e.g. honesty and temperance. The sphere of its application and exercise is the distribution of benefits and burdens, *viz.* the goods of fortune and the ills of adversity. Aristotle's list of goods of fortune includes honor, safety and money. These are *contested* goods (περιμάχητα; objects of competition; NE 1168b15-23) and, hence, must be shared fairly (NE 1129b1; NE 1130b1-3; NE 1168b15-23). **Particular justice** is, then, the virtue that disposes the agent to pursue a due share of the contested goods and to refrain from greedy behavior. And particular injustice is the vice which disposes one to get an undue share of a good or a burden—e.g. by profiteering or tax evasion. Let us now turn to Aristotle's analysis of particular justice.

#### 4.1.2 *Distributive and Corrective Justice*

Aristotle divides particular justice into distributive and corrective justice. His aim is to find out how to explicate the 'just' in the distribution of benefits / burdens and in the correction of transactional injustice (NE 1130b30-1131a). In **distributive** justice the 'just' is the *intermediate* between having a larger share of a good or a smaller share in a burden (NE 1131a10-14); it is the intermediate between an excessive and a deficient share (NE 1131b17-20).<sup>231</sup> The 'intermediate' has the sense of 'equal' (two equal shares) but it is proportional to the merit of two persons; it is an equality of two ratios (NE 1131a30) and involves four terms (NE 1131a17-20): two terms for the shares and two terms for the persons. These terms form the two ratios: the ratio between persons and the ratio between shares. Proportional equality requires that the ratio of goods must be in accord with the ratio of persons: as person A is to person B, so is A's share to B's share of a good (NE 1131b5). The two persons must get equal shares of the

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promotes happiness and the laws of the city aim at the happiness of its citizens. Irwin (1988:424) explains that "general justice turns out to be the same state of character as virtue as a whole, and in calling it general justice, we refer especially to the concern of the virtuous person for the common good of the political community."

<sup>230</sup> Broadie (2002:335) notes that general justice consists of the virtues, one of which is the virtue of particular justice. In a weaker sense, general justice is co-extensive with all the virtues.

<sup>231</sup> Aristotle's argument is as follows: what is just is equal (ἴσον); what is equal is intermediate, that is, the 'equal' stands between 'too large' and 'too small'; hence the just is an intermediate between too large and too small (NE 1131a10-14).

same thing in accord with their relative merit (*NE* 1131a25-26).<sup>232</sup> If two persons, A and B, have equal worth, namely, 1:1, then their shares should be 1:1 accordingly. If A and B differ in worth, e.g. 1:2, then B's share should be twice the share of A's. For example, if B contributed twice as much labor or capital in a venture as A, then, other things being equal, the ratio of their shares should be 1:2, accordingly. Lastly, a distribution is unjust if it violates the proportion—e.g. if A received an excessive or deficient share than his/her due.

In *NE* V.4 Aristotle discusses **corrective** justice. The aim of corrective justice is to restore equality when a transaction has been unjust. This is again an intermediate between excess and deficiency; it is the arithmetic mean between gain and loss. Aristotle's account concerns voluntary and involuntary transactions. In the first division belong such "...transactions as sale, purchase, loan for consumption, pledging, loan for use, depositing, letting..." (*NE* 1131a3-4). In the involuntary kind belong such transactions "as theft, adultery, poisoning, procuring, enticement of slaves, assassination, false witness, and others involve force, such as assault, imprisonment, murder, robbery with violence, mutilation, abuse, insult" (*NE* 1131a6-9). Unlike distributive justice, corrective justice requires arithmetic equality, not proportional equality. In particular, the merit of persons plays no role in adjudicating disputes. Aristotle says: "[I]t makes no difference whether a good man has defrauded a bad man or a bad man a good one, nor whether it is a good or a bad man that has committed adultery; the law looks only to the distinctive character of the injury, and treats the parties as equal, if one is in the wrong and the other is being wronged, and if one inflicted injury and the other has received it" (*NE* 1132a2-6). Hence, if a carpenter has agreed to deliver five beds for one house and delivers four, then corrective justice requires that the carpenter must give one more bed to the builder. In short, corrective justice aims at restoring the intermediate—in our example: 5 beds = 1 house. Aristotle concludes that "the just in rectification will be the intermediate between loss and gain" (*NE* 1132a18-19). This is because he defines 'gain' as "to have more than one's own" and 'loss' as "to have less than one's original share" (*NE*

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<sup>232</sup> Aristotle mentions three standards for assessing the relative merit of persons: "...democrats identify it with the status of freeman, supporters of oligarchy with wealth (or with noble birth), and supporters of aristocracy with virtue" (*NE* 1131a25-27).

1132b11-18).

The just is intermediate between a sort of gain and a sort of loss.... [I]t consists in having an equal amount [of value] before and after the transaction. (*NE* 1132b18-20)

In other words, each exchanger must receive as much value as he/she gives away. However, while corrective justice aims at the intermediate between gain and loss—at restoring the equality—as this is determined originally by agreement between two exchangers, the equality between exchangers is not an arithmetic mean because different producers and their goods have different value (*NE* 1132b33). As we will see reciprocal justice is proportionate equality, not arithmetic equality (τὸ ἀντιπεπονθὸς κατ' ἀναλογίαν καὶ μὴ κατ' ἰσότητα). Corrective justice requires arithmetic equality when the established proportional equality between exchangers is violated.

#### 4.1.3 *Reciprocal Justice*

In *NE* V.5 Aristotle introduces reciprocal justice (τὸ ἀντιπεπονθὸς) which is the basis of justice in exchange or commercial justice hereafter. He says that reciprocal justice does not fit with either distributive or corrective justice (*NE* 1132b24-25). First, as we shall see in section 4.2, commercial justice is reciprocal justice and is concerned with the equitable exchange of goods. Second, commercial justice requires proportional equality:

But in associations for exchange this sort of justice does hold men together—reciprocity in accordance with a proportion and not on the basis of precisely equal return. For it is by proportionate requital that the city holds together. (*NE* 1132b32-34)

Aristotle's principle of reciprocity requires that both parties in an exchange receive proportionately equivalent values because “the just is intermediate between a sort of gain and a sort of loss....” (*NE* 1132b18). Third, Aristotle says that reciprocal exchanges are vital for a city. We saw in *Pol.* I.9 that exchange-based acquisition (μεταβλητική) is a necessary mode of acquisition for the survival of households and cities. But exchanges must be reciprocal because reciprocity is the bond that maintains communities together (τὸ ἀντιπεπονθὸς σώζει τὰς πόλεις; *Pol.* 1261a30;

also in *NE* 1132b32-35); without these bonds a city may fall apart.<sup>233</sup> This is not surprising because, for Aristotle, cities are *partly* constituted and exist for the sake of the advantageous or utility—e.g. a city secures material resources for its citizens (*NE* 1160a8-14).<sup>234</sup> On that score, utility-friendship is the pattern of friendship that characterizes the bonds among fellow-citizens. These bonds are sustained by, among other things, just exchanges.

Aristotle does not explain how reciprocal justice differs from distributive justice—perhaps he thinks this is obvious.<sup>235</sup> More perplexingly, both kinds of justice are applied before injustice has been committed and they both conform to the pattern of geometrical proportion.<sup>236</sup> However, reciprocal justice is concerned with relations of exchange in particular, while distributive justice is concerned with the equitable distribution of goods and burdens. Also, a less obvious but noteworthy difference between them is the following: the just proportion in distributions is determined by the relative merit of the two *persons*, while the just ratio of exchange is not clearly determined by the relative merit of persons.<sup>237</sup>

Aristotle offers an explicit, although puzzling, analysis of the difference between corrective and reciprocal justice. He dismisses the Pythagorean idea that corrective justice is reciprocity *unqualifiedly* ('an eye for an eye' or *lex talionis*; *NE* 1132b21-1133a5) and that reciprocity covers the whole of justice—distributive and corrective justice. In particular, he argues that unqualified *talionis* reciprocity is not corrective justice: if a magistrate strikes a citizen, the citizen should not strike the official in return as *talionis* reciprocity implies. On the other hand, if a citizen strikes a

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<sup>233</sup> Aristotle refers to proportionate equality, not arithmetic equality (τὸ ἀντιπεπονθὸς κατ' ἀναλογίαν καὶ μὴ κατ' ἰσότητα). Also, τῷ ἀντιποιεῖν γὰρ ἀνάλογον συμμένει ἡ πόλις. Meikle (1991b:193) contends that Aristotle took 'mutual gift' as the prototype of fair exchange. This is also the spirit of Aristotle's remarks about the Temple of the Graces: "Men seek to return either evil for evil—and if they cannot do so, think their position a mere slavery—or good for good—and if they cannot do so there is no exchange, but it is by exchange that they hold together. This is why they give a prominent place to the temple of the Graces—to promote the requital of services; for this is characteristic of grace—we should serve in return one who has shown grace to us, and should another time take the initiative in showing it" (*NE* 1132b33-1133a5).

<sup>234</sup> Irwin (1988:425-33) rightly points out that this does not contradict the higher aim of the city, namely, happiness (see *Pol.* 1278b20; 1328a35-b2).

<sup>235</sup> Young (2006:186) argues that Aristotle "gives no reasons for thinking that reciprocity is not to be identified with distributive justice; he may assume that this is obvious".

<sup>236</sup> Scaltsas (1995:259).

<sup>237</sup> *Ibid.* 259; for Scaltsas (1995) it is based on the relative value of goods.

magistrate, justice requires that the officer not only returns the strike, as the *talionis* reciprocity requires, but also that the perpetrator receives additional punishment. Simply striking the perpetrator back is not sufficient for justice to be restored—in particular, to restore the officer’s status. Since Aristotle insists on that reciprocal and corrective justice differ, and *talionis* reciprocity cannot capture this difference, as the example with the magistrate demonstrates, it appears that reciprocal justice has a further role. First, it has a role in commercial justice but not in the *talionis* sense because *talionis* is arithmetic return, whereas commercial justice requires proportionate equality. Second, it is possible that reciprocal justice of the geometrical kind has a further role in corrective justice, such as the correction of injustices in proportionate terms.<sup>238</sup> It is possible, then, that reciprocal justice is an addendum to corrective justice that Aristotle left unnamed. Also, commercial justice is part of particular justice since the person who commits a commercial injustice is greedy and, hence, unjust in the particular sense.<sup>239</sup> The greedy person is someone who seeks an undue share of the goods and ills of fortune in distributions or in exchanges (*NE* 1129b7-10). In this respect, commercial justice is an addendum to particular justice since graspingness in trade—e.g. profiteering—falls under particular injustice.<sup>240</sup>

Since it is not my purpose to pursue this question further, let me sum section 4.1. Aristotle distinguishes between general and particular justice. He claims that the first kind of justice is complete virtue; it is the other-regarding virtue of doing good to individuals and to one’s city. The second kind of justice is particular justice which consists of distributive and corrective justice. Distributive justice concerns the equitable distribution of goods and burdens, while corrective justice refers to the rectification of injustice in transactions. Then Aristotle introduces reciprocal justice

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<sup>238</sup> According to Scaltsas (1995), reciprocal justice covers a gap left by corrective justice of the *talionis* arithmetic kind: reciprocal justice is not only concerned with the exchanges of goods but also with the “retribution for injustice done and is practiced on the basis of geometrical proportion, regulated by the merit of the parties involved” (p. 259). Hence, for Scaltsas, reciprocal justice has two branches: retributive and commercial justice where both conform to the pattern of geometrical proportion.

<sup>239</sup> Πλεονεξία (greed), says Aristotle, is the vice that motivates particular injustice (*NE* 1130a16-24).

<sup>240</sup> As Irwin (1988:429-430) points out, it “offers these definite guarantees and protections against πλεονεξία [i.e. graspingness]. Without a just system of prices, exchange would be an opportunity for πλεονεξία, since an astute person could manipulate it to improve his own competitive position at the expense of another. Though Aristotle does not describe the workings of the intended system of prices and exchange in any detail, he says enough to show how it is meant to display the characteristic features of special [i.e. particular] justice”. Soudek (1952:51-53) too, holds that for Aristotle commercial justice is a mean between gain and loss (as corrective justice) and has regulatory role.

and argues that it is a separate kind of justice (*NE* 1332b23-25).<sup>241</sup> It differs from corrective justice because it is not arithmetic equality. Reciprocal justice covers commercial justice and, perhaps, corrective justice: the latter is practiced in cases where correction must be proportionate to the status or merit of the persons involved. Commercial justice is the subject of the next section to which I now turn.

## 4.2 Justice in Exchange

In this section I present Aristotle's theory of commercial justice. I explain how his analysis raises the exegetical problem of economic value: justice in exchange requires the exchange of equivalent values in proportionate terms but we need to understand the standard which effects their equivalence.

### 4.2.1 Justice in Exchange and Economic Value

We saw briefly in 4.1.3 that commercial justice requires reciprocity: the amount of value that each exchanger receives *should* equal the amount of value that each gives away. Definitely, the just price should not be an arithmetic mean because goods are of unequal value per unit of quantity: one house cannot cost as much as one bed. Hence, commercial justice requires that unequal quantities of goods be equal in terms of proportionate equality (τὸ ἀντιπεπονθὸς κατ' ἀναλογίαν καὶ μὴ κατ' ἰσότητα; *NE* 1132b32). The challenge for Aristotle was to come up with the formula by which unequal quantities of goods, like beds and houses, are equal in value so that exchangers receive as much value as they give away. This is the Just Price Question.

#### Just Price Question

How could we bring different quantities of commodities in the proportion at which exchangers receive and transfer equivalent amounts of value?<sup>242</sup>

In effect, this question seeks the formula which entails that, for example, five beds equal one house in value. In other words, the just price is the proportion where

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<sup>241</sup> Reciprocal justice does not exhaust the whole of justice as the Pythagoreans assumed; Hardie (1968:193-200), Irwin (1988:625n.11), Scaltsas (1995:257), and Young (2006:187) rightly point out that reciprocal justice is a separate kind of justice. Irwin (1988:625) overlooks that reciprocal justice is not concerned with commerce alone, whereas Aristotle points out that reciprocity is important for justice as a whole.

<sup>242</sup> Judson (1997:156). In a general way, the just "is intermediate between a sort of gain and a sort of loss.... [I]t consists in having *an equal amount* [of value] *before and after the transaction*" (*NE* 1132b18-20; my emphasis). Hence, the just price is the intermediate between loss and gain.



different quantities of two goods are equivalent in value.<sup>243</sup> I will use the terms ‘ratio of exchange’, ‘exchange value’ and ‘price’ interchangeably hereafter.<sup>244</sup>

Moreover, Aristotle needs to explain what constitutes the value of commodities and their prices:

### **Exchange Value Question**

What is the determinant of the value of commodities?

This question brings us to the problem of economic value. In a general way, a theory of economic value is an explanation of how prices are formed in a market.<sup>245</sup> In particular, as we see in section 4.3, the just price depends on the nature of economic value. If the just price is a matter of transferring and receiving equal amounts of value, we need to know what the nature of economic value is. Is it the labor expended to produce a good or is it its utility?

As we will see shortly, Aristotle’s analysis of just price is an indispensable addendum to his ethical theory of chrematistics because it problematizes the ethics of commercial profit: is business profit an unfair increment on the just price of products? I examine this question in chapter five as a step to disentangling Aristotle’s mixed and confusing views about the ethical/unethical forms of exchange-based chrematistics (μεταβλητική)—question (2.α).<sup>246</sup> While in *NE* V.5 Aristotle highlights the mutual gains from trade,<sup>247</sup> in the *Politics* he seems to censure trade (μεταβλητική) for its injustice: “...μεταβλητική [is] a mode by which men gain from one another” (*Pol.* 1258a38-b2). Most commentators argue that traders and middlemen must sell in excess of the just price in order to gain. As I show in the next chapter, this reading presupposes that, for Aristotle, commodities have an objective just price which is determined independently of the exchangers’ need by some quantitative standard of

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<sup>243</sup> See Child (1998); Lowry (1973:59) and (1987:19); Judson (1997:147-8) and Ekelund (1997:15) downplay the descriptive attempt of Aristotle’s discussion of fair price although it requires an understanding of the mechanism of price formation.

<sup>244</sup> Price is the relative proportion or ratio of exchange between two goods.

<sup>245</sup> Wilson (1975:56).

<sup>246</sup> My aim is to examine whether Aristotle considers foreign trade, the extractive industries, commercial agriculture, and rents as just forms of acquisition or whether he condemns a commercial economy as a whole.

<sup>247</sup> His analysis of justice in *NE* V.5 concerns isolated, bilateral exchange between producers (artisans, farmers, doctors, etc.) or between householders. For evidence that he is not against commerce see 5.2.3.

value, like labor time or cost-of-production. However, Aristotle's subjectivist solution to the problem of commensurability in *NE* 1133b18-20—*viz.* the need of exchangers determines price—makes fair profit possible; the just price is that which satisfies the needs of both exchangers. In section 4.3 I examine which of these two main approaches is Aristotle's. Let me now present his theory of commercial justice.

#### 4.2.2 *Nicomachean Ethics V.5 & Politics I.9*

Aristotle's discussion of commercial justice in *NE* V.5 is concerned with justice in isolated two-party exchanges (*viz.* barter), not in competitive markets where prices are formed by the interaction of many suppliers and buyers.<sup>248</sup> His analysis of just exchange states the pattern that equalizes the relative value of products. According to Aristotle, commercial justice is achieved by the cross-diagonal conjunction of four terms: two terms for the persons and two terms for the products.

Now proportionate return is secured by cross-conjunction. Let A be a builder, B a shoemaker, C a house, D a shoe. The builder, then, must get from the shoemaker the latter's work, and must himself give him in return his own. (*NE* 1133a5-9)

The four terms of the formula are conjoined diagonally because the builder (A) gets shoes (D) and the shoemaker (B) gets a house (C). Aristotle stresses that a bargain is reciprocal only when different quantities of goods are equalized *in proportion*:

If, then, first there is proportionate equality of goods, and then reciprocal action takes place, the result we mention will be effected. If not, the bargain is not equal, and does not hold; for there is nothing to prevent the work [ἔργον] of the one being better than that of the other; they must therefore be equated. (*NE* 1133a10-12)

But here Aristotle says that the 'work' of producers must be equated, too. That is why commercial justice is expressed as two ratios, A:B, the ratio of producers or their

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<sup>248</sup> Aristotle's concern in *NE* V.5 is commercial exchange by bargain between artisans, not aggregate supply and demand. See Ekelund (1997:15-17). However, this does not imply that there were no running market prices or that bargain was not affected by variations in supply and demand at the aggregate level. Nor is Aristotle's focus on isolated exchange evidence that he ignored the interplay of supply and demand or that the determinants of prices in bargain differ from the determinants of supply and demand. As I show in this chapter, Aristotle was aware that both utility and production factors affect prices in isolated exchanges. Finley (1970:13) rightly stresses this point given that in the fourth century B.C. actually prices varied with variations in supply and demand; *cf.* Polanyi (1957:87) argues that the mechanism of supply and demand escaped him.

work, and D:C (the ratio of products of their work), where A:B=1 and D:C=1.<sup>249</sup> The idea seems to be that different quantities of goods, e.g. one hundred shoes and one house, must be equated *in value* so that C=1 and D=1—or D:C=1. Similarly, different ‘works’ (ἔργα) must be equated *in value* so that A=1 and B=1—or A:B=1 because:

...[I]t is not two doctors that associate for exchange, but a doctor and a farmer, or in general people who are different and unequal; but these must be equated. (NE 1133a18-19)

Aristotle said before that doctors and farmers must be equated because they are not only different but also unequal and must be equated before the bargain takes place. He explains this point in more detail shortly afterwards. For the moment he restates how commercial justice is achieved by conjoining the four terms:

The number of shoes exchanged for a house [or for a given amount of food] must therefore correspond to the ratio of builder to shoemaker. For if this be not so, there will be no exchange and no intercourse. (NE 1133a22-23)

And:

There will, then, be reciprocity when the terms have been equated so that as farmer is to shoemaker, the amount of the shoemaker’s work is to that of the farmer’s work for which it exchanges. (NE 1133a33-35)

In short, justice requires that the ratio of commodities D:C be equal to the ratio of ‘works’ (ἔργα) of the producers A:B. Hence, A:B and D:C must be equal to 1. This is Aristotle’s answer to the **Just Price Question**. We will have to unpack this answer in order to understand how the two ratios (the producers and the products) *ought* to be related for justice to be achieved.

But first Aristotle needs to tackle with the following problem. Since producers and their products are different and unequal, how could they be comparable?<sup>250</sup> Aristotle’s

<sup>249</sup> Soudek (1952:61) argues that the four terms are actually four ratios: A:C = e, B:D = f, A:D = g, B:C = h. The ratios e : f and g : h are equal. According to Soudek, Aristotle’s formula of reciprocal justice is the cross-diagonal conjunction of these four ratios e : g :: f : h.

<sup>250</sup> “For it is not two doctors that associate for exchange, but a doctor and a farmer, or in general people who are different and unequal; but these must be equated. This is why all things that are exchanged must be somehow comparable” (NE 1133a18-19). As we saw before, the plural functions of the members of a community (the work of doctors, teachers, farmers, etc.) are necessary for the function of the community “for a city-state cannot be composed of people who are like one another”; people who are the same have nothing to offer to each other (Pol. 1261a23–4). That is why the exchange relations, as Aristotle remarks, are the salvation of cities.

next task is to find out the property that allows different and unequal producers and their works (*viz.* their ἔργα, e.g. farming and medicine) to be comparable: there would be no “association if there were not exchange, nor exchange if there were not equality, nor equality if there were not commensurability” (*NE* 113b17-18). This is Aristotle’s plea for the standard by which we can measure the relative value of different and unequal producers and their products. In general, the value of product C is its proportionate relationship to another product, say, D; e.g. one house equals one hundred pairs of shoes (1:100). Aristotle seeks, first, the common property by which different products, as houses and shoes, become commensurate and, hence, measurable.<sup>251</sup> In effect, he tests two different solutions. First, he proposes money:

It is for this end that money has been introduced, and it becomes in a sense an intermediate; for it measures all things, and therefore the excess and the defect—how many shoes are equal to a house or to a given amount of food. (*NE* 1133a19-25)

Aristotle rejects this solution because money is only the measure of the relative values of commodities—the intermediary, as he says, between excesses from the mean—and is fixed by convention; money is not the natural basis of their commensuration:

...[B]ut money has become by convention a sort of representative of need; and this is why it has the name ‘money’ [νόμισμα]—because it exists not by nature [φύσει] but by law [νόμος] and it is in our power to change it and make it useless. (*NE* 1133a28-31)

It appears that Aristotle seeks a standard that makes things commensurate and exchangeable in a non-conventional sense. His second proposal is the following:

All goods must therefore be measured by some one thing, as we said before. Now this unit is in truth **need** [χρεία], which holds all things together (for if men did not need one another’s goods at all, or did not need them equally, there would be either no exchange or not the same exchange). (*NE* 1133a26-28)

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<sup>251</sup> The seminal discussion of Aristotle on commensurability is Meikle (1995), especially chapter 3. See also Pack (2010:11-14). According to Aristotle, the measure is always homogeneous with the thing measured; *Met.* 1053a1-14. For example ‘weight’ is a common measure of the mass of different objects, like desks and cars. But we cannot compare the knife and the wine with regard to certain qualities, *viz.* sharpness; see *Phys.* 248b.

‘Need’ (*chreia*; also ‘demand’), he says, is the common denominator of all goods; it is the non-conventional and common measure that brings different and unequal exchangers and products into proportionate equality.<sup>252</sup> Aristotle’s solution is based on the fact that exchange starts from the mutual need of exchangers. Money is, by extension, a conventional representative of the mutual need of exchangers.

Money, then, acting as a kind of measure, equates goods by making them commensurate; for neither would there have been association if there were not exchange, nor exchange if there were not equality, nor equality if there were not commensurability. (*NE* 1133b16-18)<sup>253</sup>

However, then, Aristotle appears to contradict himself:

Now in truth it is impossible that things differing so much should become commensurate. (*NE* 1133b18-19)

He says that it is impossible for different things to be *strictly* commensurate. It is not clear why Aristotle is not satisfied with his own solution. Does this mean that he admits failure to solve the problem? Or is it that he recognizes that he should be asking a different question? Perhaps, he thought that seeking to explain how different things, like houses and shoes, could be *strictly* commensurate is not the right question, since different goods have different functions or natures.<sup>254</sup> Another possibility is that Aristotle realized that the search of a non-relational property with which we could compare qualitatively different commodities is misguided. In other words, if the question of commensurability is about a common measure that is alien to the point of view of exchangers, then for Aristotle there can be no solution. Eventually, Aristotle qualifies the problem of commensurability as follows:

With reference to need [*χρεία*] they [products] may become so [commensurate] sufficiently. (*NE* 1133b19-20)

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<sup>252</sup> The gloss of *χρεία* as ‘demand’ is found in Hardie (1968:196) and Barker (1906:379). In modern economics, demand and utility are tied together. Demand is active desire for the utility of a good and utility is defined as the satisfaction of wants or preferences; Graafland (2007:32). The ‘demand as utility’ interpretation is also found in Soudek (1952) and Van Johnson (1939). Judson (1997) and Meikle (1995:120-21) argue that *χρεία* is objective need, not subjective utility, and is tied to the function of a good, not to demand.

<sup>253</sup> Money provides the measure in accord with which arithmetically different quantities of products have equal value. But need, not money, is the property of commensuration.

<sup>254</sup> This interpretation is by Meikle (1995:9) who argues that different products are qualitatively incommensurate because they have different ends.

That is, products may become commensurate *enough* in regards to the need of exchangers—or from the point of view of exchangers. This is rather the realization that incommensurate products cannot be quantified by a common, non-relational property. In this arrangement, money should be the common standard or measure of ‘need’:

There must, then, be a unit, and that fixed by agreement (for which reason it is called money); for it is this that makes all things commensurate, since all things are measured by money. (NE 1133b21-22)

Here is Aristotle’s example of how money facilitates the calculation of relative prices:

Let A be a house, B ten minae [units of currency], C a bed. A is half of B, if the house is worth five minae or equal to them; the bed, C, is a tenth of B; it is plain, then, how many beds are equal to a house, viz. five. (NE 1133b23-25)

If one house is equal to  $\frac{1}{2}$  of 10 minae, then its worth is 5 minae. If the bed is equal to a tenth of 10 minae, then its worth is 1 mna. From the above relation, it follows that one house is equal to five beds. Nevertheless, money does not determine the ratio of their exchange (one house / five beds). As Aristotle says:

That exchange took place thus before there was money is plain; for it makes no difference whether it is five beds that exchange for a house, or the money value of five beds. (NE 1133b25-27)

Exchange is possible without the use of money as a medium of exchange. With this idea Aristotle stresses the conventional nature of money as a representative of need.

There is no agreed meaning of Aristotle’s formula of just price ‘as builder is to shoemaker’. The literature on the subject is enormous. As Finley says “that this is not one of Aristotle’s more transparent discussions is painfully apparent.”<sup>255</sup> Let me turn now to the interpretations of the formula.

### **4.2.3 Interpretations**

After a brief sketch of the two main theories of economic value, I present the two leading interpretations of Aristotle’s formula: the ‘objectivist’ and the ‘subjectivist’ interpretations which are based on the classical and the neo-classical schools of

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<sup>255</sup> Finley (1970:9).

economic thought respectively.<sup>256</sup> In a general way, the economic value of a good is a measure of the utility or benefit that a good offers to the individual person. For classical economists the economic value of a good somehow inheres as use value in that good.<sup>257</sup> They also separate the use value of a good from its exchange value, i.e. the price that a good commands in the marketplace.<sup>258</sup> In classical economics, the economic value of a good is not formed in the marketplace—for example, water is valuable even when there might be no demand for it. Also, for classical economists, economic value is independent from the forces of market and the price of goods is determined by the labor expended for their production. In short, they hold that prices are determined by objective conditions, e.g. the conditions of production.

On the other hand, neo-classical economists deny that economic value inheres in goods. They also deny that the prices of goods are determined by the labor expended to produce them. According to the neo-classical school, an object has economic value insofar as it can be exchanged in a market, i.e. if it satisfies consumer demand or subjective human preferences. On that score, the economic value of a good is simply the exchange value or price of that good as this is formed in the marketplace by demand relative to supply.<sup>259</sup> Since neo-classical economists identify economic value with utility (use-value), and hold that utility is a function of subjective preferences expressed in prices, they have no difficulty bridging the gap between use value and exchange value (price): a good's use value really is the price of that good.<sup>260</sup>

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<sup>256</sup> This very brief sketch is based on Sandelin (2008) chapters 2 and 3, and Wilson (1975). The two main paradigms about economic value are the labor theory of classical economists and the neo-classical utility or marginalist theory of value.

<sup>257</sup> Marx (1867:27) argues that use value is based on the objective properties of goods which satisfy human wants. Adam Smith holds that “[t]he real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it” (1776: Book I.5, p. 12).

<sup>258</sup> They tend to identify the economic value of the good with its use value.

<sup>259</sup> McConnell (2009:46-51). Demand reveals or expresses the willingness of a person to buy a commodity given a schedule of prices. Let  $x$  be a good or service. The value of  $x$  is determined by the demand for  $x$ 's utility in relation to  $x$ 's supply. On that score, demand for  $x$ , say water, expresses the utility or satisfaction one derives by quenching one's thirst.

<sup>260</sup> In this way, they resolve the difficulty of transforming utility to market price, as this is highlighted by the iron-gold paradox. According to this paradox, gold has high exchange value despite its low use value. Classical economists cannot resolve this paradox because they treat utility independently from demand, whereas neo-classical economists treat utility as a function of subjective valuations.

*i. Objectivist Interpretations*

Let us now turn to the objectivist interpretation of Aristotle's formula 'as builder is to shoemaker...'. The first objectivist interpretation consists of the 'labor' and the 'social-status' readings. They claim that the ratio of products D:C is determined by the ratio of producers' work A:B. On that score, justice is achieved when exchangers receive and transfer equal amounts of labor value (labor reading) or when they receive the value that accords with their social status (social status reading). The second objectivist reading explains the prices of products in terms of the ratio of exchangers' objective need (*χρεία*).<sup>261</sup> On that score, the product that satisfies a greater need should command a higher price.

Let us start with the social-status reading.<sup>262</sup> According to this reading, different producers have unequal value in virtue of their different social status. The just price is that which accords with the difference in status. This reading is based largely on an interpretation of the ancient economy as a primitive economy largely embedded in social institutions. Actually, in ancient economies, prices were not formed by the impersonal interplay of supply and demand; commercial justice was largely based on the social 'weighing' system of a community:

The rate of exchange must be such as to maintain the community. Again, not the interests of the individuals, but those of the community were the governing principle. The skills of persons of different status had to be exchanged at a rate proportionate to the status of each: the builder's performance exchanged against many times the cobbler's performance; unless this was so, reciprocity was infringed and the community would not hold. [Polanyi (1975:88)]

The social-status reading provides an objective but non-quantitative way to explain how prices in D:C are formed by the producer ratio A:B.<sup>263</sup>

On the other hand, the 'labor' reading offers an objective *and* quantitative way of measuring the relative value of producers. According to Joseph Schumpeter:

As the farmer's labor compares with the shoemaker's labor, so the product of the farmer compares with the product of the shoemaker. At least, I cannot get any other sense out of this passage. If I am right, then Aristotle was groping

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<sup>261</sup> Judson (1997:169).

<sup>262</sup> The main proponent of this reading is Polanyi (1957:88).

<sup>263</sup> It is objective because it registers a fact about social organization, not because it is quantitative.



for some labor-cost theory of price which he was unable to state explicitly.  
[Schumpeter (1954a:60)]

For Schumpeter, the price of goods D:C is determined by the value of the labor expended or the cost of production A:B. Hence, the just price D:C—e.g. one house should equal one hundred shoes—is the proportion at which unequal amounts of labor or expenses are equated. In general, there is no agreed meaning of the labor factor but usually interpreters mean labor-time, cost-of-production or labor-skill. For example, Ross writes:

The working of ‘proportionate reciprocity’ is not very clearly described by Aristotle, but seems to be as follows. A and B are workers in different trades, and will normally be of different degrees of ‘worth’. Their products, therefore, will also have unequal worth, i.e. (though Aristotle does not expressly reduce the question to one of time), if A = nB, C (what A makes, say, in an hour) will be worth n times as much as D (what B makes in an hour). A fair exchange will then take place if A gets nD and B gets 1C; i.e., if A gives what it takes him an hour to make, in exchange for what it takes Bn hours to make.<sup>264</sup>

According to Ross’ proposal, the time expended and the skill employed to produce two products should determine their relative price. However, almost all proponents of the first objectivist strategy do not explain the role of need (*χρεία*) although it is the obvious determinant of exchange value according to Aristotle’s solution to the problem of commensurability. I will discuss this problem in section 4.3.

A notable interpretation of the second objectivist strategy is Lindsay Judson’s who argues that the two variables (producers and products) in the formula are linked through *χρεία* where this is *objective* need.<sup>265</sup> In particular:

Aristotle’s idea is that the ratio ‘as builder is to shoemaker’ is the ratio of the strength of their [i.e. the producers’] needs for the goods in question; if, in the relevant situation, the shoemaker needs a house more than the builder wants a pair of shoes, then the house is worth more than the shoes. [Judson (1997:168-69)]

However, for Judson, ‘needs’ “are objective features of parties in an exchange, and...yield claims of justice which are objectively true”.<sup>266</sup> In particular, he means

<sup>264</sup> Ross (1925:113n1); footnote to *NE* 1133a5.

<sup>265</sup> Judson (1997).

<sup>266</sup> *Ibid.* 171.

that ‘needs’ are not ‘wants’ for Aristotle; needs are over things which are necessary for survival and happiness. Certain goods satisfy the requirements of survival and happiness in a species-wide way and, hence, they tend to satisfy greater needs. Hence, the need for these things will be stronger. One house satisfies a greater objective need than one bed and commands a higher price per unit—e.g. a house equals five beds. For Judson, the just price is the proportion of quantities at which there is equality of need-satisfaction.

*ii. Subjectivist Interpretations*

Subjectivist interpretations of Aristotle’s formula focus on one ratio and treat the other as either dependent on, or explicable by, the other ratio. For example, Hardie focuses on the producer ratio and cashes it out in terms of ‘demand’:

...[S]ince prices are fixed by the market, the value of the producer is only a disguised form of the demand for his product. [Hardie (1980:196-7)]

While Hardie proposes that A:B represents labor time, his reading is subjectivist because he cashes out labor time in terms of subjective demand, *viz.* the prices that producers’ labor command in the marketplace. However, he does not explain exactly how prices are formed and how justice is achieved in Aristotle’s formula. Presumably, he thought that the just proportion is that which satisfies the buyers’ demand equally.

A thorough subjectivist reading of Aristotle’s formula of just price is Josef Soudek’s ‘bargain’ reading: prices are formed by bargain and the just price is the intermediate between the price set by the seller and the price offered by the buyer in a bargain. The proportion at which there is equal return of goods is that at which the utilities or want-satisfactions of exchangers are equally satisfied:

...The want-satisfaction derived from the possession of one house must be equal to that derived from 100 pairs of shoes. [Soudek (1952: 61)]

Unlike Judson’s, Soudek’s gloss of *χρεία* is want-satisfaction, not objective need. For Soudek the ratio of producers A:B represents ‘labor-skill’ while the ratio of products D:C represents ‘utility’ or ‘want-satisfaction’. Each exchanger is a buyer who seeks want-satisfaction from a product. He is also a seller whose product commands a price in the marketplace:

The ratio of exchange of two products is the reciprocal of the ratio of the utilities of what A gives away to what he receives and conversely to what B gives away to what he receives. [Soudek (1952:74)]

The labor element enters in the determination of exchange value because, for Soudek, Aristotle recognizes that producers are not equal;<sup>267</sup> the source of producer inequality is a difference in the value of their skills: “skill is what creates inequality among people”.<sup>268</sup> However, Soudek thinks that in Aristotle’s formula the value of one’s labor-skill is the utility that one gives away. Soudek argues that bargain secures equality of return because it “prevents a violation of the arithmetic proportion” of want-satisfactions.<sup>269</sup> Each exchanger assigns a higher price to his/her product than the other exchanger does. Also, each exchanger tends to value the other exchanger’s product higher when he/she needs it. When their need is mutual, other things being equal, both exchangers will tend to settle for a mutually satisfactory price: the utility that A receives (A:D) will tend to equal the utility of the labor (A:C) that A gives away. Likewise, the utility that B receives (B:C) will tend to equal the utility of the labor (B:D) that B gives away.<sup>270</sup> Hence, while Soudek recognizes the labor element in Aristotle’s formula, he argues that, for Aristotle, utility is the ultimate determinant of exchange value and, hence, the just price is the proportion at which exchangers achieve equality of utilities by bargaining.

### *iii. Mixed Views*

Barry Gordon offers a reading which combines both utility and labor.<sup>271</sup> However, unlike Soudek, he argues that the labor element is a necessary and irreducible determinant of exchange value alongside the utility element:

Exchange ratios are determined by the interaction of two, independent hierarchies of worth—the order of utility and the order of labor-skill. [Gordon (1964:128)]

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<sup>267</sup> Hence, his reading is contrary to Meikle’s who argues that Aristotle assumes that the exchangers are equal, *viz.*  $A:B = 1$ .

<sup>268</sup> Soudek (1952:60).

<sup>269</sup> *Ibid.* 64.

<sup>270</sup> According to Soudek, the four terms of Aristotle’s formula (A:B::D:C) are actually four ratios:  $A=A:C$ ;  $B=B:D$ ;  $C=B:C$ ;  $D=A:D$ . The ratios A:C and B:D represent the estimates of utility of their products (i.e. their labor-skill). The ratios B:C and A:D represent the estimates of utility of the goods they want to get.

<sup>271</sup> Gordon’s interpretation is based on Gordon (1964:115-28).

Let me present his reading in outline. According to Gordon, the formula ‘as builder is to shoemaker...’ contains two *independent* ratios: the producer ratio A:B, which is their labor-skill and/or cost of production, and the product ratio D:C, which is the utility of products. He agrees with Soudek that prices are formed via bargain and that *χρεία* is ‘want-satisfaction’ or subjective utility. However, each exchanger assesses the value of his/her product in terms of the costs expended and their labor-skill, not utility. Hence, for Gordon:

Justice is done and hence exchange will occur where the ratio of exchange between the two goods concerned is such as to equate the two persons both as sellers (hence the cost factor) and as buyers (hence the utility element).  
[Gordon (1964:123)]

Exchangers finalize a trade when they think that it is to their interest to exchange or buy a product, *viz.* the cost of what they give away does not exceed the utility they will receive. In other words, the just price is the proportion at which each exchanger equalizes his/her costs and utilities. Gordon supports his reading that labor is irreducible to utility by citing textual evidence where Aristotle appears to hold that labor-skill should be evaluated by non-economic criteria.<sup>272</sup> For example, he cites the passage *Pol.* 1258b37-40 where Aristotle censures the lower occupations independently from their market valuations. However, Aristotle does not discuss further how to measure the labor of producers or whether the occupational rankings have an “autonomous impact on the formation of market price”, as Gordon claims.<sup>273</sup> Also, Gordon does not explain how the two determinants of value combine in the formula so that  $A:B::D:C=1$ , given that in his reading they are two independent and incommensurate standards of value.

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<sup>272</sup> Gordon (1964:125) argues that skills cannot be evaluated by the want-satisfaction (or pleasure) they are supposed to produce because he thinks that for Aristotle “[t]he end of art is not pleasure, so that skills cannot be evaluated by a subjective and ever-varying property of products like want-satisfaction, since there is no necessary connection involved.” He cites evidence from *NE* 1153a24-5, *Rhet.* 1355b8-14, the rankings of occupations from *Pol.* 1258b33-40, and the non-economic judgments of medicine, see e.g. *Pol.* 1281b40-1282a5.

<sup>273</sup> *Ibid.* 127.

*iv. Scott Meikle*

According to Scott Meikle,<sup>274</sup> the ratio of just exchange must be such that both the producers and their products are equal, *viz.*  $A:B=1$  and  $D:C=1$ . His solution is that, first, different and unequal producers are **equal**, *viz.* the ratio of producers is  $A:B=1$ , by *assumption*.<sup>275</sup> He thinks that this assumption is necessary for the following reasons. First, he argues that Aristotle's concern is not the equality of the producers but the equality of their products. Second, he thinks that if the worth of the producers determined the price of products, and the builder's worth were twice the worth of the shoemaker, then the ratio of exchange between shoes and houses should be the implausible ratio of two shoes for one house. Hence, third, the just price is  $D=C$  (or  $D:C=1$ ) only when  $D$  is multiplied by some standard of value ( $x$ ) ( $xD=C$  or  $xD:C=1$ ) in order to calculate how many shoes ( $D$ ) equal one house ( $C$ ).

However, Meikle argues that  $\chi\rho\epsilon\acute{\iota}\alpha$  is not this standard because of the metaphysical gap between quality and quantity—or use value and exchange value respectively. He rejects the interpretation that ‘with reference to  $\chi\rho\epsilon\acute{\iota}\alpha$  products may become commensurate sufficiently’ is Aristotle's solution to the problem of commensurability.<sup>276</sup> He argues that while  $\chi\rho\epsilon\acute{\iota}\alpha$  is objective ‘need’,  $\chi\rho\epsilon\acute{\iota}\alpha$  cannot be the standard that equates incommensurable goods because need pertains to humans, whereas the problem of commensurability pertains to goods.<sup>277</sup> For Meikle, economic value is “a matter of the natural properties of the artefact or product. Objects such as hammers, grain, loaves, or houses, are useful for particular purposes, and they are designed and made in order to meet particular needs”.<sup>278</sup> On that score, commercial justice would require that objects be commensurate in terms of a common property that Aristotle fails to discover. In addition, Meikle rejects the labor reading because it assumes that  $A:B\neq 1$ , whereas Meikle claims that  $A:B=1$  by assumption. Moreover, he argues that the slave-based economy of Aristotle's time obscured from him the fact

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<sup>274</sup> His interpretation is based on Meikle (1991a) and (1995) chapter 7.

<sup>275</sup> Hence, Meikle (1991a:194) and (1995) chap.7 is in agreement with Van Johnson (1939:451) who argues that “[w]hen Aristotle says that the persons must be equated, he means only that for purposes of exchange no account is to be taken of any inequality of status; they stand as equals in exchange as soon as their commodities are equalized”.

<sup>276</sup> Meikle (1995:25-26).

<sup>277</sup> *Ibid.* 25.

<sup>278</sup> *Ibid.* 9.

that the economic value of a good consists of the labor expended for producing it.<sup>279</sup> He also rejects the social-status reading because social status cannot be quantified.<sup>280</sup>

### 4.3 Critical Discussion

Subjectivist interpretations hold that prices are determined in the marketplace by bargain on the basis of utility and the just price is the proportion of quantities at which the utility of exchangers is equally satisfied. On the other hand, objectivist interpretations contend that the just price is the proportion of quantities at which the value of producers is equalized.

#### 4.3.1 *As Builder is to Shoemaker*

##### *i. The Objectivist Interpretation*

Critics of the social-status reading rightly complain that it is a non-quantitative gloss of the ratio A:B because the purpose of the formula is to represent the quantities of products numerically.<sup>281</sup> Even if we managed to quantify social-status, for instance, even if we said that the builder somehow ranked thrice above the shoemaker, i.e. 3:1, as Meikle says, it would be implausible to claim that the builder should receive three pairs of shoes in return for one house.<sup>282</sup> In this respect, labor-time is a more plausible suggestion. In *NE* 1133b23-27 Aristotle says that one house equals five beds.<sup>283</sup> In this illustration, Aristotle may reasonably register the ratio between builder and shoemaker—i.e. A:B=1:5 could represent the quantities produced in a certain period of labor-time.<sup>284</sup> A plausible alternative is to combine the ‘socially determined’ ratio of products with labor-time:

For each occupation (or even individual) there is a “socially determined” ranking so that if, let us say, a builder is “worth” or “esteemed” or “needs” twice as much as a cobbler, then, on the average over a period of time, the value created by the builder must be twice the value created by the cobbler. If

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<sup>279</sup> Meikle (1995:133) is based on Marx (1867):“There was, however, an important fact which prevented Aristotle from seeing that, to attribute value to commodities, is merely a mode of expressing all labour as equal human labour, and consequently as labour of equal quality. Greek society was founded upon slavery, and had, therefore, for its natural basis, the inequality of men and of their labour powers...”

<sup>280</sup> Meikle (1995:133).

<sup>281</sup> *Ibid.* 133.

<sup>282</sup> This is a problem recognized by Meikle (1991a) and (1995:137).

<sup>283</sup> Aristotle does not say whether his example registers the going market price at the time or whether it is hypothetical.

<sup>284</sup> The proposed standard here is quantity of products per labor-time.

on the average the builder constructs one house during a time period while the cobbler makes 500 pairs of shoes during a similar time period, then one house equals 1,000 pairs of shoes. Thus, if one house is valued at \$10,000, one pair of shoes will be worth \$10. [Wilson (1975:65)]

In this arrangement, if society ranks the work of builder twice as high as the work of the shoemaker (*viz.* A:B=2:1) and the shoemaker produced 100 shoes during the time needed to build one house, then one house should cost 2\*100 shoes, namely, 200 shoes. This would be a quantitative way to calculate the proportion of house to shoes but it is not clear that Aristotle has a social weighing system of different kinds of work in mind.

While it is very difficult to find direct evidence basis for the work factor in Aristotle's text,<sup>285</sup> there is some contrary evidence in the *Rhetoric* (1363a3-4), the *Politics* (1258b36-39), and the *Magna Moralia* (1193b38-1194a25) which suggests that economic value also depends on non-utility factors.<sup>286</sup> Although the *Rhetoric* and the *Topics* are not economic writings per se, they provide evidence that Aristotle was aware of basic economic regularities. For example, in a neglected passage from the *Rhetoric* he holds:

... That also is good on which much labour or money has been spent; the mere fact of this makes it seem good, and such a good is assumed to be an end... (*Rhet.* 1363a3-4)

In this passage, Aristotle says that labor imparts use value (*viz.* good *qua* utility) in an object and makes it desirable.<sup>287</sup> Hence, the labor expended to produce a good might create demand and, hence, affect the price of a good. Aristotle traces the relationship between production/labor and demand further in passages like the following:

What is rare is a greater good than what is plentiful. Thus, gold is a better thing than iron, though less useful: it is harder to get, and therefore more worth getting. (*Rhet.* 1365b19-20)

...[We] appreciate better the possession of things that cannot be easily acquired. (*Top.* 117b29-30)

<sup>285</sup> Finley (1970:10), Meikle (1991a:193-5), Judson (1997:170), Miller (1995:392-93).

<sup>286</sup> The *Magna Moralia* passage makes a clear case about a labor-based theory of justice but this evidence is not conclusive because the *Magna Moralia* is not considered an authentic work of Aristotle's or it is considered as a post-Aristotelian treatise.

<sup>287</sup> Aristotle here recognizes a connection between labor and utility.

Here the rarity of a good and the difficulty—or the effort/toil—of acquiring it increase its appeal, *viz.* other things being equal, these factors increase the demand for that good.<sup>288</sup> It appears that Aristotle was aware that labor co-determines the price of things that have exchange value.<sup>289</sup> As he says above, there might be high demand for rare goods, like gold, and low demand for plentiful goods, like iron or water. Also, there is good reason to think that the labor factor is indispensable in the interpretation of the formula of just price. For if the value of exchangers' work is not compensated properly—e.g. due to exploitation—the institution of exchange which binds citizens together (*NE* 1132b34) would fall apart. In my view, then, the fact that *χρεία* is the factor that brings different producers into proportion does not rule out that Aristotle groped for a second determinant of value, that is, their work (the ratio A:B).

But what would be the relationship of A:B to D:C in the formula of just price? The first possibility is that A:B should determine the price of goods D:C. The second is that labor-skill/cost A:B and utility D:C are independent variables that need to be equalized (Gordon's proposal). Third, the value (*χρεία*; utility) of products D:C should determine the value of work A:B (Soudek, Hardie, Scaltsas). Fourth, A:B is 1:1 by assumption (Meikle). Let me discuss these glosses in order.

Aristotle warns that the price of products must be set when exchangers are in equal position to bargain, not on the basis of the value of labor:

...[W]e must not bring them into a figure of proportion when they have already exchanged (otherwise one extreme will have both excesses), but when they still have their own goods. (*NE* 1133b1-3)

Producers, Aristotle says, are not only different qualitatively—since farmers, doctors, carpenters, shoemakers perform different functions—but also unequal quantitatively (*καὶ ὅλως ἐτέρων καὶ οὐκ ἴσων*; *NE* 1133a17). Then, Aristotle argues that unequal and different producers should be equated (*ἀλλὰ τούτους δεῖ ἰσασθῆναι*; *NE* 1133a17)

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<sup>288</sup> 'Useful' here refers to whatever provides utility including such things as prestige. See Gordon (1965) for passages that link use value with demand.

<sup>289</sup> It stands to reason to assume that for Aristotle a useless device, like a DVD rewinder, has no exchange value, no matter the labor and technology expended for its production. Nonetheless, labor is a necessary determinant of value in the sense that all goods with exchange value are also products of human labor.



when they still have their own goods (ἀλλ' ὅταν ἔχωσι τὰ αὐτῶν). That is, producers should be equated when they have their own goods and when they need one another's product equally (NE 1133a26-28). Hence, the equality between producers has to be effected by bargain when each exchanger has one's own goods; it would not matter whether exchangers have their own goods unless they would have to bargain.

Aristotle insists that the relative value of different works should not be taken into account *after* the bargain probably because the higher-ranking work (ἔργον) already commands a higher price.<sup>290</sup> So, using this inequality to determine the price D:C independently of the bargain process would benefit the superior producer.<sup>291</sup> Hence, while the value of work should be compensated, the just price should not be based on their labor/costs. Hence, (1) and (2) are not plausible readings of the labor/cost factor.<sup>292</sup>

Also, Aristotle does not seem to think, as Meikle proposes, that A:B equals 1:1 *by assumption*. Meikle argues that only the products (or ἔργα) should be equated (δεῖ οὖν ταῦτα ἴσασθῆναι). But Aristotle says that producers should be equated by their mutual need for the purpose of exchange (ἀλλὰ τούτους δεῖ ἴσασθῆναι refers to producers). I agree with Finley that Aristotle would not assume that producers are “equal as persons but different (only) in their products” just to conclude that “one pair of ratios [the ratio of producers] does not in fact exist”.<sup>293</sup> Hence, reading (4) should be rejected, too.

In sum, the bargain reading receives support from the following considerations: (a) Aristotle's prerequisite that exchangers have equal need for one another's product; (b)

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<sup>290</sup> Different works (ἔργα) are unequal in the sense of being better or superior (οὐθὲν γὰρ κωλύει κρεῖττον εἶναι τὸ θατέρου ἔργον ἢ τὸ θατέρου). The passage is the following: “If, then, first there is proportionate equality of goods, and then reciprocal action takes place, the result we mention will be effected. If not, the bargain is not equal, and does not hold; for there is nothing to prevent the work of the one being better than that of the other; they must therefore be equated” (NE 1133a10-14). For discussion see Danzig (2000:415-21).

<sup>291</sup> Ross (1925:114n3) interpretation of NE 1133b1-3 adopts the bargain reading: “One party will have both ‘excesses’ over the other, since what he gets will exceed the mean and what the other man gets will fall short of it. The only fair method is for each to set a value of his own and on the other's goods before they exchange, and come to an agreement if they can”. The ‘mean’ is the price that reflects the value of the superior product.

<sup>292</sup> Gordon's gloss (2) takes labor-skill/cost to be an irreducible factor. But how could we equalize two different variables (the costs and utilities of exchangers as Gordon suggests) unless they are commensurate? There has to be a third, common standard or to reduce utility into labor and vice versa.

<sup>293</sup> Finley (1970:9).

Aristotle's prerequisite that exchangers negotiate the proportion before the exchange, when they both have their own goods; (c) the fact that things are not strictly commensurable but only relative to the need (*χρεία*) of exchangers (*NE* 1133b18-20). Hence, what is the role of the producer ratio A:B in the formula? Should the work of producers be measured by the utility they command in the marketplace alone? I examine the third gloss in 4.3.2.

*ii. The Utility Reading*

According to the utility reading, reciprocity is equality of want-satisfactions and this can be achieved only by bargain when no exchanger is a price-maker. In this respect, if the wants or utilities of exchangers are satisfied at a proportion of, say, 100 pairs of shoes = 1 house, then that proportion is just. However, the bargain reading implies that a variety of other prices (e.g. 1 house = 80 shoes or 120 shoes, etc.) would be just too as far as the exchangers are, first, equally satisfied by the price and, second, agreed on it voluntarily.

Let us see some implications of this interpretation. Suppose that the just price is equality of want-satisfactions. Would, then, unequal satisfaction be a sign that the price is not just? It would not be surprising if greedy exchangers were dissatisfied with a fair price because they usually want to grasp more than their due share. Since the greedy person will hardly be satisfied with a fair price—for greed, as Aristotle analyzes it, is the disposition to gain what is not one's own (*NE* 1130a32-b5)—, how could we say that such a person gained justly/unjustly? The utility reading offers no clear baseline for distinguishing profiteering and extortion from fair exchange.<sup>294</sup> If the equality of want-satisfactions and agreement to pay a price were the sole arbiters of justice, Aristotle's analysis of undue gain/loss (*NE* 1133a18-20) would not make much sense. Let us see an example:

If Croesus has been able to buy all the corn and will sell it to me only at exorbitant rates that will reduce me nearly to destitution, I may be willing to pay a huge price for corn because I correctly judge that I need it to stay alive; but does that make it a just transaction with Croesus? These problems would be solved if Aristotle could show how degree of need can be determined

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<sup>294</sup> Some exchangers may also be unable to calculate the utility they command in the marketplace or be tricked by other exchangers about the value of their own product.

without reference to the conditions of supply and demand. [Irwin (1998:626n11)]

In this example the buyers of corn will have satisfied their need to an equal extent with the corn-dealer's utility but we want to say that the monopolist cornered the market and took advantage of buyers. Aristotle seems to be prepared for more than one just price since he says that exchangers construct the price by bargain on the basis of their need (*χρεία*). But the utility interpretation offers no ground to complain for profiteering.<sup>295</sup> If Aristotle thought that the equality of subjective utilities is the only arbiter of just price, the ratio of producers A:B would be redundant. The fact that he insists on equating the producers suggests that their equality is neither assumed nor unimportant. Even if the equality of their work is cashed in terms of the utility they offer, the crucial question is whether this is subjective utility because Aristotle knew that the market prices are often formed by price-makers and, most importantly, markets do not compensate one's work consistently. In my view, Aristotle insists on equating the producers *qua* their work (labor time, cost of production or skill) too because he thinks that the work of producers must be compensated. So, the question is how the producer ratio A:B should be interpreted if: first, the work factor has a role in the formula of just price; second, the producers should be equated by bargain on the basis of the utility they offer; third, the work of producers must be compensated in the marketplace but not solely by reference to subjective 'utility' (or supply and demand).

Judson's gloss of *χρεία* as 'objective need' seems to offer an objective way to compensate the toil-based deserts of producers—without reference to the forces of supply and demand. For Judson, certain goods command a higher price than others because they satisfy objectively stronger needs. So, the just price is the proportion that satisfies the objectively ranked utilities equally; the value of one's work A:B should be compensated according to the strength of need that one's product satisfies. However, in the *Rhetoric* Aristotle offers an analysis of comparisons of utility which shows that *χρεία* is not about objective needs only. For example, he traces a relationship between the utility of a good with conspicuous consumption, i.e. with what seems to be good: "Again, those things which we are seen to possess are *better*

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<sup>295</sup> Irwin (1988:626n11) explains this implication of the subjectivist interpretation of *χρεία*: if *χρεία* "is understood conatively",...then "if X is willing to pay the price Y asks, he has no ground for complaint of unfairness or injustice".

than those which we are not seen to possess, since the former have the air of reality” (*Rhet.* 1365b14-15). Also, in the *Topics* he says “Another rule is that the more conspicuous good is more desirable than the less conspicuous...” (*Top.* 117b28). That is, the more conspicuous the consumption of a good, the higher the demand for that good. It is implausible to think that Aristotle’s analysis of just price would depart from the actual workings of price formation. Nor do we find evidence for Judson’s idea that things of high use value command higher prices. In fact, Aristotle is aware that, other things being equal, there is lower demand for plentiful things, like water, with high use value. That is, for Aristotle, prices vary with scarcity. Also, in a much-neglected passage, Aristotle argues that demand (the expression of *χρεία*) is not over necessities alone and, as a matter of fact, there might be higher demand for superfluous goods:

Also, superfluities are better than necessities, and are sometimes more desirable as well; for the good life is better than mere life, and good life is a superfluity, whereas mere life itself is a necessity. Sometimes, though, what is better is not also more desirable; for there is no necessity that because it is better it should also be more desirable: at least to be a philosopher is better than to make money, but it is not more desirable for a man who lacks the necessities of life. (*Top.* 118a6-10)

Hence, the superfluous goods *may* command a higher price. Like in the gold/iron paradox, Aristotle here recognizes that there must be ‘felt’ demand for the utility of a good, including both superfluities and necessities. If this interpretation is correct, then Judson’s ‘objectively-ranked’ need is not a plausible interpretation of A:B in Aristotle’s formula.

*Χρεία* most likely means both ‘need’ and ‘want’. Aristotle thought that there is an objective ranking of *χρεία* for some goods based on what is ‘necessary’ (see *Met.* 1015a20). On the other hand, he uses *χρεία* as ‘felt’ desire in the context of *NE* 1133b18-20 because his analysis of just price is concerned with all exchangeable goods for which there is demand.<sup>296</sup> It is highly unlikely that Aristotle’s analysis of just price is limited to the exchange of necessities alone. Rather, *χρεία* represents demand based on all types of desire, *viz.* wants and needs. Hence, it is implausible to

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<sup>296</sup> However, the thirsty person’s need for water is stronger than the person who is not thirsty. Hence, I disagree with Judson (1997) who argues that *χρεία* is not about felt demand but about needs only and that prices are determined by a ranking of the strength of needs.

say that, for Aristotle,  $\chi\rho\epsilon\acute{\iota}\alpha$  is ‘market demand’. This is a technical term of modern economic theory which refers to subjective utility (or wants) alone.

In sum, I have rejected the following readings of Aristotle’s formula (a) commercial justice as equality of want-satisfactions alone, (b) commercial justice as equality of labor/costs alone, and (c) commercial justice as equality of objective need-satisfaction. Also, I have rejected the reading (d) that the ratio A:B should be reducible to subjective utility. In the following section, I will present an alternative interpretation of Aristotle’s formula which is partly based on Gordon’s and Judson’s readings and explains the role of (A:B) in the formula.

#### **4.3.2 A Proposal**

As I have analyzed it, equality of want-satisfactions is a necessary but not a sufficient condition of commercial justice unless we accept that for Aristotle there is a wide range of ‘just’ prices constructed by exchangers on the basis of their subjective utility *alone*.<sup>297</sup> The possibility of a narrow range of just prices has not been examined by scholars so far who usually understand Aristotle’s formula as an algorithm for finding the mean in a transaction. But where would the limit of this range lie? We may turn to Adam Smith’s theory of *natural* price for help in order to explain the role of ratio (A:B) in Aristotle’s formula:

The natural price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this center of repose and continuance, they are constantly tending towards it. [WN (I.vii.15)]

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<sup>297</sup> Soudek’s interpretation implies a wide variety of ‘just’ prices constructed by exchangers in a variety of circumstances, whereas Aristotle should assume that there is only a limited range of fair prices for every product; this is the only way he could object to undue gains from profiteering, artificial monopolies, etc., and, most importantly, the vice of greed (particular injustice). Judson (1997:160) notes this implication of Soudek’s interpretation. However, he does not explain why this is at odds with Aristotle’s theory of justice. In my view, without a limited range of long-run prices, how could the analyst of commercial justice determine whether the greedy exchanger received and transferred unequal amounts of value to the other exchanger? In principle, there could be equality of want-satisfaction at an unfair price and inequality of want-satisfaction at a fair price.

In a general way, the natural price is the price toward which market prices converge in the long-run when left unsuspected by accidents. But how does Smith describe natural price and why does he call it ‘natural’?

When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price. The commodity is then sold precisely for what it is worth, or for what it really costs the person who brings it to market... Though the price, therefore, which leaves him this profit [i.e. his revenue, the proper fund of his subsistence] is not always the lowest at which a dealer may sometimes sell his goods, it is the lowest at which he is likely to sell them for any considerable time; at least where there is perfect liberty, or where he may change his trade as often as he pleases. (WN I.vii.4-6)

Smith says here that the natural price is the real cost of bringing a product to the market. It is also the lowest price that the seller could keep on charging for any considerable time and includes revenue at the level of subsistence. Any cause due to which market prices would deviate from this baseline can be considered as accidental and temporary. Smith does not explain why he uses the term ‘natural’. One possibility is that he contrasts ‘natural’ with ‘artificial’. In this respect, the natural price results when competition between buyers and sellers is unobstructed or unrestrained by profiteers or governments. Occasional fluctuations of prices are deviations from the natural price but prices tend towards the natural price in the long-run.<sup>298</sup> The notion of ‘natural’ price is also tied to Smith’s view of natural teleology—the purposes of nature:

...[T]he goals of nature are the self-preservation of individuals and the propagation of species, goals humans pursue with divided labor under bonds of mutual dependence, facilitated by exchange and hence prices. The natural price of a commodity is the price that supports nature’s goals by providing for the maintenance of those who participate in production and supply in a manner that is just sufficient for these activities to continue indefinitely. [Andrews (2014:3)]

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<sup>298</sup>Variations in supply (e.g. shortages), artificial or coercive monopolies, government intervention, etc., distort competition. The natural price is the price that results from perfect competition in the marketplace undistorted by accidents or coercion. We may understand the concept of natural price by recalling the modern idea of perfect competition and equilibrium price: when supply equals demand the price is the equilibrium point where the quantity demanded equals the quantity supplied.

For Smith, commercial exchange and the division of labor are necessary for the fulfillment of the human ends of survival, social cohesion and the propagation of species. The natural price allows producers to continue production and customers to purchase goods. As a whole, the natural price allows the system of exchange to continue and fulfill the natural ends of humans.

There is no evidence that Aristotle holds a theory of natural price like Smith's but his analysis of just price bears a striking resemblance with it. First, for Aristotle, too, the just prices of goods seem to be the prices formed by a system of market exchange which aims at true wealth; it closes the gaps in natural self-sufficiency and holds a community together. Presumably, if there is no commercial justice, the system of exchange in Aristotle's natural economy may eventually collapse, thus threatening the cohesion of the city. Second, Aristotle's just price is the price at which each exchanger equalizes the amount of value he/she transfers through his/her work with the amount of value he/she receives as utility. Smith's natural price consists of the value of one's work (e.g. the labor-time or cost-of-production plus revenue for subsistence), too. A third similarity is that the just price, like the natural price, results from undistorted competition. Smith's natural price results from a competitive market undistorted from accidents or interventions that affect supply and demand. In Aristotle's barter examples, when the need of exchangers is mutual, no exchanger is a price-maker. In this respect, bargain resembles to perfectly competitive markets. Lastly, the just price is the price at which exchangers receive and transfer equivalent amounts of value; the natural price is the equilibrium point where the quantity demanded equals the quantity supplied—there is no waste or shortage of money and goods.

Smith's notion of natural price offers a neat way to interpret Aristotle's formula without ignoring the work factor. We saw that the ratio A:B represents the relative value of producers and the ratio D:C represents the price of products. In my reading, the ratio A:B should not determine the price of goods D:C because exchangers need to bargain in order to achieve equality of need-satisfaction. On the other hand, Aristotle needs a limit on agreed prices because the 'market' may not compensate the costs, toil or skill-based deserts of exchangers, at least, at the level of subsistence. I propose that

the ratio A:B expresses the natural prices of products and its role is to offer the limit on the market prices expressed by D:C. Since the natural price contains the value of producers' work and expenses, Aristotle's ratio A:B could be an analogue to Smith's natural price. It could be the central price around which 'agreed' market prices should oscillate in order to be fair. Hence, the meaning of the formula 'as builder is to shoemaker, so many shoes for one house' of *NE* 1133a22-23 is that market prices D:C should oscillate as close to the natural price of products A:B as possible. This price secures the transfer of equivalent amounts of value, that is, the utility of what each one receives and offers. Hence, the labor/cost/skill of producers is compensated. The ratio A:B is the utility of each producer's work in the long-run.

One may object that it is not clear from Aristotle's corpus that the ratio A:B is reducible to utility. As Gordon points out, there is contrary evidence which shows that products and services are evaluated by non-economic standards, not by their utility. As we saw in chapter three, Aristotle ranks the practical and productive arts in accord with their contribution to the natural ends of survival, happiness and leisure<sup>299</sup> and with their being necessary or noble occupations. Since servile and manual occupations do not involve advanced cognitive skills, they could not be compensated equally with noble occupations which require advanced cognitive skills. However, Aristotle's solution to the problem of commensurability shows that producers are equated *qua* the *χρεία* they satisfy. Yet, I depart from the utility reading because I suggest that *χρεία* is not the whimsical, subjective utility of the individual exchanger; nor is it the utility of objective needs as Judson suggests. It is the utility of the labor of producers reflecting a society's stronger wants and needs in the long-run. This should be the total utility expressing a society's needs and wants, neither in the objective sense of necessities, nor in the subjective sense of the marginal utility of the individual person. In a general way, the total utility of a good is registered in its long-term market price, *viz.* the price that is free from accidents in supply and demand, interventions and monopolies.

Another objection is that the use value or utility of a good should not be relative to the preferences of exchangers, as the bargain reading suggests. According to Meikle, the

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<sup>299</sup> The non-utilitarian character of some of Aristotle's evaluative criteria of the arts is evident in passages as that of *Metaphysics* 981b14-24.



use value of a good is a function of the nature of the good as substance *qua* substance.<sup>300</sup> If the use value of a good is a function of its nature—not a function of preferences—, then different things like shoes and houses have different use values in virtue of their having different proper uses. For Meikle, Aristotle’s view of use value rests on his metaphysics of the *Categories*: the use value of goods belongs to the category of quality and is not quantifiable. Obviously, Meikle’s reading is in stark contrast with the neoclassical rendering of use value as utility subjectively construed. Unsurprisingly, he finds fault with the gloss of *χρεία* as ‘demand’ and argues that by *χρεία* Aristotle means ‘need’ not ‘want’.<sup>301</sup> In addition, exchange value, according to Meikle’s reading, belongs to the category of *quantity*. He thinks that since use value and exchange value belong to distinct categories (the first belongs to the category of quality and exchange value belongs to the category of quantity), he infers that there is an unbridgeable gap between use value and prices.<sup>302</sup> The upshot of Meikle’s reading is that use values cannot determine the prices of goods—because they are qualities and, hence, non-quantitative. Hence, for Meikle, Aristotle fails to solve the problem of commensurability. He thinks that Aristotle admits his failure when he says that “it is impossible for such different things to become commensurable” (*NE* 1133b18-19). In other words, Meikle argues, Aristotle fails to explain exchange value in terms of use value.

Meikle downplays Aristotle’s solution because he thinks that *χρεία* is strictly speaking not a solution to the metaphysical problem of commensurability. In my view, his reading cannot be correct because Aristotle is interested in commensurability in relation to persons, not in the abstract; he seeks an answer to how *strictly* incommensurable things could be comparable *qua* human need. Meikle’s formulation of the problem of incommensurability makes it intractable. He asks (A) “How different products can be strictly commensurable in the first place” instead of asking (B) “How, or from what point of view, products can be treated as commensurable enough to allow exchange” (1995:36-7). A commentator argues:

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<sup>300</sup> The following sketch of Meikle’s interpretation is based on Meikle (1995) chapter 1. For a detailed discussion of Meikle’s interpretation see Miller (1998) esp. pp. 388-90 and Politis (1999). In Meikle’s reading, if the use value of a good is independent from the subjective preferences of exchangers, then it is objective and non-relational.

<sup>301</sup> Meikle (1995:121).

<sup>302</sup> For apt reviews of Meikle’s interpretation see Miller (1998) and Politis (1999).

If anything is characteristic of Aristotle's metaphysics, it is surely the invention of the logical *qua* and putting this to the use of reconciling identity and difference: X is different from Y *qua* R, but identical *qua* S. So Aristotle would be well equipped to deal with question (B), and he may have thought that question (A) was as misguided as he thought was Parmenides' question of how different things (e.g., shapes, colours, etc.) can strictly be the same (e.g., a man). In sum, I doubt whether things *tout court* can be commensurable or incommensurable; what is commensurable or incommensurable is rather things treated in a certain way or from a certain point of view. But to think this is quite compatible with thinking that things have a nature which is not relative to a point of view. [Politis (1999:281)].

Hence, if the question is (B), then the gap between use value and exchange value is not unbridgeable because *strictly* incommensurable things are commensurable *qua* human need. Aristotle does not wonder whether one house should equal five beds in some objective sense, that is, independently from the needs of exchangers. There is no evidence that he associated commercial justice with some inherent property of goods that can be quantified and used as the algorithm of fair exchange. The challenge for Aristotle was to find out how reciprocity could be achieved in a bargain since, in any bargain, one exchanger could be the price-maker. He seems to trust that a bargain based on mutual need is a form of bilateral monopoly which leads to the transfer of equivalent amounts of value—utility and work.

#### 4.4 Conclusion and Summary

While Aristotle may not have aimed at offering an analysis of price formation *per se*, he groped the origins of economic value and price in isolated, two-party exchanges due to his normative concerns. That is, he sought to explain what determines the price of products in order to answer the Just Price Question, i.e. when the transfer of value between two exchangers is equitable. I argued that the just price is the price at which the market price of a good D:C approximates its natural price A:B. This is Aristotle's answer to Master Question (3). Commercial exchange is a fair mode of acquisition as long as the exchangers agree at a market price that is within the bounds of the natural prices of goods.

As we see in the next chapter, Aristotle's analysis of economic value answers to the following ethical question: does business profit come at the expense of buyers? Most

commentators argue that Aristotle's critique of business rests on the assumption that traders and middlemen must sell in excess of the just price in order to gain. However, the standard interpretation is at odds with my reading. I turn now to examine this problem and argue that Aristotle's strictures on business profit are less rigid than most commentators claim.

## CHAPTER 5

### The Ethics of Business Profit

#### Overview

The aim of this chapter is to present and discuss Aristotle's ethical critique of business (exchange for-profit) in order to understand his complete answer to the Master Question (2.a) with regard to the commercial modes of chrematistics. For most commentators, Aristotle maintains that trade is a zero-sum economic practice. Hence, one's business profit can be had only at the expense of others. Despite the popularity of this reading, actually there is only one passage where Aristotle appears to link business with injustice directly:

...Trade [μεταβλητική] is not in accord with nature, but is from one another (*Pol.* 1258b2)<sup>303</sup>

According to this reading, the 'canonical' interpretation hereafter, business is a structurally unjust mode of chrematistics because commercial profit violates the just price.<sup>304</sup> It is surprising that this interpretation overlooks the strong contrary evidence in Aristotle's writings where he appears to approve certain business practices, such as the trade of surpluses, foreign trade (ἐμπορία; *empôria*), manufacture for trade, commercial agriculture, and trade based on μεταλευτική and ύλοτομία, i.e. the third kind of chrematistics. Furthermore, his discussion of Thales' monopolistic ploy is not clearly derogatory. Moreover, in *Pol.* II.11 he praises Carthage, a commercial economy, but not Sparta (*Pol.* II.9) which was an agrarian economy. Elsewhere, Aristotle also says: "public revenues should be distributed among the poor...as to enable them to make a beginning in commerce or farming" (*Pol.* 1320a35-38). Also, like his teacher Plato, nowhere does Aristotle suggest to prohibit commerce.

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<sup>303</sup> See also: "Now in the course of nature the art of agriculture is prior, and next come those arts which extract the products of the earth, mining and the like. Agriculture ranks first because of its justice; for it does not take anything away from men, either with their consent, as do **retail trading** and the **mercenary arts**, or against their will, as do the warlike arts." *Econ.* 1343a25-30. On the other hand, in *Pol.* I.9 and I.11 Aristotle does not classify barter, trade with money as a stand-in, and the third kind of chrematistics, in the class of unjust forms of chrematistics.

<sup>304</sup> We saw that in reciprocal exchanges each exchanger should give away and receive the same amount of value (*NE* V.5).

To understand Aristotle's answer to the Master Question (2.a) with regard to commercial chrematistics, I examine the argument about the injustice of business profit as the canonical interpretation of *Pol.* 1258a38-b2 forwards it. This reading is at odds with the pro-business evidence and I argue that it is not the correct rendering of Aristotle's critique of business. In effect, I propose an alternative way to understand this passage. In section 5.1, I reconstruct and present the canonical interpretation which holds that business profit can be had only unfairly, *viz.* when the trader exceeds the just price. In section 5.2, I critically examine the canonical interpretation. I explain that this reading cannot square the *Pol.* 1258a38-b2 passage with the following: first, Aristotle's conception of economic value; second, the fact that Aristotle does not censure all M-C-M trade; three, the pro-business evidence. In section 5.3, I propose a way to square these conditions. I argue that in this passage Aristotle objects to *καπηλική* because it is the parasitic kind of business that profits from the exchange itself, not from production. My interpretation helps explain why Aristotle allows that some forms of business profit are not contrary to justice: they are not parasitic. In addition, while he disapproves of the mercantile life for the citizens of the best city, he relaxes his strictures for citizens of less ideal regimes as long as their business practices are not parasitic. However, his main objection to business remains: the mercantile life is a life devoted to the increase of wealth; this is not the good life.

## 5.1 The Canonical Interpretation

In this section I present the canonical interpretation of *Pol.* 1258a38-b2 which holds that, for Aristotle, business is a structurally unjust economic practice.<sup>305</sup>

### 5.1.1. *The Argument from the Injustice of Business Profit*

For most commentators the passage 1258a38-b2 points out that business profit can be had only at the expense of others (the gain is *ἀπ' ἀλλήλων*):

But, as we said, there are two kinds of wealth acquisition [*χρηματιστική*]. One has to do with commerce [*καπηλική*], the other with household management. The latter is necessary and commendable, but the kind that has to do with

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<sup>305</sup> We see this orthodox understanding of Aristotle on business in ages of anti-market thinking. Medieval church fathers, Karl Marx, Marxists, even communitarians, like Alasdair MacIntyre, all have denounced business profit as an exploitative practice, and all claim to draw inspiration from Aristotle.

exchange [μεταβλητική] is justly disparaged, since it is not natural but is from one another. (1258a38-b2)

...διπλῆς δ' οὔσης αὐτῆς [i.e. χρηματιστική], ὥσπερ εἵπομεν, καὶ τῆς μὲν καπηλικῆς τῆς δ' οἰκονομικῆς, καὶ ταύτης μὲν ἀναγκαίας καὶ ἐπαινουμένης, τῆς δὲ μεταβλητικῆς ψεγομένης δικαίως (οὐ γὰρ κατὰ φύσιν ἀλλ' ἀπ' ἀλλήλων ἐστίν)...

Most interpreters combine (a) the zero-sum view of trade: one's profit is another's loss; (b) Aristotle's Definition of Profit (*NE* 1132b11-17): profit is "having more than one's own";<sup>306</sup> (c) Aristotle's Justice Principle: 'the just is a mean between profit and loss' (*NE* 1132b18-20); they infer that traders can only make money by taking from others—the buyers. This is a roughly the argument for the injustice of profit according to the canonical interpretation. I re-state it fully at 5.1.1. For the moment, let us start with some notable instances of this interpretation:

His [i.e. Aristotle's] point seems to be that although trade 'produces' goods in the sense of providing them for the trader in the form of profit, the appearance that profit gives of being new wealth, generated over and above what is already in circulation, is an illusion. Trade is a zero-sum game of exchanges, in which the trader is parasitic: he does not produce goods 'in the full sense'; only (a) [i.e. natural κτητική] can do that. [Saunders (2002:94)]

Its end [i.e. καπηλική] is not the "natural requirements of self-sufficiency" but the acquisition of money without limit. Such acquisition—we should say 'profit'—is made "not according to nature but at the expense of others" a phrase that echoes in reverse that "each has his own" of the *Ethics*... [Finley (1970:17); emphasis in the original]

What is wrong with *chrēmatistikē*, in the bad sense of *kapēlikē*, is its aim: that the trader seeks to gain at another's loss. [Meikle (1991b:164)]<sup>307</sup>

The idea here is that buying and selling goods for profit violates commercial justice (*viz.* proportionate equality) as Aristotle portrays it in *NE* 1132b32-34. In contrast, trade for-use does not violate the principle of justice. Meikle summarizes the differences between trade for-use and trade for-profit as follows:<sup>308</sup>

<sup>306</sup> As Finley (1970) notes "Its end [i.e. καπηλική] is not the "natural requirements of self-sufficiency" but the acquisition of money without limit. Such acquisition—we should say 'profit'—is made "not according to nature but *at the expense of others*" a phrase that echoes in reverse that "each has his own" of the *Ethics*..." (p.17); emphasis in the original).

<sup>307</sup> See also Meikle (1996).

<sup>308</sup> The first mode is barter, exchanging goods directly, without money, for example, shoes for beds. The second mode appeared when money became the medium of exchange: a farmer sells his surplus of

- I. Barter; *viz.* direct exchange of goods between two parties
  - a. Commodity<sub>1</sub>—Commodity<sub>2</sub> (C<sub>1</sub>—C<sub>2</sub>)
  - b. Aims at use
  
- II. As (I), but with money as a stand-in for goods
  - a. Commodity<sub>1</sub>—Money—Commodity<sub>2</sub> (C<sub>1</sub>—M—C<sub>2</sub>)
  - b. Aims at use
  
- III. Business commerce, especially, retail trade:
  - a. Money<sub>1</sub>—Commodity—Money<sub>2</sub> (M<sub>1</sub>—C—M<sub>2</sub>)
  - b. Aims at profit
    - i. Profit = Money<sub>2</sub> – Money<sub>1</sub>, where M<sub>1</sub> < M<sub>2</sub>

Business trade is (III), namely, the M<sub>1</sub>-C-M<sub>2</sub> circuit, where profit is the margin from M<sub>2</sub>—M<sub>1</sub>. For Meikle, this notation refers to *καπηλική*, whereas (I) and (II) refer to good *μεταβλητική* (trade for-use). According to Saunders, the injustice of (III) results as follows:

Trading, Aristotle seems to claim, requires men to regard each other in the same light, and to import non-equality, which he regards as exploitative and unjust, into their exchange-relationships. We no longer have plain exchange at agreed rate  $x$ , between A and B, because B, the eventual buyer from the trader, who had bought from A at  $x$ , has to pay price  $x$  plus profit—and the profit will typically be as large as the trader can make it. The proportionate equality between A and B has been unjustly distorted, at B's expense—albeit by agreement. [Saunders (2002:89)]

Saunders said before that trade is zero-sum. Here he says that the seller—e.g. the retail trader—buys, for example, shoes from a shoemaker at a low price and then resells them to customers as much as he can make it. In particular, the trader can generate his margin (a) by paying the shoemaker less than the just or agreed price and by selling the shoes at the just price, or (b) by paying the shoemaker the just/agreed price and selling the shoes in excess of the just price;<sup>309</sup> (c) the trader can also buy

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olive oil in the market, gets money, and uses this money to buy shoes. Barter and inter-household commerce aim at consumption or use, not for profit; so they are part of the natural economy. The third mode is professional commerce or business: the merchant or the middleman buys shoes from the shoemaker and resells them, for instance, to the carpenter for profit. For Meikle, (III) aims at unlimited wealth which can be had only by taking from others. He is based, for example, on *Pol.* 1257b20-23.

<sup>309</sup> The just price could be the agreed price had the bargain been based on bilateral monopoly. Saunders (2002:90) favors an objectivist reading of just price and argues that Aristotle did not recognize that traders and middlemen can add value on a product, *viz.* the objective just price does not include payment for the traders' service.

below the just/agreed price and then sell well above it. At all events, the trader makes a profit by taking advantage either of the producers or of the customer or both of them.

Another way to explain the injustice of business as ‘gain ἀπ’ ἀλλήλων’ is the following:

The gain is ἀπ’ ἀλλήλων; the meaning of which seems to be that the middlemen or tradesmen, including usurers, are conceived as getting what they get from others, without giving any equivalent for it in the shape of a commodity (χρήσιμον). [Wilson (1896:186)]

Wilson does not clarify his point further but his reading seems to be that the trader’s gain comes from the exchange itself, hence, from the buyer, not from the product itself or from production (*viz.* from nature). Hence, the profit is the extra value which corresponds to nothing useful. The middleman’s profit must come from others. However, Wilson does not clarify where the injustice lies. Is it because he thinks that goods have an objective just price that the middleman violates? Or is it because the middleman preys on the needs of producers and customers?

Barker explains the problem as follows:

As Aristotle himself tells us, value depends on demand, on felt utility; it is not determined simply by cost of production. If it [value] were [dependent on cost of production], there might be a *justum pretium* which alone could be asked and taken; and if that just price were not observed by the middleman, then he might be regarded as living parasitically on his fellows, in giving less and taking more. [Barker (1906:384)]

In brief, Barker rightly says that the charge of parasitism presupposes an objective *justum pretium*. Wilson and Saunders attribute to Aristotle the following: retail traders and middlemen gain because they violate the objective just price of goods; they do not deserve payment for bringing products to the market; commercial exchanges are barren.

Another commentator, Van Johnson, renders gain ἀπ’ ἀλλήλων as follows:

...[I]n chrematistic (2) [i.e. μεταβλητική καπηλική] and probably in (3) [i.e. the third kind, namely, μεταλευτική and ύλοτομία] there is no room, at least in



some cases, for πόνος [i.e. labor] as a source of wealth, except as a commodity, for 'trade' (i.e. κατηλική) is based on mutual cheating (ἀπ' ἀλλήλων). Aristotle objects to profit, not as unearned increment, but as double gain: firstly, in excess of the mean; and secondly, in excess of the loser's share. The wealth peculiar to these kinds of acquisition is a "quantity of money" (πλήθος νομισμάτων), and its source is neither φύσις nor πόνος, but simple injustice. [Van Johnson (1939:447)]

Here Van Johnson says that the source of profit is not nature or labor but cheating. It is not clear why he says that the one party gains twice. He probably means that gain from others is not gain from others' labor.<sup>310</sup> Yet, Van Johnson rejects the labor interpretation of Aristotle.<sup>311</sup> He holds that the mean is the price that equalizes the utilities of exchangers.<sup>312</sup> In that case, the injustice of profit from κατηλική should lie in the fact that one party is the price-maker, not in that κατηλική inherently violates an objective just price.

Let us take stock. The canonical interpretation presupposes that, for Aristotle, products have an objective just price.<sup>313</sup> On the other hand, those, like Van Johnson and Soudek, who hold that Aristotle was a subjectivist about economic value think that business profit can be had unjustly by cheating or taking advantage of others. Unfortunately, the proponents of the canonical interpretation do not state the steps of Aristotle's argument for the injustice of profit clearly and fully. So, we miss out the details of their reading, e.g. whether Aristotle considered all exchange for-profit as a structurally unjust practice.<sup>314</sup> Let us try to state these steps and supply some missing assumptions.

1. Commerce is a zero-sum game (*Pol.* 1258a38-b2)
  - a. Because commercial exchange is barren.

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<sup>310</sup> Van Johnson (1939:450-51) does not find the labor factor in Aristotle's account of Exchange Value and he offers a subjectivist interpretation of the question. He argues that Aristotle held the utility theory of value, not the labor theory of value.

<sup>311</sup> Ibid. 450.

<sup>312</sup> Van Johnson does not explain what the 'mean' price is. Hence, it is unclear in what sense the cheating party gains twice.

<sup>313</sup> Finley (1970) thinks that the injustice of business (κατηλική) lies in that it does not aim at natural self-sufficiency but at unlimited wealth; taking advantage of others is the only way to pursue unlimited wealth.

<sup>314</sup> Is commercial injustice a matter of the structure of retail trade or does its structure allow for the pursuit of a fair, moderate profit as payment for a service rendered to buyers?

2. Reciprocal justice requires that each exchanger receives and transfers equal amounts of value
  - a. “The just price is intermediate between a sort of gain and a sort of loss...it consists in having an equal amount before and after the transaction” (*NE* 1132b18-20)
3. Commercial profit is having more than one’s own after the transaction [From 1 and 2].<sup>315</sup>
4. Hence, commercial profit violates the just price.

The canonical reading must assume that all trade is a zero-sum game. However, business might be a zero-sum practice in two ways. First, as Saunders says above (p. 94), Aristotle thought that business exchange is *inherently* barren. That is, trade does not create new value. According to this reading, value can be created only by the natural modes of acquisition and labor, independently of the need of exchangers. On that score, ‘gain is ἀπ’ ἀλλήλων’ might refer to an unearned increment on the just price of products. The second sense is the subjectivist: business exchange is a zero-sum game only *contingently*, as when one party cheats the other or when the trader corners the market. This conception of zero-sum games does not presuppose that trade is barren. On that score, ‘gain is ἀπ’ ἀλλήλων’ might refer to cheating (for example, adulteration of products) or to profiteering, not to violation of an objective just price. As Irwin notes, if χρεία is subjective and if the buyer agrees to pay the price that the trader asks, then the price is fair.<sup>316</sup> The second premise is familiar: commercial justice requires proportionate equality. The ratio of exchange must be such that each exchanger transfers and receives an equal amount of value. So, if one bed should equal ten pairs of shoes (the just price is 1:10), the carpenter must get ten pairs of shoes in return for one bed. He should not end up getting more value (more shoes) than the value he gave away (one bed). This exchange would violate the just price. The third premise says that traders increase what they already have only when they exceed the just price in an exchange since commercial exchanges are barren. Hence, commercial profit violates reciprocal justice. Let us in more detail these premises.

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<sup>315</sup> Finley (1970:17).

<sup>316</sup> Irwin (1988:625n11).

### 5.1.2 *The Zero-sum Assumption*

What is a zero-sum game? It is a competitive game, like gambling, with two possible outcomes—win and loss—where the profit of one party equals the loss of the other party. That is, if we subtract the profit from the loss we get zero. This notion presupposes that a good is scarce and, hence, contested. Let us assume that there is a fixed amount of a good, e.g. a pie. And suppose that two persons must share the pie in equal portions, namely, one half each. By subtracting the one half from the other half the sum is zero. This is the zero-sum idea: there is no net change in value because the pie is fixed and, hence, the situation is ‘barren’.

Let me explain how business might be a zero-sum game in an objective sense. First, if goods have an objective just price, then business exchange is *barren* or zero-sum.<sup>317</sup> As Barker explained, when the value of goods is formed solely by the labor of producers, commercial exchange is barren because it cannot create new value apart from the value created by the labor of producers.<sup>318</sup> We may also understand the zero-sum idea by thinking of commerce as gambling where one player wins the amount that the other player loses because the amount of money is fixed. This form of the zero-sum assumption is objectivist and holds that there is a single just price. Hence, business profit constitutes a wrongful gain because the price that yields profit exceeds the just price. This, of course, requires the further premise that traders and middlemen create no value; hence, they are parasitic upon exchange.

A second rendering of the zero-sum idea is found in contemporary economics and is subjectivist. It holds that market exchanges are not *structurally* zero-sum; trade is not like gambling where one’s gain must be another’s loss.<sup>319</sup> For economists, trade

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<sup>317</sup> Child (1998:267).

<sup>318</sup> Barker (1906:384). The prototype zero-sum view is the Marxian; see, for example, Graafland (2007:51-52) and Child (1998:261-64). This is a theoretical umbrella which characterizes all forms of market exchange as inherently zero-sum and exploitative. The prototype case is the labor/capital transaction where employees exchange their labor for a wage. Marx assumes that the value of labor is fixed and objective: labor, as a commodity, has an objective price which includes the surplus value. Hence, the transaction between employer and employee is zero-sum; the capitalist employer can only earn by paying less than the objective price, that is, by expropriating the surplus value created by the employee. The Marxian view of exploitation extends to all forms of market exchange including commerce, the market for commodities. Hence, the prototype objectivist zero-sum view is the Marxian.

<sup>319</sup> Consider, for example, stock markets where one’s loss due to a decrease in the value of a stock is not another’s gain.

generates mutual gains, a transaction surplus, because “the buyer pays less than the good is worth to him, and the seller receives more than it is worth to him; otherwise there is no incentive to trade.”<sup>320</sup> Hence, both exchangers are better off from the exchange than they would be without the exchange. As economists say, when parties in an exchange are not price-makers, then no party ends up worse-off. This is the idea of Pareto-optimality.<sup>321</sup> For example, international trade creates mutual gains. The profit of traders comes from the value they add by solving a problem in the supply side, *viz.* availability and distribution.<sup>322</sup> Hence, trade is not necessarily barren. For economists, a transaction is zero-sum only when one’s gain is another’s loss as a result of profiteering, price-gouging, coercive monopolies, fraud, etc.<sup>323</sup> In these cases, even if the customer agreed to pay the price because that was the reasonable thing to do in the circumstances, the trader’s profit is extracted at the expense of the customer; the trader expropriates the whole transaction surplus. I should note here that welfare economics provides a defense for profit-making based on the unintended consequences of the market mechanism on the general welfare of a society.<sup>324</sup> Although the entrepreneur intends to serve his/her own interest, the outcome of his/her pursuit also serves the interests of customers and the community as a whole.<sup>325</sup> This is because opportunities for profit start from allocations that are not Pareto efficient—e.g. a shortage in a good or service. When a business introduces a useful product in the market or fills up a shortage it performs a Pareto improvement; profit is a sign of a Pareto-improvement.<sup>326</sup> For the subjectivist, there is a variety of fair prices

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<sup>320</sup> Cowan & Rizzo (1994:12).

<sup>321</sup> This idea draws from the notion of Pareto-optimality, that is, allocations of resources which are not zero-sum. In principle, no party in a commercial exchange becomes worse-off, except when one party is a price-taker or cheats. This idea draws from the notion of Pareto-optimality which holds that an allocation of resources is Pareto-optimal if it makes no one worse off. Pareto-optimality presupposes a perfectly competitive market or bilateral monopoly. See Hausman (2006:136-140) and Graafland (2007:31-42).

<sup>322</sup> In other words, traders are considered as agents of production: the cycle of production ends when the product reaches the buyer. In the *Republic* 371B-C, Plato acknowledges that “cities require petty traders who will give money for goods and goods for money because neither farmers nor artisans can count on finding someone with whom to exchange whenever they bring goods to the market?”; quoted by Finley (1970:14).

<sup>323</sup> Child (1998:278). These are cases of immoral profit: when traders gain by deceiving customers, e.g. they may adulterate their products or trick the customer into buying a fake Rolex watch; then, the seller’s gain is the buyer’s loss. Also, market failures occur when competitors are not allowed entry in a market.

<sup>324</sup> Graafland (2007:32-33).

<sup>325</sup> *Ibid.* 32-39.

<sup>326</sup> See Cowan and Rizzo (1994:6).

formed by the preferences of exchangers on the basis of mutual agreement. On that score, insofar as a voluntary exchange makes no party worse-off, the seller's profit is fair. Since contemporary economics is subjectivist about value, then the price that satisfies the utility of both exchangers is fair.

Let us take stock. The argument for the injustice of profit can be understood either in objectivist or in subjectivist terms. Aristotle's theory of value allows for fair profit from M-C-M exchanges as long as it is payment for the social service of bringing a product to the market. On the other hand, the passage *Pol.* 1258a38-b2 suggests that business exchange is barren and, hence, business profit is unfair. So, both renderings of the zero-sum premise face difficulties. I turn now to discuss the canonical interpretation in detail.

## 5.2 Critical Discussion

Most interpreters overlook that Aristotle's conception of economic value and the zero-sum passage raise an exegetical puzzle. This is the first difficulty. The second problem is that most interpreters adopt Marx's and Meikle's notation of business as M-C-M although this is not clearly Aristotle's idea. Third, most commentators do not discuss the pro-business evidence from the *Ethics* and *Politics* where Aristotle relaxes his strictures on business. In short, both readings have difficulty squaring (a) their interpretations of *Pol.* 1258a38-b2 with (b) Aristotle's conception of economic value, (c) the fact that he relaxes his strictures against business, and (d) the fact that M-C-M is not necessarily unjust. In section 5.3, I offer an alternative way of understanding Aristotle's argument for the injustice of profit which squares these conditions.

### 5.2.1 Criticism I: A Puzzle

The canonical interpretation generates the following puzzle. On the one hand, this reading presupposes the zero-sum view. This requires a unique just price determined by some objective standard of value; *viz.* if value is objective, then products have a fixed, consequent just price.<sup>327</sup> On that score, business profit can be had only by exceeding the just price. Most interpreters think that, for Aristotle, traders do not

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<sup>327</sup> Child (1998:264-67). For Barker (1906:386) if value is objective, then there should be an objective just price.

deserve payment for the service that they render to their community and that value is fixed independently of the need of exchangers.<sup>328</sup> Yet, the objectivist gloss of the zero-sum assumption conflicts with Aristotle's non-objectivist theory of economic value: if prices are formed by bargain on the basis of mutual need (*χρεία*), a market price that includes profit can be fair as long as the transaction is neither coercive nor fraudulent.<sup>329</sup> On the other hand, the purely subjectivist form of the zero-sum assumption conflicts with Aristotle's requirements of commercial justice: there must be a boundary on prices in order to say when an exchange is coercive or fraudulent. I proposed in 4.3.2 that this boundary is set by the natural price of products. In retail trade, the market price of a good should approximate its natural price. That is, the buyer's satisfaction of his/her need (*χρεία*) from a good should equal the toil saved from producing that good him/herself.

This puzzle is instructive: commentators overlook that the purely objectivist and the purely subjectivist forms of the zero-sum assumption are less likely Aristotle's. Those who interpret Aristotle as an objectivist about just price think that, for Aristotle, trade is barren and that all commercial profit is an unfair increment on the objective just price of goods. In contrast, those who interpret him as a subjectivist (e.g. Barker and Soudek) think that commercial profit can be fair. As I argue below, Aristotle's main objection to business profit is gain from parasitic forms of business which I examine in the next section. I turn now to discuss the second difficulty of the canonical interpretation.

### 5.2.2 *Criticism 2*

As we saw in 5.1.1, Meikle distinguishes between two different forms of *μεταβλητική* in terms of his Marxian interpretation of Aristotle, namely, the distinction between use value and exchange value. Meikle signifies exchange for-use as two circuits:  $C_1-C_2$  and  $C_1-M-C_2$ , that is, barter and plain exchange with money as a stand-in. These circuits, he argues, start and end with use values. On the other hand, business trade

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<sup>328</sup> For example, Ross (2005:255); *cf.* Barker (1906:384) argues that Aristotle does not condemn all traders and middlemen, only those who “prey on the needs” of their fellow-citizens. Barker thinks that, for Aristotle, traders and middlemen may offer a service that must be compensated.

<sup>329</sup> Barker (1906:383-85) points out that Aristotle objects to profit from predatory pricing, not to profit as a whole.

and money-lending ( $M_1$ -C- $M_2$  and  $M_1$ - $M_2$ ) start and end with monetized exchange values. Meikle bases his notation of the two kinds of μεταβλητική on *Pol.* 1257b19-23:

The natural form of the art of acquisition is connected with the management of the household; but the other form is a matter only of retail trade, and it is concerned only with getting a fund of money, and that only by the method of conducting the exchange of commodities. This latter form [i.e. καπηλική] may be held to turn on the power of currency; for currency is the starting-point [στοιχείον], as it is also the goal [πέρας], of exchange. (*Pol.* 1257b19-23)<sup>330</sup>

He holds that  $M_1$  is the *starting-point* of a commercial exchange towards the *goal* of exchange  $M_2$ , namely, the increase of exchange value (monetary gain). While Meikle claims that C-M-C starts and ends with use values, we should note that  $C_1$  and  $C_2$  are exchange values, too, because Aristotle says that commodities have both a proper use (hence, use value) and a use for exchange (hence, exchange value). Yet, for Meikle, these circuits differ sharply in structure because he thinks they belong to different metaphysical categories: money/exchange value belongs to the category of quantity and is limitless. Hence, for Meikle, M-C-M necessitates the unlimited pursuit of monetized exchange value. In contrast, the use value of products belongs to the category of quality which is limited by self-sufficiency. Hence, for Meikle, C-M-C necessitates the pursuit of true wealth. In other words, he thinks that the structure of M-C-M necessitates profit-seeking which eventually leads to injustice. In contrast, the structure of C-C and C-M-C does not necessitate profit-seeking.

While I agree with Meikle that Aristotle distinguishes between exchange for-use (e.g. exchange of household surpluses) and exchange for-profit (namely, business) in terms of the dual use of products, it is not clear that Aristotle would agree that C-M-C and M-C-M differ in structure on the basis of a metaphysical difference. This is a quite controversial reading of Aristotle that I discuss in 5.3.2. Also, Meikle's notation of a structural difference between the two kinds rests on an incorrect rendition of

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<sup>330</sup> This is Barker's translation. Here is the passage in the original: “ἔστι γὰρ ἑτέρα ἡ χρηματιστικὴ καὶ ὁ πλοῦτος ὁ κατὰ φύσιν, καὶ αὕτη μὲν οἰκονομικὴ, ἡ δὲ καπηλική, ποιητικὴ χρημάτων οὐ πάντως ἀλλὰ διὰ χρημάτων μεταβολῆς. καὶ δοκεῖ περὶ τὸ νόμισμα αὕτη εἶναι· τὸ γὰρ νόμισμα στοιχείον καὶ πέρας τῆς ἀλλαγῆς ἐστίν.”

στοιχείον as ‘starting-point’ and πέρας as ‘goal’ in the passage *Pol.* 1257b19-23. The most plausible rendering of the passage is the following:

Natural wealth acquisition is a part of household management, whereas commerce has to do with the production of goods, not in the full sense, but through their exchange. It is held to be concerned with money, on the grounds that money is the unit and limit of exchange. [Reeve (1998:17)]

Here the meaning of στοιχείον is “the simplest thing into which a thing may be divided.”<sup>331</sup> Hence, the term στοιχείον should read as ‘unit’ in which case the controversial phrase should read ‘currency is the unit of exchange’. Also, the correct translation of ‘πέρας’ is ‘limit’.<sup>332</sup> So, the passage should not be read as ‘coined money is the starting-point and goal of exchange’, as Meikle suggests, but as ‘coined money is the unit and limit of exchange’. In other words, ‘money is the limit of exchange’ does not refer to καπηλική alone but to all forms of exchange (ἀλλαγῆ) based on money (τὸ γὰρ νόμισμα στοιχεῖον καὶ πέρας τῆς ἀλλαγῆς ἐστίν). As we saw in 2.3.1, money is the limit of exchange in the sense that money is the numerical expression of need (χρεία) in the form of price. Hence, price is the only limit of business exchange, whereas necessary μεταβλητική belongs to household management and is limited by self-sufficiency; καπηλική is limited only by the ability of the customer to pay a price.

Of course, there is a general difference in aim between necessary exchange and business. But in the above passage the difference between C-M-C and M-C-M is not a difference in aim. In practice, there are C-M-C exchanges which may generate profit but do not involve the purchase and sale of goods as in M-C-M. For example, a producer or a householder may sell their products for profit as ἀυτοπώλης. Also, a greedy producer could seek to sell dear in a C-M-C exchange.<sup>333</sup> In contrast, a retail trader using M-C-M could pursue a fair price for subsistence from the purchase and

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<sup>331</sup> Miller (1998:394) derives this translation from the *Met.* A.3. According to Miller, “[T]he plural *stoicheia* refers to the simplest elements out of which material substances are composed (e.g., earth, air, fire, and water). He [Aristotle] adds that the small and simple and indivisible is by extension called a *stoicheion*”.

<sup>332</sup> Except for Reeve, Simpson (1998:54) and Saunders (2002:14) propose the same rendering of στοιχείον and πέρας.

<sup>333</sup> For example, a producer (ἀυτοπώλης) may sell his product C<sub>1</sub> dear and use this money (M) in order to buy another commodity C<sub>2</sub> and, hence, increase one’s stock. Ross (2005:255) highlights this possibility.



sale of goods by facilitating product distribution.<sup>334</sup> In principle, both forms of trade may aim at spurious wealth or become a source of profiteering if the seller is greedy. In the above passage, their main structural difference lies in their limit: barter is limited by product-availability while *καπηλική* is limited by currency. Also, M-C-M and C-M-C, as such, do not represent an ethical difference between *καπηλική* and necessary exchange. For Aristotle, their ethical difference lies in that *καπηλική* is not part of household-management. It is not clear that his objection to *καπηλική* is concerned with the injustice of profit from M<sub>1</sub>-C-M<sub>2</sub>. Meikle should have to establish independently that, for Aristotle, M-C-M generates *unfair* gain as a matter of its structure since Aristotle does not censure the profit from foreign trade (*ἐμπορία*) which is M-C-M, too. I turn now to present the evidence where Aristotle approves of business and, consequently, business profit.

### 5.2.3 Pro-Business Evidence

In *Politics* I.11 Aristotle lists the main forms of *μεταβλητική*: foreign trade (*ἐμπορία*), money-lending and wage-labor:

Exchange's [*μεταβλητική*] most important part, on the other hand, is trading [*ἐμπορία*], which has three parts: ship owning, transport, and marketing. These differ from one another in that some are safer, others more profitable [*ἐπικαρπίαν*]. The second part of exchange is money lending; the third is wage earning. As for wage earning, some wage earners are vulgar craftsmen, whereas others are unskilled, useful for manual labor only. (*Pol.* 1258b20-26)

It has escaped the consideration of commentators that Aristotle here only lists the main forms of *μεταβλητική* and does not say that foreign trade (*ἐμπορία*) is the unnecessary or unnatural kind of *μεταβλητική*.<sup>335</sup> It appears though that *ἐμπορία* is a

<sup>334</sup> Simpson (1998:54) proposes this interpretation. Merchants buy and sell for gain but Aristotle does not censure them. In principle, anyone could seek a modest payment (revenue) from buying and selling because one brings a product to the market.

<sup>335</sup> According to Hasebroek (1965:1-6), there were three types of traders at the time: *κάπηλοι*, *ναύκληροι* and *ἐμποροι* (merchants). He categorized them in accord with the market in which they traded, namely, local or overseas markets. The first kind operated in local markets either as retail traders who bought goods from the producers (farmers, craftsmen and manufacturers) and transported the merchandise to the marketplace where they sold them to consumers, or as wholesale traders who sold products to foreign traders and resellers. *Ναύκληροι* and *ἐμποροι* carried out long-distance and foreign trade with merchant ships which sailed in the Aegean, the Mediterranean and the Black Seas. *Ναύκληροι* owned the ships with which they transported the merchandise, whereas merchants were not ship-owners. Also, they rent cargo space from ship-owners. In most cases, merchants were resident

kind of μεταβλητική with a different ethical import from καπηλική (retail, local trade). The impression of an ethical difference between ἐμπορία and καπηλική is also witnessed in *Pol.* 1320a35-38:

...Public revenues should be distributed among the poor...as to enable them to make a beginning in trade (ἐμπορία) or farming.

Here Aristotle does not use the term καπηλική but ἐμπορία. Most commentators do not consider this passage and the difference between local trade (καπηλική) and foreign trade (ἐμπορία).<sup>336</sup> Meikle, for instance, holds that the margin from buying and selling (M-C-M) can only be extracted unfairly. However, since Aristotle does not censure ἐμπορία, which is an instance of M-C-M, we should expect that his argument for the injustice of profit does not apply to all kinds of M-C-M exchange.

Also, it has escaped the attention of commentators that in *Pol.* 1258b22 Aristotle uses the term ἐπικαρπίαν to denote ‘revenue (or profit) from foreign trade’ (ἐμπορία), instead of the term ‘profit’ (κέρδος). Aristotle does not say that revenue from foreign trade is unfair gain (ἀπ’ ἀλλήλων). He only says that the riskier forms of trade maximize revenue (τὰ δὲ πλείω πορίζειν τὴν ἐπικαρπίαν): “some [parts of commerce] are safer, others more profitable” (*Pol.* 1258b21). Business enterprises involve expenses, risk and solve problems of supply, hence, generate value for buyers on top of a product’s utility.<sup>337</sup> Commentators also ignore that Aristotle’s definition of profit (κέρδος) in *NE* 1132b11-12 has the pejorative sense of unfair gain because it exceeds the intermediate between gain and loss (the ‘just’; *NE* 1132b18-20). However, this is not the contemporary sense of ‘profit’ which refers to *accounting* profit: the margin that results from subtracting one’s input (or expenses) from the market price.<sup>338</sup> Hence,

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aliens (metics) who financed their trading ventures by borrowing from lenders who usually were citizens.

<sup>336</sup> Finley (1970:17) recognizes that in *Pol.* 1327a25-31 Aristotle “switches from καπηλική to the commonest word for foreign trade, *emporike* [ἐμπορία]”. However, Finley does not mention the fact that merchants were also involved in local trade in-between trade expeditions.

<sup>337</sup> Merchants transported merchandise and set up stalls to sell the products of manufacturers and farmers. Hence, they were, in a general sense, agents of production by expending labor and costs that should be compensated. As Child (1998:266) says “...if merchant A has expended labor to acquire the cheeses and transport them to the marketplace, if he takes his own time and energy to work the stall during the fair, he is entitled to payment for that service, but not to anything more.” Hasebroek (1965:11) confirms Aristotle’s claim that the more precarious the business expedition the higher the returns.

<sup>338</sup> Child (1998:278).

‘profit’, in the modern sense, is the margin that results from the sale of one’s own products or products which one bought in wholesale. Unlike Aristotle’s use of ‘profit’, for economists ‘profit’ is ethically neutral; it may be either fair or unfair. In contrast, the term *ἐπικαρπία*, which Aristotle uses non-pejoratively, probably refers to profit that is fair or ethically neutral.

We should also take into account that nowhere does Aristotle censure trade based on one’s own production (*αὐτοπώλης*), including products of *μεταλευτική* and *ύλοτομία* (*Pol.* 1258b25-31). This form of trade also includes commercial agriculture and commercial manufacture. As a matter of fact, farmers and manufacturers produced and bartered/sold their products either in retail or wholesale to middlemen and merchants and gained from accounting profit. Strictly speaking, the *αὐτοπώλης* was not a professional trader, like the local dealer and the merchant. However, Aristotle does not claim that the profit of self-sellers is at the expense of others although the source of their profit is others and they could possibly corner the market. Likewise, he does not censure the merchants although they use M-C-M, like the *κάπηλοι*.

Another category of ethically neutral gain is gain from ‘rents’, i.e. “the price paid for the use of land and other natural resources that are completely fixed in total supply.”<sup>339</sup> In particular, a rent is income made from invariable factors of production that are fixed in supply, like the location of a landed property, which is a non-produced input, or income made as a result of scarcity. High rents may sometimes result because one has exclusive possession of natural resources and a monopoly of trade. The wealthy landowning citizens of Aristotle’s time were basically *rentiers*. We should keep in mind that Aristotle’s theory of leisure presupposes an agrarian aristocracy of citizens whose revenue was often based on rents. In particular, some well-off citizens leased land or acted as proto-capitalists who funded or invested in commercial ventures and, sometimes, lent capital to merchants.<sup>340</sup> There is no evidence that Aristotle censures rents.

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<sup>339</sup> McConnell (2009:297).

<sup>340</sup> Hasebroek (1965:9-10). The owners of capital did not take part in commerce.

Even if Aristotle thought that business is a zero-sum game, the ethical question is whether profit is had fairly or not. In general, the size of one's ἐπικαρπία (revenue) often varies with the size of the market and one's place in the competition with other producers-sellers. Aristotle's non-objectivist conception of value allows for fair profit from superior product quality, efficient transportation, innovation, efficient use of factors of production, cost-reduction, etc. Even state monopolies of natural resources, like metals, are morally acceptable. As his example of King Dionysius suggests (*Pol.* 1259a23-36), monopolies should be regulated by the state when they harm the interests of a city.<sup>341</sup> Also, monopolies based on scientific acumen or inventions that solve a problem, such as a ground-breaking drug, could be defensible forms of profit-making within the bounds of natural price.

Aristotle relaxed his strictures on commerce as far as to suggest that a commercial economy is the preferred solution to the economizing problem of states, at least for the *practicable* best state.<sup>342</sup> This comes out from his discussion of existing regimes in the second book of *Politics* (II.9-11). According to Aristotle, Carthage, an openly commercial economy, is better governed and more peaceful than Sparta and Crete partly due to its market-oriented economic arrangements. It would be a serious oversight on the part of Aristotle to praise an economy which is based on systematic economic injustice.

We see, then, that several of Aristotle's economic writings conflict with the canonical reading of *Pol.* 1258a38-b2. How could we possibly explain away this conflict? In the next section I propose an alternative interpretation of this passage. This discussion completes Aristotle's answer to the Master Question (2.a) about the just forms of commercial chrematistics.

### 5.3 Alternative Interpretations

The canonical reading—*viz.* the objectivist and the subjectivist versions—cannot square Aristotle's conception of economic value with the pro-business evidence. In this section I propose a way to square these two conditions.

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<sup>341</sup> Reeve (1998:21n71) suggests that Aristotle refers to Dionysius I of Syracuse.

<sup>342</sup> Chan (2006:43-53).

### 5.3.1 *A Proposal*

The pro-business passages show that Aristotle did not regard revenue from commerce as ‘profit’ in the pejorative sense of ‘unfair gain’ (*NE* 1132b10-20). As I have shown in 5.2.3, various commercial practices generate accounting profit without making others worse-off. Aristotle approves of commercial agriculture, foreign trade (ἐμπορία), shipping (ναυκληρία), transport (φορτηγία), marketing (παράστασις) and selling one’s own manufactured products (αὐτοπώλης). In fact, the gains of producers-traders were usually not above the level of subsistence. Merchants (ναύκληροι and ἔμποροι) discovered markets overseas in order to distribute local products and paid taxes to the state. Perhaps, Aristotle considered accounting profit from ἐμπορία acceptable because the merchants had expenses, such as the lease of the ships or the loan, and offered a service, that is, they exported the products of local producers and imported necessary goods from abroad.<sup>343</sup> In general, it was difficult for merchants to become rich because their high expenses limited their margin significantly.<sup>344</sup> Most possibly, then, the passage of *Pol.* 1258a38-b2 is concerned with καπηλική, viz. local trade, because the retail prices were as high as κάπηλοι could make them—hence, often exceeded the natural price of goods—without facing the expenses and risks of merchants.

We should note, though, that while Aristotle was more wary of local trade than Plato, he does not call for a ban on any form of commerce. According to Saunders:

Plato admired trade within a state (not foreign trade) in principle, as ensuring the proper distribution of goods, but disliked the greed and trickiness with which it was carried on. He proposed in the *Laws* to permit it only to non-citizens, and to allow them their profit, but to restrict their margins to specified levels. Aristotle seems committed to eliminating trade altogether; yet in all realism he knows his ideal state cannot do without it... He says that buying and selling 'for essential needs' is beneficial to a state's self-sufficiency and constitutional cohesion. [Saunders (2002:90)]

<sup>343</sup> Producers often exchanged or sold their products in wholesale to merchants.

<sup>344</sup> As a general rule, merchants rarely could become rich from trade. Usually, their gains did not exceed the level of subsistence. Since merchants usually were not ship-owners (they were not ναύκληροι), they either leased a ship to carry out their trade or worked for wealthy ship-owners. In the latter case they might have to split their returns with the ship-owners. They were not ship-owners and, hence, they had to borrow from individual creditors (money-lenders) in order to lease a ship or split their profits with wealthy citizens (rentiers) who funded their trade expeditions. In addition, the profits of merchants were not stable but varied with the hazards and difficulties involved in sea-trade. See Hasebroek (1965) chapter 1.

Aristotle, like Plato, was aware that the city needs local traders as much as it needs importers/exporters.<sup>345</sup> For Plato, retail traders offered a service to the producers (*Rep.* 371c): “cities require petty traders who will give money for goods and goods for money because neither farmers nor artisans can count on finding someone with whom to exchange whenever they bring goods to the market”.<sup>346</sup> If Aristotle believed that local trade is totally parasitic he would have recommended a ban on it but there is no such evidence. Also, the example of Solon, who sometimes combined business and education (ἀποδημίαν ἐποίησατο κατ’ ἐμπορίαν ἅμα καὶ θεωρίαν εἰς Αἴγυπτον; *Ath. Const.* XI), points out that Aristotle approved of foreign trade as a way of supporting oneself.

How can we square this evidence with the *Pol.* 1258a38-b2 passage then? The passage says that trade is justly censured because wealth comes from others. First, we should note that the passage follows on the heels of his analysis about the pursuit of unlimited wealth in *Pol.* 1257b21-1258a14. The pursuit of unlimited wealth is unnatural and, hence, not part of household-management. Then, Aristotle says that τῆς δὲ μεταβλητικῆς ψεγομένης δικαίως (οὐ γὰρ κατὰ φύσιν ἀλλ’ ἀπ’ ἀλλήλων ἐστίν). We should not overlook that here he uses the term μεταβλητική instead of the term κατηλική. Certainly, he does not refer to necessary μεταβλητική for this is a natural mode of acquisition and cannot be censured. Hence, here Aristotle may contrast necessary μεταβλητική with all forms of commerce, not κατηλική alone. Why would he have this contrast in mind? For Aristotle there is something inherently *precarious* about μεταβλητική since this gave rise to the parasitic forms of trade. The problem is that, in principle, μεταβλητική lacks a *natural* limit on profit.<sup>347</sup> The limit on profit from exchange depends on whether sellers seek self-sufficiency or unlimited wealth through exchange. When sellers aim at revenue for subsistence, the satisfaction of their needs as such is the *natural* limit on profit.<sup>348</sup> The limit on profit also depends on

<sup>345</sup> *Laws* 918b; cited by Newman (1887:108).

<sup>346</sup> Quoted by Finley (1970:14).

<sup>347</sup> For Aristotle, the only natural limit on wealth-acquisition and profit could lie in one’s desires. But it is reasonable to think that in barter exchanges producers cannot seek unlimited profit since products themselves are no facile storage of value, as coined money is.

<sup>348</sup> I owe this reading to Lowry (1974). In barter, one’s utility diminishes with each extra unit of the goods he/she acquires and consumes. This is a natural satisfaction condition. The amount of profit that

buyers' willingness to pay the price that includes it. In short, there is no natural satisfaction condition that limits one's profit other than the aim of the trader and the prices themselves. The fault with μεταβλητική is that it may facilitate—although not necessitate—the pursuit of unlimited wealth and, hence, lead to parasitism and injustice. Hence, Aristotle may object to business in *Pol.* 1258a38-b2 because he thinks that the pursuit of unlimited wealth often leads one to gain at the expense of others. While Aristotle's analysis of just price allows for moderate profit as payment for traders who facilitate distribution, it does not allow for profit outside the bounds of the natural price as the pursuit of unlimited wealth requires. In short, one possibility is that Aristotle uses his Natural Standard to show that business is an unnatural mode of acquisition and *potentially* unjust because there is no natural limit on acquisition from trade.

Second, it is also possible that in the *Pol.* 1258a38-b2 passage Aristotle uses his Natural Standard<sub>1</sub> in order to contrast nature and humans as sources of wealth. His target is the forms of μεταβλητική whose source of wealth is neither nature nor production, but others. The trader can only get wealth “from the exchange itself, that is, from the other exchangers.”<sup>349</sup> The ethical stake of using others as a source of wealth is not clearly about the just price alone. Aristotle seems to argue here also the point that κατηλική is a form of injustice because it violates the Natural Standard. In this respect, the injustice of κατηλική implicated in *Pol.* 1258a38-b2 is a consequence of the fact that it is an unnatural kind of acquisition:<sup>350</sup>

And to just men—the just we consider to be those who do not live on others; which means those who work for their living, especially farmers and others who work with their own hands. (*Rhet.* 1381a24-25)

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exchangers seek depends on whether their desires for bodily gratification are excessive. For Aristotle, the pursuit of unlimited wealth results from the fact that desires are insatiable.

<sup>349</sup> Simpson (1998:58).

<sup>350</sup> See also *Econ.* 1343a25-30: “Now in the course of nature the art of agriculture is prior, and next come those arts which extract the products of the earth, mining and the like. Agriculture ranks first because of its justice; for it does not take anything away from men, either with their consent, as do retail trading and the mercenary arts, or against their will, as do the warlike arts. Further, agriculture is natural; for by nature all derive their sustenance from their mother, and so men derive it from the earth”. As the passage suggests the customer's consent is not enough to establish the justice of commerce.

In other words, οὐ γὰρ κατὰ φύσιν ἀλλ' ἀπ' ἀλλήλων ἐστὶν also means that καπηλική is an unnatural and unjust mode since it is not based on self-engendered work (given the Natural Standard<sub>3</sub>) and creates wealth from others. As we saw in 2.2.1, the natural modes of acquisition are based on self-engendered toil (αὐτόφυτον; *autophyton*; *Pol.* 1256a41); this involves either the collection or the production of goods. However, NS<sub>3</sub> allows that trade based on production, like barter, is natural because it is based on exchanging or selling one's own goods. Given NS<sub>1</sub>, business is not a natural source of wealth. Given, NS<sub>3</sub> trade based on production, like commercial agriculture, manufacture, and the extractive industries, is more natural than forms of trade which profit from the exchange itself, like καπηλική. The latter forms of trade may also lead to injustice.

My interpretation steers between the subjectivist and objectivist versions of the canonical reading. The objectivist form of this reading holds that business profit is an unfair increment on the just price. It assumes that trade is a zero-sum game because the amount of value of contested goods is fixed and the just price does not include payment for the trader's services. According to my reading, Aristotle's critique of business profit does not rest on the zero-sum premise (1). I do not rule out that he viewed trade as a zero-sum game—for he thinks that commodities and money are contested goods—but I disagree that the passage of *Pol.* 1258a38-b2 argues for this point. As I argued above, Aristotle's main point here is that καπηλική makes profit from others, not from production or nature. It is also *potentially* unjust since there is no natural limit on the desire for unlimited wealth and profit. Although καπηλική was considered parasitic, in principle, all μεταβλητική is *potentially* unjust, too for the same reason; the lack of a natural limit.

The second premise of the canonical reading is too narrow and cannot accommodate the pro-business evidence. Aristotle's analysis of just price and value allows for fair profit from local and international trade as payment for the traders' services and risks. The M-C-M cycle as such is no evidence of injustice.<sup>351</sup> Profit from local trade can really be accounting profit from the sale of goods bought in wholesale—as in foreign

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<sup>351</sup> Barker (1906:384).



trade. Their main ethical difference is that local traders often preyed on the needs of customers who visited the city.<sup>352</sup> Hence, Aristotle did not opt for a purely subjectivist conception of just price because, then, he should accept traders making unfair profit from consenting customers. Local retail trade was often parasitic and Aristotle was quick to condemn it in *Pol.* 1258a38-b2.

In sum, I reject the conclusion of the canonical interpretation: business profit does not *necessarily* violate commercial justice. The zero-sum assumption is not Aristotle's assumptions in *Pol.* 1258a38-b2. Also, their reading of the just price assumption (i.e. the second premise) is not correct. Hence, the conclusion does not follow. In my reading, Aristotle's view of business profit is the following:

- 1) Reciprocal justice requires that traders transfer as much value to customers (product) as they receive (money).
- 2) Business profit is just
  - a. When it is accounting profit:
    - i) Profit from production
    - ii) Profit as payment for the trader's service.
  - b. When the market price that includes one's accounting profit approximates its natural price.
- 3) There are kinds of business (e.g. commercial agriculture) which profit from production within the limits of the natural price.
- 4) Hence, business profit is not necessarily unjust.

I finally suggested that in *Pol.* 1258a38-b2 Aristotle objects to trade because it violates the teleological standards of his natural economy. He says that *καπηλική* is rightly disparaged perhaps because he expresses the sentiments of the time about petty traders and middlemen who often were parasitic. Farming was considered a just mode of acquisition because it was based on production in accord with natural providence. The injustice of *καπηλική* is a derivative point: business lacks a natural limit on profit; hence, it facilitates injustice because it allows for profit outside the limits of the natural price. However, the passage of *Pol.* 1258a38-b2 does not intend to establish

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<sup>352</sup> Hasebroek (1965:1-6). See also *Econ.* 1343a25-30.

the injustice of business profit as much as to show that business, especially *καπηλική*, is an unnatural mode of acquisition that may lead to injustice because it pursues unlimited wealth from others in the absence of a natural limit on profit. My reading squares the passage of *Politics* with the requirement of the just price, the pro-business evidence and the precariousness of business.

#### 5.4 Conclusion and Summary

For Aristotle the problem of business and commercial economies is their lack of a natural limit, like the natural price, on profit. Yet, his answer to the Master Question (2.a) is that business, especially the kinds that are not based on production, is an unnatural mode of acquisition. However, he does not say that business is necessarily an unjust mode of acquisition. Business profit can be had fairly as long as the market price of goods approximates their natural price. As we saw in chapter four, his answer to question (3) about just price requires the limit of natural price. However, he thinks that the pursuit of unlimited wealth in the absence of a natural limit on profit may lead to injustice. That is why he censured profit-maximizing and parasitic enterprises. His advice is that commercial exchanges should either be subsumed under household-management or be regulated by the state when the terms of an agreement are violated. Aristotle's answer to (2.a) informs also the Master Question (1.a). Householders should not live the mercantile life. Nor should they pursue such an irrational end as unlimited wealth. Yet, they should have basic knowledge of trade in order to be able to manage the sale of their surpluses.<sup>353</sup> Also, householders should know how to recognize profitable crops and, perhaps, how to invest in profitable business ventures run by alien residents as owners of capital.<sup>354</sup>

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<sup>353</sup> Roberts (2009:70-71).

<sup>354</sup> Hasebroek (1965:6-22).

## CHAPTER 6

### Markets, Business and Virtue

#### Overview

In this chapter I examine whether Aristotle held that business and, more broadly, commercial economies, undermine moral virtue and foster such vices as injustice. In particular, I seek to reconstruct his answer to the Master Question (2.b). In effect, I examine the reading, most prominently proposed by Scott Meikle, which holds that business is inimical to virtue. For Meikle, Aristotle's favorite arrangement is a use-based economy, characteristic of pre-capitalist societies, because he realized that commercial economies nurture greed:

[Aristotle] argues that there is an end built into the circuits of exchange value, partly present perhaps in C-M-C' and fully fledged in M-C-M', to which people adapt themselves and their behaviour. He does not think money and monetary exchange are neutral devices which human wickedness abuses by putting them to vicious ends. He thinks the vicious end is inherent in the institution itself.<sup>355</sup>

It is in the nature of M-C-M that it has no limit built into its form. For that reason, those who pursue it are engaged in a form of activity whose end is of such a kind that it has no limit. Whatever the degree of their personal propensity to greed may be, the nature of the end of the activity they are engaged in will usually ensure that their behaviour is greedy.<sup>356</sup>

On the one hand, Aristotle says that the mercantile life is inimical to virtue (*Pol.* 1328b34-1329a1). On the other hand, *Pol.* 1257b40-1258a7 implies that market exchange is a neutral device which non-virtuous agents—e.g. those attached to the life of physical gratification—misuse in order to maximize their wealth. He points out that the greedy person may use virtually everything, even noble vocations, as a source of profit (*Pol.* 1258a10-14).

The main question of the chapter is whether Aristotle thinks that business fosters the vices of illiberality and injustice or whether these arise independently from the

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<sup>355</sup> Meikle (1995:76).

<sup>356</sup> *Ibid.* 78. See also p. 99 and Meikle (1996:46).

practice of business. If the practice of commerce necessitates greedy and avaricious behavior, then we want to say that it fosters such vices as injustice because greed motivates injustice. Aristotle's answer to this question will help us understand in what way he thinks that commercial economies are inimical to moral virtue (*Pol.* 1328b39-40). This is the Master Question (2.b).

In section 6.1, I present the two competing interpretations regarding Aristotle's answer to the main question of this chapter: the structuralist and the agential readings. According to the structuralist reading, business nurtures acquisitive desires and vices. On the other hand, the agential reading is based on the passage *Pol.* 1257b40-1258a14. It puts weight on Aristotle's agential explanation: acquisitive desires are inborn in the agent; they do not originate from the institutions of a commercial economy. Also, the agential reading stresses that it is up to agents to manage the effects of business on their desires and characters.

In section 6.2, I present Aristotle's moral psychology of acquisition, *viz.* the virtues and vices related to wealth-acquisition, in order to examine how they arise. On the one hand, passages like *Pol.* 1257b40-1258a7 imply that the motives of greed and avarice characteristic of injustice and illiberality are inborn tendencies and, hence, independent from the institutions of money and business. However, Aristotle's moral psychology implies that these institutions could generate greed and avarice given that they operate on the basis of material self-interest and economic competition.

In the third section, I argue that the structuralist reading is not the correct reading of *Pol.* 1257b40-1258a14 because the vices of illiberality and injustice may arise in pre-market economies, too. However, the agential reading cannot explain away Aristotle's claim that the mercantile life is inimical to virtue. While his moral psychology implies that the virtues of liberality, justice, and temperance may offset the effects of the mercantile life on moral character, I argue that a city-state which prioritizes the pursuit of unlimited wealth above everything undermines virtue and happiness. According to the perfective sense of the priority of the city, citizens depend upon the end of the city for their full development and flourishing. Hence, a commercial city-

state is inimical to virtue, political life, and civic friendship. It is not up to agents to flourish ethically in such a city.

## 6.1. Agents vs. Structures: Interpretations

In this section I present Aristotle's views on the relationship between the life of money-making and the moral psychology of wealth-acquisition. Here is the question to be examined:

Does Aristotle think that greed and avarice arise as a result of the practice of business? Or is business a neutral device that serves to satisfy the desire of agents for excessive acquisition?

### 6.2.1 Structures or Agents?

This question can be formulated as a general question about agency vs. structure: do the economic structures explain individual traits and human agency? Or does human agency and individual traits explain the economic structures of a society? There is no doubt that both agency and structure should be cited in the explanation of the formation of character and structures. Yet, the controversy is concerned with the *primacy* of the one explanans over the other. For example, a structuralist approach would explain unjust behavior by the social structures that foster greed, not the other way around. Meikle, for example, seeks to show that commercial economies foster human vices, like greed. On the other hand, the agential approach is based on the idea that agents are free to shape their individual behavior independently from the social structures. On that score, acts of injustice and character traits, like greed, could be explained as the result of the autonomous actions or human nature. For example, the inborn propensity for excessive gain may explain the emergence of profit-seeking.

Aristotle's moral psychology is indeterminate in regards to these two paradigms. On the one hand, his theory of character formation holds that agents develop their dispositions and characters through habituation, which is a social process: character traits are not inborn but result from doing like acts— ἐκ τῶν ὁμοίων ἐνεργειῶν αἱ ἕξεις γίνονται (*NE* 1103b22-3). For example:

...[B]y doing the acts that we do in our transactions with other men we become just or unjust, and by doing the acts that we do in the presence of

danger, and being habituated to feel fear or confidence, we become brave or cowardly. (*NE* 1003b18-20)

On the other hand, his moral psychology is rich in agential concepts like φρόνησις (practical wisdom) and προαίρεσις (rational desire/choice). These psychological resources shape institutions and enable agents to act autonomously. While one's character is shaped by habituation under the guidance of the various agents of socialization, one's actions and character are ultimately formed by one's free actions: our virtues and vices are up to us (*NE* 1113b6-7). While moral character is the product of habituation, this process is up to us:

But we are ourselves responsible for having become this sort of person, by living slackly, and for being unjust or self-indulgent, in the first case by treating people badly, in the second by passing our time in drinking and that sort of thing; for it is the sort of activity we display in each kind of thing that gives us the corresponding character. (*NE* 1114a5-9)

What if one is not aware that qualities of character result from doing like acts? Aristotle argues, rather unpersuasively, that to ignore this is a sign of a thoroughly senseless person (*NE* 1114a9). Also, in an extended discussion (*NE* III.2-4), Aristotle argues that the object of decision (προαίρεσις) is the same with the object of deliberation; they are both about things that are up to us (*NE* 1111b30). For example, we do neither deliberate about nor choose to find 'a cache of treasure' (*NE* 1112a28) although we may wish we found one. Furthermore, an ethical virtue is a 'disposition that issues in decisions' and our dispositions embody a view of the good (*NE* 1106b36).

Surely, there is circularity in Aristotle's theories of character formation and moral responsibility. If the social environment shapes the character of agents, how could agents be responsible for their characters and for the actions that stem from these dispositions since agents cannot elect their dispositions at an early age? Aristotle insists on that agents are responsible for their voluntary acts and that their characters are of their own, voluntary, making but does not explain how this could be possible. Since it is not my purpose to discuss further this difficulty, I will proceed to present the two main readings, the structuralist and the agential.

### 6.1.2 *The Structuralist Reading*

#### i. *Meikle*

According to Scott Meikle, Aristotle contends that greed (*πλεονεξία*) arises from all modes of chrematistics which aim at the maximization of exchange value, not from business alone. For Meikle, Aristotle's objection to business is that it aims at the accumulation of unlimited wealth through the maximization of exchange value:

Trade by its nature does not belong to the art of acquiring true wealth, because its aim is wealth as a quantity of exchange value in the form of money, or wealth 'of the spurious kind'. [Meikle (1996:139)]

That is, the pursuit of spurious wealth is built in the institutions of money and business. His reading is based on Aristotle's account of the confusion between natural and unnatural chrematistics in *Pol.* 1257b33-1258a7. Aristotle says that both kinds use the same instrument, *viz.* money. For Meikle, Aristotle implies that the institutions of money and business are not neutral devices which agents misuse to satisfy their predisposition to excessive acquisition:

He [i.e. Aristotle] argues that the end of exchange value, built into M-C-M, is something to which people adapt themselves and their behaviour. He does not think money and monetary exchange are neutral devices which human wickedness abuses by putting them to vicious ends. He thinks the vicious end is implicit in the institution itself. He does not explain the origin of the erroneous idea that wealth is unlimited as lying in vicious human propensities, as we might have expected perhaps, but in the existence of the form of exchange value itself; it is this that 'has in fact suggested the notion that wealth and property have no limit' [Meikle (1996:146)]

Meikle explains that agents pursue spurious wealth because they have to adapt to the behavioral demands of the institutions of money and business. While he agrees with Ross and Barker, who point out that greedy people might misuse all forms of exchange in order to acquire spurious wealth, he insists that Aristotle's point is different. It is not that greed urges maximizing behavior, although it often does so indiscriminately, but the other way around:

Pleonexia [i.e. greed], simply wanting too much, is a human failing, and human failings are not Aristotle's theme here. He is discussing a particular form of wealth, the money form, which is in its nature without a limit, so that those engaged in it pursue an unlimited end, with the result that their

behaviour is systematically made into something indistinguishable from pleonexia even though they might not themselves be greedy people. The desire for too much is always there to cause bad behaviour, and Aristotle is not one to forget it. But this is not what he has in mind. His point is that C-M-C, as an institution or form of behaviour, has a limit built into its form: exchange comes to an end with the acquisition of a use value that is needed... His point is about the nature of the activity of M-C-M and the end it embodies. It is in the nature of M-C-M that it has no limit built into its form... Whatever the degree of their personal propensity to greed may be, the nature of the end of the activity they are engaged in will ensure that their behaviour is greedy.<sup>357</sup>

For Meikle, Aristotle's foremost concern is to show that the M-C-M cycle generates greedy behavior *necessarily* because it lacks a natural terminus and, hence, it leads to perpetual accumulation. In contrast, C-M-C exchange does not necessarily generate greedy behavior because it is limited by its purpose; the natural terminus of C-M-C cycle is use. Shortly afterwards, Meikle concedes that Aristotle's psychological explanation of business in *Pol.* 1257b40-1258a7 cites the natural propensity towards pleasure as the reason that explains maximizing behavior:

Aristotle stresses that human propensities have a share for the evils of exchange value...The forms of exchange value, which are socially devised, exacerbate what are already human propensities for seeking pleasure and acting on shallow ideas of human wellbeing, and those natural propensities in turn reinforce the social forms.<sup>358</sup>

Actually, Aristotle argues that agents, driven by the propensities for pleasure and a false conception of the good life, use exchange for-profit in order to satisfy their insatiable desire for pleasure. Meikle stresses that the institution of exchange recycles the maximizing behavior of agents by *compelling* it. However, this is different from what Meikle says above. He said above that the institutions of money and business necessitate greedy behavior. Here he admits that there is a natural propensity for greed that the institutions intensify. Perhaps, Meikle is not careful enough to distinguish the structuralist from the agential explanation. Or he thinks that Aristotle recognizes both elements but gives priority to the effect of structure on agents. In any case, for Meikle, Aristotle does not object to business as such but to the institution of exchange value as

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<sup>357</sup> Meikle (1996:146).

<sup>358</sup> Ibid. 147.



a whole because it creates the maximizing behavior of *all* professionals.<sup>359</sup> However, his reading is not the strong structuralist claim that economic institutions *create* or *necessitate* greedy desires that had never existed before but rather that the institution *intensifies* the propensity to greed *necessarily*. As we saw in chapter 5.2, Meikle does not explain where Aristotle says that the M-C-M cycle necessitates greedy behavior. Yet, this is the core idea of his reading: agents pursue unlimited wealth and become greedy because M-C-M commercial exchanges lack a natural terminus. The further, missing, assumption here is that agents are not able to limit their inclination towards unlimited wealth themselves or that agents cannot resist the influence of institutions on their character. I critically discuss Meikle's reading in section 6.2.

#### ii. *Aristotelian Critics of the Market System*

Apart from Meikle, Aristotle's critique of business has inspired a number of critics of the market system who argue that he rejects the principles that drive commercial economies, such as the principle of profit-maximization. These critics admit that Aristotle's critique does not target the market system as we know it—*viz.* interconnected markets operating on aggregate supply and demand—but with the emerging market economy of his time, especially for its crowding out effects on virtue. In other words, these commentators think that Aristotle's critique rests on the structuralist assumption that the market system either necessitates greed or crowds out the virtues, like justice. Let us see three notable structuralist readings of Aristotle.

**Spencer Pack** argues that “Aristotle would say that our current problem [i.e. of insatiable desires and greed] largely results from our method of acquisition.”<sup>360</sup> Like Meikle's, Pack's reading stresses that M-C-M and M-M compel economic agents to profit-maximization because of the competitive nature of the market economy. Pack does not offer a full reading of Aristotle but seeks to understand the implications of his critique of business for modern market economies. In particular:

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<sup>359</sup> For Meikle (1995:125) Aristotle's criticism targets the institution of exchange value because it compels all professionals—traders, doctors, teachers, sophists, generals, etc.—to maximizing behavior, not tradesmen in particular.

<sup>360</sup> Pack (1985:392).

This second form of acquisition, the use of money to make more money, is much more prevalent in the twentieth century than it was in Aristotle's time. Pack (1985:392)]

For Pack, the modern problem is the following:

Indeed, the economists' hypothesis that firms are more or less forced by competition to maximize profits under threat of extinction seems to be largely a reflection of the fact that firms do indeed use money to make more money. Given that our society is largely based upon the form of acquisition where money is used to make more money, and that this form of acquisition knows no limits, then it seems very unlikely that our wants (in this form of society) will ever be satiated.<sup>361</sup>

Pack thinks that the pursuit of exchange value built in the market economy causes intense competition and the insatiable desire for more exchange value. Our desires can never be satiated because the system of exchange value itself is unlimited and competitive. It is not clear what Pack means by 'insatiable' desires. He probably refers to Aristotle's analysis of the nature of sensual desires in *Pol.* 1257b40-1258a7: they are insatiable because the desire for physical gratification itself is unlimited and insatiable. The upshot of Pack's interpretation is that Aristotle's solution to the problem of acquisitiveness "would probably involve nothing less than a change in our entire socio-economic system."<sup>362</sup> We may summarize his reading as follows: if profit-maximization is the *modus operandi* of economies of exchange value, then this pursuit crowds out other motives.

In a similar vein, **Thomas Lewis** reconstructs the psychology of acquisitiveness of *Pol.* I.9 on the basis of the emotion of anxiety.<sup>363</sup> Lewis argues that Aristotle was aware that commercial economies incite the pursuit of ever-increasing wealth and rivalry among citizens. For Lewis, Aristotle thinks that business is unnatural because it seeks unlimited wealth. That is, unnatural acquisition means also excessive or unlimited acquisition:

His [i.e. Aristotle's] distinction between natural and unnatural acquisition is directed at the problem of excess property. Acquisition beyond the necessary amount is a diversion of the citizen's capacities from the sphere of polis life,

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<sup>361</sup> Pack (1985:392).

<sup>362</sup> Ibid. 391.

<sup>363</sup> Lewis (1978:69-90).

and these goods (by definition) cannot be put to proper use. Such acquisition is therefore unnatural. Aristotle's condemnation of excess acquisition is not a condemnation of acquisition per se; the mode of acquisition may well be natural, but if the resulting product is excessive it then is unnatural.<sup>364</sup>

According to Lewis' reading, acquisitiveness rests on the "anxiety about livelihood", *viz.* about the sufficiency of property.

Both health and wealth are necessary components of livelihood, and it is anxiety about livelihood that induces men to secure livelihood by seeking both to excess.<sup>365</sup>

Lewis thinks that the anxiety of economic survival is most intense in the mercantile life because trade is precarious and complex.

The relatively precarious position of the household dependent on foreign trade can be rectified only by a greater attention to acquisition. Simply to be able to count on adequate property the household head is obliged to enlarge his fleet and ensure that it is widely dispersed. He must seek out new markets and a wider variety of products to transport. He may find it necessary to arm his ships and see to the outfitting of warships for protection. He may also find it necessary to move from shipping per se into related activities such as warehousing and marketing of his cargoes. To meet the need of ensuring adequate property he must expand and diversify to compensate for the uncertainties arising from his mode of acquisition, and by so doing he becomes locked into the problem of acquisition, thereby diminishing the opportunity for turning away from concern with the household and using property as a basis for polis life.<sup>366</sup>

According to Lewis, securing a sufficient amount of wealth through commerce requires increased acquisitiveness and full engagement with the intricacies of trade, especially of foreign trade which was affected by the precariousness of weather, piracy, currency, etc. For Lewis, Aristotle realized that the anxiety-ridden life of commercial societies tends to crowd out justice and civic friendship. His interpretation emphasizes the contrast between anxiety and reciprocity: "Only if both parties are satisfied with the exchange can the exchange process serve to minimize anxiety about future deficiencies being adequately met."<sup>367</sup> Lewis thinks that, for

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<sup>364</sup> Lewis (1978:73).

<sup>365</sup> *Ibid.* 75.

<sup>366</sup> *Ibid.* 77.

<sup>367</sup> *Ibid.* 79.

Aristotle, friendship is a necessary condition for reciprocal, hence, just exchanges and argues that reciprocal exchange can “take place with someone who can be counted on not to attempt to take advantage of a deficiency.”<sup>368</sup> However, market economies undermine reciprocity because they intensify economic rivalry among citizens, thus undermining civic friendship which is essential for socio-political stability. Lewis’ reading assumes that, for Aristotle, commercial exchange is a zero-sum practice: one exchanger exacts from the other the highest price “by hard bargaining backed by the threat of no exchange.”<sup>369</sup> According to Lewis, the anxiety-driven acquisitiveness may also obliterate the political mission of the city turning the attention of citizens towards economic pursuits either through commerce or warfare:

The necessity of continuously increasing acquisition is a perversion which obliterates the proper end of acquisition and converts the means into a pseudo end. Indeed the household head may be driven to subvert the polis life of others by persuading his fellow citizens to commit their resources to commercial and military enterprises designed to further secure and enhance his mode of acquisition. A number of such households threaten the corruption of the polis itself, by converting it to an essentially economic and military institution devoted to acquisition and the maintenance of livelihood.<sup>370</sup>

For Lewis, Aristotle’s solution to the problem of acquisitiveness is the middle way between “dependency on property as a necessary means” and “the courage to turn away, through one’s own volition, from further acquisition that could apparently maximize the security of one’s livelihood.”<sup>371</sup> Hence, his reading acknowledges the possibility of agents managing their desires away from excessive acquisition although he does not clarify whether Aristotle thinks this would be possible in a market-oriented economy.

**Alasdair MacIntyre**, a notable Aristotelian critic of the market system, draws on Aristotle’s theory of virtue in order to construct his ethical critique of the market system. MacIntyre seeks to establish that the profit-motive ultimately crowds out the virtues and corrupts productive practices. Since he has not offered a close reading of Aristotle’s text on chrematistics, I will not discuss his work in detail. Yet, we should

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<sup>368</sup> Lewis (1978:78).

<sup>369</sup> Ibid. 78.

<sup>370</sup> Ibid. 77.

<sup>371</sup> Ibid. 75.

keep in mind that MacIntyre's distinction between goods internal and goods external to professional practices is an ingenious way to reconstruct and interpret Aristotle's passage about the commercialization of professions (*Pol.* 1258a7-14). MacIntyre shows that it is impossible to obtain the internal goods by cheating, whereas the external goods, like money, can be obtained by both moral and immoral means. MacIntyre explains that the pursuit of unlimited wealth is so antithetical to virtue that "possession of the virtues may perfectly well hinder us in achieving external goods."<sup>372</sup> In my view, Aristotle's passage about the commercialization of professions, especially the noble ones like medicine and generalship, can be explained by MacIntyre's idea that commercial economies **crowd out** the motives that move agents to achieve goods internal to these practices through excellent and ethical performance; cheating along the way would not help obtain these goods. MacIntyre's Aristotelianism concludes my outline of the structuralist approach.

### 6.1.3 *The Agential Reading*

The competing interpretation is that business is not the cause of greed; rather, greed is a failing of human psychology and business is a neutral instrument that greedy persons misuse in order to satisfy their pre-existing excessive desires for gain and physical gratification.

#### i. *William Kern & Ryan Balot*

**William Kern** reads Aristotle in non-structuralist terms. He starts from Aristotle's conception of a natural, household-based economy that was embedded in social and cultural reality. In this respect, Kern's reading adopts Polanyi's and Lowry's historical understanding of ancient economy.<sup>373</sup> On that score, the individual and collective economic ends characteristic of market economies—such as profit

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<sup>372</sup>MacIntyre's (1984:196) analysis of professions illuminates how the commercialization of professions crowds out the virtues. This account can be usefully applied to Aristotle's remark about professions in *Pol.* 1258a7-14. MacIntyre argues that the aim of business is the acquisition of external goods, not the achievement of internal goods, e.g. expert knowledge, pride of achievement, and the moral virtues required for excellent practice. The pursuit of external goods may crowd out the virtues attached to professional practices.

<sup>373</sup> Their approach is part of the so-called 'substantivist' approach to the economic history of pre-capitalist economies. This is opposed to the 'formalist' approach which holds that the economy of Aristotle's time was a primitive economy which differed only in scale, not in principle, from modern market economies.

maximization, efficiency and economic growth—were not driving the economic and socio-political life of ancient city-states. This is an important step in Kern's interpretation. He holds that instead of maximizing the efficient use of scarce resources in pursuit of profit-maximization and utility-maximization, Aristotle held that agents should regulate their unlimited or acquisitive wants in accord with his hierarchy of ends, where economic pursuits are subsumed under the non-economic, higher end of happiness.<sup>374</sup> For Kern, Aristotle's solution to the economizing problem of societies is exemplified by his agent-focused solution to the problem of property distribution in *Pol.* II.7. Aristotle says:

So, while equalizing the property of citizens is among the things that helps prevent faction, it is certainly no big thing, so to speak. For cultivated people would get dissatisfied, on the grounds that they do not merit equality. That is why they are often seen to engage in sedition and start faction. Besides, human greed is an insatiable thing. Thus two obols is enough at first, but once that has become traditional, they go on always asking for more, until they go beyond all limit. For there is no natural limit to desires, and satisfying them is what the many spend their lives trying to do. The starting point in such matters, therefore, rather than leveling property, is to arrange that naturally decent people are disposed not to want to be acquisitive, and that base ones cannot be (and this is the case if they are weaker and are not treated unjustly. (*Pol.* 1267a37-1267b9)

Aristotle here argues that since there is no natural limit in the desire for physical gratification, the solution is to educate the desires of those who are more amenable to reason and to, somehow, arrange (or perhaps regulate) the economic activity of those—the ignoble ones—who are less disposed to virtue. Kern's reading links this passage with *Pol.* 1257b40-1258a7 where Aristotle shows that the desire for physical gratification is insatiable in those who misconceive the good life with the life of physical gratification.<sup>375</sup> For Kern, the Aristotelian solution to the problem of greed suggests a non-structuralist explanation: greed is a natural predisposition; hence, it arises independently from the practices of commercial economies. If Aristotle thought that economic institutions foster greed, he would have argued that problems of economic justice should be solved by regulation—e.g. by equalizing property. As

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<sup>374</sup> Kern (1983) here appeals to Aristotle's analysis of happiness in *NE* I; *viz.* happiness does not consist in wealth accumulation but in virtue, practical and intellectual.

<sup>375</sup> Kern (1983:507) correctly refers back to *Pol.* 1267a40 because here Aristotle argues that the desire for wealth required for the satisfaction of bodily desires is insatiable.

Kern suggests, Aristotle was not in favor of a wholesale rejection of the market solution to the economizing problem of societies because he thought that market exchanges are necessary and that greed is a natural predisposition that can be counteracted by the virtues, without modifying the institutions of a market economy. He agrees with Lowry that, for Aristotle, there is no inherent natural limit in human desires for excessive wealth. Hence, for Kern, Aristotle explains greed in agential terms since his interpretation places human reason in the driver's seat of economic behavior: reason can ultimately set the upper limit on the desire for excessive wealth, setting the proper economic ends.<sup>376</sup>

**Ryan Balot**, too, claims that the passage of *Pol.* 1257b40-1258a14 clearly supports an agential explanation of greed.<sup>377</sup> Although he recognizes that business and money may intensify or even incite the desire for excessive wealth, Balot's Aristotle holds that greed arises independently from such institutions.<sup>378</sup> That is why, says Balot, "Aristotle laments that as a matter of fact *all* wealth getters, even householders, try to increase their holdings without limit";<sup>379</sup> their natural tendency to seek pleasure disposes agents to confuse the end of natural chrematistics with the end of unnatural chrematistics as the passage suggests. Balot also offers a very useful discussion of greed and argues that it differs from acquisitiveness which is the subject of the passage. In general, commentators, especially structuralists, assume that the desire for excessive wealth that motivates unlimited acquisition is the same vice with greed. However, greed is the state which motivates particular injustice. Also, the subject matter of *Pol.* 1257b40-1258a14 is not greed. Aristotle's explanation of greed is based mainly in *NE* V.1-2 and X.7. I examine greed in section 6.2.

In sum, the structure of commercial economies is supposed to explain the deleterious effects of market economies on virtue. The structuralist interpretation does not make a close reading of Aristotle's analysis of how the vices of injustice and illiberality arise. Do they arise from repeated profit-maximizing behavior or from an inborn tendency

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<sup>376</sup> This idea is based on Aristotle's solution to the economizing problem. See Gordon (2005): "For Aristotle economics is predominantly concerned with the question of selecting the end or aim to be satisfied, given the availability of certain means" (p. 401).

<sup>377</sup> Balot (2001:34-44).

<sup>378</sup> *Ibid.* 38.

<sup>379</sup> *Ibid.* 39.

to physical gratification? In the latter case, the vice of injustice may arise in all kinds of economy, market and pre-market ones. On the other hand, the agential reading holds that business does not necessitate vices, like injustice. However, in the next section I argue that Aristotle's analysis of self-love (φιλαυτία) in *NE* IX.8 suggests that commercial injustice arises with selfishness. Since business prioritizes the selfish pursuit of unlimited wealth, it is inimical to virtue. The next section is an attempt to understand the structure of economic vices.

## 6.2 Economic Vices and Commercial Economies

Aristotle censures commerce and money-lending because they operate on the principle of profit-maximization (*Pol.* 1257b3-5; 1258a9-14) and the pursuit of unlimited wealth (*Pol.* 1257b23-34). In *NE* V.1-2 he links profit-seeking with greed (πλεονεξία; the state that prompts injustice),<sup>380</sup> καπηλική with acquisitiveness (*Pol.* 1257b40-1258a7), and avarice with illiberality (*NE* IV.2). We need to read closely Aristotle's analysis of greed, avarice, illiberality and injustice and examine how he thinks that these vices arise.

### 6.2.1 Greed, Illiberality and Particular Injustice

Some commentators argue that there is no single characteristic desire or emotion which is specific to particular justice. For example, Bernard Williams points out that there are acts of injustice which are not motivated by greed (πλεονεξία); injustices like grabbing the property of others or refusing to repay a debt could be motivated by malice or revenge.<sup>381</sup> Aristotle does not state the connection between greed and commercial injustice in *NE* V.5 but there is a recognizable connection between profit-seeking behavior and commercial injustice in the *NE* V.2 (*NE* 1129b1). The vice of injustice belongs to the class of particular vices, like cowardice and self-indulgence (*NE* 1130b15-16):

Evidently, therefore, there is apart from injustice in the wide sense another, 'particular', injustice which...is concerned with honour or money or safety—or

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<sup>380</sup> In his analysis of justice as a virtue, Aristotle says that the predicate 'just' characterizes the person that is not grasping, whereas 'unjust' refers to the person that acts from graspingness (*NE* 1129b1).

<sup>381</sup> Williams (1980).



that which includes all these, if we had a single name for it—and its motive is the pleasure that arises from gain. (NE 1130a31-b3)

The sphere of application of particular justice is the sphere of exchange and the sphere of distribution of benefits and burdens—in particular, the distribution of the contested goods, *viz.* wealth, honor and safety (NE 1130b1-3). ‘Gain’ here should have the sense of unfair gain because greedy agents are disposed to getting more of the goods or less of the ills of fortune than they ought (NE 1129b6-10).<sup>382</sup> Moreover, acts of particular injustice—e.g. profiteering or refusing to repay a debt—differ from acts of general injustice—e.g. committing adultery or deserting one’s comrades during battle. The former, says Aristotle, are motivated by greed, while the latter are motivated by such vices as intemperance and cowardice respectively (NE 1129b19-24). In particular:

There is, then, another kind of injustice which is a part of injustice in the wide sense, and a use of the word ‘unjust’ which answers to a part of what is unjust in the wide sense of ‘contrary to the law’. Again, if one man commits adultery for the sake of gain and makes money by it, while another does so at the bidding of appetite though he loses money and is penalized for it, the latter would be held to be self-indulgent rather than grasping, but the former is unjust, but not self-indulgent; evidently, therefore, he is unjust by reason of his making gain by his act. Again, all other unjust acts are ascribed invariably to some particular kind of wickedness, e.g. adultery to self-indulgence, the desertion of a comrade in battle to cowardice, physical violence to anger; but if a man makes gain, his action is ascribed to no form of wickedness but injustice. Evidently, therefore, he is unjust by reason of his making gain by his act. (NE 1130a22-33)

Adultery for the sake of gain is not gain from a commercial exchange but Aristotle’s point here seems to be that acting unjustly for the sake of gain (i.e. from greed) separates particular from general justice, too.<sup>383</sup> Those who act from greed violate particular justice; those who act from some other motive (e.g. adultery due to intemperance) commit a general injustice. This is the connection between greed and particular injustice in the *Nicomachean Ethics* V.1-5: the greedy person is someone who gets an undue gain in an exchange or acts unjustly for the sake of gain.

<sup>382</sup> Particular justice as a virtue is fairness in sharing (NE 1129a32-35). Aristotle says that the just is also fair (ἴσον; i.e. the fair or equal-minded; hence, τὸ μὲν δίκαιον ἄρα τὸ νόμιμον καὶ τὸ ἴσον). In contrast, injustice refers to the unfair (τὸ ἄνισον).

<sup>383</sup> The adulterous act is unjust in the particular sense, perhaps, because the adulterer he/she fakes love in order to deceive his/her lover and, hence, does not reciprocate the love he/she receives.

Particular injustice and illiberality are supposed to be separate vices. According to Aristotle, illiberality is “the deficiency in giving and the excess in getting” (τῆ τ’ ἐλλείψει τῆς δόσεως καὶ τῆ ὑπερβολῆ τῆς λήψεως; *NE* 1121b18-19):<sup>384</sup>

Others again exceed in respect of taking by taking anything and from any source, e.g. those who ply sordid trades, pimps and all such people, and those who lend small sums and at high rates. For all of these take more than they ought and from wrong sources. What is common to them is evidently sordid love of gain; they all put up with a bad name for the sake of gain, and little gain at that. For those who make great gains but from wrong sources, and not the right gains, e.g. despots when they sack cities and spoil temples, we do not call mean but rather wicked, impious, and unjust. (*NE* 1121b33-1122a6)

In this respect, illiberality in taking resembles to injustice because they both involve the love of gain and excessive taking—*viz.* taking more than one ought to take. The obvious difference between them is that illiberality is based on sordid sources of gain (αἰσχροκερδής), whereas injustice is based on cheating in an exchange. Their psychological difference is not obvious. A number of commentators suggest further that the πλεονέκτης desires to gain because he/she feels pleased that others lose.<sup>385</sup> But this is not the pleasure of a fair win, like in a game of chess. According to this interpretation, the greedy person derives pleasure from *unfair* gain, e.g. by cheating others, hence, by stripping others from their due. Let us see these glosses in more detail.

Richard Kraut explicates the desire to deprive others from their holdings as ἐπιχαιρεκακία, i.e. feeling pleasure at another’s undeserved losses.<sup>386</sup> According to his analysis, νέμεσις is the disposition to feel pain when someone does well undeservedly and lies between envy, *viz.* feeling pain at one’s deserved good fortune and ἐπιχαιρεκακία. Kraut identifies πλεονεξία with ἐπιχαιρεκακία: what pleases the

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<sup>384</sup> According to Aristotle, the virtue of liberality lies in a mean between the vices of illiberality and prodigality: “With regard to giving and taking of money the mean is liberality, the excess and the defect prodigality and meanness.” He defines the liberal person as someone who “will both give and spend the right amounts and on the right objects, alike in small things and in great, and that with pleasure; he will also take the right amounts and from the right sources. (*NE* 1120b26-31)”. The important point about acquisition here is that the liberal agent takes the right amount from the right sources.

<sup>385</sup> Curzer (1995:215).

<sup>386</sup> Kraut (2002:139). See pp. 136-141 for Kraut’s interpretation.

πλεονέκτης is that others will suffer from the undeserved loss, when evil befalls others. So, causing suffering to others is part of the motive of greed.

In a similar vein, **Curzer** suggests that *πλεονεξία* is the desire for a larger share of goods “*qua* more than one’s share out of a desire to cheat others of what they deserve”; gain for the *πλεονέκτης* agent is gain at the expense of others.<sup>387</sup> The agent wants more only in a way that violates fairness. Its opposite is *μειονεξία* (*meionexia*), a masochistic desire for a smaller amount of goods than one’s due which brings the agent at a disadvantageous position in relation to others.<sup>388</sup> In Curzer’s analysis, particular justice is the virtue that lies between the extremes of *πλεονεξία* and *μειονεξία*. For Curzer, while particular injustice and illiberality share the desire to acquire an excessive amount of goods, they differ in what appeals to the unjust who is *πλεονέκτης* and to the illiberal who is *αἰσχροκερδής*: the first derives pleasure from undeserved gain while the second derives pleasure from the excessive amount of goods.

But Kraut’s and Curzer’s readings make *πλεονεξία* a rarer vice than is fit for Aristotle’s analysis of commercial justice which is concerned with a very ordinary practice among ordinary people (*NE* V.5). According to this reading, those who would fail to reciprocate in exchanges due to greed (*πλεονεξία*) should be regarded as desiring undue gains *intrinsically* which is rather unusual and rare.

Others suggest that greed is excessive competitiveness.<sup>389</sup> By increasing his/her property, the greedy person gains a competitive advantage over others. This reading is based on the idea that external goods are contested because they are scarce and, hence, that commercial exchange is a zero-sum game. Therefore, the greedy can only

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<sup>387</sup> Curzer (1995:215).

<sup>388</sup> *Ibid.* 220.

<sup>389</sup> Williams (1980). Irwin (1988:426) stresses that greed involves the desire for a competitive advantage. This reading of *πλεονεξία* agrees with the dictionary definition of Liddell and Scott who render it as “greediness with a view to one’s own advantage” since it stresses the comparative function of the term ‘advantage’ and the competitive context of allocations; greed is about goods that are objects of competition (*NE* 1168b15-23). Hence, if competitiveness is the mark of *πλεονεξία*, the *πλεονέκτης* person is someone who is moved to acquire an undeserved gain because he/she desires to have more than others. Yet, the desire to have more than others is not clearly about gaining for the sake of gain; it might be for the sake of assuaging one’s excessive sensual desires.

increase their property by getting a larger share of the contested goods than they ought. On that score, the unjust person would be someone who seeks to gain because he/she desires to have more than others for the sake of superiority; the unjust is not someone who desires excessive wealth in order to satisfy his/her insatiable desires (*ἀπληστία*; *Pol.* 1267b1-5). In this respect, greed and injustice could be explained by excessive competitiveness.

However, there is evidence that the psychology of greed resembles to that of avarice which is marked by the desire for excessive wealth in order to gratify the insatiable desire for physical gratification:

And the **avarice** of mankind is **insatiable**; at one time two obols was pay enough; but now, when this sum has become customary, men always want more and more without end; for it is of the nature of desire to be unlimited, and most men live only for the gratification of it. (*Pol.* 1267b1-5)<sup>390</sup>

Those who use the term as one of reproach ascribe self-love [i.e. *φιλαυτία*] to people who assign to themselves the greater share of wealth, honours, and bodily pleasures; for these are what most people desire, and busy themselves about as though they were the best of all things, which is the reason, too, why they become objects of competition. So those who are grasping [i.e. *πλεονέκται*] with regard to these things [i.e. wealth, honours, and bodily pleasures] gratify their appetites and in general their feelings and the irrational element of the soul; and most men are of this nature (*NE* 1168b15-21)<sup>391</sup>

In these passages, there is an obvious connection between greed and the urge to satisfy one's insatiable desires for the sake of physical gratification.<sup>392</sup> Greed, the desire for more possessions than one already has (*ἀεὶ δέονται τοῦ πλείονος*), here is explained by the insatiability and unlimitedness of human desire (*ἄπειρος γὰρ ἡ τῆς*

<sup>390</sup> Translated by Jowett who renders *ἄπληστον* as avarice and connects it with *πλεονεξία* (*πλείονος* and *πλεονεκτεῖν*): ἔτι δ' ἡ πονηρία τῶν ἀνθρώπων *ἄπληστον*, καὶ τὸ πρῶτον μὲν ἰκανὸν διωβελία μόνον, ὅταν δ' ἤδη τοῦτ' ἦ πάτριον, ἀεὶ δέονται τοῦ *πλείονος*, ἕως εἰς ἄπειρον ἔλθωσιν. ἄπειρος γὰρ ἡ τῆς ἐπιθυμίας φύσις, ἧς πρὸς τὴν ἀναπλήρωσιν οἱ πολλοὶ ζῶσιν. τῶν οὖν τοιούτων ἀρχή, μᾶλλον τοῦ τὰς οὐσίας ὀμαλίζειν, τὸ τοὺς μὲν ἐπικεῖς τῇ φύσει τοιούτους παρασκευάζειν ὥστε μὴ βούλεσθαι *πλεονεκτεῖν* (*Pol.* 1267b1-5).

<sup>391</sup> Δῆλον. οἱ μὲν οὖν εἰς ὄνειδος ἄγοντες αὐτὸ φιλαύτους καλοῦσι τοὺς ἑαυτοῖς ἀπονέμοντας τὸ πλεῖον ἐν χρήμασι καὶ τιμαῖς καὶ ἡδοναῖς ταῖς σωματικαῖς· τούτων γὰρ οἱ πολλοὶ ὀρέγονται, καὶ ἐσπουδάκασιν περὶ αὐτὰ ὡς ἄριστα ὄντα, διὸ καὶ περιμάχητὰ ἐστίν. οἱ δὲ περὶ ταῦτα *πλεονέκται* χαρίζονται ταῖς ἐπιθυμίαις καὶ ὅλως τοῖς πάθεσι καὶ τῷ ἀλόγῳ τῆς ψυχῆς·

<sup>392</sup> Also, greed might be based on the love of money (*φιλοχρηματία*). About *φιλοχρηματία* see *Pol.* 1263a40-b5 and *Pol.* 1271a16-17. See also about *φιλοχρηματία* and injustice: "Yet pretty well the majority of deliberate acts of injustice are caused among men by ambition and love of money" (*Pol.* 1275a15-17). However, Aristotle does not explain whether he refers to particular or general justice.

ἐπιθυμίας φύσις). Also, Aristotle says that the greedy person (πλεονέκτης) is selfish (φίλαντος); he/she pursues a greater share of wealth for the sake of gratifying the irrational element of their soul, their appetites. Here Aristotle seems to connect the desire for gain with selfishness which may issue in injustice. I will come back to this point shortly.

So far, we know that the illiberal person has a sordid love of gain (αἰσχροκερδής), *viz.* he/she or takes more than one ought to take from the wrong sources, and the greedy person gets more than one ought in exchanges and distributions of contested goods. Yet, the psychological difference that underlies particular injustice and illiberality in taking is not clear since both the unjust and the illiberal persons are also avaricious; they seek more than they ought to because of their insatiable desire for physical gratification.

For Aristotle, greed motivates particular injustice (e.g. *NE* 1130a22-33) and illiberality motivates general injustice. Is there a clear psychological difference apart from the difference in spheres of application—*viz.* the distribution of contested goods vs. the source of goods/wealth? We need to understand their psychological structure in order to understand how they arise. **Charles Young** argues that greed consists “in the absence of a certain restraint on the desire for gain.”<sup>393</sup> Hence, the unjust person lacks restraint in regards to the desire for excessive and undue gain, whereas the “just person does not want gain when it involves taking what belongs to another.”<sup>394</sup> For Young, both the greedy and the illiberal persons desire excessive gain but they differ in that the former lacks the inhibition on that desire. Hence, while the illiberal desire to gain, too, they are not greedy because they can curb their appetite for gain. Yet, Aristotle says that there are several kinds of illiberal persons; some of them may put up with the disgrace of sordid gain: they often take more than they ought to from the wrong sources, especially for small gains (e.g. they lend small sums at high rates; *NE* 1121b32-1122a13). Young’s reading assumes that the illiberal agents can curb their desire for gain. However, as *NE* 1122a1-13 shows, some of the illiberal in taking lack the inhibition on the desire for gain, too.

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<sup>393</sup> Young (2005:191-92).

<sup>394</sup> *Ibid.* 192.

Also, Young's reading implies that particular justice is essentially the ability to inhibit the desire for unfair gain. Yet, Aristotle individuates justice as the wish for what is just (*NE* 1129a7-10).<sup>395</sup> In other words, the just person is disposed to act virtuously and do the right thing (general justice) or to get due shares (particular justice). Trivially, particular justice is the disposition to take a due share of goods, not merely the disposition to inhibit greed. A way to amend Young's reading is to show that there is a positive psychological state which underlies particular justice. I propose that this state is proper self-love (*φιλαυτία*). According to Aristotle, the proper kind of self-love motivates agents to seek the noble:

In all the actions, therefore, that men are praised for, the good man is seen to assign to himself the greater share in what is noble. In this sense, then, as has been said, a man should be a lover of self; but in the sense in which most men are so, he ought not. (*NE* 1169a35-b2)

The good person is someone who gratifies and obeys the rational element of his/her soul; loving one's intellect (*nous*),<sup>396</sup> the best part of oneself, is the noble way of loving oneself (*NE* 1168b29-1169a11). Aristotle considers self-love as a constant—"he [i.e. man] is his own best friend" (*NE* 1168b10). However, the proper kind of self-love is not selfishness; the good person channels their self-love into noble things, including the good of their friends and their community (*NE* 1169a19-31).

It is true of the good man too that he does many acts for the sake of his friends and his country, and if necessary dies for them; for he will throw away both wealth and honours and in general the goods that are objects of competition, gaining for himself nobility...[H]e is therefore assigning the greater good to himself. The same too is true of honour and office; all these things he will sacrifice to his friend; for this is noble and laudable for himself. (*NE* 1169a19-31)

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<sup>395</sup> The virtues are intermediate states between extremes with regard to characteristic actions, desires or emotions. Aristotle's account of justice follows the principle of disjoint spheres, *viz.* "each moral virtue has some characteristic motivation for a characteristic object which distinguishes it from the other moral virtues so that no moral virtues overlap"; Dreifcinski (2000:113-114). Apart from characteristic motivations, his account is concerned with characteristic spheres of action—e.g. particular justice is concerned with justice in exchange while liberality in taking is concerned with taking the right amount from the right sources. In various places Aristotle argues that character traits concern both actions and affective states (*NE* 1106b6-7; 1108a18-9; 1109a23 and 1009b10).

<sup>396</sup> The noble self-lovers love their intellect because this is the sovereign part of the self and deserves their affection and respect. That is why the good life needs friendship; by loving one's friends (a person's other self) agents become virtuous and just.

By acting for the sake of the noble—hence, securing the greatest good, i.e. virtue—, the good person exemplifies proper self-love since he/she benefits oneself and others at the same time.<sup>397</sup> Aristotle does not state the connection between particular justice and self-love here but we expect that the proper kind of self-love involves the disposition to seek one's due in exchanges. The connection between self-love and particular justice seems to be the following.<sup>398</sup> Since justice is an other-regarding virtue (pros heteron; *NE* 1130a32b1) that issues in reciprocity, the proper self-lover acts justly because associations for exchange are a species of utility friendship which are reciprocal relationships based on good will.<sup>399</sup> In addition, the proper self-lovers are not interested in maximizing their share of the contested goods because they seek the “greater share in what is noble”. In sum, the just person should be someone who is disposed to reciprocal exchanges since he/she extends his/her self-love to others and seeks the noble instead of a larger share of the contested goods. On the other hand, greed is a state of selfishness:<sup>400</sup>

Those who use the term as one of reproach ascribe self-love to people who assign to themselves the greater share of wealth, honours, and bodily pleasures; for these are what most people desire, and busy themselves about as though they were the best of all things, which is the reason, too, why they become objects of competition. So those who are grasping with regard to these things gratify their appetites and in general their feelings and the irrational element of the soul; and most men are of this nature. (*NE* 1168b15-21)

Here Aristotle says that the pursuit of excessive and undue shares is based on selfishness, i.e. the improper kind of self-love. The selfish persons assign to themselves the greater share of the contested goods because they live as passion dictates and can only secure the means to satisfy their excessive appetite for pleasure by taking the due shares of others. In other words, the greedy seek to gain undue shares because they are not disposed to reciprocity; their self-love is excessive.

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<sup>397</sup> If friendship is an extension of proper self-love—self-love is the standard of friendship since the friend is another self—, then improper self-love does not allow friendship.

<sup>398</sup> Pakaluk (2008:276-82). Given that the good person loves oneself properly and that one's friends are one's other self, the good person feels love for one's friends and good will towards one's fellow citizens (εὐνοία; good will; for Aristotle, friendship is reciprocal good will; see *NE* 1156a4-5). In particular, the good person wishes others well. Hence, friendship is an extension of self-love.

<sup>399</sup> Irwin (1988:625n11).

<sup>400</sup> Aristotle says that, strictly speaking, the selfish person does not love oneself properly since he/she lives the life of pleasure which does not benefit oneself really.

In sum, there is no obvious psychological difference between the unjust person and the illiberal in taking. Their obvious difference lies in the sphere of application: the illiberal seek to gain from sordid sources, while the unjust seek to gain from exchanges. Aristotle does not mention the characteristic motive of illiberality in taking. Most possibly, illiberality in taking is characteristically motivated by avarice. But the greedy/unjust seek to gratify their appetites, too. Young argues that, unlike the illiberal, the greedy are those who cannot inhibit their desire for gain. But Aristotle does not say that the greedy are intemperate with regard to gain, as Young's reading implies. I propose that their love of undue gain is based on their excessive self-love. Hence, their main psychological difference is that the greedy/unjust lack the disposition to reciprocate because they are selfish, whereas the illiberal are not characteristically motivated from selfishness. In the next section, I examine which of the two readings is more compatible with Aristotle's moral psychology and analysis of 'economic' vices in order to reconstruct his answer to the Master Question (2.b).

### **6.3 Critical Discussion**

In my view, Aristotle's moral psychology and social thought—his thinking about social institutions—support both structuralist and agential explanations of economic vices. On the one hand, habituation is a social process that shapes human character. Part of this explanation is institutional; it stresses the role of social institutions in character formation. On the other hand, Aristotle's naturalistic history of socio-economic formations and institutions is agential: the institutions of market exchange and money are explained by human nature, including the natural ends of humans. Also, his emphasis on rational choice and responsibility in character formation suggests that agents can resist the social influences on their character. I argue that Aristotle employs both explanations at various places but the agential explanation is primary. The difficulty of the agential explanation is that it cannot account for the fact that the cities which prioritize wealth over virtue are inimical to virtue.

#### **6.2.1 *The Structuralist Interpretation***



In *Politics* I.9 avarice appears to originate with the institutions of money and exchange since these gave rise to κατηλική which usually aims at unlimited wealth. The invention of coined money (*Pol.* 1257b3-6) and commerce created the belief that wealth consists in “a large quantity of coin” and is unlimited (*Pol.* 1257a41-b10; 1256b40). In particular, the κάπηλος creates wealth from the exchange itself by finding the most profitable exchanges.<sup>401</sup> In *Pol.* 1257b32-40 Aristotle explains that people mistake the two kinds of exchange (μεταβλητική), namely, necessary exchange and business, because both kinds use money as a medium of exchange. However, this double use obscures the difference in their purpose: necessary exchange aims at true wealth, whereas κατηλική aims at spurious wealth through the maximization of profit. People fail to notice this difference and think that all exchange should aim at unlimited wealth. In this respect, the institutions of money and business *incite* the desire for profit and unlimited wealth. Hence, Aristotle’s account of the desire for spurious wealth in *Pol.* 1257b32-41 seems to be primarily structuralist.

If particular injustice is motivated by selfishness, then it may arise from living in a city-state that prioritizes material self-interest and unlimited wealth above all, as MacIntyre shows. That is, agents do not have to practice unjust acts repeatedly in order to become unjust. Commercial economies tend to crowd-out virtue in favor of wealth. For example, they undermine proper self-love and friendship which are chief components of the virtue of particular justice. In this sense, the structuralist reading has wide scope. Even if the propensity towards greed is somewhat natural—due to the insatiability of sensual desires, as Aristotle says in *Pol.* 1267b1-5—commercial economies seem to bring out the propensity towards unlimited acquisition. As Lewis explains, commercial economies may even necessitate the pursuit of unlimited acquisition because of competition and anxiety. The problem with Lewis’ interpretation is that it lacks textual support.

Meikle’s reading is partly based on Aristotle’s text. In *Pol.* 1258a710-14, Aristotle’s worry appears to be that commercial economies—economies of exchange value as Meikle coins them—promote unlimited acquisition and profit-seeking. He explains

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<sup>401</sup> Κατηλική is productive (ποιητική; *poiêtikê*) of wealth and money; it creates wealth by making profit from the exchange itself (*Pol.* 1258b31).

that profit-seeking corrupts professions and turns them into money machines. Hence, for Meikle, Aristotle is worried that economies of exchange value eventually lead to vice. On the other hand, Meikle fails to convince that the M-C-M cycle as such nurtures greed and injustice because he wrongly assumes that all commerce is an unfair zero-sum game and concludes that all forms of M-C-M necessitate greed. In my view, Meikle's reading is not correct because Aristotle approves of foreign trade although it is an instance of the M-C-M cycle; hence, the practice of M-C-M, as such, does not necessitate greed and injustice.

Also, Meikle's and Pack's interpretation misreads Aristotle's analysis of greed: maximizing economies may force acquisitive behavior but they do not necessarily inculcate greed in agents. We saw that greed is peculiar to particular injustice since it primarily pertains to undue profit in distributions and exchanges of the contested goods. But Aristotle's objection to unnatural chrematistics in *Pol.* I.9 is primarily concerned with the pursuit of spurious wealth—which is his main argument against unnatural chrematistics; this objection pertains to avarice, not to greed/particular injustice. The formation of injustice in Aristotle's psychology presupposes the repetition of unjust acts. However, one who seeks to increase one's wealth may do so by investing on profitable stocks or ventures, or by maximizing one's accounting profit justly (e.g. by effective cost-cutting). One does not become unjust necessarily by seeking to increase one's wealth, although one may become increasingly acquisitive or φιλοχρήματος (lover of money) by doing so. Structuralist interpreters wrongly assume that exchange-based economies invariably nurture greed/injustice in and of themselves. Also, the strong claim that greed arises from the institutions of money and business *necessarily* cannot be correct because greed is based on the nature of desire (*Pol.* 1267b1-5) and, second, it is based on selfishness, i.e. excessive self-love (*NE* IX.8). Selfishness arises from one's attachment to the appetitive part of one's soul. Such an attachment does not presuppose a specific economic arrangement in Aristotle's writings.

On the other hand, a **weak** structuralist reading is more defensible. As we saw above in this section, commercial economies do not necessitate vice but crowd out virtue because they prioritize wealth and self-interest above everything. Also, they reinforce

selfishness which may issue in acts of particular injustice. In virtue-theoretic terms, the problem of avarice and greed is that they *may* permeate all forms of exchange-based chrematistics, natural and non-natural ones. As we saw in *Pol.* 1258a10-14 Aristotle launches a critique of the profit-motive, not of the M-C-M cycle in particular. As Barker says “there is no more need for every dealer to make wealth his sole object of life, than there is for every doctor.”<sup>402</sup> While greed/injustice may arise independently from the mode of acquisition, commercial economies, where everything is commoditized, promote the pursuit of unlimited wealth.<sup>403</sup>

In general, commercial economies are regulated by competition and put self-interest over intrinsic goods, civic friendship and co-operative practices for the sake of utility-maximization. As Lewis notes, when profit-maximization is the only strategy of survival, economic agents (businesses and households) feel anxious and adopt maximizing behavior; anxiety may crowd out the moral motives of agents. It is no surprise that Aristotle warns that the profit-motive should not overcome non-economic or intrinsic motives because, as MacIntyre shows, the goods external to noble vocations can often be had by use of immoral behavior. The ‘advantageous’ tends to invade non-economic spheres where intrinsic goods have their home—e.g. the sphere of noble occupations or intrinsic goods—and, hence, crowds out all intrinsic motivation. In a more general way, as Irwin notes, the commercial ethos of a city, *viz.* a city where market institutions require a certain set of character traits, may nurture maximizing behavior (e.g. *Pol.* 1337a11-27):

Moreover, habits and responses will be weak and confused if they are encouraged only by, say, parents, but discouraged by the attitudes prevailing in social life. If parents encourage a child to regard wealth and honour as comparatively unimportant, but she grows up in a state that values these goods to excess, she will find it hard to form any stable character, let alone the right one. If Aristotle is right about the nature of the virtues and the training they require, and right also about the influence of the state on the habits and characters of its citizens, he has made a strong *prima facie* case for public moral education. [Irwin (1988:418)]

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<sup>402</sup> Barker (1906:384).

<sup>403</sup> Hence, I agree with Balot (2001:38) who argues that Aristotle does not say that “money creates or awakens that desire”; acquisitiveness stems from a non-rational attachment to the bodily enjoyment (pp. 35-44). The most we can infer is that money *facilitates* unlimited acquisition.

Irwin's point rightly highlights the power of structures and institutions in character formation. Actually, Aristotle argues that the lawmakers should so design the institutions of property acquisition and distribution as to limit injustice since sensual desires are insatiable and the non-rational part of most people's soul is not sufficiently amenable to reason (*Pol.* 1267a5-12 and 1267b5-7; also, *Pol.* 1321b12-17 about supervision of market operation). However, the prospect of moral education, a distinctively Aristotelian notion, gives primacy to the agential reading. While structures co-create character, Aristotle's moral psychology suggests that free agency, not structures, is the primary explanans of human character and action.

### **6.3.2 The Agential Reading**

In *Pol.* 1257b40-1258a7 Aristotle offers an agential explanation of the desire for spurious wealth. He attributes the emergence of κατηλική primarily to the natural propensity for unlimited wealth, and, secondarily, to the institutions of money and market exchange. The pursuit of spurious wealth is based on the common misconception that the good life is the life of pleasure; agents tend to confuse the two kinds of chrematistics because they are disposed to the kind of chrematistics which serves the life of pleasure through excessive wealth. In other words, the excessive desire for gratification explains the desire for excessive wealth and the use of κατηλική as a means to acquiring it. Hence, in this respect, Aristotle does not blame κατηλική as such and, more generally, the institutions of commercial economies for the pursuit of spurious wealth. As we saw, he considers avarice and the love of money as nearly universal propensities (e.g. *Pol.* 1263b4-5).

Aristotle's theories of moral character and moral responsibility suggest that agents have the capacity for decision and voluntary action. Hence, these support the primacy of the agential reading. Aristotle explicitly claimed that agents are responsible for their characters and voluntary acts. According to his definition of voluntariness:

(V) A does X = act voluntarily if and only if (a) the moving principle of X is in A, and (b) A has knowledge of facts about X.

He considers a number of excusing and exempting conditions for responsibility. We already saw that force is an excusing condition: an act done under force or ignorance

(*NE* 1110a1) is involuntary. Then he discusses compulsion or duress. Acts done under compulsion are mixed (μεικτές; *NE* 1110a12): a sea-captain who in the midst of a storm throws away cargo to save the ship and the crew, acts voluntarily in the causal sense but involuntarily because “no one would choose anything of this sort [i.e. the intentional object of a mixed act] for itself” (*NE* 1110a19-20).<sup>404</sup> Aristotle then considers ignorance and intoxication: causing harm *in* ignorance—e.g. under intoxication or drunkenness—is not an excuse. On the other hand, acting *because of* factual ignorance is an excusing condition. Third, ignorance of norms—e.g. stealing is wrong—is not an excusing condition—everyone should know such universals (*NE* 1110a35).

The most controversial part of Aristotle’s account of responsibility is his claim that our virtues and vices are up to us (*NE* 1113b6-7).<sup>405</sup> For Aristotle, acting under the guise of the good is not an excusing condition.<sup>406</sup> To do so, Aristotle appeals to his thesis that moral character is the product of habituation: qualities of character result from doing like acts (*NE* 1103b22-3). And this process is up to us:

But we are ourselves responsible for having become this sort of person, by living slackly, and for being unjust or self-indulgent, in the first case by treating people badly, in the second by passing our time in drinking and that sort of thing; for it is the sort of activity we display in each kind of thing that gives us the corresponding character (*NE* 1114a5-9).

What if one is not aware that qualities of character result from doing like acts? Aristotle argues, rather unpersuasively, that to ignore this is a sign of a thoroughly senseless person (*NE* 1114a9). Unfortunately, he does not provide support for this claim although this is a crucial step in his argument. In any case, Aristotle points out that one’s character is not *determined* by the structures and conditions of a society. To be sure, his view of responsibility highlights his belief in free agency. Hence, although habituation is a social process, Aristotle wants to reconcile it with free agency. Otherwise his theory of moral responsibility would not be compatible with

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<sup>404</sup> But, Aristotle says, there is a limit: there is no such thing as being forced to slay one’s mother, like Euripides’ Alkmaeon did; Alkmaeon should have faced death instead (*NE* 1110a28).

<sup>405</sup> Aristotle’s main claim in *NE* III.5 is that it is in our power to be virtuous or vicious.

<sup>406</sup> The good appears in accord with one’s character—and we are responsible for our characters (*NE* 1114a31-114b26). With this move Aristotle tries to reject the Socratic claim that vicious acts are involuntary (*Protagoras* 352a-c; *Gorgias* 468b; *Meno* 77e-78b).

his theory of habituation: moral character is formed by habituation and natural propensities but agents are not automata—they elect the conditions that shape their character. Rational choice or decision is the leeway from the determinism of habituation. Aristotle argues that the object of decision (προαίρεσις) is the same with the object of deliberation; they are both about things that are up to us (*NE* 1111b30). For example, we do neither deliberate about nor choose to find “a cache of treasure” (*NE* 1112a28) although we may wish we found one. Furthermore, Aristotle defines virtue as “disposition that issues in decisions” (*NE* 1106b36), that is, our dispositions are reason-responsive.

In sum, the following are the barebones of Aristotle’s theory of free agency. First, he gives a condition for liability, that is, voluntariness. Second, character traits are acquired voluntarily; they issue in decisions and, *ipso facto*, their exercise is concerned with things that are up to us. Third, the capacity for decision is necessary for responsible agency. Lacking this capacity is an exempting condition from moral agency. We are responsible to the extent that our dispositions are reason-responsive. Insane agents are not capable of moral agency since they lack rational control of their behaviour. But the pressure of social structures on agents is not an exempting condition for Aristotle. We are ultimately responsible for our voluntary actions and characters because we are capable of free agency.<sup>407</sup> Aristotle does not clarify whether those with settled good dispositions could become greedy by repeating their profit-seeking behavior. We only know that he views moral development as a relatively ongoing process. He also thinks that, up to a certain point, bad dispositions are revisable because agents’ dispositions and acquisitive desires are reason-responsive.<sup>408</sup> A possible objection to the agential reading could be that

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<sup>407</sup> Some commentators, ancient and contemporary, have tried to trace Aristotle’s assumptions about freedom and determinism. For example, Hughes (2001:137-142) and Broadie (1991:149-159) attribute to Aristotle some form of libertarianism, whereas Meyer (1998) thinks that Aristotle would subscribe to Stoic compatibilism. In any case, determinism is not a cogent rendering of Aristotle’s views about agency.

<sup>408</sup> Aristotle does not preclude character reform. He only says that those who have done irreversible damage to their characters can no longer restore their moral health—this is like trying to restore a stone which we have just let go (*NE* 1114a15-20). For the gloss that reason can deliberate on, and evaluate, ends see Sorabji, R. (1980) and Wiggins (1980). Aristotle’s psychology allows character reform because when reason discovers some good, wish (βούλησις) follows up and motivates the agent automatically; see (*DA* 433a22-5) and Cooper (1999). Hence, we can start acting contrary to vicious desires and generate better dispositions.

character traits do not arise by nature. However, this reading is only concerned with the origin of propensities, not of virtues. Aristotle recognizes that humans are born with certain propensities and nature provides the material to be shaped by moral education; virtues result from moral education.

Apart from his moral psychology, which prioritizes free agency over social determinism, Aristotle's view of redistributive policy bolsters the primacy of agency, too. Aristotle rejects Socrates' and Phaleas' proposals that put forth a form of communism about property as the arrangement that would minimize conflict and faction in a city (*Pol.* 1261b34). He recommends that societies focus primarily on the education and equalization of desires instead of redistributive policy aimed at preventing avarice.<sup>409</sup> In this respect, the structuralist reading cannot be correct because Aristotle thinks here that the problem of avarice lies in the psychology of individuals rather than in the institution of private property. His comparative discussion of existing regimes—Sparta, Crete and Carthage—evinces his confidence in the superiority of Carthage partly because of its economic arrangements. Aristotle was aware that wealth was highly esteemed in Carthage and its rulers should be both virtuous and wealthy because wealth provided a toil-free life, hence, the leisure to engage in politics fully.<sup>410</sup> In this discussion, Aristotle does not praise the mercantile life as such nor does he say whether citizens should engage in such a life, but he considers trade to be essential for the prosperity of a city.<sup>411</sup> Yet, since this was his idea of the proper economic structure of the best *practicable* city we may infer that, for Aristotle, a commercial economy is no ethical threat in and of itself especially when the middle-class is the dominant class; citizens of the middle-class tend to pursue moderate amounts of wealth and, hence, guard against the acquisitiveness facilitated by commercial economies (*Pol.* IV.11-12).

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<sup>409</sup> Aristotle suggests that property should be privately owned and shared on a voluntary basis (*Pol.* 1263a30-40).

<sup>410</sup> Carthaginian regime combined oligarchic with democratic institutions. A special committee elected the rulers, the Senate and the Council on the basis of desert. On the other hand, the democratic aspect of the Carthaginian regime included a powerful, popular assembly that referred its concerns to the ruler and the fact that the rulers governed *for* the people—they should comply with the wishes of the people (*Pol.* 1316b5-6).

<sup>411</sup> In Carthage, the lower economic class—the poorer citizens—carried out the necessary functions. Some of the wealthy Carthaginians were businessmen—e.g. *ἐμποροὶ* and *ναύκληροὶ*—who had access to high office. The leisure class most likely relied on rents since the mercantile life was a barrier to leisure and political participation.

While the structuralist interpretation fails to establish that vice has primarily institutional origins, we should not ignore that Aristotle recognizes the mutual dependence of institutions and characters (*NE* X.9). In my view, his main worry was that a commercial economy is more fertile for the development of injustice, greed, cut-throat competition and selfishness than is a natural economy—an economy that is in line with his Principle of Teleology. For Aristotle, commercial economies have no natural limit and, hence, they need to be managed by individuals and institutions. If greed is partly a natural propensity, then a commercial economy is more conducive to its growth. Every economy goes hand-in-hand with a set of institutions, a set of values and *ethos*, as well as a system of moral education. This is an important limitation on the agential reading. The teleological priority of the city—the ‘perfective’ sense of priority—implies that agents depend on the city for the *exercise* of the function in virtue of which they can progress to full existence and happiness. Hence, the city is teleologically prior because it enables the fulfillment of the natural end of its parts, i.e. the flourishing of humans. Any individual on one’s own could ever hardly enable the fulfillment of the city’s end on his/her own. However, agents depend upon the specific end of the city in which they live. If the city aims at wealth above virtue it is somehow inimical to virtue and undermines the pursuit of happiness as specified by Aristotle, i.e. the life of practical and intellectual virtue. Hence, it is quite likely that, for Aristotle, commercial economies undermine the project of virtue because they rouse the natural propensities to selfishness, greed and avarice.

#### **6.4 Conclusion and Summary**

Aristotle’s answer to the Master Question (2.b) should be that commercial economies do not necessitate greed and particular injustice. For Aristotle, virtues and vices arise from habituation but it is largely a matter of choice whether the disposition to greed and avarice become the settled traits of injustice and illiberality in taking. On the other hand, he thinks that such economies are inimical to virtue because they exacerbate the natural propensity to greed and selfishness. His argument for the teleological priority of the city suggests that agents are functionally dependent on the



end of the city. While greed and insatiable desires arise independently from the socio-economic structures of a city, some structures are more conducive to greed than others. Hence, a city that prioritizes material self-interest and wealth above virtue triggers the growth of pre-existing propensities to selfishness, greed and avarice.

## EPILOGUE

Let me recapitulate Aristotle's answer to the components of the Master Question:

### **The Master Question**

*Is the art of wealth-acquisition identical with the art of household-management?*

Chrematistics and household-management are not identical.

### **Question 1:**

*What are the aims of the two economic arts? And how are the two arts related to one another? For example, is chrematistics a part or auxiliary to household-management?*

The first is the art of supply. It is concerned with the acquisition of wealth, i.e. a supply of goods, required for household-management. The art of household-management is concerned with the management and use of wealth. Chrematistics is a productive art while household-management is a practical art. The tasks of chrematistics which require the householder's engagement are *part* of household-management, whereas the tasks that can be delegated are *auxiliary* to it.

### **Question 2:**

*When is chrematistics a proper part of household-management and, hence, natural?*

Chrematistics is natural and, hence, part of household-management when it conforms to any of the following conditions: first, the source of goods must be nature itself or production; second, chrematistics must aim at the natural self-sufficiency of the household, i.e. true wealth; third, in exchange-based acquisition the exchange value of goods must be based on their use value, it must aim at true wealth, and must be based on production. The standard that separates natural from unnatural chrematistics is the Natural Standard.

### **Question 3:**

*When is a commercial exchange just?*

Aristotle's formula of just price (i.e. proportionate equality) is the following: 'as builder is to shoemaker, so many shoes to a house or food' (*NE* 1133a22-23; δεῖ τοῖνυν ὅπερ οἰκοδόμος πρὸς σκυτοτόμον, τοσαδὶ ὑποδήματα πρὸς οἰκίαν ἢ τροφήν).

The standard of value that determines, for example, the number of shoes or beds that should equal one house is the need (or *utility*) of the producers-exchangers. The just price is the price at which the market price of goods approximates their natural price. However, the natural price of a good is not formed on the basis of the subjective utility of exchangers but on the total utility of a good in the long-run.

**Question (1.a):**

*Which tasks of chrematistics are proper for the householder and the statesman? To what extent should householders pursue wealth?*

The householders' duty depends on which tasks the householder could delegate to others in order to secure leisure. The householder should use the knowledge of experts in order to manage the tasks of chrematistics. In addition, the householder should delegate the tasks related to the practice of chrematistics, e.g. farming, to others. Also, the householder should know the essential of commercial chrematistics in order to be able to manage the sales of surpluses, to recognize and invest profitable opportunities. However, the householder should not be a businessman; business is not part of household-management although it could be used as an auxiliary. Natural self-sufficiency delimits the scope of wealth required for household-management.

**Question (2.a):**

*Which modes of chrematistics are suitable for the good city and the good person / citizen?*

The ethical status of a mode of chrematistics depends on the constitutional arrangement at hand, on its effects on the character of individuals, and on whether it is a necessary or noble occupation. Wage labor, business, money-lending, farming and the crafts are not noble occupations and, hence, they are unsuitable for the good person and citizen of the best city. These forms of wealth-acquisition should be delegated to/and practiced by slaves and foreign residents of the city works. Wage labor and the crafts are servile occupations and unsuitable for the free person and citizen. They also deprive citizens of the leisure required for political participation. However, these occupations could be practiced by citizens of non-ideal regimes, like the polity. Business is not necessarily an unjust mode of acquisition. Aristotle's analysis of just price and economic value allows for moderate business profit within

the bounds of the natural price of goods, such as commercial agriculture, logging and mining, commercial manufacture, foreign trade, and in general trade based on the use of factors of production. However, business is unsuitable for the good person and citizen of the best city. Local and foreign trade should be practiced by foreign residents under the supervision of the state. Business is also suitable for the landless citizens of non-ideal regimes.

**Question (2.b):**

*Does greed arise as a result of the practice of business and more broadly, the institutions of money and market exchange? Or is business a neutral device that serves to satisfy the natural predisposition of agents for excessive acquisition?*

Greed and acquisitiveness are natural propensities that business and commercial economies intensify. Business is a neutral device. It depends on agents whether they use or misuse it, whether they act justly or unjustly in their economic dealings. However, business is inimical to virtue and unsuitable for the good person/citizen and the best city because it prioritizes self-interest and profit-seeking above everything and, hence, tends to crowd out the virtues. Even if such city-states do not necessitate greed/injustice they do not contribute to the realization of the human function, i.e. εὐδαιμονία. Citizens depend on the end of the city for their ethical growth.

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