

## Part III: Shifting Views of the Role of Commerce in a Good Life and Good Society

### I. Introduction to Part III

The previous two parts of the book demonstrate that a variety of social dilemmas can impede economic development and that a subset of the possible ethical dispositions can ameliorate or solve them. The dilemmas examined were highly idealized rather than specific examples. They were intended to characterize the essential features of a wide variety of choice settings in which specific instances of conflict, commons, free riding, and externalities problems tend to be generated by the practical interests of the persons whose choices jointly determine the dilemmas. Although the illustrations should seem clear, it bears noting that such dilemmas are easily recognized because the cases experienced in the real world all look a bit different from one another. It is this specificity that makes solving them challenging and social development such a slow process. A dilemma may or may not be recognized, and new applications of old rules may or may not solve the problems at hand, or major innovations may be necessary. Such new applications and rules would not necessarily be instantly internalized by all in the community. Fortunately, ameliorating social dilemmas does not usually require internalization of such rules by all or most of the relevant individuals, but nonetheless a significant fraction of the community's members must do so for the beneficial behavioral effects to emerge.

Through innovation, experimentation, and survivorship, rules emerge that are widely internalized and that solve many of the problems confronted. Indeed, they often do so so well that the problems addressed become lost to memory. A secondary purpose of parts I and II is to remind readers that attractive communities, extensive productive markets, and political regimes that support such communities and markets are “unnatural” and that narrowly self-interested persons would be very unlikely to have solved any of the dilemmas confronted. Instead of productive states of the sort that Hobbes and Locke imagined, extractive governing organizations would be the most likely to emerge.

Of course, to say that a subset of internalized norms may have solved many of the crucial social dilemmas of social and economic development, is not to prove that they did. Such norms are sufficient, rather than necessary conditions for human progress. For evidence that changes in norms affect human progress, Part III provides evidence that changes in ethical dispositions that broadly supported commerce emerged in the century before commerce took off.

Part III focuses on a sample of widely read books written between 1500 and 1925. Widely read books “talk” to their readers in the sense that they seem plausible and reasonable to those readers. The books focused on tend to systematize ethical ideas that were already for the most part in the minds of their readers. This is clearest when the authors use real world examples to illustrate their proposed ethical theories. Such examples must be regarded as obvious to readers to serve their purpose—as ethically uncontroversial.

## Ethics and Prosperity: Chapter 8

A secondary purpose of part III is to induce readers who have not dipped into classic works in ethical, economic, or political theory to become familiar with the differences among highly regarded ethical theories and their implications for the role of commerce in a good life and good society. Many readers that have not done so will have absorbed the “moral sense” theory of ethics as a property of their own intuitions about right and wrong, good character, the good life, and the good society. People “instinctively” know what is wrong and right. However, in most cases those intuitions emerge from rules that individuals have learned from their childhoods, rather than rules that are part of the human genome. Moreover, many of the rules learned are implications of sophisticated theories that have managed to influence a community’s ethical ideas—at least at the margin. Such ideas or systems of rules are “intuitive” or only in the sense that they have not carefully thought about those holding them.

Most, although not all, of the works focused on are secular discussions of ethics and commerce that may be regarded as “proto liberal” in the sense that they all include substantial roles for economic activities in a good life and for markets in a good society. Such ideas have stood the test of time, with respect to readership at least, because during the 19<sup>th</sup> and 20<sup>th</sup> centuries, liberal ideas were highly influential in national politics. Thus, the work of proto-liberals continued to attract the attention of scholars and lay readers in the centuries after they were first penned. Nearly everyone in the West, for example, is familiar with the name Adam Smith—whether they have read his work or not. Most of the book reviewed thus remained in print for centuries, which indirectly supports

the contention that a community’s culture changes incrementally and slowly.

The works covered in part III differ somewhat from those that would be covered in a history of ethics or political theory course by its focus on scholars who wrote about both economics and ethics and also devoted significant attention to each. Many are explicitly empirically grounded and so may be regarded as scientific theories of ethics. All are closely reasoned and well written by the standards of their day.

Scientific ethical theories attempt to identify commonalities among the moral maxims of their time and place through a combination of observation, reflection, and generalization. Their aim of such ethicists is to understand as much as possible about their area(s) of study—as true of other scientific enterprises. The end product is normally a few general principles that both characterize the ethos of their communities and through that generalization provides more encompassing guidance for subsequent ethical conduct.

Such works contrast with what might be called “folk ethics,” which normally consists of a series of rules (maxims) that good people will follow: “be brave,” “be truthful,” “be generous,” “learn from your mistakes,” “be careful,” “be kind to others,” and other behavior that they should avoid: “don’t fight with others,” “don’t steal from others,” “don’t mislead others,” and so forth. What ethicists attempt to do (at least did before 1900) was to identify principles that could be used to explain such maxims and that would provide additional insights relevant for new choice settings that a person might confront. Such higher-level theories identify shared properties of a community’s maxims and also limits in the

## Ethics and Prosperity: Chapter 8

generality of its associated moral heuristics. An ethical theorist might, for example, conclude that most of the prohibitions listed above are consistent with a general “do no harm” principle and both sets of rules as being consistent with a “maximize community net benefits” norm.

Some ethical theorists argue that a single principle can explain all moral intuitions and/or serve as a perfect or nearly perfect guide to ethical conduct in the circumstances individual are likely to confront, while others use several principles to characterize and clarify the essential features of morality and moral conduct. Utilitarianism is an example of the former and virtue ethics is an example of the latter.

For social science, the ethical theories of philosophers are of less interest than the ethical dispositions of ordinary persons living in a given society or participating in a given market. These ethical ideas are the ones that actually affect enough behavior to have noticeable effects on society, markets, and politics.

In periods before survey and laboratory methodologies emerged, ethicists would use their knowledge of local customs and ideas from previous scholars as sources of data from which they attempted to distill new explanations or theory of ethical conduct. That such is the case is evident in the many examples used in their work to illustrate moral principles that the authors believe their readers will find “intuitively obvious.” As a consequence, such books provide useful evidence about the ethical maxims, principles, and theories of their day at the same time that their theories shed light on the essential meaning and implications of ethics and ethical conduct within the communities familiar to their authors.

The main focus of Part III, however, is not on ethical theory per se, but rather on changes in conclusions reached about commerce. The ethical theories reviewed are merely incremental steps in this process. Together, they reveal that commerce gradually became a more important element of the good life and good society during the period from 1600 to 1900. And this trend continued in the West during much of the 20<sup>th</sup> century.

Indeed, during much of the 20<sup>th</sup> century, per capita gross national product was used as an indicator for the average quality of life in communities, regions, and nation states. That widely used measure implies that the extent of commerce is the most important measure, not simply one of many equally important indicators. According to the analysis of parts I and II of the book, such market supporting changes in ideas about the good life and good society would have contributed to both more productive, extensive, and innovative trading networks and to supportive public policies in societies that had responsive (democratic) political institutions.

Part III begins with Aristotle rather than with a 16<sup>th</sup> century scholar because his work was familiar to persons writing in the period of greater interest, and whom often used his work as a point of departure for their own. It is also of interest because his work provides one of the best examples of an empirically based theory of ethical conduct. After Aristotle’s conclusions about a good life, good society, and markets are surveyed, Part III jumps to the 16<sup>th</sup> century and begins a review of a dozen or so ethical theories and conclusions reached about the extent to which commerce contributes to a good life and good society.

## Chapter 8: Towards a Science of Ethics: Aristotle on Ethics, Markets, and Politics

### I. Aristotle and Scientific Ethics

The scientific or rational approach to ethics was pioneered by a brilliant Greek philosopher named Aristotle in approximately 330 BCE. His conclusions about the aims of ethics and nature of virtuous dispositions, together with the reasoning used to support those conclusions had profound effects on the work of future philosophers and social scientists. Many still routinely use Aristotle's ideas, categories, and arguments as points of departure for their own work, whether supportive or critical of his analysis. As a consequence, Aristotle's influence on ethical theory is both broad and subtle. Wikipedia, for example, notes the following:

In metaphysics, Aristotelians profoundly influenced Judeo-Islamic philosophical and theological thought during the Middle Ages and continues to influence Christian theology, especially the scholastic tradition of the Catholic Church. Aristotle was also well known among medieval Muslim intellectuals and revered as "The First Teacher."

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<sup>1</sup> There are thus subtle variations in the translations available. For the purposes of this volume, I use a mid-nineteenth century translation of the Nicomachean Ethics by D. P. Chase (1847). This translation is used because it was widely used in the nineteenth century and accorded significant praise by the next generation of translators. The Chase translation was largely replaced by the Ross (1925) in the twentieth century, whose translation was widely used in the

Several hundred years later, his theories on ethics, economics, and politics were studied by Adam Smith and Charles Montesquieu, the founders of contemporary economics and political science. His work is only one of many influential Western scholars covered in part III of the book, but it clearly affected most of the others. Translators attempt to precisely interpret both his ideas and reasoning as they shift from Greek into the world's other languages, although this is difficult to do exactly, because a bit of interpolation is often required.<sup>1</sup>

Aristotle benefited from a relatively open, tolerant society in which secular education and scholarship was valued. Athens at that time was a rare instance of a relatively liberal open society and a wide range of "first" contributions to many fields are associated with Athens and its neighboring city states. So important were these contributions, that Greek was taught in most public and private schools well into the twentieth century. Athens was an international trading center and a relatively important military (naval) power during much its golden era.

Many private schools existed in Athens, and Aristotle was sent there from his native Macedonia to attend school. He was a student and colleague of Plato for nearly two decades. After Plato's death, he returned to Macedonia to serve as a teacher of Alexander the Great. He subsequently returned to Athens, founded a new school, the Lyceum,

twentieth century both directly and as the foundation for subsequent translations. Two recent translations are also noteworthy, Irwin (1999) for its precision and Crisp (2014) for its clear prose. Appendix II provides a sample of translations from several scholars of two critical passages.

## Ethics and Prosperity: Chapter 8

and his writings as head of the Lyceum helped launch several research programs in philosophy, science, and social science.

Aristotle's approach to knowledge begins with what others have argued and his own observations about the world. He takes both seriously, and attempts to discover essential categories and relationships from that information. To do so, he looks for general and logically consistent patterns in the "data" that are available. His work on logic, physics, biology, ethics, politics, and economics all applies that very rational, empirical approach to knowledge.<sup>2</sup>

Aristotle's genius includes his quickness, creativity, and depth. He wrote on an amazingly broad range of subjects during his period as a teacher in Athens and provided both new insights and general theories in most of them. His aim was not simply a better "synthesis" of existing ideas but a deeper, more general, and more coherent understanding of the world and life in it.

He did all this amazingly well, which is why his work is still of interest nearly 2,500 years after it was first written. His work is not perfect. Many of his theories are no longer taught, but even among critics, he is admired for his breadth and depth and for his many original insights. That so many of his conclusions about ethics and politics remain relevant

today shows that knowledge and intuitions about the good life and virtuous behavior have not changed very much in the past 2,500 years.<sup>3</sup>

For much of the past 500 years, educated persons in the West were familiar with Aristotle's approach to ethics, logic, physics, and politics because his work was required reading in the core curricula of high schools and colleges. This continued to be the case into the twentieth century. However, as specialization increased and the teaching of classical languages declined, knowledge of his work became less widespread, and hence the need for the review below before launching into our analysis of economically relevant developments in ethics from the enlightenment forward.

For the purposes of this book, insights from Aristotle's two "practical" books are most relevant: *Nicomachean Ethics* and *Politics*. We begin with a review of some of the main arguments developed in *Nicomachean Ethics*. This review serves as an introduction to core issues in ethics and some of the relationships between ethics and economics. Aristotle attempts to determine whether anything general can be said about a good or praiseworthy human life. Is there an ultimate aim for human action? If there is an ultimate end, are there common methods for effectively advancing that end? He answers yes to both questions.<sup>4</sup>

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<sup>2</sup> Aristotle's methodology differs from that of the modern physical sciences in that he rarely, if ever, conducts experiments or statistical tests of his theories. (Statistics was not developed for nearly 2,000 years.) Nonetheless, his deductive and synthetic approach continues to be the main one used by theorists in the social sciences, history, and philosophy.

<sup>3</sup>It bears noting that many of his other conclusions with respect to logic, causality, and science also held up quite well for the next 2,000 years, although

many of his scientific claims were revised or disproved in the nineteenth century.

<sup>4</sup>Among his many insights and arguments, Aristotle suggests that a young person "**is not a fit student of Moral Philosophy, for he has no experience in the actions of life**" (*Nicomachean Ethics* (p. 26). Kindle Edition.). There is some truth in this as in the rest of his arguments and conclusions, but young readers might want to ignore his wisdom as they read through Part I.

## II. The Motivation for Virtuous Conduct: Happiness (*Eudaimonia*) as the Ultimate End

*Nicomachean Ethics* begins by observing that most goals are simply means to other ends. In contrast, happiness (*eudaimonia*) is a final end rather than a means to an end.<sup>5</sup> It is not sought to advance other purposes. Given that ultimate end, Aristotle argues that humans tend to be happiest in the long run when they perfect their intellectual and moral selves (souls or character). The process of developing one's character is not automatic or instantaneous, but takes place through time as one makes deliberate choice, especially moral choices.

Aristotle's conception of happiness differs from that implied by the rational choice models used in economics and game theory. Those models generally assume that everyone knows how best to increase their own happiness, which is characterized as "utility," "net benefits," or "welfare." Aristotle assumes that the best way of achieving happiness is not obvious and needs to be taught. Without training, practice, and experience, most people make systematic mistakes and achieve less well-being than they could have. Stated in economic terms, Aristotle argues that

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<sup>5</sup>Aristotle does not mention women in his analysis in large part because women were usually not very important in Greek society, although there were Greek goddesses and the famous Oracles of Delphi were women. The status of women in the West did not improve much until the eighteenth and nineteenth centuries.

<sup>6</sup>Stated in this way, Aristotle's view of ethics is analogous to Stigler and Becker's (1977) discussion of the effects of human capital on the enjoyment of music.

<sup>7</sup>There are dozens of English translations of the *Nicomachean Ethics* and subtle differences in translation abound as demonstrated in the Appendix 1 of this

happiness requires investments in particular types of human capital, what might be called moral and intellectual capital.<sup>6</sup>

This implies that the nature of a person is not entirely "static" as implicitly assumed in most rational choice models. According to Aristotle, a person's character or soul is not permanent, not entirely a matter of blood or genetics. It is substantially determined by one's own choices. A person's predispositions are both a subject of choice and consequence of choice, rather than permanent or predetermined.

With this brief overview, we are now in position to review Aristotle's theory of ethics. This chapter uses the 1847 D. P. Chase translation of the *Nicomachean Ethics*, which is among the older ones in modern English. The choice of translation was not an easy one. Chase's translation is used for a variety of reasons, but mainly because it was developed before industrialization, the emergence of the welfare state, and Darwin's work on evolution transformed ideas about the nature of man and the good life among educated persons in the West. Chase's translation is thus likely to give one a better idea about how the scholars surveyed in part I would have read Aristotle than later translations.<sup>7</sup>

chapter. These are partly a matter of differences in interpretations of the original Greek, partly in their manner of writing it down in English, and partly subtle disagreements about what Aristotle meant in the original. The original has the form of somewhat cryptic class notes that Aristotle would presumably have elaborated further in lectures and in discussions with his students. The D. P. Chase (1847) translation was ultimately adopted for this chapter because it provides a better indication of how Aristotle was read before Darwin's profound impact on beliefs about the nature of man and the Industrial Revolution's impact on ideas about the nature of a good life. The Chase translation is freely available in the original at Google Books and in a slightly edited form in the

Aristotle begins by arguing that the chief good, the main element of a good life, is happiness, although he concedes that there is much disagreement about what happiness (*eudaimonia*) means. It, unlike other goods, is desired for its own sake.

**So far as the name goes, there is a pretty general agreement:** for happiness both the multitude and the refined few call it, and “living well” and “doing well” they **conceive to be the same with “being happy;”** but about the nature of this happiness, men dispute, and the multitude do not in their account of it agree with the wise. (*Nicomachean Ethics*, p. 26)

Happiness is manifestly something final and self-sufficient, being the end of all things which are and may be done. (*Nicomachean Ethics*, p. 34)

As for the life of money-making, it is one of constraint, and **wealth manifestly is not the good we are seeking, because it is for use, that is, for the sake of something further.** (*Nicomachean Ethics*, p. 29)

Happiness is...[chosen] always for its own sake, and never with a view to anything further: whereas honor, pleasure, intellect, in fact every excellence we choose for their own sakes, it is true (because we would choose each of these even if no result were to follow), but we choose them also with a view to happiness. (*Nicomachean Ethics*, pp. 33–34).

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Kindle format and in hard copy from Public Domain Books (without translation notes, but with an introduction written much later by J. A. Smith). Other noteworthy options included the highly regarded W. D. Ross translation (1912), the recent Irwin translation (1999) with its copious translation notes, and the well-written, recently revised Crisp translation (2014).

The quotes taken from the Chase translation are lightly edited to improve readability. For example, contemporary rules for capitalization and punctuation

### I. The Pursuit of Happiness

Given that happiness is the chief good or ultimate end, is there anything general that can be said about the most effective means of achieving it? It turns out that “work” or purposeful activity is one of the ways to achieve happiness, especially efforts to perfect one’s human capacities for excellence.<sup>8</sup>

This object [happiness] may be easily attained, when we have discovered **what is the work of man;** for as in the case of flute-player, statuary, or artisan of any kind, or, more generally, all who have any work or course of action, **their chief good and excellence is thought to reside in their work. So it would seem to be with man, if there is any work belonging to him.**

**What then can this be? not mere life,** because that plainly is shared with him even by vegetables, and we want what is peculiar to him. We must separate off then the life of mere nourishment and growth, and next will come the life of sensation: but this again manifestly is common to horses, oxen, and every animal.

There remains then a kind of **life of the rational nature** apt to act: and of this nature there are **two parts** denominated rational, the one as being obedient to reason, the other as having and exerting it. (*Nicomachean Ethics*, p. 34).

were applied and some sentences slightly shortened without altering his meaning. Words and letters that were added in this process are framed in brackets. Bolding has been added to draw the reader’s attention to key phrases.

<sup>8</sup>Later translations would use the word “function” instead of “work.” The term “work” captures the idea of deliberate purposeful activity, whereas function captures the idea of a specific task or purpose that can be done more or less effectively. Evidently, the Greek term includes elements of each. See the appendix of this chapter for variations in the translations of three of the key passages in Book I of *Nicomachean Ethics*.

The **good of man** comes to be “a **working of the soul in the way of excellence**,” or, if excellence admits of degrees, in the way of the best and most perfect Excellence. And we must add, **in a complete life; for as it is not one swallow or one fine day that makes a spring**, so it is not one day or a short time that makes a man blessed and happy. Let this then be taken **for a rough sketch of the chief good**, since it is probably the right way to give first the outline, and fill it in afterwards. (*Nicomachean Ethics*, p. 35).

There are two general areas in which deliberate activities can improve one’s soul: the intellectual and moral. These can be further subdivided into various virtues.

**Human excellence** is of two kinds, intellectual and moral. The intellectual springs originally, and is increased subsequently, from teaching (for the most part, that is), and needs therefore experience and time; whereas the moral comes from custom [routines, habits, or dispositions]. (*Nicomachean Ethics*, p. 49).

**In speaking of a man’s moral character**, we do not say he is a scientific or intelligent but **a meek man, or one of perfected self-mastery**: and we praise the man of science in light of his mental state; and of these **such as are praiseworthy** we call **excellences**. (*Nicomachean Ethics*, p. 48).

Moral character is “meek,” but in a different sense than in contemporary English. (Indeed later translators often use the word temperate or prudent rather than meek, although neither seems to fully capture what Aristotle is interested in, self-mastery.)

[T]he notion represented by the term **meek man is the being imperturbable, and not being led away by passion**, but being angry in that manner, and at those things, and for that length of time, which reason may direct. (*Nicomachean Ethics*, p. 114).<sup>9</sup>

### I. Moral Choice Requires Reason and Freedom of Action

How does one “work the soul” to develop excellence in moral character? One develops virtuous dispositions. One does so through a lifetime of deliberate actions that are undertaken partly to develop such dispositions. Virtuous dispositions are not natural according to Aristotle because nature is unchanging and permanent, whereas one’s dispositions can be and are altered through choice and action. Both virtue and vice are produced by a person’s past decisions in various settings.

So too then is it with the virtues: for **by acting in the various relations in which we are thrown with our fellow men, we come to be, some just, some unjust: and by acting in dangerous positions and being habituated to feel fear or confidence, we come to be, some brave, others cowards. Similarly is it also with respect to the occasions of lust and anger: for some men come to be perfected in self-mastery and mild, others destitute of all self-control and passionate**. (*Nicomachean Ethics*, p. 50).

From this fact, it is plain that **not one of the moral virtues comes to be in us merely by nature**: because of such things as exist by nature, none can be changed by custom. (*Nicomachean Ethics*, p. 49).

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<sup>9</sup>The above translation was written about two centuries after the King James (1611) version of the New Testament’s “Blessed are the meek, for they shall inherit the earth” (Matthew 5.5). It is possible that the same meaning of the word

“meek” was intended when this translation of the new testament was undertaken, rather than the more modern one, which implies being a timid person, rather than a person that is temperate or has achieved self-mastery.

## Ethics and Prosperity: Chapter 8

A morally relevant action is one that can be deliberately and voluntarily chosen. To be voluntary, the aim of the action must be feasible, the consequences of the action must be those intended. To be a moral or ethical choice, the consequences must include effects on one's own character.

**Involuntary actions** then are thought to be of **two kinds**, being done either on **compulsion**, or by reason of **ignorance**. An action is, properly speaking, compulsory, when the origination is external to the agent, being such that in it the agent (perhaps we may more properly say the patient) contributes nothing; as if a wind were to convey you anywhere, or men having power over your person. (*Nicomachean Ethics*, p. 67).

If this be so, **no other animal but man, and not even children, can be said to act voluntarily**. (*Nicomachean Ethics*, p. 71)

Not all choices are moral choices. Moral choices are ones that tend to promote or reveal character development. They are choices through which moral excellence is accumulated. This in turn is generated by engaging in virtuous conduct.

Having thus drawn out the **distinction between voluntary and involuntary** action our next step is to examine into the **nature of moral choice**, because **this seems most intimately connected with virtue** and to be a more decisive test of moral character than a man's acts are. (*Nicomachean Ethics*, p. 72)

But **not all voluntary action is an object of moral choice**. (*Nicomachean Ethics*, p. 74)

Now since that which is the object of moral choice is something in our own power, which is the object of deliberation and the grasping of the will, **moral choice must be a grasping after something in our own power consequent upon deliberation: because after having deliberated we decide, and then grasp by our will in accordance with the result of our deliberation**. (*Nicomachean Ethics*, p. 77).

Now since the end is the object of wish, and the means to the end of deliberation and moral choice, the actions regarding these matters must be in the way of **moral choice**, i.e. voluntary: but **the acts of working out the virtues are such actions, and therefore virtue is in our power, and so too is vice**. (*Nicomachean Ethics*, pp. 78–79).

Furthermore, it is wholly irrelevant to say that the man who acts unjustly or dissolutely does not wish to attain the habits of these vices: for **if a man wittingly does those things whereby he must become unjust he is to all intents and purposes unjust voluntarily**. (*Nicomachean Ethics*, p. 80).

Both virtue and vice are acquired dispositions, reflecting our past choices. Even in cases in which the ends of action are not chosen, the means are and those choices may have effects on one's character.

Whether then we suppose that **the end impresses each man's mind with certain notions not merely by nature, but ... is somewhat also dependent on himself; or that the end is given by nature, and yet virtue is voluntary because the good man does all the rest voluntarily**. (*Nicomachean Ethics*, p. 82).

## Ethics and Prosperity: Chapter 8

Even in cases in which ends are parts of human nature or induced by nature, the actions undertaken are chosen by the individual himself. To the extent that the actions chosen induce virtuous habits of the mind, the individual controls his moral development—at least at the margin.

In economic terms, the process of deliberation, the choices made, and actions taken all affect our stock of moral capital at the margin. Our pre-existing accumulation of moral capital affects our desires, our wishes, and also our will. Exercising those dispositions tends to increase or diminish them according to the decisions made and actions taken. Both moral and immoral dispositions thus are produced by morally relevant choices and are among the intended consequences of those choices.

### II. On the Nature of Virtue: Moderation in All Things and the “Golden Mean”

If happiness requires moral excellence and moral excellence requires virtuous dispositions, the next question is whether anything general can be said about the nature of virtuous dispositions. Aristotle suggests that virtues have common properties although they describe different activities and address different choice settings. They are all midpoints between extremes that are widely regarded to be vices. In this, his argument is grounded in observations of his social world which, along with the ideas of other scholars, are the data that he is attempting to make sense of. In this respect, his analysis of virtue can be regarded as an exer-

cise in social science. He reviews widely acknowledged virtues and attempts to show that common patterns exist: they nearly all lie between two widely acknowledged vices.

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

Aristotle then goes on to describe in much detail the settings in which bravery requires different actions. One can improperly ignore risks as well as overreact to them. A brave person is not fool-hardy, but is fearful only for good rational reasons.

He then analyzes the virtue of self-mastery or self-control.

Next let us speak of perfected **self-mastery**, which seems to claim the next place to courage, since these **two are the excellences of the irrational part of the soul**. It is a **mean state**, having for its object-matter pleasures ... **a man destitute of self-control is such because he is pained more than he ought to be at not obtaining things which are pleasant** (and thus his pleasure produces pain to him). **The man of perfected self-mastery is such in virtue of not being pained by their absence**, that is, by having to abstain from what is pleasant. (*Nicomachean Ethics*, pp. 90–94).

Aristotle goes on to analyze several other virtues, among which liberality and meekness are most relevant for the purposes of this book.

## Ethics and Prosperity: Chapter 8

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

Here **each of the extremes involves really an excess and defect** contrary to each other: I mean, the prodigal gives out too much and takes in too little, while the stingy man takes in too much and gives out too little. (*Nicomachean Ethics*, pp. 60–61).

With respect to meekness (often translated as temperance in later translations), Aristotle regards it to be a virtue with respect to anger and other passions, and also as an end toward which reason might direct one’s irrational character.

**We call the virtuous character meek, we will call the mean state meekness**, and of the extremes, let the man who is excessive be denominated passionate, and the faulty state passionateness, and him who is excessive angry, and the defect angerlessness. (*Nicomachean Ethics*, p. 62).

With respect of **pleasures and pains** (but not all, and perhaps fewer pains than pleasures), the **mean state is perfected self-mastery**, the defect total absence of self-control.

There is a character that takes **less pleasure than he ought** in bodily enjoyments. Such persons also **fail to abide by the conclusions of reason**. The man of self-control is the mean between him and the man of imperfect self-control—that is to say, the latter fails to abide by them because of somewhat **too much**, the former because of somewhat **too little**.

**The man of self-control and the man of perfected self-mastery have this in common, that they do nothing against right reason** on the impulse of bodily pleasures, but then **the former has bad desires, the latter not. The latter is so constituted as not even to feel pleasure contrary to his reason**, the former feels but does not yield to it. (*Nicomachean Ethics*, p. 193).

Aristotle concludes that a very broad range of virtues are means between extremes that are widely regarded to be vices. The virtues are all highly regarded, praiseworthy aspects of human character.<sup>10</sup> The vices are condemned or shamed.<sup>11</sup>

However, he acknowledges that not all virtues are intermediates between two unattractive extremes. Two virtues that seem to lack this property are truthfulness and justice.

Now **since falsehood is in itself low and blamable**, while **truth is noble and praiseworthy**, it follows that the **truthful man** (who is also in the mean) is **praiseworthy**.

I call him truthful, because we are **not** now meaning the man who is true in his agreements **nor** in such matters as amount to justice or injustice (this would come within the province of

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<sup>10</sup>Praise and praiseworthiness move to center stage in Adam Smith’s theory of moral sentiments written about 2,000 years later.

<sup>11</sup>It is interesting to note that his arguments do not conflict with current assessments of virtuous conduct, suggesting that opinions about praiseworthy behavior have not changed very much over the centuries.

a different virtue), but, in such as do not involve any such serious difference as this, **the man we are describing is true in life and word simply because he is in a certain moral state.**

And he that is such must be judged to be a **good man: for he that has a love for truth as such...** he will have a dread of falsehood as base, since he shunned it even in itself: and **he that is of such a character is praiseworthy.** (*Nicomachean Ethics*, p. 119).

Aristotle argues that justice has several meanings, some of which—but not all—are consistent with his theory of virtue.

We see then that all men mean by the term justice a moral state such that in consequence of it men have the capacity of doing what is just, and actually do it, and wish it. (*Nicomachean Ethics*, p. 124).

**Justice**, it must be observed, **is not a mean state in the same manner as the forementioned virtues**, but because it **aims at producing the mean**, while injustice occupies both the extremes. (*Nicomachean Ethics*, p. 137).

The notion of justice that attracts most of Aristotle's attention is with respect to that which might be called fairness or just deserts. Just relations between men and women are those that are fair in the sense that rewards are proportionate, which is not usually the same thing as equal.

The **just, then, is a certain proportionable thing.** For proportion does not apply merely to number in the abstract, but to number generally, since it is **equality of ratios.** (*Nicomachean Ethics*, p. 131).

He goes on to use economic relationships to illustrate what he means by proportionate justice.

### III. Market Exchange as an Instance of Just Relations between Men

Justice requires a “balance” in the relationships among persons that is proportionately equal. Aristotle suggests that proportionate justice is the basis of both economic exchange and community.

**In dealings of exchange** such a principle of justice as this **reciprocation forms the bond of union**, but then **it must be reciprocation according to proportion and not exact equality**, because **by proportionate reciprocity of action the social community is held together.** (*Nicomachean Ethics*, p. 134).

In markets, the appropriate reciprocity is not determined by equality in weight or numbers, but by market prices. Justice in exchange involves equality of value as determined by money prices.

The builder is to receive from the shoemaker of his ware, and to give him of his own. **If there is proportionate equality, the reciprocation [exchange] takes place, [and] there will be the just result of which we are speaking.** If not, there is not the equal, nor will the connection stand...And this is so also in the other arts, for they would have been destroyed entirely if there were not a correspondence in point of quantity and quality between the producer and the consumer. (*Nicomachean Ethics*, p. 135).

Relative prices imply that exchange can be objectively “equal” in that the total values of goods exchanged are equal, and thus just according to Aristotle's theory of proportionate justice. Note, that this equality of market value rules out speculative profits, which is also the case in neoclassical models of competitive equilibrium. If A purchase \$100 of

## Ethics and Prosperity: Chapter 8

goods from B, A cannot resell those goods to C for \$150, because this would violate proportionate reciprocity. Such trades could not be sustained in what contemporary economists would refer to as “in equilibrium” and Aristotle refers to as “standing connections.”

Aristotle observes that money and money prices allow goods and services to be compared with one another. This facilitates exchange. Without money, only barter would be possible, and without money prices, proportionate justice would be far more difficult to achieve.<sup>12</sup>

All things **which can be exchanged should be capable of comparison. For this purpose money has come in, and comes to be a kind of medium. It measures all things** and so likewise the excess and defect. [It determines] for instance, **how many shoes are equal to a house or a given quantity of food.**

**As then the builder to the shoemaker, so many shoes must be to the house (or food if instead of a builder an agriculturist is the exchanging party); for unless there is this proportion there cannot be exchange or dealing, and this proportion cannot be [acceptable] unless the terms are in some way equal.** (*Nicomachean Ethics*, pp. 135–36).

Let A represent an agriculturist, C food, B a shoemaker, D his wares equalized with A's. Then **the proportion will be correct, A:B::C:D; now reciprocation will be practicable**, if it were not, there would have been no dealing. (*Nicomachean Ethics*, p. 136).

In the space of a couple of pages, Aristotle sketches out a theory of equilibrium money prices and uses it to illustrate his principle of proportionate justice. Contemporary economics would interpret Aristotle's characterization of price ratios as those associated with competitive long-run equilibrium.

He goes on to sketch out a theory of money's role as a medium of exchange and store of value.

Now that what connects men in such transactions is demand. [This] is shown by the fact that, **when either one does not want the other or neither want one another, they do not exchange** at all, whereas **they do when one wants what the other man has, wine for instance, giving in return corn for exportation.**

And further, **money is a kind of security to us in respect of exchange at some future time** (supposing that one wants nothing now that we shall have it when we do): the theory of money being that whenever one brings it one can receive commodities in exchange: of course this too is liable to depreciation, for **its purchasing power is not always the same, but still it is of a more permanent nature than the commodities it represents.** (*Nicomachean Ethics*, p. 137).

Aristotle notes that holding money is not without risk, because of possible changes in the value of money (what present-day economists would call the risk of inflation [a decline in the value of money]). Nonetheless, holding money for this purpose is less risky than holding other

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<sup>12</sup>From 1920–1950, there was a centralization debate among economists regarding the feasibility and merits of centralized command and control economies like the one to which the Soviet Union aspired. Those defending markets argued that, without money prices, rational investment decisions are impossible because one cannot compare alternatives. See Pareto (1927), Mises (1927), and

Hayek (1940) for key contributions, or Murrell (1983), Lavoie (1985), and Boettke (2000) for summaries and overviews. It is clear that this property of money prices was recognized by Aristotle, whose analysis arguably forms the foundation of the much later one.

assets. He also notes that the same trades and trading ratios could have been achieved without money.

Let B represent ten minæ, A a house worth five minæ, or in other words half B, C a bed worth 1/10th of B: it is clear then how many beds are equal to one house, namely, five. **It is obvious also that exchange was thus conducted before the existence of money: for it makes no difference whether you give for a house five beds or the price of five beds.** (*Nicomachean Ethics*, p. 137).

In this short section of book V, Aristotle invents several important ideas in economics. Aristotle is among the first to argue that money allows comparisons among disparate goods. Such comparisons are necessary for his theory of proportionate justice in exchange. Aristotle's theory, this equality is a property of just prices—that the money value of the goods traded should always be equal. Evidently, prices in Athens exhibited the property well enough for trade to serve as a useful illustration of his theory.

In contemporary economic theory, this is often called the no-speculation condition of competitive equilibrium. In equilibrium, there are gains to trade but no speculative gains because all prices satisfy Aristotle's transitivity of value. Aristotle's economic theory is not central to his analysis or interests, but is worked out simply in order to provide an example or illustration of his theories of moral choice, justice, and reciprocity.

### IV. Aristotle on Profits, Interest, and Occupations

Proportionate reciprocity plays a central role in Aristotle's theory of justice, markets, and society. Nonetheless, Aristotle has reservations about the kinds of behavior that markets tend to induce. Aristotle's analysis of virtue implies that good behavior is nearly always moderate, the mean between two unattractive extremes. For this reason, he regards a lust for money, as opposed to a moderate regard for it, to be a vice rather than a virtue. He also suggests, although he does not directly say, that some occupations tend to encourage an excessive regard for money, whereas others encourage a more appropriate one.

Aristotle makes an ethical case in support of what might be called production and exchange (household management, what we would call farming) and against commerce (what Kirzner [1973] would much later call entrepreneurship). Productive activities are both necessary and admirable. The trading of already produced items for profits is less so. And, the exchange of money for interest (usury) even less so.

Aristotle is not opposed to maximizing profit, per se. For example, he suggests that farmers (and implicitly other producers) should know the rate of return from alternative investments.

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

## Ethics and Prosperity: Chapter 8

**These are the true or proper arts of wealth-getting** and come first. (*Politics*, KL: 282).

Aristotle ranks occupations and modes of wealth accumulation by their effects on the development of virtuous dispositions.

There are **two sorts of wealth-getting: one is a part of household management, the other is retail trade. The former is necessary and honorable**, while that which consists in exchange is justly censured; for it is unnatural, and a mode by which men gain from one another.

**The most hated sort, and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural object of it.** For money was intended to be used in exchange, but not to increase at interest. And this term interest, which means the birth of money from money, is applied to the breeding of money because the offspring resembles the parent. **Of all the modes of getting wealth this is the most unnatural.** (*Politics*, KL: 275).

A third sort of wealth getting...is also concerned with exchange, viz., the industries that make their profit from the earth, and from things growing from the earth which, although **they bear no fruit**, are nevertheless profitable; for example, the cutting of timber and all mining. (*Politics*, KL: 285). Those occupations are most truly arts in which there is the least element of chance; **they are the meanest in which the body is most deteriorated, the most servile** in which there is the greatest use of the body, and **the most illiberal in which there is the least need of excellence.** (*Politics*, KL: 295–96).

It is doubtful that this rough ranking of honorable economic professions was original with Aristotle, but his work was read for many centuries afterwards and so his remarks on this subject are important.

It is roughly aligned with value added, with farming adding more value than extractive occupations, which add more value than organizing trades of existing goods. It is not clear where his own occupation fits into this hierarchy: teaching and running a college, where knowledge is traded for money. He most likely regarded it as a form of production (household management) in which skill was important.<sup>13</sup>

It is interesting (and important) to note that normative conclusions similar to Aristotle's about the relative merits of farming, commerce, banking, and finance were widely codified in laws and other public policies during the next 2,000 years. Loaning money for interest was widely illegal in both medieval Europe and in the Islamic domains to the south of east of Europe.

## V. Morality and Practical Wisdom

After characterizing virtuous behavior, Aristotle explores why both moral and intellectual excellence are necessary for human happiness. He argues that moral choices require an understanding of the circumstances and consequences of action. Intellectual excellence, especially that associated with practical wisdom, tends to improve one's understanding of one's particular circumstances and of the consequences of alternative actions.

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<sup>13</sup> In the *Politics*, Aristotle makes this explicit:

**Moral virtue is a state apt to exercise moral choice. Moral choice is will consequent on deliberation. The reason must be true and the will right to constitute good moral choice**, and what the reason affirms the will must pursue. (*Nicomachean Ethics*, p. 154).

To understand what is possible requires intellectual excellence.

To understand what should be done requires moral excellence. Together these make moral choices possible.

Aristotle divides intellectual excellence into five categories: art, knowledge, practical wisdom, science, and intuition, which are related to one another, of which only two are important for moral choices. First principles are products of intuition, rather than practical wisdom or science.

The faculty which takes in **first principles** cannot be any of the three first. **The last, namely intuition, must be it which performs this function.** (*Nicomachean Ethics*, p. 158).

Unfortunately, universal principles do not exist for human actions, because the details of one's circumstances always matter. As a consequence, practical wisdom (common sense) as well as a virtuous disposition is necessary to make wise decisions.<sup>14</sup>

[T]he practically wise man [is] able to **deliberate well respecting what is good and expedient for himself**, not in

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<sup>14</sup>The necessity of practical wisdom in human affairs is because the universe can be separated into two categories, the permanent and the variable. The domain of science concerns the portion of the universe that is unalterable and cannot be other than it is. The domain of practical wisdom, in contrast, concerns the portion that can be changed in various ways. Human action take place in areas of the universe where change is possible. Deliberation is necessary in part

any definite line, as what is conducive to health or strength, but what to **living well.** (*Nicomachean Ethics* pp. 155-156).

Practical wisdom is employed upon human matters...No man deliberates about things which cannot be otherwise than they are, nor about any save those that have some definite end and this end good resulting from moral action.

... **Nor does practical wisdom consist in a knowledge of general principles only, but it is necessary that one should know also the particular details, because it is apt to act, and action is concerned with details.** (*Nicomachean Ethics*, pp. 159-60).

**[K]nowing what is good does not by itself make a practically-wise man...Man's work as Man is accomplished by virtue of Practical Wisdom and Moral Virtue**, the latter giving the right aim and direction, the former the right means to its attainment. (*Nicomachean Ethics*, p. 166).

Although virtuous habits of thought are important for a good life, one has to go beyond moral generalities to make good choices, because there are many settings in which general principles are difficult to apply or would be wrong to apply.

**We call men wise in this or that, when they calculate well with a view to some good end in cases where there is no definite rule.**

For this reason, we think Pericles and men of that stamp to be practically wise, because **they can see what is good for themselves and for men in general**, and we also think those

because in such areas, one can never know precisely what will happen next. Aristotle's argument thus implies a choice environment analogous to the ones emphasized by Knight (1917) and Shackle (1961) in which uncertainty and surprise are commonplace. Similar limits also play a role in Hayek's (1945) famous analysis of the knowledge problems solved by markets.

to be such who are skilled in domestic management or civil government. (*Nicomachean Ethics*, p. 156).

### VI. Limits to Principles of Virtue and Law

In the *Nicomachean Ethics* Aristotle focuses for the most part on virtue's role in a good life, but also discusses the material things are necessary for happiness, the value of friendship, and the importance of intellectual excellence. He also begins analyzing how the manner in which a society is organized—its legal system and political institutions—contributes to the development of intellectual and moral excellence, the skills and dispositions that tend to produce lifelong happiness. The latter is a main focus of analysis of his next book, the *Politics*.<sup>15</sup>

Aristotle's analysis of what might be called the rules for a good society begins in his discussion of justice. Among the concepts of justice reviewed are ones grounded in formal rules or laws. His analysis of law combines ideas about legitimate constitutional procedures and ethical notions of justice. A law can be considered just if it has been lawfully

adopted, which is to say through the procedures specified in a community's constitution. Good laws advance common interests including moral development, which is to say they tend to increase happiness (eudemonia) in the community.

**All lawful things are in a manner just, because by lawful we understand what has been defined by the legislative power and each of these we say is just.**

The laws too give directions on all points, **aiming either at the common good of all, or that of the best, or that of those in power** (taking for the standard real goodness or adopting some other estimate). **In one way we mean by just, those things which are apt to produce and preserve happiness** and its ingredients for the social community. (*Nicomachean Ethics*, p. 126).

**[T]he law commands the doing of deeds not only of the brave man** (as with not leaving the ranks, nor flying, nor throwing away one's arms), **but those also of the perfectly self-mastering man, as abstinence from adultery and wantonness;** and those of **the meek man, as refraining from striking others or using abusive language**, and in like

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<sup>15</sup>As in the case of *Nicomachean Ethics*, there are numerous translations of *Politics*. My first preference was for a translation of about the same vintage as used for the *Nicomachean Ethics*, but I was unable to find one that was sufficiently readable for the purposes of this chapter. In the end, I decided to use the 1885 Jowett translation, which is widely available on various classic websites, from Google books (in the original, with a very long introduction) and also in Kindle format from *Penguin Classics* (without the introduction or translator notes). The latter is the version used here and is adopted partly because of its time of translation. The Kindle version of Jowett's 1885 translation unfortunately includes only Kindle location numbers, rather than page numbers; these are listed as "KL:" followed by the location number(s) in the text. Second choices included

the Tayler translation (1811), the very readable translations by Carnes Lord (2013) and the C.D. C. Reeve translation (1998), which includes relatively detailed translator notes. I was especially tempted to use the Tayler translation because it antedated the Bekker (1837) compilation of Aristotle's writings in Greek and the major developments of the nineteenth century, but it seemed to be less complete and well-organized than subsequent translations (possibly because it predated Bekker's careful research). I have lightly edited the quotes from Jowett to improve their readability. For the most part, this involved updating his punctuation. In a few cases, I untangled his phrasing, but only if this could be done without changing his meaning.

## Ethics and Prosperity: Chapter 8

manner in respect of the other virtues and vices **commanding some things and forbidding others, rightly if it is a good law.** (*Nicomachean Ethics*, p. 126).

The idea that virtue can be compelled by law appears to conflict with his earlier analysis, which argued that freedom of action is necessary for moral choices. However, the law may be regarded as discouraging rather than necessitating particular types of actions. One may choose to disregard the law and engage in criminal actions. If so, a law that discourages vice can be said to promote the common good and happiness by encouraging the formation of virtuous dispositions, rather than force it.

In his discussion of justice and the law, Aristotle considers both universal laws—laws that should apply everywhere—and local variations in law that may be regarded as just because they have been adopted by legitimate governments. The latter will differ among polities.

A parallel may be drawn between **the just which depend upon convention and expedience**, and measures; for wine and corn measures are not equal in all places, but where men buy they are large, and where these same sell again they are smaller.

**In like manner the justs which are not natural, but of human invention, are not everywhere the same, for not even the forms of government are, and yet there is one only which by nature would be best in all places.** (*Nicomachean Ethics*, p. 141).

He also notes that the impossibility of creating a complete guide for ethical behavior—which is why practical wisdom is required—implies that developing a perfect, universal set of laws is also impossible. The law, however, needs to be general, but it cannot therefore always be correct.<sup>16</sup>

Where then there is a necessity for general statement, while a **general statement cannot apply rightly to all cases.**

The law takes the generality of cases, **being fully aware of the error thus involved**; and rightly too notwithstanding, because **the fault is not in the law**, or in the framer of the law, but is **inherent in the nature of the thing**, because the matter of all action is necessarily such.

When then the law has spoken in general terms, and there [are always] **exceptions** to the general rule, **it is proper—insofar as the lawgiver omits the case and by reason of his universality of statement is wrong—to set right the omission by ruling it as the lawgiver himself would rule were he there present.** (*Nicomachean Ethics*, p. 149).

### VII. Aristotle on the Merits of Private Property

Among the laws most relevant for economic activity are those with respect to private property, contract and exchange. Aristotle provides a clear defense of private property in the *Politics*. Aristotle's famous teachers (Socrates and Plato) had advocated relatively broad common

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<sup>16</sup>Early in Book I of *Nicomachean Ethics*, Aristotle warns the reader about the limited precision that is possible in ethical analysis: "We must be content then, in speaking of such things and from such data, to set forth the truth roughly and in outline; in other words, since we are speaking of general matter and from general data, to draw also conclusions merely general. And in the same spirit

should each person receive what we say: for the man of education will seek exactness [only] so far in each subject as the nature of the thing admits." (*Nicomachean Ethics*, p. 26).

## Ethics and Prosperity: Chapter 8

ownership. Aristotle disagrees with their analysis and notes practical problems associated with communal property and advantages of private property.<sup>17</sup> Moreover, he also argues that an “ideal” that is not possible cannot really be ideal.

The members of a state must either have (1) all things or (2) nothing in common, or (3) some things in common and some not.

That they should have **nothing in common is clearly impossible**, for the community must at any rate have a common place- one city will be in one place, and **the citizens are those who share in that one city.** (*Politics*, KL: 371–73).

**In framing an ideal we may assume what we wish, but should avoid impossibilities.** (*Politics*, KL: 528).

He argues that, as a rule, property should be private because there will be fewer disputes and property will be used more productively when it is privately held or owned.

**Property should be in a certain sense common, but, as a general rule, private;** for when everyone has a distinct interest, men will not complain of one another, and **they will make more progress**, because everyone will be attending to his own business. (*Politics*, KL: 458–60).

Besides the practical advantages of private ownership, Aristotle also notes that ownership can be a source of pleasure and, moreover, is necessary to develop some virtues.

How immeasurably greater is the pleasure, when a man feels a thing to be his own; for surely the love of self is a feeling implanted by nature and not given in vain. Although selfishness is rightly censured; this is not the mere love of self, but the love of self **in excess**, like the miser’s love of money; for all, or almost all, men love money and other such objects in a measure.

And further, **there is the greatest pleasure in doing a kindness or service to friends or guests or companions, which can only be rendered when a man has private property.** These advantages are lost by excessive unification of the state.

The exhibition of two virtues, besides, is visibly annihilated in [without private property]: first, temperance towards women (for it is an honorable action to abstain from another’s wife for temperance’ sake); secondly, liberality in the matter of property. **No one, when men have all things in common, will any longer set an example of liberality or do any liberal action; for liberality consists in the use which is made of property.** (*Politics*, KL: 465–73).

Aristotle also suggests that many of the problems that opponents of private property point to are not caused by that mode of ownership but by aspects of human nature.

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<sup>17</sup>Aristotle and fellow scholars at his school collected and analyzed a large number of constitutions from the many city-states in the region that modern-day Greece now encompasses. The results of that project are summarized in *Politics*, which arguably launched the field of political science, as distinct from political theory. His analysis of political systems thus tends to be empirically based

although his assessment of their relative merits returns to ideas developed in the *Nicomachean Ethics*. The *Politics* also analyzes policy issues of his time, such public education (which he supports) and slavery (which he did not condemn but argued that more persons were slaves than should be).

## Ethics and Prosperity: Chapter 8

Such legislation [placing everything in common] may have a specious appearance of benevolence; men readily listen to it, and are easily induced to believe that in some wonderful manner everybody will become everybody's friend, especially when some one is heard denouncing **the evils now existing in states, suits about contracts, convictions for perjury, flatteries of rich men and the like**, which are said to arise out of the possession of private property.

**These evils, however, are due to a very different cause—the wickedness of human nature.**

Indeed, we see that there **is much more quarreling among those who have all things in common**, though there are not many of them when compared with the vast numbers who have private property. Again, we ought to reckon, not only the evils from which the citizens will be saved, but also the advantages which they will lose. (*Politics*, KL: 470–78).

Overall, Aristotle's case for private property rests on a variety of practical advantages associated with it. There are benefits and costs, but the benefits are far greater than the costs.

**Property is a part of the household**, and the art of acquiring property is a part of the art of managing the household; **for no man can live well, or indeed live at all, unless he be provided with necessaries.** (*Politics*, KL: 99-100).

Communal ownership is impractical, because of what economists would later refer to as free rider and commons problems. It also undermines two important virtues and eliminates a significant source of pleasure. Private property is thus generally the better form of ownership.

Aristotle's conclusion is partly based on his analysis of the effects of communal ownership and partly on his conclusion that happiness as the ultimate end of human life. Together they imply that private property (generally) increases the lifetime happiness of people living in a community relative to that associated with communal property. That it does so without necessarily increasing moral or intellectual excellence suggests that there are other sources of happiness than the two focused on in *Nicomachean Ethics*.

## VIII. Political Institutions and the Good Society

Aristotle's *Politics* explores a variety of issues associated with the state, why they exist, and what form is most likely to produce a good society. Active governments are necessary because of the imprecision of law and the dynamic environment of human life. The laws may need to be refined to accommodate changes in circumstances. The best governments do this with the good in mind, in part because communities emerge because they enhance prospects for a good life.

EVERY STATE is a community of some kind, and every community is established with a view to some good; for mankind always act in order to obtain that which they think good **The state or political community which is the highest of all, and which embraces all the rest, aims at good to a greater degree than any other, and at the highest good.** (*Politics*, KL: 26–35).

When several villages are united in a single complete community, large enough to be nearly or quite self-sufficing, the state comes into existence, **originating in the bare needs of life,**

## Ethics and Prosperity: Chapter 8

**and continuing in existence for the sake of a good life.**  
(*Politics*, KL: 63).

The state increases the survival prospects of individuals and can increase their virtue and happiness. Government is thus a major innovation.<sup>18</sup>

The proof that the state is a creation of nature and prior to the individual is that the individual, when isolated, is not self-sufficing; **and therefore he is like a part in relation to the whole.** ... A social instinct is implanted in all men by nature, and yet he who first founded the state was the greatest of benefactors. (*Politics*, KL: 80–82).

Although governments are necessary and productive, some forms of government are better than others. One of the aims of the *Politics* is to characterize the best governments, and to do so he extends the approach used in *Nicomachean Ethics* to assess the relative merits of governments. As the best character is that which produces a life of happiness or contentment, the best constitution is that which produces good lives for its citizens and is sufficiently robust to do so for a sustained period of time.<sup>19</sup>

What is possible is partly an empirical question, and Aristotle and his colleagues examined the constitutions, successes, and failures of the wide variety of governments in the territories in and around the Aegean

Sea that is often referred to as “Classical Greece.” After that study, which is summarized in the *Politics*, he then attempts to characterize the best constitution.

**We have now to inquire what is the best constitution for most states, and the best life for most men,** neither assuming a standard of virtue which is above ordinary persons, nor an education which is exceptionally favored by nature and circumstances, nor yet an ideal state which is an aspiration only, but having regard to the life in which the majority are able to share, and to the form of government which states in general can attain. (*Politics*, KL: 1641).

He suggests that the relative merits of governments can be analyzed in the same manner as ethics. He begins by looking at existing governments and attempting to discern universal principles from those examples. He argues that the lawgivers can exhibit virtue and vice just as ordinary men can. A good government increases the level of virtue and thereby happiness of individuals in the communities governed.

In the end, he supports democratic or mixed forms of government depending on the income distribution in the communities to be governed.

[I]he **best political community is formed by citizens of the middle class**, and that those states are likely to be well-administered in which the middle class is large, and stronger

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<sup>18</sup>Such mutual benefits of ceding authority to governments would much later be used to provide the foundation for contractarian theories of the state, as with Hobbes (1651).

<sup>19</sup>Note that these assertions differ from those of Hobbes in that he argues that people do not have an instinctive social nature, but one that tends toward

endless conflict. Parts I and II of this book suggest that such social instincts are products of social evolution and are taught rather than genetically transmitted aspects of human nature.

## Ethics and Prosperity: Chapter 8

if possible than both the other classes, or at any rate than either singly; for the addition of the middle class turns the scale, and prevents either of the extremes from being dominant. ... The mean condition of states is clearly best, for no other is free from faction; and where the middle class is large, there are least likely to be factions and dissensions. For a similar reason, large states are less liable to faction than small ones, because in them the middle class is large. (*Politics*, KL: 1679–87).

Regarding the best form of government, Aristotle discusses ideal forms of governments that combine direct democracy and representative (oligarchic) elements.

**It is also a good plan that those who deliberate should be elected by vote or by lot in equal numbers out of the different classes;** and that if the people greatly exceed in number those who have political training, pay should not be given to all, but only to as many as would balance the number of the notables. ...

Again, in oligarchies either the people ought to accept the measures of the government, or not to pass anything contrary to them; or, if all are allowed to share in counsel, the decision should rest with the magistrates. **The opposite of what is done in constitutional governments should be the rule in oligarchies; the veto of the majority should be final, their assent not final, but the proposal should be referred back to the magistrates.** Whereas in constitutional governments they take the contrary course; the few have the negative, not the affirmative power; the affirmation of everything rests with the multitude. (*Politics*, KL: 1786–96).

However, Aristotle is less concerned with the exact form of the ideal government than with the general characteristics of good governments. In constitutional democracies policies should be selected in open public meetings subject to the vetoes of elected officials (possibly for constitutional reasons) or the representative body (the oligarchy) should propose policies subject to the veto of the citizenry in public meetings. The specific details of the populous, time, and place will affect what is best for a given populous. What is most general is the aim of the government formed.

[T]he form of government is best in which every man, whoever he is, can act best and live happily. (*Politics*, KL: 2718). Since the end of individuals and of states is the same, **the end of the best man and of the best constitution must also be the same;** it is therefore evident that there ought to exist in both of them the **virtues of leisure;** for peace, as has been often repeated, is the end of war, and leisure of toil. **But leisure and cultivation may be promoted, not only by those virtues which are practiced in leisure, but also by some of those which are useful to business. For many necessities of life have to be supplied before we can have leisure.** (*Politics*, KL: 3069–3073).

Although the virtues are developed one person at a time through a long series of moral choices, Aristotle believes that governments can encourage the formation of virtue through laws, as discussed above, and also through public education. He therefore is among the earliest supporters of public education.<sup>20</sup>

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<sup>20</sup> Although many of Aristotle's arguments are accepted by enlightenment scholars and nineteenth century liberals, not all accepted his argument concerning public education. Liberals such as Adam Smith and Herbert Spencer argued

that public education is unnecessary. Adam Smith's ethics are discussed in chapter 4 and Herbert Spencer's in chapter 5. Aristotle's suggestion that the virtues

[T]he legislator should **direct his attention above all to the education of youth**; for the neglect of education does harm to the constitution. The citizen should be molded to suit the form of government under which he lives. For each government has a peculiar character which originally formed and which continues to preserve it. The character of democracy creates democracy, and the character of oligarchy creates oligarchy; and always **the better the character, the better the government**.

And since the whole city has one end [the encourage of virtues necessary for happiness and survival], **it is manifest that education should be one and the same for all, and that it should be public, and not private.** (*Politics*, KL: 3172-3178). **The good citizen** ought to be capable of both; he **should know how to govern like a freeman, and how to obey like a freeman**. These are the virtues of a citizen. And, although the **temperance and justice** of a ruler are distinct from those of a subject, the virtue of a good man will include both; for the virtue of the good man who is free and also a subject, e.g., **his justice, will not be one but will comprise distinct kinds, the one qualifying him to rule, the other to obey.** (*Politics*, KL: 990–93).

We must remember that good laws, if they are not obeyed, do not constitute good government. Hence, there are **two parts of good government**; one is the actual **obedience of citizens to the laws, the other part is the goodness of the laws which they obey.** (*Politics*, KL: 1607–608).

### IX. Lessons from Aristotle Regarding Ethics and Commerce

Perhaps the most important lesson from Aristotle is his methodology, his approach to learning. He listens and observes widely and then attempts to distill general, logically consistent principles from that body

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that should be taught in public schools vary with the type of government is, however, accepted by Montesquieu.

of knowledge. This approach enabled him to create coherent theories of great importance for ethics, economics, political science, biology, physics, and logic—to name just a few fields in which he is regarded as either a pioneer or founder.

With respect to the aim of this book, it is his conclusions about ethics, commerce, and politics that are most important. He believes that virtue is the foundation of both a good life and good society. Happiness is the ultimate end for each and virtue is the surest route to happiness. It is not determined by creature comforts but of character development.

Some think that a very moderate amount of virtue is enough, but set no limit to their desires of wealth, property, power, reputation, and the like. **To whom we reply by an appeal to facts, which easily prove that mankind do not acquire or preserve virtue by the help of external goods, but external goods by the help of virtue**, and that happiness, whether consisting in pleasure or virtue, or both, is more often found with those who are **most highly cultivated in their mind and in their character**, and have only a moderate share of external goods, than among those who possess external goods to a useless extent but are deficient in higher qualities. (*Politics*, KL: 2688–93).

The virtues are not extreme forms of behavior but tend to be moderate ones between two extremes. To be virtuous is not an impossible ideal, but within reach of most educated persons. Vice, in contrast, occurs at the extremes.

## Ethics and Prosperity: Chapter 8

It bears noting that Aristotle does not assert that virtuous dispositions by themselves guarantee happiness, nor that virtue is the only source of happiness. The development of virtuous dispositions are simply the most reliable source of long run happiness. There are also material preconditions. These imply that wealth has a role, if not a central one, in the good life. Nor does understanding what virtue is imply that one is virtuous, this requires both practical wisdom (an understanding of context and consequences) and sufficient experience that practical wisdom and virtuous habits—e.g. ethical dispositions—are accumulated. One has to develop virtuous dispositions. The good life is not a passive one, but an active one in which choices are made, actions undertaken, and experience is accumulated.

His analysis of the ideal state stresses the importance of legal and political institutions. Political institutions and laws should increase prosperity, reduce conflict among citizens, and provide for community defense. There are institutional and material, as well as moral, requirements for a good society. However, ultimately good laws promote virtuous living and community happiness.

With respect to economics, he suggests that trade can be virtuous. Sustained trading relationships requires proportionate reciprocity and is an example of proportionate justice. The value of what is traded is the same in money terms. Money thus facilitates exchange and helps assure that trade is properly reciprocal. With respect to property, he suggests that property systems that are largely private tend to produce better results than ones that consists largely or only of common property. Pri-

ate property reduces conflict, encourages good management, and facilitates the development of some virtues, especially liberality (appropriate levels of generosity) and temperance (resisting temptations, as with theft or trespass). Ownership can also be a direct source of pleasure for those who own something.

With respect to economic activities themselves, he regards directly productive ones (e.g., farming and construction) to be the most praiseworthy, followed by ones that harvest the fruits of nature (as with mining and timbering), followed by traders of merchandise (merchants and speculators) and, last, those who deal in money (banking and finance). This rank order of careers is implicitly a rank order of the tendencies toward virtue that he associates with them. The most virtuous occupations promote moderation and excellence, the least promote excessive concern for money and unjust behavior.

Although not stressed by Aristotle, for the purposes of this book, it bears noting that many of the virtues and excellences analyzed are market-supporting rules of conduct.

**Workings in accordance with [excellence] are proper to man. I mean, we do actions of justice, courage, and the other virtues, towards one another, in contracts, services of different kinds, and in all kinds of actions and feelings too, by observing what is befitting for each: and all these plainly are proper to man.** (*Nicomachean Ethics* (p. 274).

Athens was a center of commerce during its golden age and it is clear that many of the virtues listed by Aristotle would have helped contribute to that prosperity. The virtue of honesty tends to facilitate commerce by re-

ducing fraud and simplifying contract enforcement. The virtues of prudence (meekness and self-mastery) and bravery tend to encourage responsibly engaging in risk taking. The same virtues also contribute to solving internal social dilemmas with respect to conflict and commons problems. His defenses of private property and many—but not all—commercial careers and activities would encourage virtuous persons to include such activities in their own lives, find them praiseworthy when undertaken by others, and to favor them within their communities.<sup>21</sup>

It is the prevalence of such ethical dispositions together with supportive relatively democratic institutions that likely accounted for Athen's relative success as a center of commerce and its relevance both for scholars of the enlightenment and today's commercial societies.

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<sup>21</sup> Aristotle's work is still studied in large part because so many of his conclusions accord well with contemporary ideas about science, reason, the good life, the good society, and good government. (Indeed, many of those ideas are doubtless grounded in his analyses more than two thousand years ago.)

Nonetheless, it should be acknowledged that a subset of Aristotle's work is less appealing to modern sensibilities, although many of these also stood the test of time quite well. His ideas about physics remained relevant into the 17th century when Newton's revolution in physics took place. His ideas concerning biology remained relevant into until Darwin's revolution in biology in the late 19th

century. His illiberal positions on woman's rights and slavery would have been regarded as moderate ones in Western society until the mid-to late-eighteenth century. Some of his ideas about education, property, and common meals also seem strange, but it should be kept in mind that Greece was a pre-industrial society, based on trade and agriculture, and cities were much smaller then—often towns with fewer than 5,000 full citizens.

His support for public education would have seemed relatively extreme until the mid-to late-nineteenth century, although today it seems obvious and uncontroversial—if some of his specific recommendations seem less than apt.

I. Appendix to Chapter 8: Some Illustrative Variations among the Translations of Aristotle’s Nicomachean Ethics

Translation	First Sentence	On Man’s Work/Function
Gillies, J. (1797) Aristotle’s Ethics and Politics. London: Cadell and Davies. [1813 edition].	Since every art and every kind of knowledge, as well as all the actions and the deliberations of men constantly aim at something which they call good; good, in general may be justly defined, “that which all desire.” (p. 240).	The proper good of man consists then in virtuous energies, that is, in the exercise of virtue continued through life; for one swallow makes not a summer; neither does one day, or a short time, constitute happiness. (p. 253).
Chase, D. P. (1847) Aristotle, A New Translation Mainly from the Text of Bekker. London: Whittaker and Co.	Every art, and every science reduced to a teachable form, and in like manner every action and moral choice, aims, it is thought, at some good: for which reason a common and by no means a bad description of the Chief Good is, “that which all things aim at.” (p. 1).	If all this is so, the Good of Man comes to be a working of the Soul in the way of Excellence, or, if Excellence admits of degrees, in the way of the best and most perfect Excellence. And we must add; for as it is not one swallow or fine day that makes spring, so it is not one day or a short time that makes a man blessed and happy. (p. 20).

William, R. (1876) Nicomachean Ethics of Aristotle, Newly Translated into English. (Second Edition) London: Green and Co.

Welldon, J. E. C. (1892) The Nicomachean Ethics of Aristotle. London: Macmillan and Co.

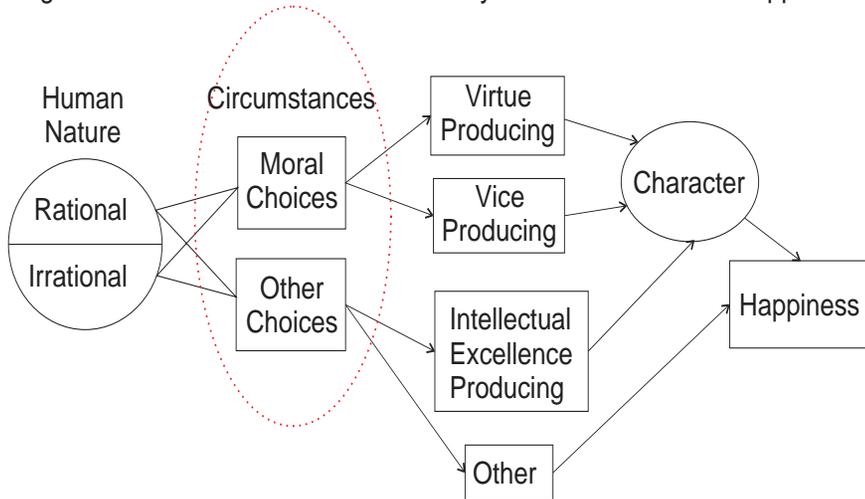
All Moral Action, that is to say all purpose, no less than all art and all science, would seem to aim at some good result. Hence has come a not inapt definition of the chief good as that one end at which all human actions aim. (p. 1).	If all this be so, we shall find that the chief good of man consists in an activity of the soul in accordance with its own excellence (or, in other words, such that the essential conditions of excellence are fulfilled), and, if there be many such excellencies or virtues, then in accordance with the best among them. And we must further add the condition of a complete life; for a single day or even a short period of happiness, no more makes a blessed and happy man than one sunny day or one swallow makes a spring. (p. 14)
Every art and every scientific inquiry, and similarly every action and purpose, may be said to aim at some good. Hence the good has been well defined as that at which all things aim. (p. 1).	It follows that the good of Man is an activity of soul in accordance with virtue or, if there are more virtues than one, in accordance with the best and most complete virtue. But it is necessary to add the words “in a complete life.” For as one swallow or one day does not make a spring, so one day or a short time does not make a fortunate or happy man. (p. 16).

## Ethics and Prosperity: Chapter 8

<p>Ross, W. D. (1925) <i>Ethica Nicomachea</i>. Oxford: Clarendon Press.</p> <p>(Quotations taken from the MIT classics website.)</p>	<p>Every art and every inquiry, and similarly every action and pursuit, is thought to aim at some good; and for this reason the good has rightly been declared to be that at which all things aim.</p>	<p>If this is the case, human good turns out to be activity of soul in accordance with virtue, and if there are more than one virtue, in accordance with the best and most complete. But we must add “in a complete life.” For one swallow does not make a summer, nor does one day; and so too one day, or a short time, does not make a man blessed and happy.</p>	<p>Crisp, R. (2014) Aristotle, <i>Nicomachean Ethics</i>. Cambridge: Cambridge University Press.</p>	<p>Every skill and every inquiry, and similarly every action and rational choice, is thought to aim at some good; and so the good has been aptly described as that at which everything aims. (p. 3).</p>	<p>If this is so, the human good turns out to be activity of the soul in accordance with virtue, and if there are several virtues, in accordance with the best and most complete. Again, this must be over a complete life. For one swallow does not make a summer, nor one day. Neither does one day or a short time make someone blessed and happy. (p.12)</p>
<p>Irwin, T. (1999) Aristotle, <i>Nicomachean Ethics</i>. (Second Edition) Indianapolis: Hackett Publishing Company.</p>	<p>Every craft and every line of inquiry, and likewise every action and decision, seems to seek some good; that is why some people were right to describe the good as what everything seeks. (p. 1).</p>	<p>And so the human good proves to be activity of the soul in accord with virtue, and indeed with the best and most complete virtue, if there are more virtues than one. Moreover, in a complete life. For one swallow does not make a spring, nor does one day; nor, similarly, does one day or a short time make us blessed and happy. (p. 9).</p>			

Appendix II: a Schematic of Aristotelian Ethics

Figure 8.1 Schemata of Aristotle's Theory of Moral Choice and Happiness



## Ethics and Prosperity: Chapter 8

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