

ARISTOTLE AS MEDITERRANEAN ECONOMIST

I. STATEMENT OF THE THESIS

1. *The trajectory of Aristotelian ideas*

The second half of the Fourth Century B.C. was a time of crisis for Greek city states.* Aristotle lived through this crisis. He began to reflect on the ideal organization of the polis. In his analyses of ethics (*Nicomachean Ethics*: NE) and of politics (*Politics*: P), can be found the conceptual framework for the socio-economic organization of the polis in light of its “development crisis”. In these texts Aristotle distinguishes himself from practitioners of political economics (as, for example, Isocrates and Xenophon) by declaring what could be called the socio-economic paradigm of a school theoretician.

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* This article is the text presented at the congress “Individual and Society: Aristotle’s Influence in the Mediterranean World”, Istanbul, January 5-9, 1986.

The conquests of Philip of Macedonia and of his son Alexander were to overturn this little world of city states and the paradigmatic constructions of the Stagirite. They put an end to the autonomy of the Greek city states as a result of their being integrated into the Hellenistic Empire. This historical mutation brought on an eclipse of Aristotle's socio-economic ideas for more than a thousand years. The Hellenistic empire, as well as its successor, the Roman Empire, did not know what to do with the *Kleinstaaterei* of the polis (*autarcheia*) that Aristotle had set up as ideal. These "transnational" empires were inspired by other schools of ethics and socio-economic thought, for example the Cynics and the Epicureans, and especially the Stoics. The latter produced basic concepts that led to the legitimation of the "cosmopolis".

Aristotle had his first renaissance at the time when the philosophical schools of Islam were flowering. In the Seventh and Eighth Centuries after Christ, the center of the Muslim world was increasingly displaced beyond its native Arabia, which raised new problems for the conquerors. Their thinkers came into contact with the cultural traditions of Byzantium, of Syria (under the Omayyades) and of Persia (under the Abbassides). At first their philosophers (Al-Kindi, Al-Farabi and Avicenna) initiated a dialogue with Platonic and Aristotelian thought.

Two centuries later Arab philosophers in southern Spain (in particular Averroës) would pass the torch to academic scholars, who in turn organized Aristotle's second renaissance, that of *Aristoteles Latinus*. From the twelfth to the fifteenth centuries, the feudal world of the West was to experience a development crisis similar to that of the Greek city states. It was the period of the flowering of trade and the affirmation of the chrematistic model in the Christian feudal world. Scholastic philosophers were to produce hundreds of commentaries on NE, V, 5 and on P, I, 8-11.

The Aristotelian universe is a world in which economics is only a sub-system of politics which, in turn, is part of the ethical system. Economics is not conceived as a determinant and autonomous system. The Aristotelian paradigm states that the functioning of the economy is subordinate to the proper functioning of the city. This means that economics is subordinate to political ethics. This hierarchization of values tallies well with the Islamic and scholastic

world. Islamic thinkers and scholastic philosophers would add that economics is also controlled by divinely revealed laws.

2. A change of hegemony and of paradigm

Up to the seventeenth century the western world lived under the political and material hegemony of Mediterranean civilizations, Islamic and Christian. The crisis of the Spanish empire and the slow retreat of Islam from Europe opened up a new era.

With the seventeenth century the hegemony of the Mediterranean zone began to erode. The new nations of the north (France, England, the Netherlands) took its place. The western world began to “Atlanticize”. The socio-economic paradigm of these young Atlantic nations was to be mercantilism. In this system, economics is recognized as being an important element of politics. The modern states of the seventeenth and eighteenth centuries considered the development of trade and of industry as a primary goal and as the public objective of the prince. In the nineteenth century the Atlanticization of the world was reinforced with the appearance on the scene of Germany and the United States.

In the world of ideas, mercantilism (Aristotle called it the chrematistic spirit) changed its nature. Instead of being the business of the prince or of the state, mercantilism became the concern of the individual. It was the birth of utilitarianism under the sustained impulse of influential philosophers such as Locke, Hume, Smith, Bentham and others.

The Atlanticization of the world and the triumph of the chrematistic spirit go together with a change of paradigm on the theoretical level. The social, political and economic sciences were “decolonized” from ethics and declared themselves autonomous. This was the birth of sociology and of modern economics. It was the end of the Aristotelian (Mediterranean) paradigm and the installation of the Atlantic paradigm.

3. The triumph of the Atlantic paradigm

In our own century, the functioning of the economy has taken the lead over other spheres of activity in society. In our societies,

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where the organization of material life has become very important, economic science has experienced development and respectability without precedent in history.

Two developments should be noted over the past generation:

a) *The academization* of economic science: economic thinking has become the business of university professors and has thereby acquired academic respectability.

b) *Universalization*: a knowledge of the rudiments of economic theory has become in our society a mark of being an educated person. Now a certain familiarity with the principles that govern the functioning of the economy is part of the general education of modern man.

c) A third trend is even more remarkable. This is the total elimination of the ethical dimension from economic thinking. This elimination reduces economic science to a pure logical and mathematical formalism for some and to a naive positivism (statistical empiricism aided by “computerization”) for others. This leads not only to an intellectual and moral impoverishment of economic science, but also to a disturbing indetermination of options in the realm of economic policy.

The economic crisis in the west that we have been experiencing since the mid-seventies has brought to light the crisis in (Atlantic) economic thought. A new reading of Aristotle and of the schools of thought he nurtured throughout the Mediterranean world can help us revitalize economic science at this crucial time.

II. ARISTOTLE, GREEK ECONOMIST

1. *The crisis in the polis*

In the second half of the Fourth Century B.C., the cities of Attica were experiencing a development crisis. This crisis was the result of many factors. Among others we can note:

– Loss of hegemony of the large cities: successively Athens, Sparta and Thebes.

– With the decline of the traditional *oikos* and the emergence of an urban economy based on importing and exporting, a new

growth model appeared. The accumulation of business trades (*kremata*) intensified. And new social layers appeared, for whom the acquisition and the accumulation of wealth constituted a value in itself. This was the affirmation of the chrematistic spirit.¹

– Socio-economic tensions between the groups that made up the polis: social antagonisms and erosion of the harmony between members of society. Private affairs took precedence over public harmony. Alongside the citizen, now there is the private man.

The general public became more sensitive to socio-economic problems and in the pamphlet literature of the period it is possible to note the beginning of an economic reflection. Public opinion was stirred, the intellectuals began talking of *stasis* and different “parties” or strategic options began to appear on the horizon:

a) A return to the model (from the golden age) of the past, that is of the *patrios politeia*.

b) The pragmatics who, faced with the failure of the hegemony of the different cities, saw salvation in a new social and economic policy:

– Isocrates recommended emigration and a pan-Hellenic solution, which would facilitate colonization of Asia Minor.

– Xenophon published two influential pamphlets. The first, *Economics*, is a manual aimed at a more efficient management of the *oikos*; the second, *Revenues*, contained a macro-economic program.² Xenophon repudiated imperialism as a solution and published a program for the restoration of the economy and finances.

c) The philosophers, especially Plato and Aristotle. These were the theoreticians who realized, somewhat nostalgically, that the traditional fabric of the polis was beginning to unravel. They saw the solution in a revitalization of the moral and political base. They recommended moral re-armament aimed at a better harmonization

¹ *Krematistike* comes from *krema* (plural *kremata*). Although the term *kremata* is one of the key concepts in Greek economic literature of the period, it is not easy to translate it into modern speech. By *kremata* was meant property, real estate, businesses or anything directly usable for paying for a purchase or a service rendered or for settling a debt. This means anything that has a purchasing power, just like money. The chrematistic spirit means a way of managing one’s life and affairs, pushed by the desire to acquire and to accumulate *kremata*.

² The “management manual” of Xenophon was later translated into Latin by Cicero. This text became the handbook for managers of *latifundia* in the Roman Empire.

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of social relationships and the creation of institutions capable of maintaining this harmony.

2. Aristotle's socio-economic thought

Socio-economic writings properly so-called make up only a small part of the total work of Aristotle. Moreover, a reading of these texts is not easy. The *Nicomachean Ethics* (especially the text NE, V, 5) is a fundamental work. But this is a work composed after his death by his son Nicomachos, and it sometimes lacks precision. In another text, P, I, 8-11, the Stagirite takes up once again certain ideas already formulated in NE. Many definitions are taken up anew with a different emphasis, which does not make it any easier to read and exegete them.

Before going into details, it is helpful to clarify the basic paradigm and determine its *Sitz im Leben*. Faced with the invasion of the economic sector into the affairs of the city and the decline of traditional values, Aristotle's approach was somewhat of a counter-current activity that could be called anti-chrematistic.³ For Aristotle, economics is but a means that ensures the necessary basis for the full moral development of citizens. When economics is well designed, it is also an instrument that leads to political harmony and social cohesion. The *kremata* are not sought after and accumulated for themselves. *Kremata* are sought after for another end than themselves. For the final goal is *eudaimonia* (living well), which constitutes the greatest end. Economics belongs to the order of means. It is but an instrument for the satisfaction of natural (material) means. It does not interfere with the order of these ends. Economics for Aristotle is only an auxiliary art.

The Aristotelian distinction between "living" and "living well" is clearly stated in the following text from P, I, 9: "From this certain people see in the simple accumulation of goods the object of domestic administration, and they persist in thinking that one should preserve intact or increase indefinitely one's wealth in

³ In being anti-chrematistic, Aristotle was preceded by Plato who, in his socio-political writings, in particular the *Republic* and *Laws* eliminated the dynamics of profit from his ideal society.

things. The cause for this disposition is the preoccupation with living and not with living well. Just as such a desire does not have a limit, one desires in order to fill it with means that are themselves limitless”.

The distinction between “living” and “living well” is thus very clear. From the economic point of view there are essentially two aspects:

- the accumulation of goods and wealth necessary to satisfy natural needs; that is the goods that are indispensable for the good life and that are useful for the community;

- the accumulation that aims at the unlimited search for (acquisition of) wealth, as is often the case, for example, in trade; this is the disapproved *krematistike*.

3. *The Interpretation of Politics I, 8-11*

In these texts Aristotle takes up concepts formulated by Plato, but he adds his own ideas and presents a coherent analysis of the development of societies. The analysis includes:

- the evolution of the *oikos*: from a primitive phase of subsistence to a more accomplished phase of commercialization; because of this every object has two uses (its own use and as exchange) and thus two values: the usage value and the exchange value;

- the origin and functions of money (exchange medium and standard of value or *metron*); Aristotle considers money to be a means or medium of exchange accepted by social convention (and/or the law); it is the affirmation of the conventional exchange value of money; the community that establishes conventionally the value of its money can also change this value as it deems fit;

- the models of exchange and accumulation. We have seen that Aristotle distinguishes essentially between two models: one based on natural needs (approved chrematistics) and the one motivated by the lure of gain (disapproved chrematistics).

Trade in goods and services, just as in currency (bank services), are evaluated positively when they correspond to the natural needs of the *oikos* and of the city. This means when barter and exchange take place on a basis of complementarity. Aristotle admits that the

oikos of his time can no longer efficiently produce all the goods and services necessary for its well-being. Because of this, exchange corresponding to this natural need is productive. But the expansion of exchange for profit alone is evaluated quite negatively.

Considerations about the accumulation of goods are valid as well for money. Money is seen in its role as mediator of exchange. But it itself *money is sterile*.⁴ Interest in money is to be assimilated to disapproved chrematistics.

4. *The interpretation of Nicomachean Ethics, V, 5*

In this text Aristotle formulates his basic ideas about exchanges in an ethical framework, that is of justice. This analysis represents a major development of economic theory.

In NE V, 5 Aristotle offers us an analysis:

- of money;
- of economic value;
- of the terms for exchange;
- of distributive and corrective justice.

a. *Money*

In his monetary concepts Aristotle is both a functionalist and a nominalist. The following passage from NE, V, 5 on money synthesizes his ideas clearly. “Money has become, because of convention, so to speak a means of exchange for something we lack. This is why we have given it the name of *nomisma*, because it is not a natural but a legal institution and it is not in our power either to change it or to determine that it will no longer be used”.

Aristotle’s monetary nominalism is clearly stated here. The political authorities of the city (*nomos*: law) confer its value on money. Aristotle is thus not a metalist (when the value of money is based on a metal) as has sometimes been claimed.

But money is not only a conventional medium of exchange; it is also a measure (*metron*) for other goods and services. The *metron*

⁴ Albertus Magnus returned to this idea and wrote, in his flamboyant style: “*Pecunia non parit*”, money cannot procreate.

aspect is clearly illustrated in another paragraph of NE, V, 5: “It (money) measures everything, the greater value of one object and the lesser value of another, for example, how many shoes it would take to equal a house or to feed a person”.

b. Exchange

But the central passage of NE, V, 5 is no doubt the Aristotelian theory on the economic value of goods and services and of their terms of exchange. With Aristotle the economic value of goods or a service rests in its capacity to satisfy the need (*kreia*). The intensity of the need (utility?) is the criterion for the value of goods or of a service. Historical evolution and social organization have resulted, in general, in the fact that an *oikos* does not produce all the goods and services necessary to satisfy its needs. Bartering is then a means for acquiring missing goods and services for surplus goods and services. But also in exchanges on a monetary basis (with money as medium), need is the basis of value. Money represents need in a universal and neutral fashion.⁵

In order that harmony reign in the city it is necessary that exchange activities take place according to the norms of justice; it is necessary that each one receive his due in return for his contribution.⁶ According to Aristotle, this term of justice should be understood in a double sense:

α. First there is distributive or macro-social justice that regulates the distribution of trophies or tributes of war, mandates and offices, honors, etc. Here Aristotle accepts the social (even natural) inequality among men, and therefore the distribution of “privileges” as well.

β. Then there is corrective justice, the norms that regulate “the just middle between the loss of one and the gain of the other” in an exchange situation.⁷ Finding this “just middle”, that is the just price, is the fundamental theoretical problem for which Aristotle sought a solution. In order to estimate the just value of the contribution of each one (in a situation involving different people, for example craftsmen exchanging dissimilar products), it is

⁵ In the text, *upallagma tès kreia*.

⁶ The terms “just” and “equitable” are etymologically linked to the root (*dicha*, split in two): *dikaion*.

⁷ NE, V, 3.

necessary to find an objective criterion for making the relationships commensurable and just. A theory for the terms of exchange is therefore necessary.

The Aristotelian criterion of the exchange value of goods or a service is need (*kreia*) in a barter situation, and money that expresses or represents need (*upallagma tès kreia*) in a situation of monetary or market exchanges. The intensity of the need felt by those exchanging is the (commensurable) criterion for the dissimilar value of the goods and services.

When two craftsmen exchange their products, it is necessary that what is given and what is received be perceived by those exchanging as having a relatively equal value. This idea expresses the functional requirement of the system of reciprocity. But there is also the requirement of the just middle (of justice) of the system. This means that social harmony is ensured when the objects exchanged are estimated by those exchanging (from their point of view, from their situation of need) to be relatively equivalent. This situation, in which none of the exchange partners (craftsmen) feel themselves cheated, ensures the permanence of supply and demand. In the opposite case, certain crafts would disappear.

To illustrate his exchange theory and the terms of such an exchange, Aristotle introduces the example of two craftsmen, a shoemaker and an architect, who want to exchange their products: shoes for a house. But in what follows we are citing a passage in NE, V, 5 on exchange, that opens another perspective of the exegesis than the one based on need (*kreia*). "The architect must receive from the shoemaker the fruits of his labor, and he must in turn give his to the shoemaker. If this proportional equality is achieved first of all, if reciprocity exists secondly, things will transpire as we have just said. If this is lacking, equality will be destroyed and these relationships will no longer exist. For nothing can prevent the work of one from exceeding the work of the other. They must be made equal. This exists also in other crafts. They would disappear if what the active party does, in quantity and in quality, was not equalled by the passive party in the same conditions".

This illustration of the shoemaker and the architect was to become famous in scholastic literature where most of the commentators made use of it and situated it within the perspective

of their own times. But the Aristotelian theory on exchange terms is not an example of analytical clarity. This gave the various schools (from the Middle Ages to our own times) the opportunity to read it in a manner corresponding to their own frame of ideological reference.

Since the scholastic period, two schools have confronted each other:

– Exchange terms (*justum pretium*) based on costs: objective economic value.

– Exchange terms based on subjective norms (utility), the value controlled by market conditions.

The Aristotelian text on exchanges does, in fact, lend itself to a two-fold reading:

α. The reading in which those exchanging are perceived as economic agents who barter or exchange to satisfy their *needs*. This is the (commercial) perception of the market. This perception can lead to a subjective evaluation of the intensity of supply and demand.

β. The reading in which those who exchange are perceived as craftsmen, that is from the point of view of production. In the last passage quoted, Aristotle does not place the accent on the need (*kreia*) of the shoemaker but on his work (*ergon*). The use of terms such as “product” and “work” refer to the aspect of production. This introduces the objective notion of the cost of production. Is Aristotle here intuitively touching on an economic theory of the balance between short term (needs, market) and long term (production costs) for which he had no interest? Why the remark, “this craft will disappear?”

If the market price, established by the intensity of the needs of those exchanging (today we would say by supply and demand), remains for certain products too often below the cost of production, the just middle has not been achieved. Then, Aristotle proclaims, this craft or this art (this product) will disappear. These two readings furnish the raw material (unused by Aristotle himself) for the synthesis that will be formulated at the end of the Middle Ages. It will lead to the theory of balance: the short term being controlled by the intensity of the needs (subjective utility) and the long term by production costs (the objective criterion).

5. Evaluation

Unlike Isocrates, Xenophon and other economic pragmatists, Aristotle did not formulate a concrete plan for the socio-economic improvement of the polis in crisis. In the socio-economic texts that we have just commented on, he distances himself and does not even comment on the changes brought about by Philip and Alexander. The Stagirite presents himself as an analyst above the fray, like the founder of a school. The Aristotelian paradigm in economy has the same characteristics as his ethical system:

- it is a world in which living well (*eudaimonia*) has priority over accumulation;
- it is a world in which justice is the guarantee of harmony and socio-political cohesion; it recommends exchange with normal prices, that is the just middle.

In his own times Aristotle experienced a great number of setbacks in his private and public life. The Aristotelian world was marked by nostalgic elitism. The Attic city, as it evolved from 370 to 322 B. C., presented too many modernisms to please Aristotle. His connection with the Macedonian party in Athens caused his later years to be troubled. After his death his economic and political ideas went through long periods of eclipse. But since he was the founder of a school, this philosophical genius experienced multiple renaissances. also in the realm of economic thought.

Even until our own times, Aristotle's contribution as an economist has been a controversial one. Some historians of economic thought, for example J. Schumpeter, considered Aristotle to be the first economic theoretician. Others, like Moses Finley, contest this honor bestowed on the Stagirite. In the bibliography that we list at the end of this article, the controversy often takes on an ideological turn and becomes an argument between schools (between monetarists, neo-classical economists or institutionalists).

III. ARISTOTLE, SOURCE OF ECONOMIC THOUGHT IN ISLAMIC LANDS

Islam very quickly developed far from its base in Arabia, spreading to lands of ancient cultures such as Asia Minor, North Africa and southern Spain. The shock with oriental thinking (Iranization) and the contact with the Greek heritage marked the intellectual development of the new religion.

The conquest raised new problems, including socio-economic ones. Islam was a religion whose initiators belonged to the commercial bourgeoisie of Arabia. The Prophet himself had direct knowledge of the wheels of economic life. Islam did not share the negative evaluation of trade and of economics in general as was the case in classical Antiquity and in Christianity.

However, Islam retained a key norm, inherited from biblical Judaism (Deuteronomy, XXIII, 20) and the philosophers of Antiquity (Plato and Aristotle). This was the prohibition against interest payments or to demand a *riba* on a loan. Another social norm was the *zakah* or the contribution for the poor.

From the Ninth Century A.D. Aristotle became the principal inspiration for economic thinking in the Muslim world of the classical period. Muslim thinkers took up the idea of the insertion of economic and socio-political analysis into the theory of practical ethics. The name of this science in Arabic is *ilm tabdir al-manzil*, which means the science of the organization of the *oikos*. It is a Greek idea.

The conquest of vast territories, including several prosperous ones, produced an enormous tribute and intensified trade. In very little time a very wealthy bourgeoisie was created. This class saw no moral problem in the accumulation of a large fortune. There are traces of this current in the world of ideas. Economic development in the Abbasside period was accompanied by an effort in Islam to legitimize gains.⁸ The collection of texts *Kitab al-Kash* by Ash Shaybani (± 804 A.D.) is an example of this effort. "Earning money by trade is better than being a bureaucrat or even

⁸ C. Cahen, "A propos et autour de *Ein arabisches Handbuch der Handelswissenschaft*", *Les Peuples musulmans dans l'histoire médiévale*, Damascus 1977.

a soldier". But pious Muslims and their spiritual leaders have always disapproved of large amounts of money.

In what follows, we will mention schematically Muslim authors of the Middle Ages who published economic texts.

The Iranian socio-economist, Al-Biruni (973-1048 A.D.) was a scholar with encyclopedic knowledge. Al-Biruni traveled in India, and his book *Albiruni's India* is still of great value to the reader interested in comparing civilizations.⁹

Some readers have seen Al-Biruni as a precursor of Malthus. It is true he recommends moderate population growth. Others have read in his writings the outline of a quantitative theory of money. But the traces of Greek methodology and that of Aristotle are always present.

According to J. De Somogyi, the master Ali ad-Dimashqi was the first Arab economist with his study "*Kitab al-ishara ila mahasin ad-tijara*".¹⁰ This is not yet an economic theory but rather a good description of economic life. Aristotle's influence is overwhelming. Another important text on economy was written by Al-Hariri (1054-1122).

The best known name in the west is Ibn Khaldun (1322-1406). In his own times the author remained a rather marginal figure. But Khaldun produced a great deal of history and socio-economic analysis that became famous subsequently. Theoretical texts on the economy are found in part V of the introduction, under the title "*Muqaddima*".

But the Arab philosopher who formulated the most interesting observation with regard to economic theory was Averroës. And the "metaphysical" commentary of Averroës correcting Aristotle's monetary nominalism is highly topical since the abandoning of the Bretton Woods system (1973) of fixed exchange rates. If money is, among other things, a standard of value (*metron*), as Aristotle proclaims, it should be *a stable standard of value* according to Averroës. The standard of all goods and services cannot be subject to the law of the marketplace, otherwise its value would be variable. This value would then follow the fluctuations of supply

⁹ Al-Biruni wrote his book in Arabic, and E. C. Sachau (London 1879) published an English translation.

¹⁰ J. De Somogyi, "Economic Theory in Classical Arabic Literature", *Studies in Islam*, vol. 2, 1965, p. 1-6.

and demand, etc.

The idea of the stability of the standard of value is a fundamental contribution by Averroës. It provides an enhancement of Aristotelian nominalism. Averroës is against a fluctuating money and exchange rates for one fundamental reason. By “fundamental” we mean that Averroës referred to the (metaphysical) essence of the *metron*. According to Arab philosophy, the measure (money) cannot have a variable value, otherwise it is not an “adequate” measure. The essence of a measure is to be stable, otherwise there is a total indetermination of what is to be measured (goods and services).

Muslim economic literature remains very descriptive and does not provide theoretical developments, with the exception of Averroës in his brief but radical commentary on an essential quality of money. But it seems to me that more research is necessary here. Until now most Islamologists have philological, philosophical or theological training. A new economic reading of the texts would perhaps bring out hidden treasures.

The civilization of Al-Andalus in southern Spain was the heir to the currents of oriental Muslim thinking. It deepened this thinking and played a role in turn as cultural relay. The cultural force of Al-Andalus brought about the slow transfer, from the twelfth century on, of Arab knowledge to a western world ready to receive it.

IV. ARISTOTLE, INSPIRATION FOR SCHOLASTIC ECONOMIC THEORY

During the late Middle Ages, the practice as well as the economic theory of value, on the fixing of prices, on the *mutuum*, etc. was restricted to the domain of legislators and canon lawyers. The norms applied in economic transactions were derived from civil law or from canon law. The arrival of *Politics* and *Nicomachean Ethics* in the Latin west brought about a fundamental change. From now on it would be theologians (scholastics) who would determine these norms, using the Stagirite’s philosophy and ethics. Since these theologians also wrote manuals for confessors, they formed and controlled Christian consciences in this manner, including the consciences of merchants and craftsmen. Because of

this, the scholastic teachers found themselves in a situation of moral and social control. Muslim philosophers on the other hand still remained more or less on the margins of religious power.

1. *The Sitz im Leben of scholastic teaching*

The great scholastic teachers were mainly inspired by NE, V, 5 and P, I, 8-11 for their economic analyses. But *Aristoteles Latinus* is not always exactly the same as Aristotle the Athenian.

a. There is the problem of the transplanted ideas into another socio-economic world. The western world of the thirteenth century, in which the complete texts of NE, V, 5 and P, I, 8-11 made their appearance, was a feudal society with the still very timid development of commerce and trade in the cities. It was a world of subsistence economy in which the monetization of economic relations was only beginning and was causing problems with regard to “equitable” and “just” terms for exchange (*justum pretium*).

b. The translation of the texts into another historical and cultural context posed problems. We cannot overlook the fact that the key concepts of scholastic economic analysis, such as just, equitable, commensurable, *laesio enormis*, *usus*, *utilitas*, etc. were created in Latin from traditions of Roman legal thinking (*corpus juris civilis*), the Carolingian tradition and the canon law of the Church.

We can illustrate this problem with one of the terms of NE, V, 5, namely the term *kreia*. The first translation (*Translatio Lincolnensis*, 1245) translates *kreia* successively by *opus*, *necessitas*, *utilitas* and *indigentia*. These terms, with their divergent connotations, gave rise to ambiguities from the very beginnings of scholasticism.¹¹ The result was that there were different directions taken in the hundreds of commentaries that followed this first translation.

– Thomas Aquinas (very influential) chose the term *indigentia* instead of the term *utilitas*.

– Oresme wrote in turn “human indigence or necessity or need”.

¹¹ For further details see O. Langholm, *Price and Value in the Aristotelian Tradition*, Oslo 1979.

- In modern Italian texts we find *mancomento* or *bisogno*.
- Contemporary French texts use the term *besoin*.
- Contemporary English texts use *demand*, *want* and *need*.
- In German translations we find *Bedürfnis*, but also *Bedarf* (in Dirlmeier), which refers back to the modern economic connotation of *Nachfrage* (demand).

Contemporary commentators expose themselves to the danger of reading Aristotelian texts already interpreted by the scholastics (scholasticization) with modern concepts predominating, for example, market, demand, coherence between supply and demand, general equilibrium, etc. This is the danger of *hineininterpretieren* from contemporary conceptual frameworks.

2. *The branches of Aristotelian tradition in scholasticism*

These different terms gave rise in scholasticism (from the thirteenth to the sixteenth centuries) to different types of exegesis. Some wanted to see in this a matter of scholarly disputes, between Dominicans and Franciscans for example.

In the area of value two schools were distinguished:

a. the theory of the objective value, based on production costs. Albertus Magnus was quite explicit with his concept of *labor et expensae*. In his text *De Bono*, as in his commentary on NE, V, 5, Albertus Magnus takes up the Aristotelian idea of the permanence of crafts. Despite fluctuations in the market, due to the variable intensity of needs, the price should cover production costs. Otherwise certain arts (crafts) would disappear.¹²

b. the theory of subjective value, based on the utility (*utilitas*) but also on rarity (*raritas*), is controlled by the market laws of supply and demand.

The Franciscan writers Petrus J. Olivi (1248-1298) and G. Odonis (1290-1349) produced a synthesis of the two schools with the introduction of the difference in quality of productive labor. This is the Franciscan contribution to economic theory. Through human and technical training, work becomes more productive and merits a greater remuneration because craftsmen (workers) endowed with special qualifications are precious and rare: *pauci*

¹² In the text: *artes destruentur ... si non faciet ... quantum ad expensas et quantum ad laborem.*

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sunt et rari sunt. This is the prefiguration of a theory of the distribution of wages according to the degree of qualification for the labor.

3. *The evolution of monetary theory*

a. Aristotle thought in the functionalist tradition. In the realm of value the Stagirite was a nominalist: the value of money was determined by social (or political?) convention.

b. The first doctors (for example Thomas Aquinas) formulated a political theory of money. This corresponds to the tradition of the feudal world: the theory of *valor impositus* by the prince.

c. Buridan and Oresme contributed a modification. They introduced the idea of the value that takes into account the interests of the entire community (the people, the bourgeoisie, etc.). The prince cannot change the value of money as he likes and to his own profit. Money-tampering princes are not appreciated by the bourgeoisie, nor by theologians like J. Buridan and his student N. Oresme.

d. The Spanish *segunda escolastica* of the sixteenth century (Salamanca school) already represents a “modern” theology. It produced the first economic theory of money, even before J. Bodin. It considered money like *mercaderia*, that is like merchandise, with a variable market value. The evolution towards the antipodes of Aristotelian exegesis continued with Averroës. The value of money depends on how much there is in circulation; this is the beginning of monetarism.

V. NINETEENTH-CENTURY EXEGESIS

By the eighteenth century Aristotle’s fertile influence in the realm of economic thought began to decline. The paradigm of public mercantilism and individualist mercantilism (utilitarianism, economic hedonism) began to reign.

But the end of the nineteenth century was marked by the confrontation between economic thinking of a Marxist inspiration (theory of objective value) and marginalist economic thinking (theory of subjective value).

Marxist authors thought they were able to find in the texts of Aristotle and of certain influential scholastics (for example Thomas Aquinas) a support for their theory of costs, that is the theory of objective value. Marx would thereby be a scholastic, or even an Aristotelian, in the matter of economic value. This lively ideological controversy brought new attention to Aristotle's economic texts (see the Bibliography).

At the end of the Nineteenth Century, a lively controversy broke out in Germany between specialists in antique Greece and economists of the historical school. The object of the controversy was to know if the citizens of Greek cities did or did not have an economic "consciousness". Did they already have a capitalist mentality or, for the poorest groups, a class consciousness? It is striking to note that one of the best specialists (philologist) of Antiquity defended the idea of a Greece with a "modern" mentality, whereas economists, on the other hand, called the people of the Fourth Century B.C. "pre-modern". As a result of this controversy, Aristotle's texts were once again read and re-read, as the two schools of thought issued their commentaries.

VI. ARISTOTLE AND CONTEMPORARY EXEGESIS

The contemporary exegesis of Aristotelian economic thought (see the Bibliography) is concentrated on the following points:

1. the insertion of economics into society as a whole, and the relation of economics to extra-economic norms: social, political and ethical;
2. the theory of value;
3. the mechanisms for the setting of prices (markets, other);
4. the "natural" limits of economic growth;
5. the quality of life: *eudaimonia* vs. *krematistike*.

What does Aristotle mean for our times?

For the moment economic theory is in crisis as a result of the following excesses:

- reductionism to a logical and mathematical formalism for some;

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- excess of empirical positivism for others;
- evacuation of values and ends and almost exclusive attention on the optimal allocation of means: instrumental efficiency.

Our thesis is that the reading of Aristotle can help us to revitalize economic thought.

1. Modern economic theory has abandoned analyses of value. Neo-classical theory accepts the paradigm that prices are set in free markets. But the reality is quite different: many prices (of labor and of merchandise) are set by public administrations or by negotiation between employee unions and employer organizations. Prices for goods and services are not, therefore, based on a (theoretical) standard of value. They are the consequence of social and political power relationships. This is an explanation of the mechanism of prices based on data that is exogenous to the economic system.

2. The model of Aristotelian accumulation is a growth model kept under control; this means it is kept within normal limits by man and by nature. The accent is not placed on optimization of *production* but rather on equitable distribution (in the Aristotelian sense). Aristotle also feared a too rapid growth in population. According to the Stagirite, this would create problems. Cities should not become too large. And with an over-exuberant demography, economic accumulation would become too central a preoccupation. This development is to be avoided. Aristotle is thus Malthusian for other reasons than Malthus.

3. The Aristotelian model not only sets *external limits* on growth (resources, raw material, etc.) but also *internal* limits. The ethical idea of the just middle is opposed to the idea of the glorification of accumulation. From this point of view, Aristotle goes further than the Club of Rome by setting moral and socio-political limits to extensive growth as a goal of the system. Aristotle recognized that desires are unlimited, but, he says, true (natural) needs are limited. Modern economics proclaims that needs are unlimited but that economic problems arise from the fact that means are limited. Aristotle's thinking is aimed at ends.

4. The modern economist stresses the efficient allocation of *means*. Aristotle's *Nicomachean Ethics* is a discourse on the problem of multiple finalities and of the higher finality or *eudaimonia*. Aristotelian economics is a political and ethical

economics. It is not and cannot be a pure economics (empty formalism).

5. The Muslim countries have followed another direction. An autonomous economic science without moral dimensions and reduced only to an instrumental search for efficiency never really took root. In fact, Islamic countries have remained more impregnated with the Aristotelian tradition:

- by moderation of accumulation as motive for material living;
- by placing ethics above and by controlling economic hedonism.

A passage from the “ten commandments” of the contemporary economist Abdul Rauf formulates this option clearly. “In the Islamic cultural milieu, the economic problem is less linked to the penury of products or to the lack of an efficient organization of means and sources of production and distribution than to man himself and his greed. To face up to this problem, Islam prescribes as remedy the moderation of human greed and the elevation of man’s soul, obtained by an appeal to social justice and to a sense of mutual responsibility.”¹³ This option for moderation with regard to the lure of gain (the anti-chrematistic program) and the appeal to the elevation of the soul toward higher ends (*eudaimonia*) could also easily be attributed to Aristotle.

6. The idea of the *autarcheia* of the polis expresses the contemporary idea of “small is beautiful”. But in this respect, using our transnational system, we must go beyond and complete the *Kleinstaaterei* of the Stagirite.¹⁴ We live in a multi-racial and multi-national world that is still seeking new standards of solidarity. For us, twentieth-century people, “the world is our village”.

* * *

An interpretation of Aristotle as a Mediterranean economist offers us a new perspective, both “historical” and “paradigmatic”. Since

¹³ Abdul Rauf, “The Ten Commandments of Islamic Economics”, *Across the Board*, Aug. 1979.

¹⁴ The question remains why Aristotle did not reflect on the transnationalization that was taking place before him following the creation of Alexander’s empire. This seems to us to be a failure of genius.

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the eighteenth century, Mediterranean cultures and those of Islamic lands have fallen silent. Seen from the Atlantic west they were, it was said, decadent. Since then, the Atlantic world has become hegemonic, under the force of its bourgeoisie, its technology and its chrematistic spirit. The material results have been impressive and without precedent in the history of humanity.

But now the Atlantic world seems to have exhausted the material limits of its model for development. After the elimination of its values and its ideals, the heavens of the Atlantic west seem morally impoverished when faced with the crisis of our consumer societies. Seeking resources in the Aristotelian paradigm, which has been enriched by Muslim and Christian cultures, could give us new strength.

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