Aristotle (384 BC – 322 BC)

- Was a Greek philosopher, but worked also on logic, mathematics, natural sciences, ethics, politics and economics
- Was a student of Plato in Athens
- Had a profound influence on St. Thomas Aquinas
- Has some influence on modern economics
Pre-classical economics (Ancient Age, Middle Ages)

- Non-formal analysis of the economy (pre-analytical)
- Non-systematic studies
- No grand analytical economic systems; no big, general theories
- Focus on non-market mechanisms of allocation (force, authority, power, tradition)
- Focus on justice (not on economic efficiency)
- Very slow change in economic conditions of social life
- People are rather self-sufficient, not dependent on markets
- Economic thought not interested in markets
- Economics not separable from other activities (like philosophy)
- Economics dominated by ethical considerations
Aristotle’s works

• Our course reading includes excerpts from *Politics* and *Nichomachean Ethics*

• Economic problems discussed:
  – Nature of economics, place within other sciences
  – Household management (oeconomicus)
  – Art of wealth acquisition (chrematistics)
  – Private property vs. communal property

• Other problems that we do not discuss
  – Justice; reciprocity in exchange
The place of economics within sciences

1) Politics is the science about the origin and functions of a state
2) The state is made up of households
3) The art of the management of the household is economics (oeconomicus)
   • Therefore, because of 1), economics belongs to the science of politics
What is economics?

• Economics is the science (or art) of household management

• The person managing the household (hh head) has to master the relations between:
  – Master and servants (slaves)
  – Husband and wife
  – Father and children

• Also a question arises if another art – the art of wealth getting – belongs to economics?
Economics vs. chrematistics

• The science of wealth getting (acquisition) is *chrematistics*

• Examples: fishing, hunting, bee-keeping, farming, barter trade, exchange with the use of money, usury etc.

• One kind of chrematistics by nature is a part of the management of a household (economics)

• This kind of chrematistics delivers things (food, clothes, tools, etc.) necessary to (good) life of a hh

• The amount of these things is limited (by the needs of the hh)
Natural vs. unnatural chrematistics

• So, the kind of chrematistics limited by the needs of the hh is natural chrematistics

• But, there is also another kind of chrematistics
  – „The origin of this disposition in men is that they are intent upon living only, and not upon living well; and as their desires are unlimited they also desire that the means of gratifying them should be without limit”

• While the natural chrematistics is „needed for the satisfaction of men’s natural wants” („needs”)

• Natural chrematistics = fishing, hunting, bee-keeping, farming etc., and also natural trade (barter exchange). Belongs to economics.

• Unnatural chrematistics = exchange with the use of money and usury. Does not belong to economics.

• What do you think about natural vs. unnatural chrematistics?

• Needs vs. desires?
Aristotle on usery

• „The most hated sort [of unnatural chrematistics] is usery, 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 .... Of all modes of getting wealth this is the most unnatural”
Private vs. communal property

• Plato held that there should be common property of all things, at least among the members of the highest social class (philosophers-kings)

• Aristotle:

„But indeed there is always a difficulty in men living together and having all human relations in common, but especially in their having common property. The partnerships of fellow-travelers are an example to the point; for they generally fall out (disagree) over everyday matters and quarrel about any trifle which turns up. „
Conclusions

• According to Aristotle:
  – Economics belongs to politics
  – Economics is to be distinguished from chrematistics
  – Only part of chrematistics belongs to economics
  – Unnatural chrematistics is excluded from economics
  – Usery is condemned
  – Private property has advantage over communal property
  – Self-restraint (fulfilling only needs, not desires)
  – Self-sufficiency as an economic ideal (vs growth in modern times)
Should we go back to Aristotle now?
Aristotle vs modern economics according to Sedlacek

- Sedlacek’s diagnosis: modern economics is too abstract, too obsessed with growth and desire (too be richer and richer)
- What is the main motivation of economic agents?
- Modern economics: Max U, U = your own utility
- Aristotle: Max G, G = good (ethical ideal of living ethically good life)
- Sedlacek: “If we take Aristotle’s point of departure seriously, that “everyone does everything for the sake of what they believe to be good”, then it is possible that utility is only a subset of “that which we consider good [...] MaxG is therefore more defensible and, what’s more, a more useful concept than MaxU.”
- Would this change help modern economics?
- Maybe the term „utility” misleads modern economists?
- Another point: for Aristotle, the objective is satisfying a certain level of G, not maximizing G
What is the Sedlacek’s proposal for modern economics?

• Instead the modern program of maxGROWTH or maxGDP, you should be...
  
  „targeting reasonable levels of growth” and minDEBT

• What do you think about this proposal?