

10/25/63

Dear P.

Here it is at long last. When I
have your comments + criticisms, I shall
revise + send to Harry for micrographing.

With warm greetings, etc.

D. F.

ARISTOTLE ON EXCHANGE

M.I. Finley

It is a commonplace ~~in the history of economic doctrine~~ that the ancient world contributed nothing to economic theory or economic analysis. A glance at almost any modern history of economic doctrine will reveal the pattern: a quick bow to the Greeks and Romans, because it is necessary to begin at the beginning, with a few more or less patronizing remarks about their ideas; and then, with obvious relief, an immediate jump to the Middle Ages and the problems of usury and just price.

All this would be easy enough were it not for Aristotle. In the first place, Aristotle was a pan-ecopist, whose range of original inquiry was without parallel in man's history. How did it happen, then, that a man who made monumental contributions to physics, metaphysics, logic, meteorology, biology, (rhetoric, aesthetics, ethics), political science, each in full-scale works, and to sociology and constitutional history ~~in~~ in somewhat less systematic writing, failed altogether to undertake a general analysis of the economy? This is puzzling enough. But then there is ^{farther} the fact that ~~there is~~ ^{will be found} some discussion of economics in Aristotle's writing, chiefly in the first book of the Politics and the fifth book of the Nicomachean Ethics. And that makes the puzzle worse, ^{as} ~~for~~ commentators for more than a century have shown that what Aristotle wrote on economics is absurd ~~and idiotic~~, and hence completely out of character with the level of genius he maintained in so many other areas. ~~z~~

Roughly, post-Aristotelian discussion of Aristotle on economics may be classified into three groups or trends.

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1. What may be called the Catholic view was expounded by Thomas Aquinas ~~Smithman~~, primarily in his commentary on the Nicomachean Ethics. (I have called this the "Catholic" view rather than the "medieval" because it continues as the core of much modern Catholic writing, as in the excellent study of Aristotle by H. Defourmy of the ^{University of} ~~the~~ Louvain, published in 1932.) For Aquinas and his followers, the important thing in Aristotle's discussion was his distinction between the natural and the unnatural in economic relations. In a sense, Aristotle provided a pagan philosophic defense for the doctrine of "natural rights," hence of just price, anti-usury, anti-middleman, anti-greed, anti-excesses notions.

2. For Marx, Aristotle was at once the greatest thinker produced in antiquity and a perfect symbol of the materialist view of history. Because he was a genius, Aristotle was the first to raise the problem of commensurability in exchange of qualitatively incommensurable objects. But even though he was a genius, he could not solve the problem. He lacked "any concept of value" for the following reason: "Greek society was founded upon slavery, and had, therefore, for its natural basis, the inequality of men and their labor powers. The secret of the expression of value, namely, that all kinds of labor are ^{equal and} equivalent... is possible only in a society in which... the dominant relation between man and man is that of owners of commodities" (Capital, Kerr ed., I 69).

3. Virtually all other nineteenth and twentieth-century commentators, whether of the older classical school or ⁱⁿ ~~the~~ the post-classical tradition^s are agreed that Aristotle ~~simply~~ fumbled. They may not see eye to eye on details, even on just what Aristotle was saying. Thus, some ^{do} ~~can~~ go so far as to believe that Aristotle had even stumbled on the fundamental scarcity ^{definition} basis of economics, without realizing what he had discovered or what it meant. ² But they agreed ~~completely~~ that Aristotle ^{had no} ~~did not~~ ~~have~~ the faintest

action of the mechanism of trade, markets, and prices; that his attempted analyses and explanations were ~~absurd~~ absurd. The most recent, most systematic, and most sober discussion is Josef Soudak's in the Proceedings of the American Philosophical Society, vol. 96 (1952) 45-75. The following quotation from Soudak may be taken as a fair summary of the more generous estimates: "There can be but little doubt that he has not given a satisfactory answer to the final question of every market economy, the rules of exchange, simply because he was preoccupied with the isolated exchange between individuals and not with the exchange of goods between many sellers and buyers competing with each other." ³²

Now there can really be no dispute with this judgment, or even with the more hostile judgments that have been expressed in the literature. As an explanation of the price mechanism of a market economy, what Aristotle had to say is ~~really quite silly~~. ^{no explanation at all.} This will be perfectly obvious as we summarize his analysis, so obvious, in fact, that one may legitimately wonder why so much writing has been devoted to the point in the past. But the underlying assumption, that Aristotle was talking about a market ~~concept~~ (in the supply-and-demand sense) at all, is not nearly so obvious, nor so indisputable. And yet, for all modern commentators at least, that assumption has been so basic and so axiomatic, that it has ^{always} not ~~even~~ been made as explicit as in the Soudak statement. More often it has been left unsaid.

Our first question, then, is this: What was Aristotle actually talking about when he discussed problems of exchange? Before we can proceed to that question directly, four points about Aristotle and his methods of work must be made as preliminary statements.

1. It is essential first of all to efface the image of an ivory-tower philosopher spinning out of his head abstractions, ideal types, or what you will. Aristotle had an amazing command of empirical information about the social and political life of the Greek world. It is enough to point to the Politics and the Constitution of the Athenians. And what is more important, his concern was always with the real Greek world of his day, not with utopia, so that, (considering) in all of Aristotle's discussions of social and psychological problems, our starting point must be, first, that he was working from a base of massive empirical materials; second, that he was talking about what went on around him. Stated differently, it is methodologically wrong to assume that any analysis or judgment of Aristotle's is "unreal," "impractical," "visionary," or "absurd" because we do not at once see its practicality, or because it is "absurd," etc., in respect to our world.

2. Underlying all of Aristotle's thinking about man and his institutions is the notion that men are fundamentally, by nature, unequal. This notion is to be understood as a biologically rooted inequality, so to speak, and not as the mere consequence of chance, environment, social conditions. For example, when Aristotle says that some men are by nature born to be masters and rulers, and some to be slaves and ruled, that is to be understood literally. He makes room, to be sure, for accident, as in the case of men who are enslaved by war or piracy, but these contingent instances do not alter the basic point of a natural division.

3. Aristotle's well-known description of man as a zoon politikon is persistently mistranslated as a "political animal," whereas Aristotle meant something much more specific, namely, a "polis animal." Similarly, his Politics is, by title, not a work on "politics" as we usually understand that word, but a treatise on polis-science, if I may be permitted that

phrase. Aristotle believed that the polis was the natural form of human social-political organization. Hence both his ethics and his political science were concerned with man within the polis. He was never concerned with the isolated individual, with Robinson Crusoe; nor with individuals abstracted from the political structure in which they existed. Virtue, for example, could not be discussed apart from the polis; the good man was the good citizen of the polis; and justice is a function of the relationship among members of the polis. Soudék thus makes a fundamental error when he writes that Aristotle was "preoccupied with the isolated exchange between individuals." Aristotle may be talking about exchanges between two individuals, not ^{about} with "many sellers and buyers competing with each other," as Soudék says; but, never ^{he was} ~~with~~ ^{concerned} with an "isolated" exchange "or any other "isolated" relationship. It is enough to point to the ^{phrasing} ~~statement~~ with which Aristotle ~~concludes~~ ^{concludes} ~~the~~ ^{one part of his} discussion of exchange in the Ethics ^(S. 512) "for if the reciprocal proportion were not in this fashion, there would be no association."³

4. Aristotle thought that the natural goal of the economy was autarchy, ^{the} ~~complete~~ self-sufficiency ^{of the community}. In the first instance, this was the goal of each household, and, as the increase in households in the more primitive state led to the larger community, the polis, autarchy became ^{natural objective} the ~~goal~~ of that larger unit as well. Empirically, it is well established that neither every household nor every polis can possess a supply of all necessities, salt and metal being the obvious stumbling blocks. Trade to secure these necessities would thus come within the notion of autarchy and therefore be natural. In other words, autarchy is not ^{primarily} simply home production of all necessities, for that would be utopian. Autarchy is rather a more flexible and more refined notion, extending the idea of "natural" as far as the empirical situation of the Greek world made necessary.

But of a deficiency that is the goal of independence.

These preliminary points having been stated, we may turn to the question of what Aristotle was talking about, and we start with a consideration of the two contexts in which his lengthier discussions of exchange appear.

e.g. of Politics II, I.5: 1261a23

Parents and children,

We will take first

~~First there is~~ the discussion in Politics I 3. Having established the naturalness of the family and the polis as social groups, and the naturalness of the fundamental inequalities among individuals (man and woman, master and slave), Aristotle finds it necessary to consider oikonomia, that is, the ways in which the household is sustained, and hence the nature of wealth, property, goods. But what is wealth, he asks. Is it, as Solon, for example, has said, something limitless, or is it a means to an end and therefore limited by that end (naturally limited)? And his answer, which rests on two considerations, namely, autarchy and a fundamental ~~metaphysical~~ doctrine of the relationship of ends to means, is definitely and categorically against Solon. Wealth is what is needed and useful for the maintenance of the household, *on the polis,* and therefore it is limited. Those who think of wealth as unbounded confuse two quite different things.

But before we can examine that confusion, we must clarify a problem of terminology. Here as in other areas in which he was a pioneer, Aristotle had difficulties with terminology. There was no technical language, in the sense in which a modern discipline has created its jargon, and in what we call the social sciences Aristotle was forced to resort to everyday words, to which he gave specific meanings as his context demanded. Unfortunately, modern translators have promptly introduced their own interpretations into Aristotle's text, and in the discussion with which are here concerned, they have, almost without exception, destroyed the sense of Aristotle completely. The key word

here is chrematistike. Its root is the verb chrao, "to need," "to use." From that came the ~~word~~ noun, chremata, "things used," hence "goods," "property"; and chrematistike, "the art relating to property."

The errors of interpretation have taken two roads. One is to play on the synonymy of "need" and "demand" and thereby to inject the notion of demand in the modern market sense, when it is demonstrably absent in Aristotle. The other is to seize upon one connotation of the word chremata in everyday Greek parlance, "money," and thus to translate chrematistike as "money-getting," which it may mean, but need not.

Actually Aristotle is very specific on this last point. There are two kinds of chrematistike, he says. One we may call the art of household supply, the obtaining of the means by which oikonomia, the management of the household, is made possible. This is ^{what he takes up} his ~~subject~~ in the first book of the Politics. More narrowly, what are the natural means of acquisition, of supply? The answer: agriculture, hunting, fishing, mining, ~~war~~ and, if necessary for autarchy and only to that end, trade. These are natural, proper and limited by their end. But trade made necessary the invention of money (~~is~~ a ~~concluded~~ discussion in Aristotle which will not be ~~the~~ considered in this paper), and then there arose the second kind of chrematistike, money-getting for the sake of accumulating money. This kind of wealth, Aristotle concedes, is indeed boundless; but this kind of wealth and this kind of chrematistike, ^{(which would include kapelike, commercial trade and} are unnatural, therefore wrong, ~~and therefore not what he proposes to discuss.~~

To complete this point, it may be worth noting that in this whole discussion Aristotle is thinking not merely of the individual but of the community as well. In other words, the natural and unnatural, right and wrong, conceptions of trade, of wealth, and of chrematistike are individual and social at once. Elsewhere in the Politics (7.5.4-5, 1337a25) he

the acquisition of

household
Politics

He says explicitly: "For the commerce of a polis should be for itself, and not for others. Those who themselves provide a market for all do it for revenue, and it is not proper for a polis to share in such gain, or to have such an emporion."

The context in which exchange is discussed in the Ethica (V ⁵ A) is altogether different. The whole of the fifth book is given over to an analysis of justice. Having first differentiated universal and particular justice, Aristotle proceeds to a systematic study of the latter. It, too, is of two kinds, he says: distributive and corrective.

Distributive justice is a concern when honors, goods, or other "possessions" of the community are to be distributed. (The word for "distributive," dianemmatikos, has as its root the verb, meno, which is one of the usual Greek verbs applied to division of property, as in an inheritance; hence an heir is a kleronomos.) Here justice is the same as equality, but equality is to be understood as a proportion, not as simple counting. In other words, distribution of equal shares among unequal persons, or of unequal shares among equal persons, would be unjust. The principle of distributive justice is to balance the share with the person. (The role of the natural inequality of men in this analysis hardly needs comment. Note should be taken that this has nothing whatever to do with scarcity of goods, as it has sometimes been interpreted, making a forerunner of marginal utility out of Aristotle.)

The second kind of particular justice is involved when the action is not one of distribution from a pool of some sort, but a transaction between individuals. Then justice is "the straightening out in transactions." (Diorthotikos literally means "straightening out," but "corrective" is the standard translation and it is less clumsy and unobjectionable. "Transactions" are to be understood very broadly,

including not only sale, lease, and other "voluntary" transactions, but also what Aristotle calls "involuntary transactions," such as fraud or theft.) In corrective justice, says Aristotle, the relative nature or worth of the persons is irrelevant. If there has been injustice, one has gained and the other lost; this inequality is the injustice and the principle of justice to be applied is ~~one of~~ the mean, that is, the reestablishment of equality by removing the gain and hence the loss.

And then, without warning so to speak, Aristotle says: But there is actually a third type of particular justice, which is neither distributive nor corrective, although it shares elements with each, and that is justice in exchange. When goods are exchanged, justice requires that equality be retained, that there be neither gain nor loss on either side. How is that to be determined? That is Aristotle's question, and it is in that form that he comes face to face with the problem of determining ~~value of goods, so that there may be a way of measuring in the exchange~~ and hence of insuring that equality and justice have been maintained.

the right rates of exchange

In the Politics Aristotle did not consider this aspect of exchange. There he considered a prior question: How did exchange come to take place altogether? His answer, briefly, was that it grew up when households ~~often became~~ became numerous, split up, and ~~antarchy~~ unable to produce all their own necessities. Then he asked: Exchange having become necessary, is it natural, and, if so, to what extent? The answer: If exchange serves to reestablish autarchy, it is natural; if it serves the ends of gain and money-getting, it is unnatural.

It is in the Ethics that he ~~continues the discussion, so to speak,~~ *he asks* by ~~asking the~~ question of what determines ~~values~~ *(is equivalent to)* how much shall be exchanged for how much of something else. ~~Briefly,~~ *quantify* His answer is: reciprocal proportion. That means that the ~~proportion~~ of product A that

is equivalent to a given quantity of product B is inversely proportionate to the ratio of the producer of A to the producer of B. In other words, equivalence, that is, justice, in exchange is determined by the relative status of the respective parties. Aristotle does not go on to explain what he means by what I have called status or how it is to be measured. But there can be no question that this is what he is talking about, and that this, the fundamental inequality of men again, is the determining principle of exchange.⁵

As an explanation of exchange values in a market economy nothing could be more absurd. The first principle of a market economy is the ~~absolute~~ indifference in the calculations of the persons of the buyer and the seller. Yet for Aristotle, it is the persons who constitute the first principle, so to speak, of the calculation. And modern commentators have had a time with this, for, having committed themselves to the notion that Aristotle was talking about commercial trade and a supply-and-demand market, they have had no choice but to ~~call~~^{treat} Aristotle an idiot or to insist that the text does not say what it so patently does say.⁶

What is the evidence that Aristotle is not talking about commercial trade? To be sure, he does not say explicitly in the Ethics that he is or is not talking about any particular kind of exchange. But as soon as we put the two discussions, the one in the Politics and the one in the Ethics, together, the conclusion is inescapable. We must remember that in the opening of the Ethics, Aristotle said directly that ethics is a part of politics; in other words, that the two works form a single unit (necessarily so in the light of his notion that justice and virtue are social, not individual, attributes). In the Politics he separated the two kinds of exchange, the natural and the unnatural. In the latter,

(Gain' allocation)

which is the money-getting, commercial kind of exchange, justice is absent by definition. Stated in other words, there can be no equality in transactions in which gain by one party is the objective, for, to Aristotle, where there is gain there must be loss. [¶] Corrective justice applied to commercial trade would eliminate the gain, and hence destroy the very purpose of the transaction. And if there can be no justice in ^{Commercial} market trades, then there can be no ^{Commercial} market trade in Aristotle's consideration of justice in exchange. ⁷ This does not mean that Aristotle was ignorant of the existence of money-getting trade, ^{in the Ethics} But ~~that~~ he ignored it deliberately as outside the realm of his subject, which was the good life. *justicial*

A final question: What, if anything does this have to do with the realities of the Greek world of the fourth century B.C.?

It can be demonstrated that Aristotle's analyses of distributive and corrective justice pertain directly to very real problems and procedures of his day. Athenian court procedure provides proof enough. Unlike the ancient Near East, in which very detailed lists of fines and penalties were decreed for every conceivable kind of offense, Athens had virtually no fixed penalties (apart from the death penalty). In both civil and criminal trials, the court fixed the award or penalty, as the case might be, in most kinds of cases after a prior proposal made by each party to the action. Hence what Aristotle was doing was establishing the norms by which such a procedure achieved justice.

We must assume, unless there is powerful evidence to the contrary, that the discussion of exchange, which follows immediately after, is equally realistic. Heretofore the stumbling-block has been the unwarranted assumption that Aristotle was discussing ^{Commercial} market exchange; and behind that, the even more unwarranted assumption that all exchange is market^s.

On the contrary, in the Politics he was concerned with establishing both its origin and nature.

and all markets are price making markets.
exchange, ^h Once we have rid ourselves of these assumptions, we are
able to proceed to the proper question, which is to find out just what
in his society were the situations pertinent to this particular analysis
by Aristotle. We cannot answer that concretely today, but that only
makes the question all the more vital as a research problem in ancient
economic history.

Notes

1- We shall not consider in this paper either the o^Tconomica, a work of the Aristotelian school although not by Aristotle himself, nor the Constitution of Athens, discovered late in the nineteenth century on an Egyptian papyrus. It may be said that nothing in either work contradicts anything we shall say here. It is also to be noted that the latter work was unavailable to nineteenth-century (or earlier) students of Aristotle's o^Tconomica.

2- E.g., Johannes Kinkel, Die sozialökonomischen Grundlagen der Staats- und Wirtschaftslehren von Aristoteles (Leipzig 1911).

3- The classical philologists, by and large, have simply assumed that the economists understood Aristotle on these matters and have been satisfied to repeat them. Collectors of curiosities may be interested in Van Johnson's, "Aristotle's Theory of Value," Amer. Journal of Philology, 60 (1939) 448-51, which showed that Marx ~~was~~ did not understand Aristotle, and that Aristotle had a perfectly sound theory of exchange value.

4- I cannot go into the reasons for accepting the minority view that koivonia here means "the community" and not merely "the association of exchange partners" between the two parties." In the Magna Moralia, which comes from the Aristotelian school if not from Aristotle himself, the author explicitly says the koivonia politike (the polis-community) in this very context (1.23.12).

5- Again Aristotle has a ~~lengthy and complicated~~ discussion of the origin and nature of money, which we may pass by.

6- As an extreme instance, in an appendix to his Der Begriff der Gerechtigkeit bei Aristoteles (Leiden 1937), says: I cannot emphasize

I would like to delete this note by Aristotle. The original takes reference to the matter.

4- The Liddell and Scott lexicon defines οὐνομήθεια as "the art of money-making" and ignores the root sense of acquisition of goods. The proper distinction, with respect to Aristotle, was seen by Debraury and by W.L.W. Laidlaw in his Introduction to Greek Economics.

x) The false translations insinuate "Tauschgemeinschaft" i.e. the community of those who exchange...