

ECONOMICS AND ARISTOTLE

By Jim Reardon

Much of my formal academic training was devoted to the study of economics and I have retained an interest in and enthusiasm for the subject. It is only very recently, (and with much credit to Dr. Adler and the Center for the Study of the Great Ideas), that a long dormant interest in philosophy and ethics has been revived.

It is then, perhaps, not surprising that, as I came to understand some of the foundational principles of ethics, (and especially Aristotelian ethics), I desired to relate them in some way to the core

concepts of economics. This paper is an attempt to characterize my findings to date regarding the nature of the relationship between these two disciplines.

In my view, modern economic theory and Aristotle begin at exactly the same point. Both see Man as possessing apparently unlimited desires. Both recognize that these desires often come into conflict and that the satisfaction of one often precludes the satisfaction of another. Both see Man as aiming, through choice and action, at the satisfaction of some combination of these wants—a combination that he believes to be in conformance with the attainment of happiness or a life well lived. And, finally, both recognize and agree on the indisputable fact that Man's time upon this earth is finite.

The combination of these factors is problematic in the most profound sense of the word. Man is, by his very nature, constantly forced to choose between infinite and competing desires that contend for finite time. To live is to choose. There is no alternative. Economists, lacking modesty, refer to this dilemma as the economic problem because Man is forced to "economize" in his use of the ultimate scarce resource—time. Dr. Adler would, I believe, take this observation as proof that philosophy is, in the most concrete way imaginable, everyone's business.

In attempting to explore and identify the boundaries and linkages between economics and ethics it is first necessary to clarify the, often misunderstood, boundaries of economics and to define economic man.

Let's begin by correcting the common misconception that economics is focused on a subset of the choices facing an individual - those choices dealing with man's attempts to satisfy his material needs and wants. This notion is, quite simply, incorrect.

It is completely impossible to separate out the motives that determine an individual choice or action into those that impact an individual's material well being and those that impact his mental, emotional or spiritual well being. Consider, for example, the decision of whether or not to accept an employment offer from a given firm. The number of dimensions that the typical individual factors into such a decision is mind-boggling. These factors may include, of course, near term monetary compensation. They may also include factors as diverse as prospects for advancement, prestige associated with employment at a given company, length of commute,

quality of work environment, consistency of a given company's mission with one's ethical/religious values, and whether or not the required work hours leave sufficient time for desired community, family and/or religious activities. An economic science that ignored the fact that all of the above factors can and do influence an individual's choices could only be characterized as a deeply flawed field of enquiry and one most undeserving of being termed a "science".

Next, as alluded to above, I contend that the economic problem faced by man can be effectively viewed as the attempt to satisfy apparently infinite and often conflicting desires through choices regarding the allocation of a single and primary scarce resource—*time*. Now, there are, of course, other scarce commodities—a given individual's native physical and mental capacities or the earth's natural resources, for example. These scarcities are, however, fixed realities or givens of nature and are clearly beyond the control of man. Given a fixed set of material conditions, the only means by which man can effect the satisfaction of his wants is through the manner in which he chooses to allocate his finite time. In order to support this view it will be useful to briefly examine, at a very high level, a range of human desires and their dependence on time for their satisfaction.

All material needs are ultimately satisfied through the allocation of man's finite time. While increased specialization and the invention of currency as a medium of exchange, tend to obscure this relationship, it can be readily comprehended if one imagines an economy, devoid of exchange. In such an economy, if one wishes to eat, time must be allocated to hunting, growing or gathering. Above ground sources of water must be sought out or, if not available, wells must be dug. Shelter from the elements must be constructed from materials that must be harvested. If tools are desired in order to perform any of the above, time must be allocated to their development. In such an environment one would be extremely conscious of the direct relationship between uses of time and the satisfaction of material needs.

The introduction of a division of labor and exchange does not, in any way change this relationship. These evolutionary steps simply enabled man, by narrowing the scope of his labors, to become more productive; that is to satisfy more material needs per unit of time. Markets simultaneously, and of necessity, evolved to enable the exchange of this "supercharged" time for an ever increasing quantity of material goods. At a fundamental level, there-

fore, the decision to “purchase” any good or service in today’s modern economy, is a decision to exchange a certain amount of time for that good or service.

As has been famously noted, however, man does not live by bread alone. As basic needs are satisfied, material wants multiply at a prodigious rate. Every “luxury”, from automobiles to washing machines to consumer electronics, requires the allocation of some amount of finite time. And, finally, there is a vast multitude of wants that men possess, which can not be satisfied through the production of material goods but which, nonetheless, require time. Consider, for example, learning, time spent in relationship with one’s fellow man, time spent in play or in the appreciation of beauty or time spent in the worship of one’s God.

But what of capital? Capital is clearly a scarce resource and its quantity is, just as clearly, not fixed by Nature. Is capital a scarce resource that must be considered independent of man’s time allocation decisions? No, capital is, as Marx pointed out, only dead labor or, in other words, the value of someone’s time, (living or dead), that has been set aside and is available for rent. Both the decision to set aside capital and the decision to pay for its use are time allocation decisions made by economizing man.

All of our needs and wants, (material, intellectual, emotional, spiritual), require the allocation of scarce time to their satisfaction. In the end analysis, time is the one common denominator and the one true currency of our lives.

Finally, we must address the question of *why* men choose to allocate their time in the manner that they do. *According to what criteria* do men choose between infinite and conflicting ends? The answer to these questions has been, in my opinion, a source of great confusion. The one and only correct answer is that the economist has absolutely no idea. Questions of “why” and “how” lie beyond the boundaries of his science and in the realm of others. He simply concludes that which is self evident and indisputable—that an individual seeks to live well as measured against his or her own freely chosen idea of a life well lived.

This self-evident statement is, in my opinion, continually distorted and, as a result, is widely misunderstood. The path to distortion begins with the use of the term “self interest” to describe the motivating principle of economic man. While strictly accurate,

these words rank among the most loaded terms in the English language.

What is truly in a man's self-interest? Would any self-respecting Christian deny that the imitation of Jesus Christ is in his best interests? Did not Machiavelli prescribe behavior that he thought to be in the best interests of the Prince? Has not every philosopher since Socrates offered an opinion regarding what is truly in the "self interest" of Man? Which of these views is most correct? According to which set of principles does Man truly act? To these questions, Economics cannot and does not offer an opinion or any guidance whatsoever.

Perhaps Pascal stated the economist's position best in the *Pensées* when he wrote that; "All men seek happiness. This is without exception. Whatever different means they employ, they all tend to this end. The cause of some going to war, and of others avoiding it, is the same desire in both, attended with different views. The will never takes the least step but to this object. This is the motive of every action of every man, even of those who hang themselves".

This then is *homo economicus*—a being faced with unavoidable choices between infinite and conflicting ends over the course of a finite life and who chooses how to allocate his precious time in a manner that conforms to his own conception of a life well lived. Economics offers no list of wants and needs and no universal scale of values or criteria for choice is assumed. Economic man, though arguably shallow, is universal. He is all men at all times throughout history, from Socrates to Ghengis Khan to Mother Teresa. This definition forms the first principle of economics. The science begins from this point and studies how economic men, in society, interact to answer fundamental and unavoidable economic questions; to what ends will the collective time of a society's members be allocated? What roles will each individual play in the achievement of these ends? To whom will the fruits of a society's labors be allocated?

Armed with a clear understanding of economic man, the relationship between economics and Aristotelian ethics begins to come into focus. As previously noted, Aristotle was keenly aware of the "economic" problem. But rather than study the manner in which economic man, in society, acts to resolve the questions noted above, he set out in a different direction. He set out to do that which economics does not attempt. He set out to define the proper end of human existence and to provide individuals with a *universal*

means of grappling with the economic problem in a manner that maximizes the probability of attaining that end which he termed happiness. Essentially, Aristotle sought to answer to the question of how we, economizing men, in all places and throughout history, *ought to spend the time of our lives*.

Aristotle's solution turns on a distinction that economics does not make, the distinction between wants and needs. In his schema, objects of desire are classified into two groups. The first are those that are only apparently good or, put differently, those that only apparently contribute to the attainment of happiness. Man's desires for these apparent goods are classified as "wants". Wants are held to vary from individual to individual and are truly infinite in number. The second group are real goods or goods that truly contribute to the attainment of happiness. Man's desires for these real goods are classified as "needs" and needs are held to be universal and common to all men. This group is further subdivided into real goods that ought to be sought in limited quantities, (neither too much or too little), such as food and those that ought to be sought without limit such as knowledge, practical wisdom and moral virtue. With these classifications established, right action is seen to be that which seeks only those goods that are really good for the individual—each in its proper measure.

Aristotle's solution is universal because it is a general framework that is not specific to time, place and circumstance. As such, it is important to note that his prescriptions cannot be represented as anything approaching a "complete" solution to the economic problem. Any solution, to be termed complete, must determine precisely the allocation of every minute of every day for all citizens alive at a given time and in widely differing locales and circumstances. To attempt to do so would be to move beyond the powers of Aristotle's, or any other, ethics. In the words of Dr. Adler, "the plan of life that moral philosophy outlines must always remain a sketchy outline and can never become a detailed blueprint, precisely because it can never go further than a statement of the ultimate end to be sought and the necessary means to be employed ...the plan of life that it can propose with appropriate certitude as having universal applicability—is, by itself, inadequate for individual action in particular cases."

Such is the boundary between economics and ethics. Economics observes the necessity of choice and studies how men, economizing time in the pursuit of happiness and interacting with other economic men in society, determine what goods (and what evils), in


the broadest sense of the word, will come into being. Aristotelian ethics observes the necessity of choice and attempts to both define happiness, (the proper end to be sought), and to guide economizing man in the allocation of scarce time in a manner that increases the likelihood of attaining this end.

Moving on from this point, I would like to examine the respective roles of economics and ethics in an area where they must, of necessity come together—economic policy. I define economic policy as laws enacted by governments that seek to influence or determine the economic choices of its citizens. (In a representative democracy this process is rightly conceived as the enactment of laws by the citizens and for the citizens). For example, minimum wage legislation is economic policy that places limits on the minimum per hour compensation that an employer and employee can mutually agree upon. The question often, or perhaps always, arises as to whether or not a given economic policy is “good” or “just” and, as any regular reader of the nation’s editorial pages can attest, these questions often generate spirited debate.

As the careful reader has already surmised, economics, contrary to popular belief, cannot answer questions regarding what is good or what is just. Economics can predict, with less than perfect precision, the effects of a given economic policy—in the case of the minimum wage law, higher pay for some and unemployment for others. However, whether such an effect can be termed good or just is clearly a question for ethics.

In the words of the noted economist Ludwig von Mises, “The fact that the science of economics had its origin in economic policy explains why most economists use expressions in the presentation of the theory that involve judgements and standards of value accepted by all mankind, or certainly by almost all men. If, for example, one is discussing the effects of tariffs, one usually employs...terms that call a situation in which a given amount of capital and labor was able to produce a definite quantity of material economic goods “better” than one in which the same amount could produce only a smaller quantity. The use of such expressions can hardly be said to imperil seriously the scientific character of the investigation, which precludes all standards and judgements of value. Whoever is of the opinion that economic policy ought to be differently oriented, i.e., in such a way that men become not richer in material goods but poorer, can learn from the doctrine of free trade all that he needs to know in order to enter upon the path that leads to the goal he aspires to reach.”

Finally, while economics *observes* and ethics *advises*, both agree on the fact that, in the end analysis, the concrete choices and actions of the individual are the ultimate expression of his or her underlying system of values, (it is interesting to note that this term “value” is shared and used in an identical sense by both sciences). With this understood the economy, defined as the time allocation decisions made by the sum total of society, becomes a sort of looking glass into the souls of its constituent members. Though, as previously stated, neither discipline claim insight into the nature of the forces and motives that determine human action, one can, I think, judiciously arrive at a gross approximation of a society’s values through observation of it’s choices with regard to the allocation of its collective time. With this in mind, one is tempted to ask how Aristotle would view the time allocation choices on display in contemporary America.

He would no doubt be impressed by the enormous wealth that these choices have yielded. In fact, it would be difficult, at first, for him to comprehend how the basic needs of hundreds of millions of people could be satisfied through the allocation of so little time. After reflecting upon this prodigious achievement for a time, he would no doubt be anxious to see whether or not the opportunities offered by such widespread wealth had been seized. Alas, in this regard, I believe that that which he observed would disappoint him—disappoint but perhaps not surprise. After all it turns out that the human nature that he observed so meticulously has not changed one iota over the last twenty-five hundred years. 

Mr. Reardon is a business executive in the computer software industry. He holds a B.S. in Economics from Babson College and an M.B.A. from the Harvard Business School. He is married with three children and has been a member of the Center for the Study of The Great Ideas for nearly two years.

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