1983

Platonic Economic Theory: the Economics of Moderation.

Kenneth Neal Townsend
Louisiana State University and Agricultural & Mechanical College

Follow this and additional works at: https://digitalcommons.lsu.edu/gradschool_disstheses

Recommended Citation
https://digitalcommons.lsu.edu/gradschool_disstheses/3942

This Dissertation is brought to you for free and open access by the Graduate School at LSU Digital Commons. It has been accepted for inclusion in LSU Historical Dissertations and Theses by an authorized administrator of LSU Digital Commons. For more information, please contact gradetd@lsu.edu.
INFORMATION TO USERS

This reproduction was made from a copy of a document sent to us for microfilming. While the most advanced technology has been used to photograph and reproduce this document, the quality of the reproduction is heavily dependent upon the quality of the material submitted.

The following explanation of techniques is provided to help clarify markings or notations which may appear on this reproduction.

1. The sign or “target” for pages apparently lacking from the document photographed is “Missing Page(s)”. If it was possible to obtain the missing page(s) or section, they are spliced into the film along with adjacent pages. This may have necessitated cutting through an image and duplicating adjacent pages to assure complete continuity.

2. When an image on the film is obliterated with a round black mark, it is an indication of either blurred copy because of movement during exposure, duplicate copy, or copyrighted materials that should not have been filmed. For blurred pages, a good image of the page can be found in the adjacent frame. If copyrighted materials were deleted, a target note will appear listing the pages in the adjacent frame.

3. When a map, drawing or chart, etc., is part of the material being photographed, a definite method of “sectioning” the material has been followed. It is customary to begin filming at the upper left hand corner of a large sheet and to continue from left to right in equal sections with small overlaps. If necessary, sectioning is continued again—beginning below the first row and continuing on until complete.

4. For illustrations that cannot be satisfactorily reproduced by xerographic means, photographic prints can be purchased at additional cost and inserted into your xerographic copy. These prints are available upon request from the Dissertations Customer Services Department.

5. Some pages in any document may have indistinct print. In all cases the best available copy has been filmed.
PLATONIC ECONOMIC THEORY:
THE ECONOMICS OF MODERATION

A Dissertation
Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Doctor of Philosophy

in
The Department of Economics

by
Kenneth N. Townsend
B.A., Louisiana State University, 1976
M.S., Louisiana State University, 1978
December 1983
This material is copyrighted. No portion of this dissertation may be reproduced without written permission of the author.

© 1983
DEDICATION

To my parents, who instructed me in the meaning of virtue.

To my wife and children, whose love inspires me to examine the meaning of the Good.
# TABLE OF CONTENTS

**DEDICATION** ..............................................  ii  
**ABSTRACT** ................................................ vi  
**INTRODUCTION** ...........................................  1  

**Chapter**  

1. **A SURVEY OF THE LITERATURE ON PLATONIC ECONOMICS** ........  13  
   I. A Survey of the General Histories of Thought ...........  15  
   II. A Survey of the Journal Literature on Platonic Economics ..........  30  
   III. A Survey of the Major Treatises on Greek Economic Thought ..........  41  

2. **THE EPISTEMOLOGICAL AND METHODOLOGICAL DIFFERENCES BETWEEN CONTEMPORARY AND PLATONIC ECONOMICS** ........  62  
   I. Plato's Epistemology and Scientific Method ...........  68  
   II. The Epistemologies of Contemporary Economics ..........  90  
   III. Rhapsody, Sophistry, and Modern Relativism ...........  94  
   IV. Historicism .......................................  104  
   V. Positivism .......................................  112  
   VI. Nominalism .......................................  118  

3. **PLATONIC ECONOMIC THEORY: THE VIRTUE OF MODERATION** ..........  132  
   I. A Review of Welfare Theory ..........................  133  
   II. Plato's Welfare Theory .............................  145  
   III. Plato's Analysis of the Good .......................  148  
   IV. The Life of Virtue and Well-Ordered Soul ............  159  
   V. The Psychological Division of Labor .................  182  
   VI. The Moderate Economy .............................  187  

4. **PLATO'S NOTION OF THE SUFFICIENT ECONOMY** ...............  212  
   I. Sufficiency .......................................  213  
   II. The Sufficient State ................................  221  

5. **PLATO'S THEORIES OF USURY AND THE JUST PRICE** ............  234  
   I. Medieval Just Price Theory ..........................  235  
   II. Plato's Contributions to the Theories of Usury and the Just Price ........  243
# TABLE OF CONTENTS (Continued)

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. SUMMARY AND CONCLUSIONS</td>
<td>257</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>263</td>
</tr>
<tr>
<td>VITA</td>
<td>272</td>
</tr>
</tbody>
</table>
ABSTRACT

This dissertation analyzes the contributions to the economic analysis of welfare made by the ancient Greek philosopher Plato. Heretofore unexamined, these contributions demonstrate the importance of the development of notions of sufficiency and moderation as integral parts of welfare analysis.

This dissertation also examines the significance of Plato's method of inquiry into matters of social science for contemporary economic analysis. In particular, the importance of metamathematical induction for the acquisition of knowledge of the values upon which welfare depend is analyzed in the form that it is employed in Plato's dialogues. This analysis is conducted to the end that economists might push beyond the aporetic conclusions of contemporary welfare analysis.

Finally, this dissertation explores the possibility that medieval theories of usury and the just price are rooted in the philosophy of Plato. It is widely conjectured that the theories of the Schoolmen derive from the Aristotelian and Roman theories of usury and the just price. This dissertation suggests that the theories of Aristotle, in turn, follow the same principles as Plato's analysis of just value.
INTRODUCTION

PLATONIC ECONOMIC THEORY: THE ECONOMICS OF MODERATION

Man has always been confronted with the fundamental economic problem of scarcity of resources relative to human wants and desires. One might assume, therefore, that economics, the social science that is concerned with the study of how scarce resources are allocated to satisfy human wants, ranks among man's older scientific endeavors. Oddly, many economists would argue that man has approached the problem of scarcity in a scientific manner for but a brief time. Specifically, economic science is perceived by many economists as beginning with the work of Adam Smith. Moreover, the important scientific developments in economics are thought to have occurred during the last one hundred years, since the rise of marginalism.

To be sure, economics as a science has evolved during the last few centuries, paralleling a growth of science in general. Indeed, an argument could be made that it was not until the eighteenth century, with the work of Adam Smith, that the analysis of economic issues formally became a legitimate intellectual pursuit--worthy of attention from minds that formerly concentrated on questions of a more traditionally philosophical nature. The effect of the growth of modern science on economics can be seen in the
development of a positive economic theory of the supply and demand of scarce resources. This theory has served to unify economics. There exists a consistency of thought among economists, with respect to positive theory, that seems more characteristic of the physical, rather than social sciences.

Unfortunately, the modern economist's preoccupation with developing and refining a positive theory of economics has precluded his appreciating the developments of ancient political economy. Even within the context of economic history and the history of economic thought, there has been insufficient attention paid to ancient scientific analysis of economic problems. Although much has been written speculating about the extent to which ancient man understood economic phenomena, ancient economic treatises have, in large part, been looked upon as pre-scientific antecedents of modern economics.

Nowhere is the economist's inattentiveness to ancient political economy more evident than with respect to the writings of Plato, the fourth century, B.C., Athenian philosopher. Whereas modest attempts have been made to evaluate the contributions to economics made by the ancient Greeks, the teachings of Plato have been largely neglected. Although the Platonic dialogues remain popular among philosophers and political scientists, they receive little attention from most economists.

Perhaps "neglect" does not accurately describe the economist's treatment of Plato; several historians of economic thought have examined the works of Plato. None, however, has fully grasped the significance of the economic analysis contained within
the dialogues. This does not mean that economists are wholly unaware of Plato's attempt to resolve certain problems of scarcity and allocation of resources, but, rather, that they find Plato's approach unscientific. Joseph Schumpeter best characterized the economist's opinion of the works of Plato and other ancient social scientists when he described their efforts to solve economic problems as "economic thought," rather than "economic analysis."\(^1\) To Schumpeter, economic analysis constituted scientific theorization about economic phenomena, whereas economic thought could be defined as the description of economic problems in a manner satisfactory only for the audience addressed directly in the discussion. Schumpeter perceived the distinction to mean that economic thought could not be generalized to the level of scientific theory, whereas economic analysis could. Although Schumpeter attributed the origins of economic analysis to the ancient Greeks, he viewed the Platonic dialogues as essentially pre-scientific. He argued that the "value of what [Plato] had to offer must not...be overestimated, apart from its historical significance."\(^2\) It is safe to say that Schumpeter's thought-analysis distinction has been widely accepted. Thus the writings of Plato have been ignored in modern economics.


While the Schumpeterian distinction between economic thought and economic analysis is useful, it is sensitive to the economist's definitions of science and scientific method, and can be misapplied whenever an imperfect definition is utilized. With respect to many contributions to ancient political economy, one suspects that historical changes in the meaning of economic science have caused certain scientific analyses to be relegated to the status of economic thought. In particular the Platonic dialogues have been characterized as an example of early economic thought, when, in fact, it is possible to demonstrate that they constitute a scientific investigation of human welfare, in which economic problems figure prominently. In short, the dialogues can be shown to be important for the economist beyond their historical significance. In order to demonstrate this fact, however, it is essential that one understand the fundamental changes in the meaning of economic science that have occurred between the times of Plato and Schumpeter.

One of the main reasons that Plato is so frequently dismissed by economists as pre-scientific is that the scope and method of economics, the Greek oikonomia, has changed over time. For Plato, the scope of social sciences, especially economics and politics, included the analysis of observed phenomena of a metaphysical nature. In antiquity, moreover, it was not uncommon to embrace normative analysis as within the realm of proper scientific investigation. Today economists rely on the notions of positivism and value-free science so strongly that certain channels of economic investigation employed by the ancients are no longer considered to be scientific.
Despite differences in ideology, most economists adhere to the belief that economics must remain value-free in order to be truly scientific. Even twentieth century economists as disparate in their beliefs as Milton Friedman and Oscar Lange maintain similar positions toward a value-free social science. In his essay, "The Methodology of Positive Economics," Friedman comments:

I venture the judgment, however, that currently in the Western world, and especially in the United States, differences about economic policy among disinterested citizens derive predominantly from different predictions about the economic consequences of taking action...rather than from fundamental differences in basic values, differences about which men can ultimately only fight.  

Lange makes a similar point concerning the role of values and ideologies in economics in "The Scope and Method of Economics," in which he notes:

The statements of economic science have objective validity. This means that two or more persons who agree to abide by the rules of scientific procedure are bound to reach the same conclusions. If they start with the same assumptions, they are bound, by rules of logic, to derive the same theorems.

Ideologies have no interpersonal validity. They convince only those who share the same subconscious motivations and undergo the same processes of rationalisation.

In an attempt to purge economics of the value-laden theories of early political economists, the modern economist has frequently

---


5 Ibid., p. 23.
resorted to emulation of his counterpart in the physical sciences. One result of this attempt to achieve an almost mathematical precision and level of certainty in economics has been the sacrifice of knowledge concerning the solutions to economic problems that were developed by the ancients.

Unlike the modern social scientist, Plato and other ancients made no attempt to excise values from social science. In fact, it is characteristic of ancient social science that normative theories, based upon value judgments, dominate the analysis of social issues. Platonic scientific investigation, for example, involves the attempt to elevate knowledge of human values from the status of uncritical, untested opinion, doxa, to the level of scientific fact. The method used in Platonic investigation is that of dialectical reasoning—a process in which men examine phenomena of mind and soul, unlike the process in which modern scientists examine phenomena of the world around man. The dialectic provides the social scientist with a method of constructing and checking hypotheses about issues of transcendent reality—the realm of the psyche or soul. It is because Plato employed dialectics, rather than dogmatic demonstration as a technique for investigation of virtue that his method is scientific. The fact remains, however, that Plato's technique was normative.

It is because of this distinctly normative approach that modern social scientists discount the efforts of ancient thinkers. In social sciences today a distinction is made between facts and values, with the result that normative theory is regarded as unscientific. Like Descartes before them, modern social scientists
have "compared the ethical writings of the ancient[s] to very superb and magnificent palaces built only on mud and sand." Of ancient philosophy Descartes noted:

it has been studied for many centuries by the most outstanding minds without having produced anything which is not in disrepute and consequently doubtful. I did not have enough presumption to hope to succeed better than the others; and when I noticed how many different opinions learned men may hold on the same subject, despite the fact that no more than one of them can ever be right, I resolved to consider almost as false any opinion which was merely plausible.

Following Descartes' lead some modern social scientists seek to eliminate from the body of scientific knowledge all that is not knowable with objective certainty.

It is most unfortunate that the fact-value distinction has created such a rift between ancient and modern social science. Not only has this distinction prejudiced our attitudes toward ancient political economy--modern readers often find it difficult to take seriously the writings of ancient economic theorists--it has resulted in the almost complete disappearance of ethics as a social science. Consequently, there is little scientific inquiry into human values today.

Political theorist Eric Voegelin has noted that reality can be divided into two parts: 1) all things that are objectively discernible by man's senses, and 2) things which man can only imperfectly discern through the fleeting glimpse with the mind's

---


7Ibid., p. 7.
A chair is an example of the first category of real things—it is something fully observable by the senses. Virtue, on the other hand, is not fully discerned with the senses, but is recognizable to the mind. In modern social science, and particularly in economics, very little effort is devoted to the acquisition of knowledge of the second, less objectively knowable type of reality. Yet, this ontological dualism is the heart of Platonic science. Plato maintained the same distinction as Voegelin between objects of sensation—*aisthesis*—and objects of intellection—*noesis*.

Since modern economists *qua* social scientists routinely deny the existence of *noesis*, they tend to view the objective of ancient social science, i.e., scientific knowledge of metaphysical phenomena—justice, temperance, happiness, etc.—as an unscientific and subjective goal. Preoccupation with value-free "facts" has caused the modern economist to view the Platonic dialogues as an example of Schumpeterean economic thought.

It is clear that there are differences between what is meant by *oikonomia* in the ancient sense and economics in the modern sense of the term. However, the two disciplines are not mutually exclusive; rather, modern economic science can be thought of as the logical outgrowth of a subset of concerns present in ancient economics. Plato, for instance, was aware of and interested in the market problems associated with resource allocation among competing

---

ends. However, he was also keenly interested in the normative problems of human welfare as it is affected by economic processes. It would appear that a major difference between ancient and modern economics is one of focus and scope. Plato and other ancients concentrated on normative welfare analysis, elevating it to the status of scientific investigation, while many modern economists focus their attentions on the development of positive analysis of market allocation and efficiency.

If one approaches economic literature from the perspective of the ancient social scientist, it becomes possible to find much scientific analysis that otherwise would be overlooked. Since modern economics is based upon the idea that interpersonal comparisons of utilities are not scientific—that values have no basis in facts—the economic analysis contained within Plato's dialogues has not received the attention it deserves. The key to appreciating the importance of Platonic thought for modern economics is the willingness to accept a broad definition of economic science—one that recognizes the validity of normative, as well as positive scientific analysis.

The theme of this dissertation is that by transcending the fact-value distinction one uncovers a hitherto unrecognized economic analysis in the Platonic dialogues. As a philosopher Plato was interested in finding answers to the questions "What are goodness and happiness?" and "How do men become good and happy?" The dialogues of Plato constitute a dialectical inquiry into human values and opinions that attempts to derive a scientific answer to these questions. The recurring conclusion of the dialogues is that men are truly happy and
good if they are wise, honorable, and moderate. These virtues correspond to the three parts of the human soul, psyche—the reasoning, honor-loving, and appetitive parts. Moreover, Plato observed that different parts of the soul dominate the characters of different people, accounting for the different types of personality one sees in society. Plato concluded that only when a proper balance is struck between the parts of the soul, in which reason, the least cultivated faculty in most people, governs the spirited and appetitive urges, can men be truly happy. This theory of the soul led Plato to an analysis of human welfare, which appears in his dialogues Republic and Laws. Recognizing the fact that many people are slaves of appetitive urges of all kinds, Plato devised a theory of welfare that hinges upon temperance or moderation, sophrosyne, as the means of achieving happiness for the many.

Plato's economic analysis of welfare was not intended as a subjective argument designed to take its place beside the myriad other social welfare theories that have appeared over time. Despite the fact that modern economists are wont to disregard all normative analyses which are based upon value judgments, the economic theory of moderation is an important contribution to economic analysis. Because of the normative content of the dialogues, however, Platonic economic analysis has fared poorly in economic literature. The critiques of Plato's economic thought that have appeared in economic literature are surveyed in Chapter One of this dissertation.
Chapter Two of this thesis is devoted to the task of reviving a definition of economics that is compatible with both ancient and modern methodologies. Understood from the perspective of ancient methodology the dialogues of Plato contain much that is of interest to economists today. Throughout the dialogues Plato is concerned with welfare, economic and otherwise. His welfare analysis is manifest in his theory of justice, which, in large measure can be summed up with the notion of moderation--for the many. Plato envisioned moderation of the appetitive urges as a participation in justice.

Much of this dissertation is given over to the analysis of Plato's theory of economic welfare. Chapter Three focuses on the virtue of moderation in Platonic economic theory. The fourth chapter examines a feature of Plato's welfare theory that is important for today. Central to the theory of moderation in the dialogues is the idea of sufficiency. Plato was one of the earliest Western writers to recognize the desirability of limiting economic growth. Although he approached conservation from the need to feed men's souls rather than their bodies, he championed the notion of sufficiency as a means of limiting economic growth. Finally, Chapter Five traces the roots of the theories of the just price and usury, which flourished under the Schoolmen, back to the dialogues of Plato, rather than the writings of Aristotle.

This dissertation is not intended to be a taxonomical reshuffling of fragments of Platonic thought demonstrating Plato's
awareness of certain features of modern economic theory—such treatments can already be found in the literature. In the past, methodological barriers seem to have restricted surveys of Greek economic thought to this level of analysis. Instead, this paper argues that Plato possessed a strong interest in the investigation of human welfare. The dialogues contain an analysis of welfare that remains important today. By transcending the fact-value distinction, and thereby removing the methodological blinders worn by the modern economist, it is possible to show that Plato engaged in an economic analysis of welfare that helps to fill the void created by the restrictions of positive analysis. The economics of moderation, along with the accompanying notions of justice and sufficiency represent attempts to theorize issues of economic welfare in an objectively normative fashion that remains unique in economic science. In this dissertation the lost science of inquiry into normative economic problems is rediscovered through exposition and analysis of the Platonic theory of economic moderation.
CHAPTER 1

A SURVEY OF THE LITERATURE ON PLATONIC ECONOMICS

Many histories of economic thought begin with a statement of intellectual indebtedness to the ancient Greek philosophers. The writings of the early Greek philosophers, especially Plato and Aristotle, are said to contain the earliest attempts by Western man to reflect scientifically upon problems of political economy. In spite of this claim, literature devoted to analysis of ancient Greek economics is scarce. Analysis of Plato's contributions to modern economics is practically nonexistent. While some historians of thought pay lip service to the connections between Greek philosophy and economics, many more subtly condemn the works of the ancient Greeks by neglecting them.

It is not difficult to surmise the reasons that underly the failure by economists to incorporate the works of Plato, Aristotle, and other ancient Greeks into the body of economic science. With the rise of logical positivism in the nineteenth century, economists and other social scientists made a conscious attempt to develop value-free theories of man's social intercourse. As Robert B. Ekelund and Robert F. Hebert note in their A History of Economic Theory and Method, An Introduction:

Many economists, especially those of the twentieth century, have attempted to link the scientific character of economics
to positivism, defined as expressions of "what is" rather than "what should be." Economics, in this view, is "positive" because it is value-free. To admit value judgments—or, equivalently, to make normative statements—is considered unbecoming and non-scientific...

Because the writings of Plato, and, to a lesser extent, Aristotle are rich with normative analysis and value judgment, their economic thought is often dismissed as pre-scientific. In this light Plato seems to fare worse than Aristotle in his treatment in the literature.

However, some attempts to analyze the contributions of Plato to modern economics do exist. A History of Greek Economic Thought, by Albert Augustus Trever, constitutes an earnest study of Plato's major dialogues with an eye toward discerning tidbits of economic analysis. Similarly, M. L. W. Laistner's Greek Economics organizes the writings of Plato, through the judicious use of excerpts, so as to make clear the economic thought contained therein. And, Barry Gordon's Economic Analysis Before Adam Smith: Hesiod to Lessius is heavily devoted to analysis of the Socratic conception of economics. Apart from these few works, however, little attempt has been made to

---


analyze critically Plato's economic thought. In this survey of the economic literature devoted to Plato's dialogues, I will attempt to demonstrate that the cause of this peculiar treatment of Plato is a fact-value distinction maintained by modern historians of economic thought.

I. A Survey of the General Histories of Thought:

One can perceive the attitude with which economists address questions of economics contained within the Platonic dialogues by scanning the material devoted to pre-Smithian economics in some of the popular histories of economic thought. In A History of Economic Thought, Eric Roll comments on the economic thought of Plato in a way characteristic of many historians of thought. Roll confines his analysis to Plato's Republic and Laws, noting that these works contain Plato's "main economic ideas." Since the Laws and Republic deal largely with the construction of a well-ordered state, they are invariably the dialogues analyzed by historians of economic thought.

One sees in Roll's History a dismissal of the significance of the economic ideas contained within the Republic and Laws, which is made clear in the following passages from his History:

On a purely analytical side Plato's main achievement is the account of the division of labour and the origin of the city with which he prefaces his outline of the ideal republic. The city, he says, arises because of division of labour, which is itself the result of natural inequalities in human skills and the multiplicity of human wants...There is

---

as yet no concern with the cheapening of products which specialization brings about. It is not surprising, therefore, that Plato should have no idea of that connection between the size of the market and the degree of division of labour which Adam Smith was to make famous.

Plato put his theory of the division of labour to an essentially retrograde use. In his hands, it became an idealization of a caste system and a support for the aristocratic tradition which was then on the defensive.

These passages contain much that is true. Plato was in fact one of the first writers to stress the importance of the division of labor in the development of the polis. Moreover, he did conceive of a division of labor that was, in many respects, far different from the division made famous by Smith. In the passages above, however, Roll betrays a prejudice in his treatment of Plato's division that seems to be out of place in a positive analysis—he concludes that Plato's division of labor is inferior to Smith's. This conclusion calls for some explanation or defense, although none is provided.

Plato suggests that a division of labor would arise from basic differences that exist in men's souls and temperaments—a division of labor based upon psychological comparative advantage. Smith, however, merely defended the division on grounds that it yielded an increase in economic efficiency. Roll uses Plato's perception of basic human inequalities as evidence of some subtle value judgment, which is supposed to lessen the usefulness of Plato's conception of the division of labor. Actually, Plato's theory of the

---

6 Ibid., pp. 27-28.
7 Ibid.
inequalities of human character is based upon positive analysis, as will be shown. Roll's preference for Smith's division seems to derive from his preference for economic efficiency over happiness as the goal of economic action. Further, his subtle condemnation of caste systems and of aristocracy as a political regime seems uncharacteristically normative. Roll simply pronounces Plato's division of labor to be put to a retrograde use, presumably because Roll does not like aristocracy or castes. Plato, however, defends his division with hard analysis, which is demonstrated elsewhere in this thesis. I would contend, therefore, that it is Roll who puts the Smithian division of labor to an essentially retrograde use—supporting it for its liberal and efficient tendencies. Although some attempt has been made to link Smith's notion of divisions of labor to Plato's, Smith's is presumed to be superior by reason of its positive, rather than normative, analysis. ⁸

The tendency to dismiss ancient normative analysis as pre-scientific is common among historians of economic thought. John Fred Bell, in A History of Economic Thought, notes of Greek economic thought:

In spite of the vast contributions made by the Greeks to almost every branch of human knowledge, they paid relatively little attention to political economy as a subject. No Greek treatise devoted solely to political economy has been preserved, nor is there evidence that such a work was ever

written. Greek economics is bound up with ethics and political science.

Bell appears to view the social sciences, ethics, and political science as functionally separable from economics. To be bound up in ethics and political science, if one reads Bell correctly, is to be uninterested in economic questions at best and to be preoccupied with subjectivism at worst.

Bell seems to suggest that Plato was the victim of his own imperfect subjective methodology. While Bell accurately details some of the features of Plato's best state, he does so in an attempt to point out the supposed insignificance of Plato's scientific thought, owing to its subjective nature. Bell notes:

Plato pictures the perfect society, not the perfect man, since the idea of perfection and happiness is not to be found in the individual but in the species. Happiness is for the whole of society, and the ideal of happiness can be reached only in the ideal state. The Republic is an attempt to show how justice, as a social virtue, can be attained. The state has but one real function, namely, to insure happiness to everyone through virtue, which means that justice will prevail.

Bell is nearly correct in everything he says in the above passage. Plato did, indeed, desire to obtain knowledge of how to ensure happiness to everyone through virtue. And, too, he did not envision that the idea of happiness would be found in the individual. Happiness itself was perceived by Plato to be a virtue in which men could participate to varying degrees. Virtue itself, however, is neither

---

10. Ibid., pp. 32-33.
to be found in the individual nor in the state; it is, for Plato, a metaphysical Form. Bell fails to get at the important epistemological and ontological distinctions that distinguish Plato's economics from that of modernity. More important, however, Bell does not make the connection between the Platonic quest for happiness and its importance for modern welfare theory.

Herein lies the distinction between Plato's understanding of economic welfare and that of the modern economist. The modern welfare economist seeks to maximize welfare by efficiently giving people what they want, whereas Plato sought to ensure happiness by making people do what they should. Plato realized that he could not succeed in constructing a theory of welfare maximization without reference to virtue. Of necessity, then, Plato's welfare theory is normative. Thus, for the modern economist at least, it becomes something "about which men can ultimately only fight."

W. E. Kuhn, in his book The Evolution of Economic Thought, refers to subjective theories of economic welfare, such as those examined by Plato, Aristotle, and other ancient Greeks, as "crude welfare economics." Kuhn gives no examples of crude welfare economics from Plato's dialogues. He does, however, make a connection between the work of Plato and Aristotle, as do many historians of economic thought, because both Plato and Aristotle employ the same outmoded method of normative analysis. Kuhn's characterization of

---

Aristotle's value theory gives an insight into his regard for ancient Greek normative analysis in general. Aristotle's value theory is, according to Kuhn, an example of crude welfare theory. Kuhn characterizes it in the following way:

Aristotle's power of analytical thinking justifies his being ranked among the founders of the core of the subject matter of economics. This far-ranging Greek philosopher put forth the fundamental proposition that every commodity may be viewed from two angles: whether it serves to satisfy a want directly, its proper use, as when shoes are worn; or whether it serves to satisfy a want indirectly, as when shoes are exchanged for something else. This latter, improper use—in contrast to the former—lends itself to abuse because it may lead to an accumulation of goods exceeding the necessities of life.

Several distinctions grow from this dichotomy: (1) that between value in use and value in exchange; (2) that between true or genuine wealth, to which there is a limit set by nature, and unnatural wealth, the acquisition of which is, broadly speaking, unlimited, being regulated only by the greater or lesser cupidity of man in his capacity as an economic agent; (3) that between the requirements of domestic economy, or finance in the good sense of the term, and what exceeds these requirements, or finance in the bad sense.

Kuhn follows this summary of Aristotle's work on value by noting:

Distinctions (2) and (3) are scientifically of little import, as they imply value "judgments" and presuppose a theoretical ideal concerning the stratification of wants in society as well as the means to their satisfaction (crude welfare economics).

Kuhn intends crude welfare economics to be understood as any attempt to comment on economic welfare in which value judgments are implied, which would render it unimportant scientifically. Here the reader gets a clear picture of the relationship between scientific analysis and normative thought in modern economics. The scope of economic

\[12^{12}\text{Ibid.}\]
\[13^{13}\text{Ibid.}\]
science has been whittled away to include only those economic issues that can be analyzed apart from human values.

Kuhn appears to have borrowed this distinction between analysis and thought from Joseph Schumpeter. In his introduction Kuhn enthusiastically endorses Schumpeter's work on economic thought, as the following passage indicates:

Since 1954, year of the posthumous publication of J. A. Schumpeter's History of Economic Analysis (under the editorship of his widow, Elizabeth Boody Schumpeter), the science of economics has been enriched by an English language reference work in which schools and streams of economic thought are discussed with rare comprehensiveness, insight, and clarity. The History, written primarily for professional economists and social scientists, testifies to such immense scholarship as few writers can ever hope to attain.

Certainly the level of scholarship evidenced in Schumpeter's History is beyond reproach. Indeed, even the distinction between economic analysis and economic thought put forward in the History and elsewhere is useful to the historian of economic thought. The only question is where on the tree of economics should the thought-analysis axe fall. When the Schumpeterian distinction is coupled with a fact-value distinction, the modern economist is robbed of important contributions to economics made by the ancient Greeks. That is, ancient analysis is sometimes catalogued as economic thought because it contains statements that imply value judgments.

Schumpeter's regard for the work of Plato is made clear in Economic Doctrine and Method: An Historical Approach. In this work

\cite{ibid., p. 1.}
Schumpeter traces the origins of economic science back to the ancient Greeks, noting:

The "philosophic" strand [of economics] has its ultimate literary base in the thought of Ancient Greece and can clearly be distinguished from the conceptions of everyday life and the principles of legislators and founders of religions.\(^{15}\)

In *History of Economic Analysis* Schumpeter credits the Greeks with originating economic science, which he notes in the following passages:

Let us recall our distinction between Economic Thought—the opinions on economic matters that prevail at any given time in any given society and belong to the province of economic history rather than to the province of the history of economics—and Economic Analysis—which is the result of scientific endeavor in our sense. The history of economic thought starts from the records of the national theocracies of antiquity whose economies presented phenomena that were not entirely dissimilar to our own, and problems which they managed in a spirit that was, in fundamentals, not so very dissimilar either. But the history of economic analysis begins only with the Greeks.\(^{16}\)

So far as we can tell, rudimentary economic analysis is a minor element—a very minor one—in the inheritance that has been left to us by our cultural ancestors, the ancient Greeks. Like their mathematics and geometry, their astronomy, mechanics, optics, their economics is the fountainhead of practically all further work.\(^{17}\)

Schumpeter's endorsement is qualified, however. In describing the quality of economic analysis fostered by the ancient Greeks, Schumpeter claims that, "Even Aristotle and Plato presented


\(^{17}\)Ibid., p. 53.
exceedingly poor and above all 'pre-scientific' pictures of economics; they do not differ substantially from that of laymen of all ages.\textsuperscript{18} Like other historians of thought, Schumpeter prefers the economic analysis of Aristotle to that of Plato, in terms of analytical rigor:

A whole world separates [Aristotle's] achievements from the highly coloured phantoms in Plato's thought. The latter offers us neither precise conceptions of an economic character nor sustained analytical arguments. His aim was not to explain an economy which was problematic in itself but to create an economic order which was adapted to his ethical principles and to the conditions that prevailed in his ideal State. It is probably true that this was partly merely a form which he chose in order to present scientific ideas, but even his pronouncements on the division of labour, to which reference is always being made, afford little proof that he possessed a deeper insight into the sphere of economics. Even Xenophon was easily his superior in this respect while the rest of his economic statements and arguments are those of the layman.\textsuperscript{19}

In the following passages from \textit{History of Economic Analysis} one sees as clear a condemnation of Platonic economic analysis as one is apt to find in economic literature:

Plato's aim was not analysis at all but extra-empirical visions of an ideal polis or, if we prefer, the artistic creation of one. The picture he painted of the Perfect State in his Politeia (The Republic) is no more analysis than a painter's rendering of a Venus is scientific anatomy...But analysis comes in after all. There is a relation between the painter's Venus and the facts described by scientific anatomy. Just as Plato's idea of 'horseness' obviously has something to do with the properties of observable horses, so his idea of the Perfect State is correlated with the material furnished by the observation of actual states.\textsuperscript{20}

\textsuperscript{18} Idem, \textit{Economic Doctrine and Method}, p. 11.

\textsuperscript{19} Ibid., p. 13.

\textsuperscript{20} Idem, \textit{History of Economic Analysis}, p. 55.
Reasoning of an analytic nature is still more prominent in a later work, the Nomoi (Laws). But nowhere is it presumed as an end in itself. Consequently it does not go very far.

Plato's Perfect State was a City-State conceived for a small and, so far as possible, constant number of citizens. As stationary as its population was to be its wealth. All economic and non-economic activity was strictly regulated—warriors, farmers, artisans, and so on being organized in permanent castes, men and women being treated exactly alike. Government was entrusted to one of these castes, the caste of guardians or rulers who were to live together without individual property or family ties.

Plato's "constitution" does not exclude private property except on the highest level of the purest ideal; at the same time it enforces a strict regulation of individual life, including limitation of individual wealth and severs restrictions upon freedom of speech; it is essentially "corporative"; and it recognizes the necessity of a class dirigente—features that go far toward defining facism.

The analytic background, such as it is, comes into view as soon as we ask the question: why this rigid stationarity? It is difficult not to answer...that Plato made his ideal stationary because he disliked the chaotic changes of his time...Whatever we may think of Platonic stationarity as the remedy, is there not a piece of—almost Marxian—economic-sociological analysis behind that diagnosis?

Schumpeter is clearly dissatisfied with Plato's prescriptions for the Greek state. He implies that the subjective, "almost Marxian," analysis found in the dialogues is pre-scientific. Schumpeter is a positivist.

In the following passage Schumpeter summarizes his views on Platonic economics, noting that the Athenian's contributions to

---

21 Ibid.
22 Ibid.
23 Ibid., pp. 55-56.
24 Ibid., p. 56.
economics lie in his having sponsored the idea of the division of labor as well as one of the first fundamental theories of money:

We need not stay to consider the numerous economic topics that Plato touched upon incidentally. It will suffice to mention two examples. His caste system rests upon the perception of the necessity of some Division of Labor. He elaborates on this eternal commonplace of economics with unusual care. If there is anything interesting in this, it is that he (and following him, Aristotle) puts the emphasis not upon the increase of efficiency that results from division of labor per se but upon the increase of efficiency that results from allowing everyone to specialize in what he is by nature best fitted for; this recognition of innate differences in abilities is worth mentioning because it was so completely lost later on. Again, Plato remarks in passing that money is a 'symbol' devised for the purpose of facilitating exchange. (Rep II, 371) Now such an occasional saying means very little and does not justify the attribution to Plato of any definite view of the nature of money. But it must be observed that his canons of monetary policy—his hostility to the use of gold and silver, for instance, or his idea of a domestic currency that would be useless abroad—actually do agree with the logical consequences of a theory according to which the value of money is on principle independent of the stuff it is made of. In view of this fact it seems to me that we are within our rights if we claim Plato as the first known sponsor of one of the two fundamental theories of money, just as Aristotle may be claimed as the first known sponsor of the other.\(^{25}\)

Schumpeter appears to have been guilty of committing at least two errors common among Plato's modern critics. On the one hand, he characterizes Plato as having too little insight into problems of political economy. Here, Schumpeter is unwilling to recognize Plato's contributions because of his dissatisfaction with Plato's subjective methodology. On the other hand, Schumpeter may be guilty of giving Plato too much credit when he ascribes sponsorship of one of the fundamental theories of money to the ancient Greek. Plato was

\(^{25}\) Ibid.
aware of the independence of the value of money from its physical composition, as Schumpeter claims, but the reasons Plato gives for limiting the use of gold and silver as currencies do not correspond to any modern theory of money. Plato opposed the use of gold and silver in order to make the currency of the ideal state unsuitable as a currency in foreign trade. His desire to change the currency of the Greek polis arises from his desire to curb foreign trade, which he opposed for moral reasons.

Schumpeter's dissatisfaction with the analytical rigor of the Platonic dialogues is reminiscent of the criticisms of Platonic economics made by James Bonar in *Philosophy and Political Economy: In Some of Their Historical Relations*. Like Schumpeter, Bonar is quick to credit the ancient Greeks with having first dealt with questions of political economy. Once again, however, one finds an economist's disapproval of ethical analysis, as the following statement of Bonar's shows:

The conceptions of Wealth, Production, Distribution, and of the economical functions of State and Society are treated by Plato, some incidentally, others at length, but always in subordination of Ethics, and never as (even in theory) separable from ethical considerations...in the early Socratic dialogues of Plato he does not take hold of the notion of wealth or any other economical notion and sift it as he would have sifted a metaphysical idea.\(^{26}\)

Henry W. Spiegel shows his feelings toward ancient Greek economics to be similar to Schumpeter's and Bonar's in his introduction to *The Development of Economic Thought: Great Economists in*...
Perspective. "Social thought," he says, "...begins with the Greek philosophers." He continues:

With them there was born the spirit of critical enquiry, which never tires of examining human institutions, appraising them in the light of moral and political ideals. In the writings of the Greek philosophers economic arguments are developed only incidentally, and they are fused with ethical and political considerations.

Among the popular histories of economic thought, only A History of Economic Theory and Method by Ekelund and Hebert gives the reader an account, however brief, of the Platonic dialogues that cut to the heart of their economic import. Ekelund and Hebert have taken Plato seriously and appear to be familiar with the applications to economic welfare of Plato's attempt to discover the nature of justice. They note:

At the heart of Plato's Republic is a search for the meaning of the normative concept of justice, both for the individual and for society, that is, social justice. Individual justice is characterized by Plato (speaking, of course, through the character of Socrates) as a harmonious blending, furthered by the "conditioning" of music, gymnastics, and associations, of passion, desire and reason within man. In order to describe the just man, however, Plato has to explicate the nature of the macro constraints upon men. The result is a contrast between justice for the individual...and justice within the state...

Ekelund and Hebert move in the right direction by focusing on Plato's concern over social justice as it applies to economics. However,

---


28 Ibid.

29 Ekelund and Hebert, pp. 20-21.
they make an error common in modernity in interpreting Plato's "normative concept of justice." It is true that Plato's concept of justice is normative—at least if that term is understood to imply that a concept is not value-free. Plato might argue, however, that attempts to discover a wertfrei justice do not produce justice itself, but rather produce a concept that is the product of convention. Plato's investigation of justice, both for the individual and the state, was intended to be descriptive—it produced a definition of justice by sifting through subjective opinions and testing hypotheses, finally arriving at knowledge of justice itself. This attempt to describe justice is different from the normative exchange of values that discourse on the subject of justice generally produces today. Plato's investigation was incapable of producing an "objective" result—it simply was not intended to appeal to everyone in the way that a rhetorical speech might. It was not, however, merely subjective opinion; the dialectic on justice was intended to produce descriptive knowledge—i.e., definition—of justice in the mind of the participant in the dialectic.

On this count Ekelund and Hebert appear to confuse the positive-normative distinction with the fact-value distinction. They suggest that Plato maintained a normative concept of justice, which he did, when they mean to suggest that he maintained a value-laden theory of justice. Normative concepts are value statements. Consistent with the epistemology of Plato and other ancients, however, is the notion that proper values are factually based—they participate in real, existent Forms that engender them with their qualities.
Thus for Plato a normative concept, if it was the product of systematic investigation, was not necessarily counter-factual. Therefore, while Ekelund and Hebert focus, appropriately enough, on Plato's concept of justice in an attempt to uncover his thoughts on economics, they fail to give this concept the attention it deserves, owing to their association of normative concepts with mere opinion.

Like Plato's other critics, Ekelund and Hebert call particular attention to Plato's implications for economics that result from his analysis of justice—the division of labor and the proper use of wealth. Of the division of labor, they point out:

The very core of Plato's ideal state, within which the positive and negative constraints upon men are established, lies in the concept of specialization. Specialization arises from individual differences between men, and output may be increased by specialization. Exchange and trade, within and without the state, are an integral part of societal organization. Production will be undertaken for both domestic and international trade, and classes of merchants and retailers arise. Money as a medium of exchange and as a standard of value comes into use and facilitates trade and exchange. Markets and marketplaces emerge to give impetus to the increase of wealth. Specialization arising from diversities of nature is at the root of all economic progress and phenomena. 30

Concerning Plato's conception of the proper use of wealth, they claim:

Although specialization is the instrument of increased average output...it is not entirely an unmixed blessing. Progress requires expansion of population and territory, and expansion and "unrestrained needs" require war with neighboring states. A soldier class is called into being, which however valuable to the state, cannot be trusted to abstain from attacks upon society. Thus Plato must make philosophers out of (selected) soldiers. The resultant elitists, aristocratic society of guardians would combine the

30 Ibid., p. 21.
qualities of "gentleness and spirit" and would specialize in ruling society.

In order to produce gentle and spirited types, Plato advised various kinds of conditioning, including, for the guardians only, communal family and property arrangements. His ideas on property are revealed in an assessment of the reasons for these prohibitions. Property communism was necessary, according to Plato, for several reasons, the first really including the others: Property would corrupt the guardians; inclinations toward moneymaking and conflict of interest would be eliminated by communal property; and communism would prevent the acquisitive nonguardians from wanting to become guardians.

Although Ekelund and Hebert do not, in their analysis of Plato's economics, seem to suffer from positivistic tendencies to the extent that Plato's other critics do, in the final analysis their investigation of Plato's thought is unhelpful. As may befit a survey of economic thought, Ekelund and Hebert confine their analysis largely to a discussion of the commonly surveyed topics of Platonic thought mentioned above. When they venture onto new ground to discuss Plato's concept of economic justice, they preface the analysis by warning the reader with the caveat that Plato's concept of justice is normative and, therefore, presumably, uninteresting.

II. A Survey of the Journal Literature on Platonic Economics:

The secondary literature on Platonic economics does not contain many entries. Perhaps it is because of the methodological bias of many economists against the type of analysis conducted by Plato that the literature is so small. Out of the existing literature devoted to the analysis of ancient Greek economics, only essays

31 Ibid., pp. 21-22.
by Welles, Foley, and Lowry provide the reader with glimpses of the economic content of Plato's dialogues. Welles focuses on the economic background of the Republic and Laws—the Athenian economy in which Plato found himself. Foley discusses the significance of Plato's division of labor, attempting to demonstrate a connection between it and Smith's better known treatment of labor specialization. Lowry, who has analyzed the contributions of the Greeks to the theories of conservation and natural resource economics, reviews Plato's economics with less enthusiasm than Welles or Foley. In a recent survey of the literature on Greek economic thought Lowry demonstrates the contemporary economist's dissatisfaction with Plato's method of economic analysis.

In "The Economic Background of Plato's Communism" C. Bradford Welles stresses the political and economic turmoil of fifth and fourth century Athens as causes of the reactions to mercantilism by Plato in the Republic and the Laws. Welles notes that Plato lived during a period of political decay which followed the defeat of Athens in the Peloponnesian War. At this time in Athenian history the labor force, which had produced large quantities of commodities for export from Athens, was reduced to half its former size. The famous silver mines of Athens were shut down, and the system of

agriculture, which had supplied many of the export commodities, was in disarray. According to Welles, the disruption of the Athenian economy after the Peloponnesian War produced the tyrannical political climate to which Plato reacted.  

Welles places wealth at the center of Plato's theory of communism. The Republic and Laws were written, Welles argues, in response to Plato's dissatisfaction with the distribution of wealth in democratic Athens. Welles observes that Plato thought that men should not be too concerned with accumulation of wealth. The communism which Plato espouses in the Republic is, Welles claims, an attempt to place men as far as possible from the sensuous life of the city of pigs.

In the Laws Welles finds Plato's theory of the second-best state. Gone is the youthful optimism found in Plato's utopian Republic. The Laws, according to Welles, contains a legal framework for the founding of a self-sufficient, steady-state economy. Welles writes of Plato's steady-state:

The goal of self-sufficiency was to be attained by providing an adequate living for a fixed population. Luxury was forbidden, on the general ground that prosperity was better obtained through limiting desires than increasing income.

Like Ekelund and Hebert, Welles succeeds in his brief essay on Plato's communism in describing the major economic features of the

---

33 Welles, pp. 101-105.
34 Ibid., p. 109.
35 Ibid., p. 113.
dialogues, without casting doubt over their significance because of Plato's use of an archaic methodology in his analysis. Welles seems to have taken Plato seriously. And yet, he seems to have gone too far in ascribing an economic motive to Plato's examination of political constitutions in the Republic and Laws. It is clear from Plato's dialogues that his principal concern was over man's ability to discover true knowledge of the Good and its associated virtues. To be sure, Plato was concerned deeply with the injustice he perceived to be associated with democratic and tyrannical distributions of property. Indeed, the Laws deals with distributions of property and land that encourage moderation and temperance in economic life. The aim of Plato's discussion of distribution, however, is, the attainment of happiness for men and women. The heart of Plato's Republic and Laws is virtue rather than wealth. Plato desired that men and women behave virtuously. The moderation of wealth and appetite called for in the dialogues is intended to produce the virtuous behavior that Plato desired.

Welles is not the only contemporary economist to have read too much into Plato's economic analysis. Foley, too, overemphasizes economics as the motive behind Plato's writing. Foley attempts to demonstrate a connection between Plato's division of labor and that of Adam Smith. In his excitement he manages to read more of an economic motivation behind Plato's theory of labor specialization than has previously been noted, and more than perhaps exists.

Vernard Foley has elevated the importance of Plato's notion of the division of labor for the modern economist by claiming that
Smith was influenced by Plato's work when he proposed his own division. If Foley is correct, Smith may well have borrowed from Plato in constructing the famous version of the specialization of factor inputs. In "The Division of Labor in Plato and Smith," Foley notes:

Since Plato was one of the first to enunciate this conception i.e., [the division of labor], the question suggests itself of whether Smith drew any inspiration from the formulation of his predecessor. Several textual parallels between the two men, which seemingly have not yet been treated in an interrelated fashion, suggest that borrowing did occur.\footnote{Foley, p. 220.}

Based upon fragments of Smith's Edinburgh lectures, "the possibility seems to arise that Smith could have gotten his original inspiration for the division of labor principle, not from the sources usually cited in this connection...but from the ancient Greeks."\footnote{Ibid., pp. 220-21.}

While it is heartwarming to see an economist seriously trying to weave the thread of Platonic economic theory into more recent economic analysis, Foley relies too much on simple parallels that exist in both Plato's and Smith's writings as the basis for his conjecture. Calling upon A. Skinner's work on the Scottish Enlightenment, Foley comments:

One can begin by recalling that considerable attention has been given of late to what Skinner...has called the four-stages theory in eighteenth-century Scottish thought. To recapitulate them briefly, the four stages are as follows. First, man exists in a primitive state, subsistent from the natural and spontaneous fruits of the earth, by hunting and gathering. Next, with the discovery of herding, man comes to live a pastoral life. Third comes the discovery of agriculture, and a more settled society. Last comes the development of an exchange economy and thus the division of labor.
In a passage in the Laws (667A-82B) Plato gives all four of these stages...Thus Plato provides an explicit model for Smith's four-stage theory. Moreover, both men treat the origin of the division of labor in connection with the fourth stage, the establishment of human settlements. Based upon this parallel Foley believes that Smith and, perhaps, Mandeville may have found the basis for their work on specialization in the dialogues.

Another parallel that Foley sees between Plato's dialogues and the Scottish Enlightenment concerns the nature of the division of labor--i.e., for what purpose is the division intended. Here, Foley breaks with tradition in describing output and efficiency. The following passage from Foley's article serves to illustrate this point:

Plato's discussion of the division of labor in the Republic contains one other characteristic which seems to deserve mention. In specifying why it is that divided labor is more productive than the unspecialized sort, Plato gives three reasons (370B-C, also 374B-C). The first rests upon the assumptions that men are essentially different from one another, and that since different jobs require different capabilities, the introduction of economic specialization means that a man can now be more completely suited to his work than was the case before. The other two reasons are rather more modern sounding, as they have to do with freedom from interruption, and with doing the task at the moment when it can be done best. Plato says that one must not let slip "the right season, the favourable moment in any task, or the work is spoiled." Again, he says "business will not wait upon the leisure of the workmen, but the workman must attend to it as his main affair, and not as a by-work." And finally, he states that "more things are produced, and better and more easily when one performs one task according to his nature, at the right moment, and at leisure from other occupations."

---

38 Ibid., pp. 224-25.
39 Ibid., p. 223.
Tying this efficiency argument in with Smith's, Foley notes that "several...passages in Smith's work which seem to echo Plato in other respects, also repeat his efficiency arguments."  

One must admire Foley's attempt to break with the majority of historians of economic thought for whom Plato's division of labor represents only a crude approximation of its modern form. Objections have been raised to Foley's work concerning the true end served by the division of labor in Plato's dialogues. These objections invariably evoke the judgments of Schumpeter and other economists who have dismissed the Platonic division of labor as pre-scientific. Paul J. McNulty responds to Foley's article, saying "There are...certain fundamental differences between Plato and Smith on the division of labor which [Foley] does not examine but which are significant for the subsequent development of economic analysis."

McNulty points out further:

Although division of labor had long before Smith's time been recognized as of economic importance--Schumpeter referred to it as "this eternal commonplace of economics"--its use had generally been in connection with some justification for occupational stratification and labor immobility. This was the case in the Platonic system.

The view expressed by Aquinas that one man is unable to do all the things that society requires is precisely that of Plato, for whom the origins of the state are to be found in

\[40\] Ibid.


\[42\] Ibid.
the juxtaposition of the diversity of man's wants with his individual inability to satisfy them.\(^43\)

For Plato...the natural differences in talents and abilities between individuals, and their inability to provide for all their own wants, leads to a division of labor which, in turn, leads society to a higher level of economic wellbeing than would otherwise be possible. But the division of labor in the Platonic system, based on societal economic stratification and labor immobility within an artisan and handicraft economy, is of a fundamentally different character from the concept as employed by Adam Smith.\(^44\)

McNulty is correct on this point—that differences exist between Smith's and Plato's divisions of labor. Both conceptions are based upon characteristics of human nature. However, each is based upon a unique notion of what human nature is. Smith envisioned a division of labor arising in society gradually as the "consequence of a certain propensity in human nature, which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another."\(^45\) Plato, on the other hand, viewed the division of labor as a consequence of human nature in which men pursue their individual natural talents in order that they suit the temperaments of their souls. That is, Plato argues in favor of a notion of psychological comparative advantage. McNulty points to this "natural talents" argument in an attempt to refute Foley's contention that Smith borrowed his division from Plato. He says:

\(^{43}\)Ibid., p. 373.

\(^{44}\)Ibid., p. 374.

By far the greatest difference, however, between Plato and Smith on the division of labor is the latter's early and substantial qualification of the "natural talents" argument. No sooner has Smith introduced the idea...than he adds that "the difference of natural talents in different men is, in reality, much less than we are aware of."  

McNulty no doubt finds the stratification of the labor force resulting from Plato's division of labor according to natural talents loathsome. He stresses the freedom of Smith's free market for goods and services, noting that "An important component of 'natural liberty' was the freedom [in Smith's system] of the worker to seek employment in any industry or trade."  

Again, one finds evidence of the modern historian's libertarian tendencies. McNulty, like other interpreters of the Platonic dialogues, views Plato's observation of the differences in human temperament, which leads to a division of labor, as a value judgment. More important, however, is that McNulty finds Plato's observation to be based upon a value judgment with which he does not agree, preferring instead the "freedom" of Smith's market system. For the positivistic social scientist, the beauty of his science is that if he finds a value-laden observation not to his liking, he can immediately dismiss it as non-factual.  

One finds in Lowry's work on ancient Greek economics the same sort of positivistic bias against value judgments as can be seen in McNulty's critique of Foley's essay on Plato's division of labor.  

---

46 McNulty, p. 376.  
Lowry is a leading scholar in the field of ancient Greek economics. Even so, one finds precious little of Plato's economic thought reviewed in Lowry's work. In "The Classical Greek Theory of Natural Resource Economics" Lowry hails the work of Aristotle and Xenophon, leaving Plato out of his discussion entirely. Welles has noted Plato's concern with the conservation of resources, pointing out that Plato advocated a steady-state economy as the best constitution of an economy. In spite of this, Lowry writes:

In any discussion of self conscious and formal presentations of ancient Greek theories of natural resources, the analysis may be justifiably limited to the works of Xenophon and Aristotle. 48 The rationale behind the omission of Plato's economics from an analysis of ancient Greek theories of natural resources is, according to Lowry, that only the theories of Xenophon and Aristotle provide clear and formal statements of economics. 49 Thus, for reasons that have earlier been identified as methodological and epistemological prejudices against the Platonic dialogues, Plato is left out entirely from a discussion of ancient Greek resource economics.

More recently Lowry has surveyed the literature on ancient Greek economics. In "Recent Literature on Ancient Greek Economic Thought," Lowry does mention Plato's contributions to economic thought in connection with the works of contemporary economists, such

49 Ibid.
as Welles, who analyze Plato's economics. In particular, Lowry mentions Plato's division of labor and his fiat system of money in connection with Schumpeter's criticism of Plato's work. Rather than describe these theories, however, Lowry is content to express Schumpeter's view that "These observations, of course, were reflections of economic systems and thoughts on economic subjects with no analytical content." 50

Elsewhere in the same essay, Lowry reviews Welles' analysis of Plato's theory of communism, which he refers to as Plato's theory of "administered production." Lowry concedes here that the goal of Plato's state was self-sufficiency—the creation of a "steady state economy." 51 Lowry insists, however, that based upon Welles' survey of Plato's economics it is clear that economic thought at the time of Plato's writing was "embedded" within the total legal fabric, i.e., that economics was only a part of political economy. 52

Lowry, like the economists surveyed in the literature on Plato's economics contained in the popular histories of economic thought, contends that the Schumpeterean distinction between economic thought and economic analysis effectively precludes serious consideration of the dialogues. Like the economists mentioned earlier, Lowry is convinced that the value-laden theories of Plato are not

50 Lowry, "Recent Literature on Ancient Greek Economic Thought," p. 67.
51 Ibid., p. 66.
52 Ibid.
sufficiently formal and scientific to merit attention from economists in search of the origins of economic analysis.

III. A Survey of the Major Treatises on Greek Economic Thought:

The conclusion that the dialogues of Plato contain no economic theory of importance for the modern economist is echoed to varying degrees in the major treatises devoted to the economics of Ancient Greece. Some of the criticisms contained in the histories of economic thought and other essays mentioned earlier can be found "writ large" in lengthy treatments of Greek economics. These works survey the dialogues and conclude that Plato's contributions to modern economic theory are small, almost to the point of insignificance.

One of the early surveys of Plato's dialogues in economic literature is Albert Augustus Trever's A History of Greek Economic Thought, published in 1916. In his History, Trever reviews Plato's work in a manner that is, at once, sympathetic to Plato's ideals and yet characteristic of the positivistic histories. "Plato," Trever says,

was the first great economic thinker of Greece. Plato, however, was primarily interested in neither economics nor politics, but moral idealism. All his economic thought is a direct outgrowth of it, and is shot through with its influence. Yet, despite this fact, he exhibits considerable insight into some of the basal principles of economics, and his entire Republic is founded upon an essentially economic theory of society.\(^{53}\)

---

\(^{53}\) Trever, p. 22.
Here, one sees a classic observation made by an economist concerning the Platonic dialogues. Trever recognizes an economic theory of society as the underpinning of the Republic. Even so, Trever is tempted to downplay the significance of this economic theory because it is "shot through" with moral idealism.

On Plato's discussion of economic value and wealth, Trever notes that "Strictly speaking, Plato's contribution to a theory of economic value and a definition of wealth is practically nil. In his discussion of a just price, he merely hints at the fact of exchange value." He follows this statement with a denunciation of Plato's subjective analysis when he says that "Plato has much to say of wealth, though he deals with it strictly from the standpoint of the moralist. We look in vain for a clear definition, or for a consistent distinction of economic wealth from other goods."

Trever's criticism of Plato centers on Plato's method of analysis rather than the Greek's avowed end of the dialectic inquiry, the greatest happiness for society. He is, at once, dissatisfied with Plato's use of value judgments and taken in by those same values, which must be close to his own sentiments concerning political economy. In defending Plato's use of communism as an instrument for achieving social happiness, Trever is quick to distinguish Plato's communism from its modern manifestations. He notes:

---

54 Ibid.
55 Ibid., p. 24.
The ideal state of Plato's Republic has often been presented by socialists and other modern writers as the great prototype of all socialistic doctrine. We must consider to what extent such a view is justified. In his famous myth of the three metals, Plato divides his citizens into three classes—rulers, auxiliaries, and farmers and artisans. His avowed purpose here, as indeed throughout his Republic, is to secure the highest degree of happiness for all the citizens. In order to gain this end, he provides for a most thoroughgoing system of communism, including all property, both for production and for consumption, except such as necessary for the immediate need. He extends it even to the common possession of wives and children, that all private interests may be reduced to a minimum. He provides further for a common work and education for men and women.

Such, in brief, is the system proposed in the Republic. Superficially considered, it would seem to be the parent of modern socialism and communism. There is, however, actually but slight similarity between them. The so-called communism of Plato extends only to the first two classes, which can include but a small minority of the citizenship. Thus the masses, with whom modern socialism is especially concerned, are not directly touched by his system.

Trever concludes that "The Republic cannot...be classified as truly socialistic either in motive or in general plan." \(^{57}\)

In an attempt to catalogue Plato's economics, Trever pushes farther than other historians of economic thought. Besides the usual interest in Plato's division of labor ("[Plato] evidently recognized it as the necessary basis of all higher life"), \(^{58}\) Trever demonstrates an insight into Plato's theories of welfare, money, trade, and the limits to growth.

In noting that Plato's dialogues do contain information important to modern economics, Trever points out:

\(^{56}\) Ibid., pp. 54-55.
\(^{57}\) Ibid., p. 57.
\(^{58}\) Ibid., p. 29.
a sympathetic study of Plato's thought on exchange reveals an insight into certain specific points, of interest to modern economics, which are commonly overlooked. His protest against the former axiom of economics, that the prime purpose of trade is profit, and that the mere fact that goods change hands, necessarily increases the wealth of a country, is substantially correct. Commerce for commerce' sake is a clear case of mistaking the means for the end, and is contrary to sound economics as well as ethics. The objections of Plato and Ruskin against the principle too generally accepted by business and economy of the past, at least tacitly, that "it is the buyer's function to cheapen and the seller's to cheat," are being recognized today as worthy of consideration.

Trever also appreciates Plato's inveighing against excessive commercialism and immoderate wealth. While he finds Plato's system of market restraints unacceptable for the modern economy, Trever applauds Plato's desire to instill temperance as a virtue in the souls of the citizens of the polis, which the following passages demonstrate:

To be sure, Plato's demand for a limitation of private and national wealth, and his general negative attitude are if interpreted rigidly, unfruitful and economically impossible. It is not business that should be curbed, but bad business. Individual or nation cannot become too prosperous, provided there is a proper distribution and a wise consumption of wealth, and Plato's idea that great prosperity is incompatible with this goal can hardly be accepted by modern economists.

Nevertheless, there is much of abiding truth in his doctrine of wealth. Aside from the profound moral value of his main contention, we may state summarily several points in which he remarkably anticipated the thought of the more modern humanitarian economists: (1) in the fact that excessive private wealth is practically impossible without corresponding extremes of poverty, and that such a condition is the most fruitful cause of dissention in any state; (2) in the fact that extremes of wealth or poverty cause industrial inefficiency; (3) in the prevalent belief that no man can gain great wealth by just acquisition, since, even though he

59 Ibid., p. 44.
may have done no conscious injustice, his excessive accumula-
tion has been due to unjust social conditions; (4) in the
growing belief that expenditures of great private fortunes
are not likely to be helpful either to individual or to
community, but are too liable to be marked by foolish luxury
and waste that saps the vitality of the nation; in this, he
was a forerunner of Ruskin, who opposed the old popular
fallacy that the expenditures of the wealthy, of whatever
nature, benefit the poor; (5) in the dominant note in
economic thought today, so emphasized by Plato and Ruskin,
that the prime goal of science is human life at its best...
(6) in the fact that the national demand for unlimited wealth
is not recognized, as Plato taught, always to have been the
most fruitful receiving ever-greater recognition by modern
economists and statesmen, that the innate quality of the
object for good or harm must be considered in a true defini-
tion of economic wealth.

Of course, even Trever's comments strike the modern economist
as value-laden. Trever appears to be guilty of that for which he
criticizes Plato—assuming the role of moral idealist.

Trever's thesis has been supplemented occasionally. In 1923
M. L. W. Laistner published Greek Economics. His study includes
excerpts of ancient writings which refer to topics of interest for
modern political economy, but it does not provide the reader with an
interpretive essay. Laistner appears to have conscientiously
extracted the passages from the Platonic dialogues that bear on
modern economics, but there is little in his work that serves to make
clear his opinion concerning the merit of Platonic economic thought.

Michell provides the reader with the interpretive thought
which is lacking in Laistner's book, in The Economics of Ancient
Greece. As a criticism of Platonic economics Michell's survey
rivals the work of Schumpeter for its positivistic condemnation of

---

60 Ibid., pp. 26-27.
Plato's method. The following passage from Michell's *Economics* serves as an excellent insight into the epistemological gap that separates the modern economist from the ancient social scientist:

So great a gulf is fixed between our modern thought and that of the ancients that it is utterly impossible to bridge it. To read into the writings of the Greek philosopher a conception of economic theory which is recognisable to-day is a vain endeavor. Their thought was entirely dominated by ethical ideas; there was an absolute separation of the ideas of right and wrong in human conduct from that of economic advantage and disadvantage. It might, at first sight, be thought that in this the Greek philosopher was superior to the modern economist who is, apparently, too prone to overlook the ethical in favour of the practical, and to preach a materialism in which spiritual values have no place. Reflection will reveal that such would be far from the reality. The Greek philosopher's outlook was too constricted for him to appreciate the fact, which the modern economist has grasped, that economic advantage or disadvantage is, in the last analysis, conditioned by ethical values.

Michell appears to make a fact-value distinction, so common among modern economists. The fact that those parts of ancient philosophy that pertain to economics have an ethical flavor is quite logical, given the epistemology of the ancient philosopher. Plato and Aristotle understood economics to be, along with politics, social sciences subordinate to the parent social science of ethics. Plato considered an ethical fact to be no less true, and often more important, than an economic fact. For Plato, economics is a policy science, the end of which is the achievement of human happiness. As a science it seeks the true answer to the question, "What in political economy makes men good and happy?" In search of this

---

answer, the ancient economist sifts opinions and value judgments for a truthful answer. Consequently, ancient political economy appears value-laden to the modern reader. Michell is painfully aware of this fact, and finds it unacceptable for modern economics. He concludes:

the fact remains that while we may learn from the philosophers the great truths and noble ideas of the relation of the human soul to God, they have nothing to tell us regarding those perplexing problems that so occupy our minds to-day.62

Presumably, then, the "great truths" do not occupy our minds today. Of course, the ancient social scientist might respond to such a notion by saying that the perplexing problems that so occupy our minds are solved as a consequence of attaining knowledge of the great truths.

Concerning the specific economic theories found in Plato's dialogues that are commonly discussed in economic literature, Michell provides a survey quite in keeping with his dismissal of pre-positivistic thought. Michell downplays the significance of Plato's division of labor, arguing:

The idea of the division of labor is explicit in Plato's and Aristotle's writings and is based quite simply upon such human wants as food, clothing and shelter, which will be produced most efficiently if each individual confines himself to what he can do best... The concept of division of labor has proceeded on lines familiar and simple to the modern mind; but... it is given a twist, which presents the theory of the state not from the standpoint of individual well-being, but from that of the welfare of the state.63

62 Ibid.
63 Ibid., p. 25.
In his discussion of Plato's conception of communism, Michell makes the familiar point that it was intended only for the highest classes. He goes on to say that "It was not an economic doctrine in any way; it had not anything whatever to do with solving the evils of poverty through a distribution of wealth or a regimentation of the productive efforts of society." On Plato's treatment of wealth and poverty, Michell comments:

The treatment of poverty and wealth both by Aristotle and Plato is sound but limited in the view of the modern economist. Riches lead to deterioration of the character in those who possess them, while poverty is a deterrent to the best work. Plato finds it hard to believe that a man can be rich, happy and good at the same time.

These comments all build to Michell's conclusion that "In general, it may be asserted that whatever economic theory is to be found among Greek writers is immature. Modern political economy is far in advance of any to be found among the ancients..." In general, a progressive view of history—that things are getting better and better—appears to be a common thread that ties together the economic reviews of the dialogues. Michell, Schumpeter, Trever, and others look upon the writings of antiquity with the opinion that any economic thought appearing therein must be "immature" by comparison with modern economic theory. Ancient economic analysis, in other words, takes the form of Schumpeterian

---

64 Ibid., p. 26.
65 Ibid., p. 32.
66 Ibid., p. 33.
economic thought, whereas its modern counterpart assumes the form of true economic analysis.

The issue of whether or not things are getting better, or at least more sophisticated, is not new, having been sorted out in one form by economic anthropologists. At one time the economic writings of antiquity were thought to contain little of relevance to modern economics by virtue of the economic immaturity of a pre-market society. The ancients, it was argued, reflected upon none of the problems that occupy economists today because their lack of an organized, developed marketplace for the exchange of goods and services precluded their acquaintance with such problems. Even Polanyi, who worked to dispel some of the myths concerning a lack of sophistication in early economies, pointed to a distinction between ancient economic thought and modern analysis. In "Aristotle Discovers the Economy," Polanyi argued that "Economic analysis in the last resort, aims at elucidating the functions of the market mechanism, an institution that was still unknown to Aristotle."

The absence of any market mechanism would seem to rule out the development of economic analysis of the market's many functions. One may safely assume that the earliest written documents surviving from the Greek civilization contain no analysis that would appeal to the modern economist. In The World of Odysseus Moses Finley

---

describes the exchange mechanism in operation during the Homeric period of Greek development. Finley writes that "An exchange mechanism was then the only alternative, and the basic one was gift-exchange." During this phase of development of the Greek polis, trade for profit was known, but it was discouraged as being evil. Rather, exchange was based upon mutual benefit of another sort—the exchange of gifts among friends. Finley writes:

In Adam Smith's world [the] determination [of value] was made through the supply-and-demand market, a mechanism unknown in Troy or Ithaca. Behind the market lies the profit motive, and if there was one thing that was taboo in Homeric exchanges it was gain in the exchange. Whether in trade or in any other mutual relationship, the abiding principle was equality and mutual benefit. Gain at the expense of another belonged to a different realm, to warfare and raiding, where it was achieved by acts (threats) of prowess, not by manipulation and bargaining.

Thus the degree of market sophistication necessary to produce meaningful analysis was not present during the Homeric period. During this time, Finley points out, "The twin uses of treasure were in possessing it and in giving it away, paradoxical as that may appear."

The gift economy was still a feature of the Athenian economy of Plato and Aristotle. Indeed, both philosophers advocated this type of exchange mechanism. Plato went so far as to suggest in the Laws a system of market regulation that would restore the purity of

---

69 Ibid., p. 67.
70 Ibid., p. 61.
the gift-exchange economy. Nevertheless, there was in existence at this time a sophisticated system, by Homeric standards, of domestic and international trade. Trade-for-profit, money-changing, and other features of commerce were restricted to the occupation of the metic—a foreigner, more-or-less permanently residing in the Athenian polis. The type of exchange common today was considered beneath the dignity of a citizen of the polis. Still, Athens, and especially its port, Pireaus, was the site of vigorous trade.

One can assume that Plato and Aristotle had every opportunity to analyze the functions of the Athenian market. Indeed, in the Laws and elsewhere Plato appears to be quite aware of the complexities of the exchange mechanism. However, both Plato and Aristotle chose to address broader issues, rather than occupy their time with the pedantic analysis of an institution considered by them to be corrupt.

The seeming inability on the part of the modern historian of economic thought to discern economic analysis in the writings of Plato is, I think, less a function of the nature of the topics under consideration in the dialogues than of the shift in epistemology and methodology that parallels the rise in social sciences of Comtean positivism, historicism, relativism, and Popperian nominalism. In the twentieth century economics is restricted to the realm of that which can be objectively analyzed by the social scientist. For instance, men can objectively agree that prices are determined by phenomena of supply and demand. Because the economic ruminations in the dialogues are not restricted to such topics as can be immediately
perceived as objective in nature, Mitchell, Schumpeter, and others have found little which they can embrace in the work of Plato.

More recently, Barry Gordon has written on the economics of Plato and other ancients. In Economic Analysis Before Adam Smith: Hesiod to Lessius Gordon attaches more significance to Plato's economics than had his predecessors. Gordon sees the dialogues not as the sentimental ramblings of a moral idealist, but rather as the logical reaction by Plato to the economic and political decline of the Athenian polis. Also, Gordon seems to understand the role of economics as a social science for Plato. Perceiving economics as a branch of ethics, Plato could not let economics deteriorate into the value-free scientism, so aptly described by Hayek in this century. Gordon writes:

[Plato and Aristotle] reacted against the mercantilist tendencies of their intellectual opponents, and this reaction was to prove decisive. Further, they refused to treat economics as a technology. Consideration of the relative desirability of alternate goals of economic action was at the core of their conception of the discipline.71

Continuing in this vein, Gordon points out:

It is not surprising...to find that the economics of the Socratics is not a technology of an age of growth and development. Rather it is the product of an age of anxiety, part of an attempt to work towards establishment of a social order that might ensure a reasonable quality of life for individuals, despite a political environment threatening chaos. Economic analysis in the hands of the philosophers is not a tool to be developed for use in the pursuit of a transitory national strength such as the Athenian proved to be. Instead, it is an intellectual activity required for an understanding of the nature of a just society and the

71 Gordon, p. 21.
application of that understanding to the preservation of a certain quality of life.\textsuperscript{72}

Gordon's insight represents a departure from the long line of criticism of Plato's work as pre-scientific. In describing the dialogues as more than just a "tool to be developed for use in the pursuit of transitory national strength," Gordon is setting them apart from the type of economic thought common to antiquity. Plato's is a type of analysis; it is simply alien to the modern mind, owing to its peculiar methodology.

In Economic Analysis Before Adam Smith Gordon takes a first step toward understanding fully the economic content of Plato's dialogues. While the result of this undertaking still shows the undeniable differences between Plato's analysis and that of the modern economist, it also shows that Plato's work stands as economic analysis in the Schumpeterian sense. Gordon sees the incentive for Plato to analyze the economy of Athens as lying in his preoccupation with the attainment of knowledge of the good life, when he writes that "This unswerving focus on the idea of the good life as attainable through full participation of the individual in the communal interchanges of a moderately-sized society led Plato and Aristotle into examination of economic questions."\textsuperscript{73} The following statements make clear Gordon's view that Platonic economics is the analysis of a social scientist, albeit an analysis distinct from that which is fashionable today:

\textsuperscript{72}Ibid., pp. 22-23.

\textsuperscript{73}Ibid., p. 26.
The philosophers' investigation of social evolution and ethics yield not only a distinctive approach to economic enquiry, but also a number of significant generalisations relating to particular aspects of that enquiry.

From the discussion of the formation of community life arise observations on the role of specialisation in economic activity, the functions of money, and the organisation of property. Out of the concern with justice comes an essay into the theory of value and consideration of the phenomenon of interest payment.

In dealing with these particular issues still of concern to modern economists, the philosophers constantly referred them to a broader framework than is usually chosen as the setting for similar discussions today. Aristotle, like Plato before him, did not conceive of the economy as a group of relationships which could be considered meaningfully apart from the other forms of interaction which characterise social life.74

The distinction between the economic analysis of Plato and Aristotle, and that of Schumpeter and other moderns is not a matter of methodology alone. As Gordon points out, there is a basic difference between the ends of ancient and modern economic analysis. "Both Plato and Aristotle," Gordon notes, "would see the modern claim to autonomy for economics as most inhibiting for the progress of social enquiry."75 That is, "Economic analyses can only be conducted properly as aspects of a much broader study than that for which most modern economists seem content to settle."76 More important, however, is the fact, as Gordon sees it:

The philosophers' steps in economic analysis are not motivated by any desire to stimulate a process of economic development. Plato's and Aristotle's economics is not the

74 Ibid.
75 Ibid., p. 27.
76 Ibid.
economics of growth. Their approach is guided by a belief in the desirability of establishing a relatively stationary state of economic activity at a level which ensures the maintenance of a moderate standard of material well-being for the citizenry.

Whereas many modern economists operate under the assumption that more of what people want is better than less, with its accompanying maxims of welfare optimization, Gordon recognizes that Plato and Aristotle sought through economic analysis those economic components of an objectively "good life" that would truly maximize human welfare. In this respect Gordon's survey must be understood as a significant departure from the uniformly harsh criticism of Platonic economics attributable to other historians of economic thought.

Gordon's insight into the validity of Platonic analysis carries over to his survey of specific doctrine mentioned by Plato. Here, Gordon shows a greater sensitivity to the aims of Platonic science than is the norm. Gordon affirms the efficiency motive underlying Plato's conception of the division of labor, while pointing to an even more important consideration covered by Plato. On this point Gordon claims:

the beneficial impact on growth of output is not the reason for Plato's interest in [the division of labor]. He advocates division of labour to the extent that the quality of an individual's life is improved by his being able to perform that function for which he is best fitted by his natural endowments. Impact of the division on the growth of national product is, at best, a secondary consideration.  

77 Ibid.

78 Ibid., p. 28.
In denying the "more is better than less" end of economic activity, Plato and Aristotle are, in Gordon's words:

interested in economic growth only as a prelude to the achievement of a certain modest standard of material well-being. That standard is one which provides the opportunity for maximisation of quality of life as they understand it.  

Gordon even points to a "limits to growth" strand of thought in Platonic economics, seldom described in economic literature. He writes:

The possibility that maintenance of a positive rate of economic growth is necessary to sustain an adequate scope for individual choice in role-playing or for social choice in such matters as population policy or management of the natural environment, does not seem to have been considered by...Plato...Such scope is ensured by achieving and holding a given level of material well-being:

Unfortunately, Gordon does not in his survey of Socratic economics pursue Plato's economic analysis to the extent that it deserves. Instead, Gordon is content to comment on the more approachable contributions to economics made by Aristotle. Beyond those issues mentioned above, Gordon considers only Plato's theories of money, interest, and communistic holding of property. Rather than pull together the strands of economic analysis in Plato's dialogues into a coherent economic theory, Gordon offers, in final analysis, an insight, albeit a more keen insight than that of his colleagues, into the fairly obvious economic ideas suggested by Plato.

On money, Gordon points out that Plato was one of the first proponents of "non-metallism." In the Republic and Laws Plato can be

79 Ibid., p. 29.
80 Ibid., p. 33.
seen to espouse a theory of money in which it serves as merely a
token of exchange for commodities. Gordon writes:

Plato recognises that the presence of a division of labour in
society gives rise to the need for exchanges of commodities
amongst its citizens. The process of exchange will be
facilitated by the introduction of "a currency to serve as a
token for purposes of exchange." The end or purpose of money
then is its action as a medium of exchange, and for this
function as mere symbol or token can suffice. The material
of which money is composed is of little or no account.

Here, Plato is adopting a theory of money which can be
called "non-metallist." Money, to function effectively as
money, need not consist of a material that has a value
independent of its role as money.

Gordon makes a connection between Plato's advocacy of token money and
his call for the abolition of international currency. He notes:

That Plato was consistent in his non-metallism is illustrated
by a passage from the Laws, his last written work. In this
passage he advocates a type of policy that was anathema to
orthodox monetary theorists of eighteenth- and nineteenth-
century Europe. He proposes a divorce between international
trading currency and the internal circulating medium of the
city-state. The latter, he believes, should be devoid of
intrinsic material value.

It is important that one ask at this point in the analysis
why does Plato advocate the adoption of a non-metallist monetary
policy, as described by Gordon? In answering this question, Gordon
adopts the attitude, common among Plato's critics, that no economic
concerns underlie Plato's discussion of money. Rather, Gordon
points out that Plato's system of money issue and control is, "as
in the case of his advocacy of a division of labour...based on moral

---

81 Ibid., p. 43.
82 Ibid.
considerations." From the context of modern economic analysis, Gordon is correct in his recognition of Plato's interest in moral issues. If one approaches Platonic thought with an eye toward appreciating the philosopher's view of science, then these moral issues can be shown to be rooted in economics, understood in the ancient sense. Plato perceived the end of science to be knowledge of moral truths. Knowledge of these truths—i.e., the nature of justice, the nature of temperance, etc.—enables men to be truly happy in their lives. Certain virtues, such as temperance in acquisition of things, or liberality in the use of wealth, are economic in nature. Consequently, the science of economics involves for Plato the search for knowledge or wisdom that permits the attainment of happiness through economic channels. The moral concerns that Gordon mentions all involve participation in the virtues that ensure happiness through economic means.

Gordon's assessment of Plato's theory of interest exemplifies his tendency to stop short of a complete analysis of a topic of Plato's economics. In his discussion of Plato's theory on the payment of interest, Gordon comments: "Plato, in a manner typical of the moralists of antiquity, expresses general opposition to the practice of interest payment on loans." Gordon distinguishes between Plato's conception of voluntary and involuntary extensions of credit. Voluntary extension of credit involves the exchange of goods

---

83 Ibid., p. 44.
84 Ibid., p. 49.
for the promise of future repayment, or the lending of money for the purchase of commodities with the promise of future reimbursement of principle plus interest. Plato argued against the legal enforcement of such contracts, arguing that they promoted profit from the exchange of money, rather than gain from trade of real commodities. Involuntary extension of credit, however, occurs whenever failure of prompt repayment results in the course of ordinary trade. If a person fails to make payment for goods and services received, Plato argued that the law should provide for the recovery of principle plus interest on behalf of the seller. Gordon claims that this distinction between voluntary and involuntary grants of credit is "a quite fundamental element in scholastic thinking and served to shape the course of their enquiry into the economics of lending." Gordon does not, however, appear to be interested in the reasons for Plato's advocacy of one type of credit and opposition to the other. Yet, it is only through analysis of Plato's justifications for his policy prescriptions that one is able to discern the philosopher's economic theory to be distinguishable from mere economic thought.

Gordon is even more vague in his discussion of Plato's system of communal sharing of property. While other historians of thought have given this topic a thorough going-over, although often to no appreciable end, Gordon is content to simply contrast Plato's communism with Aristotle's. After noting that Plato's pooling of property among the ruling and military classes is roughly the

85Ibid.
opposite of Aristotle's communism—it prevails for the masses—Gordon proceeds to discuss, at length, the nature of Aristotle's system.

Although Gordon's *Economic Analysis* fails, at times, to cut to the heart of an issue of Platonic economic theory, it must be acknowledged to be one of the better surveys of the economic thought of antiquity. Overall, Gordon appears sensitive to the method of Platonic economics, albeit more interested in moving on in his survey to the more genuinely analytical work of Aristotle. Gordon, at least, does not fall into the rut of glossing over Plato's contributions, using the arguments of a defunct positivism as the devices for measuring the significance of the economic thought of the ancients.

In summary one must be struck, if not impressed, with the unity of thought expressed by Plato's critics in their historical surveys. With only occasional exception, it appears that the study of the history of economic thought and analysis has been colored by the scientistic tendencies of modern economists to adopt a methodology more appropriate for the physical sciences, and especially physics, as the yardstick by which to judge the lengths to which Plato and other ancients carried economic analysis in its infancy. Even the sympathetic readers of Platonic philosophy, such as Foley and Gordon, fail to change, to any appreciable degree, the prevailing attitudes towards Platonic economics, in which the dialogues are viewed as the pre-scientific antecedents of the first formal analysis contributed to economics by Aristotle.

Nonetheless, Plato's dialogues can be demonstrated to contain an economic analysis of a level of sophistication at least comparable
to Aristotle's, and, in many ways, striking in its sensitivity to issues of social science when compared with modern welfare analysis. Demonstration of this quality of Plato's thought depends upon the reader's being able to approach the dialogues from the context of the methodology intrinsic to ancient economic science. Chapter Two serves as a guide to the method of ancient economics as practiced by Plato, with an eye toward the re-establishment in economics of a sensitivity to the craft of subjective analysis—something that modern economics fails to develop to the degree of its ancient counterpart.
CHAPTER 2

THE EPISTEMOLOGICAL AND METHODOLOGICAL DIFFERENCES BETWEEN CONTEMPORARY AND PLATONIC ECONOMICS

In the survey of the literature devoted to an analysis of Platonic economics, Plato qua economist appears to be regarded with low esteem by modern economists. The widely held belief that the Platonic corpus is pre-scientific should not, however, be surprising. Interpretations of what constitutes science and the scientific method have changed noticeably since antiquity. Science has evolved in response to changes in the scientist's epistemology, and in particular to changes in his theory that explains the conscious mind's perception of knowledge. Since the time of Plato, and especially since the nineteenth century, changes in the scientific enterprise have corresponded to a growth in what political philosopher Eric Voegelin has called "ismology."¹ "Isms," especially ideological beliefs in the historical tendency for change in human nature, are incompatible with the Platonic method of investigation into issues of social science.

A complete list of the many "isms" that have captivated the attentions of social scientists since the Enlightenment would prove

truly staggering. Of these, however, several stand out in importance for the pernicious effect they have had on the popularity of normative analysis and, thus, on Platonic science. Moral relativism, positivism, scientism, Popperian nominalism, and historicism are ideologies generally understood and even embraced by modern economists. The force and popularity of these "isms" serve to severely undermine the credibility of Plato and other scholars who focused their intellectual efforts on an attempt to elevate subjective opinion concerning the proper ends of human action to the status of objective, scientific knowledge, or episteme.

Plato was not a moral relativist—he believed that goodness itself, the agathon, exists and serves as a steering force for human action. The agathon was not, for Plato, a psychological construct, but rather it exists in its own right, quite apart from man's perception of it. Plato's absolutism has been characterized as a kind of idealism. Aristotle criticized Plato for his preoccupation with Ideal Forms. Aristophanes painted a picture of Socrates, Plato's inspirer and mentor, that likens moral idealism to a sort of lunacy. The modern connotations associated with the concept of idealism, specifically naivete, are inappropriate for characterizing Plato and his work. Plato's idealism developed from his ontology. He envisioned a branch of reality that exists as pure Forms. These Forms are not capable of being discerned by mere senses. Plato called these metaphysical Forms eidoi, from which we derive the word "ideas." Existing in the realm of the eidoi are the virtues (arete)
--justice (dike), love (eros, philia, agape), truth (alethea), temperance (sophrosyne), and the supreme virtue, agathon or goodness itself.

That firm belief in the existence of these metaphysical concepts is uncommon among people is nothing new. Moral relativism existed and even dominated intellectual opinion in Plato's day. In fact, Plato focuses on Socrates' attempt to dispel the popular relativistic notions common among Athenians in several of his dialogues.

The acceptance of relativism today is almost universal. The notion that the desirability of certain ends of human action, e.g., living a temperate life or behaving honorably, is functionally dependent upon one's predilection, culture, history, and environmental conditioning is widely regarded by social scientists to be self-evident. Widespread acceptance of relativism, especially concerning the interpersonal validity of value judgments, helps account for the economist's dismissal of Platonic economics as poppycock.

More damaging to the appeal of Plato's investigation into issues of social science than relativism has been the appeal of positivism for the social scientist. The desire for what Weber termed wertfreiheit, or value-free science, appears to have survived in the social sciences even beyond the eclipse of positivism in philosophy.² First described by Comte and, later, by Weber, positivism

is today dominant in the methodology of the social sciences, particularly in economics. Economists are justifiably interested in uncovering facts concerning man's economic interactions. Facts are understood to be only those concepts that have some claim to objective validity. From the perspective of the positivist, investigation of the Platonic virtues cannot be carried out objectively. There seems to be little acceptance among economists today of Plato's claim that proper values have a factual basis—they are grounded in the qualities of the *eidoi* that engender them.

Another ideology that produces hostile attitudes toward Platonic philosophy is scientism. Scientism is a term used by Hayek and the Austrian economists that, when applied to the work of German historicists and American institutionalists, describes purely empirical economic inquiry that does not admit the existence of a priori theory. The economist guilty of indulging in scientism blindly attempts to apply the inductive methods of the laboratory sciences to his own craft. Presumably, this devotion to the "scientific method" results in the development of a pure, presuppositionless economics. Rothbard defines scientism, in "The Mantle of Science," in which he states:

The key to scientism is its denial of the existence of individual consciousness and will. This takes two main forms: applying mechanical analogies from the physical sciences to individual men, and applying organismic analogies to such fictional collective wholes as "society."^3

The denial of consciousness and will that Rothbard describes places scientism in opposition to Platonism.

Historicism, one of the ideologies broadly characterized by Hayek and Rothbard as scientistic, is an ideology that is unusually opposed to the methods of Platonic economics. Historicists would have economists induce significant cultural patterns and trends from the empirical facts presented by historical data. In an essay written in his early years in economics, before he abandoned theoretical economics, Gunnar Myrdal described historicism as a school of thought devoid of a priori reasoning. In historicism, in its extreme form, there is no knowledge apart from history. Generalizations concerning human nature, made without regard for a historical sense of time and place, are considered inappropriate. This method contrasts sharply with Plato's attempt to discover the underlying logos that explains human behavior. Plato believed in the existence of an essentially immutable form of human nature. The implications of his argument are that human nature, which derives its qualities from the unchanging Forms, compels men to respond consistently and predictably to the circumstances in which they find themselves throughout history. Moreover, Plato would insist that empirical knowledge—really the perception of the senses—is an imperfect form of knowledge when compared with a priori knowledge. Plato's social science is, like the historicist's, inductive; yet the

---

basis for induction, for Plato, is the experience of introspection and dialectical reasoning, rather than the perception of historical data. Plato's social science is incompatible with historicism.

Of the ideologies that discredit Platonism, none is more clearly destructive by design than the philosophy developed in the twentieth century by Karl Popper. Popper's unmitigated hostility toward Platonic philosophy led philosopher John Wild to describe Popper as being Plato's chief modern enemy. Popper's philosophy is nominalism. It is devoted to answering the question "What does a thing do for man?" rather than the Platonic question "Ti esti?" or "What is it?" Popper dismisses Plato's inquiry as being unproductive and unimportant, inasmuch as it places a heavy emphasis upon discovering the essences of things. Plato's science is the science of definition. To use Popper's term it is "essentialism." Acceptance of the relative importance for the social sciences of answering the nominalist's question, "What can this do for man?" over "Ti esti?" precludes serious consideration of the work of Plato.

In the light of Voegelin's "ismology" there appears to be little room in modern economics for adherence to the objective validity of human virtues. The purpose of the chapter, however, is to demonstrate that Plato maintained just this sort of adherence to normative concepts, and that his analysis of them can be considered

---


6 Ibid., p. 35.
scientific within the perspective of ancient social science. Understood from this perspective Plato's political economy is intended to be consistent with Schumpeterian economic analysis, in spite of Schumpeter's classification of the Platonic corpus as economic thought.

To the end of establishing this claim the organization of this chapter is given over to the following form of exposition: first, the reader is given a detailed description of Plato's analytical method. This method derives from Plato's theory of knowledge and from his theory of being. These theories are Plato's contribution to Western thought. Second, this method of inquiry is contrasted with the methodologies of the anti-Platonic "isms." Finally, I attempt to justify the use of Plato's method of inquiry into the proper ends of economic action as being important for the social sciences today.

I. Plato's Epistemology and Scientific Method

Plato attempted to analyze normative issues of economic importance with an eye to obtaining scientific knowledge—episteme—concerning man's natural tendencies and the proper ends of his economic activity. Plato's belief in the social scientist's ability to transform opinion into knowledge—to reason scientific fact out of subjective value judgment—is consistent with his epistemology. Plato's theory of knowledge separates the products of cognitive reasoning into four categories. At the lowest level of consciousness people are aware of opinions, the Greek doxa. Doxa is an uncritical, untested opinion concerning some object of sensory experience, i.e.,
aisthesis. More refined than doxa and, yet, less sophisticated than scientific knowledge is belief or pistis. Pistis is obtained after preliminary reflection upon some opinion held by the investigator. Reasoned analysis of some issue in the abstract can yield noetic thought or noesis. Noetic thought is attained through introspection. Finally, the highest level of knowledge envisioned by Plato is true episteme, or scientific truth.

Associated with this hierarchy of knowledge are the mental faculties that render the level of knowledge accessible to the conscious mind. Doxa is attained through uncritical speculation. Plato characterizes it as the product of imagination. Pistis is a type of knowledge not unlike that which an apprentice accepts as appropriate for his craft from his mentor. Techne, or the arts (e.g., weaving, carpentry, the applied fields of empirical social science) are products of pistis. The higher forms of knowledge are accessible to the mind through intellection. Moreover, true episteme can be acquired, according to Plato, only through an especially arduous form of intellection—the dialectic.

Plato's epistemology can be clearly seen in several of the dialogues. In the early dialogues Plato's theory of knowledge is in evidence, but is not yet formally developed. One can separate Plato's hierarchy of knowledge into two distinct parts, sensible knowledge and intellectual knowledge, based upon these early references. Doxa and pistis are products of sensation—aisthesis. Noesis and episteme are known only to the reasoning mind. Plato establishes metaphysical forms of being as being accessible through
introspective reasoning in the Phaedo. Here, in a conversation between Socrates and Cebes, Plato argues that the eidoi are the formal causes of the qualities of sensible things, as the following passage shows:

Well, said Socrates, what I mean is this, and there is nothing new about it. I have always said it; in fact I have never stopped saying it, especially in the earlier part of this discussion. As I am going to try to explain it to you the theory of causation which I have worked out myself, I propose to make a fresh start from those principles of mine which you know so well—that is, I am assuming the existence of absolute beauty and goodness and magnitude and all the rest of them. If you grant my assumption and admit that they exist, I hope with their help to explain causation to you, and to find a proof that the soul is immortal.

Certainly I grant it, said Cebes. You need lose no time in drawing your conclusion.

Then consider the next step, and see whether you share my opinion. It seems to me that whatever else is beautiful apart from absolute beauty is beautiful because it partakes of that absolute beauty, and for no other reason. Do you accept this kind of causality?

Yes, I do.7

In this passage Plato presents the reader with two important ideas. First, he believes in the existence of a transcendent form of reality—virtue. Next, Plato argues that the qualities of the sensibles are attributable to the refined qualities of the eidoi, which are only known to the mind.

One finds this concept elaborated again, in a playful manner so characteristic of Plato's sense of drama, in the Symposium. In a conversation between Socrates and his friend Alcibiades, Plato echoes

the distinction between qualities of being and our knowledge of these qualities, found in the Phaedo:

if you're right in thinking that I have some kind of power that would make a better man of you, because in that case you must find me so extraordinarily beautiful that your own attractions must be quite eclipsed. And if you're trying to barter your own beauty for the beauty you have found in me, you're trying to exchange the semblance of beauty for the thing itself--like Diomedes and Glaucus swapping bronze for gold. But you know, my dear fellow, you really must be careful. Suppose you're making a mistake, and I'm not worth anything at all. The mind's eye begins to see clearly when the outer eyes grow dim--and I fancy yours are still pretty keen.

Socrates is teasing Alcibiades. At the same time he is making a point of extreme importance for the Platonic inquiry into true nature. Socrates is both old and ugly, yet he possesses some awareness of beauty itself, the formal cause of mere physical beauty. This should render Socrates irresistible to Alcibiades. Alcibiades is young and handsome. His eyes see clearly, but his mind's eye has not yet become sufficiently developed to "see" Socrates' inner beauty.

The point of the story in the Symposium is that sensible beauty pales in comparison to beauty that is intellected, both in terms of the sensations of delight it stirs in the soul and in terms of relation to truth itself. These distinctions provide an insight into Plato's theory of knowledge and into his theory of being. Typically, however, they prove foreign to the reader unfamiliar with the philosophy of Socrates. Plato must have assumed this knowledge

---

in the memory of his audience when he penned these dialogues. Fortunately, the epistemological significance of inner versus outer beauty is made clear in one of Plato's most intellectually mature dialogues, the Republic. His theory of knowledge is thoroughly described in the middle books of the dialogue, and can be seen in the following passage from Book VI, a conversation between Socrates and Plato's brother Glaucon:

(Socrates) "Well, then," I said, "conceive that, as we say, these two things are, and that the one is king of the intelligible class and region, while the other is king of the visible. I don't say 'of the heaven' so as to not seem to you to be playing the sophist with the name. Now, do you have these two forms, visible and intelligible?"

(Glaucon) "I do."

"Then, take a line cut in two unequal segments, one for the class that is seen, the other for the class that is intellected--and go on and cut each segment in the same proportion. Now in terms of relative clarity and obscurity, you'll have one segment in the visible part for images. I mean by images first shadows, then appearances produced in water and in all close-grained, smooth, bright things, and everything of the sort, if you understand."

"I do understand."

"Then in the other segment put that of which this first is the likeness--the animals around us, and everything that grows, and the whole class of artifacts."

"I put them there," he said.

"And would you also be willing," I said, "to say that with respect to truth or lack of it, as the opinable is distinguished from the knowable, so the likeness is distinguished from that of which it is the likeness?"

"I would indeed," he said.

"Now, in its turn, consider also how the intelligible section should be cut."

"How?"
"Like this: in one part of it a soul, using as images the things that were previously imitated, is compelled to investigate on the basis of hypotheses and makes its way not to a beginning but to an end; while the other part it makes its way to a beginning that is free from hypotheses; starting out from hypothesis and without the images used in the other part, by means of forms themselves it makes its inquiry through them."

"I don't," he said, "sufficiently understand what you mean here."

"Let's try again," I said. "You'll understand more easily after this introduction. I suppose you know that the men who work in geometry, calculation, and the like treat as known the odd and the even, the figures, three forms of angles, and other things akin to these in each kind of inquiry. These things they make hypotheses and don't think it worthwhile to give any further account of them to themselves or others, as though they were clear to all. Beginning from them, they go ahead with their exposition of what remains and end consistently at the objects toward which their investigation was directed."

"Most certainly, I know that," he said.

"Don't you also know that they use visible forms besides and make their arguments about them, not thinking about them but about those others that they are like? They make the arguments for the sake of the square itself and the diagonal itself, not for the sake of the diagonal they draw, of which they are shadows and images in water, they now use as images, seeking to see those things themselves, that one can see in no other way than with thought."

"What you say is true," he said.

"Well, then, this is the form I said was intelligible. However, a soul in investigating it is compelled to use hypotheses, and does not go to a beginning because it is unable to step out above the hypotheses. And it uses as images those very things of which images are made by the things below, and in comparison with which they are opined to be clear and are given honor."

"I understand," he said, "that you mean what falls under geometry and its kindred arts."

"Well, then, go to understand that by the other segment of the intelligible I mean that which argument itself grasps
with the power of dialectic, making the hypotheses not beginnings but really hypotheses—that is, steppingstones and springboards—in order to reach what is free from hypothesis at the beginning of the whole. When it has grasped this, argument now depends on that which depends on this beginning and in such fashion goes back down again to an end—making no use of anything sensed in any way, but using forms themselves, going through forms to forms, it ends in forms too."

"I understand," he said, "although not adequately—for in my opinion it's an enormous task you speak of—that you wish to distinguish that part of what is and is intelligible contemplated by the knowledge of dialectic as being clearer than that part contemplated by what are called the arts. The beginnings in the arts are hypotheses; and although those who behold their objects are compelled to do so with the thought and not the senses, these men—because they don't consider them by going up to a beginning, but rather on the basis of hypotheses—these men, in my opinion, don't possess intelligence with respect to the objects, even though they are, given a beginning, intelligible; and you seem to me to call the habit of geometers and their likes thought and not intelligence, indicating that thought is something between opinion and intelligence."

"You have made a most adequate exposition," I said. "And, along with me, take these four affections arising in the soul in relation to the four segments: intellec tion in relation to the highest one, and thought in relation to the second; to the third assign trust, and to the last imagination. Arrange them in a proportion, and believe that as the segments to which they correspond participate in truth, so they participate in clarity."

"I understand," he said. "And I agree and arrange them as you say."9

Plato's analogy of an unequally bisected line having its segments similarly bisected is a familiar one to students of Western thought. It serves as a compact and concise statement of the Platonic epistemology. Ontologically, reality consists of the sensibles and the intellectibles. While the sensibles are easily

discovered, they are but imperfect imitations of the intellectibles. The intellectibles are known to the mind when the mind reasons upward from hypotheses to a beginning. Knowledge of true Forms, or eidoi, is a priori, whereas knowledge of the sensibles is deductible from sensory experience. This ontology and resulting epistemology serves as the basis for all of Plato's inquiries into the questions of social science.

Plato's most fetching exposition of his theory of knowledge can be found in his allegory of the cave, from Book VII of the Republic. This well-known story is important not only for its elucidation of the Platonic hierarchy of knowledge, but also for the moving quality of its dramatic analogy. The story of the cave is told in the form of a myth. While the use of myth in science would be considered inappropriate today, it was especially suitable for Plato as a vehicle for conveying truths about subjects that are not capable of being dogmatically explained, by virtue of the soul's inability to step out above them.

Opinion on the philosophical use of the myth by Plato varies considerably, from highly critical to highly supportive. German Plato-scholar Constantin Ritter, in the Hegelian tradition of philosophical criticism, considers the Platonic myths to be "Phantasiegemälde; they were not meant by their author to be taken seriously." Ritter warns the modern reader against "the common

---

10 Ibid., pp. 193-97.

but gross fallacy of treating them as of equal significance with the results methodically reached...through scientific inquiry."\textsuperscript{12} In his famous lectures on the "Chain of Being," Arthur Lovejoy argues against the German positivistic interpretation of the Platonic myth. Lovejoy provides the reader with a different interpretation of the Platonic myth when he says that,

It is true that Plato himself warns us that myths are not to be taken literally; but this is not equivalent to saying that they are not to be taken seriously, that they are not figu­rative intimations of theses which Plato regards as both true and important, but difficult to convey "in matter-moulded forms of speech." It is—especially in the Republic—precisely when he reaches the height of his argument, the conceptions which for him are plainly the most certain and the most momentous, that he begins to speak in parables. He does so, as he there also explains, because in these ultimate reaches of his thought the terms of common language fail him; the truth can only be shadowed forth through sensible analogues, as in a glass darkly.\textsuperscript{13}

In his book \textit{Participation: A Platonic Inquiry}, philosopher Charles Bigger insists that "cosmological myth is meant to reveal the grounds of order and the way it comes to be the form of fact."\textsuperscript{14} Bigger suggests that a true insight into the intentions of Plato for the use of myth can be found in Eric Voegelin's explanation of the use of myth in antiquity. In \textit{Plato and Aristotle} Voegelin describes an intellectual problem faced by Plato in his quest for knowledge of

\textsuperscript{12} Ibid.
\textsuperscript{13} Ibid., p. 37.
the intelligibles, and shows the myth to be one solution to this problem:

...the cosmos is not a datum of immanent experience; the philosopher, as a consequence, cannot advance verifiable propositions concerning the psychic nature of its order. That is the difficulty which Plato solves by means of the myth...On this conception of a cosmic omphalos of the soul in the depth of the unconscious rests Plato's acceptance of the myth as a medium of symbolic expression, endowed with an authority of its own, independent of, and prior to, the universe of empirical knowledge constituted by consciousness in attention to its objects.15

Plato consciously resorted to the use of myth when investigating the nature of subjects that are not the data of immanent experience. These subjects are those that Plato insisted the soul could not step outside of. Investigation of these subjects requires the use of the intellect. Moreover, the language of formal discourse could prove too dogmatic for hypothesizing the nature of metaphysical concepts. In these instances, Plato would resort to the use of the metaphorical myth to point the investigator of truth in the direction of knowledge.

In the myth of the cave Plato tells of a group of people chained together on the floor of a cave in such a manner as to be facing its deepest recesses. Closer to the neck of the cave is a path, sided by a wall. The wall is just tall enough to hide from view the people that walk along the path, so that only the pots they carry on their heads are visible from inside the cave. Opposite the

pathway from the prisoners a fire is maintained, which illuminates the carried pots and casts shadows of these objects onto the back wall of the cave. Having no experience of any other images than these shadows, the prisoners imagine them to be real objects. Their knowledge of clay pots is, of course, uncritical and untested. It corresponds to doxa, the lowest level of knowledge in the Platonic hierarchy. Plato characterized the problem of holding such knowledge in the following way:

(Glaucon) "It's a strange image," he said, "and strange prisoners you're telling of."

(Socrates) "They're like us," I said. "For in the first place, do you suppose such men would have seen anything of themselves and one another than the shadow cast by the fire on the side of the cave facing them?"

"How could they," he said, "if they had been compelled to keep their heads motionless throughout life."

"And what about the things that are carried by? Isn't it the same with them?"

"Of course."

"If they were able to discuss things with one another, don't you believe they would hold that they are naming these things going by before them that they see?"

"Necessarily."

"And what if the prison also had an echo from the side facing them? Whenever one of the men passing by happens to utter a sound, do you suppose they would believe that anything other than the passing shadow was uttering the sound?"

"No, by Zeus," he said. "I don't."

"Then most certainly," I said, "such men would hold that the truth is nothing other than the shadows of artificial things." 16

---

The problem Plato refers to here is that people who hold mere opinion concerning some observation are apt to be as fervent in their belief as if it were reasoned truth that they possessed. It will be seen that the means of sorting out opinion from reason is the dialectic.

Next Plato considers what would happen if suddenly one of the prisoners were to be unchained. He would, Plato claims, experience a periagoge—literally a turning-around. To see for the first time that the images on the cave wall were mere shadows, when he turns into the light, would prove unsettling. In connection with Plato's epistemological hierarchy, the periagoge corresponds to a breaking-through from mere opinion to the level of techne, for which the corresponding knowledge is belief or pistis.

Plato tells of a more profound experience that occurs when the prisoner is dragged out of the cave into the light of day. Annoyed by being dragged, and physically in pain from the sudden transition from the dark cave to the light of day, the prisoner would be at a loss to explain his experience. And yet, after becoming accustomed to the new surroundings the prisoner would come to an understanding of the relationship between the natural objects outside the cave, their manufactured imitation in the form of the pots, and the vague images of the pots—reality twice imitated—that appear as shadows on the cave wall.¹⁷

The allegory is an analogy to the segmented line. Each serves as a heuristic device to explain the nature of being and

¹⁷Ibid., p. 195.
knowledge of being as it is understood by Plato. The cave story helps explain the reference to the clarity of different types of knowledge made in the explanation of the segmented line. The theory conveyed here serves as the basis for all Platonic science. It gives rise to Plato's systematic inquiry into normative issues of political economy, in search of the objective knowledge of human values he expects to find.

Plato intended the acquisition of knowledge of intelligible phenomena to be a scientific pursuit. That this pursuit is considered by many today to be unscientific is likely the result of a shift in modernity away from the ontology of antiquity to one that is more purely phenomenological— one that limits being to aisthesis. These changes in ontology correspond to changes in the nature of science. In its purest form science is a systematic pursuit of generalized knowledge of objectively verifiable truths or facts. For Plato, a believer in the existence of metaphysical Forms or Aristotelian formal causes, the dialectic was the science of the objective truths concerning objects of intellection. To appreciate the scientific nature of Plato's political economy one must keep in mind the theories of knowledge and being that underlie Plato's philosophy. These theories are not the foundations of modern social science. Failure to be cognizant of the ontological and epistemological differences between modern economics and Plato's economics results in the superficial charges that Plato is pre-scientific, that one finds in the literary criticism of Plato's economics.
Almost all of Plato's writing is dialectical and is intended to be scientific. That is, the dialogues are written testimony to the possibility of scientific knowledge of virtues. The dialogues are intended to systematically point toward objective truth. Discovery of truth occurs through a process of recollection, which is fostered through the dialectic.

Plato's theory of learning is a theory of recollection. The idea that knowledge is acquired through recollection is first developed in the Phaedo. This theory is described by the character Cebes, who summarizes an argument often made by Socrates. It appears as follows:

Besides, Socrates, rejoined Cebes, there is that theory which you have often described to us--that what we call learning is really just recollection. If that is true, then surely what we recollect now we must have learned at some time before, which is impossible unless our souls existed somewhere before they entered this human shape. So in that way too it seems likely that the soul is immortal.

How did the proofs of that theory go, Cebes? broke in Simmias. Remind me, because at the moment I can't quite remember.

One very good argument, said Cebes, is that when people are asked questions, if the question is put in the right way they can give a perfectly correct answer, which they could not possibly do unless they had some knowledge and a proper grasp of the subject. And then if you confront people with a diagram or anything like that, the way in which they react is an unmistakable proof that the theory is correct.

Plato provides the reader with a demonstration of the argument Cebes speaks of in the Meno. In this dialogue Socrates attempts to convince Meno, an acquaintance, of the fact that knowledge is

recollected by proving that an untutored slave-boy knows the principles of geometry. 19

Acquisition of knowledge by recollection occurs in stages. Classicist Norman Gulley characterizes these stages in his study of Plato's theory of knowledge. 20 Gulley claims that

One feature of the theory [of recollection] which must be considered before its metaphysical implications are discussed is Plato's division of the process of recollection into three main stages. The first stage, illustrated in the first part of [the Meno], is the process of disillusionment, a negative stage which elicits the recognition that propositions which at first are believed to be true are in fact false. The significance of this is that by explicitly affirming that this process is the first stage in the process of recollection, and assuming that, if the questioning is systematically continued, knowledge will eventually be acquired, Plato makes quite clear that the theory of recollection is introduced as a foundation for the Socratic dialectic. With this basis the method can pass beyond the merely 'purgative' stage and lead to the discovery of truth. 21

The stages of recollection correspond to the acquisition of successively higher levels of knowledge, as described in the analogy of the segmented line. The sense of disillusionment—that opinions previously thought to be true are now known to be false—is an important step in the discovery of truth in the dialectic. By design, many of the dialogues are aporetic. That is, they systematically divorce the investigator from opinions that can be shown to be false, producing a sense of aporia—a sense of being painted into a corner, or a sense


21 Ibid.
of being without resources. The early dialogues, which essentially focus on the discovery of some particular virtue, are generally aporetic.

*Lysis*, for instance, inquires into the nature of friendship, without actually reaching a conclusion as to what exactly friendship is. Rather, by pointing out what opinions concerning friendship are demonstrably false, it produces *aporia*. *Euthyphro* provides a similar vehicle for a discussion of the nature of piety or holiness, to an aporetic end. Other well known aporetic inquiries are the *Laches*, which centers around the development of knowledge of courage itself, and the *Charmides*, which deals with the nature of temperance, or *sophrosyne*.

In each of the aporetic dialogues Plato strives to foster a sense of Socratic ignorance. The act of cutting away by layers mere opinion concerning some value judgment produces the sense of *aporia* sought in the dialectic. *Aporia* is, for Plato, an important scientific springboard that prepares one to make a move upward into the realm of reasoned knowledge, and to inquire into the true nature of the Form that lies behind a value concept.

Beyond a sense of *aporia*, however, the early dialogues are designed to point the reader in the direction of truth. An awareness of Socratic ignorance by the investigator prepares him to reason out some objective insight into the nature of those concepts that serve as the ultimate ends—*telea*—of political and economic action.

Not all of the early dialogues end aporetically. Some move on to arrive at the second-stage level of knowledge, *pistis*. The
Meno, for instance, succeeds in instilling right opinion in the mind of the slave-boy, although the boy is not prepared to explain the higher principles that lend truth to his sense of trust. In his more mature work Plato moves the dialectic to a stage of recollection that provides insight into true definition, which is the telos of dialectical inquiry. According to Plato, happiness requires knowledge of happiness itself. He makes this point clear in the Meno, where he argues that no one voluntarily desires evil:

(Socrates) When you speak of a man desiring fine things, do you mean it is good things he desires?

(Meno) Certainly.

Then, do you think some men desire evil and others good? Doesn't everyone, in your opinion, desire good things?

No.

And would you say that the others suppose evils to be good, or do they still desire them although they recognize them as evil?

Both, I should say.

What? Do you really think that anyone who recognizes evils for what they are, nevertheless desires them?

Yes.

Desires in what way? To possess them?

Of course.

In the belief that evil things bring advantage to their possessor, of harm?

Some in the first belief, but some also in the second.

And do you believe that those who suppose evil things bring advantage understand that they are evil?

No, that I can't really believe.
Isn't it clear then that this class, who don't recognize evils for what they are, don't desire evil but what they think is good, though in fact it is evil; those who through ignorance mistake bad things for good obviously desire the good?

For them I suppose that is true.

Now as for those whom you speak of as desiring evils in the belief that they do harm to their possessor, these presumably know that they will be injured by them?

They must.

And don't they believe that whoever is injured is, in so far as he is injured, unhappy?

That too they must believe.

And unfortunate?

Yes.

Well, does anybody want to be unhappy and unfortunate?

I suppose not.

Then, if not, nobody desires what is evil, for what else is unhappiness but desiring evil things and getting them?

To know what happiness is, therefore, is to be happy. The end of social science, which must be to make men happy, requires some knowledge of what happiness is. In modernity, happiness is, for the individual, what the individual opines happiness to be. Plato's dialectic produces, on the other hand, knowledge of happiness out of opinions of happiness.

Transformation of opinion to knowledge is a rational process. In Plato's terminology reason goes to a beginning; it explains Forms by using Forms, rather than the objects of sensation. Gulley

---

states that the important feature of Plato's theory of recollection is that it appeals to a transcendent source of knowledge and implies a transcendent reality as the object of knowledge, transcendent in the sense that it is superior to and different in kind from the 'reality' which belongs to the objects of the incarnate experience of this life. But no attempt is made to analyze this latter experience or to specify the nature of its objects; in particular no attempt is made to associate it with specifically sensible experience.

When the mind grasps at concepts of transcendent reality it must, according to Plato, adopt as a technique of investigation a method that does not rely upon sensory observation for verification of an hypothesis. The dialectic is the rational process that satisfies this criterion.

The importance of the dialectic as a method of inquiry into the true nature of intelligible, rather than sensible, phenomena can be seen in Plato's characterization of the problem confronting the investigator of metaphysical concepts. Plato insists that a soul, when investigating intelligible phenomena, is compelled to employ hypotheses, because it "is unable to step out above the hypotheses,"24 to go to a beginning. By nature metaphysical Forms, if they exist, exist outside the conscious mind. The investigator of these concepts, therefore, is unable to hold them as an object of his consciousness. Whereas the laboratory scientist is afforded the luxury of ordinarily being able to observe the object of his

---

23Gulley, p. 19.

investigation, the philosopher cannot see that which he seeks. Rather, the philosopher qua investigator of virtue must infer qualities of metaphysical Forms, based upon glimpses perceived through the mind's eye. The soul's perception of virtue, according to Plato's epistemology, is not unlike the experience of seeing a three-dimensional model of a hypercube. At any moment the observer of the hypercube can see only three of the dimensions of this four-dimensional figure. One does glimpse the fourth dimension of the hypercube from the shadows cast by the fourth dimension onto the three that are visible. So, too, the observer of an ideal virtue glimpses with the mind's eye the metaphysical qualities of that Form as they become visible to the soul.

The problem of verifying the existence of the invisible Forms of reality described in the dialogues has long perplexed the serious scholar. Aristotle had much to say about Plato's theory of Ideal Forms, almost none of it flattering. Although Aristotle shared Plato's belief in the existence of objective virtues, he had little patience for Plato's preoccupation with acquiring knowledge of forms. The peripatetic was quite concerned that people do good, but he was not interested in whether or not they know goodness itself.25

Aristotle understood the agathon to be the ultimate telos, or final cause, of human action. This can be seen in his introduction to *Nicomachean Ethics*, in which Aristotle states that

Every art and every inquiry, and similarly every action and pursuit, is thought to aim at some good; and for this reason the good has rightly been declared to be that at which all things aim. If, then, there is some end of the things we do, which we desire for its own sake (everything else being desired for the sake of this), and if we do not choose everything for the sake of something else (for at that rate the process would go on to infinity, so that our desire would be empty and vain), clearly this must be the good and the chief good.

Ontologically, however, Aristotle was not sympathetic to his mentor's notion of Forms of Ideas. He did not disapprove of Plato's inquiry into the nature of fixed and objective virtues; rather, Aristotle did not accept the theory of Forms at rest that generate the qualities found in the sensibles. In particular, Aristotle saw objective virtues existing as separate entities, rather than as qualities of a single Form. This departure from Plato's theory of Forms can also be found in Nicomachean Ethics, and appears below:

An objection to what we have said, however, may be discerned in the fact that the Platonists have not been speaking about all goods, and that the goods that are pursued and loved for themselves are called good by reference to a single Form, while those which tend to produce or to preserve these somehow or to prevent their contraries are called so by reference to these in a secondary sense. Let us separate, then, things good in themselves from things useful, and consider whether the former are called good by reference to a single Idea. What sort of goods would one call good in themselves? Is it those that are pursued even when isolated from others, such as intelligence, sight, and certain pleasures and honours? Certainly, if we pursue these also for the sake of something else, yet one would place them among things good in themselves. Or is nothing other than the Idea of good good in itself? In that case the Form will be empty. But if the things we have named are also things good in themselves, the account of the good will have to appear as something identical in snow and in white lead. But

26Ibid., p. 308.
of honour, wisdom, and pleasure, just in respect of their
goodness, the accounts are distinct and diverse. The good,
therefore, is not some common element answering to one
Idea."

The existence of transcendent being that lends objective
validity to statements of moral principle has proved far more
problematic to modern scientists than it did to Aristotle. Today
there is hardly any mention of idealistic realism beyond statements
that relegate it to some defunct philosophy from the past. In
economics, for example, we have seen that leading methodologists are
confident in their claims that normative science is an oxymoronic
term. Friedman, after all, has said that "fundamental differences in
basic values are differences about which men can ultimately only
fight." Moral principles are all treated as value judgments, i.e.,
doxa, none of which can have any basis in facts.

The reasons that modern social scientists resist the
absolutism of Plato, and, thus, label the dialogues pre-scientific,
are several. Science inquires into the nature of objective truth.
The methods of science depend upon two critical perceptions of the
mind: (1) what is the nature of being, and (2) what is the nature of
knowledge of being and how is it obtained? Clearly, the radical
differences between the science of antiquity and of modernity must
have their roots in changes in the ontologies and epistemologies of
Western thought.

II. The Epistemologies of Contemporary Economics

The statements of Friedman, Lange, and others concerning the unscientific nature of normative prescription and value judgment can be traced to intellectual roots from the eighteenth century and earlier. The methodological distinction between "is" and "ought," and between "fact" and "value" prominent in the methodology of Friedman and others is Hume's. In his book *A Treatise of Human Nature*, Hume displays a clearly modern sense of science. In this thesis Hume explains that virtue can never be derived from reason; rather, it is the perception of emotion. Hume curiously applies a Platonic measurement to the validity of thought when comparing reason and emotion, yet he arrives at a conclusion concerning virtue that is the antithesis of Plato's. Hume writes that,

...It has been observed, that nothing is ever present to the mind but its perceptions; and that all the actions of seeing, hearing, judging, loving, hating, and thinking, fall under this denomination. The mind can never exert itself in any action which we may not comprehend under the term perception; and consequently that term is no less applicable to those judgments by which we distinguish moral good and evil, than to every other operation of the mind. To approve of one character, to condemn another, are only so many different perceptions.

Now, as perceptions resolve themselves into two kinds, viz. impressions and ideas, this distinction gives rise to a question, with which we shall open up our present inquiry concerning morals, whether it is by means of our ideas or impressions we distinguish betwixt vice and virtue, and pronounce an action blamable or praiseworthy? This will immediately cut off all loose discourses and declamations, and reduce us to something precise and exact of the present subject.

Those who affirm that virtue is nothing but a conformity to reason; that there are eternal fitnesses and unfitnesses of things, which are the same to every rational being that considers them; that the immutable measure of right and wrong impose an obligation, not only in human creatures, but also on the Deity himself: all these systems concur in the
opinion, that morality, like truth, is discerned merely by ideas, and by their juxtaposition and comparison. In order, therefore, to judge of these systems, we need only consider whether it be possible from reason alone, to distinguish betwixt moral good and evil, or whether there must concur some other principles to enable us to make that distinction.

If morality had naturally no influence on human passions and actions, it were in vain to take such pains to inculcate it; and nothing would be more fruitless than that multitude of rules and precepts with which all moralists abound. Philosophy is commonly divided into speculative and practical; and as morality is always comprehended under the latter division, it is supposed to influence our passions and actions, and to go beyond the calm and indolent judgments of the understanding. And this is confirmed by common experience, which informs us, that men are often governed by their duties, and are deterred from actions by the opinion of injustice, and impelled to others by that of obligation.

Since morals, therefore, have an influence on the actions and affections, it follows, that they cannot be derived from reason; and that because reason alone, as we have already proved, can never have any such influence. Morals excite passions, and produce or prevent actions. Reason of itself is utterly impotent in this particular. The rules of morality, therefore, are not conclusions of our reason.

Hume makes the Platonic distinction of knowledge seen in the analogy of the segmented line. He distinguishes between impressions and ideas. However, he relegates morals and moral principles to the status of impressions—i.e., the Platonic doxa. Hume's argument is too simplistic. It is based upon the idea that reason is indolent, whereas passion is active—that action derives from the passions. His argument proves nothing. In fact it is anticipated and dealt with by Plato in his argument that to know virtue is to behave virtuously. Nevertheless, Hume's proof neatly summarizes the modern distinction between facts and values.

Hume, Friedman, and Lange seem to share an ontology, popular since the Enlightenment, that does not admit the experience of immutable Forms which engender virtues. The possible reasons that explain the differences between this ontology and Plato's are many, but a few stand out as plausible. It is possible that Hume and others did indeed experience or "see" virtues as clearly as Plato did, but they saw them to be demonstrably relative, rather than absolute. Or, in modernity the "mind's eye," like the appendix, has become a vestigial organ. In this case the soul would no longer perceive virtue in the way that Plato's did. Finally, it is possible that Hume and others did experience the Platonic periagoge, but, not recognizing the experience, they elected to invoke the Cartesian decision to reject "almost as false" anything that was not immediately verifiable as true. 29

Of the three explanations of the ontological differences between Platonic and modern thought, the first is the least believable. A relativist would be inconsistent in putting forward an argument in support of an immutable existence of relativity with respect to virtues. Relativism cannot logically admit of any absolute doctrine. It is also unlikely that the second reason captures the underlying difference between the two theories of being. Psychologically we must be capable of seeing what Plato saw, which is not to say, however, that we accept his interpretation of

that perception. Rather, it is more likely that the third explanation characterizes Hume's belief that values are distinct from facts. With the development of the scientific method during the Enlightenment, the normative philosophies of antiquity must have appeared as magnificent castles built upon sand. Hume, like Descartes before him, understands science in a way that foreshadows modern positivism.

Plato would be intrigued by Hume's epistemology. He would, no doubt, agree with Hume on the point that moral principles excite the passions. Moreover, he would insist that the majority of opinions held by people concerning moral and ethical principles have no basis in truth at all. He would, however, strongly disagree with Hume concerning the issue of the impotence of reason. We have seen that he did not separate knowledge of virtue from virtuous behavior. In both the *Protagoras* and the *Meno* Plato insists that no one would voluntarily behave in a way inconsistent with virtue, assuming that that person possessed some knowledge of virtue.\(^{30}\) For Plato, the mind is not indolent in directing the will to act upon reason. To know what is good is to do what is good, and this knowledge is acquired by the reasoning mind. Plato would admit the existence of speculative and practical spheres of philosophy, but would insist that the speculative branch serves as the sighting device with which one aims the practical.

It is clear that contemporary social scientists, like Aristotle before them, have a tough time making sense out of the theory.

of Forms. The outer eyes of the social scientist still see too clearly. Nevertheless, the rejection of ancient epistemology by Hume and others has profoundly altered the nature of scientific inquiry, with the predictable result that Plato's inquiry has been ruled out of court.

III. Rhapsody, Sophistry, and Modern Relativism

Even in his own day Plato had a difficult time convincing his contemporaries. The Athenian culture was steeped in a long tradition of moral relativism—a tradition that Plato's mentor Socrates sought to overturn through his teaching. The popularity of relativism in Plato's day can be seen in the dialogues, in Plato's account of the sophists, the itinerant teachers of persuasion and rhetoric. In the dialogues the sophists appear as advertisers of a belief in the malleability of virtue. To the sophist virtue is what you would make of it. The sophistic position is summarized in the famous maxim of Protagoras, the greatest of all sophists. In the Cratylus and the Theaetetus we are reminded by Plato that Protagoras lived by the rule that "Panton krematon metron einai anthropon."31 This translates literally as, Of all things the measure is man."

The popularity of the sophist in the Athenian polis can be attributed to the long romance that existed between the Athenians and the powers of verbal persuasion and demonstration. The polis fairly teemed with all sorts of artisans whose principal trade was wit and

persuasion. In an early dialogue, Ion, Plato tells of a conversation between Socrates and Ion, a celebrated rhapsode. Ion makes a living, we are told, by telling the tales of Homer in the most exciting and persuasive way that he can muster. In the dialogue Socrates systematically discredits Ion as being a peddler of an essentially useless product. Socrates argues that Ion, by creatively reciting the Homeric legends, is not delivering the truth to the Athenian citizens. Moreover, Ion pretends, by virtue of his mastery of verse, to have mastered the crafts mentioned in the Homeric epic poems.32

Rhapsody, the creative recitation of ancient verse, is a craft of the relativist. Rather than convey the "truths" of the poet in their original form, the rhapsode would make them his own. Tales and legends handed down from antiquity would be exaggerated and otherwise modified so as to flatter and catch the ear of the listener. To Plato the rhapsode was a nuisance. Although Ion claims to be the master of the many crafts that are the subject of his tales, Plato demonstrates that Ion actually possesses not true knowledge of these subjects. The rhapsode is merely a flatterer.

Plato reserves his intellectual strength to do combat with the sophists. The sophists were widely regarded as excellent teachers and, as in the case of Protagoras, received handsome fees for their lectures. Like the rhapsode, the sophist would hold forth with long-winded speeches and demonstrations, with an eye toward persuading his audience with the sweetness of his rhetoric. The

sophist was the grand flatterer of the polis. In the *Theaetetus* Plato characterizes the sophist as a "skirmishing mercenary in the war of words." He says that the sophist might lie in wait for you armed with a thousand such questions, once you have identified knowledge and perception. He would make his assaults upon hearing and smelling and suchlike senses and put you to confusion, sustaining his attack until your admiration of his inestimable skill betrayed you into his toils, and thereupon, leading you captive and bound, he would hold you to ransom for such a sum as you and he might agree upon.

In the *Theaetetus* we are told that knowledge is simply perception, in the minds of the many. By perception Plato means appearance. The unity of knowledge and appearance serves as the basis for the sophistic moral relativism. Socrates accuses Theaetetus, the issuer of the statement that knowledge is perception, of arguing like the great Protagoras. The Protagorean position with respect to moral values is that what one perceives as virtuous is virtue for that individual. Social virtues become the shared beliefs of the many. The sophist considers virtue to be egoistically determined.

Plato was prepared to do battle with the moral relativists of his day. He devoted the *Theaetetus* to the issue of whether or not knowledge conforms to the notion of perception. In the dialogue the sophistic position centers around the belief that knowledge and perception are indistinguishable. Plato proceeds to hack away at the beliefs of his interlocutors, showing that knowledge, whatever it

---

34 Ibid.
truly is, cannot be perception. Perception is demonstrated to be constantly changing. It cannot be classified in the Platonic ontology as among ta onta—the things that are. Knowledge, as understood in the Platonic epistemology, is knowledge of Forms. Forms are ta onta. Perceptions, however, are either objects of doxa or claims of pitis. Although Plato provides the reader with no dogmatic definition of knowledge in the Theaetetus, he shows that it would be epistemologically inconsistent for it to be perception, at least with respect to his understanding of reality.35

To the modern reader Plato's argument in the Theaetetus is unconvincing. Plato intended this. Indeed, he chastises his interlocutors for accepting his argument uncritically. Plato understands that knowledge of Forms cannot be demonstrated to be a product of rational discourse. Neither can knowledge be demonstrated to be relative or perceptual. Nevertheless, the modern relativist can dismiss Plato on grounds that his mind does not admit the existence of metaphysical forms, and that knowledge must consequently be treated as mere perception.

Protagorean relativism has been nearly universally accepted in the sciences today. The science of Plato—i.e., investigation of the forms that engender moral values—is for the modern social scientist a kind of proto-science. The Delphic charges "know thyself" and "nothing too much" have been replaced by the maxim found over the entrance to the NBER that "science is measurement." It is

important that measurement is a sensible rather than intellectual form of analysis. As botanist Conway Zirkle has suggested,

Today almost every scientist whose interests extend beyond the range of his technical researches is a relativist of one kind or another. To a professional scientist, this needs no explanation; it is only what he would expect. When we view the phases through which our expanding sciences are passing, we find that they contain a vast amount of information and that this information is still growing exponentially just as it has been growing for the past three hundred years. While we have not yet learned to know ourselves, we are getting a better idea as to what sort of creatures we actually are. And this knowledge helps to explain what might otherwise be a paradox. The more our knowledge increases—the greater the achievements in which our species can take legitimate pride—the greater becomes the modesty of the scientists who are responsible for the increase. Today our better scientists know so much about themselves that they have become acutely aware of their many limiting deficiencies.

In economics the acceptance of relativism seems as complete as it is in the physical sciences. In discussing relativism Mises has said that "Weber gave the deathblow to the methods applied by the schools of Schmoller and Brentano by demonstrating the unscientific character of judgments of value." In a statement that recapitulates Protagoras, Mises claims that

With regard to ultimate ends, all that a mortal man can assert is approval or disapproval from the point of view of his own judgments of value. With regard to means there is only one question, viz whether or not they are fitted to attain the ends sought.

---

36 Conway Zirkle, "Human Evolution and Relativism," in Relativism and the Study of Man, p. 23.


38 Ibid., p. 127.
The epistemology of modern relativism is the very antithesis of Plato's. There exists a basic agreement upon the role of science between Plato and the relativists, but disagreement exists concerning the order of being. Mises, for instance, says, in Platonic fashion, that "All human wisdom, science, and knowledge deal only with the segment of the universe that can be perceived and studied by the human mind." Ideal forms, however, would not be capable of being scientifically analyzed by the human mind, according to Mises. He goes on to say that the "promulgation of judgments of value is not the business of a man in his capacity as a praxeologist, economist, or historian. It is rather the task of religion, metaphysics, or ethics.

In its purest form modern relativism recaptures the zeal of the sophistic spirit. The sophistic implications of a completely relativistic position can be seen in the following quotation from an essay on relativism by former Secretary of the Smithsonian Institution, Leonard Carmichael:

One who adopts a completely relativistic approach to ethical or esthetic questions either accepts his own feelings as law or may come to assert that a statistically analyzed poll of the beliefs of a well-selected sample of individual is to be taken as a temporary norm. Or such relativists may assert that a complete and adequate statistical study of the actual behavior of other individual selected by some "sampling technique" in a given society at a specific time may indicate not only what people now do, but amazingly enough, what they ought to do. Relativism thus all too easily substitutes what

---

39 Ibid., p. 129.
40 Ibid., p. 128.
statisticians call "measures of central tendency" for old discovered and established absolutes of what people "ought to do" in social living. 41

The popularity of relativism in modernity can be attributed, at least in part, to the development in modern science of tolerance among scientists for theories and opinions different from one's own. Today it is a sign of intelligence and an enlightened character to outwardly espouse a kind of philosophical individualism. That is, it is chic to imagine that each individual is the best judge of his own values, and that all values can be treated as equal. Or, as Lange states, interpersonal comparisons of value have no validity. Value relativism, developed from a sense of individualism, breeds modern liberalism.

Liberalism is the belief that each man is the measure of all things pertaining to him, and that, consequently, each man deserves the highest degree of personal freedom in order to exercise his will over his self-determined values. Liberalism is the logical extension of value relativism. Because truths are imagined to be self-determined, it is argued by many that the individual in society must enjoy some freedom from having the values of others imposed on him.

Although the liberal understanding of ethics is quite popular today, it is plagued by one serious rational flaw. Liberalism, derived from value relativism, depends upon an absolute--i.e., the dogmatic claim that values are subjective. It seems that the

relativist who so dearly values freedom to pursue subjective ends depends upon an acceptance by society of the absolute claim that the telos of human action are subjectively rather than objectively engendered.

In his essay "Relativism," political philosopher Leo Strauss describes the intellectual problems that arise from the acceptance of a liberalism that is based upon value relativism. Strauss, in describing relativistic liberalism, distinguishes two senses of freedom upon which liberalism can be based. Borrowing from Isaiah Berlin, Strauss describes freedom as either being "positive," i.e., "freedom for," or "negative," i.e., freedom from. Negative freedom is freedom from interference and social control. In the positive sense freedom is freedom to "be one's own master: or to participate in the social control to which the individual is subject." According to Strauss liberalism most often relies upon a negative sense of freedom--because each individual determines his own telos he ought to be free from interference from others when he pursues that telos.

Strauss cuts to the heart of the problem underlying relativistic liberalism when he states that "'Relativism,' or the assertion that all ends are relative to the chooser and hence equal, seems to require some kind of 'absolutism.'" The relativist, in

---

42 Leo Strauss, "Relativism," in Relativism and the Study of Man, p. 135.
43 Ibid.
44 Ibid., p. 137.
asserting that values are subjective, must embrace an absolute. As Strauss sees it, "Liberalism...cannot live without an absolute basis and cannot live with an absolute basis."^{45}

Plato was probably the first philosopher to recognize the absolutely made assertion of subjectivity that is implicit to value relativism. In the *Theaetetus* Plato considers the philosophical problems that are associated with the dogmatic pronouncement made by Protagoras that, "Of all things man is the measure." In this dialogue the sophistic maxim is worded to emphasize this problem. Whereas in the *Cratylus* Protagoras' statement is quoted as "Panton krematon metron einai anthropon," in the *Theaetetus* it appears as "Panton krematon metron anthropon einai." By placing einai, the verb "to be," at the end of the statement, Plato is emphasizing the dogmatic quality of the Protagorean method. Protagoras' statement, as it appears in the *Theaetetus*, reads, "Of all things the measure man is." Plato arranges Protagoras' statement this way in the *Theaetetus* for effect--the topic of the dialogue is whether or not knowledge is perception, and the proof that it is not is based upon a distinction in being between sensibles and intelligibles.^{46} That is, the sensible come into being--they are becoming--whereas the intelligibles actually are. It would be more consistent with true

^{45}Ibid., p. 138.

^{46}The subtleties of phrasing in the dialogues are often lost upon the reader of Plato in translation. I am indebted to James A. Arieti, Associate Professor of Classical Languages, Hampden-Sydney College, for pointing out Plato's meaning when he changes Protagoras' "einai anthropon" to "anthropon einai."
relativism for Protagoras to have said that "Of all things man may be
the measure." Political scientist and relativist Arnold Brecht
states that "Scientific Value Relativism may...be too humble to offer a
scientific decision." Protagoras, however, is famous for his
absolute claim that man is the measure of all things. The relativist
does indeed require an absolute as an anchor for his methodology.

In spite of the popularity of relativism, it is no more
capable of proving the absolutist's vision of truth defunct than is
absolutism capable of dogmatically demonstrating the impossibility of
the relativist's position. As Zirkle states, "That truth exists, of
course, is a hitherto unprovable postulate, but the proposition that
it does not exist cannot be established on relativistic grounds." The
rational human mind, however, always searches for truth. "Scientists," Zirkle says, "must assume that somewhere and at some time
there is something very like the 'truth.' Otherwise there would be
no difference between science and quackery." Plato believed in truth. Although he could not hold the Form
itself as an object of his consciousness, he could infer its quali­
ties from the imperfect manifestations of truth that the Form
engendered in the sensibles. He could then refine these images by
reasoning them through hypotheses. Images would thus give way to

---

47 Arnold Brecht, Political Theory, quoted in Strauss, "Rela­
tivism," p. 143.
48 Zirkle, p. 25.
49 Ibid.
knowledge. Plato's theory of Forms is, epistemologically, an ordering principle from which science can arise. Economist Joseph Spengler introduces his work, Origins of Economic Thought and Justice, with an appeal to the notion that without order there is no science. He quotes Whitehead, saying that "There can be no living science unless there is a widespread instinctive conviction in the existence of an order of things, and in particular, of an order of nature." The relativist's Protagorean liberalism reduces science to the art of demonstration or rhetoric. Science is incompatible with relativism, which is not to say that science does not benefit from the scientist's Socratic skepticism. Socrates' distrust of appearances, however, was restricted to the science of the sensibles. Plato recognized that without Forms nothing is. In the absence of an underlying ontological order to the universe everything is becoming. Without Forms there is no science, only history and historicism. Plato may, or may not have uncovered scientific truth. His investigation, however, is truly scientific.

IV. Historicism

Value relativism taken to its conclusion leads to historicism. Historicism stresses the uniqueness of historical events. Once all vestiges of a priori knowledge are eliminated through value relativism, history becomes the moving force behind human action. In

the absence of belief in common tendencies and common values among men it is difficult to maintain a belief in the existence of human nature. Relativism clears the way for historicism—under relativism all values are equal, thus no objective \textit{logos} can be evoked to explain human behavior. The elimination of \textit{logos} through relativism leaves only \textit{nomos}—conventional wisdom—to explain social phenomena. \textit{Nomos}, unlike \textit{logos}, is subject to change over time. Therefore, the historicist is free, in the wake created by relativism, to hypothesize some importance to history itself. In the mind of the historicist events are determined not by human nature, but by history itself. Once the theories of the absolutist philosopher are tarnished by the relativist, the historicist is free to create a purely empirical science.

Historicism opposes Platonism by virtue of its denial of the possibility of a priori knowledge. Under historicism, human nature ceases to exist. Presumably, there is nothing to be gained by an inquiry into the nature of virtue, because virtue does not exist. Rather, the term virtue is applied, if at all, to an ever-changing body of subjective beliefs that are extolled by ever-changing societies. Plato, with his ideas concerning the existence of Forms that engender values, threatens the historicist.

Historicism in economics comes through the influence of the German historical school. At the hands of the German economist theory is obtained through a different process of induction than Plato's. Platonic induction—reaching intelligible generalizations from intelligible hypotheses—has no meaning to the German economist.
The historical school insisted that laws of economic action, insofar as they exist, must be theorized on the basis of empirical fact. German economics becomes an attempt to explain a historical evolution toward an eschaton. Mises succinctly describes the condition that gives rise to historicism when he points out:

Epistemologically the distinctive mark of what we call nature is to be seen in the ascertainable and inevitable regularity in the concatenation and sequence of phenomena. On the other hand the distinctive mark of what we call the human sphere or history, or, better, the realm of human action is the absence of such a universally prevailing regularity. Under identical conditions stones always react to the same stimuli in the same way; we can learn something about these regular patterns of reacting, and we can make use of this knowledge in directing our actions toward definite goals. Our classification of natural objects and our assigning names to these classes is an outcome of this cognition. A stone is a thing that reacts in a definite way. Men react to the same stimuli in different ways, and the same man at different instants of time may react in ways different from his previous or later conduct. It is impossible to group men into classes whose members always react in the same way.

The historicist's conviction that men, unlike things, react differently to the same stimuli causes the historicist to turn a deaf ear to the theories of Plato, which depend upon a commonality of human action, through participation in the Form of virtue. The German school, in this way, is insensitive to the Platonic inquiry.

The supposed uniqueness of each human act, which results in the abolition of human nature from the framework of social science, is a conviction of the historicist. Historicism is incapable of proving that human action is unique, or that human nature does not

---

exist. Nevertheless, historicism remains popular today. Perhaps this popularity can be attributed to the influence of twentieth century individualism upon the Western mind. Individualism places a premium upon the notion that the self is singularly unique—each individual represents a distinct collection of thoughts and values that cannot be duplicated in history. The individualist savors the differences between people, and not the shared traits. The message of individualism can be heard in the sweetest tones in the egoism of Ayn Rand. The appealing image of the human self hawked in her books is irresistible, or nearly so. Western individualism all but precludes the possibility of social science, leaving behind only history to explain the meaning of man's acts.

Plato understood the pull of individualism, and would not have been surprised at the popularity of egoism in the twentieth century. In the Republic Plato describes the historical deterioration of society, moving from aristocracy to tyranny, in a way that foretells the excesses of twentieth century liberalism and individualism. In Book VIII Plato traces the historical progression of regimes through forms that mirror the stages of development of the soul itself. In ancient times, Plato relates, men lived in a true aristocracy, i.e., rule by the best or most excellent citizens—the aristoi. From aristocracy society steadily moves toward both public and private tyranny. Tyranny is a condition that results from an extreme imbalance of the parts of the psyche, or soul, that Plato describes earlier in the Republic. The soul consists of the rational, spirited, and appetitive parts. When properly ordered, the
soul is ruled by reason, with spirit serving as reason's watchdog checking the passions. Plato recognized the tendency among men to permit the appetitive urges and desires to dominate the soul. The degrees of psychological imbalance that ensue determine the character of the man within the polis, and consequently, the character of the regime that surfaces in the polis.  

Timocracy results when reason gives way to honor as the steward of the psyche. Once reason is displaced, however, Plato sees it as all but inevitable that the passions take over as the proximate cause of human action. Timocracy is soon eclipsed by oligarchy in the state, as lovers of honor lose ground against lovers of money-making.  

Oligarchy reflects a condition in the soul in which passion displaces both reason and spirit. This regime, Plato says, "is the first to admit of the greatest of all evils." Extreme poverty, that results whenever a man sells all of his possessions and is left with nothing, is, for Plato, the greatest social evil. Born into a society in which a fundamental imbalance of the soul is permitted, the sons of the oligarchs become the founders of democracy. Democracy, for Plato, does not connote goodness, fairness, and justice as it does in modernity. Plato sees democracy as the regime that flourishes under conditions of psychological

---

53 Ibid.
54 Ibid., p. 228.
imbalance that replace wealth with licentiousness as the aim of economic action. Plato describes democracy as the regime in which freedom is corrupted to mean freedom to pursue whatever end one wants. The Platonic democrat, in a way characteristic of the modern individualist,

doesn't admit true speech or let it pass into the guardhouse, if someone says that there are some pleasures belonging to fine and good desires and some belonging to bad desires, and that the ones must be practiced and honored and the others checked and enslaved. Rather, he shakes his head at all this and says that all are alike and must be honored on an equal basis.\textsuperscript{55}

According to Plato, democracy is the fairest regime. That is, Plato imagines that democracy would be heralded by the many as fairest and most just. Again, Plato would not be surprised at our love of freedom and democracy in the twentieth century. Democracy, in Plato's estimation does not flourish, but gives way to a regime that reflects the final state of deterioration of the soul--tyranny.

Tyranny results from the excesses of passion exercised over the democratic soul, in an atmosphere of complete freedom. The freedom cherished by the democratic relativist becomes the enslaver of passion under tyranny. Modern concepts of tyranny do not completely convey the idea of Plato, when he speaks of the genesis of tyranny. Whereas in modernity we view tyranny as the condition in which a faction malignantly rules over an enslaved majority, Plato viewed tyranny as being a private affair. The tyrannical mind is so infused with the notion of primacy of the passions, that it develops

\textsuperscript{55}Ibid., p. 239.
a sense of paranoia toward others, who would, in the mind of the tyrant, interfere with the tyrant's attempt to satisfy his desires. Oligarchic money-making replaces the *agathon* as the *telos* of human action. In an environment of licentiousness that is fostered in democracy, avarice generates tyranny of the soul.\textsuperscript{56} Allan Bloom interprets Plato's vision of the tyrant as being "the man of desire."\textsuperscript{57} The fatal flaw of tyranny is that by depending upon desires it depends upon that "which, when emancipated, [is] infinite and make[s] man's needs infinite."\textsuperscript{58}

Modern historicism is the science of tyranny. All values and goals are treated as equal by the historicist. Moreover, no theory of human nature can be applied to history to organize human action around a few compelling points. Rather, historicism is the science that describes, using history, the quest of the tyrannical soul after the infinite ends of an insatiable appetite.

The existence of Platonic philosophy is predicated upon the perceived existence of an order of nature, such as that described by Whitehead. Man, moreover, is a part of nature. While Plato sees an inevitable unfolding of historical events, these events can be attributed to the existence of human nature, which is incapable of resisting, ordinarily, the magnetic pull of the passions.

\textsuperscript{56} Ibid., p. 242.

\textsuperscript{57} Ibid., p. 421.

\textsuperscript{58} Ibid.
If Plato feared anything, he feared the persuasiveness of the moral relativist, who would turn people away from truth. Rather than fear the historicist, however, Plato, no doubt, would pity him instead. Whereas relativism may be seen as the product of a sinister mind that would replace justice with the opinion held by the powerful man, historicism is the product of a mind insensitive to the natural order of things seen by Plato. Plato was the supreme anti-historicist. His theories cannot survive in an environment of historicism.

Historicism rises from an acceptance of value relativism. It paradigmatically competes with Platonism to explain human action. Positivism, on the other hand, can be seen as the result of the social scientist's shying away from consideration of the relative merits of absolutism versus relativism. The development of positivism in the nineteenth century, out of the fact-value distinction made by Hume (primarily) and others in the eighteenth century, arises from the desire to avoid the complications for science of the seemingly irreconcilable split between the absolutist's and relativist's visions of order. While it is true that some positivists, because of their implicit acceptance of value relativism, approach the fact-value and the is-ought distinctions with the dogmatic zeal of Protagoras, many positivists simply abstain from normative speculation from a sense of uncertainty concerning the validity of the notion that proper values are grounded in virtue itself.
V. Positivism

Positivism has a methodological lock on economics and the social sciences in general, that far exceeds the impact of historicism, or even relativism. The positivists claim—that description of what is is scientific and speculation as to what ought to be is unscientific—is as widely accepted today as Friedman's boast (that differences among economists are only differences in subjective preferences) suggests.

Positivism began as a movement in the nineteenth century to retheorize the social sciences. Implicit in this movement was the desire on the part of some social scientists to adopt the methods of the natural sciences as relevant criteria for judging hypotheses. The culmination of positivism for social science is the development of wertfreiheit, called for by Weber. 59

Positivism as a methodology for the social sciences is rooted in an epistemology in which the existence of metaphysical Forms is not accepted. The positivist does not accept as valid the Platonic claim that men can possess knowledge, true episteme, or Forms. The tenets of positivism, as well as their implications for economics, can be seen in the work of Mises, especially in Theory and History. Mises notes:

Propositions asserting existence (affirmative existential propositions) or nonexistence (negative existential propositions) are descriptive. They assert something about the state of the whole universe or parts of the universe. With regard to them questions of truth and falsity are significant. They must not be confounded with judgments of value.

59Leoni, p. 159.
Judgments of value are voluntaristic. They express feelings, tastes, or preferences of the individual who utters them. With regard to them there cannot be any question of truth or falsity. They are ultimate and not subject to any proof or evidence.  

In the statement above Mises clearly expresses the fact-value distinction that is integral to positivism. Concerning the nature of value judgments Mises goes on to note:

All judgments of value are personal and subjective. There are no judgments of value other than those asserting I prefer, I like better, I wish.

It cannot be denied by anybody that various individuals disagree widely with regard to their feelings, tastes, and preferences and that even the same individual at various instants of their lives value the same things in a different way. In view of this fact it is useless to talk about absolute and eternal values.

...What the theorem of the subjectivity of valuation means is that there is no standard available which would enable us to reject any ultimate judgment of value as wrong, false, or erroneous in the way we can reject an existential proposition as manifestly false.

What Mises means by the above is that science is not possible for the realm of subjective valuation in the way that it is for existential propositions. Mises' positivism thus betrays an underlying value relativism. Mises' regard for valuation can be seen below:

Value is not intrinsic. It is not in things and conditions but in the valuing subject. It is impossible to ascribe value to one thing or state of affairs only. Valuation invariably compares one thing or condition with another thing or condition.

Not only does Mises dismiss the possibility of intrinsic value, but, in the statement above he also denies the existence of Forms,

---

60 Mises, Theory and History, p. 19.

61 Ibid., p. 22.

62 Ibid., p. 23.
preferring to consider virtues (values) as existing in the valuing subject. In establishing positivism as the methodological criterion for judging the scientific qualities of an hypothesis, Mises, like Weber before him, denies the possibility of conducting a scientific inquiry into values as endorsed by Plato.

Legal theorist Hans Kelsen echoes the positivism of Mises in *What is Justice?* Describing the problems associated with the construction of a normative discipline Kelsen notes:

> It is impossible to decide between...two conflicting judgments of value in a rational scientific way. It is, in the last instance, our feeling, our will, and not our reason; the emotional, and not the rational element of our consciousness which decided this conflict.

Apparently, Kelsen and other positivists accept the distinction made by Hume that values are not judged by the rational part of the mind. Kelsen expands on this notion:

> If a man has been made a slave or a prisoner in a Nazi concentration camp, and if it is impossible to escape, the question of whether suicide is justifiable in such a situation arises...The decision depends on the answer to the question of which is the higher value: life or freedom. If life is the higher value, then suicide is not justifiable; if freedom is the higher value, if life without freedom is worthless, suicide is morally justified...Only a subjective answer is possible to this question, an answer valid only for judging subject; no objective statement, valid for everybody, as for instance the statement that heat expands metallic bodies.

Positivism, as Friedman argues, is the standard methodology of modern economics. The validity of this statement can be seen in *What is Justice?* (Berkeley: University of California Press, 1957), p. 5.


64 Ibid.
the survey of the literature of Platonic economics, in which the Platonic corpus is routinely dismissed as normative, and, therefore, unimportant. In the social sciences, however, there is a growing dissatisfaction with wertfreiheit. Strauss and Voegelin in political science, Polanyi and Kuhn in the philosophy of science, and Diener and Crandall in psychology and sociology have all questioned the wertfrei nature of social science, and found that value-free social science is impossible. Economics, however, has been slow to question the validity of the positivistic epistemology. To be sure, the neoclassical paradigm has its critics. One need witness only the fervor of the institutionalist or the Marxist to be convinced of this. These departures from orthodoxy, however, all retain a positivistic methodology.

In Ethics in Social and Behavioral Research, Edward Diener and Rick Crandall characterize the positivistic image of modern social science. They note:

The traditional image of science has been one of dedicated individuals seeking objective truth. When the term "value free" was applied to the social sciences it reflected the belief that scientists' values and personal opinions should not influence their scientific inquiry...The only values that were supposed to influence research were the scientific values placed on truth, objective methodology, and the open distribution of knowledge.

...Largely on the basis of philosophies such as logical positivism, scientists assumed that there was a material world "out there" with properties independent of the observers, and that the true properties of this world could be discovered by careful empirical research...Indeed, the logical positivists went even further in claiming that value statements were meaningless and therefore could not possibly

be a part of science...In conducting research and presenting findings, the cardinal rule was, "Thou shalt not commit a value judgment."66

The positivist's notion that all values are equal and, therefore, meaningless is fraught with intellectual problems. Plato was certainly aware of the logical problems that accompany an attempt to make science wertfrei—i.e., an attempt based upon the acceptance of value relativism. He argues against a value-free methodology in the Theaetetus where, as I have shown, Plato hypothesizes the existence of objective knowledge of values which is not mere perception.67

A few social scientists have picked-up on Plato's argument in an attempt to retheorize social science away from a positivistic basis. Perhaps the most successful attempt to retheorize social science is Voegelin's The New Science of Politics.68 In this work Voegelin characterizes the error of positivism saying:

The destruction worked by positivism is the consequence of two fundamental assumptions. In the first place, the splendid unfolding of the natural sciences was co-responsible with other factors for the assumption that the methods used in the mathematizing sciences of the external world were possessed of some inherent virtue and that all other sciences would achieve comparable success if they followed the example and accepted these methods. This belief by itself was a harmless idiosyncracy that would have died out when the enthusiastic admirers of the model method set to work in their own science and did not achieve the expected successes. It became dangerous because it combined with the second assumption that the methods of the natural sciences were a criterion for theoretical relevance in general. From the

66Ibid., pp. 181-182.


combination of the two assumptions followed the well-known series of assertions that a study of reality could qualify as scientific only if it used the methods of the natural sciences, that problems couched in other terms were illusionary problems, that in particular metaphysical questions which do not admit of answers by the methods of the sciences of phenomena should not be asked, that realms of being which are not accessible to exploration by the model methods were irrelevant and in the extreme, that such realms of being did not exist.

Voegelin sees the culmination of the positivist movement in the work of Max Weber. According to Voegelin, "The movement of methodology...ran to the end of its immanent logic in the person and work of Max Weber." In Weber's work is also to be found the fundamental problem with positivism, as Voegelin sees it. Voegelin notes:

...Weber's work was ambiguous. He had reduced the principle of a value-free science ad absurdum. The idea of a value-free science whose object would be constituted by "reference to a value" could be realized only under the condition that a scientist was willing to decide on a "value" for reference. If the scientist refused to decide on a "value," if he treated all "values" as equal (as Max Weber did), if, moreover, he treated them as social facts among others--then there were no "values" left which could constitute the object of science, because they had become part of the object itself. This abolition of the "values" as the constituents of science led to a theoretically impossible situation because the object of science has a "constitution" after all, that is, the essence toward which we are moving in our search for truth. Since the positivistic hangover, however, did not permit the admission of a science of essence, of a true episteme, the principles of order had to be introduced as historical facts. When Weber built the great edifice of his "sociology" (i.e., the positivistic escape from the science of order), he did not seriously consider all "values" as equal. He did not indulge in a worthless trash collection but displayed quite sensible preferences for phenomena that were "important" in the history of mankind; he could distinguish quite well between

69 Ibid., p. 4.
70 Ibid., p. 13.
major civilizations and less important side developments and equally well between "world religions" and unimportant religious phenomena. In the absence of a reasoned principle of theoretrization he let himself be guided not by "values" but by the _auctoritas majorum_ and his own sensitiveness for excellence.

Positivism, it seems, is undone by its systematic denial of "values" as a point of reference. Like relativism, positivism seems unable to survive with an absolute and unable to survive without an absolute.

Positivism, historicism, and relativism all fail to irrefutably disprove the possibility of ontology, which serves as the basis for Platonic absolutism. Relativism, we have seen, cannot live without an absolute reference, and it cannot admit the validity of such an absolute. Historicism denies the existence of a _a priori_ knowledge and of _logos_, each of which the nonexistence cannot be proven. Positivism fails for the reason that social science cannot be made _wertfrei_. Weber, the greatest spokesman for _wertfreiheit_, could not construct a social science without recourse to "values" as a reference. In spite of their popularity none of these ideologies succeeds in demonstrating that Platonic science is invalid by virtue of subjectivity.

VI. Nominalism

In the twentieth century, however, nominalism, an ideology that poses a serious threat to Plato's work, has become popular. Karl Popper, the leading proponent of nominalism, has openly condemned the work of Plato as being unimportant for modern social

---

71 Ibid., pp. 20-21.
science. Unlike positivism, historicism, or relativism nominalism does not deny the existence of Platonic Forms. Instead, nominalism opposes Platonism on essentially Aristotelean grounds. The nominalist, like the Aristotelean, may or may not doubt the existence of Forms, but, in any case, would not find an inquiry into the nature of Forms interesting.\(^72\)

So openly hostile is Popperian nominalism toward Platonic philosophy, that Wild claims Popper's *The Open Society and Its Enemies* to be the "most extreme and pretentious anti-Platonic tract to be penned in recent times."\(^73\) Popper accuses Plato of being an historicist. He elevates Plato's theory of the development of tyranny, from the gradual decay and deterioration of aristocracy, to make it Plato's chief contribution to social science. This evolutionary theory of regimes is, Popper claims, the mark of an historicist. Popper regards historicists with an attitude of "frank hostility."\(^74\)

Popper is an anti-Platonist. He accuses Plato of having subverted the teachings of Socrates, who was, in Popper's opinion, the first positivist. According to Popper, Socrates' successor was not Plato, but Antisthenes. Plato, he says, "was soon to prove the least faithful. He betrayed Socrates, just as his uncles had


\(^{73}\)Wild, pp. 9-10.

\(^{74}\)Popper, p. 34.
done." Popper refers to Plato's uncles Critias, the leader of the Thirty Tyrants of Athens, and Charmides, Critias' chief lieutenant. Popper's intention in writing about Plato is to undo the "spell of Plato." He says:

Although I admire much in Plato's philosophy, far beyond those parts which I believe to be Socratic, I do not take it as my task to add to the countless tributes to his genius. I am, rather, bent on destroying what is in my opinion mischievous in his philosophy.

To understand Popper's hostility toward Plato one must understand Popper's own philosophy and its positivistic and historicist roots. Like Friedman, Mises, and others Popper holds fast to the central theme of modern social science—the belief that values are not the subject of science. In a statement supporting positivism, Popper rivals Friedman in the conviction of his endorsement of positivism when he notes:

It is impossible to derive a sentence stating a norm or a decision or, say, a proposal for a policy from a sentence stating a fact; that is only another way of saying that it is impossible to derive norms or decisions or proposals from facts.

By adopting nominalism as the proper methodology for social science, Popper accepts the fact-value distinction commonly made by relativists and historicists. The subject of science, Popper says, is nature and its objects. "The standards," Popper says, of human

75 Ibid., p. 194.
76 Ibid., p. 34.
77 Ibid., p. 64.
virtues "are not to be found in nature." Men introduce morals and virtues into the natural world. Popper notes:

Nature consists of facts and or regularities, and is in itself neither moral nor immoral. It is we who impose our standards upon nature, and who in this way introduce morals into the natural world, in spite of the fact that we are part of this world.  

Popper, unlike the historicists, believes in the existence of an underlying order to the things of nature. He shares with the historicists, however, the belief that virtue is unnatural. Such a belief precludes ontology as conceived by Plato. Since Platonic science is grounded in the possibility of ontology, Popper's denial of the participation of Platonic Forms or Ideas in nature rejects the validity of Plato's social science.

Popper's attack on Plato goes beyond Plato's supposed historicism. Popper is one of the most articulate defenders of modern liberalism. He supports the notion that democracy is the best regime, contrary to Plato. He thus defends the open society which he says Plato attacks. According to Popper, Plato would restore a closed society—a regime that perpetuates inequality and takes from individuals the right to make meaningful decisions about their lives. Popper sees Protagoras, Socrates' nemesis, as the great defender of the open, or democratic society. This places him in the long line of defenders of liberalism who, as Berlin and Strauss claim, observe liberty to be negative freedom or "freedom from." Plato was a liberal in the sense that he believed in liberty as a "freedom for"

---

78 Ibid., p. 61.
something—specifically freedom for the ability to choose happiness over unhappiness. The claim made by Popper that Plato, by virtue of his advocacy of aristocracy, was a totalitarian and, thus, an enemy of the open society does not do justice to Plato's liberalism.

Plato endorsed liberty as a virtue. Liberty in this sense was not freedom to do what one pleases. That type of freedom Plato associates with licentiousness. That Plato would not endorse Popper's liberalism, however, derives from Plato's belief that liberty was not synonymous with virtue itself. For Plato moral virtues like liberty, honor, and liberality are subordinate to the Form of goodness itself—the agathon. Plato's criticism of democracy as an undesirable regime is due to his understanding that "freedom from" coercion, which breeds freedom to follow the pull of appetitive urges, is inconsistent with true happiness. This belief, moreover, is the result of Plato's investigation of virtue; it is not intended to be interpreted as equal to common opinion, which is the product of sensation rather than intellection.

Wild criticizes Popper for his interpretation of Plato as being a totalitarian historicist. Unlike Popper, Wild views Plato's philosophy to be grounded in the science of nature. He says:

Plato leaves us in no doubt as to where he stands as a moral thinker. Not only does he develop a clearly articulated system of moral principles based upon a coherent view of the nature of man, but he also gives us a moving picture of Socrates, the concrete embodiment of his ethical principles, the moral man in action. In contrast to influential modern views which base moral values on arbitrary preferences or self-imposed maxims, Plato's ethics is founded on the nature of men and the nature of things. Modern ethical discussion is abstract and theoretical, remaining aloof from any concrete consideration of the moral virtues
and the exigencies of everyday life. Plato's ethics embraces a description of the human virtues in the concrete, as well as a more abstract attempt to found them on the laws of human nature.

Wild next points out the modern reader's dissatisfaction with Plato's theory of human nature, noting:

To the modern mind this conveys an impression of overweening dogmatism, one of the commonest charges made against Plato by almost all of his modern enemies. Thus Popper believes that Plato's ethical system, with its anthropological and metaphysical substratum, is a dogmatic authoritarianism which blasphemes the memory of his doubting master.

Plato's theory of human nature is the product of what Plato thought to be scientific investigation. Popper, who believes that science should not attempt to uncover essences, has a different understanding of science. Like other modern thinkers Popper restricts science to exclude "any attempt to gain clarity about the meaning of...'knowledge,' 'good,' 'man,' 'virtue,' etc." Wild explains the difference between Plato's and Popper's concepts of science noting:

By science Plato means not merely what Popper means, but philosophic science as well--the science of knowledge, ethics, and being. By reason he means not merely the logical and experimental processes by which the different restricted sciences gain control over, and a certain amount of theoretical insight into, the processes of subhuman nature, but philosophical and moral insight as well.

79 Wild, p. 10.
80 Ibid.
81 Ibid., p. 35.
82 Ibid., pp. 36-37.
The difference between Plato's and Popper's science to which Wild refers can be traced to the fundamental ontological and epistemological changes in Western thought that have occurred since the Enlightenment, which culminate in the widespread acceptance of the fact-value distinction in twentieth century social science. Wild, too, emphasizes these changes and focuses on problems for social science created by the fact-value distinction. He claims that Plato's epistemology was based upon an ancient notion of natural law that is not supported today. Wild notes:

The theory of natural law...presupposes certain realistic epistemological principles. It implies that nature is an ordered set of traits possessed in common by every human individual and essential to his being. This is inconsistent with nominalism. It also implies the capacity of human reason to apprehend this essential common structure and the perfective tendencies characteristic of the human species. When so understood and expressed in universal propositions, these tendencies are norms or moral laws. This realistic doctrine is inconsistent with any view which would regard norms as separated from existent fact or as arbitrary constructions made by man.

Wild goes on to clearly recapitulate the characteristics of the modern fact-value distinction, noting:

Such a separation of fact from value has dominated the whole course of modern ethical theory. Being has been thought of as the realm of fully actual atomic fact with value as an extraneous realm of norms. The is is not what ought to be, the ought is not the is, and there is no natural bridge between the two.

---

83 Ibid., p. 66.
84 Ibid.
Within the context of the fact-value distinction that is fundamental to positivism, relativism, historicism, and nominalism, Platonic investigation of virtues is deemed unscientific.

Acceptance of the fact-value distinction by modern economists, which is rooted in a sense of doubt as to the verifiability of the existence of Forms, does not preclude the validity of Platonic science. Plato's theory of Forms is not susceptible to being disproven, by virtue of the fact that Forms are not the objects of immanent experience. Man, in Plato's theory of being, lives in the realm of an "in-between" reality—the metaxy; he neither is nor is not. It is not possible, if this theory is correct, for man to empirically investigate the things that are—ta onta. Forms are the object of intellection. For the conscious mind that is not attuned to the existence of Forms, i.e., has not undergone the periagoge, Plato's ontology must always be met with skepticism.

Socratic skepticism need not, however, be taken to the extreme of the Cartesian maxim that things that are not immediately verifiable must be rejected almost as false. Descartes' rejection of classical philosophy was hypothetical—it enabled him to begin science anew; it was not intended as a methodological validation of modern positivism and nominalism. Descartes' "razor" has been perverted, however. Instead of building a scientific theory from the first assumption that it is safer to treat concepts that are not immediately verifiable as false, than to tacitly accept them, the modern social scientist vigorously proclaims such concepts to be false.
The "isms" of modern social science all suffer from the same tendency to modify a guideline—Cartesian doubt—and make it into an absolute. Protagoras, who could not prove the superiority of one virtue over another, responded by making absolute the statement that all values are equal, which follows from "Of all things man is the measure." Historicists, who do not see the logos claimed by Plato to underlie human action, give history itself a theoretical significance by default. Positivists approach the uncertainty that surrounds any theory the subject of which is not the province of immanent experience by restricting science to only objective description. Not content they then hold forth with the absolute pronouncement that virtues are unscientific. Finally, Popper and other nominalists, when confronted with the Cartesian problem of verifying ethical theory, claim that definition is unimportant when compared with nominalistic concepts because, presumably, a physical scientist would not ask the question "ti esti?"

This is scientism. Moreover, it is a misapplication of the procedures of physical science to refrain from the question "what is it?" Physical scientists surely ask this question with great frequency. It is understandable, however, that social scientists shy away from theories for which the modern scientific method is inequipped to judge. Yet, it is inexcusable to arbitrarily pronounce such theories invalid. Economist Sidney S. Alexander lodges this complaint in his essay "Human Values and Economists' Values." Noting that "economics is not almost as 'value-free' as its practitioners can make it," Alexander argues that one "can talk about values in a
sensible, hardheaded way." Unlike most economists Alexander believes in the possibility of normative science.

Alexander terms the tendency for the modern economist to accept that values are indisputable for Fallacy of Misplaced Values. He notes:

As Professor Friedman's remarks have illustrated, economists generally regard value judgments as essentially personal and irreconcilable...among social scientists there is widespread acceptance of the belief that values are indisputable (sic). Non disputandum has, in the social studies, been raised to the position of a first principle. The pernicious effects of this belief, or in my opinion, this error, are seriously compounded by a widespread mistake that may be called the Fallacy of Misplaced Values.

By misplaced values Alexander means the acceptance within methodology of some values and the rejection of others by economists. Alexander points out that economics has not been made wertfrei. According to him norms still exist in economics, although they are frequently not recognized as such. He notes:

The one first-level norm, as distinguished from such higher level, methodological, norms as the exclusion of value judgments, that still survives in economics is regarded as so obvious as hardly to be normative at all, and so it is exempt from the test of operational verification. That norm is sometimes referred to as the pig principle, that if you like something, more is better. Its corollary is the ethical value of efficiency--the only first-level ethical value normally admitted into economic discourse. Whatever you want, it is argued, you can have more of it if you respect the dictates of efficiency. As Professor Boulding says, even the heroic must come to terms with economic scarcity,

---


86 Ibid., p. 105.
so to the Kwakiutl the economist can say, in the spirit of Edwin Cannan's precis of Lionel Robbins, "Burn down your house if you want to, but mind you, don't use too many matches."\(^{87}\)

Alexander argues that it is naive of economists to uncritically accept these norms as scientifically objective while they dispute the validity of others. In a gesture uncharacteristic of the modern economist Alexander suggests that questions involving judgments of interpersonal validity of values can be resolved scientifically. He claims:

The best way we have of settling such questions...still seems to be the Socratic dialectic, the bringing to bear on the issue whatever we believe that appears to be relevant, and considering the joint implication for this question of those things we believe. This procedure can claim to be rational, even though not operational, and beliefs that emerge from this process are worthy of being designated as knowledge achieved by rational inquiry. No argument to the contrary can reasonably be based on other than normative principles, and it is hard to see how that higher-level argument could reasonably be conducted except within the framework of the dialectic.

The Socratic notion that men can sensibly discuss normative issues, that they can devise impersonal means, if not of verification, at least of evaluation of normative judgments, that they can cooperate in progressive rational inquiry directed toward making those judgments soundly, is still worthy of consideration even by hardheaded social scientists.\(^{88}\)

Plato's normative concept of economics is scientific, especially within the context of ancient ontology and epistemology. Plato's economics is an attempt to answer the question "What can be done economically that can make men happy?" His discussions of the best organization of markets, of restrictions on foreign trade, and

\(^{87}\)Ibid., pp. 107-08.

\(^{88}\)Ibid., p. 114.
of the division of labor are all theories that hypothesize how men might be made happy. This science uncovers objective truth, although it does not do so objectively—the dialectic is personal and does not demonstrate truth to the many in the manner of a persuasive speech.

Schumpeter defines science as "any kind of knowledge that has been the object of conscious efforts to improve it." He expands upon this notion, saying that "science is refined common sense; science is tooled knowledge." Finally, he notes: "a science is any field of knowledge that has developed specialized techniques of fact-finding and of interpretation or inference (analysis)." Plato's inquiry into virtue as it applies to questions of economy satisfies all of Schumpeter's criteria for science. The dialogues are clearly conscious attempts by Plato to improve upon opinion concerning virtue; they represent tooled knowledge. The dialectic technique of discourse was specifically developed as a special fact-finding technique. It is, as Alexander points out, the fact-finding technique appropriate for questions about normative concepts.

Schumpeter warns the economist against excluding from science examples of tooled knowledge that do not obtain from modern standards. He says, "The exclusion of any kind of tooled knowledge would amount to declaring our own standards to be absolutely valid for all times and places. But this we cannot do." In this spirit

---

90 Ibid., p. 8.
the modern economist should not overlook, as Schumpeter himself does, the contributions to economics made by Plato. Political philosopher Hans Jonas claims that ancient normative science does not appeal to the modern mind because of an "ontological reduction" that has occurred since the seventeenth century. The ontological reduction to which he refers consists of the abandonment of the theory of Forms, which are not the subject of empirical verification. The modern denial of the validity of ancient ontology is an attempt to declare our own standards to be absolutely valid for all times and places. This declaration cannot philosophically be made on the basis of any of the "isms" that motivate modern economists; Platonic economics cannot be arbitrarily relegated to the realm of mere thought.

Plato's conception of economics, to which this dissertation now turns, can be explained simply enough. Plato reasoned that all men desire to be happy. Further, he judged that men can be truly happy only insofar as their temperaments will permit them to know what happiness truly is; thus, some men will be happier than others. Based upon his theories of being and knowledge Plato next reasoned that men must strive to know what happiness itself is. Pending the definition of happiness, according to Plato, is the attempt to identify how it may be fostered through economic means.

---

Plato's welfare analysis can be demonstrated to be consistent with his definition of happiness and with his understanding of human nature, each of which Plato investigated scientifically. That this analysis is not the product of application of the pig principle to Plato's given ends of economic action--that it is not standard analysis in the modern sense--is not grounds for its dismissal. Rather, Plato's welfare economics is a competing theory with Pareto optimality. This claim will be examined in the following chapter.
Plato aimed, I have argued, at the discovery of objective, positive knowledge concerning the happiness of men. That his inquiry is subjective—that it does not conform to the methods of contemporary scientific investigation—is not, I claim, sufficient reason for labelling it pre-scientific. Plato's method of investigation, the dialectic, was never intended by Plato to have the broad appeal of the sophistic demonstration, which was the popular form of argumentation in Plato's day. Demonstration—the attempt to sway public opinion through the public presentation of persuasive speeches that argue the speakers point of view—is incompatible with Plato's epistemology, which holds that knowledge is attained through active introspection, not through passive listening. According to Plato, discovery of knowledge of real, intelligible phenomena—ta onta—requires noetic reasoning of the student. This process was lacking in demonstration—it did not extract the level of participation necessary for the discovery of knowledge. The dialectic was used by Plato to analyze intelligible rather than sensible phenomena. Since the intelligibles are reasoned rather than sensed the dialectic must necessarily be subjective. It is, nevertheless, the basis of all Platonic scientific investigation.
Plato's interest in economics, like his interest in all social science, evolved from his desire to understand the nature and causes of happiness. The reorganization of the Hellenic economy called for in his dialogues logically obtains from Plato's investigation of happiness and its fulfillment in the human soul. The economic prescriptions that one finds in the dialogues, especially in the Laws, are propositions of welfare economics— they are designed to promote welfare by making men happy. Of his legal prescriptions Plato says "[t]hey are correct laws, laws that make those who use them happy."¹

I. A Review of Welfare Theory

The normative content of Plato's welfare theory is seemingly inconsistent with the development of a contemporary theory of economic welfare. Contemporary welfare economics, however, has developed to a point where the necessity of merging a normative analysis of distribution with the positive analysis of production is generally conceded. In order to appreciate the usefulness of Plato's welfare theory for today it is useful to recall the stages of development of welfare economics that have emerged during the last two hundred years.

Welfare economics has come full cycle in the two centuries since the first printing of Bentham's Principles of Morals and Legislation. In its infancy welfare economics was neither value-free nor

The welfare theory of the Classical period gave way to the "new" welfare theory, which originated with the writings of Pareto and the economists of the Cambridge school. During this phase of development welfare economics was envisioned as a value-free theory deduced from propositions of production. Bergson was correct, however, in pointing out that Paretian and Cambridge school welfare analyses require that the economist make value judgments concerning the characteristics of a social utility function. More recently, welfare economics has developed along the lines suggested by Bergson—it is now a mixture of the positive analysis of production with the normative analysis of distribution.

Bentham's Principles is generally accepted as being the first formal treatise on welfare economics. It is heavily laden with Bentham's value assumptions concerning the principle of utility, which recognizes the sensations pleasure and plain as the proximate causes of human action. Principles also relies on the presumed validity of Bentham's value assumptions concerning the maximization of social welfare. The following passage from Principles of Morals and Legislation illustrates Bentham's principle of utility:

To a number of persons, with reference to each whom the value of a pleasure or a pain is considered, it will be greater or less, according to seven circumstances: to wit...
1. Its intensity.
2. Its duration.
3. Its certainty or uncertainty.

---

4. Its propinquity or remoteness.
5. Its fecundity.
6. Its purity.
And one other; to wit:
7. Its extent; that is, the number of persons to whom it extends; or (in other words) who are affected by it.

The seven qualities of pleasures and pains mentioned above, Bentham thought, governed a society's welfare. Measurement of that society's welfare, Bentham suggested, could be achieved by following the following guidelines:

To take an exact account then of the general tendency of any act, by which the interests of a community are affected, proceed as follows. Begin with any one person of those whose interests seem most immediately to be affected by it: and take an account,

1. Of the value of each distinguishable pleasure which appears to be produced by it in the first instance.
2. Of the value of each pain which appears to be produced by it in the first instance.
3. Of the value of each pleasure which appears to be produced by it after the first. This constitutes the fecundity of the first pleasure and the impurity of the first pain.
4. Of the value of each pain which appears to be produced by it after the first. This constitutes the fecundity of the first pain, and the impurity of the first pleasure.
5. Sum up all the values of all the pleasures on the one side, and those of all the pains on the other. The balance, if it be on the side of pleasure, will give the good tendency of the act upon the whole, with respect to the interests of that individual person; if on the side of the pain, the bad tendency of it upon the whole.
6. Take an account of the number of persons whose interests appear to be concerned; and repeat the above process with respect to each. Sum up the numbers expressive of the degrees of good tendency, which the act has, with respect to each individual, in regard to whom the tendency of it is good upon the whole: do this again with respect to each individual, in regard to whom the tendency of it is good upon the whole: do this again with respect to each individual, in

---

regard to whom the tendency of it is bad upon the whole. Take the balance; which, if on the side of pleasure, will give the general good tendency of the act, with respect to the total number of community of individuals concerned; if on the side of pain, the general evil tendency, with respect to the same community.

The value judgments implicit in Bentham's claims are obvious. First, Bentham equates pleasure with the good and pain with the bad. Second, Bentham suggests that all individuals in an economy have equal affinities for pleasure and pain. This point is clear from Bentham's claim that social welfare is equal to the unweighted sum of individual levels of welfare. It is an egalitarian's view of social welfare, which avoids the problem of interpersonal comparisons of welfare. Bentham's welfare theory is not wertfrei.

Mill also recognized the necessity of introducing value judgments into the discussion of the theory of distribution. In Principles of Political Economy Mill distinguishes between the positive theory of production and the normative theory of distribution. The structure of Principles illustrates this distinction: Books I through III, which many economists consider an example of nineteenth century positive analysis, analyze the science of efficient production, whereas Books IV and V, long considered to be normative, are devoted to, amongst other things, an analysis of the stationary state.

In spite of attempts to develop a positive analysis of distribution, modern welfare theory—the so-called 'new' welfare theory—

---

economics—remains subjective. The 'new' welfare economics has its origins in the writings of Pareto. Pareto first theorized the conditions necessary for equilibrium resulting from exchange between economic agents in his *Manual of Political Economy*. Although Pareto's welfare theory is not subjective, it is not conclusive either; and, it established the tack of the subjective analyses that followed its publication.

Pareto hypothesized that two individuals would trade freely so long as they experienced different rates of weighted elementary ophelimity (the term corresponds to the ratio of an individual's marginal utility from a commodity divided by the commodity's price—and so long as neither party would be injured, i.e., lose ophelimity, by trade). These equilibrium conditions are those associated with the now-famous Paretian equilibrium. Pareto suggested that people will trade commodities and services until the ratio of their marginal rates of substitution were equal to price ratios for the goods exchanged. While this notion of an exchange equilibrium is useful, it remains ambiguous. Because Pareto refused to make interpersonal comparisons of utility, one cannot determine by the existence of a Paretian equilibrium whether or not social welfare is being maximized. Pareto simply defined an exchange equilibrium which is one of an infinite number of possible, non-comparable equilibrium 

---

points. These points are associated with F. Y. Edgeworth's exchange line or contract curve.  

Much of the 'new' welfare theory is devoted to extending the range of usefulness of the Paretian concepts of exchange equilibrium. The works of Barone, Bergson, Lerner, Hicks, Kaldor, Scitovsky, and Little attempt, to various degrees, to come to grips with the problem of comparability of exchange equilibria. As early as 1908 Barone suggested the principle of compensation as a method of comparing exchange equilibria. Later, Hicks and Kaldor rediscovered the compensation principle in separate articles.

Under the principle of compensation movement from one equilibrium point to another distribution would be acclaimed an improvement in welfare if individuals gaining under the change could compensate losers adequately for accepting change. None of the writers suggested that compensation actually be paid—a redistribution of wealth would improve welfare so long as the compensation could be made.

Blaug points out the primary weakness of the potential compensation rule. If compensation is not actually paid, Blaug

7 Ibid., p. 262.


contends, one implicitly accepts the prevailing distribution of income as

a measure of the relative strength of feeling of gainers and losers...[one] presum[es] to know something about the individual preference patterns (sic) without observing the behaviour that corresponds to it, and this is an interpersonal comparison of utility.

Blaug continues:

If we seriously believe that principles of income distribution cannot be deduced from the utility calculus by rules of logic, we must confess ourselves agnostic about situations in which compensation is only potentially feasible. It may well be that a good case can be made for failing to pay compensation, but such a case must rest on a 'normative' choice about income distribution, not on the 'positive' grounds of allocative efficiency.

Scitovsky attempted to overcome the limits of the compensation method by adding to it a second criterion. In "A Note on Welfare Propositions in Economics," Scitovsky argues that the compensation principle is "asymmetrical." The principle, he claims, "attributes undue importance to the particular distribution of welfare obtaining before the contemplated change." Scitovsky gives the following illustration of the pitfalls of the compensation principle:

10 Blaug, p. 622.
11 Ibid.
...imagine a change, say the imposition of a duty on imports, that brings the welfare of A and B from $P_1$ [Figure 1] on the contract curve of diagram 1 onto $P_2$ on the contract curve of diagram 2. According to Mr. Kaldor's test this change is desirable, because by redistributing income we could travel from $P_2$ along the $\Pi\Pi$ curve to $P_1$, which is superior to $P_1$.

FIGURE 1

Diagram 1

Diagram 2
But once the tariff has been imposed and situation \( \Pi_2 \) established, it will be free trade and the resulting (original) situation \( P_1 \) that will appear preferable by the same test, because starting from \( P_1 \), income could be so redistributed (travelling along the PP curve in the first diagram this time) as to reach \( P_2 \), which is superior to \( \Pi_2 \).

Because the two situations shown in Scitovsky's example are shown, by the same test, to be preferable, Scitovsky appropriately rules the test invalid. He improves on the welfare test by adding a second test:

We must first see whether it is possible in the new situation so to redistribute income so as to make everybody better off than he was in the initial situation; secondly, we must see whether starting from the initial situation it is not possible by a mere redistribution of income to reach a position superior to the new situation, again from everybody's point of view.\(^\text{14}\)

What Scitovsky requires is that a movement from one distribution to a second distribution constitutes an improvement in welfare according to the Hicks-Kaldor rule, while movement back to the first point is not an improvement, according to the same test.

Even Scitovsky's double-criterion fails to produce a positive theory of distribution. In his critique of the double-criterion Blaug clearly points out the chief disadvantage of the Scitovsky test. "It is," says Blaug,

...that the Hicks-Kaldor criterion, whether applied once or twice, accepts A's and B's estimates of the amount of the compensation payments, and this is tantamount to accepting the distribution of income that produced these estimates. But acceptance of the status quo is just as much a normative

\(^{13}\)Ibid., pp. 400-401.

\(^{14}\)Ibid., p. 399.
judgment (sic) as the demand for a radical change in the distribution of income.  

Blaug contends that this normative judgment is the strongest of all interpersonal comparisons of utility.

More recently, Little, Samuelson, and Harsanyi are reconciled to the fact that the analysis of distribution is inherently normative. They restate Bergson's critique of the early efforts in the 'new' welfare economics. Bergson's criticism follows:

In my opinion the utility calculus introduced by the Cambridge economists is not a useful tool for welfare economics. The approach does not provide an alternative to the introduction of value judgments...[T]he comparison of the utilities of different individuals must involve an evaluation of the relative economic positions of these individuals. No extension of the methods of measuring utilities will dispense with the necessity for the introduction of value propositions to give these utilities a common dimension.

Little also notes the ethical nature of the New Welfare Theory. He claims that "Economists have used no methods of scientific research in arriving at their conclusions about economic welfare; and since there are no methods of scientific research involved there can be no methodology." Little continues:

Welfare economics and ethics cannot, then, be separated. They are inseparable because the welfare terminology is a value terminology. It may be suggested that welfare economists could be purged by the strict use of a technical terminology, which, in ordinary speech, had not value implications. The answer is that it could be, but it would no longer be welfare economics. It would then consist of an

---

15 Blaug, pp. 624-625.
16 Bergson, p. 20.
uninterpreted system of logical deductions, which would not be about anything at all, let alone welfare...Getting rid of value judgements would be throwing the baby away with the bathwater.\[^{18}\]

Samuelson not only recognizes the value-laden nature of welfare economics. He defends, in limited fashion, the co-mingling of ethics and economics in welfare theory, noting:

It is a legitimate exercise of economic analysis to examine the consequences of various value judgments, whether or not they are shared by the theorist, just as the study of comparative ethics is itself a science like any other branch of anthropology...In saying this, I do not mean to imply that the field of welfare economics has scientific content because a number of its theorems do not require inter-personal comparisons of utility; this after all is a mere detail. That part which does involve inter-personal comparisons of utility also has real content and interest for the scientific analyst, even though the scientist does not consider it any part of his tack to reduce or verify (except on the anthropological level) the value judgments whose implications he grinds out.\[^{19}\]

Unlike other economists of the 'new' school of welfare economics, Harsanyi recognizes and embraces the subjective-normative nature of the analysis of distribution. He accepts the claims of Little and Blaug that distribution analysis cannot produce an unambiguous welfare maximum without resorting to interpersonal comparisons of individual levels of wellbeing. Harsanyi's addition to the theory of distribution is his endorsement of such comparisons. He contends that economic agents routinely engage in making interpersonal comparisons of utility during the course of routine decision-making involving economic choices. So long as the value

\[^{18}\]Ibid., pp. 79-80.

judgments concerning interpersonal comparisons are based upon common standards of ethics, Harsanyi argues, they are not out of place in modern distribution analysis.\(^20\)

Unless one is content to limit welfare economics to questions concerning efficient production, it seems that it is necessary to introduce to welfare theory some method of systematically analyzing normative issues. Of course, some economists would indeed refrain from analyzing distribution altogether. Pigou, Kaldor argues, encouraged this practice.\(^21\) More recently, Kaldor himself has endorsed limiting welfare theory to the theory of production. Kaldor has argued that only the analysis of production is important in modern welfare analysis—"that it is "far the more important part," and "should include all those propositions for increasing social welfare which relate to the increase in aggregate production..."\(^22\)

Koopmans has also argued that welfare economics can be divided according to Mill's and Pigou's schemes, with the efficient allocation of resources in production assuming the role of importance in the economist's analysis.\(^23\)


\(^{21}\) Kaldor, p. 389.

\(^{22}\) Ibid.

If one assumes that Little, Samuelson, and Harsanyi are correct in encouraging economists to analyze the problem of finding the welfare maximizing distribution of wealth, it then becomes necessary to resort to subjective analysis. Plato's methodology was developed to enable the scientist to investigate rationally the qualities of subjectively perceived intelligible phenomena. Since distribution analysis requires that the economist make judgments concerning the welfare-promoting tendencies of economic changes, welfare economics must contain propositions that are reasoned rather than sensed. The notion of social welfare is itself a rational concept. Plato used the dialectic to systematically test propositions concerning intelligible, rational phenomena.

II. Plato's Welfare Theory

Plato's welfare theory, which has heretofore been treated as proto-science, can be understood as a dialectical inquiry into the nature and causes of happiness. Plato assumed as self-evident that man desires happiness. In order that one might discover the organization of the economy which best promotes social welfare qua happiness, Plato would insist that one must first possess some knowledge of the nature of happiness itself. Acquisition of knowledge of the nature and causes of happiness thus becomes the principal goal of Platonic welfare analysis. Only with a working definition of happiness in hand does Plato proceed to the interesting questions of which organizations of productive factors

---

and distributions of wealth within an economy promote welfare. Plato's methodology, constructed along the lines of ancient science, is useful for today because it enables the social scientist to consider not only productive efficiency, which comprises the efforts made under the aegis of the "new" welfare theory, but also to analyze desirable distributions of wealth.

Plato's investigation of the nature of welfare led him to conclude that the best economic state is one in which each individual would be encouraged to work and behave in a virtuous manner, and in a way consistent with the requirements of his temperament. Evidence of this view can be found in the Republic. In Book II Plato writes, "more things are produced, and better and more easily when one man performs one task according to his nature at the right moment, and at leisure from other occupations." 25 From Book IV:

"citizens...must be sent to the task for which their natures were fitted, one man to one work, in order that each of them fulfilling his own function may be not many men, but one, and so the...entire city may come to be not a multiplicity but a unity." 26

Plato's theory of welfare is not limited to a discussion of a psychological division of labor, however. His theory, as it appears in the Laws and elsewhere, can be divided into four areas of investigation: (1) the analysis of the Good, (2) the investigation of the happy, virtuous life, in which the individual possesses knowledge of the Good, (3) the effects of a psychological division of labor, and

---

26 Ibid., p. 665.
(4) the description of the organization of the economy that best fosters virtue and happiness. Plato's conclusions from these areas of research are captured in the following theory of welfare: men can be truly happy only if they possess knowledge of the Good and behave in a just, virtuous way. Virtuous behavior requires that the individual behave in a just, honest, truthful, and temperate fashion, and that the individual uses wealth liberally.

This does not imply that Plato envisioned all members of society marching in lockstep to the same psychological cadence. Plato understood that the concept of virtuous behavior for the individual depends upon which part of the soul dominates a person's character. The souls of men are, according to Plato, fashioned in varying proportions. In some, the rational part dominates the honor-loving and appetitive parts of the soul. More frequently, however, the appetitive part of the soul rules one's consciousness. Plato's welfare theory is conditioned by his theory of the soul—he believed that the degree of a man's happiness depended upon his soul's ability to discover knowledge of happiness. For the many, ruled as they are by passions and appetites, happiness would obtain from leading a virtuous life which is defined as a temperate or moderate life. According to Plato, the ordinary man is most likely to be happy if he works at a job which best suits his temperament and if he behaves temperately. The best state would thus be one in which virtuous behavior, and especially moderation of appetites, is best achieved.

Welfare economics is a controversial area of research in economics. The ethical and psychological roots of welfare analysis
no doubt account for much of this controversy. That economists have not generally agreed upon a definition of welfare economics—some claim it to be the analysis of the efficiency attained with alternative organizations of productive factors, while others argue that it is the analysis of social utility maximization—attests to the extent of this controversy.

Welfare economics has as its aim the discovery of those economic conditions that affect or promote the welfare of a community. It is the investigation of the economic causes of happiness, and, in particular, the ways in which the production and exchange of commodities, services, and money in markets affect the welfare of the agents of the economy. Also important to the study of welfare economics is the investigation of the labor versus leisure decisions of economic agents and the effects of changes in work effort on social welfare.

III. Plato's Analysis of the Good

Plato's welfare analysis comprises all the areas of topical coverage that are mentioned above. It begins with a detailed inquiry of the nature of happiness (eudaemonia), which is closely related to the Good (agathon). This inquiry leads to the development of Plato's theory of knowledge (episteme), and culminates in the economical and political prescriptions of his mature works, especially the Laws. Although some controversy still exists concerning the aim of Plato's dialogues—some interpreters emphasize Plato's systematic philosophy, while others make more of his playful literary style—philosophers and classicists agree, in the main, that Plato was a practical
philosopher and that in his written work he never lost sight of the need to improve the human condition. This point is consistent with Plato's myth of the cave in which the enlightened philosopher is obligated to return to the cave in order to inform his fellow men of his discovery of the nature of the Good, rather than to bask in the light of his newly found knowledge.

Classicist Werner Jaeger advances a convincing argument in support of the belief that all of Plato's written work aims at discovery of knowledge of the Good in *Paideia: the Ideals of Greek Culture*. Describing a group of early, aporetic dialogues—the dialogues often referred to as the "Socratic" dialogues, in which the dialectic is thought to follow most closely the pattern of conversation established by Socrates—Jaeger says, "At first glance, Plato's early dialogues seem to be separate investigations of moral concepts such as courage, piety, and self control." Jaeger contends, however, that

These conversations are all attempts to find out the nature of one virtue; and they all lead to the admission that this virtue, whichever it is, must be some kind of knowledge. If we ask 'knowledge of what?' we discover that it is knowledge of the good. We recognize this for Socrates' well-known paradox: Virtue is Knowledge. But at the same time we feel that a new force is at work in Plato's Socratic dialogues, not merely to re-create the master himself, but also to take up his problem and go further with it. The attentive reader will see the workings of this force in the fact that Plato's Socrates is exclusively concerned with the problem of virtue. From the *Apology* we know that the real Socrates tried above everything else to exhort his fellow-men to practise 'virtue' and 'the care of the soul'; and that the

---

cross-examination which went along with his exhortation and convinced his interlocutor of his own ignorance was just as much a part of that protreptic mission. Its aim was to disquiet men and move them to do something for themselves. But in Plato's other books of this early period, the protreptic preaching is far less important than the elenctic cross-examination. Clearly Plato wants to push his readers forward to the knowledge of virtue, without letting them stop at the consciousness of their own ignorance. This helplessness (aporia) which was Socrates' perpetual state was for Plato a challenge to solve the problem and escape. He tries to find a positive answer to the question: what is virtue? It is clear that he is following a well-planned course: for in these dialogues he takes up first one virtue, and then another. Apparently he does not go beyond Socrates' confession of ignorance; but only apparently. For each of these attempts to define this or that special virtue culminates in the acknowledgment that it must be knowledge of the good. This concentrated advance shows clearly that the strategy of its guide is directed wholly towards one problem: what is the nature of that knowledge which Socrates vainly sought among men—which must nevertheless lie buried somewhere in the soul, because without it man cannot reach true perfection? and what is the nature of its object, the 'good'?  

The unified theme of the dialogues is the pursuit of happiness or the Good for Men. Moreover, the recurring messages of the early dialogues devoted to the definition of special virtues are that (1) all virtues are a form of the Good, and (2) that men can be truly happy only if they possess knowledge of the Good. This second theme is made clear in the Symposium, in which Socrates recalls having been taught the virtue of knowledge of the Good by the Mantinean prophetess Diotima. Plato writes:

Well then, she went on, suppose that, instead of the beautiful, you were being asked about the good. I put it to you, Socrates. What is it that the lover of the good is longing for?

To make the good his own.

---

28 Ibid., pp. 91-92.
Then what will he gain by making it his own?

I can make a better shot at answering that, I said. He'll gain happiness.

Right, said she, for the happy are happy inasmuch as they possess the good, and since there's no need for us to ask why men should want to be happy, I think your answer is conclusive.

Absolutely, I agreed. 29

Plato's first point can be understood in light of his ontology. Plato, as I have demonstrated, assigns to universals or Forms a position of ontological priority over observable phenomena. That is, causes are seen to be ontologically prior to their effects. The Forms are the causes of the qualities of observable phenomena. The beauty of a face, for instance, is caused by its participation in beauty itself. A face can be beautiful, but it cannot be beauty, according to Plato's ontology.

The Good, for Plato, is the first and continuing cause of the qualities of sensible natural phenomena. Knowledge of the Good, therefore, becomes the most important type of knowledge in Plato's scheme of things. W. K. C. Guthrie expresses the central position of the Good in Plato's system of knowledge in his A History of Greek Philosophy. He notes:

The Good, then, is in Plato's words (505 3, trans. Lee from the Republic), 'the end of all endeavour, the object on which every heart is set, whose existence it divines, though it finds it difficult to grasp just what it is; and because it can't handle it with the same assurance as other things, it misses any value those other things have'. Whatever a man desires to strongly that he would put it before everything else is for him the good, and if you believe, as Socrates and

Plato did, that there is an absolute good, 'man's chief end', then obviously no other knowledge can be so important as the knowledge of what this is. Socrates believed that not only man, but everything in the world, had a function to perform, its fitness to perform it was its 'virtue', and the performance was the good for it. For human beings it was the key to happiness. So far Plato is Socratic, but in the light of his theory of Forms he went further. A cause is prior to its effects, and since, for particular enterprises or life as a whole, the Good was the cause of their goodness, it was in itself not only an eternal, changeless Form 'by which' good particulars are good (as just acts are dependent on the Form of Justice) but stood at the head of the hierarchy of Forms.

We have already seen the method whereby, according to Plato, one acquires knowledge of Forms—the dialectic. One makes a statement concerning a belief (pistis) or opinion (doxa) about some virtue or goal of human action. One then searches with his or her interlocutors for any obviously unsound quality concerning the statement. Should the statement be refuted it would be reformulated. The process of stating, refuting and reformulating hypotheses would continue until agreement was reached. At this point, Plato would argue, the participants would be closer to possessing knowledge than before. The dialectic is the basis of all science according to Plato.

All of Plato's dialogues, it has been argued, dialectically push the reader toward the discovery of knowledge of the Good. One can see a progression in the dialogues of the early and middle periods of Plato's writing toward definition of the Good. The early dialogues, as Jaeger argues, all point in the direction of the Good by attempting to define the qualities of the individual virtues which

the Good comprises. Also, several of the early and middle period dialogues deal directly with the general question of what is the nature of the Good. The *Protagoras*, as was mentioned before, inquires into the nature of the Good, and rejects as inadequate or false the notion that it is, as Protagoras defines it, pleasure.

The nominal subject of the *Protagoras*, in which Socrates is pitted against the great sophistic teacher of his day, Protagoras, is whether or not knowledge can be taught. Protagoras claims in the dialogues that students coming to him can be assured of the following gain: "The very day you join me, you will go home a better man, and the same the next day. Each day you will make progress toward a better state." Socrates disputes this claim by having Protagoras admit that a teacher must possess knowledge if he is to impart it to others. Socrates proceeds to test Protagoras for knowledge by inquiring into the nature of the Good. When Protagoras equates goodness with pleasure Socrates refutes this premise by pointing out that there exist good pleasures as well as bad ones, to which Protagoras responds in agreement.

The *Protagoras* rejects the notion that pleasure is the Good. If the hedonist accepts that some pleasures are "bad" then he must reformulate his definition of the Good, perhaps to read "good pleasures." As Terrence Irwin points out in *Plato's Moral Theory:

---

The Early and Middle Dialogues, the hedonist must still give some account of what the Good is.  

The nature of the Good is taken up again in the Euthydemus, a dialogue which is devoted principally to showing the difference between the useful (earnest) and useless (pedantic) forms of the dialectic—Socrates' dialectical inquiry is held to be the earnest form, while that practiced by the eristic interlocutors Euthydemus and Dionysodorus is shown to be pedantic and nonproductive. In the course of the dialogue knowledge is suggested to be the Good. Socrates shows, however, that knowledge itself is not always good; knowledge of things that do not benefit the knower are not good, and knowledge of things that do benefit the knower are not good without corequisite knowledge of how to use such knowledge. Socrates claims, for instance, that knowledge of how to become immortal is not of use to the individual without some knowledge of how to beneficially use immortality.

The Phaedo and the Gorgias repeat the arguments of the Euthydemus and the Protagoras, respectively. Knowledge and pleasure are two popular definitions of the Good that Plato rejects. An extensive inquiry into the nature of the Good is not provided, however, until the Republic. In Book VI, which analyzes the Good,

---


pleasure and knowledge are, once more, rejected as candidate definitions of the agathon. Prudence, too, is ruled out, as the following passage shows:

[Socrates:] "And, further, you also know that in the opinion of the many the good is pleasure, while in that of the more refined it is prudence."

[Adeimantus:] "Of course."

"And, my friend, that those who believe this can't point out what kind of prudence it is, but are finally compelled to say 'about the good.'"34

Plato's rejections of knowledge, pleasure, and prudence as definitions of the Good hinge upon his assertion that such definitions require the speaker to speak of good pleasures, good knowledge, and good prudence. This still requires that the Good be defined. In describing the Good Plato relies on his theory of Forms or Ideas. In Book VI of the Republic Plato notes:

"And we also assert that there is a fair itself, a good itself, and so on for all the things that we then set down as many. Now, again, we refer them to one idea of each as though the idea were one; and we address it as that which really is."

"That's so."

"And, moreover, we say that the former are seen but not intellected, while the ideas are intellected but not seen."

"That's entirely certain."35

An Idea "is," while the things that participate in Ideas "come into and go out of being." Using the analogy of the sun as that which

illuminates things that are seen by the eyes, Plato establishes the central importance of the Idea of the Good in the following way:

[Socrates:] "You know," I said, "that eyes, when one no longer turns them to those things over whose colors the light of day extends but to those over which the gleams of night extend, are dimmed and appear nearly blind as though pure sight were not in them."

[Glaucon:] "Quite so," he said.

"But, I suppose, when one turns them on those things illuminated by the sun, they see clearly and sight shows itself to be in these same eyes."

"Surely."

"Well, then, think that the soul is also characterized in this way. When it fixes itself on that which is illuminated by truth and that which is, it intellects, knows, and appears to possess intelligence. But when it fixes itself on that which is mixed with darkness, on coming into being and passing away, it opines and is dimmed, changing opinions up and down, and seems at such times not to possess intelligence."

"Yes, that's the way it seems."

"Therefore, say that what provides the truth to the things known and gives the power to the one who knows, is the idea of the good. And, as the cause of the knowledge and truth, you can understand it to be a thing known; but, as fair as these two are--knowledge and truth--if you believe that it is something different from them and still fairer than they, your belief will be right. As for knowledge and truth, just as in the other region it is right to hold light and sight sunlike, but to believe them to be the sun is not right; so, too, here, to hold these two to be like the good is right, but to believe that either of them is the good is not right. The condition which characterizes the good must receive still greater honor."36

36Ibid., pp. 188-189.
Using the analogies of the segmented line and the Cave Plato goes on to describe the Good as the highest level of being; it is, even, beyond "being" in its fairness. Plato writes:

"Therefore, say that not only being known is present in the things known as a consequence of the good, but also existence and being are in them besides as a result of it, although the good isn't being but is still beyond being, exceeding it in dignity and power." 37

In Book VII Plato, in writing the Cave analogy says the following of the Idea of the Good:

At all events, this is the way the phenomena look to me: in the knowable the last thing to be seen, and that with considerable effort, is the idea of the good; but once seen, it must be concluded that this is in fact the cause of all that is right and fair in everything—in the visible it gave birth to light and its sovereign; in the intelligible, itself sovereign, it provided truth and intelligence—and that the man who is going to act prudently in private or in public must see it. 38

Guthrie summarizes Plato's concept of the Good, noting:

In the Good, then, Plato combines three conceptions: the end of life, supreme object of desire and aspiration; the condition of knowledge, which makes the world intelligible and the human mind intelligent; and the sustaining cause of the Forms, which are in their turn the creative causes of natural objects and human actions. 39

In a later passage Guthrie says:

Through all the...ontological and epistemological mysteries (Plato would not reject the word), which have so fascinated and puzzled philosophers down the centuries, one is apt to lose sight of the fact that the ultimate goal, the self-authenticating source of being and knowledge, is simple

37 Ibid.
38 Ibid., p. 196.
39 Guthrie, p. 506.
Goodness (Agathon), the unfailingly and universally advantageous and beneficial. 40

The Good, as the analogies of the segmented line and the cave suggest, is supreme—it is the first and sustaining cause of human action. Knowledge of Good is, according to Plato, the final cause of human action. All men, we have seen, desire to be happy. The happy life requires that one possess knowledge of happiness (eudaimonia), which is virtue that originates in Goodness. For Plato, the end result of analyzing human welfare with an eye toward its improvement is the establishment of the good life—the happy life—for the citizens of the polis.

It might be suggested that by describing the Good as that which is "last to be seen, and that with considerable effort," Plato disables the economist from developing a theory of welfare—if one must know the Good in order to describe the happy life, and if the Good is the last known of the virtues, then how does one write of the happy life with any confidence? Plato, however, went beyond the Socratic profession of ignorance in his philosophy. The Socratic position on all this was that the virtues, which participate in the Good, are indescribable without some knowledge of the Good. Plato, however, allows that the virtues can be glimpsed even before one possesses knowledge of Goodness. The point of Plato's ontology and of his epistemology is not that the Good is that which enables us to know virtue, but rather that the Good is that which causes the virtues to possess their qualities. Plato asks that the reader

40 Ibid., p. 518.
accept the ontological priority of the Good; he does not insist that
the reader stop at the aporetic conclusion of the Socratic arguments.
Thus in the early dialogues Plato is content to describe individual
virtues prior to taking up the formal task of analyzing the role of
the Good.

IV. The Life of Virtue and Well-Ordered Soul

If the Good is the cause of the virtuous qualities that can
be found associated with the happy life, then what are the natures
of the virtues themselves? Plato attempts to answer this question in
several of the dialectical investigations of the individual virtues.
In these dialogues, as well as in the more comprehensive dialogues of
the middle period of Plato's writing, one arrives at the conclusion
that the happy life is one in which the individual lives virtuously.
The virtuous life, for Plato, requires that the individual partici­
pate in the qualities of the virtues themselves. That is, the
individual must strive to possess knowledge; he must be fair and just
in his dealings with his fellow citizens; he must be temperate in his
desire to accumulate wealth; and he must be liberal with the wealth
that he accumulates.

In order that an individual might possess the virtues that
are associated above with the happy life it is necessary for the
individual to have a well-ordered soul. Recall that according to
Plato the soul is the bodily organ responsible for discerning the
existence and qualities of the intelligibles. Remember, too, that
the soul comprises three distinct parts--the rational, spirited, and
appetitive divisions. The soul, when it is well-ordered, pursues the
Good, and is characterized by the possession of the virtues described above.

Plato discusses the well-ordered soul in several places in the dialogues. The most notable instances, however, can be found in the Phaedo, the Phaedrus, and the Republic. In the Phaedo Plato paints a picture of the soul as being the most divine and intelligible part of the body:

The soul is most like that which is divine, immortal, intelligible, uniform, indissoluble, and ever self-consistent and invariable, whereas body is most like that which is human, mortal, multiform, unintelligible, dissoluble, and never self-consistent. 41

When the soul investigates itself, Plato writes,

it passes into the realm of the pure and everlasting and immortal and changeless, and being of a kindred nature, when it is once independent and free from interference, consorts with it always and strays no longer, but remains, in that realm of the absolute, constant and invariable, through contact with beings of a similar nature. And this condition of the soul we call wisdom. 42

As I have mentioned before, the well-ordered soul must be one in which the reasoning faculty yokes the spirited and appetitive parts into its service. Reason, that part of the soul which partakes of virtue itself, must guide the individual in his or her search for happiness.

In the Phaedrus, Plato gives the reader a picture of the well-ordered soul through the use of the analogy of the charioteer and the two steeds. Plato likens the rational part of the soul to a

42 Ibid., pp. 62-63.
charioteer, who must somehow control his team of horses which constantly tried to pull the chariot its own way. The spirited part of the soul is like the horse "that is..."

upright and clean-limbed, carrying his neck high, with something of a hooked nose; in color he is white, with black eyes; a lover of glory, but with temperance and modesty; one that consorts with genuine renown, and needs no whip, being driven by the work of command alone.

The appetitive part of the soul is likened to a horse that is crooked of frame, a massive jumble of a creature, with thick short neck, snub nose, black skin, and gray eyes; hot-blooded, consorting with wantonness and vainglory shaggy of ear, deaf, and hard to control with whip and goad.

The charioteer must find a way to control the unruly steed, in the fashion in which reason must master appetite. In so doing, the driver must enlist the aid of the honor-loving, temperate horse in directing the progress of the team. So, too, the honor-loving part of the soul must assist reason in checking the passions. If the higher elements of the soul are successful in guiding it into the ordered rule of the contemplative, philosophical life, Plato says, their days on earth will be blessed with happiness and concord, for the power of evil in the soul has been subjected, and the power of goodness liberated; they [will have] won self-mastery and inward peace.

The Phaedrus recapitulates the argument of the Phaedo in which Plato claims the soul to be immortal and imperishable. The

---

44 Ibid.
soul participates in virtue, which is immortal, and in its participa-
tion it possesses something of the immortal qualities of virtue
itself. Plato's belief in an immortal soul is consistent with his
theory of learning as being a process of recollection--anamnesis. If
the soul possesses knowledge of virtue already, Plato argues in the
Phaedo, it must exist prior to the coming into being of the body. 46

Plato's psychology, i.e., his theory of the soul, is insepara-
ble from his welfare theory. Happiness is the condition that
characterizes those individuals in whom the soul is well-ordered.
Happy people seek wisdom, and in so doing lead a contemplative life.
Only a true philosopher qua lover of wisdom can be truly happy. It
is the habit of the philosopher to lead a moderate life, and to
refrain from partaking excessively of the objects of appetitive
passions. Plato describes the psychology of the true philosopher
saying:

Now the soul of the true philosopher feels that it must not
reject this opportunity for release, and so it abstains as
far as possible from pleasures and desires and griefs,
because it reflects that the result of giving way to pleasure
or fear or desire is not as might be supposed the trivial
misfortune of becoming ill or wasting money through self-
indulgence but the last and worst calamity of all, which the
sufferer does not recognize.

What is that, Socrates? asked Cebes.

When anyone's soul feels a keen pleasure or pain it
cannot help supposing that whatever causes the most violent
emotion is the plainest and truest reality, which it is
not. 47

47 Ibid., p. 66.
Rather than fall into the trap of interpreting the sensibles to be most real, Plato says that the true philosopher secures immunity from its desires by following reason and abiding always in her company, and by contemplating the true and divine and un conjecturable, and drawing inspiration from it, because such a soul believes that this is the right way to live while life endures, and that after death it reaches a place which is kindred and similar to its own nature, and there is rid forever of human ills.\textsuperscript{48}

It is clear that for Plato the happy man is the rational man—he who manages to yoke the spirited and appetitive urges of the soul into subservience to the soul's charioteer, reason. Such individuals, if they are serious (spoudaioi) will be attuned to the inner beauty of the intelligibles, rather than be slaves to the passions. It is also clear that Plato did not think that such refined characters as his true philosophers stood much chance of developing in society. Indeed, he described the ideal state designed in his Republic as likely the realm of the children of gods, not of ordinary men. How then is happiness secured, if at all, for the many?

One will recall that Plato thought it unlikely that an individual would glimpse virtue itself early in life. Rather, knowledge of virtue, although the truest and clearest knowledge, is last seen, and only after the outer eyes have grown dim. In order that the polis might produce true philosophers, Plato designed in the Republic a rigorous system of education that would last thirty-five

\textsuperscript{48}Ibid., p. 67.
years. After such an education a few individuals might become virtuous and truly happy.

Plato has been thoroughly criticized for his contention that only the few become truly happy, and that the many are given over to indulgence in inferior pleasures that are associated with the appetites. In this century Plato has even been labelled fascist. For all this, however, Plato was not despotic or tyrannical in his desire to see his vision of virtue realized in society. Indeed, Plato would claim just the opposite—that the individual who would let the stronger, appetitive urges dominate the soul, and who would argue that of all things man is the measure is the tyrant. Plato defined tyranny as the condition where one considers himself "to be at liberty to do what [one] please[s] in the state—to kill, to exile, and to follow [ones] own pleasure[s] in every act."49

The happy life can be characterized by its opposition to the qualities of the unhappy life—tyranny. The tyrant, according to Plato, is the supremely unhappy individual. The tyrant listens to the message of the appetitive part of the soul in every action that he contemplates. The tyrant trusts no one; he assumes that everybody follows the commands of the passions, and, is as a consequence not worthy of trust any more than the tyrant is himself. The tyrant exists, Plato says, in a dream state in which the appetitive urges of the subconscious mind are awakened while the spirited and rational parts of the soul slumber.

The "acme of misery" in human life is attained when the tyrannical individual seeks public office.\textsuperscript{50} An "actual tyrant," i.e., an irrational individual in public office, is really enslaved to cringings and servitudes beyond compare, a flatterer of the basest men, and that, so far from finding even the least satisfaction for his desires, he is in need of most things, and is a poor man in very truth, as is apparent if one knows how to observe a soul in its entirety. And throughout his life he teems with terrors and is full of convulsions and pains, if in fact he resembles the condition of the city which he rules, and he is like it...

...And in addition, shall we not further attribute to him all that we spoke of before, and say that he must needs be, and, by reason of his rule, come to be still more than he was, envious, faithless, unjust, friendless, impious, a vessel and nurse of all inquiry, and so in consequence be himself most unhappy and make all about him so.\textsuperscript{51}

Plato's tyrant shares an attribute in common with the Platonic vision of the happy man. This common psychological element is the erotic urge. Plato of course distinguished between different types of love—agape, philia, and eros—and erotic love did not carry for him the connotations that it evokes today. Rather, erotic love, as Plato makes clear in his masterful Symposium, is a longing for something that the soul lacks. In the Symposium and Phaedrus Plato eloquently points out that the philosopher is erotically drawn to knowledge of the Good. Knowledge, Socrates pointed out, is something that the soul typically lacks. The soul, which is in Plato's words "that which moves itself," aches with longing at the sight of the

\textsuperscript{50} Plato, "Republic," in The Collected Dialogues, p. 805.

\textsuperscript{51} Ibid., p. 806.
object of its desire. In this fashion the soul of the philosopher compels him to seek wisdom, while that of the tyrant, unbalanced as it is, seeks the objects of passion. The difference between the two souls is that in their longing one soul desires something that sustains and nourishes happiness, i.e., it longs for knowledge of virtue, while the other desires something that will always leave it unsatisfied—appetitive pleasures.

So man, who is "besouled," is driven by an erotic urge to seek the object of psychological vision. The happy man will seek that which the well-ordered soul desires—to possess the virtue that it glimpses with the inner eyes. The tyrant, however, will involuntarily seek misery by forever hankering for the objects of passion which the unbalanced soul fixes on.

When the soul fixes on the "upward path" toward knowledge of intelligible reality, it discovers in time the qualities of the particular virtues that, when known, enable the knower to be truly happy. In the ethical dialogues culminating with the Republic one sees what Plato's vision of these virtues is. Foremost in the soul of the happy man, according to Plato's investigation, is the desire for knowledge. Learning is for Plato the only endeavor that people should undertake without moderation. One can never know too much. The besouled man seeks ta onta with all vigor that can be mustered.

In order that man may discover knowledge, it is necessary for him to secure the necessities of physical and emotional sustenance.

---

Plato was no ascetic. He accepted the fact that the well-ordered soul exists within a body that must be nourished and otherwise maintained. With respect to the regulation of acquisition of those things that nurture the body, Plato argues that the inquiring mind would discover the virtues of justice, moderation, and liberality, which would cause the individual to turn away from acquisition of more than is necessary.

Justice, which is the nominal topic of the Republic, involves doing one's own business, according to Plato. This understanding of justice is arrived at after a lengthy dialectical refutation of other concepts of justice. Cephalus' argument in Book I, that justice is paying back what is owed, is refuted on the grounds that one would not, for instance, be just in returning weapons borrowed from a lender who had subsequently gone mad. Polemarchus' reformulation of Cephalus' concept—that justice is helping one's friends and hurting one's enemies—is also shown, within the guidelines of the dialectic to be inadequate. This formulation of justice is abandoned after Socrates argues to the satisfaction of all but one of the participants in the dialogue, Thrasymachus, that doing harm to one's enemies does not make them more just; rather, it makes them more unjust. It must not be just, Socrates argues, to further injustice. Finally, Thrasymachus' claim that justice is the advantage of the powerful man—a sophistic concept of the Protagorean example of value
relativism—is refuted at length, even after Thrasymachus has abandoned the conversation.53

Instead of these concepts Plato shows justice to be doing good, which, in the case of labor and commerce, means doing what is right with respect to one's temperament. Philosophers would seek wisdom, guardians would cultivate courage and obedience, and the third class, the many, would strive to be temperate in their functions as acquisitive beings. From Book IV of the Republic:

[Socrates] "All right," I said. "Three of them have been spied out in our city, at least sufficiently to form some opinion. Now what would be the remaining form thanks to which the city would further partake in virtue? For, plainly, this is justice."

[Glaucon] "Plainly."

"So then, Glaucon, we must, like hunters, now station ourselves in a circle around the thicket and pay attention so that justice doesn't slip through somewhere hereabouts. Look to it and make every effort to catch sight of it; you might somehow see it before me and could tell me."

"...Listen whether after all I make any sense," I said. "That rule we set down at the beginning as to what must be done in everything when we were founding the city--this, or a certain form of it, is, in my opinion, justice. Surely we set down and often said, if you remember, that each one must practice one of the functions in the city, that one for which his nature made him naturally most fit."

"Yes, we were saying that."

"And further, that justice is the minding of one's own business and not being a busybody, this we have both heard from many others and have often said ourselves."

"Yes, we have."

"Well, then, my friend," I said, "this—the practice of minding one's own business—when it comes into being in a certain way, is probably justice. Do you know how I infer this?"

"No," he said, "tell me."

"In my opinion," I said, "after having considered moderation, courage, and prudence, this is what's left over in the city; it provided the power by which all these others came into being; and, once having come into being, it provides them with preservation as long as it's in the city. And yet we were saying that justice would be what's left over from the three if we found them."

"Yes, we did," he said, "and it's necessarily so."

"Moreover," I said, "if one had to judge which of them by coming to be will do our city the most good, it would be a difficult judgment. Is it the unity of opinion among rulers and ruled? Or is it the coming into being in the soldiers of that preserving of the lawful opinion as to which things are terrible and which are not? Or is it the prudence and guardianship present in the rulers? Or is the city done the most good by the fact that—in the case of child, woman, slave, freeman, craftsman, ruler and ruled—each one minded his own business and wasn't a busybody?"

"It would, of course," he said, "be a difficult judgment."

"Then, as it seems, with respect to a city's virtue, this power that consists in each man's minding his own business in the city is a rival to wisdom, moderation and courage."

"Very much so," he said.

"Wouldn't you name justice that which is the rival of these others in contributing to a city's virtue?"

"That's entirely certain."

"Now consider if it will seem the same from this viewpoint too. Will you assign the judging of lawsuits in the city to the rulers?"

"Of course."

"Will they have any other aim in their judging than that no one have what belongs to others, nor be deprived of what belongs to him?"
"None other than this."

"Because that's just?"

"Yes."

"And therefore, from this point of view too, the having and doing of one's own and what belongs to one would be agreed to be justice."

This justice that Plato writes about forms the basis of his well-known psychological division of labor. Justice, defined as doing what is one's own business, is the key to understanding this division for what it is. Some economists have, I have shown, argued it to be a crude precursor to the more nearly scientific division made famous by Smith. This understanding seems incorrect. The fact of the matter is that Plato's division of labor is logically consistent with the premise that it is justice, rather than efficiency, which should be promoted in an economy. Smith's division addresses an underlying question of how efficiency can be best served. One cannot, from the basis of positive science, suggest that one proposal for a division is more or less adequate than another. They are simply aimed at attaining different things. With respect to the aim of each each is logically consistent.

Besides behaving justly and always striving to know the truth of all matters, the happy man, according to Plato, behaves both with courage and temperance. The courage of which Plato writes has to do with being able to discern the Good in a situation and upholding it

54 Ibid., pp. 110-112.
even at great odds. It is not enough for people to know the Good; they must have the conviction—the courage—to do the Good as well.

Plato's initial examination of courage appears in the *Laches*. Here Plato shows that courage is not the same thing as behaving bravely. Bravery, such as that which one might encounter on the battlefield, is inferior if it does not originate in knowledge of what it means to be brave. As always, Plato insists that virtuous behavior is like some virtue itself insofar as it stems from an intimate and reasoned knowledge of virtue. The *Laches* is centered around a discussion of courage between three individuals who were well-known for their courageous behavior in battle—Laches, Nicias, and Socrates. As an aporetic dialogue the *Laches* is primarily concerned with establishing the claim that while these men are courageous, they do not themselves yet possess knowledge of courage. This situation is deemed lamentable by Socrates who admonishes Nicias and Laches to seek an education in the area of virtue. The dialogue, without defining courage, attempts to convince the reader that action based upon right opinion is inferior to action originating from knowledge. The three men in the dialogue are courageous, but they do not know what courage is.\(^55\)

In the *Republic* Plato resumes his discussion of courage. In this dialogue he describes it as being a "kind of preserving."\(^56\) In a conversation between Socrates and Glaucon Plato writes:


"So a city is also courageous by a part of itself, thanks to that part's having in it a power that through everything will preserve the opinion about which things are terrible—that they are the same ones and of the same sort as those the lawgiver transmitted in the education. Or don't you call that courage?"

"I didn't quite understand what you said," he said. "Say it again."

"I mean," I said, "that courage is a certain kind of preserving."

"Just what sort of preserving?"

"The preserving of the opinion produced by law through education about what—and what sort of thing—is terrible. And by preserving through everything I meant preserving that opinion and not casting it out in pains and pleasures and desires and fears..."  

Courage is here defined to be the willingness to uphold a standard that is known to be good. Standards must often be upheld against overwhelming opposition and, at times, at great peril. The conviction among the guardians of a regime that the laws are worthy of being upheld because they are good is a requirement in a state for enabling its citizens to pursue happiness.

Moderation is the last virtue that is ordinarily referred to by Plato when he describes the happy life. For the many, whose souls Plato says are dominated by the appetitive urges, moderation (sophrosyne) is the principal virtue to be attained in pursuit of happiness. One cannot become happy if one is enslaved by the uncritical, passionate part of the soul, i.e., if one becomes a tyrant.

57 Ibid.
It is, perhaps, somewhat difficult to appreciate the prominence that Plato gives the virtue of sophrosyne in his investigation of welfare. A temperate life is not, after all, necessarily a good one. Plato obviously thought that true happiness could only be realized in the soul of the individual whom he describes as a philosopher. Such an individual, Plato argues, possesses the qualities of soul in the proper proportion—the rational part of the soul dominates the appetites, with spirit serving as its guardian. Plato also argues that very few true philosophers will likely be generated in society. This leads one to conclude that Plato did not think that very many individuals in society could ever be happy.

The key to understanding Plato's description of the happy life lies in understanding his theory of participation in virtue. From Plato's theory of Forms we know that the soul does not possess virtue itself; rather, if attuned properly to the intelligibles the soul partakes of the qualities of virtue itself. Knowledge for Plato is a type of participation in the type of reality that he describes as being "beyond being." These "things that are" (ta onta)—intelligible virtues—are the causes of the qualities of the things that "come into and go out of being." Plato understands man to have a soul that is capable of following an upward path that leads to a sublime level of participation in virtue. This is what he means when he describes philosophy as being the habit of practicing death, which he does in the Phaedo.58 Not all souls will participate in the

qualities of virtue itself in the same degree. The serious individual *spoudaious*, will not veer from the upward path, and will, therefore partake more fully of the virtues than the many will. The average man would not be temperamentally suited, Plato thought, for the life of philosophy. Although the average man could not voluntarily do evil or seek anything other than happiness, he would not likely possess the seriousness of the desire to know things as they are to attain true knowledge of intelligible virtues. Thus the many would never likely attain the level of happiness that is theoretically attainable, according to Plato's system, by philosophers.

This is not to say that the many are incapable of happiness. Should they master their passions and thereby attain moderation, the many will be happy. By being happy Plato suggests not that the many are happy, but, rather, that they partake of happiness to the extent commensurate with their powers of intellection.

It is important to realize that by the many Plato referred to nearly everyone. The ideal state, as described in the *Republic*, could not be expected to produce great numbers of philosophers. Plato's observation that the souls of men are made in different proportions—that some individuals do not, by temperament, possess the seriousness to fully cultivate reason—led him to conclude that happiness for the many is different from happiness for the few. Happiness for the many, endowed as they are with a surplus of appetite, would arise principally from the mastery of the tyrannical self, and, thus, the attainment of *sophrosyne*. 
According to Plato's epistemology moderation is, like other intelligible virtues, undefinable in the strictest sense. Since moderation can be counted in Plato's system among the things that are, ta onta, it is not a concept that is sensibly demonstrable—it exists in the region of things that are beyond being and, thus, is known only to the soul. As is the case with the other particular virtues, one can partake of moderation and even ultimately possess knowledge of it. Because moderation is a virtue, however, it qua virtue defines human existence; the human mind is powerless, according to Plato's epistemology, to define it. Recalling Voegelin's interpretation of intelligible phenomena: Forms cannot be held as objects of consciousness.

That moderation itself is an intelligible, and, thus, is not easily known is the subject of the dialogue Charmides. In the usual dialectical fashion this dialogue centers around a structured series of hypotheses, refutations, and reformulations of hypotheses that lead to the aporetic stage of awareness on behalf of the participants of their lack of knowledge on the subject of sophrosyne. The first approximation of moderation is uttered by the youth Charmides, who has been extolled to Socrates as being the most moderate youth in Athens. Charmides defines moderation as being "a kind of quietness."59 Plato writes:

---

...he said that he thought temperance was doing all things orderly and quietly—for example, walking in the streets, and talking, and indeed doing everything in that way.

This opinion is quickly abandoned in favor of the notion that moderation is the same thing as modesty. This definition is soon replaced with the idea that moderation is defined as doing one's own business. This definition is agreed to be unsatisfactory and is replaced with the notion that moderation is the science of self-knowledge, arising from the twin Delphic commands "Know thyself," and "Be temperate." Ultimately, the group rejects the idea of defining moderation as, in effect, the science of science itself, or the knowledge of knowledge itself, which is what the last definition implies. The dialogue ends on an aporetic note.

By whittling away from the notion of moderation those things that can be agreed that it is not, Plato undoubtedly moved closer to understanding the truth about this concept. As a result he freely uses the term moderation to describe a part of the virtuous behavior that corresponds with the happy life. He has arrived at the point of knowledge of what moderation is like, without actually being able to define it. He recognizes it as some kind of good, and, thus, as something associated with happiness. In the Republic Plato uses this knowledge of qualities of moderation when describing the well-ordered soul, the educational process (paideia) that produces well-ordered souls, and the constitution of the ideal state which is composed of citizens with well-ordered souls.

60Ibid.
In Book III of the Republic Plato discusses the educational needs of youngsters, claiming that they include the need for moderation. Describing this moderation Plato says "the most important elements of moderation for the multitude" are: "being obedient to the rulers, and being themselves rulers of the pleasures of drink, sex, and eating..."\[^{61}\]

In Book IV Plato continues his discussion of moderation, claiming through Socrates that it "is surely a certain kind of order and mastery of certain kinds of pleasures and desires..."\[^{62}\] With respect to the constitution of the ideal city Plato reasons that "any city ought to be designated stronger than pleasures, desires, and itself."\[^{63}\] Moreover, all its citizens—rulers as well as ruled—ought to behave moderately. Moderation, he concludes, is "like a kind of harmony,"

...[b]ecause it's unlike courage and wisdom, each of which resides in a part, the one making the city wise and the other courageous. Moderation doesn't work that way, but actually stretches throughout the whole, from top to bottom of the entire scale, making the weaker, the stronger and those in the middle—whether you wish to view them as such in terms of prudence, or, if you wish, in terms of strength, or multitude, money or anything else whatsoever of the sort—sing the same chant together. So we would quite rightly claim that this unanimity is moderation, an accord of worse and better, according to nature, as to which must rule in the city and in each one.\[^{64}\]

---

\[^{61}\text{Plato, "Republic," in The Republic of Plato, p. 67.}\]
\[^{62}\text{Ibid., p. 109.}\]
\[^{63}\text{Ibid., p. 110.}\]
\[^{64}\text{Ibid.}\]
Moderation is required of the citizens of a polis if the polis is to be expected to operate smoothly in its economic and political undertakings.

Plato discusses the virtue of the temperate life over the intemperate life in the Gorgias. In this dialogue Socrates questions Callicles on the matter of pleasure. The life of pleasure, Callicles says, requires the fullest influx of experiences and sensations. Callicles thus champions the intemperate life. Socrates, on the other hand, claims intemperance to be among the greatest of all possible evils. He associates intemperance with tyranny. Failure to master the erotic yearning of the passions for the objects of sensation results in the generation of the tyrannical soul, which, Socrates says, "indulges in the greatest injustice and yet contrives to escape admonition, correction, or punishment..."

Callicles, in the Gorgias, exemplifies the life of the hedonist. Having already reduced virtue and happiness to the status of what is pleasurable and agreeable, Callicles argues that knowledge is cultivated by indulging to the fullest extent in the appetites. How else could one come to judge which are pleasant from those that are miserable? Plato compares the intemperate life extolled by Callicles with the life of moderation in the analogy of the jars. He writes:

---

66 Ibid., p. 263.
67 Ibid., p. 262.
SOCRATES: Come then, let me offer you another image from the same school as the last. Consider whether you would say this of each type of life, the temperate and the undis­ciplined. Imagine that each of the two men has several jars, in the one case in sound condition and filled, one with wine, another with honey, another with milk, and many others with a variety of liquids, but that the sources of these liquids are scanty and hard to come by, procured only with much hard labor. Imagine then that the one after filling his vessels does not trouble himself to draw in further supplies but as far as the jars are concerned is free from worry; in the case of the other man the sources, as in the first instance are procurable but difficult to come by, but his vessels are perforated and unsound and he is ever compelled to spend day and night in replenishing them, if he is not to suffer the greatest agony. If this is the character of each of the lives, do you still insist that the lifgo of the uncontrolled man is happier than that of the orderly?68

Of course, Socrates' interlocutor rejects the point of the analogy. Plato, however, in a rare moment of non-dialectical expression, has Socrates affirm the virtue of the temperate life in the following statement:

This then is the position I take, and I affirm it to be true, and if it is true, then the man who wishes to be happy must, it seems, pursue and practice temperance, and each of us must flee from indiscipline with all the speed in his power and contrive, preferably to have no need of being disciplined, but if he or any of his friends, whether individual or city, has need of it, then he must suffer punishment and be disciplined, if he is to be happy. This I consider to be the mark to which a man should look throughout his life, and all his own endeavors and those of his city he should devote to the single purpose of so acting that justice and temperance shall dwell in him who is to be truly blessed. He should not suffer his appetites to be undisciplined and endeavor to satisfy them by leading the life of a brigand—a mischief without end. For such a man could be dear neither to any other man nor to God, since he is incapable of fellow­ship, and where there is no fellowship, friendship cannot be. Wise men, Callicles, say that the heavens and the earth, gods and men, are bound together by fellowship and friendship, and

68 Ibid., p. 275.
order and temperance and justice, my friend, not the world of disorder or riot.

Temperance is fundamental for the happy life, both for the individual and for the city, according to Plato's analysis. The happy man is the man who has no evil in his soul; he is the man who shuns tyranny. Temperance is not, however, simply the denial of self-indulgence. Self-control without the proper balance of the soul, Plato says, is itself intemperate. In the Phaedo Plato writes:

What about temperate people? Is it not, in just the same way, a sort of self-indulgence that makes them self-controlled? We may say that this is impossible, but all the same those who practice this simple form of self-control are in much the same case as that which I have just described. They are afraid of losing other pleasures which they desire, so they refrain from one kind because they cannot resist the other. Although they define self-indulgence as the condition of being ruled by pleasure, it is really because they cannot resist some pleasures that they succeed in resisting others, which amounts to what I said just now—that they control themselves, in a sense, by self-indulgence.

Moderation, Plato implies, must not arise for reasons other than from the individual's mastery over the dark steed of appetite. Happiness cannot be attained by the tyrannical mind.

Moderation, then, is the organizing principle for both the individual soul and for the state. The many and the philosophers must both practice the temperate life in order that happiness may be attained. For the many, however, it becomes the dominant psychological characteristic of the happy life, according to Plato. The many are incapable by means of temperament of cultivating the rational

---

69 Ibid., p. 290.

part of the soul to the point of gaining true insight into the nature of the Good. For Plato, happiness for the many, which is to say happiness for the state as a whole, is realized only when the tyrannical, appetitive self is yoked by reason, law, or belief in the virtue of self-control.

In summary, Plato's description of the happy life is the same thing as the virtuous life. Philosophers--those who choose the upward path to knowledge--are the happiest people of all. It is their fortune to possess properly well-ordered souls. In addition, they lead contemplative lives characterized by the pursuit of true knowledge of intelligible virtue. Next in happiness are the spirited guardians of the ideal state. They cultivate honorable obedience to the point that it checks the appetites and serves reason by upholding the laws. The many, if they possess temperate characters, also attain happiness. Although they do not experience the periagoge that compels one to follow the upward path, they achieve happiness by driving from their being all traces of tyrannical self-indulgence in the passions. The least happy citizens of the polis are the tyrants. The life of tyranny, in which reason and courage are made subservient to the appetitive spirit, is one of aggression, distrust, and ultimate misery, in Plato's opinion. Describing the existence of tyrants Plato writes:

"Therefore, those who have no experience of prudence and virtue but are always living with feasts and the like are, it seems, brought down and then back again to the middle and throughout life wander in this way; but, since they don't go beyond this, they don't look upward toward what is truly above, nor are they ever brought to it; and they aren't filled with what really is, nor do they taste of a pleasure
that is sure and pure; rather, after the fashion of cattle, always looking down and with their heads bent to earth and table, they feed, fattening themselves, and copulating; and, for the sake of getting more of these things, they kick and butt with horns and hoofs of iron, killing each other because they are insatiable; for they are not filling the part of themselves that is, or can contain anything, with things that are."

Tyrants sustain themselves on only the things that come into and go out of being; they never attain knowledge of the things that are. Arguing that the tyrant stands last in a long line of corruption of the soul from its pure state in the aristocratic man, Plato claims that the tyrant is nine times less happy than the true aristocrat. 72

V. The Psychological Division of Labor

The happy life according to Plato's inquiry into its nature is one that is associated with knowledge, courage, and temperance. It partakes of the particular virtues, which Plato describes as being qualities of happiness or goodness itself. This happy life is fostered in an economy by a division of labor. The virtues of justice, wisdom, courage, and temperance are, in Plato's opinion, best cultivated in an economy in which one man works at one job for which he is ideally suited temperamentally. Moreover, Plato recognizes that the division affords society more economic output, although this consideration is of secondary importance.

The division of labor is discussed in the Republic. In Book II, in which Plato discusses the origins of the city, Socrates and

72 Ibid., p. 270.
Plato's brother Adeimantus discuss the efficacy of a specialization of labor. Plato writes:

[Socrates] "Now wait," I said. "How will the city be sufficient to provide for this much? Won't one man be a farmer, another the housebuilder, and still another, a weaver? Or shall we add to it a shoemaker or some other man who cares for what has to do with the body?"

[Adeimantus] "Certainly."

"The city of utmost necessity would be made of four or five men."

"It looks like it."

"Now, what about this? Must each one of them put his work at the disposition of all in common--for example, must the farmer, one man, provide food for four and spend four times as much time and labor in the provision of food and then give it in common to the others; or must he neglect them and produce a fourth part of the food in a fourth part of the time and use the other three parts for the provision of a house, clothing, and shoes, not taking the trouble to share in common with others, but minding his own business for himself?"

And Adeimantus said, "Perhaps, Socrates, the former is easier than the latter."

"It wouldn't be strange, by Zeus," I said. "I myself also had the thought when you spoke that, in the first place, each of us is naturally not quite like anyone else, but rather differs in his nature; different men are apt for the accomplishment of different jobs. Isn't that your opinion?"

"It is."

"And, what about this? Who would do a finer job, one man practicing many arts, or one man one art?"

"One man, one art," he said.

"And, further, it's also plain, I support, that if a man lets the crucial moment in any work pass, it is completely ruined."

"Yes, it is plain."
"I don't suppose the thing done is willing to await the leisure of the man who does it; but it's necessary for the man who does it to follow close upon the thing done, and not as a spare-time occupation."

"It is necessary."

"So, on this basis each thing becomes more plentiful, finer, and easier, when one man, exempt from other tasks, does one thing according to nature and at the crucial moment."

"That's entirely certain."73

In the passage above Plato sets forth his version of the economic division of labor. It is clear that Plato understood the increase in productive efficiency that accompanies specialization. It is on this level of thinking that Socrates discusses the division with Adeimantus. Yet, productive efficiency is not the primary reason for the introduction of specialization into the discussion of the constitution of the ideal state.

In his discussion of the correct education for the youth of the ideal state—that which promotes happiness through the development of well-ordered souls—Plato again mentions the division of labor. In this context he claims that it is necessary for the educators to watch carefully for the glimpses one gets into the nature of a child. Once observed the educator can then channel the youth's education into a course that prepares him for work in the field that suits that nature. From Book IV:

[Socrates] "And still slighter than that," I said, "is what we mentioned earlier when we said that if a child of slight ability were born of the guardians, he would have to be sent

73 Ibid., pp. 46-47.
off to the others, and if a serious one were born of the others, he would have to be sent off to the guardians. This was intended to make plain that each of the other citizens too must be brought to that which naturally suits him—one man, one job—so that each man, practicing his own, which is one, will not become many but one; and thus, you see, the whole city will naturally grow to be one and not many.\(^7^4\)

In this passage one sees the intent of Plato's call for specialization—the city will grow to be one and not many. Harmony is an important concept in Plato's theory of welfare. At the level of the individual the soul should be harmonious—it should have the proper balance, and its parts should be present in the proper proportions. The state, which is, for Plato, man writ large, should also exhibit harmony. The functions of society should have the proper balance, and the classes should be present in proportions that follow those of the soul of the individual—the few, i.e., the philosophers and guardians, should rule the many in the same manner and proportions as reason and spirit in the soul are masters over the passions. Plato's division of labor, by fostering a psychological sense of well-being in the individual, results in the development of a smoothly operating polis. As a bonus specialization increases the quality and quantity of market output in the well-ordered polis.

Historians of economic thought who have discounted the importance of Plato's theory of labor specialization do him a disservice. Clearly Plato understood the advantages of a division as those advantages are described by Smith at a much later date. He

\(^7^4\)Ibid., p. 101.
even understood the fact that specialization on an international level could further increase the quality and quantity of output. Plato did not, however, put much stock in such advantages as these. One must recall that happiness for Plato does not revolve around the acquisition of things—at least, not the things that come into and go out of being. Rather, happiness, as understood by Plato, and this understanding is that which develops after careful analysis—not from mere opinion—comes to those who possess wisdom, courage, and temperance. The economy does not generate commodities and services for the satisfaction of appetitive urges, according to Plato's theory of the ideal state. Instead, it produces such commodities and services that afford the citizens of the polis with a desirable level of material affluence. This level of production is neither so small that it does not afford men the time to engage in the contemplation of the upward path, nor so large as to coerce men to devote their full attentions to the simple problems of management of the things that come into and go out of being.

Plato's division of labor is based upon the idea that happiness is not pleasure but virtue. Plato's support for labor specialization is consistent with his observation that the natures of men are different—some being high-minded and capable of following the upward path, and some more ideally suited for the temperate pursuit of appetitive endeavors. Plato's division is scientific. Plato understood science to be the exercise of reason; his division of labor is the product of the exercise of reason concerning the possible means of achieving happiness. It differs from the modern
conceptions of labor specialization principally on the point that it obtains from the hypothesis that man partakes of happiness rather than defines it. Happiness exists for Plato as an intelligible. For him, man is not, as the sophists argued, the measure of all things. Ultimate virtue itself—the Good—is the universal concept that serves as the measure of all things. In the Laws the Athenian stranger, speaking the opinion of Plato, says: "Now it is God who is, for you and me, of a truth the 'measure of all things,' much more truly than, as they say, 'man.'” 75 Given this understanding of ontology it is entirely logically consistent for Plato to admire the specialization of labor for its qualities for producing psychological and political harmony, rather than for its ability to afford society more of the things that it must guard against acquiring in excess in the first place.

VI. The Moderate Economy

A division of labor is but one prescription for an economy that Plato calls for in his design of the ideal state—the state that maximizes happiness. In the two dialogues devoted to a description of the good state, i.e., the Republic and Laws, one sees an impressive group of prescriptions for the economy that arises from Plato's theory of happiness. These economic reforms are well known, but have typically been overlooked as relatively unimportant value judgments of an ancient philosopher. In fact, they constitute Plato's welfare economics. After systematically analyzing the nature of virtue in

the early and middle dialogues, and after having designed an educational process whereby virtue can be attained, Plato describes in some detail the characteristics of an economy that would promote the virtuous life, which Plato understood to be synonymous with happiness. These prescriptions make up the basis for an analysis of welfare economics that deserves a position among early theories of welfare. That they are subjectively derived, we have seen, is insufficient reason to exclude them from the body of thought on economic welfare.

Plato's economic prescriptions are derived from his observations concerning the historical generation and development of the Hellenic economy. Plato was a keen critic of the profligacy that he witnessed in Athens. In addition he was armed with the unpleasant memories he carried of the economy of Syracuse, with which he had become familiar while serving as an advisor to Dionysius. Plato reacted against what he saw as an atmosphere of tyranny—enslavement to the passions. His economic prescriptions serve to repair the Greek economy by yoking it under the rule of justice and moderation and rejecting the licentious rule of self-tyranny.

Plato's theory of the origin of the economy is found in Book II of the Republic. Searching for knowledge of justice Plato reasons that if it is detectable in the individual it must be magnified in the city. This leads to a dialectical discussion of the historical beginnings of an economy. According to Plato, the city has its origin in men's realization that they lack economic self-sufficiency. That is, one man cannot easily secure the things that can be produced
in a small economy benefiting from a division of labor. Socrates says: "a city, as I believe, comes into being because each of us isn't self-sufficient but is in need of much." Labor specialization afforded ancient man the economic means of securing a standard of living conducive to the happy life. In attributing the origin of the economy to a human need to specialize the tasks of labor, instead of relating it to some notion of kindred spirits, people, or gens, Plato displays a more economic interpretation of history than Aristotle's.

A simple, good city arises when a few people specialize and exchange the commodities and services resulting from their labor. The city in which Plato lived, however, was more than this. Economic growth in Athens did not stop with the specialization of labor on a small scale. Athens, along with its port Piraeus, flourished, and had grown, by the time of Plato, to a size and state of affairs resembling the city of sows mentioned in the Republic. Plato describes the development of such a city in order to trace the development of injustice, as well as justice, in society. The luxurious city is condemned by Plato as being "feverish." In the city of sows, as Plato describes it,

Nothing stands in the way. For these things, as it seems, won't satisfy some, or this way of life, but couches, tables, and other furniture will be added, and, of course, relishes, perfume, incense, courtesans and cakes—all sorts of all of

---

77 Ibid., p. 49.
them. And, in particular, we can't still postulate the mere necessities we were talking about at first--houses, clothes, and shoes; but painting and embroidery must also be set in motion; and gold, ivory, and everything of the sort must be obtained. Isn't this so?

"Yes," he said.

"Then the city must be made bigger again. This healthy one isn't adequate any more, but must already be gorged with a bulky mass of things, which are not in cities because of necessity--all the hunters and imitators, many concerned with figures and colors, many with music; and poets and their helpers, rhapsodes, actors, choral dancers, contractors, and craftsmen of all sorts of equipment; for feminine adornment as well as other things. And so we'll need more servants too. Or doesn't it seem there will be need of teachers, wet nurses, governesses, beauticians, barbers, and, further, relish-makers and cooks? And, what's more, we're in addition going to need swineherds. This animal wasn't in our earlier city--there was no need--but in this one there will be need of it in addition. And there'll also be need of very many other fatted beasts if someone will eat them, won't there?"

"Of course."

"Won't we be in much greater need of doctors if we follow this way of life rather than the earlier one?"

"Much greater."

"And the land, of course, which was then sufficient for feeding the men who were then, will not be small although it was sufficient. Or how should we say it?"

"Like that," he said.

"Then must we cut off a piece of our neighbors' land, if we are going to have sufficient for pasture and tillage, and they in turn from ours, if they let themselves go to the unlimited acquisition of money, overstepping the boundary of the necessary?"

"Quite necessarily, Socrates," he said.\(^78\)

\(^78\) Ibid., pp. 49-50.
In this way Plato describes the city in which he finds himself. Although Plato did not think Athens to be as contemptible as Syracuse and other Italian cities, it is clear that he did not think it to be the ideal, just city either. The economic and social reforms that are defended in the Republic and Laws are intended to repair Athens to a state that is consistent with the idea of virtue that runs through all the dialogues.

Plato attributes the generation of a luxurious city to the degeneration of the souls of its inhabitants. In Books VIII and IX of the Republic Plato traces this psychological deterioration. In the simple city—that which is capable of affording men a happy life—the inhabitants are true aristocrats (aristoi). In such cities a rule of the best, i.e., aristocracy, prevails. "A city so composed," Plato writes, "is hard to be moved." According to Plato, however, even the best conceived cities are not static. One expects, given Plato's ontology, that regimes, like people, come into and go out of being. This expectation is not ill-founded—Plato espouses a theory of flux that is remarkably similar to the modern entropy law of thermodynamics. He writes: "But, since for everything that has come into being there is decay, not even a composition such as this will remain for all times; it will be dissolved." Over time human nature turns the souls of the aristoi away from the path of excellence (arete), and the aristocrats divide into factions against each other.79

79 Ibid., p. 223.
The existence of factions in the city gives rise to the development of timocratic man. The timocrat prefers honor to true excellence. The economic institutions that support timocracy are the development of money-making as a pursuit in itself, and the private possession of land and other private riches. The psychological condition that spawns the timocrat is an excess of spiritedness over the reasoning part of the soul. Because such a soul cannot partake of virtue through philosophy it inevitably lapses into pursuit of false virtues—chiefly money-making. 80

Like aristocracy, timocracy is unstable. The psychological imbalance of the inhabitants of the timarchy which resulted in the paying of "fierce honor to gold and silver," 81 results in the development of overweening stinginess among the timocrats. The love of victories and of honors that accompanies an excess of spiritedness gives rise to the pursuit of excessive private fortune. The resulting excess of stinginess and money-making creates the oligarchic man and the corresponding oligarchic city. The oligarch, who has lost sight of honor and the spiritedness of the timocrat, "turns greedily to money-making." "There is," Plato writes, "no other transformation so quick and so sure from a young man who loves honor to one who loves money." 82

80 Ibid., p. 228.
81 Ibid., p. 225.
82 Ibid., p. 231.
Oligarchy dissolves into democracy, according to Plato's theory. Noting that it is "not possible to honor wealth in a city and at the same time adequately to maintain moderation among the citizens," Plato argues that temperance is lost among the inhabitants of the oligarchic city. This yields democracy. Democracy in its Platonic formulation is characterized by the prevalence of licentiousness. In a democracy one is free to do as one pleases. Because of this sort of freedom, a democracy "contains all species of regimes." Happiness in a democracy, however, is a matter of chance. Moreover, without moderation checking the appetitive urges, the soul of the democratic man is likely to develop into that of the tyrant.

Tyranny is the ultimate state of the decaying polis. It is characterized by fear and desire—people are given over to fits of desire, and they fear that others might stand in the way of their securing the objects of their desire. Plato thought Athens to have degenerated into tyranny. How else could a regime have put its fairest citizen, Socrates, to death? Plato's prescriptions for economic change constitute a response to tyranny. They are, moreover, consistent with his theory of the soul in flux—the hypothesis that argues that the soul, if diverted from reason, degenerates from excellence to tyranny and licentiousness.

Plato reasoned that human nature is such that the soul is easily diverted from the true path to happiness. In Book II of the

---

83Ibid., p. 235.
Republic Plato's brother, Adeimantus, quotes Hesiod in describing the two paths that the soul can follow when seeking the things that it desires. Plato writes:

Vice in abundance is easy to choose,  
The road is smooth and it lies very near,  
While the gods have set sweat before virtue,  
And it is a long road, rough and steep.84

The self-tyranny that is spawned when the soul follows the smooth road is not, in Plato's opinion, consistent with the attainment of happiness.

Plato's welfare economics seeks to combat the degeneration of the polis into a state of tyranny. His prescriptions designed to prevent this generation, however, can be divided into two categories: (1) those designed to create the best state, and (2) those that, in view of the improbability of society choosing the best state, are intended to bring about the creation of a "second-best" state. Plato's discussion of the best state can be found principally in the Republic. In this discussion Plato associates the regime capable of maximizing happiness with a caste system in which the ruling classes of society are propertyless. The theory of the state found in the Republic is based upon the principle of harmony. Harmony occurs when each thing in a system, in this case individuals within a polis, displays natural, well-ordered relationships with the other things of the system. Strings on a lyre, tuned to the harmonious intervals of the Western scale, exhibit this relationship. For the Greeks, and

84Ibid., p. 41.
for Plato in particular, harmony applied not only to music, but to all elements of the cosmos. Plato's science presupposes the existence of an underlying logos, i.e., an order to things, within the cosmos. When individuals achieve an existence that is consistent with this logos the relationship between man and the cosmos is harmonious. Plato understands man's proper relationship with the cosmos to center around his attainment of knowledge of the things that are, and, thus, the virtuous life.

Because man, in Plato's understanding of things, ought to attune himself to ta onta psychologically—the soul is the part of being that perceives the intelligibles—Plato's theory of the best state requires an ordering of the city in a fashion that is patterned after the well-ordered soul. Society is to be divided up into classes. These classes are compared so as to correspond to human nature, and, in particular, to the different degrees to which the souls of the inhabitants of the polis are capable of partaking of virtue. Individuals capable of following the upward path to the point of the establishment of episteme make up one class—the philosophers. Philosophers in the best state would lead a contemplative life that prepares them to recollect a knowledge of the things that are, i.e., the virtues. The rulers of the happy state would be chosen from this class of individuals. Plato reasoned that only those who partake of reason and follow the upward path are capable of resisting corruption, and, therefore, promoting justice.

Individuals whose souls are characterized by an abundance of spiritedness, who place honor above all else, it is imagined would
serve as the auxiliaries of the rulers. These guardians would constitute the second class of citizens of the happy state. Their function, like that of the spirited part of the soul itself, would be to serve reason, in the form of the philosophers, by protecting the state. Another important role of the auxiliaries would be to uphold the laws, thereby checking the licentiousness of the many.

The first two classes are intended by Plato to live a communistic life. In the best state property would cease to exist. Moreover, women, children, and their education would also exist in common. Moved, i.e., erotically drawn to, reason, the inhabitants of the happiest state would not be much interested in the practice of labelling as "mine" the things that come into and go out of being.

Property held in common by these classes is limited in the best state to that which is necessary to provide the guardians with an adequate level of material well-being. This level of affluence is by design neither insufficient to afford guardians the opportunity to spend time in pursuit of virtue instead of subsistence, nor so great as to awaken the appetitive part of the guardian's soul to the pleasures of money-making and fortune-building.

Plato summarizes the lifestyle of the guardians in his introduction to Book VIII of the Republic. He writes:

"All right. This much has been agreed, Glaucon: for a city that is going to be governed on a high level, women must be in common, children and their entire education must be in common, and similarly the practices in war and peace must be in common, and their kings must be those among them who have proved best in philosophy and with respect to war."

"Yes," he said, "it has been agreed."
"Furthermore, we also accept that when the rulers are once established, they must take the lead and settle the soldiers in houses—such as we spoke of before—that have nothing private for anyone but are common for all. And, in addition to such houses, as to possessions, if you remember, we presumably came to an agreement about what sort they are to have."

"Yes, I do remember," he said, "that we supposed that no one must possess any of the things the others nowadays have; but that like champions of war and guardians, they will receive a wage from the others consisting of the bare subsistence required for their guarding, and for this wage they must take care of themselves and the rest of the city."\(^85\)

The life of the many is not mentioned much in Plato's discussion of the best state. Presumably, in the happiest regime they would cease to exist—they would be compelled by reason to possess well-ordered souls, and would voluntarily take up philosophy as the helmsman of their lives. Plato does mention, time and again, that the many must accept moderation as the virtue most dear to their souls. The many, incapable as they are of acquiring true knowledge of virtue, must seek temperance, on basis of faith (pistis), as the avenue to happiness.

Plato concedes in the Laws, if the Athenian stranger's utterings may be interpreted as the opinions of Plato, that the best regime does not likely exist anywhere. Moreover, it is unlikely that such a regime would be spontaneously generated in the future. The propertyless, contemplative life of the true philosophers is described in the Laws as probably only attainable by the gods or their

\(^{85}\)Ibid., p. 221.
children. To anticipate the actual abolition of private property would be, in Plato's words, "too demanding for the birth, nurture, and education" of the inhabitants of a city.

It is doubtless that Plato was an idealist, although not of the naive sort that we envision today. For Plato, idealism corresponded to an unshakable belief in the existence of virtues qua Forms. Plato's idealism—his preoccupation with the attempt to acquire knowledge of eidoi—did not render him a less than capable student of human nature. Plato paid attention to the world around him. He understood well the fact that people strive to be happy. He thought, however, some people not serious enough, in terms of temperamental endowment, to recognize that happiness itself was not discoverable through hedonism. He recognized that the many are motivated by the opinion that happiness is the same thing as pleasure, which, in turn, they identified with the satisfaction of desire. Plato, therefore, designed a constitution for a "second-best" state, which can be found in the Laws. Plato's theory of the "second-best" state attempts to theorize the nature of the regime that would best promote happiness in a society in which the many would never become philosophers.

Plato's "second-best" regime exists in the form of the constitution of a planned city on the island of Crete--Magnesia. The design of this city is the focus of the Laws, which is a dialogue

---


87 Ibid., p. 127.
cast in the form of a discussion between three gentlemen—a Spartan, a Cretan, and an Athenian (not Socrates). Property would be permitted in Magnesia. The accumulation of property, would be strictly regulated. Moreover, the laws that regulate the production, exchange, and consumption of property would be reinforced by a rigorous plan for education (paideia) and censorship that would render moderation and justice desirable to the many.

In the "second-best" city property would exist in the form of lots to be drawn-up by the state. Lots would be distributed to the citizens of the city by its founders. The lots would not be equal in size, but would vary in accordance with the principle of proportionate inequality. According to this principle the inhabitants of a city deserve unequal distributions of property, because of the temperamental differences that exist in their natures. Temperaments, Plato reasons, vary in accordance with the composition of the individuals' souls. Because of this an egalitarian distribution of lots would be inconsistent with the promotion of happiness— it would not be harmonious.

The number of lots to be created for the Magnesian population would be 5,040. This implies that the city would be somewhat smaller than is common today. Guthrie reports that a community of 5,040 households would correspond to a population of 40,000 to 48,000 people. In addition the city would be inhabited by about 7,000 to
8,000 metics--resident aliens--and perhaps 30,000 slaves. The number of lots being fixed, Plato envisioned a stable population corresponding to that reported by Guthrie. Presumably, a city of the size envisioned by Plato would be large enough to produce subsistence for a community of people living happily, without being so large as to be luxurious. In addition, taxation in a polis comprising 5,040 households would be convenient, Plato argued, since that number is divisible evenly by the numbers one through ten.

Accumulation of wealth in Magnesia would be strictly limited by the authorities. The permitted spread of wealth would be no more than fourfold--the most valuable estate would be no more than four times more valuable than the least valuable lot. In this way Plato intended to allow for differences in wealth that suit the temperaments of the Magnesians, while preventing an accumulation of wealth that would encourage the timocratic development of money-loving within the souls of the citizens. One measure described by Plato that would limit the accumulation of wealth is that selling and buying estates would be punishable by law.

All property accumulated on an estate would have to be registered with the authorities, according to Plato's plan. This not only facilitates assessment of property value for purposes of taxation, but also permits close monitoring of estates in order to


90 Ibid., p. 132.
prevent an excessive accumulation of wealth.\textsuperscript{91} These limitations correspond with Plato's belief that happiness and material wealth are not usually found together. He writes:

\begin{quote}
I at least would never agree with them that a rich man becomes truly happy, if he is not also good. But it is impossible for someone to be both unusually good and unusually rich.\textsuperscript{92}
\end{quote}

In the Republic Plato concedes the need for the existence of money within the city. In Book II he admits that money can serve as a useful standard and store of value. In his discussion of the simple city Socrates reasons with Adeimantus that

\begin{quote}
"Out of this we'll get a market and an established currency as a token for exchange."
\end{quote}

\begin{quote}
"Most certainly."
\end{quote}

\begin{quote}
"If the farmer or any other craftsman brings what he has produced to the market, and he doesn't arrive at the same time as those who need what he has to exchange, will he sit in the market idle, his craft unattended?"
\end{quote}

\begin{quote}
"Not at all," he said. "There are men who see this situation and set themselves to this service; in rightly governed cities they are usually those whose bodies are weakest and are useless for doing any other job. They must stay there in the market and exchange things for money with those who need to sell something and exchange for money again, with all those who need to buy something."\textsuperscript{93}
\end{quote}

In this context money is seen as being superior to barter because it enables craftsmen to look after their crafts, rather than remain idle in the marketplace. In addition, it provides work for tradesmen--

\textsuperscript{91}Ibid.

\textsuperscript{92}Ibid., p. 130.

\textsuperscript{93}Plato, "Republic," in The Republic of Plato, p. 48.
those who by temperament and physical composition are unsuitable for work in the crafts. 94

One sees in Book VIII, however, that the existence of money can serve to turn the souls of noble men away from virtue and create within them the craving for money-making. 95 For this reason Plato limits the use of money within the Magnesian economy. First, there will only be token money in circulation in Magnesia. Plato writes "no private person shall be allowed to possess any gold or silver, but only coinage for day-to-day dealings which one can hardly avoid having..." 96 He continues:

For these purposes, we assert that they should possess a kind of coin that carries value among themselves but is valueless among other human beings. The city itself, however, must necessarily possess some money of the sort that is common to the Greeks, for use by army expeditions and by travelers who go abroad among other human beings—ambassadors, for instance, and any other necessary messengers whom the city must send out. For the sake of these things, the city, must, on each occasion, possess Greek money. 97

All privately held foreign money, such as the common Greek coinage, is to be confiscated by the state.

In addition to limiting the circulation of currency to just token coinage for day-to-day use, Plato would not have any craftsmen work for money. When craftsmen bring their products to the market they will exchange them for money, and, in turn, exchange the money

94 Ibid.
95 Ibid., pp. 228-233.
97 Ibid.
for needed commodities and services. The tradesmen of the city, who are permitted to work for money, will consist of the group of resident aliens or metics. No citizens of the polis will be permitted to become money-changers.

Plato places a further restriction on the use of money in the Magnesian economy. Money must not be used to make money--there will be no lending of money at interest. It will be quite acceptable Plato notes for borrowers in the Magnesian economy to refuse to repay both principal and interest upon being charged interest by a lender.98

The citizens of the good polis, then, are to be divided into four classes of propertyholders in accordance with their natures. Citizens will be expected to adopt agriculture as their trade. Metics and other visitors will work the marketplace--some as craftsmen, others as tradesmen. Neither citizens nor metics are permitted to work at two or more jobs. The cultivation of virtue, Plato notes, requires full-time effort, and is, therefore, inconsistent with part-time jobs. Retail trade in the polis will be regulated so that avarice is checked by virtue. Exchange of commodities and services will be regulated by Market-Wardens. Their job is to ensure that exchange between the citizens and metics and visitors occurs in the manner prescribed by the law.99

---

98 Ibid., p. 129.
99 Ibid., p. 151.
Plato spells out the laws concerning retail trade in Book VIII of the Laws. These laws are described as follows:

One the first day of every month the portion that is to be sold to strangers should be brought forth by the selling agents (either strangers or slaves, who will act for the city dwellers). The first commodity is the twelfth-part of grain. Each stranger should at the first market buy the grain that he will need for the whole month, along with whatever else goes with grain. Then on the tenth day of the month the one party should sell, and the other buy, enough liquid goods to last the whole month. The third market, for livestock, should take place on the twentieth of each month. At that time there should be whatever selling and buying of animals is necessary for each, as well as the sale on behalf of the farmers of any equipment or other goods the strangers must acquire by purchase from others (such as animal skins and all sorts of clothing, woven goods, wool felt, and some other such things).

But as regards retail trade in any of these things, including barley, wheat turned into flour, and every other sort of food, no one is ever supposed to sell or to buy from the city dwellers or their slaves; it should be in the strangers' marketplaces that a stranger does his selling to craftsmen and their slaves, and performs those dealings in wine and grain that are termed "retail trade" by most people. Once animals have been slaughtered and cut up, the butchers should distribute them to strangers and craftsmen, or their domestic servants. And any stranger who wants to, can on any day buy any sort of firewood in bulk from agents out in the country, and then sell it himself to other strangers—in whatever amount and whenever he wishes.

All the other sorts of goods and equipment each needs should be brought to the common marketplace and sold in a location for each, where the Guardians of the Laws and the Market Regulators, along with the City Regulators, should mark out appropriate boundaries for stalls for the goods to be bought. In these allotted spaces they should exchange money for goods and goods for money, not allowing each other to get anything without gaining something in return. He who gives something on trust must be content whether or not he receives the thing, since there'll no longer be a just cause of action in such transactions.

If what's purchased or sold creates an excess or a deficiency contrary to the law that has said there must not be an increase or a decrease beyond a certain sum, then, in the former case, the excess should be recorded with the
Guardians of the Laws and, in the opposite case, the shortfall should be cancelled. The same ordinances concerning registration of property apply to resident aliens.

These laws set strict standards for the Market-Wardens to follow. They are designed to prevent the degeneration of the soul to a condition that is inconsistent with happiness.

The Market-Wardens, Plato describes, will come from the first and second property classes. They are selected by a process of electing by vote ten candidates from a list of suitable names. From this group five Wardens are chosen, after "due scrutiny," by lot. Market-Wardens are to be given the power to uphold commercial and retail laws on their own, and will be authorized to fine citizens and metics who fail to observe the market laws.

In addition to ensuring that only appropriate commodities are traded at each market described by the laws, the Market-Wardens are empowered to regulate the prices of commodities for sale. The law to be invoked here is:

The seller of anything whatsoever in the marketplace may never mention two prices for the things he may be selling, but must utter the price simply, and if he doesn't obtain this, he would act correctly if he took the item away again; and he may not set a greater or lesser price on this day.

100 Ibid., pp. 242-243.
101 Ibid., p. 150.
102 Ibid., p. 317.
Prices that Plato considers to be proper are those that will give the retailer a "well-measured gain."\textsuperscript{103} The guardians of the city are supposed to meet to establish in writing the "ratio of expenditure to receipts" that provide this profit margin. The recorded prices are to be put on display in the marketplace and imposed by the Market-Wardens.\textsuperscript{104}

Plato's laws of the economy extend beyond the regulation of the marketplace. In Book VIII of the \textit{Laws} one finds restrictions on agricultural production and resource utilization as well. In general, these laws require that citizens of the polis not try to produce more than is proper from an estate. One must not attempt to encroach on another's property. One must not damage the water supply and thereby render it unsuitable for use by farmers who live downstream. And, importantly, one should not attempt to stockpile a surplus of agricultural products over and beyond what is needed on the estate.\textsuperscript{105}

The regulation of the economy that Plato envisions includes the restriction of international trade. Plato, through the Athenian stranger in the \textit{Laws}, advises that cities should be founded on land that is not overly easy to cultivate. Moreover, the location of the city should be well away from safe harbors. In the frame of the \textit{Republic} Plato displays his dislike of port towns when Socrates shows

\textsuperscript{103}Ibid., p. 320.
\textsuperscript{104}Ibid.
\textsuperscript{105}Ibid., p. 236.
his uneasiness at finding himself detained in Piraeus and outside the walls of Athens. Port towns, Plato reckons, are the avenues of introduction into a well-ordered state of strange ways and objects and artifacts that are designed to stimulate unduly the appetitive part of the soul. As with domestic trade, Plato encourages moderation when approaching trade with foreign economies. In the *Republic* Plato approves the importation of "what's needed from another city."\(^{106}\) Imported necessities, however, do not include supplies used in religious ceremony. Nor are imports of "substances...needed for an unnecessary purpose in any other art"\(^{107}\) approved. In any case, retail trade between states, whose sole purpose is to increase the wealth of the state, is never to be allowed in the well-conceived city.\(^{108}\)

Plato's restrictions on trade may strike some modern readers as Draconian. To be sure they are inconsistent with an atmosphere of free-trade within the marketplace. Nevertheless, Plato reasoned that these regulations on trade, production, and the accumulation of wealth promote true happiness. They do so by institutionalizing the observance of *sophrosyne*, moderation, within the economy. It is difficult to imagine the existence of immoderate behavior in a market in which intemperance is made illegal. This is the effect of the laws concerning commerce and property found in Plato's *Laws*.

\(^{106}\) Plato, "Republic," in *The Republic of Plato*, p. 47.


\(^{108}\) Ibid.
The moderation that Plato seeks in his laws is intended to produce happiness for the inhabitants of Magnesia by securing true freedom for them. Moderation ensures that the soul will not fall under the influence of its sub-rational parts. In Book VIII of the Republic Plato notes that freedom to do what one pleases is the chief characteristic of a democracy—a form of government that he identifies with diseased souls. He argues, however, that this type of freedom, i.e., license, is not the same thing as true liberty. Liberty, for Plato, arises when the soul subjugates its appetitive and spirited parts, and, thereby, enables itself to seek the upward path to reasoned knowledge. For the many, who are the inhabitants of the realistic, "second-best" regime, this liberty becomes attainable through the practice of moderation.\textsuperscript{109}

This, then, is Plato's theory of economic welfare. Perhaps its most unusual feature is that it is designed to produce happiness involuntarily among the inhabitants of the city for which it was designed. Specifically, Plato claims that the legislation of moderation will produce happiness for the many, even though it is unlikely that the many would enthusiastically submit to the institution of such laws. In this manner Plato's theory of economic welfare is nearly antithetical to much of contemporary welfare analysis. This may explain the history of opposition to Plato's views and the dismissal of his analysis as pre-scientific. Contemporary welfare analysis is based upon the notion that welfare is promoted whenever

at least one individual is able to satisfy some desire and no one else is penalized; or, when the utility realized from the satisfaction of the individual's desire exceeds any loss in satisfaction realized by others. Contemporary welfare economics attempts to explain market behavior in terms of voluntary actions taken by economic agents. Plato's analysis, on the other hand, explains economic welfare in terms of people happily existing in a regulated economy in spite of the fact that their appetitive impulses remain unsatisfied.

Compared in this way contemporary welfare analysis seems more sophisticated in nature than Plato's analysis. From a methodological, if not a philosophical, perspective contemporary analysis assumes that man is the measure of the things that are. The reasoning behind much of contemporary analysis suggests that (1) men seek the objects of their desire, (2) this quest sometimes produces conflict when desires of two or more individuals conflict, (3) welfare analysis seeks to suggest patterns of production and distribution that result in the greatest level of satisfaction of desires that is reasonably attainable.

Plato's analysis, by comparison, assumes the existence of objective virtue. Happiness exists as an intelligible Form. Welfare is promoted when people acquire reasoned knowledge of happiness itself. According to Plato's epistemology, however, such knowledge is difficult to come by. People attain knowledge of intelligible virtues by recollecting their characteristics through a process of serious dialectical inquiry. For Plato the Good, or, in the Laws,
God, is the measure of the things that are. The Good—the ultimate virtue in which the particular virtues partake—moves the soul by making its existence known to it. Happiness is thus defined as the result of the soul's partaking of virtue through the virtuous life that is piloted by reason.

It is consistent for Plato to have reasoned that welfare for the many is improved through institutionalized temperance. Moderation, after all, is the virtue to which the sub-rational soul can aspire, according to Plato's analysis. It is logical, therefore, for Plato to have prescribed a series of market restrictions designed to quell the tyrannical desires that he recognized in the souls of the many. Society, Plato reasoned, is chained, by its failure to master the passions, and in the dark; it is forever looking at shadows and misperceiving the clues that suggest the existence of virtue itself. Moved by this view of society Plato sought to promote welfare by making society virtuous. If society could not partake of reason on a grand scale, at least it could become virtuous by acquiring temperance. Plato's theory of welfare is, thus, the economics of moderation.

Plato's theory of moderation is the product of the systematic exercise of reason. Consequently it constitutes an attempt to produce science. It analyzes the best organization of the economy in terms of the economy's ability to be brought into conformity with an absolute standard of goodness. That this analysis does not anticipate all of the features of modern analysis does not make it non-scientific. It simply reflects the fact that Plato was nearly the
first scientist to inquire into the nature of the economy that best produces well-being.

In summary, Plato reasoned that the Good exists, albeit in a plane that is "beyond being." This supreme virtue engenders particular virtues with their qualities. Happiness, or well-being, is attained, according to Plato's system of knowledge, when the soul recognizes the existence of the Good and conforms to it, producing harmony. A harmonious existence requires that no individual attempt to pursue many crafts, i.e., that there should exist a division of labor, and that individuals produce, exchange, and consume commodities and services moderately.
CHAPTER 4

PLATO'S NOTION OF THE SUFFICIENT ECONOMY

I have argued that Plato envisioned an economy organized around the principle of moderation. An economy in which citizens produce, exchange, and consume with an eye toward temperance, Plato argued, would produce the greatest degree of social well-being. This temperate economy was ultimately based upon the notion of sufficiency. One must remember that Plato concerned himself primarily with discovery of things that were beyond being—things that are, i.e., that do not come into and go out of being. According to Plato, the serious person, spoudaios, attempts to become like the things that are. For example, the serious person attempts to become virtuous, i.e., like virtue itself. For such an individual the realm of things that are sensed—aisthesis—offers little that could promote happiness. After all, Plato conceived happiness to be an intelligible concept; to possess happiness one must seek it through a disciplined program of rational inquiry. According to Plato's system of thought, men acquire physical things for the purpose of subsistence, rather than for the attainment of happiness. With respect to the acquisition of physical things, Plato considered the operative principle to be sufficiency—ikanotes. An economy constructed around this principle would seek to be sufficient and whole; it would not lock itself into the vicious cycle of growing to meet the demands of
the many, whose demands, in turn and as a result of economic growth, grow. The principle of ikanotes, or sufficiency, provides contemporary policy-makers with a useful solution to the many problems that are associated with a perpetually growing global economy.

I. Sufficiency

Plato's concept of sufficiency is directly related to his theory of moderation. A temperate life, which is associated with the happy life, is assured when the many acquire commodities and services with a goal of becoming sufficient. Plato introduces the notion of the sufficient life in the Lysis. In a passage from a discussion between Socrates and Lysis, Plato establishes parameters for sufficiency by dispelling one common formulation of the life of sufficiency, i.e., the life of self-sufficiency. Recall that in the Lysis the overall theme concerns the nature of friendship. Socrates inquires about the nature of friendship and, at one point, connects it with sufficiency. In the Lysis Plato writes:

[Socrates:] But, you will say, the like man is not a friend to the like man, but the good will be a friend to the good, in so far as he is good, not in so far as he is like.

[Lysis:] Perhaps I may.

And I should rejoin, Will not the good man, in so far as he is good, be found to be sufficient for himself?

Yes.

And if sufficient, he will want nothing so far as his sufficiency goes.

Of course not.

And if he does not want anything he won't feel regard for anything either.
To be sure not.

And what he does not feel regard for, he cannot love.

Not he.

And if he does not love, he won't be a friend.

Clearly not.¹

In the passage above Plato argues that good men are friends, and yet they are not self-sufficient. Ikanotes, as Plato envisions it, does not mean that an individual requires nothing of anyone else. This, remember, would be inconsistent with his notion of the specialization of labor. Sufficiency is, then, clearly not the same thing as self-sufficiency.

In the Republic, Plato again introduces the idea of the sufficient life. Discussing the proper size of the ideal city in Book IV, Plato argues through Socrates that a proper city should not grow beyond a certain size. Socrates argues with Adeimantus:

"Therefore," I said, "this would also be the fairest boundary for our rulers; so big must they make the city, and bounding off enough land so that it will be of that size, they must let the rest go."

"What boundary?" he said.

"I suppose this one," I said, "up to that point in its growth at which it's willing to be one, let it grow, and not beyond."

"That's fine," he said.

"Therefore, we'll also set this further command on the guardians, to guard in every way against the city's being

little or seemingly big; rather it should be sufficient and one."

The ideal city, it seems, should be neither too small, nor so large as to qualify as luxurious. Rather, an ideal city should be of a size so as to yield sufficient production for the subsistence needs of its inhabitants.

The analogy of the jars from the *Gorgias* serves to illustrate the virtue of obtaining temperance through the acquisition of a sufficient amount of subsistence commodities. One will remember that in this analogy Socrates discusses two men possessing several jars each, while the other, whose jars are riddled with holes, is unable to achieve sufficiency. He is reduced, according to the analogy, to perpetually returning to the sources of the items that he needs to refill his damaged containers. By this analogy Plato means to suggest that temperance requires that an individual secure sufficient stocks and stores of those physical items that contribute to a comfortable existence. To constantly consume commodities without a proper end—sufficiency—in sight, is to misperceive the appropriate ends of human action, in Plato's opinion.3

Gerald Alonzo Smith restates Plato's analogy in a slightly different form in his essay "The Teleological View of Wealth: A Historical Perspective."4 Smith writes:

---


The practice of medicine may require the prescription of an addictive stimulant for the sake of good health. The amount of the stimulant is finite and limited by the end. When, however, one takes a stimulant for its own sake, the desire for it becomes infinite since it is no longer limited by a final goal but is an end in itself.

The point of each analogy is the same—acquisition of physical things ought properly to be limited by an end. For Smith the proper end of human actions is linked with Aristotle's \textit{causa finalis}, or final cause, from the peripatetic's theory of causes. According to this theory there exist four essential causes for every course of human action. These are the \textit{causa materialis}, the \textit{causa efficiens}, the \textit{causa formalis}, and the \textit{causa finalis}. Smith summarizes Aristotle's conception of causes in the following example:

An example is the building of a house wherein the wood and other materials are the \textit{causa materialis}, the carpenter's labor and the tools are the \textit{causa efficiens}, the blueprint or plan in the carpenter's mind is the \textit{causa formalis}, and the desire to have a home for shelter and comfort is the \textit{causa finalis}.  

The example above does in some respects trivialize the Aristotelian concept of causes. It does provide the reader with analogies to the four causes, but succeeds in reducing the significance of Aristotle's final cause of human activity. Aristotle, like Plato before him, envisioned the \textit{causa finalis} to be the attainment of happiness. Smith cites the work of four economists--Sismondi, Ruskin, Hobson, and Tawney--claiming that "[t]hey realized that only that analysis

\textsuperscript{5}Ibid., p. 215. 
\textsuperscript{6}Ibid., p. 232.
which can lead to appropriate \textit{causa finalis} is destined to give satisfaction in fruition since only the appropriate causa finalis gives a fundamental unity to the problem of human behavior.\textsuperscript{7} Plato, too, realized the necessity of adopting a teleological view of wealth. According to this view, the proper end of acquisition is sufficiency. Sufficiency, however, is subordinate to the end of temperance, which, in turn, is subordinate to the ultimate aim of happiness. Viewed this way Plato's notion of the happy life can be categorized thus: sufficiency provides the \textit{causa efficiens}, moderation provides the \textit{causa formalis}, and happiness provides the \textit{causa finalis} of human activity. That is, sufficiency is that which enables the model of the temperate life to be achieved by an individual. This model life, i.e., the life of moderation, is, in turn, ultimately oriented toward the final goal of the individual's attainment of happiness.

Happiness, then, requires that an economy be oriented toward the goal of producing a sufficient quantity of commodities and services. The sufficient quantity that Plato has in mind is an amount that rids men of poverty, and, yet, does not constitute such a large quantity of material riches so as to qualify as a luxurious estate. In the \textit{Gorgias} Plato claims that poverty is the greatest material evil. He writes:

\textsuperscript{7}Ibid., pp. 232-233.
SOCRATES: ...Look at it in this way. In the fabric of a man's material estate do you see any other evil than poverty?

POLUS: No, only poverty.

SOCRATES: And what about his bodily constitution? Would you say its evil is weakness and sickness and ugliness and such things?

POLUS: I would.

SOCRATES: And do you consider there is an evil condition of the soul?

POLUS: Certainly.

SOCRATES: And do you call this injustice and ignorance and cowardice and the like?

POLUS: Certainly.

SOCRATES: Then for these three, material fortune, body, and soul, you have named three evils, poverty, disease, and injustice?

POLUS: Yes.  

The art which rids men of material evil—poverty—is economics or money-making, in Plato's opinion.  

This art enables men to conveniently and efficiently produce a level of material affluence that is sufficient to nourish a life of moderation.

Among the three human evils that Plato identifies in the passage above, injustice is singled out as being the most severe evil. Injustice, after all, is a psychological state which turns the soul away from the true aim of happiness. In several places in the

---

9Ibid., p. 261.
dialogues Plato associates the life of injustice with tyranny. In the Gorgias he makes this point clear in the following passage:

SOCRATES: And is not this just the man who does the greatest wrong and indulges in the greatest injustice and yet contrives to escape admonition, correction, or punishment—the very condition you describe as achieved by Archelaus and other tyrants, orators, and potentates?

POLUS: It seems so.

SOCRATES: For what these have contrived, my good friend, is pretty much as if a man afflicted with the most grievous ailments should contrive not to pay the doctors the penalty of his sins against his body by submitting to treatment, because he is afraid, like a child, of the pain of cautery or surgery. Do you not agree?

POLUS: I do.

SOCRATES: He is evidently ignorant of the meaning of health and physical fitness. For apparently, as our recent admissions prove, those who escape punishment also act much in the same way, Polus. They see its painfulness but are blind to its benefit and know not how much more miserable than a union with an unhealthy body is a union with a soul that is not healthy but corrupt and impious and evil, and so they leave nothing undone to avoid being punished and liberated from the greatest of ills, providing themselves with money and friends and the highest attainable powers of persuasive rhetoric. But if we have been right in our admissions, Polus, do you see the results of our argument, or shall we sum them up together?

POLUS: Yes, if you wish.

SOCRATES: Is not our conclusion then that injustice and the doing of wrong is the greatest of evils?

POLUS: Evidently. 10

The life of tyranny is the opposite of the life of poverty. The tyrannical state refrains from the production of no thing that the appetitive soul desires. The tyrannical state is that which

10 Ibid., pp. 262-263.
Plato associates with the city of sows in the Republic. It is a city of luxury. It is the "feverish city." Plato writes, "stands in its way." In such a state men become addicted to the stimulants of appetite, consuming them for their own sake. Under such circumstances the soul of the individual is turned from the proper causa finalis—happiness. Smith points out that this existence accounts for the enslavement of mankind to the constant requirements of production and economic growth. Plato understood Smith's point well. Referring to the jars analogy, and, in particular, to the individual who slavishly attempts to keep his perforated jars filled, Plato notes that "a life of pleasure demands the largest possible influx." He continues:

SOCRATES: Then if there is a big influx, must there not also be a great outflow, and must not the holes for the outflow be large?

CALLICLES: Certainly.

SOCRATES: It is the life of a plover you mean, not that of a corpse or a stone. And now tell me. You are thinking of some such thing as being hungry and, when hungry, eating?

CALLICLES: I am.

SOCRATES: And being thirsty and, when thirsty, drinking?

CALLICLES: Yes, and experiencing all the other appetites and being able to satisfy them and living happily in the enjoyment of them.

SOCRATES: Good, my worthy friend, just continue as you began, and mind you do not falter through shame. And I too,

---

2 Ibid.
it seems, must throw all shame aside. First of all then, tell me whether one who suffers from the itch and longs to scratch himself, if he can scratch himself to his heart's content and continue scratching all his life, can be said to live happily.

CALLICLES: How absurd you are, Socrates, a regular mob orator!

SOCRATES: That, Callicles, is why I frightened Polus and Gorgias and put them to shame, but you surely will not be dismayed or abashed, for you have courage. Only give me your answer.

CALLICLES: Well then, I say that even one who scratches himself would live pleasantly.

Socrates goes on to discredit Callicles' notion of the happy life, likening the life of the man who scratches himself interminably with the life of a catamite. He makes clear the point described by Smith—to be given over to attempting to satisfy appetitive urges without having a final cause in mind is to be miserable.

II. The Sufficient State

The sufficient state exists somewhere between the state of poverty and the state of tyrannical luxury. Such a state would not have as an economic goal the maximization of economic output. Plato suggests that the tyrannical state is that which is caught up in the production of the largest influx and outflow of commodities and services. Its problem is that it does not yield happiness for its inhabitants, according to Plato's theory.

\[14\] Ibid.

\[15\] Ibid.
The constitution of Magnesia serves as Plato's description of the sufficient state. In Plato's condemnation of the Persian regime, which appears in the Laws, one sees that the Magnesian economy should not participate in the production of luxury. From Book III:

Ath. Now I divine that Cyrus, though in other respects a good general and a friend to his city, failed completely to grasp what is a correct education, and didn't direct his mind at all to [economics.]

Kl. What makes us assert such a thing?

Ath. It's likely that he spent his whole life, from youth on, preoccupied with military matters, and turned his children over to the women to be brought up. They brought the children up as though they were happy from the time they were babies, and blessed from the moment they were born, lacking nothing. The women allowed no one to oppose them in anything, on the grounds that they were endowed with happiness, and compelled everyone else to praise whatever the children said or did: that was the sort of children they raised.

Kl. It sounds lovely, this upbringing you've described!

Ath. A feminine upbringing—the children were brought up by royal, newly-rich women, and in the absence of the men, who were unable to find leisure because of wars and many other dangers.

Kl. That stands to reason.

Ath. Their father, meanwhile, kept acquiring flocks and herds, including many droves of men along with many other animals, on their behalf; but he didn't know that they to whom he was going to give all this were not being educated in their father's art, which was Persian (for the Persians are shepherds because of the rough country from which they originate). This art is a tough one, sufficient to make men very strong herdsmen, capable of living outdoors, able to keep watch without sleep, and ready to serve as soldiers whenever they have to. Anyway, he failed to see that women and eunuchs had given his sons an education which had been corrupted by the so-called happiness of the Medes, and the sons turned out as one would expect, after having been brought up without any restraint. When his children took over
From Cyrus after his death, they were bursting with luxury and lack of restraint. First one killed the other because he couldn't bear to share equally; after this the one who remained, maddened by drunkenness and lack of education, had his rule destroyed by the Medes and by the fellow they, at that time, called "the Eunuch," who had nothing but contempt for the silliness of Cambyses.

Through this story Plato relates the corruption of tyrannical luxury. When individuals receive an inadequate education concerning the true nature of virtue, they are given over to excess, and killing in order to prevent the loss of acquired luxury. Such is the fate of regimes that do not reconcile the usefulness of sufficient production and temperance with the goal of happiness.

The Magnesian state is also contrasted with the Spartan regime in Book III of the Laws. Plato associated Sparta with the ascetic life, in which the city's inhabitants engage in restraint and material poverty. A careful reading of Plato's description of Sparta, however, cannot but reveal that Plato views the Spartan asceticism as being that type of moderation that arises from a sense of self-indulgence. The Spartans practice a severe form of temperance not because they perceive the moderate life to be happy, but, rather, because the ascetic life breeds tough citizens who are capable of holding their own in battle. This sort of temperance has not happiness as its goal, but, instead, is designed to promote excellence in the area of martial arts. The Spartans practice temperance for fear of falling prey to uncontrolled passion, which

---

would render them effeminate, and similar in character to the sons of Cyrus. One will recall that this type of moderation is associated in the Phaedo with a perverse sort of self-indulgence.\(^{17}\) Plato characterizes such individuals saying: "it is really because they cannot resist some pleasures that they succeed in resisting others..."\(^{18}\) This amounts to controlling one's appetites by indulging in others—in the case of the Spartans, it is indulgence in honor-loving and spirited forms of living.

Plato uses the Persian and Spartan economies to illustrate the excesses to which an economy can subscribe if organized around models of the soul which are deficient in one sense or another. The Persian economy is illustrative of the tyranny which results when individuals indulge the passions in an attempt to sate the appetitive part of the soul. Plato is careful to show that such a regime is generated when the many, here represented by the child-like minds of the spoiled Persian Princes, are not given strong models of honor in which to invest their faith. The sons of the king are never schooled in the virtue of temperance, according to Plato's story, and thus become slaves of their appetites. As Plato argues earlier in the Republic, such behavior cannot result in the attainment of happiness; rather, it breeds the tyrannical overindulgence of appetite that characterizes the Persian state after the passing of the king. The lack of trust in the motives and intentions of one's fellow, which


\(^{18}\) Ibid.
typifies the tyrannical soul, turns brother against brother in a battle for that which is fundamentally unattainable. Plato rejects the Persian model for the economy as unsound on the grounds that it precludes the attainment of happiness for individuals by virtue of its encouragement of cultivation of the appetitive part of the soul.

Plato, too, rejects the model of the Spartan economy for the reason that it represents the institutionalization of a deficient psychology. In the case of Sparta, however, it is not that the state promotes appetitive behavior, but, rather, that it restricts it in an undesirable way. When Plato discusses the notion of temperance through overindulgence, it includes the Spartan psychology. The Spartans adopted an ascetic life style, not out of a belief in the self-evident virtue of temperance, but out of a worship of honor and spiritedness. The Spartans sought to cultivate citizens who could excel in battle. The honor-loving individual recognizes, Plato reasons, the dangers of overindulgence of the passions. Such behavior breeds the weakness that proved to be the undoing of the Persians. Spartan temperance, however, is not grounded in true virtuous behavior, but, instead, is based upon a psychology which suffers from an excess of spiritedness. Just as Plato rejected the notion that the Persian model of the economy could foster happiness, so, too, he dismisses the possibility that the Spartan model would suffice to promote welfare. To be sure, Plato considered the Spartan model superior to the Persian. After all, it represented the result of an imbalance of the soul which veers from the ideal less than the tyranny of rule by appetite. Even so, the Spartan constitution is
less desirable than one which obtains from a model of the virtuous soul in which reason governs both spiritedness and appetite. For this reason, Plato speculates on the design of the Magnesian economy.

Magnesia is designed to lie, in terms of moderation, somewhere between the Spartan and Persian regimes. It is, recall, designed to be constructed well away from good harbors, and on soil of only average productivity. This location insures that the Magnesians would find it difficult to develop a luxurious state. The fact that the land would be difficult to work, or that the Magnesians would experience difficulty in establishing a profitable foreign trade, does not dismay Plato. He views such hardship as beneficial to society. In such conditions the inhabitants of a city would produce a sufficient quantity of economic output by default. This sufficiency would guarantee that the inhabitants live moderately. This moderation would, in Plato's opinion, serve well the ultimate goal of happiness.

Magnesia is envisioned by Plato to be a stationary-state. Its population, recall, is to be limited to the number corresponding to a city with 5,040 households. The land in the city is to be carefully administered in a way that promotes sufficiency for all inhabitants of the city. Recognizing the different needs of individuals, which arise, Plato claims, from differences in temperament, Plato permitted a spread of wealth that would amount to a fourfold difference between the largest and smallest estates. The absolute size of these estates, Plato envisioned, would never be allowed to increase--any surplus value would be turned over to the government.
In this way the physical wealth of Magnesia would remain constant over time.\textsuperscript{19}

The population of Magnesia, like the stock of physical wealth, would remain constant. In Book V of the \textit{Laws} Plato describes a system of population management. He writes:

\begin{quote}
[I]n families where there are more than one [child], the females should be given in marriage according to the law that will be ordained, and the males should be distributed as sons to those citizens who lack sons. Personal likes and dislikes should be followed as closely as possible. If there are some who can find no one who pleases them, or if a surplus of females or males occurs, or on the contrary a deficiency because of a lack of childbirths, there will be a magistracy which we will designate—the greatest and most honored, in fact—which should, after looking into all these things, devise means of assisting those who have too many offspring and those who are lacking, so as to maintain the five thousand forty households always intact insofar as is possible. There are many devices, including ways of preventing birth in those who conceive too many offspring, and, on the contrary, various ways of encouraging and stimulating a greater number of conceptions. The use of honors and dishonors, as well as the encouraging words of elders addressed to young people, can accomplish what we're talking about.\textsuperscript{20}
\end{quote}

In extreme cases in which the population were to exceed that which is appropriate to 5,040 households, the surplus of people would be dispatched to build new cities. Plato, however, is not desirous of permitting an economy to grow beyond a sufficient size.\textsuperscript{21}

Plato's notion of sufficiency is based upon his observation that the ideal city should be like a man. According to Plato's

\begin{footnotes}
\item[20] Ibid., p. 127.
\item[21] Ibid., p. 128.
\end{footnotes}
theory of being, men possess souls that serve as the bodily organ capable of discovering the existence and qualities of the intel­ligible virtues. The souls of men are well-ordered if they partake of the virtues in the proper proportions--this is Plato's principle of harmony. The city, too, ought to exist in harmonious proportion with virtue. The well-ordered city is not unlike the well-ordered soul. In the Republic Plato writes:

[Socrates:] "Then is that city best governed which is most like a single human being? For example, when one of us wounds a finger, presumably the entire community--that community tying the body together with the soul in a single arrangement under the ruler within it--is aware of the fact, and all of it is in pain as a whole along with the afflicted part; and it is in this sense we say that this human being has a pain in his finger. And does the same argument hold for any other part of a human being, both when it is afflicted by pain and when eased by pleasure?"

[Glaucon:] "Yes, it does," he said. "And, as to what you ask, the city with the best regime is most like such a human being."

The city is similar in its composition to the body of an individual. The human body reaches an equilibrium when it is healthy. If it is undernourished it withers; if overfed and pampered, the human body loses fitness and becomes subject to disease. The body seeks an equilibrium in which it is sufficiently nourished. In Plato's opinion, the ideal city enjoys an equilibrium that is similar to that of the well-nourished, well-exercised body--if the city is too small it is incapable of producing subsistence for its inhabitants; if the city grows excessively it is, in Plato's terms, no longer one, i.e.,

no longer sufficient. The city, like the body, is a finite, open system, which requires a constant influx and outflow of matter and energy. As Plato suggests in his analogy of the jars, the influx and outflow of materials should not be excessive. In order that a city may produce happiness for its inhabitants, it must be founded upon the virtue of moderation, which requires that it produce the physical necessities for its inhabitants in sufficient, not luxurious, quantities.  

Economists are beginning to appreciate the importance of the idea of the stationary-state, such as the one described by Plato. The popular models of physical science suggest that the natural condition of life on earth is that of a finite, open biosystem. This biosystem requires that relatively low-entropy matter and energy be available for use, and that higher-entropy wastes be removed from the system. Plato's biological analogy, likening the economy to the human body, is as appropriate for today as it was for his discussion of the ideal state in antiquity. Herman E. Daly has pointed out that economists such as Marshall and Hobson have encouraged the use of biological analogies in contemporary economics. Daly himself likens the economic process to the process of metabolism in the human body. He notes:

The close similarity of the basic within-skin life process of metabolism (anabolism and catabolism) with the outside-skin life process of economics (production and consumption) is evident...

---

In either process the only material output is waste. The purpose (value produced) of the metabolic process is the maintenance of life. The purpose (value produced) of the economic process is the maintenance and enjoyment of life. 

As man comes to appreciate the view of the world as a finite dowry of available matter and energy, and one in which the capacity to absorb the waste by-products of economic activity is limited, he becomes aware of the inevitability that economic growth cannot be achieved indefinitely in the future. Like the body, the economy must reach a size that is sufficient to produce a comfortable subsistence for its inhabitants, and, yet, it must not grow so large as to disrupt the equilibrium—the harmony, in Plato’s term—of the environment that enables the human economy to successfully slough off its waste by-products.

The economy, as understood from the perspective of contemporary economics, grows in response to the effects on prices of an excess demand for commodities and services at existing market prices—the increases in prices that ordinarily accompany conditions of excess demand precipitate increases in output in the marketplace. That excess demand should prevail in a market is the result of what Plato describes as a psychological imbalance in which the soul is given over to preoccupation with the satisfaction of the appetites. The individual who possesses such a soul is, in Plato’s terms, poverty-stricken. Plato defines poverty in the Laws as a problem

associated with excessive greed, rather than with insufficient wealth. He writes that "poverty consists not in a lessening of one's property but in an increase of one's avarice."25

In Plato's mind, the ideal economy is one in which the poverty of avarice is displaced by a spirit of sufficiency that is embraced by the people. This sufficiency is the belief that there exists such a thing as "enough." The belief by the individual that "enough" possessions may be possessed comes easily, Plato argues, to the soul that is well-ordered. A city inhabited by citizens possessing this temperament would find that a moderate-sized economy is capable, under the circumstances Plato describes as being associated with the location of the Magnesian economy, of producing a volume of commodities and services suitable for maintenance of a comfortable lifestyle, i.e., sufficiency.

Contemporary economies have resorted to different solutions to the fundamental problem of scarcity of desired resources. Market economies typically use the price system to ration valuable commodities and services. In those instances in which a market economy is incapable of adequately providing a rationing function, for example when externalities exist, the market is frequently assisted by the legal system, which attempts to complement the price system with a just method of allocating resources. In societies in which the market is subordinated to the operations of the regime, the legal

---

system provides an almost complete, although frequently unsatisfactory, rationing of the things held dear by individuals. In either instance the economy is based upon the notion that people want more than they can conveniently secure, because of scarcity. Such economies operate as if there is nothing inherently wrong with such desires, rather the fault can be credited to a less than generous nature of physis.

According to Plato's theory of welfare, scarcity is rooted in the soul's tendency towards imbalance—in particular, an imbalance in which the appetitive part of the soul masters reason and spirit. Scarcity is alleviated when harmony is restored to the soul. When this occurs the individual accepts the notion that "Enough is enough." Under such conditions it is not likely that an economy would be plagued by excess demand for output. Instead, the economy would be organized to produce a sufficient level of output.

Plato realized that individuals are driven by the tendency to seek pleasure and avoid pain. "By nature," Plato writes, "the human consists above all in pleasures and pains and desires. To these every mortal animal is, as it were, inextricably attached and bound in the most serious ways." Desire and longing are natural and provide the basis for Plato's philosophia—the theory of the erotic urge from the Symposium. Nevertheless, true pleasure, which is desirable, is not associated with the life of profligacy; it can be

---

26Ibid., p. 119.

found in the psychological harmony which attends the soul that discovers the sublime nature of the intelligible virtues. For this reason Plato did not believe that an economy should strive to produce an ever-increasing array of commodities and services. Moderation affords the many happiness. Sufficiency, ikanotes, corresponds to the level of economic output that is consistent with moderation.

A restoration of the belief in the virtue of sufficiency could solve many of the economic problems that hamper economic welfare today. Daly and others point out that an optimum size for population exists. This population corresponds to that which is capable of maximizing the level of material well-being for the inhabitants of an economy. A population that falls short of this level, as well as one that exceeds it, would prove incapable of providing a similar level of affluence. There must also exist a level of physical capital that corresponds to the optimum population. Such a stock of physical artifacts would sustain life comfortably. A smaller capital stock than this would be insufficient to generate a comfortable subsistence; one that is larger would prove unwieldy and prohibitive, if not impossible, to maintain. Adoption of Plato's notion of sufficiency by the inhabitants of the contemporary economy would enable welfare to be served without resort to various unpleasant methods of rationing commodities in a world of poverty--poverty being defined in the Platonic sense.

---

CHAPTER 5

PLATO'S THEORIES OF USURY AND THE JUST PRICE

An important element of Plato's theory of welfare is the notion of economic justice. Justice, recall, is one of the chief virtues which must be cultivated in the best state. Justice requires of an individual that he or she do what is his or her own business. This behavior ensures that an individual will perform the task for which he or she is best suited temperamentally. In the best economy an individual would be allowed to specialize in a field of endeavor in which he or she could find happiness. No citizen in the best economy would be permitted to speculate in the market-place. Marketing and money-changing would be left to the class of resident aliens--matics.

Plato's reason for not wanting citizens to earn a livelihood within the marketplace is teleological in nature. The aim of life is the attainment of happiness. Happiness, in the Platonic conception, requires that an individual seek a psychological balance in which reason rules spirit and the passions. The proper goal of production and consumption is subsistence--one does not seek profit in the marketplace for the sake of wealth alone. Because Plato does not associate wealth with happiness--"wealth...corrupts the soul of human
beings through luxury"¹—he does not permit the acquisition of wealth for its own sake in the best economy.

For this reason Plato outlawed forms of increasing wealth which serve chiefly to enhance one's estate. Charging interest on loans, and selling a thing for "more than its real value" are examples of wealth-getting to be outlawed in the best economy.

Plato was not the originator of theories of usury and the just price. Baldwin points out that the term "just price" is "almost as old as existing commercial records and probably as old as economic exchange itself."² Baldwin finds the term in use in Babylonian records not long after the time of Hammurabi.³ Nevertheless, in his theory of welfare Plato was an early articulator of ideas of market justice which excluded from the best economy the practices of charging interest on loans and selling above the "true worth" of a thing.

I. Medieval Just Price Theory

The economic literature devoted to the analysis of the development of early market theories of value does not credit Plato with contributing to just price and usury theories. Instead, the literature focuses on medieval-to-Enlightenment-period formulations of these concepts, while pointing in the direction of their roots in the


³Ibid.
philosophy of Aristotle, as well as in Roman law. There can be little doubt concerning the intellectual debt of Scholastic philosophy to both its Greek and Roman inheritance. There can be no doubt, further, that St. Thomas, who along with his teacher St. Albert popularized the writings of Aristotle in the Medieval period, drew heavily upon Aristotelian thought on the principles of economic justice. Even so, it is unlikely that Aristotle formulated his theories of usury and the just price independent of his teacher's opinions on these subjects. Why, then, does Plato not appear in the literature on the Medieval theories of price?

The obvious answer to the question concerning Plato's absence from the literature on usury and the just price is that his work simply did not influence the doctors to the extent that Aristotle's did. In the strictest sense this response is correct, although Platonism did shape Medieval Catholic philosophy through the influence of St. Augustine. One suspects, however, that the general dissatisfaction that exists among contemporary economists concerning Plato's economic thought, accounts for at least part of the tendency to overlook Plato's contributions to notions of economic justice. In this chapter I will discuss these contributions and argue that they, owing to their similarity to Aristotle's theories, helped shape the conception of the "real value of things" which flourished under the Schoolmen during the Medieval period.

The literature devoted to the analysis of ancient and medieval theories of usury and the just price is unusually well-developed. This fact can be explained by the importance accorded by
economists to theories of value and price. In an attempt to come to grips with different societies' methods of valuation economists have studied well the Schoolmen's tendency to associate price with the "real value of things." The literature, however, tends to be split into two categories—that which associates market justice in ancient and medieval times with the maintenance of existing class structures, and that which associates market justice from this period with a wide amount of freedom in the marketplace. Many of the popular works on the notion of the just price, for instance, claim that the medieval doctors argued in favor of the just price being that which maintains the status of the seller of a commodity or service. This interpretation of medieval economic thought is found, in particular, in the writings of Max Weber and Werner Sombart.\(^4\) Weber and Sombart appear to have placed undue importance on the work of the unorthodox Scholastic Heinrich von Langenstein, who did espouse a status-maintaining view of the just price.\(^5\) Recent literature on medieval economic thought, however, tends to associate the doctors' just price with the market price for a commodity or service.\(^6\)


\(^5\) Ibid.

\(^6\) For compelling arguments in favor of the view that the Schoolmen held the just price to be the market price of a thing, rather than the cost-covering price or the status-maintaining price, consult De Roover and Baldwin. For a more recent and quite elegant presentation of this thesis see Odd Langholm, "Economic Freedom in Scholastic Thought," History of Political Economy, 14 (1982), 260-283. See especially pp. 277-280.
Whatever the view, the literature demonstrates agreement on one subject—the origins of the medieval theories of market justice. The literature on medieval economic thought credits Roman law, especially the sixth century compilation of Justinian, and, later, the influence of Aristotle on Scholastic philosophy as being seminal in the development of the medieval position on usury and the just price. In one of the early attempts to describe pre-Smithian value theory, Sewall suggests the importance of the Roman principle of laesio enormis for the medieval Catholic position on market justice.\(^7\) The Romans generally favored a lack of price regulation in the marketplace. Cicero, for example, speaking of the price of bronze statues, said: "The only limit to the valuation of such things is the desire which anyone has for them..."\(^8\) One exception to the Roman principle of freedom in trade, however, was laesio enormis. According to this principle a seller could recover if he received less than one half of the real value (verum pretium) of a plot of land.\(^9\) Most contemporary work on the just price follows the lead of Sewall in describing the importance of the Roman laesio enormis in the medieval formulation of the concept of the justum pretium.\(^10\)


\(^8\)Ibid., p. 5.

\(^9\)Ibid., p. 7.

\(^10\)For an extensive treatment of the implications of laesio enormis see Baldwin, p. 22.
Baldwin describes the importance of the principle of *laesio enormis*. He argues that the revival of the compilation of Justinian by the medieval Romanists, or Glossators, which occurred around the turn of the twelfth century in Bologna, led to a renewed interest on the part of the church in Roman trade practices. In large measure, the Romanists adopted the Roman practice of permitting trade between buyer and seller to be transacted without legal intervention. In the thirteenth century Accursius and Odofredus described the legal contract price as that price which was agreed upon after a bargaining process involving a certain amount of higgling.\(^\text{11}\) Such contract prices, however, could be set aside under the law of *laesio enormis*, which in medieval times was extended from Roman considerations of land dealings to cover other areas of exchange.

The problem of *laesio enormis*, both in Roman and medieval times, was that it necessitated the estimation of the *justum pretium* in order that it may be determined to what extent contract prices diverge from true values. It had been customary in cases involving *laesio enormis* for the court to appoint *boni homines*, good men, to agree upon the just price. Odofredus, however, provided four standards for determining the true or just value of things. The first method had the broadest appeal inasmuch as it could be applied to commodities other than just land. This method involved observing the current common price for a commodity, or *communiter*. By current price Odofredus meant not simply the transitory current price of a

\(^{11}\) Baldwin, p. 21.
thing, which was influenced by market conditions affected by war, disaster, and unusually severe weather, but, rather, the price for which a commodity was commonly sold. Odofredus' other provisions applied ordinarily in cases of laesio enormis which involved the exchange of parcels of land. One technique whereby the true value of land could be determined was to compare its price with the value of recently sold adjacent pieces of property. Alternatively, the amounts of rent received on pieces of land could be compared to determine land values. Finally, one could seek the opinion of men knowledgeable of values of their patrimonies for a standard of value.12

Determination of the just price in medieval times appears to have revolved around Roman practices. Usually this meant accepting the prevailing market price for a commodity as its true value. Not all of the Roman trade practices were adopted by the medieval writers, however. Prior to the revival of the Institutes, Digest, and Code of Justinian, the decretists from the time of the Emperor Charlemagne declared the Roman practices of centisima and sescuplum unacceptable. Centisima was the normal rate of interest applied to loans, amounting to twelve percent per annum. The sescuplum was a sort of Roman in-kind interest charge equal to one half of the goods borrowed. Each practice was outlawed during the Carolingian period as a form of usury.13

12 Ibid., pp. 28-29.
13 Ibid., p. 32.
By the middle of the thirteenth century the writings of Aristotle had been rediscovered by the doctors. With the rediscovery of these works Greek notions of justice began to appear in the writings of the Schoolmen concerning problems of just and unjust trade practices. In particular, Albert and Thomas revived two of Aristotle's three notions of justice—commutative and proportional justice. With respect to the exchange of economic commodities and services Albert and Thomas applied the ideas of Aristotle to determine the justice of the transaction. Proportional justice referred to the principle of justifiable inequality between members of different socio-economic classes. This difference could be justly maintained in exchange—a king would maintain his status before and after an exchange with an underling, as would the subordinate. Sale between equals could be explained by the principle of commutative justice—bargains struck between trading partners would be just if the parties be equals. In addition, Baldwin notes that Aristotle intended another type of justice, although the Schoolmen never understood it. This type of justice concerned the proper proportions concerning the exchange of commodities. Specifically, one could not expect the principle of equality to pertain to the trade of different commodities. One bed could not justly be exchanged for one house, to borrow an example from the doctors. Instead, it was necessary to determine the proper proportion which would govern the exchange of such things, i.e., several beds for a single house. The type of

14Ibid., p. 62.
justice described here is reciprocal justice, which is the type of justice which governs trade.\textsuperscript{15}

In all this the Scholastics intended to preserve justice through the practice of trade. Aristotle had provided elegant models of justice which the Schoolmen were happy to copy. In the classical conception justice meant doing what was one's own, or receiving what was one's due. One's due, in turn, depended upon who one was, as well as what it was that one had to offer. Exchange between nobleman and craftsman would preserve the natural inequality which society had spawned. Justice concerning the exchange of commodities between those whom the law could view as equals could be counted on through fair bargaining between equals. Finally, although the Schoolmen never fully articulated the Aristotelian idea of reciprocity, justice would prevail through exchange if the proportions of exchanged commodities reflected the true, objective values of things, which revealed a flagon of wine, for example, to be less dear than a fleet of ships.\textsuperscript{16}

Baldwin, de Roover, and others have convincingly argued that the Schoolmen, including Albert and Thomas, held the just price of a commodity, i.e., its objective value, to be revealed in its market price during ordinary times. In normal times the Schoolmen maintained that justice would be done if parties to exchange traded commodities at prices that commonly prevailed. Thomas, however, went

\textsuperscript{15}Ibid.

\textsuperscript{16}Ibid.
beyond this description of just trade in borrowing another Aristotelian principle to regulate economic exchange. Aristotle maintained in the Politics that there exist two types of trade. The first type existed because no one in society is wholly self-sufficient. This type of exchange between individuals aimed at the satisfaction of subsistence needs. A second type of exchange existed because of a desire by some to acquire wealth. This second type of trade could not be considered just, because it was intended to produce a corrupt result. This Aristotelian distinction, which Thomas supported, provides, among other things, a rationale for the dismissal of usury as unjust. Usury, at least according to Aristotle and later, Thomas, constitutes an attempt by an individual to increase his estate without exchange of subsistence goods.17

II. Plato's Contributions to the Theories of Usury and the Just Price

The notions of usury and the just price, handed down from Justinian and Aristotle and embraced by the Scholastics, presuppose the existences of objective value and justice qua metaphysical virtue. Plato, of course, posited the existences of these things. In fact, the theories of the Scholastics, especially those attributed to the influence of Aristotle, have close parallels in the work of Plato. This should be expected in light of the nature of the relationship between Plato and Aristotle—that of teacher to student. And yet, the literature nowhere examines Plato's ideas concerning the

17 Ibid., p. 65.
nature of justice in exchange. While the following argument does not prove that the Schoolmen depended upon Plato for their theories of usury and just prices, it does demonstrate that an intellectual common ground, likely attributable to the existence of Aristotle as philosophical middleman, does exist between Plato and the medieval thinkers concerning the nature of market justice.

Plato's notion of justice, which is analyzed elsewhere in this dissertation, was worked out at length in the Republic. Justice, as it is revealed in that dialogue, is concerned with doing what is one's own business. Central to this conception of justice is the idea that the individual should perform one task only—that for which he or she is suited temperamentally. The character of an individual's soul, Plato thought, predisposed him or her to taking up a certain life style, complete with economic boundaries on both the type of work that one should pursue and the acquisition of wealth. This notion of what is economically just for an individual provided Plato with the rationale for devising an elaborate system of market regulations which were geared to the preservation of temperance and sufficiency—the just individual is simply not intended to acquire wealth beyond his due.

In Chapter III the set of market restrictions concerning the sale of commodities and services which Plato placed upon citizens of the best state was described. With respect to the pricing of commodities and services, Plato thought it best, i.e., most just, if these things were priced by the Guardians of the Laws, who, in turn,
would consult experts to determine the prices of things. From the
Laws:

In order that [a metic] in the city may be for us the best possible, or the least bad possible, the Guardians of the Laws are to understand that they are not only guards of those whom, because they have been well educated by birth and upbringing, it is easy for them to guard against becoming lawless and bad, but also that they should guard even more those who are not such, but are engaged in practices that have certain strong influence in prompting men to become bad.

With this end in view, the Guardians of the Laws ought again to meet concerning these matters [of retail trade] with those who have experience in each branch of retail trade, just as we earlier ordered them to do in the case of adulteration, which is a practice akin to this; with respect to those aspects of retail trade (which is extensive, and includes many practices of the sort just alluded to) which have seemed to be highly necessary in the city and have been allowed to remain, they should meet and see what receipt and expense balance at any time makes a well-measured gain for the retail merchant. The receipt and expense balance arrived at is to be posted in writing and guarded by the Market Regulators, City Regulators, and Field Regulators. In this way, what pertains to retail trade would be pretty beneficial to each person, and would do pretty much the smallest injury to those in the city who make use of it.

Prices corresponding to those which provide merchants with the well-measured gains determined by the Guardians of the Laws would be strictly enforced by the Market Regulators. In another passage from the Laws Plato notes:

If what's purchased or sold creates an excess or a deficiency contrary to the law that has said there must not be an increase or a decrease beyond a certain sum, then, in the former case, the excess should be recorded with the Guardians of the Laws and, in the opposite case, the

---


19 Saunders translates "recorded" as "confiscated" in his translation of Plato's "Laws." See p. 353 of Saunderson's translation.
shortfall should be cancelled. The same ordinances concerning registration of property apply to resident aliens.\(^{20}\)

The price of a commodity which is prescribed by law is, for Plato, the just price. Plato's just price, however, differs from that of Schoolmen in that it does not necessarily reflect the true value of a thing. To be sure, Plato believed in the existence of objective value. But, while the Scholastics were concerned with determining the *verum pretium* of a commodity, Plato was preoccupied with determining the value which would preserve justice among those making the exchange. This justice preserved preordained limits to wealth of Plato's four property classes by permitting prices which would afford the seller a decent profit, while preventing the seller or the buyer of a thing from increasing their wealth much beyond what is prescribed by law--that which corresponds to the value of their original estates. Plato writes:

So let the limit of poverty be the value of the allotment, which must be maintained, and which no magistrate, and none of the others who desires to be honored for virtue, should ever allow to be diminished in the case of anyone. Taking this as the measure, the lawgiver will allow citizens to acquire twice again, and three times again, and up to four times again this amount. But if anyone acquires more than four times this amount--by finding something or by being given something, or by money-making, or some other such stroke of luck--let him dedicate the surplus to the city and to the gods who possess the city.\(^{21}\)

Plato's just price appears to differ somewhat from the mainstream notion of the *justum pretium* of the doctors. For the Schoolmen, justice prevails under conditions of exchange whenever contract

---


prices reveal the true, underlying value of things exchanged. For Plato, on the other hand, justice prevails if wealth is exchanged in due proportion. An individual, under Plato's conception of just exchange, must not receive an unreasonable gain from trade—a gain which would prove a temptation to the soul to become corrupt with avarice. For all the difference between the medieval and Platonic conceptions of the just price, however, there do exist common bonds between the two.

Plato's notion that the just price corresponds to that which affords the seller a just gain from trade is repeated by the Scholastics in their doctrine of turpe lucrum. Turpe lucrum describes an unreasonable gain from an exchange. Ordinarily the notion of turpe lucrum was restricted to cases involving usury. In the Carolingian period, however, the concept was stretched to cover all cases of shameful gain. Baldwin points out, in fact, that under Charlemagne turpe lucrum was extended to cover all forms of greediness, and was almost synonymous with avarice. Defined in this manner, turpe lucrum was connected not just with usury, but also with simony and price profiteering. The medieval doctrine of turpe lucrum, like Plato's notion of the just price, attempted to prevent unjust gains from trade from occurring.

The similarity between Plato's idea of an unjust gain from trade and the medieval turpe lucrum is, unfortunately, very likely coincidental. While the neo-Platonists of the Catholic church found

---

22 Baldwin, p. 32.
much to their liking in the philosophy of Socrates and Plato—prayers were frequently made evoking the name of St. Socrates—the medieval notion of turpe lucrum does not originate in Plato's work, but, rather it owes its existence to the Nicene Council of 325. The philosophy of the early church is not so much indebted to Plato's ideas as it is compatible with them.\textsuperscript{23}

If it cannot be said that the Schoolmen owe their conception of the just price to the writings of Plato, it can, at least, be argued that it and Plato's conception are based upon the same notions of justice. Plato's just price was intended to preserve the unequal status of members of his best society. Plato, recall, believed in a system of proportionate inequality. Individuals were expected to accumulate wealth only to the extent that their temperaments allowed under the strict observance of justice. As Plato writes in Book VI of the \textit{Laws}, "Indiscriminate equality for all amounts to inequality."\textsuperscript{24} Plato, no doubt, means by this that a strictly equal distribution of esteem, honor, and wealth among the members of a society would produce unequal distributions of happiness and goodness, owing to the heterogeneity of temperaments among the inhabitants of a state. This idea of achieving justice through a proportionate inequality is echoed in Aristotle's notion of distributive justice, which governs the exchange of commodities and services between unequals. Moreover, Aristotle's notion of

\textsuperscript{23}\textit{Ibid.}

distributive justice was adopted essentially unchanged by Albert and Thomas, who thought that it governed "the relations of things among...social superiors and private individuals..."\(^{25}\)

The idea of proportionate inequality is fundamental to the ethics of both Plato and Aristotle. Both men believed in the existence of heterogeneous temperaments. Because of the existence of different temperaments among men, Plato and Aristotle reasoned that some men require more and some less than others concerning physical wealth. We have seen in Plato's *Laws* that Plato intended the distribution of wealth to be justly unequal. The justice of unequal shares is more subtle in Aristotle's writing. He mentions it, however, in Book V of the *Nicomachean Ethics*. He writes:

> [E]quality will exist between the persons and between the things concerned; for as the latter—the things concerned—are related, so are the former; if they are not equal, they will not have what is equal, but this is the origin of quarrels and complaints—when either equals have and are awarded unequal shares, or unequals equal shares. Further, this is plain from the fact that awards should be 'according to merit'; for all men agree that what is just in distribution must be according to merit in some sense...\(^{26}\)

Justice, according to both Plato and Aristotle, demands equality between equals and inequality between unequals.

In the literature devoted to the analysis of medieval value theory much effort has been made to establish the status-maintaining theory of the just price as being central to the medieval conception

\(^{25}\)Baldwin, p. 62.

of market justice. As De Roover points out, Weber and Sombart were emphatic in their belief that the Schoolmen thought the just price to be that which afforded the seller of a commodity the ability to maintain his social status. It now appears to be the case that the mainstream thought among the doctors concerning the just price was that it corresponded to the market price of a thing. Nevertheless, a few of the Schoolmen, notably Henry of Langenstein, believed the just price to be the status-maintaining price. This formulation of just price theory appears to have its roots in that part of Platonic philosophy, carried over by Aristotle, which argues that individuals should receive subsistence commodities in accordance with need and merit. For Plato, any surplus holdings of property beyond those necessary by demonstration of need or merit revert to the state. Aristotle, too, frowned upon the accumulation of property beyond what merit dictates. Thomas J. Lewis explains this side of Aristotle's theory of exchange well in "Acquisition and Anxiety: Aristotle's Case Against the Market." 27 Lewis notes that in Aristotle

The right to property is limited to what is sufficient to sustain the polis life of the citizen. Too little would leave the citizen without adequate means for the exercise of his capacities; a vast quantity would exceed the required amount and no right to this excess would exist (Politics, 1256b, 1257a, 1257b). 28

According to Lewis, Aristotle viewed any acquisition beyond the necessary amount as a "diversion of the citizen's capacities" and,


28 Ibid., pp. 72-73.
therefore, as being unnatural. While Aristotle realized that the exchange process would likely result in the accumulation of unnecessary surplus, he adopted it in his philosophy in an attempt to harness it and to force the redistribution of goods to "supply deficiencies out of surpluses."\(^{29}\)

Regardless of whether or not all Scholastics advocated a status-maintaining theory of the just price it is evident that at least a few of them did. Those who did view the just price as that which covered the costs of the seller and allowed him to maintain his social status followed in Plato's footsteps. The system of legally fixed prices which Plato advocates in the **Laws** is based upon the notion that a commodity's price should cover the seller's costs and provide him with a decent profit—a "well-measured gain." Plato intended to have his property distribution system, in which the largest estate exceeded the smallest by a factor of no more than four, strictly observed. Commodity prices that would enable a seller to earn an unreasonable gain, i.e., would enable him to accumulate a surplus of wealth, would violate Plato's principles of market justice.

Concerning the problem of usury, Plato appears to have opposed it for essentially the same reason that Aristotle did, which, in turn, was the same reason offered by Albert and Thomas for the abolition of credit from the medieval economy. The reason given for the abolition of credit in church doctrine is that income earned from

\(^{29}\)Ibid., p. 79.
the extension of credit constituted *turpe lucrum*. This view of usury differs from the Roman understanding of the usefulness of credit. Indeed, the Romans routinely charged interest, both monetary and in-kind, on loans. The Scholastic opposition to usury, therefore, arises from influences other than Roman. Under Albert and Thomas church doctrine reflected an opposition to usury for the reasons provided by Aristotle. Aristotle opposed usury on grounds that the generation of income from the lending of money, i.e., the sale of credit, resulted from an unjust motive for exchange. The just motivation for exchanging commodities and services in the marketplace is the desire to trade subsistence goods, which, in turn, arises out of recognition of the fact that men are not self-sufficient. According to Aristotle money was invented to facilitate this sort of exchange—subsistence good for subsistence good. Aristotle did not recognize credit as being a legitimate item to be exchanged in the market. To him interest income represented the result of an attempt to make money from money, which was unnatural. This view arose from Aristotle's contention that money is not a commodity, but was, rather, an artificial invention which facilitated the exchange of true commodities. This notion that interest is obtained when money begets money is reflected in the term from ancient Greek for interest—*tokos*. *Tokos* literally means "offspring," and its application in describing interest income denotes the Greek view that interest is the child, the offspring, of money.  

---

Albert and Thomas advocated the Aristotelian view that interest income constitutes the illegitimate product of an unjust exchange. Baldwin claims that Thomas' interpretation of Aristotle's two bases for exchange constitutes the height of Aristotelian influence on medieval economic thought. He writes:

Basing his justification of the merchant on a passage from the Politics, Thomas approximated in his Summa an Aristotelian distinction between two kinds of commerce. The first consisted of an exchange of goods for goods or goods for money because of the necessities of life, and was natural and necessary to society. Men who participated in this exchange could be called more properly oeconomici or politici because they provided for the direct needs of their households or cities. The other exchange was between money and money or sometimes goods and money for the purpose of profit. Men who performed this kind of exchange were merchants (negotiatores) in the true sense. Under many conditions their profits could be rightfully condemned...

Usury would fall under the heading of the exchange between money and money, and, thus, could be condemned. Thomas' view is pure Aristotle, which can be seen when compared with Aristotle's own view on usury. From the Politics:

Usury is hated with good reason because of its being acquisition from currency itself and not from that for which currency is provided. For currency came into being for the sake of exchange. The tokos makes it more. And it is from that that it got its name. For as the offspring are like the parents, so tokos breeds currency from currency. And in this way it is of the kinds of moneymaking the most contrary to nature.

Just as Thomas' position against usury echoes Aristotle's view, Aristotle's condemnation of the charging of interest echoes

---

31 Baldwin, p. 65.

that of his teacher. In both the Republic and Laws Plato forbids the practice of the extension of credit. Aristotle's position on tokos can certainly be seen in Plato's condemnation of money-makers from Book VIII of the Republic:

"And these money-makers, with heads bent down, not seeming to see these men, would with injections of silver and any man among the remainder who yields; and carrying off from the father a multiple offspring in interest, they make the drone and the beggar great in the city."33

Plato, too, held that usury was unnatural because it represented money begetting money. In a passage from the Republic which follows that above, Plato notes that the market would be a better place if all contracts involving credit were made at the seller's risk. This position is elevated to the status of legal prescription in the Laws. In Book V he writes: "no money should be lent at interest. Anyone who has received a loan will be permitted to refuse to pay it back, both interest and principal."34 Again, in Book XI Plato argues:

and no one is to make a sale or purchase on credit. If one person should exchange with another in another way or in any other places whatsoever, trusting the one he's exchanging with, he is to do these things on the understanding that there are no lawful judicial suits for things that are not sold under the conditions now being stated.35

In these passages Plato makes it clear that credit is forbidden in the best state.

Although Plato nowhere makes a detailed argument against the practice of usury, the basis of his opposition can be inferred from the statements above. Plato did not approve of merchandising. The merchant class in the best polis was to be composed of metics and those too feeble to perform useful, i.e., subsistence securing, work. Merchandising, and especially the exchange of money for money, was, for Plato, unjust in that it could promote avarice instead of sufficiency and moderation. Unnatural exchange spawns tyranny, which Plato held to be the most miserable state. Plato's reference to interest being the multiple offspring of money reveals his opinion that usury constitutes an unnatural, tyranny-promoting form of exchange.

There can be little doubt that Aristotle's rejection of usury was influenced by Plato's; their association at the Academy confirms this. Similarly, the bond between Aristotle and Thomas is strong. It seems odd, then, that nowhere does one find an account of Plato's position on usury in the literature on medieval price theory. It can be argued that because Thomas' views are aired in his commentary on Aristotle that Plato's influence is unimportant. And, yet, this cannot be so, given the importance of Plato's philosophy to Aristotle's thought. I suspect that it is because Plato nowhere makes a systematic case against usury, unlike Aristotle, that his argument is overlooked. Nevertheless, Plato's case does exist. Indeed, it is even stated systematically, if one includes Plato's analysis of justice and exchange with it. It is only the method of Plato's argument which distinguished it from Aristotle's and Thomas'. As I
have argued elsewhere, however, Plato's decision to reason dialectically rather than analytically should not discredit his contributions. His own defense of this methodology, which is found in the Republic, shows dialectical reasoning to be appropriate for the consideration of ethical issues in social science.

Plato's stand on the just price and usury is noteworthy for its similarity to that of the Schoolmen. Given Aristotle's position as an intellectual conduit for philosophy between the ancients and medieval scholars, this fact should not prove surprising. Of particular interest to the student of medieval price theory should be Plato's position on the just price as the status-maintaining price, which is revitalized by certain heretical doctors in medieval times. To prove that the connection here is as direct as, say, that between Aristotle and Thomas, is beyond the scope of this paper. An historical inquiry into this possibility should be pursued, however. In any event, a complete history of just price theory and usury analysis should include Plato's contributions, which have been shown to originate from the same questions about justice as does the Scholastic inquiry.
Plato clearly analyzed matters of political economy which ought to be understood to be the concern of the economics of welfare. The entire corpus of Plato's dialogues is dedicated to the attempt to understand the nature of the Good, and to how knowledge of the Good can be used to organize the best society. Throughout his career Plato maintained that the happy life—that which participated to the fullest extent in the Good—is the life of virtue. The virtuous life he defined to be one in which the individual is able to secure wisdom, honor, and temperance in proper proportions. To be happy, Plato argues, one must follow the biddings of the rational part of the soul, yoking the spirited and appetitive parts in its service. In order to judge the extent to which human action engenders happiness, Plato reasoned, one must determine the extent to which such action promotes the ordering of the soul in the proportions mentioned above. To maximize welfare for the individuals of society is to do things that cultivate in individuals well-ordered souls.

Plato understood the happiest life to be the examined life—that which allows philosophy, i.e., the love of wisdom, to be the helmsman of the soul. As a practical man, however, Plato recognized that the many are not temperamentally suited to the contemplative life of philosophy. For the many to be happy, Plato reasoned, they
must participate in virtue to the extent permitted by their temperaments. To Plato this entailed the achievement of temperance by the many. The best constitution of society, i.e., that which most promotes the welfare of its citizens, is one in which temperance and sufficiency are institutionalized. The souls of the many Plato reasoned to be ruled by the passionate urges of appetites of all kinds. For souls so constituted, the life of temperance, in which individuals' appetites are subordinated to the honorable laws of the polis, affords the attainment of happiness.

In the *Republic*, *Laws*, and elsewhere Plato designs a constitution for a state which he felt maximizes the welfare of its citizens. Included in this constitution are economic prescriptions which are intended to promote the best organization of the economy—that which affords the most happiness for the many. Under this constitution citizens are subject to strict monitoring of economic activity by the state. Market Wardens determine the time, place, and prices which govern the exchange of commodities and services in the economy. There is to be a strict division of labor, determined according to the psychological temperaments of the citizens of the polis, in which no able-bodied citizens are permitted to become merchants. A system of fiat money is to be imposed, it being felt by Plato that such a system would minimize avarice. The practice of buying on credit, as well as the practice of charging interest on loans, are abolished under Plato's laws. Finally, strict limits are set on the levels of population and physical wealth that are to be permitted in the economy—in order to be truly sufficient the economy
must be a steady-state. The best economy, according to Plato, is truly the administered state that Lowry described in his review of Greek economics.

It is difficult for contemporary western economists to embrace the administered economy of Plato. Not only does it violate the principles of liberalism, under which the notion of methodological individualism drives the contemporary analysis of welfare, it also derives from a method of inquiry which is foreign to the contemporary economist. The analysis of welfare, as the literature on the subject shows, depends upon the existence of a welfare function, i.e., a set of universally supported values and goals, to be maximized. Under criteria of liberalism and individualism, a welfare function must be socially desirable in order to merit consideration by the analyst for candidacy for maximization. Plato's set of economic objectives, derived from what appear to be sub-scientific value judgments, and developed along lines that render it undesirable by the many, is rejected by welfare economics as unsuitable for the maximization of welfare.

We have seen, however, that the method of inquiry of Plato's economic analysis is appropriate for the discovery of the set of virtues to be upheld by society within the economy, if it is viewed from the perspective of Plato's epistemology and ontology. The Good, along with its associated virtues, exists as Forms beyond being, which engender existing things with their qualities. Knowledge of the Good is, according to Plato, attainable through the process of reasoning beyond hypotheses by the method of dialectics. The
statements of value which result from such analysis are grounded in truth, Plato reasoned, and are beyond the doxa, or value judgments, which contemporary economists dismiss as unscientific. Whereas the techniques of modern science are suited to the discovery of the qualities of the sensibles, dialectical reasoning is, by Plato's reckoning, suited to the discovery of intelligibles, including the Forms which he calls virtues.

It is understandable that contemporary economists, who by virtue of an acceptance of positivism or preoccupation with the development of what Samuelson refers to as "meaningful theorems," do not warm up to Plato's inquiry into the nature of intelligible Forms. Such inquiry is, after all, necessarily subjective in nature. Forms, not being, in Voegelin's terms, data of immanent experience, are necessarily perceived, if at all, by the mind's eye. This being the case, one must not take lightly the criticisms and rejections of Plato's method of inquiry. How, after all, are we to build a science of human action around principles and theorems which are not hypotheses about empirical data, and, thus are not demonstrable or refutable in the ordinary sense? That Plato was earnest and sincere in his approach to the problem of theorizing the nature of Forms, however, makes it important that contemporary scientists scrutinize his arguments.

Plato's system of inquiry into the nature of Forms, if valid, provides the contemporary economist with complementary knowledge to that generated by the "new" welfare economics. If valid, however, it provides the economist with a welfare "function" which violates the
ordinary assumptions of utility which underpin modern analysis. Specifically, it generates, under Plato's line of argument, a set of welfare maxims which promise to promote welfare if instituted, while proving undesirable according to the test that society be willing to voluntarily adopt them. In short, the problem of Plato's system for contemporary analysis is that it does not easily fit into the welfare model— it promises to maximize welfare for the individual by imposing on him or her economic sanctions that seem unpleasant. Whereas contemporary analysis strives to show how society can secure what it wants, under conditions of general scarcity, Plato's analysis shows how society can limit its desires to what it can get. By channeling human appetites through the adoption of laws which individuals find honorable and acceptable as objects of pistis, Plato attempts to create a sufficient state. In the sufficient state individuals temperately limit desires for artifacts of aisthesis in favor of the erotic pursuit of objects of noesis—virtues and knowledge of them.

The Platonic system of economic thought is important for today. Scientists today generally accept hypotheses about the human environment which hold it to be a finite system. According to these models the physical stuff which supports life is understood to be limited in the aggregate. Economic policies which minister to the appetitive part of the soul by attempting to sate it are bound, by the rules of the model of the environment, to come up short. According to Plato's analysis, however, it is possible to make men happy while limiting their desires to the attainment of sufficiency. It is this promise that makes desirable a return to an economic method in
which hypotheses grounded in noetic reasoning, such as Plato's theory of welfare, can be systematically analyzed. To dismiss the economics of Plato on methodological grounds is to reduce the possibility that the teleological objective of contemporary welfare analysis can be attained.
BIBLIOGRAPHY

Primary Sources


Secondary Sources


__________. "Recent Literature on Ancient Greek Economic Thought." *Journal of Economic Literature.* 17 (1979), pp. 65-86.


_________. "Structures in Consciousness." Louisiana State University, Baton Rouge. 3 April 1979.


White, Nicholas P. *Plato on Knowledge and Reality*. Indianapolis: Hackett, 1976.

Wilson, George W. "The Economics of the Just Price." History of Political Economy, 7 (1975), pp. 56-74.

Kenneth Neal Townsend was born in New Iberia, Louisiana on June 4, 1955. He attended elementary school and high school in San Diego, California; Honolulu, Hawaii; Virginia Beach, Virginia; Newport, Rhode Island; and Springfield, Virginia. He graduated from West Springfield High School in June, 1973. He attended Louisiana State University from which he received a Bachelor of Arts degree in Economics in December, 1976. In December, 1978 he received a Master of Science degree in Economics, with a minor in Quantitative Methods, from Louisiana State University. He received the degree of Doctor of Philosophy in Economics, with a minor in Quantitative Business Analysis in December, 1983.

The author is a member of Phi Beta Kappa, Phi Kappa Phi, Pi Mu Epsilon, Omicron Delta Epsilon, The Southern Economic Association, and the American Economic Association. Mr. Townsend is currently an Assistant Professor of Economics at Hampden-Sydney College, in Virginia.

He is married to the former Patricia Alley of Springfield, Virginia, and is the father of two children, Elizabeth and Neal.
EXAMINATION AND THESIS REPORT

Candidate: Kenneth N. Townsend

Major Field: Economics

Title of Thesis: Platonic Economic Theory: The Economics of Moderation

Approved:

William F. Campbell
Major Professor and Chairman

Dean of the Graduate School

EXAMINING COMMITTEE:

Herman E. Daly

Thomas R. Beattie

Roger L. Bertrand

James L. Atkinson

Alwin R. Schapp

Date of Examination: November 7, 1983