

Aristotle Discovers the Economy

IN perusing the preceding chapters the reader may have sensed that some significant conclusion was pending. The oikos debate and our discussion of the Assyrian trading methods together with that of the ports of trade in the Eastern Mediterranean seemed to suggest that the study of the Old World, out of which civilization broke forth into the radiance of Greece, had a surprise in store. Such an expectation would not have been quite unjustified in view of the weighty implications that the recognition of the absence of markets from Hammurabi's Babylonia obviously holds for the appraisal of Greek economic history.

The familiar picture of classical Athens will have to absorb what might appear as a criss-cross of contradictions. The dominant conclusion must be that Attica was not, as we firmly believed, heir to commercial techniques that were supposed to have developed in the East; rather, she may herself have been a pioneer of the novel method of market trading. For if Babylon and Tyre were not, as it now appears, the ancient homes of the price-making market, then the elements of that seminal institution must have come from the Hellenic sphere, some time in the first millennium B.C. Sixth and fifth century Greece was, therefore, in essential respects, economically more naïve than even the extreme "primitivist" would have it, while in the fourth century these very Greeks initiated the gainful business practices that in much later days developed into the dynamo of market competition.

This brings into focus an aspect of the oikos controversy which only now becomes apparent. The "primitivists" asserted no more than

that, up to the time of the Persian Wars, Attica was not a mercantile community. They did not deny that by the fourth century the Phoenicians had been ousted from their former maritime preeminence by the Hellenic seafarers, whose enterprising spirit backed by sea-loans gave them the lead over their erstwhile masters. For the rest, it was taken for granted that the Lydians had passed on to their Hellenic pupils the arts of gainful trading which they themselves had acquired from their Mesopotamian neighbors of the East.

All this falls to the ground if, as seems beyond dispute, Sumeria, Babylonia and Assyria as well as their Hittite and Tyrian successors practiced trade primarily through the dispositional actions of status traders. But whence then did the Hellenes, or for that matter the Lydians, derive their arts of individual business initiative, risky and gainful, which they hence certainly began to apply to some extent in their proceedings? And if, as it appears almost impossible not to conclude, they drew mainly upon themselves for the new attitudes, what evidence does the Greek literary record offer of the inevitable crisis of values which must have resulted?

To dramatize the cultural event of Greece at the climactic point of her awakening from a heroic to a semi-commercial economy, would be beyond our capacity, even if the attempt were not barred by the scope of this work. Yet it appears appropriate, indeed, it is imperative to follow up in the light of our newly gained knowledge the peripety in the social thinking of that encyclopaedic mind in the Greek orbit, Aristotle, when he first encountered the phenomenon we have become used to calling the "economy."

The contempt into which Aristotle's "Economics" has fallen in our day is a portent. Very few thinkers have been listened to on a greater diversity of subjects over so many centuries as he. Yet on a matter to which he devoted a signal effort and which happens also to be reckoned among the issues vital to our own generation, the economy, his teachings are judged inadequate by the leading spirits of the time to the point of irrelevance.¹

Aristotle's influence on medieval city economy exerted through Thomas Aquinas was as great as later that of Adam Smith and David Ricardo on nineteenth century world economy. Naturally, one might say, with the actual establishment of the market system and the subsequent rise of the classical schools, Aristotle's doctrines on the subject went into eclipse. But the matter does not rest here. The more out-

spoken among modern economists seem to feel as though almost everything he had written on questions of man's livelihood suffered from some baneful weakness. Of his two broad topics—the nature of the economy and the issues of commercial trade and just price—neither had been carried to any clear conclusion. Man, like any other animal, was presented by him as naturally self-sufficient. The human economy did not, therefore, stem from the boundlessness of man's wants and needs, or, as it is phrased today, from the fact of scarcity. As to those two policy issues, commercial trade sprang according to Aristotle from the unnatural urge of money-making, which was of course unlimited, while prices should conform to the rules of justice (the actual formula remaining quite obscure). There were also his illuminating, if not altogether consistent remarks on money and that puzzling outburst against the taking of interest. This meager and fragmentary outcome was mostly attributed to an unscientific bias—the preference for that which ought to be over that which is. That prices, for instance, should depend upon the relative standing in the community of partners in the exchange seemed indeed an almost absurd view to take.

This sharply circumscribed breaking away from the body of thought inherited from classical Greece deserves more attention than it has hitherto received. The stature of the thinker and the dignity of the subject should make us hesitate to accept as final the erasing of Aristotle's teaching on the economy.

A very different appreciation of his position will be sustained here. He will be seen as attacking the problem of man's livelihood with a radicalism of which no later writer on the subject was capable—none has ever penetrated deeper into the material organization of man's life. In effect, he posed, in all its breadth, the question of the place occupied by the economy in society.

We will have to reach far back to explain why Aristotle thought as he did of what we call "the economy," or what impelled him to regard money-making in trade and the just price as the chief policy questions. Also we agree that economic theory cannot expect to benefit from Book I of *Politics* and Book V of the *Nicomachian Ethics*. Economic analysis, in the last resort, aims at elucidating the functions of the market mechanism, an institution that was still unknown to Aristotle.

To go to the root of our approach, classical antiquity was altogether wrongly placed by economic historians along the time scale which led up to market trade. In spite of intensive trading activities and fairly advanced money uses, Greek business life as a whole was still in the very first beginnings of market trade in Aristotle's time. His occasional vagueness and obscurities, not to speak of his alleged philosopher's remoteness from life, should be put down to difficulties of expression in regard to what actually were recent developments, rather than to the supposed insufficient penetration by him of practices allegedly current in contemporary Greece and nourished by a millennial tradition of the civilizations of the East.

This leaves classical Greece, however definitely some of her eastern states were already advancing towards the market habit, still considerably below the level of commercial trading with which she was later credited. Thus the Greeks may not have been, as was so confidently assumed, simply latecomers picking up the commercial practices developed by the Oriental empires. Rather, they were latecomers in a civilized marketless world, and compelled by circumstances to become pioneers in the development of the novel trading methods which were at most on the point of turning towards market trade.

All this, far from diminishing, as might superficially appear, the significance of Aristotle's thought on economic questions must, on the contrary, very greatly enhance their importance. For if our "non-market" reading of the Mesopotamian scene is true to fact, which we have no more cause to doubt, we have every reason to believe that in Aristotle's writings we possess an eye witness account of some of the pristine features of incipient market trading at its very first appearance in the history of civilization.

The Anonymity of the Economy in Early Society

Aristotle was trying to master theoretically the elements of a new complex social phenomenon *in statu nascendi*.

The economy, when it first attracted the conscious awareness of the philosopher in the shape of commercial trading and price differentials, was already destined to run its variegated course toward its

fulfilment some twenty centuries later. Aristotle divined the full-fledged specimen from the embryo.²

The conceptual tool with which to tackle this transition from namelessness to a separate existence we submit, is the distinction between the embedded and the disembedded condition of the economy in relation to society. The disembedded economy of the nineteenth century stood apart from the rest of society, more especially from the political and governmental system. In a market economy the production and distribution of material goods in principle is carried on through a self-regulating system of price-making markets. It is governed by laws of its own, the so-called laws of supply and demand, and motivated by fear of hunger and hope of gain. Not blood-tie, legal compulsion, religious obligation, fealty or magic creates the sociological situations which make individuals partake in economic life but specifically economic institutions such as private enterprise and the wage system.

With such a state of affairs we are of course fairly conversant. Under a market system men's livelihood is secured by way of institutions, that are activated by economic motives, and governed by laws which are specifically economic. The vast comprehensive mechanism of the economy can be conceived of working without the conscious intervention of human authority, state or government; no other motives than dread of destitution and desire for legitimate profit need be invoked; no other juridical requirement is set than that of the protection of property and the enforcement of contract; given the distribution of resources, of purchasing power as well as of the individual scales of preference the result will be an optimum of want satisfaction for all.

This, then, is the nineteenth century version of an independent economic sphere in society. It is motivationally distinct, for it receives its impulse from the urge of monetary gain. It is institutionally separated from the political and governmental center. It attains to an autonomy that invests it with laws of its own. In it we possess that extreme case of a disembedded economy which takes its start from the widespread use of money as a means of exchange.

In the nature of things the development from embedded to disembedded economies is a matter of degree. Nevertheless the distinction is fundamental to the understanding of modern society. Its sociological background was first mooted by Hegel in the 1820's and developed by Karl Marx in the 1840's. Its empirical discovery in terms of

history was made by Sir Henry Sumner Maine in the Roman law categories of *status* and *contractus*, in the 1860's; finally, in the more comprehensive terms of economic anthropology, the position was restated by Bronislaw Malinowski in the 1920's.

Sir Henry Sumner Maine undertook to prove that modern society was built on *contractus*, while ancient society rested on *status*. *Status* is set by birth—a man's position in the family—and determines the rights and duties of a person. It derives from kinship and adoption; it persists under feudalism and, with some qualifications, right up to the age of equal citizenship as established in the nineteenth century. But already under Roman law *status* was gradually replaced by *contractus*, i.e., by rights and duties derived from bilateral arrangements. Later, Maine revealed the universality of *status* organization in the case of the village communities of India.

In Germany, Maine found a disciple in Ferdinand Toennies. His conception was epitomised in the title of his work *Community and Society (Gemeinschaft und Gesellschaft)*, 1888. "Community" corresponded to "*status*," "society" to "*contractus*." Max Weber frequently employed "*Gesellschaft*" in the sense of contract-type group, and "*Gemeinschaft*" in that of status-type group. Thus his own analysis of the place of the economy in society, though at times influenced by Mises, was molded by the thought of Marx, Maine and Toennies.

The emotional connotation, however, given to *status* and *contractus* as well as to the corresponding "community" and "society," was widely different with Maine and Toennies. To Maine the pre-*contractus* condition of mankind stood merely for the dark ages of tribalism. The introduction of contract, so he felt, had emancipated the individual from the bondage of *status*. Toennies' sympathies were for the intimacy of the community as against the impersonalness of organized society. "Community" was idealized by him as a condition where the lives of men were embedded in a tissue of common experience, while "society" was never to him far removed from the cash nexus, as Thomas Carlyle called the relationship of persons connected by market ties alone. Toennies' policy ideal was the restoration of community, not, however, by returning to the pre-society stage of authority and paternalism, but by advancing to a higher form of community of a postsociety stage, which would follow upon our present civilization. He envisaged this community as a co-operative phase of

human existence, which would retain the advantages of technological progress and individual freedom while restoring the wholeness of life.

Hegel's and Marx's, Maine's and Toennies' treatment of the evolution of human civilization was accepted by many continental scholars as an epitome of the history of society. For a long time no advance was made on the trails they blazed. Maine had dealt with the subject chiefly as pertaining to the history of law, including its corporate forms as in rural India; Toennies' sociology revived the outlines of medieval civilization. Not before Malinowski's fundamental stand on the nature of primitive society was that antithesis applied to the economy. It is now possible to say that *status* or *gemeinschaft* dominate where the economy is embedded in noneconomic institutions; *contractus* or *gesellschaft* is characteristic of the existence of a motivationally distinct economy in society.

In terms of integration we can easily see the reason for this. *Contractus* is the legal aspect of exchange. It is not surprising, therefore, that a society based on *contractus* should possess an institutionally separate and motivationally distinct economic sphere of exchange, namely, that of the market. *Status*, on the other hand, corresponds to an earlier condition which roughly goes with reciprocity and redistribution. As long as these latter forms of integration prevail, no concept of an economy need arise. The elements of the economy are here embedded in noneconomic institutions, the economic process itself being instituted through kinship, marriage, age-groups, secret societies, totemic associations, and public solemnities. The term "economic life" would here have no obvious meaning.

This state of affairs, so puzzling to the modern mind, is often strikingly exhibited in primitive communities. It is often almost impossible for the observer to collect the fragments of the economic process and piece them together. To the individual his emotions fail to convey any experience that he could identify as "economic." He is simply not aware of any pervading interest in regard to his livelihood which he could recognize as such. Yet the lack of such a concept does not appear to hamper him in the performance of his everyday tasks. Rather, it is doubtful whether awareness of an economic sphere would not tend to reduce his capacity of spontaneous response to the needs of livelihood, organized as they are mainly through other than economic channels.

All this is an outcome of the manner in which the economy is here instituted. The individual's motives, named and articulated, spring as a rule from situations set by facts of a noneconomic—familial, political or religious—order; the site of the small family's economy is hardly more than a point of intersection between lines of activities carried on by larger kinship groups in various localities; land is either used in common as pasture or its various uses may be appropriated to members of different groups; labor is a mere abstraction from the "solicited" assistance offered by different teams of helpers, at definite occasions; as a result, the process itself runs in the grooves of different structures.

Accordingly, before modern times the forms of man's livelihood attracted much less of his conscious attention than did most other parts of his organized existence. In contrast to kinship, magic or etiquette with their powerful keywords, the economy as such remained nameless. There existed, as a rule, no term to designate the concept of economic. Accordingly, as far as one can judge, this concept was absent. Clan and totem, sex and age-group, the power of the mind and the ceremonial practices, custom and ritual were instituted through highly elaborate systems of symbols, while the economy was not designated by any one word conveying the significance of food supply for man's animal survival. It can not be merely a matter of chance that until very recent times no name to sum up the organization of the material conditions of life existed in the languages even of civilized peoples. Only two hundred years ago did an esoteric sect of French thinkers coin the term and call themselves *économistes*. Their claim was to have discovered the economy.

The prime reason for the absence of any concept of the economy is the difficulty of identifying the economic process under conditions where it is embedded in noneconomic institutions.

Only the concept of the economy, not the economy itself, is in abeyance, of course. Nature and society abound in locational and appropriational movements that form the body of man's livelihood. The seasons bring around harvest time with its strain and its relaxation; long-distance trade has its rhythm of preparation and foregathering with the concluding solemnity of the return of the venturers; and all kinds of artifacts, whether canoes or fine ornaments are produced, and eventually used by various groups of persons; every day of the week food is prepared at the family hearth. Each single event contains necessarily a bundle of economic items. Yet for all that, the unity and co-

herence of those facts is not reflected in men's consciousness. For the series of interactions between men and their natural surroundings will, as a rule, carry various significances, of which economic dependence is only one. Other dependences, more vivid, more dramatic, or more emotionalized may be at work, which prevent the economic movements of forming a meaningful whole. Where these other forces are embodied in permanent institutions the concept of the economic would be more confusing than clarifying to the individual. Anthropology offers many examples:

1. Where the physical site of a man's life is not identifiable with any ostensible part of the economy, his habitat—the household with its tangible environment—has but little economic relevance. This will be so, as a rule, when movements belonging to different economic processes intersect in one site, while the movements forming part of one and the same process are distributed over a number of disconnected sites.

Margaret Mead described how a Papuan-speaking Arapesh of New Guinea would envisage his physical surroundings:

A typical Arapesh man, therefore is living for at least part of the time (for each man lives in two or more hamlets, as well as in the garden huts, huts near the hunting bush, and huts near his sago palm) on land which does not belong to him. Around the house are pigs which his wife is feeding, but which belong either to one of her relatives or to one of his. Beside the house are coconut and betel palms which belong to still other people, and the fruit of which he will never touch without the permission of the owner, or someone who has been accorded the disposal of the fruit by the owner. He hunts on the bushland belonging to a brother-in-law or a cousin at least part of his hunting time, and the rest of the time he is joined by others on his bush, if he has some. He works his sago in others' sago clumps as well as in his own. Of the personal property in his house that which is of any permanent value, like large pots, well carved plates, good spears, has already been assigned to his sons, even though they are only toddling children. His own pig or pigs are far away in other hamlets: his palm trees are scattered three miles in one direction, two in another: his sago palms are still further scattered, and his garden patches lie here and there, mostly on the lands of others. If there is meat on his smoking rack over the fire, it is either meat which was killed by another, a brother, a brother-in-law, a sister's son, etc.—and has been given to him, in which case he and his family may eat it, or it is meat which he himself killed and which he is smoking to give away to someone else, for to eat one's own kill, even though it be only a small bird, is a crime to which only the morally, which usually means with the Arapesh mentally, deficient would stoop. If the house in which he is, is nominally

his, it will have been constructed in part at least from the posts and planks of other people's houses, which have been dismantled or temporarily deserted, and from which he has borrowed timber. He will not cut his rafters to fit his house, if they are too long, because they may be needed later for someone else's house which is of a different shape or size. . . . This then is the picture of a man's ordinary economic affiliations.³

The complexity of the social relations that account for these everyday items, is staggering. Yet it is only at the hand of such relations, familiar to him, articulated and meaningfully deployed in the course of his own personal experience, that the Arapesh is able to find his bearings in an economic situation, the elements of which are jigsawed into dozens of different social relationships of a non-economic character.

So much for the locational aspect of the economic process where reciprocity prevails.

2. Another broad reason for the absence in primitive society of an integrating effect of the economy is its *lack of quantitativeness*. He who possesses ten dollars does not, as a rule, call each by a separate name, but conceives of them rather as interchangeable units that can be substituted one for another, added up or subtracted. Short of such an operational facility on which terms like fund or balance of profit and loss depend for a meaning, the notion of an economy would mostly be devoid of any practical purpose. It would fail to discipline behavior, to organize and sustain effort. Yet the economic process does not naturally offer such a facility; that matters of livelihood are subject to reckoning is merely a result of the manner in which they are instituted.

Trobriland economy, for instance, is organized as a continuous give-and-take, yet there is no possibility of setting up a balance, or of employing the concept of a fund. Reciprocity demands adequacy of response, not mathematical equality. Consequently, transactions and decisions cannot be grouped with any precision from the economic point of view, i.e., according to the manner in which they affect material want satisfaction. Figures, if any, do not correspond to facts. Though the economic significance of an act may be great, there is no way of assessing its relative importance.

Malinowski listed the different kinds of give-and-take, from free gifts at the one extreme, to plain commercial barter at the other. His grouping of "gifts, payments, and transactions" came under seven headings, which he correlated with the sociological relationships with-

in which each occurred. These numbered eight. The results of his analysis were revealing:

(a) The category of "free gifts" was exceptional, since charity was neither needed nor encouraged, and the notion of gift was always associated with the idea of adequate counter-gift (but not, of course, of equivalency). Even actual "free gifts" were construed as counter-gifts, given in return for some fictitious service rendered to the giver. Malinowski found that "the natives would undoubtedly not think of free gifts as being all of the same nature." Where the notion of "dead loss" is lacking, the operation of balancing a fund is not feasible.

(b) In the group of transaction, where the gift is expected to be returned in an economically equivalent manner, we meet another confusing fact. This is the category which according to our notions ought to be practically indistinguishable from trade. Far from it. Occasionally the identically same object is exchanged back and forth between the partners, thus depriving the transaction of any conceivable economic purpose or meaning! By the simple device of handing back, though in a roundabout way, the pig to its donor, the exchange of equivalencies instead of being a step in the direction of economic rationality proves a safeguard against the intrusion of utilitarian considerations. The sole purpose of the exchange is to draw relationships closer by strengthening the ties of reciprocity.

(c) Utilitarian barter is distinct from any other type of mutual gift giving. While in ceremonial exchange of fish for yam there is, in principle, adequacy between the two sides, a poor haul or a failure of crops, e.g., reducing the amount offered, in barter exchange of fish and yam there is at least a pretence of higgling and haggling. It is further characterized by an absence of special partnerships, and, if artifacts enter, by a restriction to newly manufactured goods—second-hand ones might have a personal value attached to them.

(d) Within the sociologically defined relationships—of which there are many—the exchange is usually unequal, as befits the relationship. Appropriational movements of goods and services are thus often instituted in a manner that renders some transactions irreversible and many goods noninterchangeable.

Thus quantitativity can hardly be expected to operate in that wide domain of livelihood which comes under the heading of "gifts, payments and transactions."

3. Another familiar concept that is inapplicable in primitive con-

ditions is that of property as a right of disposing of definite objects. Consequently, no straight inventory of possessions is practicable. We have here a variety of rights of different persons in regard to the same object. By this fragmentation, the unity of the object under its property aspect is destroyed. The appropriational movement does not as a rule have the complete object, for instance a piece of land, as its referent, but only its discrete uses, thus depriving the concept of property of its effectiveness in regard to objects.

4. Economic transactions proper hardly crop up in kinship-organized communities. Transactions in early times are public acts performed in regard to the status of persons and other self-propelling things: the bride, the wife, the son, the slave, the ox, the boat. With settled peoples changes in the status of a plot of land, too, were publicly attested.

Such status transactions would naturally carry important economic implications. Wooing, betrothal and marriage, adoption and emancipation are accompanied by movements of goods, some of them immediate, some to follow in the long run. Great as the economic significance of such transactions was, it ranked second to their importance in establishing the position of the persons in the social context. How, then, did transactions in regard to goods eventually separate off from the typical kinship transactions in regard to persons?

As long as only a few status goods, such as land, cattle, slaves were alienable there was no need for separate economic transactions since the transfer of such goods accompanied the change in status, while a transfer of the goods without such a change would not have been approved of by the collectivity. Incidentally, no economic valuation could easily attach to goods the fate of which was inseparably linked with that of their owners.

Separate transactions in regard to goods were in early times restricted to the two most important ones, namely, land and labor. Thus precisely the "goods," which were the last to become freely alienable were the first to become objects of limited transactions. Limited, since land and labor for a long time to come remained part of the social tissue and could not be arbitrarily mobilized without destroying it. Neither land nor freemen could be sold outright. Their transfer was conditional and temporary. Alienation stopped short of an unrestricted transference of ownership. Amongst the economic transactions in fourteenth century tribal-feudal Arrapha on the Tigris, those which refer to land and labor illustrate the point. Property, both in land and per-

sons, belonged with the Nuzi to collectivities—clans, families, villages. Use alone was transferred. How exceptional in tribal times the transfer of property in land was, may be seen from the dramatic scenario of the episode of Abraham purchasing a family vault from the Hittite.

It is a peculiar fact that the transfer of “use alone” is rather more “economic” than would be the transfer of ownership. In the exchange of ownership, considerations of prestige and emotional factors may weigh heavily; in the alienation of use the utilitarian element prevails. In modern terms: interest, which is the price of use over time, may be said to have been one of the earliest economic quantities to be instituted.

Eventually, the thin economic layer may “peel off” from the status transaction, the referent of which is a person. The economic element may then change hands alone, the transaction being camouflaged as a status transaction which, however, is to be fictitious. Sale of land to non-clan members being prohibited, the residual rights of the clan to reclaim the land from the purchaser may be voided by legal devices. One of these was the fictitious adoption of the buyer or, alternatively, the fictitious consent of clan members to the sale.

Another line of development toward separate economic transactions led, as we saw, through the transference of “use only,” thus expressly maintaining the residual property rights of the clan or family. The same purpose was served by a mutual exchange of “uses” of different objects, while pledging the return of the objects themselves.

The classical Athenian form of mortgage (*prasis epi lysei*) was probably such a transference of “use alone,” but (exceptionally) leaving the debtor *in situ* while pledging to the creditor by way of interest a part of the crop. The creditor was safeguarded by the setting up of a boundary stone inscribed with his name and the amount of the debt, neither the date of repayment nor interest being mentioned, however. If this interpretation of the Attican *horos* holds good, the plot of land was, in a friendly way, mortgaged for an indefinite period against some participation in the crop. Default with a subsequent distraint would occur only quite rarely, namely, on a confiscation of the debtor's lands or the ruin of his entire family.

Almost in every case the separate transference of “use” serves the purpose of strengthening the bonds of family and clan with its social, religious and political ties. Economic exploitation of the “use” is thus made compatible with the friendly mutuality of those ties. It main-

tains the control of the collectivity over the arrangements made by their individual members. As yet the economic factor hardly registers its claims in the transactions.

5. Services, not goods make up wealth in many archaic societies. They are performed by slaves, servants, and retainers. But to make human beings disposed to serve as an outcome of their status is an aim of political (as against economic) power. With the increase of the material against the nonmaterial ingredients of wealth, the political method of control recedes and gives way to so-called economic control. Hesiod the peasant was talking thrift and farming centuries before the gentlemen philosophers, Plato and Aristotle, knew of any other social discipline than politics. Two millennia later, in Western Europe, a new middle class produced a wealth of commodities and argued “economics” against their feudal masters, and another century later the working class of an industrial age inherited from them that category as an instrument of their own emancipation. The aristocracy continued to monopolize government and to look down on commodity production. Hence, as long as dependent labor predominates as an element in wealth, the economy has only a shadowy existence.

6. In the philosophy of Aristotle *the three prizes of fortune* were: honor and prestige; security of life and limb; wealth. The first stands for privilege and homage, rank and precedence; the second ensures safety from open and secret enemies, treason and rebellion, the revolt of the slave, the overbearing of the strong, and even protection from the arm of the law; the third, wealth, is the bliss of proprietorship, mainly of heirloom or famed treasure. True, utilitarian goods, food and materials, accrue as a rule to the possessor of honor and security, but the glory outshines the goods. Poverty, on the other hand, goes with an inferior status; it involves working for one's living, often at the bidding of others. The less restricted the bidding, the more abject the condition. Not so much manual labor—as the farmer's ever respected position shows—but dependence upon another man's personal whim and command causes the serving man to be despised. Again, the bare economic fact of a lower income is screened from view.

7. The *agatha* are the highest prizes of life, that which is most desirable and also rarest. This is indeed a surprising context in which to encounter that feature of goods which modern theory has come to regard as the criterion of the “economic,” namely, scarcity. For the discerning mind when considering those prizes of life must be struck

by the utterly different source of their "scarcity" from that which the economist would make us expect. With him scarcity reflects either the niggardliness of nature or the burden of the labor that production entails. But the highest honors and the rarest distinctions are few for neither of these two reasons. They are scarce for the obvious reason that there is no standing room at the top of the pyramid. The fewness of the *agatha* is inherent in rank, immunity and treasure: they would not be what they are if they were attainable to many. Hence the absence in early society of the "economic connotation" of scarcity, whether or not utilitarian goods sometimes also happen to be scarce. For the rarest prizes are not of this order. Scarcity derives here from the noneconomic order of things.

8. The self-sufficiency of a body of humans, that postulate of bare life, is ensured when a supply of the "necessaries" is physically available. The things that are here meant are those that sustain life and are storable, that is, which keep. Corn, wine and oil are *chrēmata*, but so are wool and certain metals. The citizenry and the members of the family must be able to depend upon them in famine or war. The amount that the family or the city "needs" is an objective requirement. The household is the smallest, the polis is the largest unit of consumption: in either case that which is "necessary" is set by the standards of the community. Hence the notion of the intrinsically limited amount of the necessaries. This meaning is very near to that of "rations." Since equivalencies, whether by custom or law, were set only for such subsistence goods which actually served as units of pay, or of wages, the notion of the "necessary amount" was associated with the commonly stored staples. For operational reasons a boundlessness of human wants and needs—the logical correlate of "scarcity"—was a notion quite foreign to this approach.

These are some of the major reasons that so long stood in the way of the birth of a distinctively economic field of interest. Even to the professional thinker the fact that man must eat did not appear worthy of elaboration.

Aristotle's Probings

It may seem paradoxical to expect that the last word on the nature of economic life should have been spoken by a thinker who hardly saw

its beginnings. Yet Aristotle, living, as he did, on the borderline of economic ages, was in a favored position to grasp the merits of the subject.

This may explain incidentally why in our own day, in the face of a change in the place of the economy in society comparable in scope only to that which in his time heralded the oncoming of market trade, Aristotle's insights into the connections of economy and society can be seen in their stark realism.

We have therefore every reason to seek in his works for far more massive and significant formulations on economic matters than Aristotle has been credited with in the past. In fact, the *disiecta membra* of the *Ethics* and *Politics* convey a monumental unity of thought.

Whenever Aristotle touched on a question of the economy he aimed at developing its relationship to society as a whole. The frame of reference was the community as such which exists at different levels within all functioning human groups. In terms, then, of our modern speech Aristotle's approach to human affairs was sociological. In mapping out a field of study he would relate all questions of institutional origin and function to the totality of society. Community, self-sufficiency and justice were the focal concepts. The group as a going concern forms a community (*koinonia*) the members of which are linked by the bond of good will (*philia*). Whether *oikos* or *polis*, or else, there is a kind of *philia*, specific to that *koinonia*, apart from which the group could not remain. *Philia* expresses itself in a behavior of reciprocity (*anti-peponthos*),⁴ that is, readiness to take on burdens in turn and share mutually. Anything that is needed to continue and maintain the community, including its self-sufficiency (*autarkeia*) is "natural" and intrinsically right. Autarchy may be said to be the capacity to subsist without dependence on resources from outside. Justice (contrary to our own view) implies that the members of the community possess unequal standing. That which ensures justice, whether in regard to the distribution of the prizes of life or the adjudication of conflicts, or the regulation of mutual services is good since it is required for the continuance of the group. Normativity, then, is inseparable from actuality.

These rough indications of his total system should permit us to outline Aristotle's views on trade and prices. Trade is "natural" when it serves the survival of the community by maintaining its self-sufficiency. The need for this arises as soon as the extended family grows overpopulous, and its members are forced to settle apart. Their au-

tarchy would now be impaired all round, but for the operation of giving a share (*metadosis*), from one's surplus. The rate at which the shared services (or, eventually, the goods) are exchanged follows from the requirement of *philia*, i.e., that the good-will among the members persist. For without it, the community itself would cease. The just price, then, derives from the demands of *philia* as expressed in the reciprocity which is of the essence of all human community.

From these principles derive also his strictures on commercial trading and the maxims for the setting up of exchange equivalencies or the just price. Trade, we saw, is "natural" as long as it is a requirement of self-sufficiency. Prices are justly set if they conform to the standing of the participants in the community, thereby strengthening the good-will on which community rests. Exchange of goods is exchange of services; this, again, is a postulate of self-sufficiency and is practiced by way of a mutual sharing at just prices. In such exchange no gain is involved; goods have their known prices, fixed beforehand. If exceptionally gainful retailing there must be for the sake of a convenient distribution of goods in the market place, let it be done by noncitizens. Aristotle's theory of trade and price was nothing else than a simple elaboration of his general theorem of the human community.

Community, self-sufficiency and justice: these pivots of his sociology were the frame of reference of his thought on all economic matters, whether the nature of the economy, or policy issues were at stake.

The Sociological Bent

On the nature of the economy Aristotle's starting point is, as always, empirical. But the conceptualization even of the most obvious facts is deep and original.

The desire for wealth, Solon's verse had proclaimed, was unlimited with man. Not so, said Aristotle, in opening up the subject. Wealth is, in truth, the things necessary to sustain life, when safely stored in the keeping of the community, whose sustenance they represent. Human needs, be they of the household or of the city, are not boundless; nor is there a scarcity of subsistence in nature. The argument which sounds strange enough to modern ears, is powerfully pressed and carefully elaborated. At every point the institutional reference is explicit. Psychology is eschewed, sociology imposed.

The rejection of the scarcity postulate (as we would say) is based on the conditions of animal life, and is thence extended to those of human life. Do not animals from their birth find their sustenance waiting for them in their environment? And do not men, too, find sustenance in mother's milk and eventually in their environment, be they hunters, herdsman, or tillers of the soil? Since slavery to Aristotle is "natural," he can without inconsistency describe slave raids as a hunt for peculiar game and consequently represent the leisure of the slave-owning citizenry as supplied by the environment. Otherwise, no need save that for sustenance is considered, much less approved of. Therefore, if scarcity springs "from the demand side," as we would say, Aristotle attributes it to a misconceived notion of the good life as a desire for a greater abundance of physical goods and enjoyments. The elixir of the good life—the elation of day-long theater, the mass jury service, the holding in turn of offices, canvassing, electioneering, great festivals, even the thrill of battle and naval combat—can be neither hoarded nor physically possessed. True, the good life requires, "this is generally admitted," that the citizen have leisure in order to devote himself to the service of the polis. Here again, slavery was part of the answer; another and much more incisive part lay in the payment of all citizens for the performance of public duties, or else, in not admitting artisans to citizenship, a measure Aristotle himself seemed to commend.

For yet another reason the problem of scarcity does not arise with Aristotle. The economy—as the root of the word shows, a matter of the domestic household or *oikos*—concerns directly the relationship of the persons who make up the natural institution of the household. Not possessions, but parents, offspring and slaves constitute it. The techniques of gardening, breeding or other modes of production Aristotle excluded from the purview of the economy. The emphasis is altogether institutional and only up to a point ecological, relegating technology to the subordinate sphere of useful knowledge. Aristotle's concept of the economy would almost permit us to refer to it as an instituted process through which sustenance is ensured. With a similar liberty of phrasing, Aristotle may be said to put down the erroneous conception of unlimited human wants and needs, or, of a general scarcity of goods, to two circumstances: first, the acquisition of food-stuffs through commercial traders, which introduces money-making into the quest for subsistence; second, a false notion of the good life as a utilitarian cumulation of physical pleasures. Given the right in-

stitutions in trade and the right understanding of the good life, Aristotle saw no room for the scarcity factor in the human economy. He did not fail to connect this with the existence of such institutions as slavery, infanticide and a way of life that discounts comfort. Short of this empirical reference his negation of scarcity might have been as dogmatic and as unfavorable to factual research as the scarcity postulate is in our days. But with him, once and for all, human needs presupposed institutions and customs.

Aristotle's adherence to the substantive meaning of "economic" was basic to his total argument. For why did he have to probe into the economy at all? And why did he need to set in motion an array of arguments against the popular belief that the significance of that dimly apprehended field lay in the lure of wealth, an insatiable urge common to the human frame? To what purpose did he develop a theorem comprising the origins of family and state, solely designed to demonstrate that human wants and needs are not boundless and that useful things are not, intrinsically, scarce? What was the motive behind this orchestration of an inherently paradoxical point which, moreover, must have appeared too speculative to be quite in keeping with his strongly empiricist bent?

The explanation is obvious. Two policy problems—trade and price—were pressing for an answer. Unless the question of commercial trade and the setting of prices could be linked to the requirements of communal existence and its self-sufficiency, there was no rational way of judging of either, be it in theory or in practice. If such a link did offer, then the answer was simple: first, trade that served to restore self-sufficiency was "in accordance with nature"; trade that did not, was "contrary to nature." Second, prices should be such as to strengthen the bond of community; otherwise exchange will not continue to take place and the community will cease to exist. The mediating concept was in either case the self-sufficiency of the community. The economy, then, consisted in the necessities of life—grain, oil, wine, and the like—on which the community subsisted. The conclusion was stringent and no other was possible. So either the economy was about the material, substantive, things that sustained human beings, or else there was no empirically given rational link between matters such as trade and prices on the one hand, and the postulate of a self-sufficient community, on the other. The logical necessity for Aristotle's insistence on the substantive meaning of "economic" is therefore evident.

Hence also that astonishing attack on the Solonic poem in an overture of a treatise on economics.

Natural Trade and Just Price

Commercial trade, or, in our terms, market trade, arose as a burning issue out of the circumstances of the time. It was a disturbing novelty, which could neither be placed, nor explained, nor judged adequately. Money was now being earned by respectable citizens through the simple device of buying and selling. Such a thing had been unknown, or rather, was restricted to low-class persons, known as hucksters, as a rule metics, who eked out a living by retailing food in the market place. Such individuals did make a profit by buying at one price and selling at another. Now this practice had apparently spread to the citizenry of good standing, and big sums of money were made by this method, formerly stamped as disreputable. How should the phenomenon itself be classified? How should profit, systematically made in this manner, be operationally explained? And what judgment should be passed on such an activity?

The origin of market institutions is in itself an intricate and obscure subject. It is hard to trace their historical beginnings with precision and even harder to follow the stages by which early forms of trade developed into market trade.

Aristotle's analysis struck to the root. By calling commercial trade *kapēlikē*—no name had yet been given to it—he intimated that it was nothing new, except for the proportions it assumed. It was hucksterism written large. The money was made "off" each other (*ap'allēlōn*), by the surcharging methods so often met with in the market place.

Aristotle's point, inadequate though such a notion of mutual surcharge was, reflected a crucial phase of transition in the history of the human economy: the juncture at which the institution of the market began to move into the orbit of trade.

One of the first city markets, if not the very first, was no other than the agora in Athens. Nothing indicates that it was contemporaneous with the founding of the city. The first authentic record of the *agora* is of the fifth century when it was already definitely established, though still contentious. Throughout the course of its early history the use of small coin and the retailing of food went together. Its be-

ginnings in Athens should therefore coincide with the minting of obols sometime in the early sixth century. On Asian territory it may have had a precursor in Sardis, the Lydian capital, to all accounts a thoroughly Greek type of city. Here again pioneering in small change marks the trail, especially if we include as we should, the use of gold dust. On this point Herodotus leaves little doubt. The Midas legend dates the presence in Phrygia of large amounts of river gold about 715, while in Sardis the market place itself was crossed by a gold-bearing stream, the Pactolus. In Herodotus' birthplace, Halicarnassus, stood that huge monument to Alyattes to the cost of which the love trade of Lydian girls had so generously contributed, while Gyges, founder of the Mermnade dynasty, appears to have initiated the coinage of electrum. Alyattes' son, Croesus, adorned Delphi with the splendor of his massive gold gifts. No beads or shells that might be employed as money stuffs are known from Asia Minor; the mention of gold dust is therefore crucial. The probability is strong that the twin Lydian innovations of coinage and the retailing of food were introduced together in Athens. They were not yet inseparable by any means. Aegina, which preceded Athens in matters of coinage, may have used coins only in foreign trade. The same might be true of the Lydian coins, while gold dust circulated in the food market and in love deals. Up to this day the market place in Bida, capital of Nupe, in Nigéria, is said to turn after midnight into a place of mercenary sociability, with gold dust presumably circulating as money. In Lydia, too, the presence of gold dust may have induced the retailing of food in the market. Attica followed in its wake, but replaced the specks of gold by fractions of obols of silver.

Broadly, coins spread much faster than markets. While trade was abounding and money as a standard was common, markets were few and far between.

By the end of the fourth century Athens was famous for her commercial agora, where anyone could buy a meal cheaply. Coinage had spread like wildfire, but outside of Athens the market habit was not particularly popular. During the Peloponnesian War fleets of sutlers accompanied the navy, for the troops could only exceptionally rely on subsisting from local markets. As late as the beginning of the fourth century the Ionian countryside possessed no regular food markets. The chief promoters of markets were at that time the Greek armies, notably the mercenary troops now more and more frequently employed as a

business venture. The traditional self-equipping hoplite army had been engaged only in brief campaigns on a sack of barley meal brought along from home. By the turn of the fifth century regular expeditionary forces were formed, only the cadres of which consisted of Spartan or Athenian citizens while the bulk was recruited from abroad. The employment of such a force, especially if it was supposed to cross friendly territory, raised logistic problems, on which scholarly generals were fond to comment.

Xenophon's tracts offer many instances of the actual and the ideal role assigned to the market in the new strategy. The food market from which the troops could provision themselves from the hand money due to them from their C. O. (unless local requisitioning was practicable) formed part of a broader issue—the sale of booty, especially slaves and cattle, as well as provisioning from sutlers who followed the army in the hope of profit. It all boiled down to so many market problems. Concerning each we have evidence of organizational and financial activities initiated by kings, generals or governments responsible for the military undertaking. The campaign itself was quite often no more than a rationalized booty raid, if not of the renting out of an army to serve some foreign government for the benefit of the home country that financed the venture on business grounds. Military efficiency, of course, was the paramount requirement. An expedition's sale of booty, if only for reasons of military tactics, formed as much part of efficiency as did the regular provisioning of the troops, while it avoided, as far as could be, the antagonizing of friendly neutrals. Go-ahead generals devised up-to-date methods of stimulating local market activities, financing sutlers to wait upon the troops, and engaging local craftsmen in improvised markets for the supply of armaments. They boosted market supply and market services by all means at their disposal, however tentative and hesitant local initiative sometimes may have been. There was, in effect, but little reliance on the spontaneous business spirit of the residents. The Spartan government sent a civilian commission of "booty sellers" along with the king who commanded the army in the field. Their task was to have the captured slaves and cattle auctioned on the spot. King Agesilaos busied himself to have markets "prepared," "set up," and "offered" to his troops by the friendly cities along his prospective itinerary. In the Cypriacian utopia, Xenophon described how any trader who wished to accompany the army and needed money for supplies, would go to the commander and, after giving references

as to his reliability, would be advanced money out of a fund kept for that purpose. (Cyr. VI ii 38 f). Around that time Timotheus, the Athenian general, heedful of the sutlers' financial needs, acted on lines similar to Xenophon's educational novel. In the Olynthian war (364 B.C.), having substituted copper for silver in paying his soldiers, he persuaded the traders to accept it from the soldiers at that value, firmly promising them that it will be accepted from them at that rate for the purchase of booty, and that anything left over after purchasing booty would be redeemed in silver. (Ps. Arist. Oecon. II 23 a). It all goes to show how small the reliance on local markets still was, both as a means of provisioning and as a vent for booty unless fostered by the military.

Local markets, then, in Aristotle's time were a delicate growth. They were put up on occasion, in an emergency or for some definite purpose and not unless political expediency so advised. Nor does the local food market present itself in any way as an organ of long-distance trade. Separation of trade and market is the rule.

The institution which eventually was to link the two, the supply-demand-price mechanism, was unknown to Aristotle. It was of course the true originator of these commercial practices which were now becoming noticeable in trade. Traditionally, trade carried no taint of commerce. In its origins a semi-warlike occupation, it never cut loose from governmental associations, apart from which but little trading could take place under archaic conditions. Gain sprang from booty and gifts (whether voluntary or blackmailed), public honors and prizes, the golden crown and the land grant bestowed by prince or city, the arms and luxuries acquired—the *kerdos* of the *Odyssey*. Between all this and the local food market of the *polis* there was no physical connection. The Phoenician *emporos* would display his treasures and trinkets at the prince's palace or the manorial hall, while the crew would settle down to grow their own food on foreign soil—a yearly turnover. Later forms of trade ran in administrative grooves, smoothed by the urbanity of port of trade officialdom. Customary and treaty prices loomed large. The trader, unless compensated from commission fees, would make his "gain" from the proceeds of the imports that were the trophy of the venture.

Treaty prices were matters of negotiation, with much diplomatic higgling-haggling to precede them. Once a treaty was established, bargaining was at an end. For treaty meant a set price at which trading took its course. As there was no trade without treaty, so the existence

of a treaty precluded the practices of the market. Trade and markets had not only different locations, status and personnel, they differed also in purpose, ethos and organization.*

We can not yet tell for certain, when and in what form higgling-haggling and gain made on prices entered the realm of trade, as implied in Aristotle. Even in the absence of international markets gain made in overseas trade had been normal. There can be no doubt however, that the sharp eye of the theoretician had discerned the links between the petty tricks of the huckster in the agora and novel kinds of trading profits that were the talk of the day. But the gadget that established their kinship—the supply-demand-price mechanism—escaped Aristotle. The distribution of food in the market allowed as yet but scant room to the play of that mechanism; and long-distance trade was directed not by individual competition, but by institutional factors. Nor were either local markets or long-distance trade conspicuous for the fluctuation of prices. Not before the third century B.C., was the working of a supply-demand-price mechanism in international trade noticeable. This happened in regard to grain, and later, to slaves, in the open port of Delos. The Athenian agora preceded, therefore, by some two centuries the setting up of a market in the Aegean which could be said to embody a market mechanism. Aristotle, writing in the second half of this period, recognized the early instances of gain made on price differentials for the symptomatic development in the organization of trade which they actually were. Yet in the absence of price-making markets he would have seen nothing but perversity in the expectation that the new urge for money making might conceivably serve a useful purpose. As to Hesiod, his famous commendation of peaceful strife had never transcended the prizes of premarket competition on the manorial level—praise for the potter, a joint for the lumberman, a gift to the singer who won.

Exchange of Equivalencies

This should dispose of the notion that Aristotle was offering in his *Ethics* a theory of prices. Such a theory is indeed central to the understanding of the market, the main function of which is to produce a price that balances supply and demand. None of these concepts, however, was familiar to him.

* See below, Ch. IV.

The postulate of self-sufficiency implied that such trade as was required to restore autarchy was natural and, therefore, right. Trade went with acts of exchange which again implied a definite rate at which the exchange was to take place. But how to fit acts of barter into a framework of community? And, if barter there was, at what rate was it to be performed?

As to the origin of barter, nothing could appeal less to the philosopher of *gemeinschaft* than the Smithian propensity allegedly inherent in the individual. Exchange, Aristotle said, sprang from the needs of the extended family the members of which originally used things in common which they owned in common. When their numbers increased and they were compelled to settle apart, they found themselves short of some of the things they formerly used in common and had therefore to acquire the needed things from amongst each other.⁵ This amounted to a mutual sharing. Briefly,⁶ reciprocity in sharing was accomplished through acts of barter.⁷ Hence exchange.

The rate of exchange must be such as to maintain the community.⁸ Again, not the interests of the individuals, but those of the community were the governing principle. The skills of persons of different status had to be exchanged at a rate proportionate to the status of each: the builder's performance exchanged against many times the cobbler's performance; unless this was so, reciprocity was infringed and the community would not hold.⁹ *

Aristotle offered a formula by which the rate (or price) is to be set:¹⁰ it is given by the point at which two diagonals cross, each of them representing the status of one of the two parties.¹¹ This point is formally determined by four quantities—two on each diagonal. The method is obscure, the result incorrect. Economic analysis represented the four determinative quantities with correctness and precision by pointing out the pair of indices on the demand curve, and the pair of indices on the supply curve, which are determinative of the price that clears the market. The crucial difference was that the modern economist was aiming at a description of the formation of prices in the market, while such a thought was far from Aristotle's mind. He was busied with the quite different and essentially practical problem of providing a formula by which the price was to be set.

Surprisingly enough, Aristotle seemed to see no other difference between set price and bargained price than a point of time, the former

* See, e.g., below, Ch. XI.

being there before the transaction took place, while the latter emerged only afterwards.¹² The bargained price, he insisted, would tend to be excessive because it was agreed to when the demand was not yet satisfied. This in itself should be sufficient proof of Aristotle's naiveté concerning the working of the market. He apparently believed that the justly set price must be different from the bargained one.

The set price, besides its justness, also offered the advantage of setting natural trade apart from unnatural trade. Since the aim of natural trade is exclusively to restore self-sufficiency, the set price ensures this through its exclusion of gain. Equivalencies—as we will henceforth call the set rate—serve therefore to safeguard “natural” trade. The bargained price might yield a profit to one of the parties at the expense of the other, and thus undermine the coherence of the community instead of underpinning it.

To the modern market-adjusted mind the chain of thought here presented and ascribed to Aristotle must appear as a series of paradoxes:

It implies the ignoring of the market as a vehicle of trade; of price formation as a function of the market; of any other function of trade than that of contributing to self-sufficiency; of the reasons why set price might differ from market-formed price, and why market prices should be expected to fluctuate; finally, of competition as the device that produced a price unique in that it clears the market and can therefore be regarded as the natural rate of exchange.

Instead, market and trade are here thought of as separate and distinct institutions; prices, as produced by custom, law or proclamation; gainful trade, as “unnatural”; the set price, as “natural”; fluctuation of prices, as undesirable; and the natural price, far from being an impersonal appraisal of the goods exchanged, as expressing the mutual estimation of the statuses of the producers.

For the resolution of these apparent contradictions the concept of equivalencies enters as crucial.

In the key passage on the origin of exchange (*allagē*) Aristotle gave perfect precision to that basic institution of archaic society—exchange of equivalencies. The increase in the size of the family spelt the end of their self-sufficiency. Lacking one thing or another, they had to rely on one another for supply. Some barbarian peoples, Aristotle said, still practice such exchange in kind “for such people are expected to give in exchange necessities of life for other necessities of life, for example, wine for corn, as much as required in the circumstances and no more,

handing over the one and taking the other in return, and so with each of the staples of the sort. The practice of barter of this manner and type was not, therefore, contrary to nature, nor was it a branch of the art of wealth-getting, for it was instituted for the restoring of man's natural self-sufficiency."¹³

The institution of equivalency exchange was designed to ensure that all householders had a claim to share in the necessary staples at given rates, in exchange for such staples as they themselves happened to possess. For no one was expected to give away his goods for the asking, receiving nothing in return; indeed, the indigent who possessed no equivalent to offer in exchange had to work off his debt (hence the great social importance of the institution of debt bondage). Thus barter derived from the institution of sharing of the necessities of life; the purpose of barter was to supply all householders with those necessities up to the level of sufficiency; it was institutionalized as an obligation of householders to give of their surplus to any other householder who happened to be short of that definite kind of necessary, at his request, and to the extent of his shortage, but only to that extent; the exchange was made at the established rate (equivalency) against other staples of which the householder happened to have a supply. In so far as legal terms are applicable to so primitive conditions, the obligation of the householder was directed towards a transaction in kind, limited in extent to the claimant's actual need, performed at equivalency rates by exclusion of credit, and comprising all staples.

In the *Ethics*, Aristotle stressed that in spite of the equivalency of goods exchanged, one of the parties benefited, namely, the one who felt compelled to suggest the transaction. Nevertheless, in the long run, the procedure amounted to a mutual sharing, since at another time it was the other's turn to benefit by the chance. "The very existence of the state depends on such acts of proportionate reciprocity . . . failing which no sharing happens, and it is the sharing which binds us together. This is why we set up a shrine of the Graces in a public place to remind men to return a kindness; for that is a special characteristic of Grace, since it is a duty not only to repay a service done one, but another time to take the initiative in doing a service oneself."¹⁴ Nothing, I feel, could show better the meaning of reciprocity than this elaboration. It might be called reciprocity on the square. Exchange is here viewed as part of reciprocity behavior in contrast to the marketing view which invested barter with the qualities which are the very reverse

of the generosity and grace that accompanied the idea of reciprocity.

But for these strategic passages, we might still be unable to identify this vital institution of archaic society, in spite of the sheaves of documentary evidence unearthed by archaeologists within the last two or three generations. Figures representing mathematical rates between units of goods of different kinds were throughout translated by Orientalists as "price." For markets were assumed as a matter of course. Actually those figures connoted equivalencies quite unconnected with markets and market prices, their quality of fixedness being an inborn one, not implying any antecedent fluctuations brought to an end by some process of "setting" or "fixing" as the phrase seems to imply. Language itself betrays us here.

The Texts

This is not the place to elaborate on the numerous points at which our presentation differs from previous ones. However, in brief we must refer back to the texts themselves. Almost inevitably an erroneous view had been formed of the subject matter of Aristotle's discourse. Commercial trading, which was taken to be that subject, was, as it now appears, just only beginning to be practiced in his time. Not Hammurabi's Babylonia, but the Greek-speaking fringe of Western Asia together with Greece herself were responsible for that development—well over a thousand years afterward. Aristotle could not, therefore, have been describing the working of a developed market mechanism and discussing its effects on the ethics of trade. Again, it follows that some of his key terms, notably *kapēlikē*, *metadosis* and *chrēmastikē*, were misinterpreted in translation. Sometimes the error becomes subtle. *Kapēlikē* was rendered as the art of retail trade instead of the art of "commercial trade," *chrēmastikē* as the art of money-making instead of that of supply, i.e., the procuring of the necessities of life in kind. In another instance, the distortion is manifest: *metadosis* was taken to be exchange or barter, while patently meaning its opposite, namely, "giving one's share."

Briefly, in sequence:

Kapēlikē, grammatically denotes the art of the *kapēlos*. The meaning of *kapēlos* as used by Herodotus in the middle of the fifth century, is broadly established as some kind of retailer, especially of food, a keeper of a cook shop, a seller of foodstuffs and cooked food. The in-

vention of coined money was linked by Herodotus with the fact that the Lydians had turned *kapēloi*. Herodotus also recounts that Darius was nicknamed *kapēlos*. Indeed, under him military stores may have begun the practice of retailing food.¹⁵ Eventually *kapēlos* became synonymous with "trickster, fraud, cheat." Its pejorative meaning was congenial.

Unfortunately, this still leaves the Aristotelian meaning of the word *kapēlikē* wide open. The suffix *-ikē* indicates "art of," and so makes *kapēlikē* signify the art of the *kapēlos*. Actually, such a word was not in use; the dictionary mentions only one instance (apart from Aristotle) and in this instance it designates, as one would expect, the "art of retailing." How, then, did Aristotle come to introduce it as the heading for a subject of the first magnitude noways restricted to retail trading, namely, commercial trade? For that and no other is without any possible doubt the subject of his discourse.

The answer is not hard to find. In his passionate diatribe against gainful trading Aristotle was using *kapēlikē* with an ironical overtone. Commercial trade was of course, not huckstering; nor was it retail trading; and whatever it was, it deserved to be called some form or variant of *emporía* which was the regular name for seafaring trade, together with any other form of large-scale or wholesale trade. When Aristotle referred specifically to the various kinds of maritime trade, he fell back on *emporía*, in the usual sense. Why, then, did he not do so in the main theoretical analysis of the subject but use instead a new-fangled word of pejorative connotation?

Aristotle enjoyed inventing words, and his humor, if any, was Shavian. The figure of the *kapēlos* was an unfailing hit of the comic stage. Aristophanes in his *Acharnians* had made his hero turn *kapēlos* and in that guise earn the solemn praises of the chorus which lauded him as the philosopher of the day. Aristotle wished drastically to convey his unimpressedness with the *nouveaux riches* and the allegedly esoteric sources of their wealth. Commercial trade was no mystery. When all is said, it was but huckstering written large.

Chrēmatistikē was deliberately employed by Aristotle in the literal sense of providing for the necessities of life, instead of its usual meaning of "money-making." Laistner rendered it correctly as "the art of supply," and Ernest Barker in his commentary recalled the original sense of *chrēmata*, which, he warned, was not money, but the necessities themselves, an interpretation also upheld by Defourny and by

M. I. Finley in an unpublished lecture. Indeed, with Aristotle the stress on the nonmonetary meaning of *chrēmata* was logically unavoidable, since he held on to the autarchy postulate which was pointless outside of a naturalistic interpretation of wealth.

The signal error in rendering *metadosis* as "exchange" in the three crucial passages of the *Politics* and the *Ethics* cut deeper still.¹⁶ In the case of *metadosis* Aristotle kept to the common meaning of the word. It was the translators who brought in an arbitrary interpretation. In an archaic society of common feasts, raiding parties, and other acts of mutual help and practical reciprocity the term *metadosis* possessed a specific operational connotation—it signified "giving a share," especially to the common pool of food, whether a religious festivity, a ceremonial meal, or other public venture was in question. That is the dictionary meaning of *metadosis*. Its etymology underlines the unilateral character of the giving, contributing, or sharing operation. Yet we are faced with the astonishing fact that in the translation of these passages in which Aristotle insisted on the derivation of exchange from *metadosis*, this term was rendered as "exchange" or "barter," which turned it into its opposite. This practice was sanctioned by the leading dictionary, which recorded *s. v. metadosis* those crucial three passages as exceptions! Such a deviation from the plain text is understandable only as an expression of the marketing bias of latter-day translators, who at this point were unable to follow the meaning of the text. Exchange to them was a natural propensity of men and stood in no need of explanation. But even assuming it did, it certainly could not have sprung from *metadosis* in its accepted meaning of "giving a share." Accordingly, they rendered *metadosis* by "exchange," and thus turned Aristotle's statement into an empty truism. This mistake endangered the whole edifice of Aristotle's economic thought at the pivotal point. By his derivation of exchange from "giving one's share" Aristotle provided a logical link between his theory of the economy in general and the practical questions at issue. Commercial trade, we recall, he regarded as an unnatural form of trade; natural trade was gainless since it merely maintained self-sufficiency. In support of this he could effectively appeal to the circumstance that, to the limited amount needed to maintain self-sufficiency, and only to that amount, exchange in kind was still widely practiced by some barbarian peoples in regard to the necessities of life, at set equivalences, benefiting at one time the one, at another time the other, as chance would have it. Thus the derivation

of exchange from contributing one's share to the common pool of food was the linchpin that held together a theory of the economy based on the postulate of self-sufficiency of the community and the distinction between natural and unnatural trade. But all this appeared so foreign to the marketing mind that translators took refuge in turning the text upside down, eventually losing their hold of the argument. Perhaps the most daring thesis of Aristotle, which up to this day must stagger the thinking mind by sheer force of originality, was in this manner reduced to a platitude that, had it carried any definite meaning at all, would have been rejected by him as a shallow view of the ultimate forces on which the human economy rested.

Karl Polanyi

Notes to Chapter V

1. J. A. Schumpeter, *History of Economic Analysis* (New York, 1954), p. 57, "Aristotle's performance is . . . decorous, pedestrian, slightly mediocre and more than slightly pompous common sense." Schumpeter had no doubt that Aristotle was engaged in "analyzing actual market mechanisms. Several passages show . . . that Aristotle tried to do so and failed" (p. 60). The latest detailed study is no less negative on the merits of the case. Cf. C. J. Soudek, "Aristotle's Theory of Exchange," *Proceedings of American Philosophical Society*, V, 96, NR, 1 (1952); Joseph J. Spengler's "Aristotle on Economic Imputation and Related Matters," *Southern Economics Journal*, XXI (April, 1955), 386, fn. 59, is the lone exception: "Aristotle did not concern himself with how prices are formed in the market."
2. Cf. Karl Polanyi, *The Great Transformation* (New York, 1943), p. 64.
3. *Cooperation and Competition* (New York and London, 1937), p. 31.
4. Aristotle, *EN* 1132b 21, 35.
5. Aristotle, *Pol.* 1257a 24.
6. *Ibid.*, 1257a 19.
7. *Ibid.*, 1257a 25.
8. Aristotle, *EN* 1133b 16, 1133b 8.
9. *Ibid.*, 1133b 29.
10. *Ibid.*, 1133a 8.
11. *Ibid.*, 1133a 10.
12. *Ibid.*, 1133b 15.
13. Aristotle, *Pol.*, 1257a 24-31.
14. Aristotle, *EN* 1133a 3-6.
15. *Ps.-Arist.*, *Oec.* II, 1353a 24-28.
16. *Ibid.*, 1133a 2; *Pol.* 1257a 24; 1280b 20.