

The Vices of Economic Efficiency: Acquisitiveness, Greed and Self- Indulgence

*Assessing Mainstream Economic Theory in the Light of
Aristotelian Virtue Ethics*

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Abstract

I argue that the typical description and thus also the evaluation of human agency, found in mainstream economic textbooks, is inadequate and even misleading from the perspective of Aristotelian virtue ethics. Most economists today identify preference satisfaction with increased well-being, which they measure through people's "willingness to pay". So the value of commodities and the success of economic activity end up being estimated based on the total amount of consumption. But just as with acquisition, consumption may be a means to further ends. The conceptualization of market exchange found in mainstream economics involves a separation of a person's benefit from the value of the action in itself and the good of others. This leads economists to consider people's failure to act in accordance with virtue, for example by acquiring or consuming too much, as beneficial. In light of Aristotle's theory of action, his account of the virtues and the limitlessness of natural wealth acquisition; increased economic efficiency and maximization can in fact constitute the opposite of achieving *eudaimonia*. That is, the natural end (*telos*) of human beings and that true happiness we are all ultimately seeking, also as economic agents. If the majority of people are less than virtuous or in urgent need of basic goods; when we put the economist's model of market exchange into practice it will push people, in different degrees, to serve other's acquisitiveness, greed and self-indulgence. Both because of necessity and because of the influence profit-maximizing firms have on their employees and society in general (through marketing and lobbying for example).

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1 Introduction

In ancient Greece the Agora (public assembly or town square) was originally a place “to hear civic announcements, muster for military campaigns or discuss politics”.¹ With time it was increasingly used as a marketplace where products were both produced and sold by artisans and merchants. But “It was in the Agora of Athens that the great philosopher Socrates questioned the market-goers”.² As philosophers following the Socratic calling of questioning people’s beliefs and assumptions, in today’s highly productive consumer society it is natural to ask questions about market activities and economics. In the *Protagoras*, Plato’s Socrates, talks about merchants that deal in food but “don’t know what is good or bad for the body—they just recommend everything they sell—nor do those who buy (unless one happens to be a trainer or doctor).” (*Protagoras* 313d). Drawing on an analogy between the food that is bought from merchants and knowledge as the soul’s nourishment, Socrates gives the following warning to his friend Hippocrates:

...if you are a knowledgeable consumer, you can buy teachings safely from Protagoras or anyone else. But if you’re not, please don’t risk what is most dear to you on a roll of the dice, for there is a far greater risk in buying teachings than in buying food...

(*Protagoras* 313e-314a)

In this dissertation I will consider some aspects of today’s dominant (mainstream) economic theory by analyzing it in light of Aristotle’s account of the relationship between wealth, virtue and the good life.³ This kind of ethical theory has an important similarity with economics, since both use the notion of goals to define and measure the success of human activities (including how it harms or benefits them). In contrast to mainstream economic models of market exchange Aristotle’s theory of action and human flourishing integrates economic activity in such a way that it can’t be separated from many other concerns. This is because the goal of acquiring and using wealth cannot be isolated in the context of a human life seen as a whole. In this dissertation I claim that desire for ever greater income flows and increased standards of living, which are promoted and supported by the market, will inevitably come in conflict with other goals like acting virtuously.

¹ Mark, “Agora.”

² Ibid.

³ For what I mean by “mainstream economics,” see section 1.2 below.

According to mainstream economics, under so-called “competitive conditions,” markets are supposed to be efficient in allocating resource such that total well-being is maximized (because they satisfy the largest possible number of preferences). But economics and the kind of social practices which are based on its central models of market exchange, have been strongly criticized by contemporary virtue ethicists for “being complicit in an assault on virtue and human flourishing.”⁴ The science has been the object of such criticism mainly because of its dependence on instrumental rationality and extrinsic motivation, which by failing to respect the intrinsic value and motivation in people’s actions normalizes and perpetuates external goods as the only incentive in society.⁵

Economists prefer to estimate people’s goals by observing their willingness to give up leisure and money for consumer products, rather than using surveys, for example. In addition the “first person perspective” is considered to be the only viable option in economics because it supposedly doesn’t impose any particular notion of well-being on the theory. In any case we must still have some way of knowing what the goals in question are and how they relate to each other. From the Aristotelian perspective the most important end to consider is *eudaimonia*. I will lay this out in more detail after giving an account of mainstream economics. For Aristotle inquiries about human behavior and well-being aren’t merely about finding out what people consider the good life to be, but about discovering what it really is (and how that which you perceive to be good, can make you miserable instead.) Many make the mistake of thinking that they will achieve happiness by simply pursuing more wealth, honor or pleasure. Even if we can’t agree upon a particular view of the human good it is reasonable to try and establish that greed, acquisitiveness and self-indulgence aren’t compatible with any plausible notion of happiness. Unlimited desire/appetite brings an unlimited burden of satisfying it, both on the individual and on a social level. Just as addicts become dependent on some particular stimuli or substance, societies can become economically dependent on an unhealthy and excessive consumption. The fact is that the state of one’s moral character matters for predicting and evaluating the true efficiency of economic activity in furthering true human well-being.

⁴ Bruni and Sugden, "Reclaiming Virtue Ethics," 141. They show how the market can be construed as a practice in its own right, with intrinsic goals and excellences which are constitutive of the markets own function and purpose. Even if this is possible, it doesn’t tell us what constitutes human well-being, how to achieve it or whether practicing the “market virtues,” and thus being successful in this respect, will come in conflict with achieving true happiness. Further it doesn’t help economics in determining the ultimate purposes, more or less conscious, of economic activities like consumption.

⁵ Ibid.

Money (and other things with exchange value) contains the power to make others give you what you need/want, even if they wouldn't be interested in doing so in the absence of compensation. Prices are "up to us" meaning that they don't have to rely on any independent criteria of evaluation, like our true nature or the will of the gods. Wealth, if measured only in terms of exchange value, can be determined only based on what other goods one can get by giving it up.

Economics has to a great extent strived to achieve moral neutrality. But in order to replace the notion of happiness or pleasure with something objectively measurable and uncontroversial, it has ended up with a theory of value that presupposes people to be "knowledgeable consumers" (*Protagoras* 313e-314b.) I claim that this it isn't neutral with respect to which moral theory is correct. We can say that economics has traditionally only dealt with the allocation of resources insofar as the economic activities and the supply of products and services to others is self-interested by being conditional on compensation (in terms of wealth). But what are the reasons for confining the "economic" to behavior which is based on this kind of self-interest? If there were a society of people that provided the same products and services to each other as they would through market exchange, but did so unconditionally, wouldn't they be engaged in economic activity? Alternative approaches to the way value is measured in mainstream economics⁶ have emerged in recent years: they can be based on using surveys or establishing a set of given criteria for well-being like living conditions and education.

Adam Smith has pointed out to the world that people can benefit others merely by pursuing their own separate interests. We don't need to be selfless or take responsibility for the well-being of others in order to be more productive and thus increase the total amount of wealth in society. But why do we want to be wealthy? Isn't it because we want ourselves and those we care about to be happy. What Aristotle would want us to realize, is that people often benefit more from serving the interest of others (for its own sake) and that we should not try to make virtue simply a means to some other good. Being altruistic and serving the interest of others for its own sake, becomes a necessary condition for finding that real happiness we all are looking for. In addition to self-love humans have a capacity to love others which may grow if they get the chance to exercise it. On the other hand this capacity may become under stimulated if we don't trust that people can or will become altruistic enough to make other

⁶ That merely look at quantifiable options like income, hours worked and the act of buying.

people's benefit their own economic goals. Something that would make the economy much more efficient from the Aristotelian perspective.

1.1 Research Question

How does the description and evaluation of human activities in mainstream economics look from the perspective of Aristotelian Virtue Ethics?

More specifically:

Does the dominating theory of value and the notion of well-being embraced by most economists today come in conflict with Aristotelian virtue ethics? If so how? Further, does a free market (of the kind presupposed by the economic models in question) positively undermine the achievement of *eudaimonia* by neglecting or hindering the development and exercise of certain virtues or creating more opportunities and incentives to act viciously? Which would these be and why?

1.2 Appraisal and Primary Sources

The kind of economics which will be referred to as “mainstream” in my dissertation could also be regarded as Neo-Classical, since it is considered to be the offspring of the school of thought known as Classical Political Economy. It may not be completely accurate to say that the currently dominating theories are neo-classical, since they have incorporated some insights and principles from others schools of thought as well. In any case, there is a strong tendency to present the discipline in question simply as the science of economics, without qualifying this further. This is particularly common in academic textbooks that are used to train economists in colleges and universities all over the world. In my dissertation I want to address what seems to be a general consensus in the field, rather than the peculiar positions we may find examples of among some philosophers and a minority of economists. By focusing on the claims and assumptions we find in mainstream economic textbooks, I intend to both uncover and analyse the underlying view on human agency and well-being.

One of the reasons I have for choosing a regular economic textbook instead of something more philosophically advanced,⁷ as my primary source, is to draw attention to the lack of important distinctions. The material that is taught through these books have a much greater influence on the actual economy and therefore on society. Most of the people that study economics on Bachelor's and Master's level never encounter any of the objections that are discussed within philosophy of economics. Some claim that there is "evidence that studying theories that depict individuals as self-interested leads people to regard self-interested behavior more favorably and to become more self-interested."⁸ Something that is arguably reinforced by the claim that such self-interested agency will increase everyone general well-being, as long as the transactions are voluntary. The book I have chosen as my primary source is Nicholson's and Snyder's book entitled *Microeconomic Theory – Basic Principles and Extensions*,⁹ is used for teaching economics at my own University both in introductory courses (for example ECON1500) and at the master level (ECON4240). I have previously pursued studies in economics, completing a degree at a private business school and attending several courses at the University of Oslo. This is what led me to question mainstream economics and, at least in part, what motivated me to pursue a degree in philosophy.

The other principal source is Aristotle himself. There are many different ways of approaching his philosophy in relation to question about modern economics. I have chosen to focus on the ethical aspects. By the Aristotelian perspective, I mean one that embraces the most important principles, concepts and distinctions which Aristotle's ethics is based on. I try to give a general account of what I mean by Aristotelian or classical virtue ethic in the course of chapter 3. I have chosen not to focus on the commensurability of goods (their equalization) or the social and political power-relations of wealth and money, to be able to address the virtues of character in more detail. But a lot could be said about the matter and Aristotle has many interesting discussions to draw on. I will not defend or argue in favor of *eudaimonia* as the right notion of happiness. My objective is to see how it works in relation to the economic

⁷ One may object that such textbooks are somehow dumbed down or simplified in comparison to more advanced material in economics as well. It might be true that Nicholson's and Snyder's book isn't meant for researchers and professors. But this is a question of the complexity of the models (how many variables are taken into account/how many are endogenous and so on) and mathematical sophistication (more difficult calculations). As far as I know there isn't a particular point in the education of most economist in which they are expected to question the basic principles laid out previously⁷. So even if a lot could be added to my account of economics, this would not change the theoretical assumptions discussed in this dissertation (and which economic theory depends on).

⁸ Hausman, "Philosophy of Economics," 2.1. (Especially when it is considered to be beneficial for society).

⁹ Nicholson, Snyder, *Microeconomic Theory*, 10th ed.

theories I will be discussing. I won't be able to discuss any practical alternatives to the kind of economics which is the topic of my dissertation either. But I hope it will become clear that any arrangement that made people more self-sufficient (by having enough) and less dependent on the demands and capital of those who are more wealthy, for example by producing some good for their own or becoming less dependent on consumption,¹⁰ is preferable from the Aristotelian perspective.

¹⁰ Both as individuals and societies.

2 Economics

Economics is generally understood to be the field of inquiry concerned with “the production, distribution and consumption of commodities,”¹¹ which is the most common definition of economic activity.¹² Definitions are often a matter of controversy, and this one is no exception. Even if the domain and subject of the discipline may seem pretty straight forward, the terms contained in the definition I have just given are vague.¹³ Prominent economists have considered it the science of wealth;¹⁴ a definition that may not be all that different from the first.¹⁵ In recent years there have been countless attempts at giving a more precise definition of “the economic” and therefore of economics, assuming that the latter is a study of the former.¹⁶ It may be most accurate to define economics as “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.”¹⁷ Others have even suggested that economics should simply be defined by whatever “economists do.”¹⁸ For the moment, I’m satisfied to go along with the conventional (vague) definition of economics as the study of production, transfer and consumption of wealth. Throughout my dissertation I will try to shed light on the concepts involved and finally return to discuss the proper subject matter and definition of economics.

At the core of modern microeconomic theory, which is the study of economic activity from the perspective of individual agents like consumers and producers, we find a particular model of market exchange in which the efficient supply of valuable products and services is the result of people’s self-interested pursuit of wealth. Economic developments connected to the

¹¹ The definition is from *Gonzales v. Raich*, 545 U.S. 1 (2005), Section 26. See also sections 49 and 69 for criticism of the U.S. Supreme Court’s definition.

¹² Or simply “the economy.” The Oxford Dictionaries define the term “Economics” as “the branch of knowledge concerned with the production, consumption, and transfer of wealth” or alternatively the condition of “material prosperity” for a group or region. See English Oxford Living Dictionaries, “Economics.”

¹³ Hausman, “Philosophy of Economics,” Section 1.0.

¹⁴ The title of the book by Adam Smith, which is considered the foundation of modern economics, is entitled *An Inquiry into the Nature and Causes of the Wealth* [emphasis added] *of Nations*. Such a definition depends on what we mean by wealth. For the classical economists, like Smith, Ricardo and even Mill, interest in economics could serve the interests “of the society”: Smith, *An Inquiry*, IV.ii.9.

¹⁵ If we regard wealth to consist in those goods that are produced, exchanged and used by human beings, then the two definitions become very similar. Wealth, which is defined by Aristotle as that which is measured by money (*nomisma*) or exchange value, includes all commodities produced and consumed in the economy in addition to credit.

¹⁶ Popular author and economist Ha-Joon Chang, for example, has claimed that his contemporary colleagues have a tendency to define their discipline by its method/theoretical approach, instead of its subject matter: Chang, *Economics*, Chapter 1.

¹⁷ Lionel Robbins quoted in *Ibid.*

¹⁸ Backhouse and Medema, “Retrospectives”, 222.

growth of industry and commerce has had a tremendous impact on the lives of human beings the last couple of centuries. My primary objective in this chapter is to show that the discipline in question, which concerns goal-directed human activity, relies on a particular theory of value and economic efficiency which is bound up with a particular notion of human well-being. We shall see that by value (in relation to the theory of value) is meant the worth or usefulness of a given product or service. The market is efficient when it produces the largest amount of value for the lowest possible cost to firms, consumers and society in general. It is important to emphasize that these claims about people's well-being involves saying something about "how well a life is going for the person leading it."¹⁹

Economics, in addition, seems to deal only with a particular behavioural mode where the transfer of goods between people is strictly conditional on its compensation. Note that this could be described as the paradigmatic opposite of acting in a "loving mode", which is arguably based on unconditional benevolence toward others.²⁰ In economic models people act self-interestedly without any consideration for the environment or other people. Further, their own goals are completely separated from the needs and well-being of their trading partners. If not, prices would no longer reflect what consumers are willing to sacrifice in order to get commodities because the cost to the actual well-being of others, for example, will be taken into account by the agents in question. The effects that the market has on the general public (externalities) "can be a reason for governments to regulate markets, but self-regulation is not part of the internal practice of the market."²¹ As rational economic agents we shall see that people aren't expected to reveal their true preferences, for example through surveys,²² but to state what maximizes their gain.

¹⁹ Reiss, *Philosophy of Economics*, 212

²⁰ I doubt that any human action that serves the good of others is completely conditional or completely unconditional. Just as most people are not perfect lovers, most are not exclusively selfish either.

²¹ Bruni and Sugden, "Reclaiming Virtue Ethics," 156: In their paper, which discusses the relationship between economics and virtue ethics, they suggest that the telos of the market is mutual benefit "among the parties to market transactions (considered severally)" and not everyone in society. They suggest that people engaging in market transactions could be intending to benefit their trading partners as well as themselves. Benefit here is understood as the reception of whatever the person is trying to acquire through the exchange. In fact one of the market-virtues they propose about having is respect for the taste of you trading partners.

²² Assuming that they were fully aware of them.

2.1 The Conception of Economics

Even if philosophical reflections on the subject date back to antiquity, it wasn't until the 18th century that the economy began to be considered a separate object of study.²³ Inquiries into what are thought of as economic questions had previously been carried out within the broader context of moral and political philosophy.²⁴ Among the social sciences economics was the first to become a single and distinct discipline. The basis for its separation was the autonomy and self-regulation in how prices, interest rates and wages operated which was allegedly advocated by thinkers like Adam Smith. This gave rise to what was called "Political Economy."²⁵ The term comes from the Greek *polis* ("city state") and *oikonomos* (household-manager) and refers therefore to the administration of "the public's household" or the nation.²⁶ It was argued that since "the process of wealth" worked according to its own built-in mechanisms, it shouldn't only be studied separately but should also be left to do its own thing without outside interference (what is known as "laissez-faire").²⁷ *An Inquiry into the Nature and Causes of the Wealth of Nations* (WoN) by Adam Smith is often considered to be the founding text for economics. One of the central ideas presented by Smith is the productive power of "specialization" (the division of labour). He observes how it is possible to increase efficiency by making workers focus on smaller tasks in the production process.²⁸ What it means for efficiency to increase in such a context is that a larger quantity of some good is being produced by the same amount of workers in the same amount of time. An obvious consequence of increasing technological advances and productivity through increased specialization is that society will become more dependent on exchange (compared to a society where the household itself produces most of what it consumes). This brings us to another crucial principle associated with Adam Smith, namely that exchange is itself a productive activity because it distributes goods in an efficient way. So we distinguish between two different notions of economic efficiency related to specialization and market exchange. The first deals with the production of a certain kind of goods²⁹ like coffee, milk and clothes. The second is concerned with the value or usefulness of the goods in question. The two have a

²³ Hausman, "Philosophy of Economics," 1.1.

²⁴ Economics was in fact regarded as a branch of moral and political philosophy.

²⁵ Nisbet, "Social Science."

²⁶ Balaam and Veseth, "Political Economy."

²⁷ Nisbet, "Social Science." With time most have departed from extreme laissez-faire and recognize the benefit of government intervention (also because of the market crashes and economic depressions that occurred in the last couple of centuries.)

²⁸ Smith, *An Inquiry*, I.i10.

²⁹ The kind of goods economics deals with is unclear. See section 5.4.

particular relation to each other since consumption, which is the final end of all products and services, itself depends on production.

I want to point out that this notion isn't completely unfamiliar to someone like Aristotle. People exchange things because they are seeking to fill "a lack" (*Pol.* 1257a25-30). In other words they do not have enough of something that somebody else is willing to dispose of in exchange for good x:³⁰ "For if people neither needed things nor needed them to a similar extent, either there would be no exchange or not the same one" (EN 1133b25). It is exactly the usefulness of the exchange that binds people together, for example in "political friendship" like that between a shoemaker or weaver and her costumers (EN 1133b25 and *Pol.* 1163b35-1164a1). Aristotle writes:

And the payment for it should be in accord with deliberate choice, since this is characteristic of a friend and of virtue. This, it seems, is also the way it should be when the parties have formed a community for the purposes of philosophy. For the worth of philosophy is not measured in money³¹ (...) If the giving was not of this sort but with a view to some return, presumably the return should ideally be one that each of them thinks to be in accord with worth. For if the other gets in return as benefit as he did, or as much as he would have given for the pleasure, he will have gotten a worthy return (EN 1164a35-1164b10.)

In addition to working according to its own built-in mechanism (as the result of people behaving in a certain way), in mainstream economics the free market is thought to promote efficiency. The idea that resources will be efficiently allocated through market mechanisms allegedly goes back to Adam Smith and his famous reference to the "invisible hand".³² The term was not used frequently by Smith and didn't first appear in the *WoN* but in his work on *The Theory of Moral Sentiments*. In any case it has certainly captured the attention of economists.³³ It is therefore worth taking a look at the relevant passage in *WoN*:

³⁰ "This kind of exchange is not contrary to nature, nor is it any kind of wealth acquisition; for its purpose was to fill a lack in a natural self-sufficiency (having enough)" (*Pol.* 1257a25-30).

³¹ Are knowledge or the value of bravery in battle, for example, measurable by money? And wouldn't putting a monetary value on philosophy be possible even if it wouldn't accurately tell us how much it is worth, and is this the case with any other good? It doesn't seem that we are talking about different goods but different ways of attributing worth to them.

³² Adam Smith discussed in Nicholson and Snyder, *Microeconomic Theory*, 16.

³³ Smith, *The Theory of Moral Sentiments*, 8.

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestick industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the publick interest, nor knows how much he is promoting it. By preferring the support of domestick to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by *an invisible hand* [emphasis added] to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.³⁴

The central theme is how someone who is merely pursuing personal gain may promote the interest “of the society” even more effectively than they would by intending it. Previous to this passage Smith explains that human beings living in civilized society are dependent on the assistance of many other people but are only capable of obtaining the “good will” of a “few persons.”³⁵ Instead of naively expecting people to act from their benevolence, it is much more efficient for somebody to “interest their self-love in her favor, and shew them that it is for their own advantage to do for him what he requires of them.”³⁶ We all seem to rely on this kind of bargain with other people, which can be described as “Give me that which I want, and you shall have this which you want.”³⁷ Giving somebody else what they want is conditional on receiving a satisfactory compensation, implying that we are in a context where people aren’t going to provide goods and services to others unless they get what they want out of it. Finally Smith points out that only beggars depends completely on the benevolence of others, but not even they are able to get by without also relying on people’s self-interest in so far as they buy or exchange goods.³⁸ Note that even if Smith points to “many other cases” he is talking about specific situations where he considers this kind of behavior to have desirable

³⁴ Smith, *An Inquiry*, IV.ii.9.

³⁵ *Ibid.*, I.ii.2.

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ *Ibid.*

consequences. In this particular context domestic industry and the people that depend on it to provide them with goods and services benefit from the individuals pursuing their self-interest.

It is important for me to emphasize how important this principle is for economic theory. What makes this kind of principle so special is that virtually all human beings are expected to pursue their self-interest in this sense, independently of culture, race, beliefs or other variables. Therefore it can be regarded as one of basic “laws” of economics. Smith writes:

We are not ready to suspect any person of being defective in selfishness. This is by no means the weak side of human nature, or the failing of which we are apt to be suspicious. If we could really believe, however, of any man, that... he would not take that proper care of his health, his life, or his fortune, to which self-preservation alone ought to be sufficient to prompt him, it would undoubtedly be a failing, though one of those amiable failings, which render a person rather the object of pity than of contempt or hatred. It would still, however, somewhat diminish the dignity and respectableness of his character.³⁹

We must keep in mind that people’s natural self-love is supposed to be a matter of fact, a description of how human beings actually are. In addition to being common to everybody, the human propensity to “truck, barter and exchange”⁴⁰ becomes of special interest because of its productive powers. In other words it’s potential for making human beings “better off.” The difference between trade as such and other transactions of wealth is that the former is conditional on compensation. We shall see that this is very important for allowing the kind of analysis performed by most economists today.⁴¹ The claim that selfishness is a powerful source of motivation for (virtually all) human beings says nothing about what actually is in people’s best interest or how this would be determined. But when it comes to things like eating enough food and being protected from the elements, for example, we would generally agree that these things are in people’s best interest independently of our other views and values. Part of this dissertation focuses exactly on how this changes when people reach a certain level of material prosperity.

³⁹ Ibid., VII.ii.3.16.

⁴⁰ Smith, *An Inquiry*, 25.

⁴¹ Economics would have to change dramatically if it could not rely on relative prices (exchange rates) as an indication of consumers separate utility or benefit. Since exchange values provide a numerically measurable quantity fitted for mathematical analysis.

Today, a couple of centuries after the WoN, specialization and markets have finally conquered most of planet Earth. We live in what has been called “the age of economists,” in which it is hard to find any large government agency, organization or commercial institution without their own staff on the payroll. In the United States alone, 900 new Ph.D.’s are granted each year and the demand for the services provided by economists “seems insatiable.”⁴² The theoretical discipline in question and the real-life economy have a mutually interdependent relationship, since they directly influence and give shape to one another.⁴³ For example by making people “regard self-interested behavior more favorably and to become more self-interested.”⁴⁴ Today's prevalent form of economy, at least in so called developed countries, is based on and analysed through a particular model of market exchange which is the theoretical foundation of what is often referred to as “neo-classical” or simply “mainstream economics.”⁴⁵ Basic ideas about the achievement of economic efficiency through specialization and exchange go back to the conception of the discipline. Even if economics has developed over time and incorporated insights from different schools of thought, recent textbooks often do not distinguish between them. Today’s economists have a tendency to present their discipline as a value neutral and unified discipline comparable to the natural sciences. Here follows the textbook account of modern economics based on Nicholson’s and Snyder’s *Microeconomic Theory*.

2.2 A Teleological Model of Economic Agency

In the very beginning of the introduction to *Microeconomic Theory* by Nicholson and Snyder, it is stated that their first chapter aims at outlining “conceptual issues that determine the ways in which economists study practically every question that interests them.”⁴⁶ These issues are basic to the kind of theoretical modelling that is used to explain and predict economic phenomena and therefore essential to the discipline as a modern science.⁴⁷ In these models simplification is required. This is because the complexity of the economy does not makes it

⁴² Blaug, “Economics.”

⁴³ This seems obvious to me since the economy is made up of human activities and social institutions/conventions which in turn can be influenced (among other things) by economic theories.

⁴⁴ Hausman, “Philosophy of Economics,” 2.1. (Especially when it is considered to be beneficial for society).

⁴⁵ Which is really a product of developments from different schools of economic thought like the Austrian and Neo-classical tradition.

⁴⁶ Nicholson and Snyder p.3. This also suggests that Chang is right about the current tendency to define Economics by its methodology.

⁴⁷ Nicholson and Snyder, *Microeconomic Theory*, 3.

possible “to describe the features...in complete detail,”⁴⁸ not even when it comes to a single market (intended as that of one type of commodity). This aspect of economic modelling is compared to the simplification of reality that takes place in other empirical sciences (like physics), where in order to isolate and make some sense of “real world phenomena”, many variables have to be excluded.⁴⁹ The variables that are taken into account, in addition, must be quantifiable.⁵⁰ How much the situation in modern economics actually resembles the one in the natural sciences is outside the scope of my enquiry. What I need to emphasize is that even though in many contemporary scientific disciplines, for example physics and chemistry, there is no need to consider the objects of study as pursuing some end, this is not the case for economics, which necessarily has a strong teleological character. As we are told by the economists themselves, their optimization models *depend* on the principles that: “economic actors” (agents) are “rationally pursuing a *goal* [emphasis added].”⁵¹ An economic agent in this context can be a human being but also a multinational corporation or any other public or private entity (legal persons) that can be thought of as pursuing one or more objectives. Households are made up of individuals that ultimately fill the roles of consumers, employees and stockholders. Not all members of society are economic decision-makers (like small children) but these can still be responsible for a big part of the total demand.

One of the models discussed by Nicholson and Snyder is the one of Profit Maximization. Such a model starts with the assumption that: “profits are the only relevant goal of the firm.”⁵² Other similar optimization assumptions are made elsewhere in economics, like in the case of consumers maximizing their own well-being and of politicians maximizing public welfare.⁵³ It is admitted that these simplifying assumptions clearly disregard many other factors like the “personal motivation of the firm’s managers”⁵⁴ in addition to other goals the company itself may have. There are two major ways in which the models/theories in question are usually evaluated by the economists themselves. The first involves confirming the validity of their

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid., 5: “A model of the market for wheat, for example, might seek to explain wheat prices with a small number of quantifiable variables, such as wages of farmworkers, rainfall, and consumer incomes.”

⁵¹ Ibid., 6.

⁵² Ibid., 4.

⁵³ Nicholson and Snyder, *Microeconomic Theory*, 6. Note how economic utility, in this context, is still used as synonymous with “well-being.” Even if most economists today use the term in a specialized sense, meaning only some kind of preference satisfaction, and have supposedly done so since the early 1900 century, “‘early neoclassical’ economists such as Jevons held that agents make consumption choices so as to maximize their own happiness” (Hausman, “Philosophy of Economics,” 1.1.).

⁵⁴ Nicholson and Snyder, *Microeconomic Theory*, 6.

basic assumptions. This may be done by surveys that, for example, ask business leaders about their actual goals. The other considers how well any such model predicts real-world events without thinking about how realistic their assumption are in the first place; a solution famously advocated by Milton Friedman.⁵⁵ In any case it is necessary to assume a certain kind of agency in order to set up such optimization models in the first place. At the end of this chapter I will briefly explain why relying on surveys for collecting data is seen as problematic.

There are two main reasons why a particular kind of goal-directed and rational agency is so essential to the construction of economic theories and models. One of them is that it allows us to predict the behaviour of human beings (or at least try to do so) in a similar way to how the natural sciences predict physical events based on the “laws of nature.” Given that we have particular goals to start with, we can try to figure out what to expect if we are assuming that the agents will choose the best (fastest/easiest/most efficient) way of reaching those goals. But there is also another reason why it is important to conceptualize economic activity as goal-directed. Since people are assumed to be consciously pursuing an end, economists use it as their criteria of evaluation. I will attempt to spell all of this out in the following.

In addition to the assumption that economic decision makers are rationally pursuing certain kinds of goals, economic models involve a *ceteris paribus*⁵⁶ assumption and “a careful distinction between ‘positive’ and ‘normative’ questions”⁵⁷. A so-called positive analysis may include the mechanisms that determine prices but also a calculation of the cost and benefits for example “of devoting even more resources to health care.”⁵⁸ This kind of inquiry is regarded as more “scientific” and concerned only with description and prediction. A normative analysis on the other hand could involve arguing in favour of allocating more resources to health-care. Nicholson and Snyder admit that some economists think that the positive-normative distinction in economics is inappropriate, but claim that, despite some ambiguity, their book adopts a “positivist tone” that leaves normative questions for the reader to decide.⁵⁹ In addition there are a number of other common assumptions made in economic

⁵⁵ Ibid.

⁵⁶ All else, except the variables in question, remains equal (other things are not affected). For example we may say that: “all else equal, people will prefer a higher salary.”

⁵⁷ Nicholson and Snyder, *Microeconomic Theory*, 5.

⁵⁸ Ibid., 7.

⁵⁹ Ibid.

models,⁶⁰ but it is not useful to list all of them here. For now I only want to point out that in as far as someone is distinguishing between costs and benefits, it may seem that there already is a normative dimension to their analysis. We shall see that benefits turn out to be identified with increased utility and well-being while costs ultimately are things that diminish it. First I need to address exactly what economic agents are trying to maximise. Describing the activities and goals in question will also provide a clearer account of the discipline's subject matter. If economists are going to engage more with philosophy, the validity of their assumption may have to be questioned. The fact is that there is only a specific kind of goal that economics can presuppose and measure the achievement of, at least in a way that is easily observed and quantified, (exactly what I mean by this will soon become clear) So if the discipline's predictive power⁶¹ or confirmation from surveys do not support the usual assumptions economics would have to change drastically⁶² in order to take this into account.

2.2.1 The End of Economic Activity

Profit, "welfare" and "well-being"⁶³ have been mentioned above, as the goals of economic agents. They are said to pursue these goals in the corresponding roles of consumer, firm manager and/or politician. In the last two cases the people are not only acting on behalf of themselves but on behalf of stockholders and citizens. In addition we have employees, of course, who can be said to pursue profits as well. All production is considered to be the business of the firms: in fact most developed countries will demand that any considerable enterprise⁶⁴ be registered as one. The firms, when conceived as agents, are maximising profits on behalf of their owners so they may increase their personal wealth by providing products and services to households.⁶⁵ It is pretty easy to understand what this objective involves and the degree to which it is achieved, namely the firm's surplus or how much money the stockholders profit in a given period. When it comes to consumers and politicians it isn't as clear: What is their goal? When is it achieved? The term "well-being", which is used by Nicholson and Snyder, brings associations to happiness. Earlier economists like William Stanley Jevons (1835-1882) held, for example, that agents make consumption choices so as to

⁶⁰ Like perfect information and competition.

⁶¹ Which has become dubious, especially after the failure to predict the last economic crises in 2007.

⁶² This may already have started, for example with the rise of behavioral economics.

⁶³ By "well-being" it is simply meant the same as "welfare" on an individual level.

⁶⁴ Even made up of one single person.

⁶⁵ When we are talking about being a stockholder, employee, manager, consumer and politician we must remember that these are different roles that someone may have in the economy.

maximize their own happiness.⁶⁶ But then it becomes even more unclear how the notion of well-being, which is used in academic textbooks, should be understood. This is related to what I will describe as “anti-paternalism” later in my discussion. The first question for now is: what is it that consumers are presupposed to pursue in the economic models? As Hausman puts it:

... even though people may seek happiness through asceticism, or they may rationally prefer to sacrifice all their worldly goods to a political cause, economists have supposed that such preferences are rare and unimportant to economics. Economists are concerned with the *phenomena deriving from rationality coupled with a desire for wealth and for larger bundles of goods and services* [emphases added].⁶⁷

It is the supposed rarity of exceptions to the theory’s assumptions that justifies the use of them, in other words the presuppositions must hold for the most part. If they don’t, this is arguably problematic for the theory in question. The acquisition of money and the use of the consumer goods which its owner gets access to are clearly not the same thing. But since the ownership of something with exchange value, like money, gives direct access to the goods available in the market (prices are expressions of a goods exchange value which is already measured in monetary terms); there is not really much difference between receiving a certain amount of money or the equivalent in products and services with the same exchange value. This is because the money will give access to the same goods and the goods can be exchanged at the same rate. In other words, it doesn’t matter whether someone acquires a meal that costs 100 NOK or the money that give them the opportunity to buy the same commodity. This is why the acquisition of wealth in the form of money or other things with exchange-value is regarded as the goal of economic agents together with increased consumption. This suggests that in mainstream economics wealth consists both in the possession of money and the benefit received from spending it. It is much easier to measure wealth if we stick to exchange rates (prices).

Many different things obviously fall under goods and services, so in this sense we are speaking of a variety of goals, like: eating a chocolate, living in a warm and safe place, enjoying leisure or a massage. This raises the question about what goods economics does and does not concern or simply how wealth and/or commodities are defined. Economists

⁶⁶ Hausman, “Philosophy of Economics,” 1.1.

⁶⁷ Hausman, “Philosophy of Economics.”

commonly narrow the focus down to some “quantifiable options”⁶⁸ like the number of hours worked and the quantity of food bought. But a good in the economic models is simply a variable that represents an “economic quantity”⁶⁹ that can be anything from “a simple consumption item such as a hot dog or a complex aggregate such as wealth or leisure.” Time is certainly both an economic resource (as in the case of leisure) and a cost (in the case of production). The most important thing to note is that if the acquisition of money is equivalent to receiving more desirable bundles of goods and services, these must be limited to those goods that are available on the market (they are transferable possessions).

Can the acquisition and possession of money be an end in itself? Well why wouldn't it? As long as someone regards it as such. Economists do not generally assume that wealth is an end in itself. But the acquisition of more money is always seen as the achievement of economic goals, while the loss of it is always considered the opposite (a loss). This is because mainstream economic theory regards consumption as “the final purpose of economic activity” making it the ultimate measure of productivity.⁷⁰ And money gives access to consumption while the lack of it has the opposite effect. In addition it is assuming that people's goal is always to consume more rather than less.⁷¹ As I have said already it is easy to measure people's income and purchases in order to determine whether they have increased their possessions in terms of exchange value and how much money they have spent on consumer goods. But just as we can ask the question of whether money is pursued for its own sake, we can ask whether consumption is sought out for a further reason. I will pick up this point after an account of the theory of value and economic efficiency that will take us deeper into the normative aspect of economics. In as far as economics is dealing with exchange rates and wealth in the form of money, the discipline is pretty straight forward and doesn't seem to invade the territory of moral philosophy. It is only when the possession of money (or other valuable things) is considered to make people's lives better that it inevitably enters the realm of Aristotelian virtue ethics. Economics has been concerned with satisfying human needs and wants from its conception. But in order to measure the benefit of economic activity, a

⁶⁸ Nicholson and Snyder, *Microeconomic Theory*, 89.

⁶⁹ Ibid.

⁷⁰ Carroll, “Consumption:” “Neoclassical (mainstream) economists generally consider consumption to be the final purpose of economic activity, and thus the level of consumption per person is viewed as a central measure of an economy's productive success.”

⁷¹ Nicholson and Snyder, *Microeconomic Theory*, 89: “more of any particular xi (goods) during some period is preferred to less.”

particular view on the relationship between consumption and human well-being must be presupposed.

Consumption is defined by the Cambridge Dictionary as “the act of using, eating or drinking something.”⁷² The word comes from the Latin *consumer*: *com* + *sumere* (to take) intended as the “act of consuming, the using up of material, destruction by use.”⁷³ It may take a lot of time for some of people’s external possessions to be completely consumed. Some durable goods may not even be consumed in the sense of “used up” in the course of many human lifetimes. So it may be more accurate to describe consumption in economics as a particular way of using goods,⁷⁴ something I will come back to numerous times in the course of my dissertation. Some achievements are more easily measured than others but the fact that we observe some behaviour does not, in itself, tell us the goals in question or the value of their achievement. For that we need a “theory of value”.

2.3 The Value of Consumption

So we have established that consumption and/or accumulation of valuable possessions are the defining ends of economic activity. Even if many economists present their discipline as value-free,⁷⁵ entailing moral and political neutrality,⁷⁶ there is obviously one kind of value that they do take into account. That is the value of the commodities which are produced, exchanged and consumed in the economy. Nicholson and Snyder's offer a brief treatment of the historical development of so-called “value-theory”. Thomas Aquinas is the first thinker they mention as one of the “earlier economist-philosophers”⁷⁷ that attempted to approach the question and give a definition of value. They explain that the term was originally considered to mean the same as “importance” or even “godliness”, something that called for a distinction between the value and the price of a commodity. This also meant that one could be considered to charge an unjust price and Aquinas’ condemnation of usury is an example of this.⁷⁸ Even later when

⁷² Cambridge Dictionary, “Consumption.”

⁷³ Online Etymology Dictionary, “consumption.”

⁷⁴ I will ultimately argue that it is about benefitting from the good in question, in terms of increased well-being; the wearing of the shoe, the eating of the chocolate and so on.

⁷⁵ Blaug, “Economics:” “The critics said that economics should abandon its claim of being a value-free social science and address itself to the great questions of the day (...) even at the cost of analytical rigour and theoretical elegance.”

⁷⁶ This has to do with most economists’ strong aversion towards paternalism, see section 5.3.

⁷⁷ Nicholson and Snyder, *Microeconomic Theory*, 8.

⁷⁸ *Ibid.* We are here talking about the just price for borrowing money. If the exchange and the use value are identical then there cannot be any unjust prices.

“philosophers began to take a more scientific approach”⁷⁹ to economics they still kept the price-value distinction. Adam Smith, for example, considered “the value” to be the use-value in contrast to prices which represent the exchange-value of commodities.⁸⁰

A diamond obviously has a great exchange-value, meaning that you can get a large quantity of other goods by trading it, even if you consider it to have little “practical use”. This is what is referred to as the water-diamond paradox, supposed to show the distinction between price and value. Air is usually a free public good but each breath of it is valuable even if the price is 0\$. In any case, the early economist in question usually ended up adopting an approach known as the “labour theory of value,” which considers the amount of effort employed in the extraction and manufacturing of products as the source and/or the measure of value. Since the problem of the difference between value and price remained unsolved at this point in time, economics focused exclusively on the latter, while “The concept of value in use was left for philosophers to debate.”⁸¹ But this arrangement lasted only until the end of the 19th century.

Nicholson and Snyder write that in the 1870s economist “recognized” that the exchange-value of commodities was determined by the usefulness “of the last unit consumed,”⁸² and these thinkers are referred to as the “marginalists.”⁸³ When an individual/agent is trading (exchanging goods) with another they will not consider the general usefulness of say a glass of water to human beings, but will instead be influenced by their particular situation.⁸⁴ The point is simply that for someone that already has lot of water to drink, to get one more glass is not as useful as it may be in another circumstance. So the price agreed upon in mutual transactions will be decided by the use-value and production-cost “of an additional unit of a commodity.”⁸⁵ The costs consist of those resources which are lost or spent in order to produce something.⁸⁶ The marginalist theory of subjective value entails that the simple glass of water may reach an extremely high price if someone has very little or no water and needs more of it in order to survive, but since it is usually plentiful this is not normally the case. This notion of value is at the heart of demand-supply models and lies behind most analysis performed by

⁷⁹ Ibid.

⁸⁰ This distinction goes back to Aristotle.

⁸¹ Nicholson and Snyder, *Microeconomic Theory*, 9.

⁸² Ibid.

⁸³ Similar ideas were developed both in the Neo-classical and Austrian school of economics.

⁸⁴ We shall see that it is also important to consider the specific circumstances in relation to evaluating economic activities from an Aristotelian standpoint. The state of one’s moral character (virtue, vice and intermediate states), for example, will be important.

⁸⁵ Nicholson and Snyder, *Microeconomic Theory*, 9.

⁸⁶ Nobody would plan to sell things at a loss and if they have to they will probably not continue producing more.

economists today.⁸⁷ Based on this theory of value the water-diamond paradox was resolved as far as economists are concerned, since the prices then “reflect both the marginal evaluation *that demanders place on goods*⁸⁸ [emphasis added] and the marginal costs of producing the goods.”⁸⁹ The costs are reflected in the price demanded by the supply side. The low price of water then is explained by the fact that it both has a low marginal value and a low marginal cost. Here we see that the use-value is now explicitly identified with what the “demanders” consider it to be when the exchange takes place. Note that the marginal value of water is low to demanders because, having little or no use for it themselves, they aren’t willing to give up other goods in exchange for it. The most important insight compared to the “labour theory” of value is that something becomes a good because of its usefulness, in other words its ability to promote the accomplishment of given goals. The cost of production is not what determines the usefulness and therefore the value of the good, even if it is relevant.⁹⁰ It is important to understand that when someone does buy a glass of water, its marginal value may still be much greater than what they are actually paying according to mainstream economics (but not any less).

Most economic textbooks like the one from Nicholson & Snyder operate with a specific notion of use-value or “utility” that they trace back to no other than Jeremy Bentham. It is presupposed that consumers/demanders are able to rank all the alternatives from the least to the most desirable and that “if a person prefers situation A to situation B, we would say that the utility assigned to option A, denoted by $U(A)$, exceeds the utility assigned to B, $U(B)$.”⁹¹ In other words, utility is identified with preference satisfaction. Since some transactions of wealth reflect peoples “willingness to pay,”⁹² the price or exchange value becomes a measure of actual use-value. If a glass of water is bought by someone for 100, it means both that they preferred it to the alternatives (buying something else/saving) and that it has a utility of minimum 100. Knowing this we are in a better position to answer whether the possession of wealth (or money) can be valuable in itself. Because it will depend on the preferences of the person in question: “Unless the individual is a rather peculiar, Scrooge-type person, wealth in its own right gives no direct utility. Rather, it is only when wealth is spent on consumption

⁸⁷ Ibid., 10.

⁸⁸ Somebody may value a good much more than they are actually paying, but it is reasonable to assume that they consider the product or service to be worth at least that much to them. Someone that doesn’t have anything to pay with, on the other hand, may value something much more than the price they are offering

⁸⁹ Ibid.

⁹⁰ Since it is conditional for the acquisition of the commodity in the first place.

⁹¹ Nicholson and Snyder, *Microeconomic Theory*, 88.

⁹² Ibid., 120.

goods that any utility results.”⁹³ This seems to imply that Scrooge-type people might prefer to possess wealth for its own sake and therefore that money could provide some sort of direct utility in their case. This isn’t very problematic for economics; since the agent is still acting out of a self-interested pursuit of some valuable possession and their success can be measured by how much money they are able to acquire. In addition it could be argued that such preferences are rare and therefore irrelevant to economic analysis. We must keep in mind what kind of goals we are speaking about in this context, because it doesn’t seem that economics is concerned with measuring and evaluating the satisfaction of preferences in general. Monetary profits are considered to be a goal for economic agents mainly because they are able to satisfy the individual’s preference for increased consumption. “Throwing money away” for example “is not a utility-maximizing activity.”⁹⁴

In order for commodities use-values to be revealed through people’s willingness to pay the parties involved must try to satisfy their own preferences as much as possible, without regard for externalities which include things like others people’s well-being. It is exactly the tension between the demander and supplier of any good wanting to maximise their own utility, which makes their behaviour predictable and efficient. But what does consumption include?

Obviously we are thinking of the satisfaction of preferences like eating a chocolate bar rather than not, receiving a massage or going on vacation. But specific examples do not amount to a definition. The assumption is that when people are paying for such products and services they are reaching some goals and therefore satisfying their preferences. But even if transactions of wealth are regarded as suitable to infer peoples “willingness to pay,” it isn’t willingness to transfer valuable possessions alone which proves that people’s preferences, in term of achieving their goals, are being satisfied. This is what distinguishes consumption from other payments in general. When somebody for example invests money without making a profit, they aren’t considered to have achieved their economic goal based on the transaction itself. Instead they are considered to be worse off, understandably enough, even if they voluntarily handed over the money. This is because instead of increasing their personal wealth, they have lost part of what they already had.

Risk and opportunity cost are important concepts in economics; the first consists in the possibility of losing invested resources and the second in mutually exclusive options. The reasonableness of demanding interest on a loan for example can be defended on the basis of

⁹³ Ibid., 89.

⁹⁴ Ibid., 114.

these concepts. The lender loses the opportunity to use the money in other ways that might have resulted in pleasure or more money for themselves, so unless they want to be charitable towards the borrower they will want to be compensated for the loss the lending itself causes.⁹⁵

When it comes to investments we must wait and see how the business goes before we can evaluate its success. On the other hand purchase of food is instantly regarded as preference satisfaction, because the goal of consuming the food is already achieved.⁹⁶ Usually no value is attributed to the activity of working in itself (as with investing) and it is therefore only seen as a cost to minimize. It is assumed that people want to work as little as possible, just as they want to pay the lowest price for commodities. Costs are endured voluntarily and with premeditation both when people are acting as producers and consumers. When someone goes working for a firm so that they may have money to buy whatever they need, this goal is itself a means to acquiring commodities. So, distinguishing between costs and benefits requires knowledge of the relation between means and ends. In addition to the assumption that the costs, which are the means, are tolerated only for the sake of the potential gains (so they must be less than the benefit received in the transaction.) This goes to show that any cost-benefit analysis presupposes knowledge about what has positive and negative value, which in turn depends on getting the relationship between means and ends correctly.

In addition even if utility is identified with preference satisfaction and consumers are thought to maximise their own well-being, because of the features mentioned so far, economic analysis is limited to dealing with preferences such as increased consumption and or acquisition of money and wealth. The actual value or degree of satisfaction produced by the achievement of the goals in question can only be inferred from people's willingness to pay when a certain kind of transaction takes place. Namely those who amount to the achievement of an actual

⁹⁵ Risk is traditionally been used for justifying the stockholder and creditors right to compensation in the case of money-lending. But when it comes to virtue, the relevant question is whether the opportunity "cost" (loss of profit) itself ends up undermining eudaimonia or not. Therefore it may be ungenerous even if just to sell at the highest possible price or buy at the lowest, if one is wealthy enough to do otherwise. The part of the price or cost that isn't strictly conditional on compensation may have to be regarded a sort of gift or tip. But in practice it will be natural for a virtuous person just to pay what they think is generous in any given circumstance, not necessarily the lowest. Say a certain amount of money should be invested in something or someone in accordance with virtue. Independently of the degree in which the transaction is a gift, loan or exchange, it will presumably not be necessary to get the market price and account for opportunity cost. Because we have a win-win situation. Someone may object and say that the benefactor actually is suffering a loss, objectively speaking. From an Aristotelian point of view we can consider loss of return on capital a sacrifice only in as far as it creates a lack of what is needed to achieve *eudaimonia*. In any case there is a gain in virtue that probably outweighs the loss of wealth

⁹⁶ This is why the income of households (private persons) is taxed since it is for private use, while what is bought and used in production is not (just the opposite) because such expenses are seen as costs/loss.

goal or preference (wanted for its own sake) and not the acquisition of something that is “merely useful” (*Pol* 1323b 11-12) for something else. That is why it is presupposed that most people must spend their money to derive any utility from them. In the next sections I will address the notion of economics efficiency which is based on the principle laid out so far. But first I need to point out how economics both measures wealth objectively and subjectively at the same time. On one hand there are established criteria for what counts as wealth, which imply that two apples are better than one and that more money are better than less. In this sense we can determine firm’s productivity and people’s material prosperity without knowing much about their actual preferences. On the other hand wealth seems to amount to preference satisfaction.

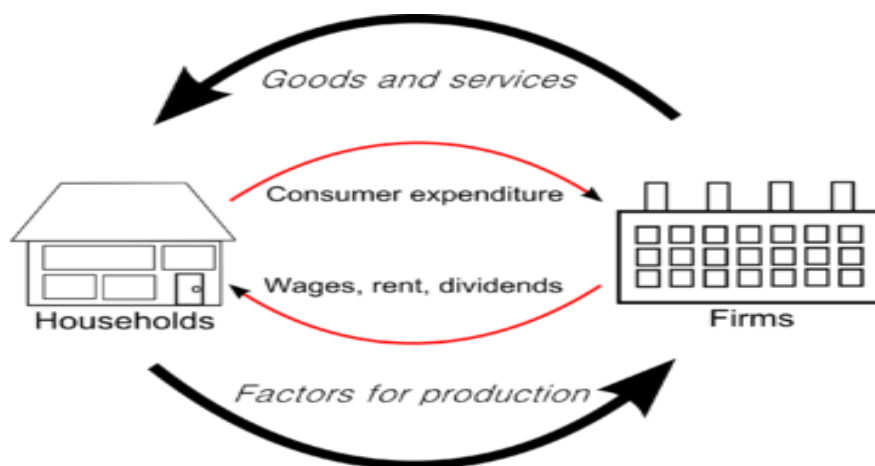
2.4 Economic Efficiency

Adam Smith wrote about how people’s self-interested pursuit of wealth could lead to unintended but desirable consequences for others and therefore serve the interest of “the society.” If we want to prove and/or measure the overall economic benefit, the wealth produced by the market mechanism (where one favor/good is exchanged with another), it is necessary to have a criteria of evaluation. I have already revealed what it is in the previous section. Since the willingness to pay for a commodity, seen in the act of buying, both confirms the achievement of a rationally pursued goal (and therefore a preference/utility) and gives a measure of its value relative to other goods, economic efficiency amounts to maximizing total utility in terms of consumption. Even if the possession of wealth (things with exchange value) is one of the goals of economic agents, this is because of the claim it gives to goods and services in the future (which are supposed to give utility). This kind of preference satisfaction is considered to make up a dimension or aspect of well-being, that consumers as human persons are thought to be seeking through their acquisition of products and services.

Even if the early economists like Smith and Marx were deeply concerned with normative questions and welfare, it is later scholars such as Francis Y. Edgeworth and Vilfredo Pareto that are considered to have provided a more precise definition of “economic efficiency” and showed how properly functioning markets would help to achieve it.⁹⁷ The normative dimension of economics arises not in the description of economic agency as such, but in what

⁹⁷ Nicholson and Snyder, *Microeconomic Theory*, 16.

Daniel Hausman and Michael McPherson call the “Pareto-Principle” which is the assumption that economic efficiency is morally and politically preferable and therefore “good.”⁹⁸ The reason for this assumption is that preference satisfaction is equated with the promotion of well-being. Pareto-efficiency, which aims at an optimal allocation, is based on the idea that if someone can increase their stack of money and/or attain a more preferable bundle of commodities, without anyone else getting less, this should be regarded as an improvement. Consequently any situation where it is still possible for people to perform some mutually beneficial (voluntary) transaction isn’t completely efficient. An ideal allocation of resources is considered to be one in which welfare, which is collective well-being, is maximized. The so-called market equilibrium can be used as a measure for the ideal level of production and consumption, this is done by finding the price and quantity that make supply equal to demand.⁹⁹ In such a situation the consumers and suppliers are maximizing consumption and profits given their “budget constraints” and the other parties’ willingness to engage in market transactions. If firms are successful, in terms of profits, this means that they necessarily provide commodities and/or income to private individuals both as owners, employees and consumers.



(The basic circular flow of income model)

As Smith had predicted the people involved need only to engage in a self-interested pursuit of wealth in order for others to get what they want from them. But in order to make claims about the use-value or utility of commodities and economic efficiency in mainstream economics, it is assumed that “an individual agent A will prefer X to Y if and only if X is in fact better

⁹⁸ Reiss, *Philosophy of Economics*, 212.

⁹⁹ For a full account see Nicholson and Snyder, *Microeconomic Theory*, Chapter 13 on “General Equilibrium and Welfare.”

for A than Y is”¹⁰⁰. So that when someone freely chooses to buy a commodity (a chocolate bar for example), the purchase can be considered to make them better off. By associating utility or preference satisfaction with well-being/welfare, consumption contributes to it as far as it can be said to be the fulfillment of somebody’s goal, proven by their willingness to sacrifice other goods in order to get it. With such a criteria for economic efficiency economist are able to show that Adam Smiths intuition was correct and that markets will tend to move towards an efficient allocation of resources. I will not go through this sort of mathematical model here, but it can be found in most if not all microeconomic textbooks. We must remember that, in the contemporary scene, a product or service becomes an economic good because there is a demand for it in the first place. So it isn’t surprising that the kind of well-being economist seek to measure and maximize amounts to some sort of preference satisfaction. Economists admit that this sort of economic efficiency does not take into account many aspects of human well-being and other features of the economy like the distribution of wealth.

Economists are aware of the fact that when competitive assumptions do not hold, markets can lose their efficiency. These situations are called market failures and are caused by: “(1) imperfect competition, (2) externalities, (3) public goods, and (4) imperfect information.”¹⁰¹ Economically efficient markets are competitive markets; this is what reduces the prices paid by the end user to a minimum. Imperfect competition occurs in cases of market-dominance in which one or more agent can manipulate prices by adjusting supply.¹⁰² The only thing that keeps firms from raising the prices of commodities, when this is profitable, is that they will be out bided by the competition. There have been cases where investor have bought up pharmaceutical companies that have patents on life-preserving medications, only to raise the prices to an extreme, harvest the profits and then sell the stock to someone else (like revealed in the 2018 documentary “Dirty Money.”¹⁰³) Perfect information on the other hand is the assumption that consumption choices are based on all the relevant information about its consequences. The competitiveness of markets is as essential for the vice promoting mechanism of the free market as the consumers lack of virtue in itself (chapter 4). Cases where economic activity is considered to have harmful consequences for third parties, the environment or the public good in general (negative externalities) become “market failures”

¹⁰⁰ Hausman, “Philosophy of Economics,” 6.1.

¹⁰¹ Nicholson and Snyder, *Microeconomic Theory*, 475.

¹⁰² In economics textbooks there is usually no mention of the supplier’s ability to influence demand in any degree.

¹⁰³ Jigsaw Productions, “Drug Short”.

when the total welfare (private and public) is diminished. There can also be “positive externalities” as well as costs that aren’t taken into account by the market. But the consumption itself is *ceteris paribus* always considered a contributing to well-being. Again the problem with this aspect about economic theories is that they involve a claim about “how well a life is going for the person leading it”¹⁰⁴ and not merely about how much they are consuming. So what do economist mean exactly by welfare or well-being? We shall eventually see that the rejection of paternalism compels virtually all contemporary economists to stick to a first-person standpoint when it comes to determining what well-being is in each and every case (section 5.2).

As I have tried to show so far there is already a commitment to subjective evaluation in the identification of use-value or utility with people’s willingness to pay. And further that it is this that gives economist an observable and measurable criteria for economic efficiency. Since consumption is seen as preference satisfaction or utility, it is obvious that it is chosen as the ultimate end of economic activity because it is presupposed to promote well-being, in contrast to working or investing in themselves. This is because we cannot expect people’s self-love to give them an incentive to produce goods and risk their valuable possessions. At the moment of consumption the story ends as far as economics is concerned and the person’s preference is satisfied, they have reached their goal.

Aristotle wrote that “not all pleasures have something else as end but only those that lead to the completion of our nature.” (EN 1153a10-15). We can ask when consumption in each case is an end in itself, only a means or both. Since transactions of wealth aren’t confined to the purchase of consumer goods, what distinguishes them? Given that the willingness to pay is obviously present in both cases. I will return to this problem in section 3.11.

2.5 Measuring Well-Being

As Hausman points out, it would be reasonable to expect economist to be more explicit about what they mean by preferences in the first place. Especially since the notion is so crucial to their theories. Instead little is said about the matter and we find only “axioms governing preferences and their relationship to choices, with little in the way of interpretation.”¹⁰⁵ Just as

¹⁰⁴ Reiss, *Philosophy of Economics*, 211.

¹⁰⁵ Hausman, *Preference, Value, Choice, and Welfare*, 11.

our current theory of economic value conflates exchange and use-value,¹⁰⁶ this practice of not making any attempt to define terms, cannot, like Aristotle does, distinguish reason from appetite (or wish from desire).¹⁰⁷ In his book entitled *Preference, Value, Choice and Welfare* Hausman addresses objections to the idea that well-being amount to preference satisfaction, ultimately arguing that there are cases in which peoples willingness to pay is a good indicator of what contributes to their well-being, which economist can use to get a grasp of when economic efficiency actually is beneficial.¹⁰⁸ Still we see a great awareness of the fact that preference satisfaction isn't the same as well-being in Hausman's work.¹⁰⁹ And he considers the fact that somebody may "sacrifice their interest to accomplish something that matters more to them"¹¹⁰ as prove of that, saying that someone "may sacrifice their own well-being in order to benefit or harm others".¹¹¹ In the Aristotelian context we can also say that someone may benefit from sacrificing their wealth for the sake of generosity (and potential pleasures for the sake of temperance). When someone fails to act generously and temperately they aren't serving their own well-being, regardless of whether it ends up satisfying others peoples preferences.

Estimating economic value only based on "the act of buying" is supposedly what makes the approach of economist more empirical and scientific in comparison to alternative approaches to well-being. Collecting information through surveys for example is problematic for many reasons. For example because economist assume that people may sometimes "have a clear incentive to understate their true preferences (...) Hence, simply asking people about their demands for public goods should not be expected to reveal their true demands."¹¹² (In this case they are talking about distributing the tax-burden, known as the "free-rider" problem). When somebody buys a commodity on the other hand, they are presupposed to minimize their costs and the willingness to sacrifice other goods for it, is considered a better (more accurate/honest) indication of how much they actually need/desire a certain commodity. In other words, they would not pay more than the product or service is perceived as being worth to them at the time of purchase. Even if there are some exceptions, like Amartya Sen, and the

¹⁰⁶ Meikle, *Aristotle's Economic Thought*, 109.

¹⁰⁷ Rabbàs et al., *The Quest for the Good Life*.

¹⁰⁸ In the absence of any criterion of evaluation not based only on the act of buying, like in Aristotle's case with Eudaimonia, in my opinion we cannot distinguish these cases from those in which preferences are distorted.

¹⁰⁹ This is not the kind of thing that is typically included in the kind of economic textbook my discussion is based on.

¹¹⁰ Hausman, *Preference, Value, Choice, and Welfare*, 22.

¹¹¹ *Ibid.*, 81.

¹¹² Nicholson and Snyder, *Microeconomic Theory*, 686.

issue is a controversial topic within the philosophy of economics the general consensus among economist worldwide is that welfare or well-being coincides with preference satisfaction.¹¹³ I suggest that the reason people aren't presupposed to be honest in answering surveys or state their true goals when asked, is that they are assumed to be profit-maximising in the first place. And truthfulness isn't always compatible with such rational agency.

In the following chapter I will introduce Aristotelian virtue ethics putting an emphasis on its structure and its similarity with economics, in addition to starting to draw attention to some possible conflicts or contradictions. Pareto-efficiency, which aims at an optimal allocation of products and services, is based on the principle that if someone can increase their stack of money and/or attain a more preferable bundle of commodities, without anyone else getting less, this should be regarded as an overall improvement.¹¹⁴ But let's say that someone who already has an excessive consumption of unhealthy food and when given the opportunity will increase the amount even more. Since the act of buying is viewed as a choice that expresses the person's preferences, the increase in consumption will be considered as a Pareto improvement. But from the virtue ethical perspective when a person like that increase their intake of food they are worse-off no-matter how it affects other people. If people don't have self-control we can't even claim that the new bundle of commodities is an improvement by any criteria or goal, since not even the one who receives the alleged benefit can be said to regard it as one. So, preferences can only be a measure of well-being, in the sense that their satisfaction make people lives go better for them, insofar as people are good judged of their own best interest.

¹¹³ Hausman, "Philosophy of Economics," 6.1.

¹¹⁴ Preferences cannot be compared and measured in relation to one another, because the value of the commodities is subjective to each and every person and is not based on a common criteria of evaluation. But they can apparently be summed together as an aggregate measure of total well-being.

3 Aristotelian Virtue Ethics

The *Nicomachean Ethics* begins with a treatment of human agency, possibly because of the assumption that this is what ethics is primarily concerned with. Aristotle defines human activities by their ends and presents a teleological hierarchy where all the sciences arts and crafts are subordinated to *politike*¹¹⁵ whose end is “the human good” (EN 1094b5-6.)

According to him the acquisition of wealth (*chrematistikê*) can and should ideally be subordinated to the art/craft of household management (*oikonomikê*) even if this isn't always the case. *Oikonomikê* itself is a practical science that aims at using the household's resources in such a way that its members and the extended community will be able to achieve *eudaimonia*. Another way to say it is that the good household-manager simply uses property in accordance with virtue.

People may be more or less aware of their ultimate end or *telos*, but it seems to me that *oikonomikê* does involve a conscious pursuit and preservation of *eudaimonia*, with all that it requires. We shall see that virtue is not separable from true happiness in any case. Economics measures welfare/well-being by estimating preference satisfaction. Aristotle doesn't condemn trade and sees the mutual benefit of exchanging goods but regards wealth to be a conventional measure of value, meaning that it is “up to us” to render it useless. So we could say that that which is measured by money already constitute a power to get ones preferences satisfied (even if not all needs/wants can be fulfilled in this way, like love for example). Except in cases with very unequal distribution of wealth in which creates an oligarchical social structure the measure of money can be said to be democratic in some sense. The problem is that “the many” aren't experts on what happiness is and how to achieve it but go after pleasure as the good. Something, that creates an inner conflict with people's wish for virtue which can make them miserable. A virtuous agent will consider the particular needs of others in addition to her own gain. The commensurability of the goods exchanged or the desert/merit in question aren't decisive for how one should act. Sometimes it may be better to ignore market price, opportunity cost and even whether someone are themselves responsible for the situation they are in or not, in order to attend to their needs regardless.

¹¹⁵ In EN 1.2 Aristotle describes ethics as a sort of politics.

Even if wealth is distributed evenly and according to merit we have different needs at different points in our life, something that a virtuous agent considers in addition to her own gain. Acquiring wealth to procure what is needed by the household and the larger community in order to flourish, isn't the same activity as accumulating valuable possessions for its own sake or some other reason; this is key point of this section. When economists presuppose that people are only pursuing their separate interest in order to increase their wealth and evaluate their success accordingly, they may misunderstand what is really going on.

3.1 Aristotle's Hierarchy of Ends

Aristotle starts his investigation in the *Nicomachean Ethics* with the following statement: "Every craft and every method of inquiry and likewise every action and deliberate choice seems to seek some good. That is why they correctly declare that the good is 'that which all seek' (EN 1094a1-2). Deliberation or choice is required for proper action, something that makes all of it goal-directed."¹¹⁶ Aristotle also observes that activities can both be ends in themselves or means to "works of some sort" which they produce or somehow contribute to achieve (1094a3-5). He goes on to provide examples of some of the sciences/crafts and their different ends; the goal of medicine is health, that of shipbuilding is a ship and the end of generalship is victory in battle (1094a7-9). It is important for me to emphasize how some of these activities fall under the domain of others and are therefore subordinated to them: "...as bridle making falls under horsemanship, along with all the others that produce equipment for horsemanship, and as it and every action in warfare fall under generalship, and, in the same way, others fall under different ones" (1094a10-14). What it means for sciences, crafts or activities to "fall under" others, is that the ends they pursue (which could be the activity itself) are themselves means to the achievement of further goals, which are the ends of the *master-arts*¹¹⁷ or the more "architectonic ones". Aristotle thinks that the works produced and the ends of the master-arts are more choice-worthy than those activities which are subordinated to them, since they "are pursued for the sake also of the former" (1094a14-15). This implies that the sciences, craft and activities that fall under the more architectonic ones somehow share in the goals of the latter. But how do we determine if one end is pursued for the sake of another? Does this require that the agents involved are intentionally pursuing this further end or that there they are engaged in an established social practice that is designed to do so? Or is it

¹¹⁶ Annas. *The Morality of Happiness*, 30-31.

¹¹⁷ Here the translation is by W.D. Ross: Aristotle translated by Ross and Brown, *The Nicomachean Ethics*.

sufficient that the ends of the subordinate arts happen to be useful for the practice of the more architectonic ones? In the politics, for example, Aristotle writes that the shoe “does not come to exist for the sake of exchange” (1257a10-15). Even if someone could make a shoe only in order to exchange it with some other goods the final end of the shoe, which is the wearing of it, doesn’t change. This would arguably still be true if we had a shoemaker that didn’t know the purpose of a shoes, but was still making them. In any case, the fact that an activity or the works it produces happen to serve the achievement to some further end, doesn’t seem to imply that they are pursued for the sake of it. So there seems to be a difference between mere usefulness and proper teleological subordination.

In addition the function of the subordinated activities is to further the goals of the *master-arts*. This raises the question of when a certain arts or crafts is subordinated to a master arts and when it can be thought of as independent activity. The fact that horsemanship for example is useful in warfare and that the latter somehow encompasses/includes the former as an activity, doesn’t prove that the subordination relation is necessary in every case, especially if it is a requirement that the subordinated activities are pursued also for the sake of their master-arts. This will depend on how we understand the goal-directed nature of the activity; whether an activity’s *telos* is determined only by the conscious goals of the agents performing them or not. Even if Aristotle didn’t think that the crafts are ever performed for their own sake,¹¹⁸ we can conceive of someone (even a whole group of practitioners) taming and training horses without doing so for the sake of victory in battle, since it may serve a variety of further ends. It also seems obvious that individuals may engage in one of the subordinated activities without consciously pursuing the end of the more architectonic art or craft that encompasses them. Let’s imagine that someone is acting by following orders, say on an assembly-line. It seems that their activity is subordinated to the achievement of the final product but their knowledge of what is being produces could be minimal or completely absent. A possible solution is that the good which a craft or science seeks (or its *telos*) may not depend on any individual agents understanding of it, but is determined in a different way.¹¹⁹ The difficulty lies in the fact that when activities are defined by their ends and these differ, we must be

¹¹⁸ Especially in the cases of those craft that have product apart from the activities. Thanks to Franco V. Trivigno for pointing this out to me.

¹¹⁹ We must keep in mind that Aristotle viewed all of nature as goal-directed, so activities and crafts may have their own end (*telos*) like rocks, plants, other animals do even if they themselves do not have any consciousness or intentionality. Like artefacts, which do not chose or deliberate but still have functions and purposes.

speaking of different activities. The most important point here however is that in as far as goal or activities have a further end, they become defined by it. And when someone's is pursuing a goal as a means to achieving some further end, their actions can be considered to be subordinated to it. Even if the degree in which agents must consciously aim at *eudaimonia* is somewhat obscure, as we shall see, virtue must be chosen for its own sake. In addition, like the ethicist/politician, the household-manager may be more aware of the relationship between noble action, virtue and *eudaimonia*.

In the first passage quoted above where Aristotle affirms that the good is "that which all seek" (NE 1094a1-2), he may seem to be suggesting that simply because each activity seeks to achieve "some good", they all pursue "the good".¹²⁰ As Reeve point out in his commentary Aristotle explains his inference shortly after (1094a18-b7). For him "The existence of an architectonic science with an end or good that circumscribes all the others"¹²¹ implies that all the chains of ends¹²² which are sought out for their own sake and/or for the sake of something else must ultimately find their fulfilment in the one good (*the best good*) that is pursued only because of itself. I must admit that it doesn't seem to follow from Aristotle's own analysis, that there must be only one single end that "we wish for because of itself, and the others because of it" (1094a 17-19).¹²³ When it comes to the activities that simply are means and not ends in themselves, it is perfectly reasonable to think that they must ultimately aim at least one goal which is pursued for its own sake. Especially if our endeavours aren't going to be "empty and pointless" or, in other words, not really goal-directed at all. It should be obvious that a mere instrument exists, as such, only if it serves the achievement of some goal. So that you simply can't have means without ends (even if one can have the acquisition of means as a goal). But according to Aristotle himself, there are many things (like sight and intelligence)¹²⁴ that are pursued for their own sake in addition to serve the goal of various other activities and *master-arts*. There doesn't seem to be any obvious reason for which the activities must be subordinated to a single end that embraces them all. Could it be that Aristotle just presupposes

¹²⁰ But this does obviously not follow and we have therefore good reason to assume that it isn't what he is saying.

¹²¹ Aristotle translated by Reeve, *Nicomachean Ethics*, Note 2.

¹²² A chain of ends is a succession of goods in which one is pursued for the sake of the other and so on.

¹²³ Many scholars hold the view that Aristotle is committing "an obvious, even naïve fallacy" and that "students of Aristotle have agonized over these lines" (Wedin, "Aristotle on the Good for Man," 243.) I am not qualified to interpret the original text in order to conclude whether Aristotle is actually giving an argument for the existence of the human telos in the first place or for determining its nature.

¹²⁴ Aristotle speaks about the goods that are "pursued because of themselves" in more than one place. These include honor, pleasure and the virtues (NE 1097b2-3 and 1096b17-19).

such an end?¹²⁵ Julia Annas proposes to understand it as an intuitive consequence of our action being nested in such a hierarchical way, pointing to an ultimate end which is desired only for its own sake.¹²⁶ By 'the good' or 'a good' we mean that at which human beings characteristically aim".¹²⁷ Like other species humans have a distinct nature with specific "aims and goals" that lead towards the fulfillment of their final end (the human *telos*). So might mean that Aristotle's ethical theory is ultimately dependent on his "metaphysical biology".¹²⁸ In any case the end Aristotle has in mind is describes as "the highest of all goods achievable by action", "living well and doing well".

At this point I need to emphasize how what can be conceived of as a single end can also be divided into smaller parts. Let's say for example that I have the goal of becoming a Rock Star. This would include being a musician or singer of a particular sort in addition to becoming famous as this kind of artist. Learning and playing music as well as promoting oneself to potential fans are both subordinated to becoming a Rock-Star in this case; therefore they can't be fully understood as activities without reference to this overarching goal. This doesn't mean that I don't value playing music for its own sake. The point is that goals can be divided into smaller constitutive parts, while still being understood as one. According to this we can conceptualize "living well" as a human being as one good which can potentially subordinate all other activities and their ends. Just as I could say that I am trying to become a good musician also for the sake of becoming a Rock Star, every action and practice can be done for the sake of *eudaimonia*. Bridle making cannot be subordinated to playing the flute for example, but both bridle making and flute playing can be pursued for the sake of living well, which is aimed at only for its own sake. When people try to achieve some of the goods mentioned above (like victory or health), we can say that they do so in the broader context of their life as a whole; "*Hence regarding our life...*" we want to know what its good is, so we can try to achieve it (1094a21-24). We want to know the final end of our actions so that we can evaluate and order our life in relation to it. We can also consider all the actions performed in a larger community as one activity or collective life. In the same way as we regard all our actions and choices as parts of our life as a whole we can consider an individual's activities to be a smaller part of the life of the community. The end of *politike* is to direct that life toward

¹²⁵ Wedin, "Aristotle on the Good for Man," 245.

¹²⁶ Annas, *The Morality of Happiness*, 31.

¹²⁷ MacIntyre, *After Virtue*, 148.

¹²⁸ *Ibid.*

the achievement of true happiness.¹²⁹ As we shall see the different virtues turn out to be constitutive parts of the human *telos*, meaning that they are goods internal to living well as opposed to external ones.

Before continuing I need to make some comments about what has been said so far in this chapter. In the same way as economics ancient virtue ethics begins with the notion of goal-directed human agency. The first difference is that while Aristotle is considering goal-directed activities in general and their relationship to each other, economics on the other hand presupposes only one specific kind of agency. Modern economist (like everybody else) distinguish between means and ends but Aristotle adds a further distinction by discussing means that are wanted for also for their own sake and those who are wanted only for their own sake in addition to something else.¹³⁰ Remember that everything except for consumption in addition to those things that give a direct claim to it, is regarded only as means in the economic models because they aren't assumed to provide utility to most people but rather to diminish it¹³¹. Finally I need to point out that from the passages quoted above and the discussion so far, we can say that the term *good* (even if only an apparently so) is used synonymously with the achievement of an end or goal (*ti telos and skopos*). There is a sense in which this is true even if only “desire whose object is the true and final good will escape ultimate emptiness and frustration”.¹³² Aristotle isn't ignoring “the fact that many of our deliberated actions have aims that we recognize to be no good, or positively evil” (even if only for their incompatibility with other objectives).¹³³ People are clearly able to have multiple goals simultaneously which may come in conflict with one another. But when we consider the actions separately and from the perspective of the agent performing them, they become incomprehensible if the activity or some of its consequences doesn't somehow appear to be good to the one choosing it.¹³⁴ This is another point of contact with economics in which the demand for some commodity is what makes it an economic good, since the acquisition and use of it are considered to be the achievement of consumer's goals. In addition we see

¹²⁹ Aristotelian ethics is in many ways about acquiring this knowledge of what happiness is and how to achieve it.

¹³⁰ In economics investing, working and paying are only done for the sake of consumption.

¹³¹ I'm thinking of the how utility maximisation involves working the least possible amount of time for the highest pay and paying the lowest possible price for any commodity. This is supposed to keep efficiency up so that the lowest possible cost of production is achieved, keeping eventual externalities (cost to third parties) outside off course.

¹³² Wedin, “Aristotle on the Good for Man,” 244.

¹³³ Annas, *The Morality of Happiness*, 30.

¹³⁴ Ibid.

how the final end of living-well is similar to the goal attributed to human agents in economic models, are assumed to maximize their own well-being by getting as much as possible for so little as possible in term of bundles of goods and/or money. Economists are of course speaking of one single aspect of a particular notion of well-being that, as we shall see, is not the same as Aristotle's.

In the social sciences it is common practice to distinguish between facts and values, descriptive and normative statements (like Nicholson & Snyder do in their work). But Aristotelianism is alien to the so-called fact-value distinction.¹³⁵ Because in as far as someone is defining ends, saying something about how they may be achieved and evaluating the degree in which this is the case, this can be considered a pure description of facts. As long as the goal is given, we can speak about what serves or undermines its achievement. In such a context when it is said that somebody should do this or that, this is a claim about the actions relationship with achievement of the end in question.

From such factual premises as 'This watch is grossly inaccurate and irregular in time-keeping' and 'This watch is too heavy to carry about comfortably', the evaluative conclusion validly follows that this is a bad watch'. From such factual premises as 'He gets a better yield for this crop per acre than any farmer in the district', 'He has the most effective programme of soil renewal yet known' and 'His dairy herd wins all the first prizes at the agricultural shows', the evaluative conclusion validly follows that 'He is a good farmer.'¹³⁶

Also in this respect there is a close resemblance between economics and Aristotelian ethics, since both reach an evaluative conclusion based on the degree in which given ends are achieved. The difference lies in the ends considered and how these are discovered. I said I would return to the question I asked at the end of section 2.4: how we can determine when consumption has a further end and when it is an end in itself by looking at people's willingness to pay. In the next section I will use gambling and financial speculation as economic activities that exemplify a situation in which what is considered consumption depends on our interpretation of people's goals and their relation to one another.

¹³⁵ MacIntyre, *After Virtue*, 82.

¹³⁶ *Ibid.*, 57-58.

3.1.1 Is Gambling Consumption or Investment?

In connection to the distinction between investment (as a means) and consumption (considered an end in separation from all others) I want to discuss gambling. There are at least two ways in which we can conceive the action of placing a bet, for example on the outcome of a boxing match. We can think of it as entertainment with a value independent of gains and losses. Bookmakers today often characterize themselves as providing a form of recreation to their clients. This is to conceive of gambling as a form of consumer good where the goal of the agent is principally to play the game, not principally to make a profit (even if that is how you win the game). So the purpose the gamblers are assumed to have in placing their bets determines what kind of good the supplier is offering or simply what business they are in. Now it is probable that a large number of those who gamble also have winning money as one of their goal. What would be more controversial is to claim something about how that goal relates to being entertained and/or achieving some other result (like looking cool in the eyes of someone else, for example). My point is ultimately that this depends on the particular case in question.

If we leave the goals of the agent in question aside for a moment and focus more on the function of a bookmaker itself, we can see that a bookmaker is actually a contract mediator. The placing of a bet is really the purchase of a contract, where the promise of a compensation is bought and sold. The odds (which is multiplied with the stake) represents the expected value of this contract. A losing bet is a contract that has 0,- exchange value when the results of the event are known. Much of the economic activity that is taking place in the financial markets today amount to the forming of similar contracts. I don't know much of the global financial markets consist of securities that are purely speculative (they only involve the buying and selling of such *financial instruments*).¹³⁷ These have still to count as investment from, because people are buying and selling in order to acquire more wealth.

We can certainly imagine someone placing a bet¹³⁸ only for the sake of profit. Their preference of acquiring the contract and therefore having the possibility of winning is satisfied in moment the bet is place, but their only reason for holding this preference in the

¹³⁷ I must also mention that there are cases in which the sort of transaction we are talking about are mutually beneficial, since one investor may be able to get more out of a contract than others given other circumstances. But no products or services are extracted or manufactured in the process, so their mutual gain, in terms of money, must come from someone or somewhere else.

¹³⁸ Buying a contract that gives an agreed payout if a certain event occurs.

first place is the prospect of winning (or that the odds is higher than the expected value of the contract). When people are only concerned with whether an activity will increase their account balance, rather than the activity itself, they are just acquiring and not yet consuming anything. So does gambling increase welfare because people would not have played their money if they didn't prefer it to the alternatives? This would perhaps be true as long as people were playing for the fun of it and considered winning a bonus. But not in the other case or if the fun of playing was enjoyable but subordinated to making a profit. As a form of exchange it is only mutually beneficial in terms of entertainment, since it amounts to a zero-sum game in terms of winnings and losses. It would be ridiculous if we were to consider investments and risky use of resources as in themselves beneficial for those who choose them, since we don't think that they are doing it mainly for entertainment. This is why economics is able to distinguish between what goes into production as a means to profits and consumption, which is the appropriation of a benefit. Even if monetary gains are counted as a benefit because they give access to future consumption, not all transactions can be regarded as beneficial (like lost investments). What is the difference between the consumer and the firm in buying and using things? Well the idea is that the latter aims at profits while the consumer as a human person gets her income by investing in and working for one or more firms. Therefore she mostly buys consumer goods without any intent or expectation to gain money from the transaction, but a good (or the achievement of a goal) that is pursued for its own sake.

The most important point here is that how we conceive of the actions and goals of the agents involved changes the kind of activity gambling referrers to in each case and how its success is estimated. So what is the bases for economist to assume that when someone gets a massage or eats a chocolate bar, they aren't doing this **only** in order to achieve some other goal? But by the relationship the purchase has to other goals. Consumption isn't recognized to have any further end or itself being part of a more comprehensive goal, I will return to this subject in section. Economic may not be wrong in presupposing that people want consumer goods for their own sake. But the goals may be misrepresented, also in this cases, if we fail to recognize when they also are instruments to the achievement of more important and valuable goods.

3.2 The End (*telos*) of Human Beings

The sort of ancient virtue ethics which my discussion is based on, can be described both as eudaemonistic¹³⁹ and objectivistic.¹⁴⁰ Aristotle is considered to be “the canonical expression”¹⁴¹ of this kind of ethical theory and his written works are still a major source of insight and inspiration for contemporary virtue ethicists. I will refer to this kind of eudemonistic and fundamentally objectivistic moral theory, which is characteristic of the dominant conception of ethics in antiquity, as classical or Aristotelian. Its basic structure, according to MacIntyre, is namely “that which Aristotle analysed in the *Nicomachean Ethics*.”¹⁴² This conception of ethics depends on a teleological scheme composed of three essential elements, each of which require reference to others. These are: 1. Human-nature-as-it-happens-to-be, 2. Human-nature-as-it-could-be-if-it-realized-its-telos, and 3. The means of transition from one to the other. According to this view ethics therefore, which is the study of our true end (or nature) and how it can be realized, presupposes “above all” the existence of an objective human telos. In addition it must consider any disregard or assault against the virtues, which are constitutive of the human *telos*, as an obstacle to the achievement of “that good of rational happiness which it is peculiarly ours as a species to pursue.”¹⁴³

The human *telos* according to Aristotle and ancient Greek philosophy is *eudaimonia*, which can be translated as happiness, well-being or human flourishing. It is a moralized concept which means “true” or “real” happiness or “the sort of happiness worth seeking or having.”¹⁴⁴ As Aristotle himself points out, this description doesn’t tell us very much about what our *telos* actually is and the whole of ancient ethics can be considered as an attempt to give a more precise answer.¹⁴⁵ As Hursthouse writes, disagreements about *eudaimonia* which are a result of differing views about human life, aren’t easily resolved by some external standard of

¹³⁹ Rabbås et al., *The Quest for the Good Life*, 19-20: “Ancient ethical philosophy is eudaemonistic. That is to say, ancient ethicists agree that there is such a thing as a highest good or ultimate end to be pursued in action, and that this good or end is eudaimonia or happiness.”

¹⁴⁰ As opposed to subjectivism (in the sense of moral conventionalism/cultural relativism and/or anti-realism): “To articulate the contrast... in terms of the distinction between objectivist and subjectivist conceptions is too crude and potentially misleading because the term ‘subjective’ can mean different things. ...even Plato and Aristotle recognize an experiential element in happiness, although they do not identify happiness with a particular kind of experience.” (Rabbås et al., *The Quest for the Good Life*, 6.)

¹⁴¹ *Ibid.*, 7.

¹⁴² MacIntyre, *After Virtue*, 52.

¹⁴³ *Ibid.*, 53.

¹⁴⁴ Hursthouse and Pettigrove, “Virtue Ethics,” 2.1.

¹⁴⁵ Rabbås et al., *The Quest for the Good Life*, 2. See also EN I 4, 1095a18–20.

evaluation which the people will agree on.¹⁴⁶ My objective is neither to argue in favour of a particular conception of happiness nor to discuss whether a natural human telos exist in the first place.¹⁴⁷ I will be working with an Aristotelian conception of the human telos, which can be describes as a “life of virtue” in which our function as rational is “actualized to the greatest extent”.¹⁴⁸ According to this view the virtues aren’t simply means to achieving happiness but constitutive parts of *Human-nature-as-it-could-be-if-it-realized-its-telos*. Virtues are more or less dispositions that are developed through practice and involves a person’s thoughts, feelings and actions. It is also possible to look at human reason, appetite and knowledge as resources that ca be allocated more or less efficiently. Contemporary economics isn’t supposed to favour any particular notion of well-being and in an attempt to uphold its alleged neutrality most economist embrace a *first person standpoint* (this will be addresses in relation to anti-paternalistic objections to the objectivist approach in ancient virtue ethics).

In connection to the rise of modern philosophy around the 17th century, there was a shift in ethical though in which: “the notion of morality was separated from the notion of good and happiness” which was “itself transformed”.¹⁴⁹ The criticism against the classical conception of morality came from the *liberalism* and *utilitarianism*, which emerged from the *enlightenment* and rejected the “objectivist and perfectionist view of the human good that characterized ancient though on happiness and the good life.”¹⁵⁰ The abandonment of objectivism suggests a shift to what we can call subjectivism. To describe classical ethics as completely objectivistic and the modern conception of happiness as merely subjective may, in some sense, be both imprecise and misleading.¹⁵¹ But in as far as the notion of subjective happiness entails that “each person is the sole arbiter on what counts as happiness for him- or herself... No ancient philosopher came close to accepting such a claim.”¹⁵² And even if we may find subjectivist and conventionalist views among their contemporaries none of the great virtue ethicists of ancient Greek philosophy identified the good life merely with a kind of experience.¹⁵³ This doesn’t mean that there isn’t a particular way it feels like to be truly happy. The notion of well-being and welfare which is central in contemporary social sciences

¹⁴⁶ Hursthouse and Pettigrove, “Virtue Ethics,” 2.1.

¹⁴⁷ It is the relationship between classical virtue ethics and economics which is the subject of my dissertation not whether any of them are true or false (in the sense of accurately describing reality).

¹⁴⁸ Rabbås, “*Eudaimonia*, Human Nature, and Normativity,” 97.

¹⁴⁹ *Ibid.*, 3.

¹⁵⁰ *Ibid.*, 3.

¹⁵¹ *Ibid.*, 5.

¹⁵² *Ibid.*, 6.

¹⁵³ *Ibid.*

is in many ways the criteria for evaluating “the quality and success of society” and the proper goal of modern politics. In these post-enlightenment disciplines, welfare has traditionally been considered to be the aggregate of a sort of positive feeling or experience equated with happiness.¹⁵⁴ Since the classical conception of the human good is different from the notion of well-being or welfare we find in the social sciences it provides an alternative criterion for evaluating “how well a life is going for the person leading it.”¹⁵⁵ Any activity can in principle be evaluated by the degree in which it contributes to or undermines the achievement of *eudaimonia*.

3.3 Virtue as Happiness

The term used by Aristotle for virtue is *aretê* (ἀρετή) which itself means “excellence or goodness of any kind.”¹⁵⁶ We can speak about the excellence of anything that is thought to have a function (Pl. Rep. 353b)¹⁵⁷ whether it is another animal, plant, craft/profession or artifact.¹⁵⁸ Different activities and practices involve the exercise of particular excellences. But virtues like courage or justice are more than that, because they amount to excellence in the most architectonic of activities, namely the living of one’s life as a human being. Virtue can also be described as a state in which one functions (acts, thinks and feels) excellently: “A virtue is an excellent trait of character.”¹⁵⁹ Aristotelian virtue ethics, being eudaemonistic, define virtues by their relation to the realization of the human *telos* and true happiness.¹⁶⁰ It is the kind of rational activity which is ‘ours as a species’. In my dissertation I’m mainly interested in how people may go wrong when it comes to economic agency and by so doing make their production and consumption really inefficient (assuming that it should serve the achievement of their human *telos* as the ultimate goal of truly living and doing well). Therefore I will focus on vicious market activities. But in order to talk about vices, which can be described as the frustration of our human nature, it is convenient to begin with the virtues they are opposites to.

¹⁵⁴ Rabbås et al., *The Quest for the Good Life*, 4.

¹⁵⁵ Reiss, *Philosophy of Economics*, 211.

¹⁵⁶ Urmson, *The Greek Philosophical Vocabulary*, 30.

¹⁵⁷ Ibid.

¹⁵⁸ Annas, *The Morality of Happiness*, 129: The Virtues: “*aretē* means ‘excellence,’ and is used wherever things or people are excellent. Horses and houses have *aretē* if they are excellent horses or houses.” And Reeve:

“Anything that has a function (*ergon*) has a correlative *aretē*. Thus it is possible to speak of the *aretē* of thieves, scoundrelmongers, and other bad things that are good at doing what they do” (*Met.* V 16 1021b12–23), (Note 42)

¹⁵⁹ Hursthouse and Pettigrove, “Virtue Ethics,” 1.1.

¹⁶⁰ Ibid., 2.1.

A virtue is a state, achieving it means to become a certain kind of person with “a certain complex mindset.”¹⁶¹ Even if this involves more than behaving in a particular way, the nature of a person’s actions depend on the character and internal states of the person and aren’t therefore completely separable from *eudaimonia* (which is itself described as an activity). In order to be virtuous, actions must fulfill three conditions: they must be chosen 1. Knowing that they are virtuous 2. For their own sake and 3. From a stable state (NE1105a31–33). The first criteria implies that virtuous agency cannot happen by chance, since it must be intentional. It is important to note how these kinds of conditions are defining for the activity, since when people choose an action because it is virtuous they are acting differently from someone who is exhibiting a similar behavior for other reasons. Since possessing and developing virtue requires acting virtuously for its own sake, or having a disposition to do so, the state of one’s character will depend both on actions, feelings and motivations. By choosing in accordance with virtue time after time one’s character becomes shaped and habituated in a certain way. The last condition involves more than being used to act in certain manner or having a habit, as someone who is a “tea-drinker,”¹⁶² but “goes all the way down.”¹⁶³ So a fully virtuous action can only be performed by virtuous person; but even someone that doesn’t act from a firm and unchanging state or with conflicting feelings still may act more or less in accordance with virtue, depending among other things on whether they do so intentionally and for its own sake.

It is important to emphasize how actions and their ends are important to classical virtue ethics independently of consequences. This doesn’t mean that virtues aren’t useful in many ways or that consequences don’t matter. It is correct to say that vicious actions will have a negative effect on the state of one’s soul. Since we become just by performing just actions (EN 1103b1) and so on. But acting in accordance with virtue, being virtuous and being a good person can be conceived as one and the same activity (with one unified end). A certain way of acting, similarly to goals like pleasure and understanding (EN 1097b1-4), doesn’t have to be chosen merely for its consequences. Since activity in accordance with reason, being virtuous and achieving *eudaimonia* aren’t independent goals even if each of them is chosen for its intrinsically valuable. This is often why consequentialist approaches for evaluating human activities aren’t satisfactory from an Aristotelian perspective, since they neglect part of the

¹⁶¹ Ibid., 1.1.

¹⁶² Ibid.

¹⁶³ Ibid.

nature of the activity by only focusing on the consequences. The disregard for the intrinsic value of acting, feelings and thinking in a certain manner involves a characterization of human agency that doesn't encompass truly virtuous activity. If someone for example is only considering what impact an action will have on their possessions, they aren't choosing it for its own sake. Even if it may be good that the action doesn't violate the freedom of others or causes them suffering, this doesn't make excessive hoarding acceptable. Greed is bad in itself, even if it doesn't cause any further damage or produces desirable consequences. The mistake lies in separating the end from the activity itself and failing to recognize when they are intertwined. There is a difference between pursuing external goods like money or honour and the goal of achieving such goods in a particular way (as to achieve *eudaimonia*). So if we ask someone with the latter objective if they are pursuing money or honour, we can expect a positive answer. But if we infer from this that they will achieve their goal simply by receiving the external goods in question, we would be wrong. This is why it is crucial to clarify how the virtues relate to living well and doing well as human beings, by distinguishing means that are internal from those who are external to a given end. The failure to do so could lead to conflating different conceptions of virtue. MacIntyre has developed a specialized notion of a *practice* with internal goods as the first step in an attempt to explain the concept of a virtue. What it means for a practice to have internal goods is that its exercise isn't merely aimed at some further end but considers the exercise of the activity valuable in itself. The internal goods define the practice in ways which the external goods achievable through it do not, since they can be achieved in alternative ways. What we may call the *utilitarian conception* regards virtues as qualities that are merely useful for achieving a separate end which can be something like pleasure, worldly success or prosperity. In contrast the classical conception regards the virtues as constitutive of a good life, so they become defining for *eudaimonia*, at least in part. Aristotle claims that we want all the virtues both for their own sake and for the sake of true happiness in general (NE 1097b1-4).

A characteristic of the virtuous person, which allows the realization of one's nature and therefore the achievement of true happiness, is that she is entirely free from mental conflict.¹⁶⁴ Such a person in acting correctly will not do it unwillingly or simply because of some other incentive, in addition there would be no contrary impulse or affective condition that goes against it. The harmony of desire required for virtue seem to suggest that a person's

¹⁶⁴ See Grönroos, "Why is Aristotle's Vicious Person Miserable?" 146.

experiential state matters for *eudaimonia*. But this becomes even clearer in Aristotle's account of the vicious person. This means that vice does not merely consist in a failure to realize one's human nature but also makes people "miserable precisely on account of what it feels like to be in that state."¹⁶⁵ Gösta Grönroos has a very interesting article that explains why the vicious person ends up being miserable.¹⁶⁶ One of the reasons is their dissatisfaction with pleasure or the things they are mistaking for the good and even feel self-contempt and regret for acting viciously without even becoming truly satisfied. If this is true then people could not even attain happiness understood as a purely subjective experience of life as good or pleasurable, while being vicious. It is a central feature of classical virtue ethics that people aren't necessarily experts on their own happiness¹⁶⁷ meaning that "what is good for a human being is determined by facts about human nature, and not by what the individual happens to think is good for her."¹⁶⁸ So only the virtuous person effectively pursues what is actually good for human beings (EN III 4, 1113a15–33). Even if those who are vicious somehow still desire "the real good"¹⁶⁹

" ... although the bad person pursues what she believes to be the ultimate good, and believes it to be what she really wants, nevertheless it is not what she wishes for. Hence, on pursuing pleasure as the good, the bad person does not wish it, despite the fact that she thinks so. In fact, she is oblivious of what she really wants."¹⁷⁰

So their agent's actions may be a good indication of what they are ultimately seeking. Vice, which is the opposite of virtue, involves a mistaken notion of the good (and therefore of one's true nature)¹⁷¹. If nobody really prefers vice and misery but everyone ultimately wishes to fulfil their natural telos and be truly happy, when people act contrary to this end it must be because something gets in the way (for example ignorance and/or affective conditions).

¹⁶⁵ Grönroos, "Why is Aristotle's Vicious Person Miserable?" 146-147.

¹⁶⁶ Ibid.

¹⁶⁷ It doesn't follow from this that ethicists are in a better position to evaluate people's well-being.

¹⁶⁸ Gösta Grönroos p.148... It is clear that this was Aristotle's position, since it is good for somebody to live virtuously, regardless of what they think.

¹⁶⁹ Gösta Grönroos p.157 (but equally in bad people too there is something by nature good, which is greater than what they are in themselves [i.e. qua bad], and which aims at the proper good' (1173a4–5)

¹⁷⁰ Ibid.

¹⁷¹ Gösta Grönroos 153: See Irwin (2001), 87–9, 91–4. Irwin's view is more particularly that the bad person lacks not merely a stable conception of the good, but that she does not even have a clear idea of what she is, and that, hence, she has no real concern for herself in the first place.

3.2.1 Reason and Appetite

Aristotle distinguishes between rational and non-rational elements in the human soul.¹⁷² This distinction is crucial to his account of moral character; since it has implications for understanding virtue, vice and other intermediate states. The non-rational part is further divided into a vegetative component and an appetitive one; while the first which concerns nutrition and growth is shared with all living things and doesn't seem to play much of a role in specifically human excellence (1102b 2-4), the second somehow "shares in reason" by obeying, resisting or being in harmony with it (1102b 12-19). It is worth noting that the appetitive and the rational aspects may be "*two in definition but inseparable by nature (like convex and concave in a curved surface)*" (1102a 25-30). Aristotle points out that we approve of the reason of the continent (self-controlled) and incontinent person (lacking self-control), even if we find in the soul of both another element that goes against it, by fighting and resisting it. The difference between the two is that those who aren't lacking in self-control act in accordance with reason in spite of their appetites. So even when human beings follow impulses which are in conflict with what is best for them, this isn't necessarily ignored by the rational part of their soul. This creates a scheme with 4 main categories of human agents:

1. Those who both have an appetite which is excessive or for improper things and are mistaken about what happiness consists in, typically by regarding it to be pleasure (or other external good like money and honor.) There is a sense in which appetite and reason agree with each when someone is in such a state and we can expect their actual behavior to be in conflict with virtue more often than not.
2. Those who aren't mistaken (at least not completely) about what happiness consists in but still have an appetite which is excessive or for improper things and end up acting in accordance with the latter. Here there is a clear conflict between the rational faculty and the affective one. Continuing to act against reason will lead the person towards category 1, namely vice.
3. Those who aren't mistaken (at least not completely) about what happiness consists in but still have an appetite which is excessive or for improper things but manage to restrain their behavior to comply with reason.

¹⁷² The distinction between the rational and non-rational parts of the soul is introduced at the end of book I, which is also the first place temperance and self-control are discussed. Aristotle translated by Reeve, *Nicomachean Ethics*.

4. Finally, we have those who both have the right notion of happiness, they act accordingly and have complete harmony between reason and appetite. These individuals are the only ones that are truly virtuous.

3.2.2 The Doctrine of the Mean and Dependence

Being able to make the distinctions above requires us to presuppose that there is a limit to how much we should food one should desire and eat, for example. There are many different ways in which someone can fall short of virtue because it is mean between excess and deficiency, this is why “people are good in one simple way, but bad in all sorts of ways.” (EN1106b30.35) Aristotle’s Doctrine of the Mean, which is key to his virtue ethical theory, is found in the second book of the *Nicomachean Ethics* where we are told that virtue is “a medial condition, defined as the reason of a practically-wise person would (1107a2). The mean in each case is established “in relation to us” (rather than the thing itself) and is different for different people in different situations (1106a-b). Being in a medial condition with regard to acting and feelings is the criteria for what is actually good or bad for people: “That is why... in relation to the best and doing well, it (virtue) is extreme.” by finding the right measure”. (1107b6-10).

Curzer has proposed that the Aristotelian “scheme of virtue, vice, continence, incontinence and three variety of brutishness”¹⁷³ is useful for approaching alcohol abuse and similar problems. In the contemporary scene it is often assumed that drinking too much alcohol makes someone and alcoholic, but Aristotle presents a more nuanced picture with distinction that allows us to address different kinds of cognitive and affective condition that should be treated differently.¹⁷⁴

If we consider the intemperance or those extreme cases that Aristotle would describe as beyond vice (brutishness) as similar to the modern notion of addiction, a mental disorder, the uniquely Aristotelian contribution to the question of distorted preferences, is to provide a frame in which to see that such a state is less than virtuous and isn’t therefore effective in promoting *eudaimonia*. Addiction is normally defined as: “an inability to stop doing or using

¹⁷³ Curzer, “Aristotle’s Account,” 24-25

¹⁷⁴ Ibid.

something, especially something harmful.”¹⁷⁵ If we take the definition just given at face value, we may respond that virtually everybody lacks the ability to stop eating, drinking and sexual activities since these are necessary to some extent. Here we have an example of a more accurate description of addiction or *Dependence Syndrome* published by the World Health Organization (WHO):

The Tenth Revision of the International Classification of Diseases and Health Problems (ICD-10) defines the dependence syndrome as being a cluster of **physiological, behavioural, and cognitive phenomena** in which the use of a substance or a class of substances takes on **a much higher priority** for a given individual **than other behaviours** that once **had greater value**. A central descriptive characteristic of the dependence syndrome is the **desire (often strong, sometimes overpowering)** to take the psychoactive drugs..., alcohol, or tobacco.¹⁷⁶

Two of the things mentioned as object of the addicts desire are legal products in most of the world today and aren't very harmful when they aren't abused. Therefore it would be a mistake to conclude that market exchange, which usually is not being forced upon people by others, is free from any compulsion. Having an emphasis on the right to own and freely dispose of one's property, the neo-classical tradition may have neglected other ways in which people's choices and action can be forced, to varying degrees. The pain and suffering that comes with deprivation of basic human needs for nourishment, protection and even love for example, can arguably distort peoples "preferences"¹⁷⁷ in a good number of cases. Inner impulses and cravings, as in cases of *akrasia*, matter for people's well-being regardless of their consequences. And the only way to cure such condition is to acting more virtuously. Since we become virtuous by acting virtuously¹⁷⁸ habituation is crucial for moral progress and decay. This implies that there is need for opportunities to practice using ones resources liberally and moderating ones consumption, as we shall see in the following chapters. The second is usually possible to practice as long as consumption goods are available, but occasions to be generous may be fewer as the achievement of more goods/end is commercialized. When someone works for and buys goods from a big firm there is less of a human interaction in the

¹⁷⁵ Cambridge Dictionary, "addiction."

¹⁷⁶ World Health Organization, "Dependence syndrome."

¹⁷⁷ See Hausman, *Preference, Value, Choice, and Welfare*, Ch. 8.1. I would rather say the distortions of choices and/or behaviors, even if distortion of desire is part of it

¹⁷⁸EN 1103b1: "we become just people by doing just actions, temperate people by doing temperate actions, and courageous people by doing courageous ones."

act of exchanging labour or goods. There is a trend in what is called behavioural economics which questions the classical¹⁷⁹ approach by not relying so much on the assumption that people will act rationally. Aristotle can help us understand why, what may seem irrational or inefficient according to certain economic models and in general from a discipline that considers one sort of good in isolation from all other individual and collective goals, may be perfectly rational for somebody seeking virtue and *eudaimonia* (and the other way around).¹⁸⁰ In the first chapter we looked at the goals of the agents in mainstream economic demand and supply models. The self-interested pursuit which such theories are based on, seems to be a form of property or wealth acquisition. In accordance with mainstream economic theory the end of the goods acquired is use (or consumption) by households. But it is usually necessary to acquire the goods before being able use them. Let's now consider the acquisition and use of wealth from the Aristotelian perspective.

¹⁷⁹ The classical approach in economics is represented by thinkers like Smith and Hume and is considered the precursor to the neo-classical school. Even if insight from different traditions have been incorporated in economics "the Science".

¹⁸⁰ Generous and temperate behaviour doesn't require people to be self-sacrificial.

4 Wealth-Acquisition (*Chrematistikê*)

The root of the word wealth is *wela* from Old English, meaning well-being, welfare or happiness; but also “prosperity in abundance of possessions or riches.”¹⁸¹ The word itself doesn’t appear in Aristotle’s writings of course but is the translation of the Greek terms *chremata* and *ploutos*. I think that the English term can be used very broadly and I don’t know how good of a translation it is for the Greek ones. If wealth is the proper subject matter for economics it will also be defining for the discipline itself. Products and services like medical care, books furniture and so on, can certainly be regarded to be a form of wealth. And it isn’t uncommon to her talk of “human capital” in the context of economic and political debates about work and education. Therefore there are obviously many different ways of being wealthy and having an abundance of possessions. The etymological root of the English term fit well with how wealth is ultimately conceived of in welfare economics, since it ultimately is an aspect of well-being. Aristotle defines wealth as that “which is measured by money (*nomisma*)” (EN 1119b24-26).¹⁸² And even if ‘spending and living’ concern the use of wealth rather than its possession (1120a8-9).

Having a lot of money seems to be sufficient for being wealthy, (even if they aren’t spent on anything). Possessions and wealth seem to be more or less interchangeable terms, since *chrematistikê* can be translated as both.¹⁸³ Money (as an artificial form of wealth) is also related to the “unnatural” forms of wealth acquisition.¹⁸⁴ Since “money came into existence on the basis of convention and is called *nomisma*¹⁸⁵ (money) because of this” it doesn’t ‘exist by nature’ as human beings and their telos does. And its actual value is ultimately ‘up to us’. So, measuring things by money, is to measure it according to convention. What this amounts to is going to depend, among other things, on the type of government or rule that the society is based on. Laws, firms and other economic institution in the modern economy are all products of convention even therefore ‘up to us’. The nature of money deserves an inquiry of its own and Aristotle says many interesting things about it. As a means of exchange money is

¹⁸¹ Online Etymology Dictionary, “wealth.”

¹⁸² He might use the term in different ways elsewhere.

¹⁸³ As we shall see in the next section.

¹⁸⁴ “Natural wealth consists of the tools required by household managers and statesmen (1256b36—37).

Unnatural wealth is MONEY” In Aristotle translated by Reeve, *Nichomachean Ethics*, Glossary: “WEALTH.”

¹⁸⁵ From *nomos* (convention).

something we rely on to get people to give us what we need and want¹⁸⁶ therefore it amounts to a form of power at least in one sense. The more others depend on receiving this money the greater is the power over their activities. The traditional view in ancient Greece had been that oligarchical societies were governed by “the few” (Pol. 127926-28) but Aristotle describes it as a case in which the wealthy are in control. And argues that differences in wealth are of greater theoretical importance than difference in numbers¹⁸⁷ (1279b20-1280a6). As I explained in section 1.2 I will not go further into political and ontological questions about wealth and money. But the power of the wealthy has obviously a great influence on commercial activity in a free-market based economy. This is what MacIntyre is talking about when saying that:

To the extent that, work moves outside the household and is put to the service of impersonal capital, the realm of work tends to become separated from everything but the service of biological survival and the reproduction of the labor force, on the one hand, and that of institutionalized acquisitiveness, on the other. *Pleonexia*, a vice in the Aristotelian scheme, is now the driving force of modern productive work.¹⁸⁸

This constitutes a mechanism that can be considered to undermine virtue and favour the flourishing of vice instead. As we shall see this is not necessarily the case if the economic agents happen to be virtuous enough.

4.3.1 Different Kinds of Wealth Acquisition

In the very first lines of the *Nicomachean Ethics*, where Aristotle observes that every craft and method of enquiry “seems to seek some good” (NE 1094a1), he describes wealth as the end of household management¹⁸⁹ (*oikonomikê*) (1094a7). This statement, taken at face value, may seem to imply that *oikonomikê* is simply concerned with acquiring wealth (whether by engaging in a productive craft or providing it in some other way) but that is not correct. In Book I of *Politics* chapter 8 to 11, Aristotle explicitly addresses wealth-acquisition (*chrematistike*) and its relation to household management making it clear that the two aren’t

¹⁸⁶ “In addition to functioning as a medium of exchange, it serves as a unit of value, and as a way of storing wealth for future use.” In Aristotle translated by Reeve, *Nicomachean Ethics*, Glossary: “MONEY.”

¹⁸⁷ Aristotle translated by Reeve, *Nicomachean Ethics*, Introduction.

¹⁸⁸ MacIntyre, *After Virtue*, 227.

¹⁸⁹ Aristotle distinguishes between theoretical, practical and productive *epistêmai*. *Oikonomikê* is a body of practical knowledge. See Aristotle translated by Reeve, *Nicomachean Ethics*, Introduction xxiii and Note 5.

simply one and the same thing. He begins by distinguishing between the use of resources and their acquisition. Household-management is certainly concerned with administering the use of “what is in the household”, so the question becomes whether wealth-acquisition is a part of *oikonomikê*, or a “science of a different kind” (*Pol.* I 8, 1256a10-15).¹⁹⁰ The answer to this question will depend on what kind of wealth acquisition we are talking about. Wealth includes a wide variety of goods and can be gotten in many different ways. But since we can define activities by their ends, we can also distinguish between different kinds of wealth-acquisition based on the reasons for which material possessions are being pursued. Aristotle begins by investigating “whether farming is a part of household management or some different type of thing, and likewise the supervision and acquisition of food generally.” (I 8, 1256a13-19). It isn’t a coincidence that the first kind of acquisition considered serves the satisfaction of such basic human needs. The first and most obviously reason for which people provide food for themselves is survival, in addition to not feeling the pains of hunger and experiencing the pleasure of eating. Aristotle observes that in nature all the other living organisms receive nutrition and that this must either be actively procured or made available to them in some other way. He also thinks that animal and plants exist for the sake of human beings so that their purpose is, in some sense, to be eaten or otherwise used by us. We have to keep in mind that Aristotle has a fundamentally teleological worldview.

In any case, since the existence of the household and its members depend on sufficient provisions of food, acquisition of wealth, in some cases, can be regarded as a part of (or assistant to) proper *oikonomikê*.¹⁹¹ Even if Aristotle somewhere seems to identify the main function of this kind of practical knowledge¹⁹² with the acquisition of property (1277b21–25),¹⁹³ the use of wealth is presented as the more essential concern for household-management (*Pol.* 1256a10–13 and 1256b26-30).¹⁹⁴ Even though it often is reasonable to consider both the provision and use of wealth as parts of *oikonomikê*, the acquisition is in some sense secondary because it is only carried out in order run the household (and in as far as it is necessary). Since someone that already has enough wealth at their disposal doesn’t need to acquire more, it isn’t an essential part of the craft. So insofar as the acquisition of

¹⁹⁰ I’m here only concerned with these two parts of household management (acquisition and use of property), but as a practical science it may be about much more than that. And it seems that many kind of productive sciences may be subordinated to it, like farming for example.

¹⁹¹ Since food is a form of wealth (valuable thing / property).

¹⁹² Household management, as a body of knowledge, is part of practical wisdom (NE 1141b32).

¹⁹³ Aristotle translated by Reeve, *Nicomachean Ethics*, Note 682.

¹⁹⁴ *Ibid.*, Note 455.

property for example is done for the sake of satisfying the need for food, it is subordinated to that end and therefore defined by it.

But the end of household-management isn't merely to keep people alive,¹⁹⁵ but also to allow them to live and function in a certain way (achieving their *telos*). Wealth acquisition becomes a natural part of this practical science in as far as it contributes to "the self-sufficiency"¹⁹⁶ that promotes the good life. This includes a store of goods necessary for survival and useful to the larger community. The possession of such goods is what Aristotle calls "true wealth". In addition he explicitly rejects the idea that "No boundary to wealth has been established for human beings."¹⁹⁷ He argues for this by pointing out that wealth is "a collection of tools belonging to statesmen and household managers" and that none of the crafts would involve an endless gathering of tools, but only those useful for achieving their specific goals (1256b30-36). Because means are only goods, as long as there is some end which they are means to and (as such) their value lies in how much they contribute to achieving this end. The bottom line is that we can distinguish the kind of property acquisition which is natural to human beings and a part of *oikonomikê*, from other forms of acquisition, based on whether it is subordinated to satisfying the most basic human needs and the achievement of the human *telos*. The goal of a household manager than, insofar as it involves acquisition will sound something like: procuring wealth and other useful possessions in order to run the household in a way that favours (and more importantly doesn't undermine) the achievement of true happiness for its members and the larger community. The amount of wealth necessary to live well is ultimately determined by what happiness is.¹⁹⁸ This is because promoting the achievement of the human *telos* through the administration of the household only requires a limited number of tools.

In the following chapter Aristotle goes on to address another kind of wealth acquisition. To distinguish it from the one we have just been discussing I will refer to it simply as *money-making*.¹⁹⁹ Aristotle starts the treatment of this activity by making a distinction between two ways in which a piece of property may be used: "Take the wearing of a shoe, for example,

¹⁹⁵ Just as medicine does not merely aim at keeping people alive and free from pain, but also at the patient's ability to function as a healthy human being is supposed to.

¹⁹⁶ "Self-sufficiency" might be misleading or at least somewhat imprecise. Another possibility is to interpret it as "having enough" "The context of the discussion is deficiency, not dependency, and autarkes here primarily means having enough, and only secondarily, if at all, independence of others". Maikle, *Aristotle's Economic Thought*, 45.

¹⁹⁷ Which is taken from a poem written by Solon.

¹⁹⁸ 1257b28, NE 1128b18-25, 1153b21-25, EE 1249a22-b25 (Aristotle translated by Reeve, *Politics*, Note 55.)

¹⁹⁹ It seems that Reeve calls the kind of activity that is subordinated to household-management as property-acquisition to distinguish it from this latter kind of wealth-acquisition.

and its use in exchange. Both are uses to which shoes can be put.” (Pol 1257a5-10)...The same is true of other pieces of property as well, since the science of exchange embraces all of them.” (1257a10-15). Aristotle is famous for his distinction between use and exchange values, and he attempts to figure out how different goods can be made commensurable with each other through exchange under his treatment of justice (NE Book 5). When someone is using a piece of property by exchanging it with some other good, they are using it as a form of money (exploiting its exchange value), but in contrast to money a commodity like a shoe does really have use-value and making it useless isn’t “up to us” in the same sense. As long as someone needs a shoe it will have value in contrast to money that loses all its value if the convention isn’t held in place. The shoe has real value because it can contribute to someone living well, assuming that they are in a situation where this is possible. In contrasting the use-value from the exchange-value of commodities like shoes, Aristotle emphasizes the importance of their ultimate purpose, which he describes as the proper use, namely the wearing of them. He writes that the shoe “does not come to exist for the sake of exchange” (1257a10-15). What does he really mean by that? I think it means that even if someone may produce the shoe with the intent of selling it in the first place, the producers’ motive for making it doesn’t determine the function of shoes. This is because the exchange-value itself (which enables the shoe to be sold) depends on someone wanting to wear it, so the consumption rather than the production and exchange is ultimately the reason for the shoe coming into existence.

According to Aristotle the practice of exchange originated from situations where someone had an abundance of some means of subsistence while others had the lack of them (1257a15). And we can say that this has been and will probably always be the principal motivation for the exchange of goods. In Aristotle’s time and place, households still weren’t acquiring most of what they needed through trade but produced many things themselves. Not only weren’t societies that specialized but production hadn’t been delegated to firms. In the previous chapter Aristotle already contrasted making a living of raiding, fishing, hunting, and farming (“whose fruits are natural”) to “exchange or commerce” (1256a40-45). Aristotle explains that to start with the exchange of goods resulted from a surplus of what was produced for one’s own consumption and not something made primarily in order to be exchanged. As communities became larger trade developed, goods were traded across longer distances and the first forms of money were invented for convenience. A consequence of this is that some would be able to pursue accumulation of money for its own sake (something that increased trade made possible). The most important reason that this kind of activity is problematic from

Aristotle's perspective is that it has no limit; meaning that there is no natural point at which enough money is accumulated.

We shouldn't interpret Aristotle as condemning any form of exchange or regarding it to fall outside the domain of proper household-management. It is the form of practice that uses trade to make profits without being subordinated to the needs of the household and the achievement of *eudaimonia*, which is unnatural. The science or craft *oikonomikê* is concerned with how material goods are used by the household and also a certain kind of property acquisition, which is ultimately limited to enabling the achievement of true happiness. Any other pursuit of wealth or property isn't the same activity. The reason Aristotle is able to make this distinction is the concept of *eudaimonia* as the human *telos*. Since what is useful for *eudaimonia* is a limited amount of external possessions and money, someone would have to be wrong in claiming that their happiness required more wealth, not to speak of an unlimited amount (then it seems implausible they could ever be happy if they were never satisfied). Let's think about it for moment. When someone who needs it is able to hydrate and feed themselves properly isn't it a more valuable and more important achievement than when somebody is able to satisfy their preferences in terms of clothing style or makeup. *True wealth* is that amount of material prosperity that is objectively valuable or we may say efficient for achieving *eudaimonia*. This doesn't mean that luxuries and goods which are superfluous to mere survival have no value, because pleasure for example has a part to play in the good life. But if we consider human life to be of great value, we should consider the provision of water to someone who is dehydrated as more important than the satisfaction of extravagant preferences or even the desire for something directly harmful to oneself and/or others. In mainstream economics no such distinction is made and all human agents are considered to always achieve the same kind of well-being no matter how much they have already acquired or what needs/wants are being satisfied. As it was said previously it is assumed that Scrooge-type people are rare and that they can therefore be ignored in the construction of theoretical models. Even if one could argue that the *love-of-money* is more widespread, as I have said previously it might not be such a great problem for economics after all. This is because how successful people are in acquiring money is easily measure by how much money they actually acquire.²⁰⁰

²⁰⁰ Instead the real challenge begins when people have a goal beyond wealth and/or consumption that they are seeking to achieve through their actions. I will come back to this in the last sections of my dissertation.

4.1 Vicious Acquisition and Consumption

We have seen that when the acquisition and use of wealth is subordinated to *oikonomikê* it has a natural limit. Meaning that a household-managers, as such a craftsman, has no reason to continue seeking profits and increase consumption beyond a certain point. How much it is reasonable to accumulate in terms of wealth will depend on the each household's particular situation and needs. We shall see that excessive acquisition and consumption isn't just useless. Aristotle dismisses wealth as 'the good we are looking for' (1096a4-8) because it is merely 'useful and for the sake of something else' (EN1096a4-8). Even if he regards it to be 'a good thing' it can end up causing 'harm in many cases' and some have been destroyed by it (EN 1094b15-20). Aristotle characterizes the life of pleasure and money-making as "in a way forced" possibly implying that people are acting under some sort of compulsion. Most human lives necessarily involve some degree of wealth acquisition whether this happens through the division of labor and trade or by 'raiding and fishing'. In this chapter I will address different ways in which profit maximising economic agent may neglect and/or undermine virtue and *eudaimonia* by the very act of acquisition and consumption (so that the goods received and the acts performed become directly harmful to human beings). Dedicating too much time and other resources to wealth acquisition and excessively accumulating valuable property or money will necessarily impact other areas of one's life. Some of the activities in question constitute the opposite of acting generously, justly and temperately in different ways. I need to emphasize that it is the action itself that has positive or negative value, not just its consequences. Different goals may always some in conflict with one another.²⁰¹

Investing in certain business for example, may lead them to hope for things that they would otherwise not. Imagine someone who invests all their life savings to build a company that offers cancer-treatment in order to make a profit. Then another more effective cure is found; even the most virtuous would not want their possessions even if they genuinely wanted people to get cured from cancer. But the two goals conflict with each other, because if no-one need their services anymore the business will go bust. Here I'm not assuming any manipulative or vicious behavior on the part of the investor but only showing how the goals may come in

²⁰¹ "The traits that make a person good *as a participant in markets* need not be evaluated positively in all domains of human life. Thus, the market virtue of universality can conflict with loyalty to community and tradition. Respect for one's trading partners' tastes can conflict with upholding standards of professional and craft excellence." Bruni and Sugden, "Reclaiming Virtue Ethics for Economics," 161.

conflict. This could be named the treasure-heart principle which states that: “where your treasure is, there your heart will be also” (Matthew 6:21).²⁰² The way we can expect a virtuous person to act will to some degree depend on the means they have at their disposal. Somebody who is very poor for example will be less free to act from benevolence and will be more justified in maximizing their profits and consumption in economic transactions. Theft may be justifiable on the grounds of necessity,²⁰³ even if it wouldn’t make the action virtuous. This section is supposed to illustrate that even if agents are pursuing their separate interest in market exchange they may simultaneously be acting more or less virtuously. Aristotelian virtue is compatible with self-interested behavior and wealth-acquisition and doesn’t necessarily require someone to act out of charity and benevolence in all economic matters. But generous and temperate people will often take many different factors into consideration and never consume or acquire in a way that undermines the achievement of *eudaimonia*

Acquisition in a modern economic context includes: investing and trading (in order to preserve or increase the value/quantity of wealth), buying contracts for other reasons (like gambling for entertainment or to some other purpose,)²⁰⁴ working as an entrepreneur or employee in somebody else’s business, shopping or buying commodities for private consumption and/or public use (this activity may also be considered an aspect of consuming since it is directly connected with private use. Consumption on the other hand is the using up of goods like food and entertainment but also durables: for example the possession of a piece of art (just for its own sake.)²⁰⁵ In economics this is usually measured²⁰⁵ by the sale of commodities and when it comes to chocolate bars for example it is fair to assume that most of those who are sold get eaten and serve their function of providing the customer with pleasure and nutrition. I will argue that it is problematic to distinguish consumption from other purchases without reference to well-being and intrinsically valuable goals.

4.1.1 Acquisition

By acquisition I mean the act of taking ownership (or at least usufruct) of some property, something that is usually necessary in order to use/consume it. Often even those good that are plentiful and freely available have at least to be collected (like water). The economic models

²⁰² Translation: New International Version.

²⁰³ This was famously argued by St. Thomas Aquinas.

²⁰⁴ Like a political or social cause.

²⁰⁵ Or to enjoy/ admire it somehow.

of market exchange are self-interested exactly in the sense that the agent's objective is to appropriate something for themselves; this is the reason they are providing goods and services to others. In other words, the act of giving others what they want/need is completely conditional on the compensation provided by the receiver or someone else on their behalf. The profit-maximizing activity of private persons and firms doesn't only concern acquisition but also the reduction of costs and losses. There are obviously many things that can be owned in addition to food, clothes and shelter, among which we find contracts and certain property rights who presumably lack any intrinsic value. Isn't someone who buys a company achieving the goal of buying this particular company by doing so? Yes, but there is no improvement in terms of preference satisfaction and well-being as long as the company doesn't make them any money,²⁰⁶ because this is thought of as the only relevant goal that motivates investments in the first place.

There are a variety of ways in which someone may acquire possessions. What ownership entails and what is possible to legally own will vary depending on time and place, think of slavery, for example. Except those cases in which property (like land) simply is claimed or conquered, there are three major ways in which acquisition takes place.²⁰⁷ The first is already been mentioned by Aristotle in the *Politics* and can be described as productive activities or crafts like raiding, fishing, hunting, and farming. Arguably these should be considered to be economic activities, because even if there isn't necessarily any commerce or trade involved, the agents could be said to pursue the same kind of "separate interest"²⁰⁸ which is characteristic of economic agents²⁰⁹ and they are involved both in the production and consumption of commodities. Then there is the option of taking possessions from other people against their will. This usually involves using ones powers' and skills to get others to surrender their goods through theft, intimidation or direct violence. The third way someone may end up with more than what they have already, is that somebody else gives it to them

²⁰⁶ According to mainstream Economics.

²⁰⁷ Here I'm looking at ways in which people's wealth might increase in general. But none of them excludes the conscious goal of acquiring.

²⁰⁸ A term I have only heard in one of Milton Friedman famous video interviews, it may have be used by him but I'm not familiar with his written work.

It is very important to keep people self-interest separated from the interest of others in market exchange, just as it is important to keep the activities separate from the others. In as far as someone isn't maximizing their own (separate) benefit they are giving something away for free or at least not with a strict condition of compensation. The first problem from an Aristotelian perspective is that virtue requires people to engage transaction which are mixed (meaning that they aren't doing it only because of what they get in return or only because they want to benefit the other part).

²⁰⁹ This means that we are talking about the same goods/ends that economics deals with, even if they aren't being bought and sold.

willingly. This last form of acquisition can be further divided into two different kind of voluntary transactions, namely those that are conditional on a particular compensation and those that can be properly called gifts. Distinguishing between these activities and their ends shouldn't lead to the conclusion that they are mutually exclusive and cannot be subordinated to each other or otherwise combined. Aristotle discusses different ways in which the seeking of profit goes together with vicious behaviour. I will start by addressing the vice of *acquisitiveness* or *meanness* which is opposed to the virtue of generosity. Some have suggested that the fact that there is a right amount of food and sensual desire is “common sense”, while when it comes to the amount of money given and the emotions of anger and fear this isn't the case.²¹⁰

Aneleutheria and Pleonexia

Eleutheriotes is described by Aristotle as “the virtue concerned with wealth” (EN 1120a4-8) and is usually translated as generosity or liberality. The Greek term means “being in a free condition”²¹¹ or that of a free citizen. Aristotle is arguably thinking about a particular sort of *eleutheroi*, namely an “economically privileged Athenian citizen.”²¹² It useful to keep in mind the social and historical background which his discussion is based on. In the given context *eleutheriotes* implies freedom from being too attached to or concerned about ones material possessions. Generosity belong to the virtue of character which is a medial condition between the opposed extremes of meanness²¹³ (or acquisitiveness)²¹⁴ and wastefulness²¹⁵. The generous person is one that makes the best use of wealth (EN1120a 4-7) and is praised when it comes to the receiving and giving of it²¹⁶ (1119b24-25), in addition to feeling good (or not bad in any case) about acting in such a way. Even if it is “more characteristic” for the generous person to give than to receive (1120a9-10), the virtue also involves not “getting” from improper sources (1120a 30-35) but only from those that one “should” and in the right amount (1120b30). Both giving and receiving gifts concerns the use of wealth and is an

²¹⁰ Curzer, “Aristotle’s Account of the Virtue of Temperance,” 19.

²¹¹ “The Greek term is *eleutheriotes*, meaning “being in a free condition” (that of a free citizen as opposed to a slave)... it is the virtue by which one isn’t “bound” or tied down” by concerns about their possessions... and by “rising above them puts them to good use in order to achieve admirable goals” (Pakaluk, *Aristotle’s Nicomachean Ethics*,173.)

²¹² Who probably was also sufficiently free from “daily toil”: Hadreas, “Aristotle on the Vices and Virtue of Wealth,” 361.

²¹³ Deficient in giving and or excessive in getting. The Greek term means un-free as the contrary to *eleutheriotes*.

²¹⁴ According to Reeve’s translation.

²¹⁵ Excessive in giving/spending/using up wealth, but deficient in saving.

²¹⁶ Wealth is here described as that which is measured by money and that which has a use, see intro to chapter 4.

activity through which people can acquire possessions apart from production and trade.²¹⁷ The virtue of generosity is confined to one object, namely wealth, so we are left only with four parameters by which people may go wrong which are occasion, people, goals and amount.²¹⁸ Since we are discussing acquisition it is the “getting” aspect that interests me the most. But it will be useful to say a few things about how the generous person and how she is supposed to act in “giving”. In my opinion the sphere of generosity clearly embraces transfers of wealth beyond gift-giving in a strict sense, including the behaviour of economic agent in a modern market context. Wastefulness will be shortly addressed in the next chapter (on consumption) since it has a particular relationship to the vice of self-indulgence.

Aristotle point out that it is pretty difficult for a generous people to be particularly rich, because they don't prioritize the safeguarding of their wealth (1120b15-20). Even if generous people don't waste their resources, much of the motivation for acquiring and preserving their wealth comes from their desire to give it away in accordance with virtue rather than a regard to themselves: “since it is characteristic of a generous person not to look out for himself.” (1120b4-5). Failing to receive wealth when it is proper and giving away when one shouldn't isn't characteristic of generosity off course, even if it turns out that by holding back and/or accepting gifts, people are actually looking out for themselves. As a mean between excess and deficiency the virtue doesn't involve self-neglect; we shall later see that self-destruction is characteristic of its other opposite. The sense in which generous people don't look out for themselves then, must be that they aren't maximising their own income and consumption (they are above riches as such but not above their own well-being). Even if giving comes out of a concern for others, it is beneficial to the giver as well as the receiver, in the sense of bringing them closer to *eudaimonia*. The benevolence itself is what makes people virtuous so the well-being of others must be a real concern. The practice of gift-giving requires the possession of some wealth to give away but: “Nothing prevents a person who gives less from being more generous, then, if he has less from which to give” (1120b10). This is a great example of how someone's financial situation matters for predicting and evaluating their behaviour. The amount of wealth owned by someone is also relevant because it determines what the virtuous, and therefore also the vicious, way of acting and feeling is going to be. Proper conduct and affective response in acquiring from others, doesn't require the possession

²¹⁷ Even if gift-giving falls outside the traditional domain of mainstream economics it is important...there is the same problem here as when natural capital has to be evaluated see last chapter.

²¹⁸ Curzer, “Aristotle's Account of the Virtue of Temperance,” 12.

of any wealth whatsoever.²¹⁹ And abstaining from giving and focusing on getting isn't necessarily vicious if someone doesn't have enough resources to act differently. Much will arguably depend on how wealthy somebody is already.

The term acquisitiveness, by which the vice of deficiency referred to in Reeves translation is good at conveying the excessiveness in getting or acquiring wealth, but the vice it is supposed to describe also involves deficiency in giving or surrendering ones wealth to others.

MacIntyre actually uses the term (acquisitiveness) in referring to the vice of greed (*pleonexia*), which even if related to generosity is part of justice and will addressed later in this section. It may be better to use *stinginess*,²²⁰ in order to speak about those who are “deficient in giving” (EN 112114-16), but not excessive in getting. The vice in question can said to be two dimensional including both acquisitiveness and stinginess as parts of “freedom in the use of wealth.”²²¹ For my purposes I find it useful to distinguish between stinginess and the other kind of acquisitiveness, even if they should still be considered as aspects of the same kind of vicious disposition which is elsewhere referred to as *meanness* or *un-liberality* (*an-eleutheria*). What is common for both conditions is that they involve taking wealth more seriously than one should (EN 1119b28-30). In some cases meanness will tend more towards excessive getting or deficient giving (EN1121b19-20). People may want to have more even when they aren't willing to do what it takes, for example, for fear of losing what they already have. Following the use of the term in common language it seems appropriate to describe acquisitiveness as a form of *greediness*²²² even if holding on to what you have could be considered greedy in a state of abundance or when the responsibility to meeting the needs of somebody else exceeds that of securing one's own possessions. The reluctance to give up wealth or stinginess is the first kind of meanness addressed by Aristotle. A person in such a condition may be driven by the fear of having to do something shameful in the future (EN 1121b25) or of retribution from others (EN 1121b30). In the last case the fear doesn't only promote stinginess but also limits acquisitiveness of those who assume that “it's not easy for someone to take another's man property without their taking his” (EN 1121b 29-30).²²³ This kind of meanness, in any case, is about not wanting to lose what one already has in terms of

²¹⁹ Someone that doesn't own anything cannot be blamed for not giving. But it isn't how we should expect this to affect their character. The lack of wealth could be a result of wastefulness. One could ask whether extreme poverty can cause people to become vicious, this will probably depend on other factors.

²²⁰ Thanks again to Professor F. V. Trivigno for pointing out that greed is not the vice of excess opposed to generosity but to justice.

²²¹ Aristotle translated by Reeve, *Nicomachean Ethics*, Note 286.

²²² Dictionary.com, “greedy.”

²²³ Or at least using them in the same sense as giving and getting in the context of gift giving.

wealth. The other kind is concerned with the getting of wealth rather than the safeguarding, giving or spending of it.

In addition to involve an excessive pursuit of wealth, acquisitiveness may lead someone to get anything from anywhere, for example through what Aristotle calls “unfree occupations” (EN1121b30-35). It is interesting to find other plausible reasons for which people would become less “picky” about the source of their wealth. Those that take wealth too seriously and therefore seek to acquire too much, in the wrong circumstance, from the wrong people and in order to achieve the wrong kind of goals all have one thing in common; “their love of shameful profits” (1122a1-3). Among them we find robbers and gamblers, since these want to gain from the wrong sources. Aristotle describes the gamblers as wanting to take their friends possessions; the opposite of what they should do (1122a10). Gambling doesn’t seem to be the same as giving and receiving gifts or spending on others. At the same time it isn’t evidently the same as exchanging a physical commodity. *Aischrokerdia* (shameful gaining or profits) is bad because it involves an inversion of the proper means-ends relationship in the hierarchy of goods by forfeiting greater ones like participation in society, for robbers and outlaws, and close relationships, in the case of the gambler/scammer who seeks to take from their friends²²⁴. But acting virtuously rather than viciously in the process of getting wealth is also objectively valuable in itself. In mainstream economics the agents are described as firms, consumers, employees, stock-owners (+other passive shareholders and politicians). As the economic decision-maker in a household, firm or other institution individuals are pursuing wealth by investing their money in businesses, working in the firms, shopping for commodities and purchasing things like supplies for public administration and so on. In all of these cases the goal is to acquire some kind of possession for oneself or on behalf of others. Being too emotionally attached to wealth in general in itself a failure to be fully virtuous (*akrasia* in the best case).

But there may be some problems with assuming that Aristotle thinks the discussion of generosity applies to commercial activities in general. According to Reeve²²⁵ spending (*dapanê*) which falls under giving in this context is “the absolute alienation of wealth,” something that seems equivalent to using up or consuming the goods in question, not

²²⁴ Hadreas, “Aristotle on the Vices and Virtue of Wealth,” 364-365.

²²⁵ Aristotle translated by Reeve, *Nicomachean Ethics*, Note 278.

exchanging them for something else.²²⁶ This is supposedly why one can get wealth from oneself or one's own possessions (spending on oneself?).²²⁷ It is possible that when, in our English translation, we read about “giving”, “spending”²²⁸ and “getting” in Aristotle's account of generosity, this does not include commercial transactions but only to the social practice of giving and receiving gifts. The idea is that when somebody exchanges something for a good of equal value they aren't giving or getting anything to and from each other. In the *Magna Moralia* Aristotle says that providing oneself with wealth isn't “a matter of virtue at all” (MM I 24 1192a15–16).²²⁹ But Aristotle discusses gambling as a way of “getting” and winning money from someone isn't exactly the same as receiving a gift. The same goes for pimping and usurious money-lending that seem to be outright commercial enterprises.²³⁰ Even if this doesn't exclude that some kind of acquisition doesn't have anything to do with virtue, the point is that whenever someone acts viciously “for the sake of profit—and a small profit at that”, they are being acquisitive and/or greedy. Aristotle writes that tyrants who, for example by sacking cities, are acquiring things they shouldn't from sources they shouldn't on a vast scale; are called wicked and unjust rather than acquisitive (EN 1122a1-6).

The tyrant example is a good way to introduce the vice of greed itself or *pleonexia*, who may even be more specifically concerned with such things as trade and commerce, than generosity is. This vice is characterized by Aristotle as a form of injustice, in fact the excess opposed to the virtue of justice is one of profit or gain; getting a better outcome for oneself than what is fair. In general justice requires that each gets their fair share of whatever good or evil thing, whether it is money, danger or honour. Greed itself seems to be about always wanting more of something (good or apparently so) rather than less (of some perceived evil for example) (1129b5-7). Someone that “commits adultery for profit and makes money on it” is greedy and not intemperate because she does it not for pleasure but rather “to make a profit” (1130a23-28). In a case like this the action seems to be opposed to generosity as well, since it sacrifices higher goods for the sake of shameful-profits in terms of wealth. What may seem unjust about

²²⁶ Ibid. Someone who gives a bookseller \$20 in return for a book has not “spent” anything, since his wealth remains unchanged by the transaction.

²²⁷ This is interesting because it seems to address the notion of consumption distinguishing it from other ways of using wealth. Maybe this entails that generosity is more about one own and others consumption of wealth rather than the acquisition. But the two aren't easily separable and in economics consumption is measured by the purchase of commodities (which is acquisition for private use). In any case insofar as someone is giving or getting acquisition must take place.

²²⁸ “(For we put spending under giving)” (EN 1121a10-11).

²²⁹ Citation taken from Reeves note.

²³⁰ There are registered firms providing both kind of services today (even if prostitution is largely illegal).

it, assuming that no injustice is done against the sex-customer who is buying the service, is that someone is being cheated on. So the sex-worker is being unjust by depriving someone of the faithfulness owed to them, in order to acquire money. Aristotle also says that not helping somebody out with their wealth because of stinginess isn't the same as being greedy (1130a16-22). This may have to do with greed being about getting more, rather than not losing something. Even if it would be interesting to explore the relationship between justice and generosity I won't be able to do that here. But even if it isn't completely clear how these virtues are distinguished from each other and how they may overlap, for my purposes it will be sufficient to determine that an activity is in conflict with at least one of them to recognize it as vicious.

Dealing in fair prices is of particular importance for the virtue of justice and Aristotle discusses the commensurability of goods like beds and houses, in addition to the relationship between use and exchange values.²³¹ The question of the fair or just price focuses on there being some sort of commensurability between the goods exchanged, therefore it is less concerned with feelings, dispositions and the specific financial situation of the parties' involved. I have decided to leave out the discussion about money and the notion of just prices in this sense in order to focus on generosity and temperance. But the distinction between exchange and use value remains crucial and it is ultimately mainstream economist insistence on measuring the latter that cause a real conflict between their discipline and *eudaemonistic* virtue ethics. There are ways in which market activities can be vicious even if the price is fair or just, in the sense that the goods exchanged are of more or less equal value. Aristotle talks about *pleonexia* only in few passages related to justice in the Nicomachean Ethics. In any case insofar as someone is being unjust in relation to wealth-acquisition by wanting too much for themselves this is a sign of greediness and or acquisitiveness. A greedy person is someone who is unjust in particular way when it comes to certain kind of goods (EN 1129b1).²³² The acquisitive person is un-free because the love of easy money determines how they feel and act when it comes to wealth, rather than reason and virtue of character. According to MacIntyre greed is often portrayed as simply "wanting more than one's share", but that this is because, in

²³¹ A comprehensive treatment of this can be found in Meikle's book on Aristotle's economic thought. Here unlimited *chrematistikê* and the accumulation of money for its own sake instead of using it as a mere means of exchange (difference between Commodity-Money-Commodity CMC and MCM Money-Commodity-Money) which is central to Karl Marx's critique of capitalism as well.

²³² It is hard for me to see how the greedy person would fail to be acquisitive even if she isn't stingy or a coward. The stingy person may also be motivated by fear but can be stingy without being afraid and therefore courageous. I don't think someone could be generous and greedy at the same time.

the modern world, the notion that it could be vicious for someone to simply want more “was increasingly lost sight of”.

At this point I want to consider how people may act viciously when engaged in acquisition in a modern market context. So we are here speaking about the same activities that are modelled by economists. There are mainly three ways in which you can provide income for yourself in a capitalist economy. If you have enough valuable possessions (capital) you can invest them to make a profit²³³ the alternatives are working as an employee or running your own business²³⁴. The last option is really the combination of the other two, since in the employees of the firms are in fact acting on behalf of the owners in return for compensation in the form of wages. The most obvious way an investor might go wrong is in regard to the amount parameter.

Profit-maximisation is only unproblematic from the viewpoint of the generous person if there is lack in the first place and the activities in question aren't otherwise detrimental. This doesn't mean that even a relatively wealthy individual doesn't need to keep their sources of income or even find new ones. But beyond a certain point the generous person will be less concerned with getting more wealth and will prioritize other goals. In addition to wanting and acquiring more than what is useful to live well and therefore being acquisitive,²³⁵ investors can fall short of virtue by the way profits are obtained even if they aren't excessive. Within the firm the tasks are divided between many individuals and not all of them are therefore directly involved in exchange with other firms or sales to customers (some may only be involved in a small part of the production process, still they are exchanging their labour with money. We could regard investors as co-responsible with the different decision-makers in the firm. The respective blameworthiness, of course, is not easily distributed in such a scenario. But insofar as an investor can be expected to investigate how firms are making money for them, there is some moral responsibility and therefore some effect on their moral character, especially if we are speaking about an habitual arrangement. The cutting of costs to a minimum must also be regarded as part of the profit-maximising agency and this may involve neglecting third parties and the environment, because the profit is namely the difference between costs and the sale price of a commodity. So acquiring more wealth in such a case involves making production cheaper.

²³³ To invest means to put resources into a project or to give up something in order to achieve some greater goal in the future. Saving could maybe be regarded as a form of investment even if it just conserves the value.

²³⁴ A self-sufficient farmer could be considered to run a business even if there is little or no trade involved.

²³⁵ Since there isn't necessarily any unjust gain at the expense of somebody else, pleonexia may not be involved here.

A generous person would be more concerned with the effects their investment had on the true well-being of others and on the environment than on their own bank account. Some of the employees and entrepreneurs are involved in the actual marketing and selling of goods to other businesses and private persons. This kind of commercial activity has a lot of potential for becoming vicious. Keep in mind that marketers and sales people act on behalf of investors (themselves insofar as they are owner of the firm they work for). What makes this aspect of business activities so special is that it seeks to influence the demand for goods directly or indirectly. The greatest amount of good and services that we can imagine being provided in a market are beneficial if used properly and with moderation. Even dangerous and addictive drugs that are commonly banned for recreational use often have their medicinal value. The problem arises when the goal is to sell more goods because this maximises profits. In doing so one may try to get people that already eat enough candy for example, to give in to their appetite and consume even more.

Today product and services are sometimes designed to become as addictive as possible, this is an example of how the goal of selling more affects production. When it comes to virtue it doesn't really matter whether a marketer successfully makes people consume more or not. The reason one shouldn't promote consumption in some cases is that one is contributing to and exploiting self-indulgence a vice that will be discussed under. In the case of stocks and other investment opportunities being sold it may be others people's acquisitiveness that is being exploited instead. In order to maximize profits one may have to sell something that is harmful to the customer and/or third parties like other people or the environment. I'm not assuming any information-failure here;²³⁶ someone may be able to convince others to buy something that she herself considered harmful for them without withholding any information. In fact, the fully virtuous and generous person would arguably not sell such products to anybody, even if they were begging for it. Somebody that is struggling economically may have an excuse to act more like a wealthy acquisitive individual would, but if forced to make a living by serving acquisitiveness on one side and self-indulgence on the other it will arguably be harder to achieve virtue and *eudaimonia*. The generous person therefore is concerned with the kind of activity they do in order to provide wealth for themselves and otherwise how they give and receive benefits in terms of wealth overall. This includes both a business as a source of wealth and its further consequences.

²³⁶ Meaning a market failure (not efficient) because of insufficient information about the consequences of action.

Aristotle mentions the parameter of amount multiple times in the discussion of acquisitiveness. It is important to emphasize that just as loan sharks and pimps go wrong when it comes to sources and goals, any sort of acquisition can become vicious if it isn't limited and subordinated to the achievement of the human *telos*, which in part is to become and stay free from excessive and otherwise improper acquisition. In the same way as it is vicious to take a friend's money through gambling it will be so to get one's income from the sale of addictive products or the marketing of an online casino if the purpose is to gain from people's self-destructive behaviours and compulsions. In a context where someone has a personal relationship with their trading partners, the responsibility for their well-being increases because one is more able to determine if they are engaging in self-destructive behaviour with the good they are buying. Still, what constitutes excessive acquisitiveness or greed will also depend on someone's particular situation in terms of material wealth and need. The sort of businesses and ways of getting money that are more in line with virtue and the common good may not be available to many people that need to feed and clothe themselves. Those who by owning the means of production decide how the resources are invested, if not vicious, will take this into consideration. Not being acquisitive in terms of getting wealth from the proper source implies giving up a potential gain or accepting a loss in terms of wealth, in order to benefit others. So the agent can be giving and exchanging in the same transaction. For example, one may choose not to sell to the highest bid. The notion of opportunity-cost is popular within economic thinking and is often used for justifying the need of compensation, for example as interest on a loan. Since the capital could be spent or invested in something else, rather than being loaned it is reasonable to demand a compensation for lost opportunities for profit. In our case we almost have an inversion of this; maximising profits (by taking the highest price for example) will eliminate other opportunities for being generous with one's wealth and so achieving virtue/ *eudaimonia*.

In light of all that has been said so far in this chapter I conclude that some transfers of wealth should be considered a mix between compensation for product and services received and a gift or charitable sacrifice of wealth. In addition I have tried to establish that many exchanges of goods, which are "the only way through which the materiality of the world is taken into account"²³⁷ by mainstream economics, belong to the sphere of generosity and acquisitiveness in addition to justice and greed. And that some economic agency may encourage these vices.

²³⁷ Centemeri "Environmental Damage as Negative Externality," 23.

4.1.2 Use and Consumption

Once the economic goods are produced, acquired and/or bought, the possessor has to administer their use. As we have seen the economists presuppose that people ultimately want to acquire things in order to reach one or more goals the achievement of which is considered valuable in itself (like eating a chocolate bar,) ²³⁸ or simply to make their life better in some sense. So does Aristotelian virtue ethics. In relation to my overall thesis, it is important to describe the relationship between temperance and the notion of consumption in economics. In economics *consumption* refers to private use, more precisely the using up of products and services “by a household”, something which is considered, by most economists, ²³⁹ to be the final end of economic activity: “thus the level of consumption per person is viewed as a central measure of an economy’s productive success.” ²⁴⁰ It can also be “considered as a process of destruction.” ²⁴¹ But we have also seen that what distinguishes consumption from other economic activities is that this is where individuals are assumed to receive the fruits of their labour, which is the economic benefit measured as a satisfaction of preferences. The purchase and use of chocolate bars is considered to be consumption not mainly because the good is used up or destroyed but because it provides benefit to the consumer in the moment they eat it. ²⁴²

It should be clear by now that mainstream economic today thinks of use-value in terms of preference satisfaction but we aren’t speaking of the satisfaction of any preference: let’s say somebody buys an old sword with the intention of selling it for a higher price. In doing so their actions implies that they preferred acquiring the object at the given price rather than not. The purchase may even give pleasure because of the expected profits. But the person in question isn’t consuming anything yet. It is only when another partial goal is achieved, the sale, that the profit may be realized. Once the individual has more money in her pocket, she can now use that to get whatever satisfies a preference, for example of going out for dinner at a nice restaurant (this was really the reason for wanting to acquire that old sword). Unless it is a business meeting, in which case it is an investment with risk for losing rather than a

238 Because this is the sort of goal that is the end and therefore “the ultimate measure of success” of economic activity.

²³⁹ Those who happen to be mainstream/ neo-classical.

²⁴⁰ Carroll, “Consumption.”

²⁴¹ Centemeri, “Environmental Damage as Negative Externality,” 23.

²⁴² Getting nutrition by eating is here considered as part of the consumption itself, not a consequence of it (in any case it would be an automatic consequence)

received benefit, things like dinners at restaurants are the commodities which are considered to be the sole end of the preliminary activities (and therefore the measure of success).

Temperance and Self-Indulgence

The ancient Greek term for temperance is *sōphrosúnē* (σωφροσύνη) from *σώφρων* (sane, moderate, prudent) and *φρήν* (mind), in some instances also used in the sense of general prudence and soundness of mind (as opposed to some sort of madness (Pl. *Phaedrus* 244a)). Plato and other philosophers seem to have regarded temperance as one of the so-called *cardinal virtues*, encompassing all sorts of moderation. In the *Phaedo* Socrates describes the virtue as consisting in “not being excited by the passions and in being superior to them and acting in a seemly way” (*Phaedo* 68c). Aristotle himself calls it “a medial condition concerned with pleasures” (EN 1117b1-24). Generosity differs from temperance in that while the former virtue’s “only object is wealth”, the second requires us to crave for the things we ought, in addition to the other parameters of occasion, people, goals and amount (1119b16-17)²⁴³ In the *Nicomachean Ethics* *sōphrosúnē* is addressed in different places but treated separately in the last sections of book III, where Aristotle (as usual) starts by delineating the sphere of life the virtue concerns. He ultimately seems to end up with a pretty narrow definition of temperance. According to which the virtue concerns specific kinds of bodily gratification, which are basically conceived of as pleasures of touch (EN 1118a 30-34); namely those derived from food, drink and sex. One reason Aristotle gives for restricting the sphere of temperance to eating, drinking and sexual activity in his argumentation, is the supposition that the bodily pleasures involved are those shared with the other animals. Curzer thinks that this is a mistake and that people should be considered temperate or self-indulgent also “with respect to the pleasures of gambling, video games, recreational drugs etc.”²⁴⁴ Aristotle writes that an ‘amusement lover’ seems to be intemperate but is really ‘soft’, because of exceeding ‘where relaxation is concerned’ (1150b15-20). Another reason for defining temperance as he does might be that he wants to “prevent overlap with other virtues”, for example courage and generosity.²⁴⁵ Curzer writes that:

... we should not attribute to Aristotle the view that temperance involves only these three pleasures (food, drink and sex). Aristotle approaches each virtue not only from

²⁴³ Curzer, “Aristotle's Account of the Virtue of Temperance,” 12.

²⁴⁴ *Ibid.*, 7.

²⁴⁵ *Ibid.*, 6.

the perspective of his architectonic, but also with paradigm cases of virtuous and vicious action in mind. Sometimes he talks as if the virtue is displayed only in its paradigm cases... But at other times Aristotle recognizes that virtues can be displayed in non-paradigm cases.²⁴⁶

This interpretative principle could also be applied to generosity for example, so that it can be regarded as concerning trade and commerce even if it doesn't represent the virtue's "paradigm case". In addition, we may regard the whole doctrine of the mean (central to the Aristotelian notion of virtue and especially those of character) as "a generalization and codification of the common sense conception of temperance" (Curzer 1997 p.19). The question about the proper scope/sphere of the virtue is somewhat relevant for my discussion but even if excessive video-gaming for example doesn't include vicious eating, drinking or sex (except some virtual version of these), there isn't much doubt that it would go against one or more virtues of character. This follows from the doctrine of the mean and the ordering of goods like pleasure within a human life as a whole. Anything that is excessive is by definition not conducive to *eudaimonia*, in addition someone that can never be satiated by such activity can be regarded to be in a state of continuous discontentment or unhappiness.

As explained previously in mainstream economics, consumption is defined as the achievement of a particular kind of goals. The activity includes eating, drinking, playing videogames, watching movies, receiving sexual services and so on. Many of these things will be pursued for the sake of pleasure and by doing so they fall within the sphere of Aristotelian temperance. So, for my purposes, I believe to be justified in regarding a great part of *consumption* in a free market economy as belonging to the sphere of temperance. Of course, if something that isn't produced and supplied in the context of the market, there is no way for economics to measure its value and it may then be difficult to say how it should be considered from the perspective of the discipline itself. Even if there is a tendency to estimate the market value of goods that are not being exchanged, strictly speaking.²⁴⁷ In any case this only entails that the sphere of temperance may be broader than what *consumption* (in economics) refers to, but that it still contains it (with very few exceptions if any). Another possible objection is that temperance concerns appetite but that desire in this sense isn't a requirement for

²⁴⁶ Curzer, "Aristotle's Account of the Virtue of Temperance," 8-9.

²⁴⁷ The only objectively observable and quantifiable measure of utility economics has to work with are the exchange-rates/prices of commodities. But goods that aren't sold in the market may have an equivalent good to compare it with (which has a market-price). Economists have also started to put a monetary value on natural resources for example that do not have a price already (this off-course is even more problematic).

“consumption” (in economics) to take place. But in response to this I would argue, that even if one may come up with examples of this (people consuming things without any feeling involved), this still does not put the activities outside the sphere of temperance. Firstly because the virtue doesn’t only concern the appetite but also the rational part of the soul and secondly because in many cases a total lack of appetite/emotion/passion could be regarded as a consequence of the vice of deficiency opposite to self-indulgence described in the NE as insensibility. There may still be something in this objection since it is possible to imagine that some actions, like giving money for charity or acquisition of wealth, could be performed by someone without any involvement from the appetitive part (just because of duty or some other reason). As we saw earlier in this chapter the “greedy adulterer” isn’t self-indulgent just because they are having sex when they should not. This is presumably because it isn’t the pleasure of sex they are seeking but money. In any case we can conclude that temperance is relevant for many forms of consumption if not most of them. Ultimately I have to admit that many of the goods exchanged in today’s global economy may not be the proper object of the virtue of temperance: “Consider, for example, love of honor and love of learning. For in the case of each of these two, a person disposed to the love enjoys them without his body being affected at all but, rather, his thought (NE 1118a27-30)”. This implies that the self-indulgent is focused particularly on bodily gratification rather than mental ones. It seems at least possible to use wealth to achieve both honor and learning and the latter is surely become a product in the free market (if it wasn’t already); when we are speaking of human capital it is acquired skills and training we are referring to (thing that are learned). This sort of possession (like knowledge) can be sold by people, for example by putting their expertise at the service of employers.

Aristotle’s describes the temperate person as someone that isn’t too “pained at the absence of pleasure or at abstaining from it”²⁴⁸ (NE1119a30-33), putting emphasis on the affective aspect of this virtuous state of character. The fully temperate person will only desire those thing that are “conducive to health or a good state” and that which “do not impede these or are not

²⁴⁸ “Aristotle does not criticize self-indulgent people for feeling pain at the absence of certain pleasures, but rather for feeling more pain than they ought to feel. Similarly, [f] implies that there is a right amount of pain to feel in the absence of appropriate objects of temperance. Thus, according to Aristotle, temperate people not only experience the right amount of enjoyment over the right objects, on appropriate occasions, but they also feel the right amount of pain when these objects are absent because they feel the right amount of desire for these objects.” (Curzer, “Aristotle’s Account of the Virtue of Temperance,” 13.)

contrary to what is noble or beyond his means” (NE 1118b 15-18). Here we see that the consequences of consuming are included as well as circumstantial factors like one’s financial situation. The most interesting requirement though is that of not wanting to consume anything if it is somehow ignoble. One could therefore argue that goods produced in an unethical way, for example, at the expense of the well-being of other would be repulsive to a temperate person (1119a 11).

The temperate person doesn’t take pleasure in things that one shouldn’t or in an amount that one shouldn’t or in a way and degree that one shouldn’t. Temperance of course involves not only desire and pleasure but also the action itself. The virtuous person for example has the firm disposition not to eat more than what is good and right and acts therefore according to this in most (if not all) circumstances. Aristotle focuses on the appetite because this is what causes someone to eat too much voluntarily. It is hard to imagine why anyone with such a healthy appetite, as the temperate person, would ever begin eating too much voluntarily. I think we could in theoretically imagine someone that happens to desire just the right amount of food, but still falls short of being virtuous.²⁴⁹ This is because the appetite of temperate people is not as it is by coincidence, and as with all the other virtues, the person in question has to know that the action is virtuous and choose it for its own sake. The appetite of a temperate person is directed at the proper things, in a proper way and at the proper time as prescribed by her right reason (1119b16). Temperance is a virtue of the “*non-rational parts*” (NE 1117b 20-25), since it concerns the appetite for pleasure. When it comes to the virtues of character Aristotle tells us that it is “because of pleasure that we do base actions and because of pain that we abstain from doing noble ones” (1104b 9-10). By extension this principle implies that the pursuit of pleasure (which we assume to be a common motive for pursuing wealth) may also cause people to abstain from good behaviour. Interestingly Aristotle writes that: “... we are naturally more inclined toward pleasures, which is why we are more easily drawn toward intemperance than toward moderation.” (EN1109b13-16). Something that might sound strange if virtue is the fulfilment of our true nature. But this is congruent with other statements about virtue in the Nichomachean ethics and can be easily explained in my opinion.²⁵⁰ I will have to come back to address this in the last section together with other

²⁴⁹ They just happen to not want more food than the right amount but this is motivated by stinginess rather than choosing to consume moderately.

²⁵⁰ As discussed in section XX we have to sort of human natures. 1. How we happen to be. 2. How we would be if we fulfilled our telos (something that isn’t guaranteed by nature to any extent, even if the telos itself is).

objections to describing human nature as generous and temperate. But I have to point out that such an inclination could come from *nurture* as well as from *nature*.²⁵¹ This is a point of contact with the marketing of products discussed in the previous section, because those who for the sake of profit (or some other reason) try to sell more they are actually (often at least) aiming at increased consumption of goods that concern temperance as a virtue. My focus is on some of those actions and consequences that are regarded as beneficial by economist but, from the perspective of classical virtue ethics, are really harmful in themselves. The vice of self-indulgence or *akolasia* (ἀκολασία), which is characterized as “excess where pleasure are concerned” (1118b26-28) is the extreme opposed to *insensibility*. The latter vice is absolutely relevant in a modern market context also because many consumers may not seem to have a stable disposition and move back and forth between insensible and self-indulgent behaviour. Unfortunately I will not be able to give much attention to this vice here, even if describing its opposite will shed some light on the matter indirectly. Economics assumes that people will always consume more and never less than what they need to, if they are wealthy enough to do so. But this may not turn out to be that problematic since the condition isn't as widespread. Self-indulgence which is more opposed to temperance than it's corresponding vice of deficiency on the other hand is arguably much more common and compatible with commerce; because people with little appetites don't make such great consumers and money-makers as the former.

The self-indulgent person, when it comes to consumption of market goods, seeks pleasure from the wrong objects, in the wrong way, at the wrong time and in to the wrong degree. Even if the objects and time should be proper, one can fail to act virtuously by seeking too much of something like food. Not only can one fall short of temperance by the amount consumed and by consuming the wrong thing at the wrong time but also by having an appetite for these things. This would be the case even if the person in question recognised the irrationality of self-indulgent behaviour and managed to act in accordance with reason, as long as the appetite for more is present.²⁵² This would be a case of *enkrateia*. The fully vicious person consumes wrongly thinking that it will contribute to their happiness and in accordance with their own appetite for physical pleasure. So such a person may still have an individual and subjective

²⁵¹ By nature or natural I am always referring to that which nature aims at, not simply what isn't artificial of man-made (in fact “nature” should be thought off as including the whole of humanity and their actions/ products).

²⁵² Prolonged time in such a condition should not be taken lightly, because even if it might have little external consequences it can be a burden for the enkratic that isn't able to move towards virtue (so continuing to go against their appetites).

hierarchy of goods, even if they aren't coming any closer to true happiness. Both the *akratic* and the *enkratic* are aware of having an excessive appetite let's say for food, whether they consume too much or not. So they probably endorse a hierarchy of goods that puts all of them under virtue and *eudaimonia*, at least rationally or intellectually speaking. It is very important to note that according to Aristotle, unless the appetitive part of the soul obeys reason "it will grow and grow" and become so powerful that it can "even knock out rational calculation" (EN 119b5-10). The way in which the appetite for pleasure grows is exactly by indulging in them over and over again. So as with someone who becomes addicted on some recreational drug, in the beginning there is not much craving for physical sensations but other motivating factors like curiosity or impressing someone. Eventually people may become enslaved to such a habit. This is the deepest sense in which the free market isn't free, even if we could overcome challenges like inequality and environmental damage.

Wastefulness has a particular relationship to the vice of self-indulgence; since people are often considered to be wasteful on the ground of their uncontrolled spending which is really an expression of their lack of temperance and the vices become mixed with each other. Aristotle ultimately defines wastefulness as properly indicating "the destruction of one's (own) substance" which his/her life itself depends on and is therefore principally "a sort of self-ruination" (NE 1119b23-1120a3). But why would someone ruin themselves? In contrast to the discussion about intemperance where the role of appetite and pleasure is stressed, the reasons for which some people act in such a way (wastefully) is not as clear and there may be many different alternatives. Carelessness and lack of concern for one's possession seems the most obvious candidate as the cause of wastefulness, rather than a desire to ruin oneself. But the lack of desire to preserve one's wealth may be involved and this is interesting since this is also characteristic of the generous person (off course only moderately and as one should). In the case of *akrasia* for example one may be aware of the wastefulness of buying and consuming too much sugar or smoking cigarettes. By continuing the behaviour in spite of this it is probable that people's generosity (that is the affective relationship to wealth) can be effected. Aristotle point out that human life is construed in such a way that it tends to cure wastefulness in contrast to acquisitiveness which he regards as incurable. This is important because the way this happens is that wasteful people will usually run quickly out of resources, something that will limit their spending and force them to adjust to another way of life. There is the possibility of course that someone may turn to even more harmful activities and crime

in order to feed their appetite. For my purposes the opposite case is more interesting. If someone has access to a lot of wealth and is constantly exposed to the option of acquiring and consuming in addition to opportunities to increase their wealth, this could affect the state of their moral character.

4.2 Examples from the Modern Market Economy

Can you imagine a job where the task is to manage the capital of extremely wealthy people with the goal of increasing it by investing the money in the least risky and most lucrative way possible? At best this seems to be a waste of time (unless one is forced by necessity). If the investments in addition are of the speculative²⁵³ sort and the clients aren't using the wealth they acquire in accordance with virtue, this becomes even more problematic. Remember that increasing someone's wealth means to increase their social and political power as well. In any case it doesn't seem like anyone is benefitting in such a case, unless the employee is forced by necessity to acquire her income this way. This is ultimately an aspect of the economy's dependence on the investments and consumption of those who have money. Someone is performing a service for someone else, no doubt, but it consists merely in moving wealth from some other place and into the account her client, who already has more than what is useful.²⁵⁴ It is of course also problematic to be in the position of the investor/stockholder, even if one doesn't get directly involved in the money-making activities. People can arguably be emotionally dependent on seeing their balance grow. The other paradigmatic example I want to mention regards professional selling or marketing. Promoting the wrong thing to the wrong people and for the wrong reason constitutes a case of greed or acquisitiveness. And for the firm to maximise its profits this will sometimes be necessary.²⁵⁵ In this case my example is inspired by a business school textbook on consumer behaviour and what it says about the ethics of marketing. The half page dedicated to the topic begins in the following manner: "Marketers are often accused of "creating" needs. As proof, many point to all the things they themselves possess, but which they really have no use for and that someone (the marketer)

²⁵³ Indented as an investment that doesn't produce any more goods but merely transfers commodities or money from one place to the other.

²⁵⁴ Someone may argue that there isn't any limit to how much one can benefit. Someone could be saving, say to be able to cover any future health-expense that is possibly conceivable.

²⁵⁵ The craft has developed in sophistication in recent decades and is known to appeal to people's sense of identity and subliminal manipulation of consumer behaviour. So there can be a problem with the techniques that are being used to make people buy. As more goods like entertainment and education become commodified they will be more subject to being used as marketing tools.

therefore has tricked them into buying. If marketers really had such a power, many things would be a lot easier.”²⁵⁶ The author’s response to such accusations is that many purchases are situational, so people forget why they bought the good when they did. The reason needs seem to be created is that people “aren’t aware of their own motives”. Modern businesses in any case, because of their competitive environment, cannot risk losing a customer and are therefore compelled by their own interest in not tricking or wronging customers.²⁵⁷ Even if we would grant such an argument, we can see how the firm’s ethics become completely conditional on it boosting profits. Laws (and sanctions) that try to protect consumers are usually mentioned as the solution to such problems in markets. From the Aristotelian point of view it is problematic that the marketer is supposed to maximise profits by any means without breaking any laws.

Somebody may also respond to my dissertation by pointing out that I am forgetting how economic agents are assumed to base their choices on perfect information and that vice involves something less than that. First I want to point out that this doesn’t apply to *akratic* and *enkratic* people²⁵⁸ in any case. Secondly it seems that in Nicholson and Snyder book in any case, the uncertainty the decision maker faces when lacking information is about the consequences of their actions,²⁵⁹ not whether they are themselves ethical or conducive to *Eudaimonia*. Since a consequence of acting viciously is unhappiness one could say that vicious people do not have true knowledge about their own good and lack therefore information. But it doesn’t seem that people are presupposed to be virtuous since they are completely self-interested and are assumed to even lie in order to minimise their tax burden. This is known as the free-rider problem in which

...individuals know their tax shares will be based on their reported demands for public goods, they have a clear incentive to understate their true preferences—in so doing they hope that the “other guy” will pay. Hence, simply asking people about their demands for public goods should not be expected to reveal their true demands.²⁶⁰

²⁵⁶ Thjømøe and Olson, *Forbrukeratferd*, 28.

²⁵⁷ Ibid.

²⁵⁸ By using the vague notion of preference, in economics there is no distinction between the appetitive and rational part of the soul like we shall see with Aristotle.

²⁵⁹ Nicholson and Snyder, *Microeconomic Theory*, 222.

²⁶⁰ Ibid., 686.

Since many of the things that are harmful from the Aristotelian point of view which are posited as the goal of economic agents, they don't seem to have knowledge about what is virtuous, thus not possessing complete information in this sense.

5 Aristotelian Economics and the Challenge of Anti-Paternalism

I started my dissertation by looking at the theoretical foundations of mainstream economics. We have seen that they presuppose and depend on people rationally pursuing certain goals. A physical object or a service becomes an *economic good* by constituting the achievement of such an end. Adam Smith's was one of the first to lay out the basic principles and mechanisms which formed the basis of *political economy* which would become more and more independent as an academic discipline. Economists today regard his account of trade and how people could unintentionally benefit society only by pursuing their own self-interest as an early sketch of more sophisticated models of market equilibrium. But it was only through the contributions of the Neo-classical and Austrian schools of economics,²⁶¹ that the currently dominating theory of value was developed. The prices and transaction costs of the goods in question are preferred to data collected in other ways, for example through surveys or philosophical contemplation, as a measure of the benefit received by consumers. A purchase indicates that some goal is achieved and one's preference satisfied, leading to an increase in one's material well-being. Every bit of consumption adds to an individual's total utility and willingness to pay is the considered the prove that some good is worth at least as much as consumer is giving up for it. The advantage of using consumption as the measure of economic success is that the data is relatively easy to collect and it comes in numerically quantified form (what we can call relative prices, exchange rates or monetary value.)²⁶²

I have also attempted to display the structural and methodological similarities that contemporary economics has with ancient Greek virtue ethics exemplified by Aristotle's account in the *Nichomachean Ethics* (chapter 3). Both take a teleological approach to understanding human activities but they differ in the goals which are considered and how they are posited. Finally I have looked at what Aristotle had to say about acquiring and using wealth in his account of the virtues (chapter 4). The problems with the models in mainstream economics, from the Aristotelian perspective, arise when they involve making assumptions and claims about the relationship between wealth and well-being. One of my reasons for

²⁶¹ And people like Alfred Marshal and Carl Menger (Discussed in chapter 2).

²⁶² The exchange value of some valuable possession is its purchasing power.

focusing on the Aristotelian perspective is its lack of representation in contemporary economics and the social sciences in general. Something that could hopefully change, especially now that eudaemonistic and objectivistic positions are making their comeback in connection to the recent revival of virtue ethics. But we must also recognize that the sort of ancient or classical ethics I am discussing here is objectionable from the perspective of many economist today, because of its “paternalistic”²⁶³ nature; it imposes a particular complex and idealistic notion of well-being. All of this is closely connected to the economic theory of value. My response to the anti-paternalistic problem is simply that if a criteria, for measuring well-being is chosen by scholars this is a form of paternalism in any case, the difference lies in what the different conception of happiness contains and/or excludes. Even in order to distinguish between consumption and investment we need to know which transactions achieve something that is an end in itself or not. In order to evaluate such activities from an Aristotelian standpoint, we must also figure out whether they and their products (consequences) are means to a further goal.²⁶⁴ So as long as what is regarded as consumption is subordinate to a further goal mainstream economics fails to accurately describe and evaluate the activity, even from the first person perspective. If we are willing to accept that all human agency is in some sense subordinated to the achievement of virtue and *eudaimonia*,²⁶⁵ as our natural *telos*, self-interested and mutually voluntary exchanges can potentially undermine the well-being of the trading partners rather than improving it. This would then be objectively true even if the agent in question hasn’t recognized it yet. Since vicious people are miserable exactly because they aren’t fulfilling their deepest wishes and getting what they really want,²⁶⁶ namely being a generous, temperate and just human being.

The purpose of this chapter is to use what I have said so far to address the original research question. This will ultimately take us all the way back to the domain and definition of economics as a scientific discipline. I propose that the kind of economic theory I have been discussing throughout my dissertation really deals with a particular aspect or mode of human agency, rather than production, distribution and consumption of consumer products and services.

²⁶³ It is true that ancient philosophers didn’t leave the content of *eudaimonia* “for the reader to decide”. But it isn’t paternalistic in the sense of enforcing any behavior but rather by recommending it, through argumentation.

²⁶⁴ Even if happiness is understood as whatever the individual in question considers it to be (the subjectivist notion discussed previously).

²⁶⁵ Even for those who are mistaken about what it is and how to get it.

²⁶⁶ Rabbås et al., *The Quest for the Good Life*.

5.1 Aristotle's Model of Economic Activity

When it comes to my research question: How does the description and evaluation of human activities in mainstream economics look from the perspective of Aristotelian Virtue Ethics? The answer will partly depend on the moral character of the agents involved and the financial situation they and other people find themselves in. In economic models, when someone makes a profit or consumes more products and services their well-being is always considered to increase without any limit. As long as there are observable voluntary transaction in which people's true preferences are allegedly showed by the willingness to pay a certain amount for a product or service: some quantity of water, for example, can be considered to have the same value as a means to survival as when it is used to fill a swimming pool. The reason for this is that mainstream economics is committed to estimating a commodity's use-value based on its exchange value (see section 2.5 and the intro to this chapter).²⁶⁷ I must begin by repeating that virtually every human being would presumably benefit from increasing their consumption of commodities if these go to fill a lack of (*Pol.* 1257a25-30) what is necessary in order to live well (or to live at all for that matter). Not being able to do so can be a great misfortune; this is what makes the economy so important from a social perspective.²⁶⁸ So the two variables in question are the states of people's character and their financial situation.

Those who are virtuous will care about procuring a sufficient amount of such goods and do so in a noble and altruistic if possible.²⁶⁹ This is crucial, because the giving aspect of generosity requires people to take into account the well-being of others **beyond** what serves one's own economic interest. It isn't enough that the same amount of products and services are made and delivered. The complex mind-set and the appetites of virtuous agents are such that we can expect the transactions of wealth carried out by them to promote *eudaimonia*. In a situation where it would be proper to borrow or give money to somebody that is in need, acting in accordance with generosity is valuable in itself and for the sake of happiness. This must be taken into account in considering the cost to someone in that position. Choosing to use the wealth differently²⁷⁰ may be costly in Aristotelian terms, since one has lost the opportunity to

²⁶⁷ Without supposing any particular view on what human well-being consists in. In contrast to the situation in Aristotelian virtue ethics.

²⁶⁸ The evaluation of such acquisition and consumption is therefore positive (even if only instrumentally) we cannot measure it numerically. Living well in itself is intrinsically valuable in the highest degree of course.

²⁶⁹ I'm not discussing what the virtuous person will do in a tragic case, where for example stealing is the only way to nourish oneself. I suppose they would do so, but I don't know if it would make them more vicious. They may even be considered to exercise bravery by stealing in such circumstances.

²⁷⁰ Especially when it becomes habitual.

perform a mutually beneficial transaction. In addition, even in the absence of any undesirable consequences to consuming and accumulating more, the virtuous agent will not continue to engage in economic activities only seeking such ends (neither will she desire to do so). So acting generously and temperately²⁷¹ brings pleasure in addition to efficiently promote the achievement of *eudaimonia*, making voluntary transactions mutually beneficial. We can even speak of an invisible hand or a built in mechanism that prevent commercial activity which is harmful to those who don't know their own good. And even if this economic mechanism doesn't provide a model which offers a numerically quantifiable measure people are both benefiting each other and themselves at the same time. The only disadvantage is that we may have to presuppose people to be more altruistic and temperate than what they actually are.

Except those who are wasteful and therefore care less about money than what is virtuous and those who are insensible and therefore do not pursue or enjoy pleasure as much as they should, the excessive pursuit of wealth and the pleasure it can offer compromises the achievement of *eudaimonia* by being vicious. As such its value is negative, meaning that it doesn't constitute an improvement in the individuals own well-being because it harms their moral character. When the agents in question are *akratic* (extended to the sphere of generosity) we cannot expect them to act virtuously, even if they recognise that it is the best thing to do.²⁷² They can arguably have virtue as their objective in addition to a wish for true happiness, even if their appetite overpowers them. In addition they can hardly be said to aim at acquiring and consuming viciously²⁷³ but will still exhibit a willingness to invest in potentially lucrative projects and/or paying for consumer goods. No matter how little they fail to act virtuously, each time consumption for example is excessive or somehow improper; this moves them a little away from virtue and is therefore an evil (opposite of a good) in itself.

From this it follows that a society in which many are vicious or *akratic*, the act of buying commodities is not a good measure of the success of economic activity, in other words how effectively it promotes *eudaimonia*. The *ceteris paribus* cannot be appealed to as a solution to

²⁷¹ In my opinion this entails justice because these virtues cannot be opposed to it. One could say that it is just to demand the equivalent in terms of value, Aristotle would recognise that. But the virtues of character involve the appetite in a particular way and may demand that we go beyond what is merely a fair exchange. Think of gifts, in the case of which isn't regarded as proper based on what the receiver offers in return.

²⁷² I imagine it could be somewhat controversial to regard the beliefs and goals of people lacking self-control to be exactly the same as the virtuous. But can someone think that something is good for them and still not have it as a goal rationally speaking.

²⁷³ Since the distinction between wants and objective is blurred in mainstream economics it is hard to say what counts as a rational goal.

like with other forms of externalities and *market failure*. This is because even if all else is held constant,²⁷⁴ consumption and well-being are the endogenous variables the model is meant to tell us something about in the first place. We have also to remember that vicious people are in fact oblivious of what they really want.²⁷⁵

5.1 Conclusion (Thesis statement)

Mainstream economics description and evaluation of economic activity isn't satisfactory from the Aristotelian point of view. This is mainly because according to such a perspective, economists cannot determine whether higher incomes and increased consumption actually promotes people's well-being without taking virtue into account. The virtues of generosity and temperance for example, as constitutive of the human *telos*, aren't only good because of the desirable consequences they have for other people. Instead they are ends to which the acquisition and use of wealth are subordinated to in Aristotle hierarchy of goods. In contrast, for its current models to work, mainstream economics has to consider consumption the only measure of efficiency. The consequence is that people's failure to act in accordance with virtue by acquiring or consuming to much is often considered to be beneficial for them on account of their preference being satisfied. If acquisitiveness, self-indulgence and *akrasia* increase, the economic models in question will become more and more inaccurate. A free market mostly consistent of less than virtuous individuals promotes vice, since those firms who prioritize the maximization of profits above ethical concerns have a better chance of defeating the competition and dominating the economy. In such circumstances many will be pushed, in different degrees, to serve other people's acquisitiveness, greed and self-indulgence; both because of necessity and what the firm may demand from their employees. Serving or promoting excessive consumption of food or entertainment, for example, will in addition reinforce the vicious state of self-indulgent people and is therefore a vicious activity. In such cases, so called mutually beneficial market transactions may end up being mutually harmful from the Aristotelian point of view.

²⁷⁴ Some variable must actually be variable for the model to be useful.

²⁷⁵ See section 3.3

5.2 The Challenge of Anti-Paternalism

There are different ways of using the term “paternalism”, in discussions about the economy the term is often used in connection with government intervention. The authorities may try to steer the market in a particular direction through prohibiting the sale and consumption of certain goods (like is usually done in regard to illegal drugs, child labor and slavery).²⁷⁶ The rejection of this sort of paternalism is about coercion and implies that the government should not force people or make decisions on their behalf. This is not the sort of paternalistic practice that I want to discuss here. Rather when we are speaking of the sort of paternalism that merely argues for a particular view, without directly forcing anybody to act in a certain way.

Economist seem to have an aversion to paternalistic policies, something that can be regarded as the principal motive for identify well-being with preference satisfaction.²⁷⁷ Here we see economist actually are conscious of the power their theories have to influence politics, since they recognize that if they define well-being in a paternalistic way this will affect decisions that have an impact on society, at least to some extent. Being paternalistic in the coercive and more political sense is related to being paternalistic in regard to economic or ethical theories for that matter. Because one must start with claiming knowledge about what is in fact best for someone else, in spite of what they themselves think; if one is coercing people for other reasons they may be victims of oppression but not paternalism. In the following I will refer to paternalism as the imposition, theoretical or not, of a particular view on happiness. The objection from anti-paternalism is expected to be an issue for any objectivistic ethical theory especially one that unites morality and *the good* (see Chapter 3, intro.)²⁷⁸ instead of a particular sort of subjective experience. Hedonism or the *hedonic approach* claims that the quality of people life is best measured by looking t how they feel, it is considered to be in agreement with anti-paternalism by some. But, as others also have pointed out,²⁷⁹ this isn't the same as measuring well-being based on preference satisfaction but on pleasure.

The rejection of paternalism, which imposes a particular view of human well-being, is regarded to compel economist to stick to a *first person standpoint*: “which means that their

²⁷⁶ Some may also include the use of incentives like subsidies and taxes.

²⁷⁷ Hausman, *Preference, Value, Choice, and Welfare*, 80.

²⁷⁸ As I said previously I have no intention of defending a particular notion of happiness here but only to use Aristotle's as an example of one that involves temperance and generosity. And contrast to the one used in economics by making it more explicit.

²⁷⁹ Barotta, “Why Economists Should be Unhappy.”

analyses are exclusively carried out from the viewpoint of the individuals themselves”.²⁸⁰ It is this sort of subjective evaluation that warrants an approach in which individuals both set their own standard and is determines the degree in which they are met.²⁸¹ John Stuart Mill for example is described as paternalistic in so far as he distinguished between “qualitatively different kinds of happiness”.²⁸² The first person viewpoint is supposed to avoid positing any other goals or notions of well-being apart from those that belong to the individual themselves. Further it implies impartiality with regard to which is more important or valuable. In his paper from 2008 entitled “Why Economists Should be Unhappy with the Economics of Happiness” Pierluigi Barrotta argues that happiness is a dubious concept as the proper goal of economic policy and that it is inconsistent with a first person standpoint, which economics would not want to depart from. This means that the only acceptable criteria for evaluating how much a commodity benefits somebody and also for estimating “how well a life is going for the person leading it” is the individuals own opinion about the matter. As Richard Kraut writes:

... we have no defensible method for discovering each person’s distance from his ideal life. And so if we drop our subjective judgements of happiness, we have no workable and systematic alternative to put in their place.²⁸³

Barrotta states that most economists would agree with this quote. The reason is that we don’t seem to have strictly empirical evidence of any “objective standard, peculiar to the human being as such.”²⁸⁴ Happiness is regarded as too elusive of a concept even if it is somehow connected to the notion of welfare. And in the case of economics the analysis in addition should be limited to what can be measured with “the rod of money”.²⁸⁵

It isn’t difficult to agree that most people have the goal of eating the amount of food necessary for survival and when we observe someone buying a sausage it is fair to assume that this person had a goal of acquiring such a product. What instead is less easy to observe and most controversial is the notion of happiness, especially when it amounts to fulfilling our natural *telos*. Aristotle himself is very aware that people disagree about what happiness is and thinks that “the many” are making many mistakes when it comes to related questions. He

²⁸⁰ Ibid., 146.

²⁸¹ Esterlin cited in Barrotta, “Why Economists Should be Unhappy,” 147.

²⁸² Barrotta, “Why Economists Should be Unhappy,” 146. Even if Mill in many ways was an advocate of anti-paternalism, see Hausman, . *Preference, Value, Choice, and Welfare*.

²⁸³ Richard Kraut cited in Barrotta, “Why Economists Should be Unhappy,” 156.

²⁸⁴ Ibid.

²⁸⁵ Barrotta, “Why Economists Should be Unhappy,” 146.

actually writes that ethics almost seems to be a matter of convention because of this. For an anti-paternalist to posit any particular conception of true human happiness and well-being then, would be the same as favoring one opinion over another without being able to show why it is the right one.

It wouldn't be easy for economist to adapt their model to fit those who are essentially Aristotelian and to describe/predict their behaviour based on their models. Even if there is not human *telos* in the first place. If well-being is understood as preference satisfaction or whatever people consider it to be, this involves a rejection of classical ethics (something that could be regarded as paternalistic in itself). In addition to goals and preferences that are observed by people's willingness to pay we also have those ends that are attributed to economic agents from the start and we shall later see how they become problematic as well.

In the textbook by Nicholson and Snyder on which I based my account of mainstream economics there is actually a short section on economic modelling of habits and addiction. The point to economic research suggesting: "that reductions in smoking early in life can have very large effects on eventual cigarette consumption because of the dynamics in individuals' utility functions."²⁸⁶ The fact that more smoking at an early age makes people bigger consumers later in life doesn't tell us whether smoking is good for them or whether it is rational. The utility functions presented in our textbook only presuppose that habit forming or addictive behaviour increase the utility of future consumption and the behaviour itself can be considered "approached as a rational, though time-inconsistent, choice."²⁸⁷ It is no wonder that drug abuse, compulsive gambling and food addiction all can be regarded as rational and economically efficient activities, if we don't add anything to mainstream economic theory. Because the criteria of evaluation are the actions and willingness to pay of the consumer. I would go so far as saying that true anti-paternalism implies that the increase in the sale of cigarette must be considered a Pareto improvement and the inhaling their smoke a benefit received by consumer. Ancient virtue ethics adds a further evaluative dimension to such addictive behaviours by considering them to be vicious, in addition to being unhealthy and generally a waste of resources.

²⁸⁶ Nicholson and Snyder, *Microeconomic Theory*, 111.

²⁸⁷ Ibid. from Gruber and Koszegi (2001)

Still, since the claims made by Aristotelian virtue ethics are controversial at best. Even if economics cannot retain its neutrality by ignoring or rejecting it. I may simply be wrong. But, in any case, the question about the proper subject matter of the science of economics and its relationship with other fields of inquiry remains.

5.1 The Proper Subject Matter of Economics

Just as with the notion of preferences the definitions of economics and wealth are rarely discussed in academic textbooks like that from Nicholson and Snyder. But in his recent work *Economics: the User's Guide*, South Korean economist and previous consultant to the World Bank Ha-Joon Chang points out how, according to recent popular literature on economics, the discipline /science is about much more than what I previously defined as the economy²⁸⁸. He humorously writes that these authors make it seem like “economics is about the Ultimate Question – of ‘Life, the Universe and Everything’ – as in *The Hitchhiker's Guide to the Galaxy*”.²⁸⁹ He mentions how Financial Times journalist Tim Harford thinks that economics is about Life and has named his second book *The Logic of Life – Uncovering the New Economics of Everything*. Even if nobody has claimed that economics can explain the whole Universe Chang suggests that some are getting close referring to another book entitled *How Economics Helps You Make Sense of Your World*, written by an author whose first book is subtitled *Why Economics Explains Almost Everything*.²⁹⁰ He is of course aware of the fact that the titles and contents of these books are “hyped up” in order to become visible in a competitive market and that in serious academic discussions nobody would claim that economics is able to explain everything. But I think that the popular writer touches upon an aspect of contemporary economics that is relevant for its relationship to virtue ethics and my overall thesis. Explaining the Universe is often thought of as the endeavour of physicists’; Chang suggests that economics suffers from what he calls *physics-envy*. He writes that economists have been “looking up” to physics’ as a role model “in their desire to make their subject a true science”. According to MacIntyre the enlightenment idea that reason doesn’t grasp any “teleological features in the objective universe available for study by physics,”²⁹¹

²⁸⁸ Production, transfer and consumption of wealth/commodities.

²⁸⁹ Chang, *Economics: The User's Guide*, Chapter 1.

²⁹⁰ I consider this a result of equating wealth and well-being with mere preference satisfaction.

²⁹¹ MacIntyre, *After Virtue*, 54.

was related to a rejection of any teleological view of human nature, defined by its essence.²⁹² Barrotta writes that in economics “investigations on happiness were foregone in the name of science, which requires objective measurement.”²⁹³ Anti-paternalism could be considered a consequence of no longer positing the existence of any natural *telos*. Current economic methods can said to be objective, but only in the sense of being based on a subjectivist measure of well-being.²⁹⁴ According to Hausman those who have attempted to go beyond the departure from happiness and hedonism in economics and also eliminate any reference to subjective preferences and replacing them with choices, have failed.²⁹⁵

Returning to Chang`s point which, at least in part, is to draw attention to how badly economist have seemed to fail in relation to predicting, explaining and finding solutions to the 2008 global financial crisis,²⁹⁶ by contraposing this to such ambitious claims. I want to mention a real life example. The Norwegian business college/private academy BI, Bedriftsøkonomisk Institutt, had a marketing campaign in 2017 with the slogan “Everything is Economics - Even if Economics isn’t Everything”. According to a description found on Gullblyanten.no the commercial was developed for the school by a branding/marketing company that say the following about the campaign: “A comprehensive study shows that the word most people associate with BI is...economics. The challenge is only that the term is understood to narrowly. Our new concept therefore to expand the notion of economics”.²⁹⁷ The purpose in this case is to appeal to more people and convince them that BI`s courses and degrees are relevant for them (and will help them find a good/better job). The marketing campaign is seeking to change what people associate with economics and using a phrase that could have been taken strait out of the kind of literature Chang is discussing.²⁹⁸

²⁹² MacIntyre argues that the same a-teleological attitude in the realm of ethics, which according to him is common to modern philosophers like David Hume, Adam Smith and even Emmanuel Kant, is the reason they all had to fail in “finding a basis for morality”. Since he thinks that the original function of all moral precepts is to further the achievement of the human *telos*, the rejection of such a notion makes them unintelligible.

²⁹³ Barrotta, “Why Economists Should be Unhappy,” 146. According to him this is one of the reasons economists should replace the notion with one of autonomy.

²⁹⁴ Ibid.

²⁹⁵ Hausman, “Philosophy of Economics.” 1.1.

²⁹⁶ Chang: *Economics the User’s Guide*, Chapter 1.

²⁹⁷ My translation. Original text: “I en større undersøkelse viser det seg at ordet folk flest forbinder med Handelshøyskolen BI er... økonomi. Utfordringen er bare at økonomibegrepet oppfattes for snevert. Vårt nye konsept har derfor som mål å bredde ut begrepet, og gjennom ulike tiltak vise hvordan vår forståelse av økonomi preger nesten alt vi foretar oss - hver dag!” (Gullblyanten, “Handelshøyskolen BI: Alt er økonomi.”)

²⁹⁸ This is an example of how marketing aimed at “selling” a product influences our notion of economics.

The definition most commonly used, in different versions, by the neo-classical²⁹⁹ school is: “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.”³⁰⁰ As Chang point out this definition seems to focus more on the theoretical method in question rather than one particular subject matter. What it really implies, is that economics aims at understanding and predicting rational choice in general: “that is, choice made on the basis of deliberate, systematic calculation of the maximum extent to which the ends can be met by using the inevitably scarce means.”³⁰¹ So the “subject matter” could in principle be anything: having children, marriage and drug addiction are mentioned by Chang.³⁰² As I tried to show by pointing to Aristotle theory of action in chapter two³⁰³ this is also the case with Aristotelian virtue ethics. I propose that if we choose to base the definition of economics on a particular method of inquiry; than Aristotle’s approach, when applied to production, acquisition, trade and consumption must be considered a legitimate alternative within economics; unless it is somehow proven wrong and explicitly rejected. In as far as classical virtue ethics deals with the relationship between scarce and depletable³⁰⁴ resources as means to further ends, as in the case of wealth-acquisition and consumption, it fits this notion of economics. In a sense the authors he is making fun of make an important point; economist cannot stick to “the economy” as their subject matter because they will inevitably get involved with the allocation of human resources, goals and choices. Their discipline inevitably overlaps with other fields. From the Aristotelian point of view, I suggest, the problem is that economics want to turn “everything” into economics rather than considering they discipline a branch of its “master-science;” namely ethics. Not many decades have passed since “economics was still part of the moral sciences tripos at Cambridge University.”³⁰⁵

²⁹⁹ Chang refers to this as the “currently dominant school”. But obviously it is also the currently dominating system in the world economy.

³⁰⁰ Ibid., citing Lionel Robbins.

³⁰¹ Ibid.

³⁰² He, on the other hand, considers the proper subject of economics to be things like jobs, money and international trade.

³⁰³ The hierarchy of ends.

³⁰⁴ Aristotle’s hierarchy of goods may include things that aren’t depleted with use like benevolence, generosity and friendship. Arguably these aren’t goods that economics is able to deal with. Even if the rational choice theory can be applied to anything, it is only in the case of market exchange that we have a price to work with. The cost of production can be regarded as showing the value of an achievement based on the willingness to sacrifice time and energy in order to get it and this could be used where there isn’t commerce but production for one’s own use. But if we deal in goods that do not have a monetary value, this comes at the expense of economic models.

³⁰⁵ This was apparently still the case when Kenneth E. Boulding (born 1910) was a student. If one considers ethical inquiry to ultimately be about a shared tastes and values, which doesn’t seem to be paternalistic like ancient ethics, economics can be regarded as a ‘moral science’ also in this sense. (Boulding, “Economics as a

If economics would be defined by the kind of good/goals it deals with as “its subject matter,”³⁰⁶ what would these be? If we say “jobs” does this include unpaid work? If we say commodities, do these include sunlight and fresh air? Or inestimable natural resources and gifts (one-sided transactions not dependent on compensation) which don’t have a market price. Mainstream economics follows the theory of value developed by the Austrian and neo-classical schools which considers willingness to pay in the act of buying commodities the best (if not the only) criteria of evaluation for economic activity. The degree in which the transaction depends on compensation received is crucial. If the transaction is completely unconditional then the economic use value stays a mystery as far I can see. Off course, if I give someone a sum of money there is no problem adding X units of currency to their total utility (since it is all measured in monetary terms) and if I gave something else that has a market price this could be used as the utility/ value received. But then we are using others people preferences to evaluate how beneficial the transaction was to the receiver of the good. Increased awareness of environmental issues since the 1960s has confronted economics with the necessity to take exhaustion and damage of natural resources into account.³⁰⁷ But “the sphere of “the economic” has been built as independent and separate not only from the sphere of “the political” but as also from the environment”³⁰⁸ and has therefore been indifferent to such question: “In the neoclassical economic frame, goods exchanged in the market are the only way through which the materiality of the world is taken into account”.³⁰⁹ A common unit and standard of measurement is lacking when it comes to evaluate “future” and “irreversible” damages to natural resources, because they have no market price.³¹⁰ There is a tendency to argue that the environmental crisis could be solved by creating new markets for “environmental goods” and all kind of estimates of value are being developed to measure the consequences of pollution, for example. I’m not concerned with the environment here, even if that problem would be taken care of, this wouldn’t make excessive consumption acceptable

Moral Science,” 1). But as said in the previous section, to claim that all values in ethics amount to subjective tastes and preferences isn’t a more neutral and scientific position by default. And it contradicts the objectivistic conception of morality, something that should arguably be made more explicit.

³⁰⁶ Since to deal with ours worked, kilograms of potatoes produced and their prices is not to deal with “goods” as long as they don’t constitute the achievement of some end considered to be so (that is the main reason for rejecting the labor theory of value even if it relies on the principle of “willingness to pay” in terms of our and kilograms).

³⁰⁷ Centemeri, “Environmental Damage as Negative Externality,” 23.

³⁰⁸ Ibid.

³⁰⁹ Ibid.

³¹⁰ Ibid., 22.

from the Aristotelian point of view. In my case this constitutes only an example where the environments relationship to economics is comparable to virtue and *eudaimonia*.

The thing is that the economic models of exchange I have been discussing are based on the notion that people in such circumstances “intend only their own gain” since it isn’t from their benevolence that we expect them to engage in production and therefore deliver goods to others. There is obviously much truth to such statements, because we are familiar with the phenomena it describes. When somebody voluntarily hands over their property or perform a service for other people they often do so on the condition that some other good or service is given to them. But the degree, in which they regard the interest of others and their actual well-being, will vary in each case. There is a difference in saying that we don’t expect everyone to give everything for free to the assumption that their material gain is all they are considering in the act of buying or selling. In addition to acquiring more wealth and increasing one’s own consumption, people may have a regard for both the one they are trading and other effected people, in addition to concerns for natural or cultural capital. And the kind of ways in which they care about this other things is varied. One could care that another’s preferences be satisfied no matter what they were or that they had access to goods that actually benefitted them or even care about their virtue and happiness.

The mechanism of mutual benefit which is at the core of the mainstream model of market exchange, which economist trace back to Adams Smith argument about the beneficial consequences of self-love in the context of his *political economy*, deals only with one aspect of human behavior which is self-interested in a particular way. Not economic benefit in the broad sense. It was the independence and regularity of the market mechanism that warranted the establishment of the social science of economics. We can easily see that the wealthy generous person who is self-interested by being the benefactor of others, fall outside this domain. But why must economics be only about a certain aspect of well-being or only purely self-interested agency? If it is a branch of ethics and moral philosophy this would be understandable. But this would not allow economics to keep its independence. I see no other reason to not expand economics to include other notions of well-being and more altruistic aspects of the activities of acquiring and consuming valuable possessions. Isn’t a science whose subject matter is the productivity of self-love a part of the broader study of the nature of human agency which would include the capacity for love as well?

5.5 Concluding Remarks

We can sum up by saying that there are two important aspects in which Aristotelian virtue ethics seems to come in conflict with the way economics portrays commercial activity.

1. Preference satisfaction, measured by people's purchases of consumer goods, is identified with well-being. 2. Improving one's condition, in terms of wealth (the possession of exchange power) and increased consumption (two notions which are conflated by a theory of value that equates exchange-value with use-value), is assumed to be the only and ultimate motive of economic agents. This necessary involves a separation of certain goals and their achievement from the broader context of a whole human life. There also seem to be mechanisms in a specialized free-market economy that actually will propagate vice as long as a part of the population is either *akratic* or vicious (and could potentially also corrupt the virtuous ones by forcing them into work that is in itself in conflict with virtue, for example serving others peoples excessive greed or appetite). The competitiveness of markets, which is a requirement for efficiency, will favour the firms that prioritize the maximisation of profits even if it leads to excessive consumption. Just as the tobacco industry relies on addiction to smoking cigarettes, the whole economy may become dependent on people continuing to buy things that they do not need or benefit from, in order to keep delivering those goods that actually are useful and even necessary to everybody. The assumption that people's actions reflect their preferences and that the satisfaction of these is identical with increased well-being, allows for the price of commodities to become a measure of their actual value. But since acquisitive, greedy and self-indulgent people are never truly happy³¹¹ and economic activity is subordinated to living well; vicious market activity is really inefficient as long as resources like time and energy could be spent in a better way. Mainstream economic theory, in addition, ignores our benevolent and altruistic qualities. As society becomes increasingly modelled on the former³¹² this may leave less opportunity to exercise the latter. If the subject matter of economics is human behaviour in so far as it is both truly self-interested (and not only apparently so) and profit-maximising. This amounts to a contradiction from the Aristotelian point of view.³¹³

³¹¹ Because being generous and temperate are constitutive of happiness.

³¹² By commodifying more goods, which were previously not provided through market exchange.

³¹³ Because virtuous people aren't profit-maximizing. In addition this could be regarded as a case of economics imperialism. See section 5.4

As I have tried to show, the virtuous person doesn't pursue an unlimited accumulation of money or other forms of wealth, but does acquire property only to the extent that this is needed for proper household-management. This art or craft is subordinated to ethics and politics and ultimately serves human flourishing as the achievement of the human telos for the whole society. When virtuous people are wealthy enough they will not desire to help others in acquiring excessive amounts of money or to consume intemperately but will only engage in wealth-acquisition which is aimed at procuring others with the sufficient means to survive and life virtuously. In the opposite case, the one in which a virtuous person (or somebody that is trying to acquire virtue) doesn't have enough they may seek to maximize their gains. But this should be done in accordance with virtue, unless we want to create a conflict with people's achievement of happiness.

I need to emphasize how mainstream economic theory starts by presupposing a particular way of organizing productive activities. We have seen how natural wealth does not include money whose value is always "up to us" and thus merely conventional. As I pointed out in the second chapter and at the beginning of section 3.3, the modern market economy relies on a number of laws and institutions like the protection of private property and the legal recondition of firms as legal persons. One could argue that these things would fall in place spontaneously as the political community (which is natural from an Aristotelian perspective) develops. My point is that there are alternative ways for people to sustain themselves and organize the production and distribution of commodities. The stockholder-firm-employee model may be efficient in producing many goods fast and cheap and boosting technological advances but arguably not for achieving *eudaimonia*. We can also question whether the real economy is shaped by the theoretical models or if it is the other way around. In any case there are freedoms that people lose when they shift from being mostly self-sufficient to depending on a pay-check in order to survive, even if the same can possibly be said about any way of organizing society. From the perspective of Aristotelian virtue ethics, resources like time and energy should be allocated in such a way that virtue and those things that conduce to *eudaimonia* are prioritized (wasting one's time isn't a happiness maximising activity). If neo-classical models of rationality are going to increasingly influence how people organize their personal life and make all of their deliberate choices, without taking the intrinsic value of virtue and how vice and related states impact the degree in which consumption makes people better off, we can expect to see a society that doesn't place much value on generosity and temperance (for its own sake).

Claiming that we all are ultimately seeking to be generous and temperate as part of our deepest wish and ultimate goal in life doesn't mean that happiness looks exactly the same for everyone, but rather that it never amounts to mere pleasure or engagement in activities that undermine virtue. Since virtue is constitutive of *eudaimonia*, Aristotle's account of them gives us a more elaborate notion of well-being, one which doesn't use consumption of commodities as its only measure of success. An unlimited desire for acquisition and/or consumption seems to be incompatible with being satisfied with things as they are and therefore also with true peace of mind.

The main reason economics' reliance on people's desire for "the greatest quantity either of money or of other goods"³¹⁴ as a source of motivation for engaging in production and exchange (whether as consumers, investors, employees or entrepreneurs) becomes problematic, is that the market will dominate human activities and relationships more and more as long as firms are seeking to expand and increase their profits. In addition, marketers are able, by appealing to feelings for example, to increase consumption of something that is being supplied in sufficient quantities already. In this way they can enrich their firms, which gives them additional resources to influence people even more. No government intervention or other coercive methods are necessary to solve this problem as long as people become more virtuous. If there is something that the authorities certainly should do from the Aristotelian perspective, it is to make this possible and protect consumers (all of us) from being continuously bombarded by the firms' sophisticated marketing strategies.

Finally I want to repeat that from the viewpoint of Aristotelian virtue ethics agency is not self-serving merely because it is "self-interested",³¹⁵ (since it could be intemperate or ungenerous) but we expect the actions of virtuous people to be both at the same time. In addition, the fact that economic agents aren't assumed to want to act temperately and generously for its own sake, seems to contradict the claim that they are good judges of their own best interest and thus have the sufficient information to choose rationally. Always in light of Aristotle's account of the virtues.

³¹⁴ Smith, *An Inquiry*, 455.

³¹⁵ This is the case both for vicious and akratic people. They don't act in accordance with virtue and thus not in their best interest.

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