

I. Introduction

If one told a philosopher that Aristotle was anti-business and anti-profit the philosopher would most likely nod his head in agreement. The evidence is obvious, isn't it? Aristotle scorned the practice of retail trade in ancient Greece. He opposed charging interest. Case closed!¹

I wish to re-open the case. Aristotle did reach these conclusions. However, to assume that Aristotle would support these views 2000 years later, as many philosophers seem to assume, requires a massive leap of faith. An even stronger argument can be made to demonstrate that Aristotle would be pro-business and pro-profit. It is my intention to systematize views expressed in Aristotle's *Nicomachean Ethics* and *Politics* which could be interpreted in support of business and profits.

Why undergo this process? Aristotle's conclusions toward business and profits has been retranslated over two millenniums to mean that entering business in order to make a profit is equivalent to selling one's soul to the devil. A better understanding of Aristotle's view requires a better understanding of the environment in which he was writing. Once this is done, one can begin to reanalyze Aristotle's thought.

II. Aristotle in his context

Ancient Athens was basically an agrarian and military

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society. The rulers of society were not concerned with the creation of wealth. Civic leaders were more interested in that year's food crop and defending the city-state from hostile neighbors. Fourth Century B.C. Athens had a population of approximately 200 000, of which 40% were Athenians, 10% resident aliens and 50% slaves. The slaves were considered to be an indispensable cultural element, performing the manual labor duties that were beneath the dignity of an Athenian citizen, mainly farming, mining and working as domestic servants. One became a slave through heredity (your parents were slaves) or by losing in battle to the Athenian army (that's how your parents became slaves).

Although Athens was a commercial center, most Athenians sought work in the military. Athenian society continually suffered from inflation, unemployment and food shortages. Being in the military enabled one to avoid all that. The society was extremely patriarchal in nature. Women were married while teenagers and did not live a public life, as their household duties dominated their time. Within this culture, Aristotle went about his business philosophizing, hoping to inspire a greater Athens.

According to Aristotle, legitimate trade consisted of providing needs essential for the "good life." Barter was an acceptable means of trade, but profit-making seemed absurd. Aristotle held that those who sought a profit were despicable characters lacking in proper virtues. After all, one who made a profit had only two options, to hoard the money or to spend it on excessive wants and desires. Thus, to Aristotle, this line of work seemed to be unvirtuous and even despicable. Modern philosophers assume that Aristotle would maintain this stance against the policies and inhabitants of corporate America.

Before accepting this conclusion, let's analyze a

different conclusion Aristotle reached two thousand years ago. Looking back with hindsight, one of Aristotle's most offensive conclusions is his concept of natural slavery. If Aristotle were alive and well today, teaching at a university somewhere in America, is it appropriate to conclude that he would be providing arguments to defend the institution of slavery? Since we can assume that Aristotle would have great difficulty convincing many Americans that slavery should be a viable domestic policy option, would Aristotle pack his bags and move to, say, South Africa where he might have a more receptive audience? Not necessarily.

To make proper use of Aristotle's writings, a different approach is necessary. Toss aside Aristotle's conclusions and analyze his reasoning. Is there any advice that Aristotle gives to the master in reference to the treatment and care of the slave which might be beneficial for managers to know in reference to the treatment and care of employees? Certainly there is. Yet first, it is necessary to explore and construct Aristotelian arguments in reference to the formation of a business corporation and the making of a profit.

III. Aristotelian argument for business

There are three major premises which Aristotle uses in order to construct his theory for the existence of a state.² All three appear in *Politics*, Book I, Chapter 2. They are: (1) the state is a natural entity,³ (2) man is by nature a political animal⁴ and (3) the state is prior in nature to the individual.⁵ Philosophers have diligently demonstrated the fallacies which evolve from these premises.⁶ Aristotle would have been on more solid ground if he opted for arguing that the state exists by convention. Unfortunately, Aristotle appears intent on demonstrating that his telos is grounded in nature. With this in mind, one may either toss these theories aside and use them as an example of what happens when a philosopher invests personal prejudices in constructing a theory of nature, or one may utilize these three concepts from the perspective of convention. I shall do the latter and then construct an Aristotelian argument defending the existence and legitimacy of modern corporations.

The reconstruction of Aristotle's first premise,

that the state is a natural entity, would be that the corporation is a conventional entity. It is Aristotle's contention that people cannot obtain self-sufficiency in isolation from the remainder of society. He starts off by pointing out that "those (who) are incapable of existing without each other must be united in pair."⁷ Men and women live together and create families. These families have been "established by nature for the supply of men's everyday wants."⁸ Yet, there exist many wants which cannot be achieved merely by establishing a family. Thus families create villages which are formed into communities which compose the state. Aristotle claims that each level of this evolutionary scale is more self-sufficient than the previous level.

Using the above as a model, it is very possible to perceive Aristotle arguing that the modern corporation is a conventional entity which meets certain needs. A simple example revolves around the fictitious plight of an individual who just finished writing "The Great American Novel." As an individual entrepreneur, the author would be required to edit the manuscript three or four times, take care of the typesetting and layout which is necessary to put the manuscript into book form, bind all the pages together and then design a fancy cover for marketing purposes. Next, the entrepreneur would have to convince bookstores to allow shelf space for the book or go door to door in hopes of making sales. If the entrepreneur is typical of the many poor souls who have considered this undertaking, adequate income from the sales of the book is essential. The individual would also have to possess accounting knowledge for bookkeeping purposes and probably have some legal training in case of any copyright infringement laws.

If one does not wish to take on all these headaches, particularly if the author-turned-entrepreneur wants to write a sequel to the potential bestseller, then the individual is best off creating a partnership with a Literary Agent. The Literary Agent's main task is to negotiate a contract between the author and a large business corporation, say Harper and Row, which would handle the publishing, marketing, accounting and legal aspects of this process.

Aristotle's second premise is that "man is by nature a political animal." Aristotle argues that "any one who by nature and not simply by ill-luck has no state is either too bad or too good, either subhuman

or superhuman."⁹ Aristotle goes on to say that "nature . . . has endowed man alone among the animals with the power of speech."¹⁰ He claims that speech "serves to indicate what is useful and what is harmful, and so also what is just and what is unjust. For the real difference between man and other animals is that humans alone have perception of good and evil, just and unjust, etc. It is the sharing of a common view in these matters that makes a household and a state."¹¹

Continuing with our analogy, one may argue that people by convention are political animals. Now that the former lone entrepreneur has been engulfed by a major publishing company, political and social relationships are very important. Within the organization some individuals fulfill the function of accountants, some are managers, some are executives, some are salespeople and others are laborers. Each employee has implicitly decided that he or she has neither the desire nor capacity to be a "superhuman" lone entrepreneur and instead would rather pool his or her talents together within a corporate environment. Thus each individual can specialize in one unique skill and still become economically self-sufficient by working with others. These working relationships involve distinct aspects of communication, be it about goals, wages or working schedules. There exists a sharing of a common view about the organization's functioning, and this view is often spelled out in individual contracts and job descriptions.

Aristotle's final premise in his attempt to legitimize the existence of a state is that "the state has priority over the household and over any individual among us."¹² He defends this view with a biological analogy. "Separate hand or foot from the whole body," Aristotle argues, "and they will no longer be hand or foot except in name."¹³ Karl Popper argues against defining the state in a teleological manner.¹⁴ However, if the premise is interpreted to mean that a corporation's goal, by convention, is often given preference over individual desires, we can once again shed some insight on an Aristotelian argument which defends the existence of modern corporations.

Relying upon the trials and tribulations of the Great American novelist to demonstrate this point, it is very possible to see how a corporation's desire supersedes that of the budding author. Let's say that

the Literary Agent notifies the novelist that Harper and Row will publish the manuscript if, and only if, chapter three is rewritten and the conclusion is reformulated. A deadline is set for thirty days. Though the author may very well be into the character development of the sequel, there is a good chance that the individual will set this work aside in order to meet the publisher's sudden deadline. From another perspective, Harper and Row has already signed a contract with the Book of the Month Club to offer "The Great American Novel" as an alternative selection just six months from now. Several editors and production personnel will be asked to sacrifice their leisure time, at time-and-a-half of course, in order to meet this deadline. Vacations are postponed and family reunions cancelled. Thus, by convention, the desires of a corporation are often prior to the desires of individual employees.

A final point needs to be made about an Aristotelian perspective on business which may be more sympathetic to business activities than we have been persuaded to believe. Aristotle notes that "though it is worthwhile to attain the end merely for one man, it is finer and more godlike to attain it for a nation or for city-states."¹⁵ In this sense Aristotle heaps praise on any attempt to help organize people in order to guide them toward their desired end. Viewing major corporations as communities of people working together for a common goal, Aristotle would place it as a mediating structure which guides the community to its teleological goal. "Now all forms of community are like parts of the political community," Aristotle points out, "for men journey together with a view to some particular advantage, and to provide something that they need for the purposes of life; and it is for the sake of advantage that the political community too seems both to have come together originally and to endure, for this is what legislators aim at, and they call just that which is to the common advantage."¹⁶

Aristotle appears to favor the formation of organizations which fulfill the needs of individuals and provide stability to society. For a corporation to survive over the long run, its goals and objectives should be in harmony with that of the state and its citizens. To exist otherwise would create a contradiction which would eventually cause the corporation's demise. Thus, the function of business is the attainment of the good life for all of society.

IV. Aristotelian argument for profits

Several scholars have utilized Aristotle's writings to argue against corporations maximizing profits.¹⁷ My argument sheds light upon the opposite conclusion. According to Aristotle's logic, the state permits the creation of business organizations and assigns to them a particular function. Modern day businesses, even under the free enterprise system, are indeed restricted in their behavior by the will of the state and of the people. Thus, Aristotle would not condemn a business for making a profit if this is one of the purposes given to it by the state and society.

Aristotle's argument rests on the notion that all professions, even business, have an appropriate end. "The end of the medical art is health, that of shipbuilding a vessel, that of strategy victory, that of economics wealth," Aristotle notes.¹⁸ All these arts are subordinate to what Aristotle recognizes as the "master art" which is Political Science. Each sector of society is subordinate to the political currents at any particular time. By placing the other arts, including the art of making money, under the guise of Political Science, Aristotle wants to ensure that mediating structures do not conflict with the goals of the individual and state. Thus it is permissible for business to seek profit as it is merely fulfilling its proper function, just as the medical profession seeks cures for illness.

Interestingly, Aristotle insists that once an end is known, one's concentration should focus mostly on the means of accomplishing the end. "We deliberate not about ends but about means," Aristotle argues,

for a doctor does not deliberate whether he shall heal, nor an orator whether he shall persuade, nor a statesman whether he shall produce law and order, nor does anyone else deliberate about his end. They assume the end and consider how and by what means it is to be attained; and if it seems to be produced by several means they consider by which it is most easily and best produced.¹⁹

Thus a businessman's deliberation would not be over whether or not he should make a profit, as that is the sanctified end of business. Instead, Aristotle seems to argue that a businessman's main concern should be how best one could make a profit, taking into consideration the goals of individuals and the direction of the state. Aristotle concludes that "the

end cannot be a subject of deliberation, but only the means."²⁰

Aristotle does criticize retail trade and the lending of money at interest, and he does argue that the acquisition of wealth should have its limits. However, taken in its proper context, Aristotle is talking about the wealth of a few individual households in an agrarian society. Aristotle is concerned about the households which seem to be hoarding wealth and he questions what use they could possibly have for an unlimited amount of wealth. According to Aristotle the acquisition of wealth is a subsidiary of household management and it should not be its main objective.²¹ He is right in asking this of an Athenian family 2000 years ago.

However, if you asked an American corporation what it would do with an unlimited amount of wealth, the answer could be endless: increase stockholder dividends, a new budget for research and development, open new offices, hire more workers, upgrade the equipment, expand the plant, invest in other companies with a bright future, etc. While philosophers seem hesitant about trying to predict how Aristotle would advise major corporations 2000 years after his death, some seem more than willing to project that Aristotle's criticism of what he viewed to be deviant Athenians should be levelled at major corporations. As further demonstration to how inapplicable this accepted view is, Aristotle notes that "it will often happen that a man with wealth in the form of coined money will not have enough to eat, and what a ridiculous kind of wealth is that which even in abundance will not save you from dying with hunger."²² Times have changed.

Aristotle's opposition to wealth involves his concern over the effect it has on those who don't perceive any virtuous purpose behind accumulating wealth. Simply accumulating wealth serves no noble deed as "no man is just or restrained as a result of, or because of, fortune."²³ Aristotle points out that some wealthy people "are intent upon living only, and not living well,"²⁴ and insists that their behavior is deviant. He notes that some "men seek after a better notion of riches and of the art of getting wealth than the mere acquisition of coin, and they are right."²⁵

Aristotle does not condemn wealth *carte blanche*. In fact, Aristotle believes that wealth is necessary in order to practice the virtue of generosity.²⁶ Aristotle argues that "the life which is best for men, both

separately, as individuals, and in the mass, as states, is the life which has virtue sufficiently supported by material resources to facilitate participation in the actions that virtue calls for."²⁷ His warning to business is that one should be careful that the corporation's overall policy does not conflict with the development of individual virtues because "it is not by means of external goods that men acquire and keep the virtues, but the other way around."²⁸

This unique distinction has recently been espoused by managerial theorist Peter Drucker. In his most current work Drucker is interested in finding business solutions to society's ills. Drucker argues that business can do well (making a profit) by doing good (serving others). He concludes that "the proper social responsibility of business is to tame the dragon: to turn a social problem into economic opportunity and economic benefit into productive capacity, into human competence, into well-paid jobs, and into wealth."²⁹ This is similar to Aristotle's point that "it is impossible for those who do not do good actions to do well, and there is no such thing as a man's or a state's good action without virtue and practical wisdom."³⁰

Why all the hassle with trying to mesh the function of business (making a profit) with the goal of society (a virtuous life)? From Aristotle's point of view, the main issue is stability. For stability to arise Aristotle insists that "we must first decide what is the most desirable life; for if we do not know that, the best constitution is also bound to elude us."³¹ Aristotle is concerned with establishing a constitution which would survive the passing of time. According to Aristotle, an "established constitution can hardly be long maintained if it is contrary to justice."³² For a corporation to continue, everyone must be able to prosper and "live blessedly;"³³ this would include the CEO, Managers, Workers and society at large. Aristotle argues that "if a constitution is to have a good prospect of stability, it must be such that all sections of the state accept it and want it to go in the same way as before."³⁴ Thus the constitution should accomplish justice "and that means what is (good) for the benefit of the whole community."³⁵ Here Aristotle is arguing that it would be for the corporation's own benefit to view itself as a community unto itself whereby its "purpose is not merely to provide a living but to make a life that is good."³⁶

V. Conclusion

My intention in writing this article was to revive Aristotle from the dung-heap of ancient Greek philosophers and make his writings relevant to modern business theory. There are no valid reasons for philosophers to simply assume that Aristotle would be anti-business and anti-profit today based on conclusions he reached 2000 years ago. I have demonstrated that it would be improper to use Aristotle's thought as a blanket disapproval of business and profits. His views are more open-ended. What business activity are people participating in? Does it contradict the end goal of society? What expenses are involved in the making of profit? These questions would be the focus of Aristotle's analysis.

Aristotle's writings have influenced society for two millenniums. The *Nicomachean Ethics* and *Politics* are particularly rich with insights which could be valuable contributions to modern business debates. Hopefully, this article will re-open discussion on the relevancy of Aristotle's thought to corporate America.

Notes

¹ One barometer in determining whether Aristotle is alive and well in business theory is to survey the Business Periodical Index for articles which pertain to Aristotle's thought. Over the past twenty years, not one such article has been indexed.

² See David Keyt's unpublished article, 'Three Fundamental Theorems in Aristotle's *Politics*.'

³ *Politics*, 1252a30.

⁴ *Ibid.*, 1253a2-3.

⁵ *Ibid.*, 1253a18-19.

⁶ See G. Boas, 'A Basic Conflict in Aristotle's Philosophy', *American Journal of Philosophy* 64, 1943; E. Barker, *The Politics of Aristotle*; and W. L. Newman, *The Politics of Aristotle*.

⁷ *Politics*, 1252a26.

⁸ *Ibid.*, 1252b12.

⁹ *Ibid.*, 1253a3.

¹⁰ *Ibid.*, 1253a10.

¹¹ *Ibid.*, 1253a13-18.

¹² *Ibid.*, 1253a18.

¹³ *Ibid.*, 1253a20.

¹⁴ See K. Popper, *The Open Society and Its Enemies*. He concludes that "History has no meaning."

¹⁵ *Nicomachean Ethics*, 1094b8.

- ¹⁶ *Ibid.*, 1160a8—13.
- ¹⁷ Though Aristotle is rarely discussed in management journals, his name is invoked in economic journals. See T. Lewis, 'Acquisition and Anxiety: Aristotle's Case Against the Market', in *Canadian Journal of Economics*, 1978.
- ¹⁸ *Nicomachean Ethics*, 1094a7—14.
- ¹⁹ *Ibid.*, 1112b8—17.
- ²⁰ *Ibid.*, 1113a1.
- ²¹ *Politics*, 1256a2.
- ²² *Ibid.*, 1257b12—15.
- ²³ *Ibid.*, 1323b25.
- ²⁴ *Ibid.*, 1258a1.
- ²⁵ *Ibid.*, 1257b17.
- ²⁶ *Ibid.*, See all of Book II, Chapter 5.
- ²⁷ *Ibid.*, 1323b40.
- ²⁸ *Ibid.*, 1323a40.
- ²⁹ See P. Drucker, 'Doing Good Makes Cents', in H. Books, etc., *Public-Private Partnership: New Opportunities for Meeting Social Needs*.
- ³⁰ *Politics*, 1323b30.
- ³¹ *Ibid.*, 1323a14.
- ³² *Ibid.*, 1332b25.
- ³³ *Ibid.*, 1324a23.
- ³⁴ *Ibid.*, 1270b20.
- ³⁵ *Ibid.*, 1282b15.
- ³⁶ *Ibid.*, 1280a30.

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