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Quaderni di Storia dell'Economia Politica, VHI/1990/1  
**THE PLATONIC ETHICO-ECONOMIC STRUCTURE OF SOCIETY\***  
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*Economical ideas appear in relation to philosophical only when philosophy extends not only to outward nature, but to man, and not only to man, but to society.*

(J. Bonar, 1893, p. 11)

### **Introduction**

Plato was mainly interested in demonstrating, among other things, the existing interrelationship between the ethical, social, and economic structure of society. He held that without an appropriate economic background neither the ethical nor the social structure of society would be "right". Thus, his approach to some economic subjects which directly and/or indirectly influence the ethical maturity and stability of society is justified.

Many historians of economic thought have appraised Plato's economic ideas as secondary elements of his whole work, produced by his philosophical and ethical analysis (see for example Bonar, 1893, pp. 19-20; Gray, 1931, p. 5). However, we think that his economic ideas which are esteemed by many scholars (see Trever, 1916, p. 22; Huby, 1972, p. 8; Spengler, 1980, p. 72) are not only a by-product but also an essential ingredient of his overall philosophical system. More specifically, as will become obvious in the coming pages, Plato stressed economic justice and a particular economic structure as considerable

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prerequisites for the establishment of an ideal society. Thus, the analysis of this paper is mainly addressed not only to his economic ideas but also to the significance of these ideas to his normative framework of the first-best and/or second-best society. Furthermore, I think we need - in contrast to other views - "to consider the numerous economic topics that Plato touched upon", because he did not engage with them "incidentally" as Schumpeter (1954, p. 56) comments, but with a very important purpose which was somewhat concealed by his philosophical analysis. The purpose was the establishment of economic norms or rules which could enable Athens and his fellow-citizens to gain their prior ethical, political, philosophical and strategic leadership in the Hellenic world.

In the first section of the paper the methodology employed by Plato is shown. In the second section his view and ideas on the scope of economics, the classification of arts and the economic behavior of individuals are analyzed. Next, his historical-economic approach on the evolution of society is illustrated. In the fourth section his normative analysis of the proper limit and the content of wealth is discussed. And in the last section his first and second-best ideal states are analyzed from the economic point of view.

### **I. "Knowledge combines both: to make something and to use it"**

Plato, as the voice of Socrates or Socrates as the pen of Plato<sup>1</sup> in many dialogues

analyzed the subject persuasively, and many times, by using naive empirical examples, tried to reach and justify a conclusion, or to bring the other speakers into a disadvantageous situation in order to elicit the truth. His main purpose was to gain "such a knowledge as combines both how to make something and how to use what is made" (Euthydemus, 289 B).

Plato's methodological procedure starts from accepted definitions which are related to reality or to the norms of living (see Meno, 87 A-B), and then proceeds by syllogism to conclusions which can be compared with similar empirical situations or with some probability of

<sup>1</sup> Following Lowry's approach, "we will.... generally treat positions enunciated by Socrates as Plato's own" (Lowry, 1987b, p. 275).

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existing situations (Parmenides, 135 C - 136 C; Timaeus, 29 B-D). Of course, the metaphysical and moral premises which Plato took for granted, could not easily be taken for granted today. However, by recognizing and employing - in a different way than we do - the methods of induction and deduction<sup>2</sup> Plato used a kind of causation analysis (Phaedo, 101 D-E), because, as he says: "Now everything that becomes or is created must of necessity be created by some cause, for without a cause nothing can be created" (Timaeus, 28 A). On the other hand, during his analysis he often used empirical examples to prove the correctness of his thought. By this method Plato conceived that we can ascertain common features among phenomena different in nature (Statesman, 278 C). On this ground, he accepted that the "microcosm" and "macrocosm" are based upon the same principles (Kanellopoulos, 1985, p. 173).

Moreover, he tried to analyze ethical and socio-economical existing and/or desirable states, because "there is no knowledge which knows that which is in no state" (Cratylus, 440 A), and "we cannot even say that there is any knowledge, if all things are changing and nothing remains fixed, .... if the very essence of knowledge changes, at the moment of the change to another essence of knowledge there would be no knowledge" (Cratylus, 440 B).

By employing the above methodological techniques and procedures, Plato attempted to prescribe a "right", moral and stable political and economic life for his fellow-citizens, the main ingredients of which are analyzed in the coming pages

<sup>2</sup> Plato mentions that we have two kinds of procedure: "The first is that in which we bring a dispersed plurality under a single form, seeing it all together - the purpose being to define so - and - so, and thus to make plain whatever may be chosen as the topic for exposition ..... the second procedure .... [is] [t]he reverse of the other, whereby we are enabled to divide into forms, following the objective articulation; we are not to attempt to hack off parts like a clumsy butcher, but to take example from pur two recent speeches" (Phaedrus, 265 D-E; brackets added). Also he viewed induction as a source of knowledge: "Now whose vision and view of his object can be more intimate than his who has learned to look from the dissimilar many to the one form?" (Laws, 965 C). For Aristotle's conception of induction and syllogism, see *Analytica Posteriora* (71a, 1-10); *Nicomachean Ethics* (1139b, 27-31).

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## II. Oikonomia - economic motives

### II. 1 *"The knowledge which has to do with support"*

Plato considers economy to be the art of household management, or that "part of knowledge .... [which] .... has to do with ... support" (Philebus, 55 D; brackets added)<sup>3</sup>. This art is a teachable one for Plato (Laws, 809 C), as are the "royal science, [and] political science" (Statesman, 259 C; brackets added; see also Singer, 1958, p. 30). The art of economy however, has nothing to do with the gathering and accumulation of material things or wealth, that is, with the art of "chrematistic" as Aristotle later on called it (Politics, 1256a, 10-15; 1257a, 1-5; 1257b, 25-30), but rather with the proper and knowledgeable use of the material things, viz<sup>4</sup>:

"Nor, it seems, do we get any advantage from all other knowledge, whether of money - making or medicine or any other that knows how to make things, without knowing how to use the thing made" (Euthydemus, 289 A).

In the case where ignorance of the proper use of a thing prevails, then its value is wrongly estimated by the individuals. That is why Plato insisted that "men do wrong only through ignorance" (Lowry, 1981, p. 813).

Of course, Plato had admitted that the art of economy or money-making "rids us of poverty" (Gorgias, 477 E; 478 B). However, this happens only if our actions are directed to the accumulation and consumption of a moderate sum of goods. Otherwise, if the greater part of our actions are mainly directed toward economic goals we shall be businessmen and we shall "judge wealth to be the greatest blessing

<sup>3</sup> Some economists and philosophers of the 18th and 19th centuries, as for example, Steuart (1767, vol. 1, p. 15), Rousseau (1758, p. 117) and Ruskin (1862, p. 181) were influenced by the ancient Greeks and particularly by Plato and Aristotle in respect to the meaning and definition of economy. For Aristotle's concept of economy as the art of household management see his Politics (1253b, 20-25).

<sup>4</sup> As Campbell (1985, p. 190) says: "Socrates treats the question whether the transmission of knowledge and wisdom is a private good or a public good. The sophists not only treat knowledge as a commodity like any other to be bought and sold in the marketplace, but they also treat the service as a purely private good".

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for man" (Gorgias, 452 B-C), something which takes us far from the real and significant purpose of life.

Virtue and a moderate material life are emphasized by Plato as the fundamental purposes of human life and as an indicative measure of wisdom (Philebus, 64 E). In regard to the former, Plato considers it to be not teachable as the sophists maintain (Euthydemus, 274 E; Protagoras, 320 B); neither can it be acquired by nature (Meno, 99 E). In regard to the latter, Plato, recognizing that men are inclined toward lives extraordinarily material and luxurious, which is a cause of injustice in the city-state, tried to convince his fellow-citizens to choose a moderate material life. Because, firstly, "it is the evil life commonly led by the sons of autocrats and men of extraordinary wealth" (Laws, 695 E). Secondly, war is mostly a consequence of the individual's desire for wealth, or of "the affluent society" (Phaedo, 66 C -D)<sup>5</sup>. Thirdly, the accumulation of wealth causes the emergence of injustice, and "to inflict wrong is worse than to suffer it through an excess of evil" (Gorgias, 475 C), while "it is not by convention only, but also by nature that it is more shameful to do than to suffer wrong and true justice to share equally" (Gorgias, 489 A-B). Therefore, "the right road in life is neither pursuit of pleasure nor yet unqualified avoidance of pain, but that contentment with the intermediate condition to which I have just given the name of graciousness" (Laws, 792 C - D). For Plato, individuals must lead a moderate material

life (pseudo-Platonic Axiochos, 365 B), because only in this way can a harmonious state of body and soul be achieved (Philebus, 31 D, 64 E).

## II. 2 "Productive and acquisitive arts"

According to Plato the art of economy is based on the utilization of natural resources by human labour. He clearly classified the sectors of production and exchange in accordance with the way by which men gain the necessary goods for their subsistence. Although this classification and distinction between the sectors of production and exchange is reasoned under ethical thoughts, it is very interesting from the economic point of view. At first, Plato distinguished between the

<sup>5</sup>According to Plato, a real philosopher must not attach importance to material things and other bodily ornaments (Phaedo, 64 D).

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arts according to their origin: divine or human. The human arts "have for their object the opinions and desires of men or are wholly concerned with generation and composition or with the service and tendance of the things that grow and are put together" (Republic, 533 B). They are also directed toward the production of actual things and of images (Sophist, 265 B - 266 D). Then, he divided the arts of producing real things into productive and acquisitive. The former is also divided into the production of consumption goods and of capital goods. Similarly, the latter is divided into hunting, exchange, etc. We can present by the following figure these distinctions as drawn up by Plato (Statesman, 281 C-E; 287 B; Sophist, 219 B-D; 223 C-D; see also Bonar, 1893, p. 19; Trever, 1916, pp. 28-9).

### Arts

1. productive
  - a. contributory
  - b. directive
    - i. productive
2. acquisitive
  - a. hunting'-exchange
    - i. giving-selling
    - ii. direct-indirect
      - retail-merchant

Though Plato used a theocratical approach to the development of arts as they had been offered by the Gods and Prometheus to human beings (Protagoras, 321 C-D; Menexenus, 238 B; Statesman, 274 C-D), he emphasized that the productive arts are developed by human knowledge (Theaetetus, 146 D) and supplemented "by the study of nature" (Phaedrus, 269 E). He then divided the productive arts as Diogenes Laertius mentions (LXV, p. 148) into three kinds: first are the preparatory arts, second the alterative arts, and third the arts by which the products are used. Plato also stressed the importance of the organization of production, where different parts are connected and which result in the production of a commodity (Gorgias, 503 E - 504 A; Statesman, 282 B-D). In developing this idea he had in mind rather the

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construction of the Parthenon and the ideal functioning of the city-state, where many citizens (though engaged in different occupations) by collaborating in their endeavors

are enable to produce the desired results.

As for the main sectors of economy, they are not analyzed formally and adequately by Plato. The reason is that he was describing an economic system based upon small-scale enterprises where the owner was at the same time the labourer (usually helped by some slaves) in the enterprise (see Field, 1949, p. 82; Andrewes, 1967, pp. 168-9, 183, 185-6). However, he considered agriculture to be of first importance for the subsistence of individuals (Euthydemus, 292 A; Euthyphro, 14 A; see also Bonar, 1893, p. 25) and one of those arts which "really produce anything of genuine worth, ... [and] which lend their aid to nature" (Laws, 889 D; brackets added)<sup>6</sup>. Moreover, he recognized that its rate of production is rather uncertain and faces many unexpected risks (Axiochos, 368 C). Thus, by trying to eliminate those risks, he proposed that when the damages in agriculture came from the conscious or unconscious fault of neighbors "they shall pay for the damage done" (Laws, 843 E; see also 844 C; 845 E). In regard to the other sector of the economy, namely that of small manufacture (or rather handicraft), Plato considers it to be a process of transformation accomplished with the aid of nature and human labour. As he mentions: "Their products [i.e. carpentry and manufacture in general] do not exist before the arts come into operation and their operation is an integral part of the emergence of the product from its unworked state" (Statesman, 258 D-E; brackets added).

By distinguishing between the direct and indirect exchange (Statesman, 260 D), Plato gave some hints on the favorable and unfavorable consequences of internal and foreign trade<sup>7</sup>. In general, he considers trade to be an operation by which money is exchanged for goods and those goods for money, namely, "retailers take over what

<sup>6</sup>However, Smith's comment on the ancient Greek philosophers holds also for Plato, viz: "The policy of the ancient republics of Greece .... though it honoured agriculture more than manufactures or foreign trade, yet seems rather to have discouraged the latter employments, than to have given any direct or intentional encouragement to the former" (Smith, 1776, p. 284).

<sup>7</sup>For Aristotle (Politics, 1257a, 9) the existence of a different kind and rate of surplus products among the citizens and the states is the main cause for trade.

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someone else has made and then sell a second time what was first sold to them" (Statesman, 260 D; see also 289 E)<sup>8</sup>.

In the case of an open economy he did recognize - though he was rather hostile to this possibility - that the volume of production and employment is increased because of foreign demand (Republic, 371 A). And, as Lowry (1987b, p. 105) comments, Plato in this statement "restates the idea of subjective mutuality in foreign trade". He is turning against foreign trade and in favour of the self-sufficiency of the state, because he believes that the importation of gold, silver, foreign institutions and customs could corrupt the citizenry (Laws, 705 A-B). He recognized however the inadequacy of resources and the impossibility of a self-sufficient state: "But .... it is practically impossible to establish the city in a region where it will not need imports" (Republic, 370 E). Thus, he maintained that in the case of foreign trade the state must try to regulate the imported and exported goods for its benefit. More particularly, "there shall be no importation of frankincense or other such foreign perfumes ..... Further there shall be no exportation of any commodities which it is indispensable to retain at home" (Laws, 847 C). And there must be no tariffs at all, that is, "No dues shall be

paid in our city either on exports or on imports" (Laws, 847 B).

On the other hand, when retail trade functions as a time saving operation it proves beneficial to the economy - an argument stressed in the 18th century, mainly by Turgot (1766, p. 156) and Steuart (1767, vol. 1, pp. 230-1). Plato notes:

"If, then, the fanner or any other craftsman taking his products to the market place does not arrive at the same time with those who desire to exchange with him, is he to sit idle in the market place and lose time from his own work? By no means, he said, but there are men who see this need and appoint themselves for this service .... They must wait there in the agora and exchange money for goods with those who wish to sell, and goods for money with as many as desire to buy. This need, then, I said, creates the class of shopkeepers in our city. Or is not shopkeepers the name we give to those who, planted in the agora, serve us in buying and selling, while we call those who roam from city merchants? Certainly" (Republic, 371 C-D).

<sup>8</sup> Ruskin (1862, p. 213) was influenced concerning the usefulness and operation of trade by the ancient Greeks and specifically by Plato.

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However, Plato is against the behavior of retailers whose exclusive goal is to profit by any means, fair or unfair (Laws, 847 D; Protagoras, 313 D, 314 A), and declares that this operation is prohibited to citizens and only "a resident alien or a foreigner" (Laws, 920 A) must engage in it.

Plato considers that the sole scope of production is the fulfilment of our material needs (Statesman, 279 D). However, for the most part he emphasizes the proper use of materials rather than the adequacy of production (Euthydemus, 288 E - 289 A; Greater Hippias, 293 E; 295 C).

### II. 3 "*Pleasure: incitement to evil; Pain: deters from good*"

The behavior of individuals as determined by the two opposite feelings of pleasure and pain, was well recognized by the Greek philosophers, and Plato specifies that "first of all, pleasure [is] the greatest incitement to evil; then, pain, which deters from good" (Timaeus, 69 D; brackets added; see also Cratylus, 403 C; 419 B). They (mainly the Sophists) emphasized that the behavior of individuals is influenced by the relativity of those feelings. More specifically, Protagoras insisted that man "pursue pleasure as being good, and shun pain as evil" (Protagoras, 354 C). Also he showed that there are different degrees of pleasure and pain which influence the behavior of the individual by shaping his preference (Protagoras, 356 A-C; see also Lowry, 1981, p. 816) - the same opinion is held also by the sophist Protarchus (Philebus 37 C; 41 D-E; 44 E).

Accepting these causes as the determinants of the behavior of individuals, Plato maintains that "A neutral state, though not desired as an alternative to pleasure, is desired as a relief from pain. Less of pain with more of pleasure is desired; less of pleasure with more of pain is not desired" (Laws, 733 B)<sup>9</sup>. Moreover, he considers that human memory and knowledge are necessary requirements for the estimation of pleasure and pain (Philebus, 35)<sup>10</sup>. However, he insists that men

<sup>9</sup> Elsewhere, Plato considers the pleasure and pain inherent in every man to be "a pair of unwise and conflicting counselors" (Laws, 644 C).

<sup>10</sup> As Lowry (1981, p. 820) rightly comments, "Plato .... considered reason to be the process by which ignorant men can be taught to properly measure pleasures

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must not pursue by all their strength a life of pleasure because "their souls will be half enslaved, half free" (Laws, 635 D). Thus, pleasure is classified as being least good for men (Philebus, 19 D) - wealth is classified in the same order as we shall see later on.

Plato insisted on this behavior of individuals because it has a direct consequence in the function of the city-state. This is particularly true when the individuals through their behavior had "neglected the whole, on which they ought to spend their pains, for if this were out of order it was impossible for the part to be in order" (Charmides, 156 E)<sup>11</sup>.

In regard to consumption, Plato had moreover distinguished between necessary and luxury goods (see also Bonar, 1893, p. 13). The former are "desires that we cannot divert or suppress [and] may be properly called necessary, and likewise those whose satisfaction is beneficial to us" (Republic, 558 D-E; brackets added). These are the following: "The first and chief of our needs is the provision of food for existence and life .... The second is housing and the third is raiment and that sort of thing" (Republic, 369 D). On the other hand, the consumption of luxury goods is rather a waste of human energy: "All his appetites for pleasure that are wasters and not winners of wealth" (Republic, 558 D), and an evil to the city (Republic, 552 B). Thus he turns against the activity of "homo economicus" and the "affluent society". Besides, with the above stated reasons Plato justifies the moderate material life, and the behavior of individuals in accordance with the well functioning of the city-state which in its turn will guarantee a virtuous life for the citizens.

and pains in order to maximize their utilities in their own personal interest as virtuous citizens".

<sup>11</sup> Plato dismissed the Protagorean idea that "man is the measure of all things-alike of the being of things that are and of the not-being of things that are not" (Theaetetus, 152 A).

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### III. The evolution and organization of society III.1 *"God is not a shepherd now"*

Plato explicitly and/or implicitly developed a politico-economic stage theory for the evolution of society<sup>12</sup>. His stage theory is based upon the following two principles: 1) "since for everything that has come into being destruction is appointed" (Republic, 546 A), and 2) "constitutions spring from .... the character of the citizens" (Republic, 544 C). His attitude in regard to the evolution of societies reminds us of the Darwinian principle. As Plato put it:

"And you will surely grant that thousands and thousands of cities have come into being during this time [for a long time], and no less a number have ceased to exist? .... Sometimes a small city has grown larger, sometimes a large city smaller, a bad city has sometimes grown better, a good city sometimes worse" (Laws, 676 B-C; brackets added).

Moreover, by emphasizing the possibility of the transformation of the state through human actions - as we shall see - Plato tried to put forth some principles under which the state could remain functionally stable.

By using economic historicism (Popper, 1945, p. 38), the Greek philosopher come to the conclusion that the economic evolution of

<sup>12</sup> Huby (1972, p. 9) comments that Plato "sketches the rise of civilization from an

original primitive pastoral stage, and with it the development of politics and legislation". Foley also declares that Plato "provides an explicit model for Smith's four-stage theory" (Foley, 1974, p. 225; see also Foley, 1975, p. 387). On the other hand, Meek (1976, p. 8) maintains that Plato and Aristotle could not be considered as real anticipators of the four stages theory. He (ibid) cites instead the names of Lucretius and Dicaearchus as being somehow the anticipators of the theory.

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society started when God stopped being a shepherd of humanity<sup>13</sup> and that it passed through four stages (Laws, 683 A)<sup>14</sup>.

In *the first stage*, namely "according to the received tradition, in that age of bliss, all life needs was provided in abundance and unsought" (Laws, 713 C). This stage, which arises after a deluge and the total devastation of the city-states (Deukalion's Flood), had the following economic characteristics:

1) All men enjoyed a bare subsistence-level, gathering food from nature, and there were no economic causes for struggle between them<sup>15</sup>. In Plato's words:

"the state of mankind at the time of the calamity was this. There was frightful and widespread depopulation, but a vast territory of unoccupied land .... there were a few herds of cattle ..... and .... of goats, and these provided those who grazed them with a sustenance which would be scanty enough in the first instance" (Laws, 677 E - 678 A). And, "the few who then escaped the general destruction must all have been mountain shepherds" (Laws, 677 B). Moreover, "they were not stinted for flocks and herds, the principal support of life in that age" (Laws, 679 A). "Thus they were not extremely poor,.... and so were not set at variance by the stress of penury; rich they could never become in the absence of gold and silver which was then their case. Now, a society in which neither riches nor poverty is a member regularly produces sterling characters, as it has no place for violence and wrong, nor yet for rivalry and envy" (Laws, 679 B-C).

<sup>13</sup> Plato pictured "the lost paradise" in the following way: "When God was shepherd there were no political constitutions and no taking of wives and begetting of children. For all men rose up anew into life out of the earth, having no memory of the former things. Instead they had fruits without stint from trees and bushes; these needed no cultivation but sprang up of themselves out of the ground without man's toil. For the most part they disported themselves in the open needing neither clothing nor couch, for the seasons were blended evenly so as to work them no hurt, and the grass which sprang up out of the earth in abundance made a soft bed for them" (Statesman, 271 E - 272 A).

<sup>14</sup> Some other elements which are included in those stages and show a static historical approach or a "regressive historical analysis" (see Havelock, 1957, p. 49; Cole, 1967, pp. 97-8) are not analyzed here.

<sup>15</sup> Stuart (1767, vol. 1, pp. 35-6; 59) by describing the patriarchal family (Jacob's family) as the first stage stressed the absence of alienation and subordination between men. An idea also introduced by Smith who used words similar to Plato's to describe this stage, viz: "The first period of society, that of hunters, admits of no such inequality [i.e. of fortune]. Universal poverty establishes their universal equality; and the superiority, either of age or of personal qualities, are the feeble, but the sole foundations of authority and subordination" (Smith, 1776, p. 298).

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2) The arts (Laws, 677 D), the tools (Laws, 678 D), the production and use of metals were unknown. Because "all arts which require iron, copper, and similar materials had then been lost for this period, or even longer [i.e. many generations]" (Laws, 678 E; brackets added). However, "they were quite well off for clothes, bedding, shelter, or vessels, culinary and other. Iron .... is wholly superfluous for the arts of the potter and the weaver, and these two crafts have, by divine appointment, been empowered to supply all our wants" (Laws, 679 A-B).

3) Men were living in a patriarchal society consisting of small families (Laws, 680 B-D).

4) Men do not "possess an alphabet, but regulate their lives by custom and what is called traditional law" (Laws, 680 A).

Then, with the passage of time men change by their own powers their way of living and subsistence passing thus to the *second stage*. That is, "by the art which they possessed, men soon discovered articulate speech and names, and invented houses and clothes and shoes and bedding and got food from the earth. Thus provided for, they lived at first in scattered groups; there were no cities" (Protagoras, 322 B-C). In this stage agriculture and the foundation of cities started because of men's need for protection from wild animals (Protagoras, 322 B; Laws, 680E-681 A)<sup>16</sup>.

We are coming next to the *third stage*, that of the extension of agriculture and the foundation of cities. By the introduction and extension of agriculture the productive capacity of society was greatly increased, that is, "These are the trees and plants and seeds which have been improved by cultivation and are now domesticated among us; anciently there were only the wild kinds, which are older than the cultivated" (Timaeus, 77 A). In this stage also "the art of mining reappeared among them [i.e. men]" (Laws, 678 D; brackets added). By this agrarian stage - as the early exponents of the stage theory<sup>17</sup> Hume (Of Interest, ed. 1970, p. 49), Turgot (1750-1, pp. 69, 73), Steuart (1767, vol. 1, pp. 31, 56), and Smith (1763, pp. 15, 24, 37, 205), maintained - the establishment of property has taken place. However,

<sup>16</sup>Aristotle, on the other hand, under the principle that "man is a social animal" (Politics, 1273a, 7), maintains that first was created the family, next the village, and third and the highest the city or the state (Politics, 1252b).

<sup>17</sup> On this theory see Meek (1970).

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Plato said nothing about this assumption; nor did he analyze or justify the right of property or the time of its appearance.

As the population and the need for food increases (Laws, 678 B)<sup>18</sup>, the community of men turn into large cities which were erected near by rivers and open fields (as in the case of Ilium) (Laws, 682 B-C). Plato says that man first inhabited temperate climates: "The fact is that wherever the extremity of winter frost or of summer sun does not prevent, mankind exist, sometimes in greater, sometimes in lesser numbers" (Timaeus, 22 E). And in those climates, "the happy temperament of the season in that land [i.e. Athens] would produce the wisest of men" (Timaeus, 24 C; brackets added; see also Epinomis, 987-8). Here Plato seems to introduce a theory that the natural environment plays a significant role by influencing the temperament and the character of men (Kanellopoulos, 1985, pp. 34-5; 41) and the advancement of knowledge<sup>19</sup>.

*The fourth stage* takes place in the "modern" city<sup>20</sup> where the arts are known and advanced. These city-states introduced a different pattern of wealth distribution.

Those that adopted an equal distribution of land and wealth (like Sparta) had a longer existence than those based upon unequal land and wealth distribution (Laws, 684 D-E; 685 A). In this last stage the division of labour, the rate of population growth and the

<sup>18</sup> Steuart (1767, vol. 1. p. 34) and Smith (see Meek, 1976, pp. 117-8) also stressed that one of the most fundamental causes of the transition from one stage to another is the increase of population.

<sup>19</sup> In Laws (747 D) we read: "Some localities have a more marked tendency than others to produce better or worse men, and we are not to legislate in the face of the facts. Some, I conceive, owe their propitious or illomened character to variations in winds and sunshine, others to their waters, and yet others to the products of the soil, which not only provide the body with better or worse sustenance, but equally affect the mind for good or bad". And in the Republic (435 E - 436 A) Plato mentions: 'It would be absurd to suppose that the element of high spirit was not derived in states from the private citizens who are reputed to have this quality, as the population of the Thracian and Scythian lands and generally of northern regions, or the quality of love of knowledge, which would chiefly be attributed to the region where we dwell, or the love of money which we might say is not least likely to be found in Phoenicians and the population of Egypt'.

<sup>20</sup> Finley comments that "for ... Plato ... the polls arose because of the incapacity of the two prior forms of human association, the household and the larger kinship grouping, to satisfy all the legitimate needs of their members" (Finley, 1981, p. 4).

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propensity of luxury consumption increased<sup>21</sup>. Plato stressed that because of these economic changes, in this stage of society the possibility of war has been eminently increased.

Plato was influenced by "the scientific anthropologists [mainly by Hesiod, Democritus, Epicurus] [and] has borrowed many of their ideas" (Havelock, 1957, p. 48; brackets added), and particularly by those which show a "progressive historical approach" (Cole, 1967, p. 99). Thus, in parallel with this economic stage theory (see also Havelock, 1957, pp. 45-7), Plato described a political one. Plato's political stage theory is based, among other things, on some fundamental economic factors (Popper, 1945, p. 40) which not only characterize a particular political stage but also cause the transition from one stage to another (see also Havelock, 1957, pp. 94-96). These economic factors we will now analyze.

Plato said that the first society was governed under the system of *timocracy*. This system was ruined because the members of this society were primarily engaged with the accumulation of wealth<sup>22</sup>.

Then the "second polity and second type of man ... would be *oligarchy*" (Republic, 550 C; emphasis added). This transformation was caused mainly by economic reasons<sup>23</sup>. Particularly, when the individuals started to act following the motive of wealth and the insatiable consumption of luxury (Republic, 549 A-B; 562 B), then "such a city should of necessity be not one, but two, a city of the rich and a city of the poor, dwelling together, and always plotting against

<sup>21</sup> In this stage, as Plato comments occurs "the unlimited acquisition of wealth, disregarding the limit set by our necessary wants" (Republic, 373 D; see also 404 D).

<sup>22</sup> In regard to "Hesiod's and our races of gold, silver, bronze, and iron" Plato

mentions, that "this intermixture of the iron with the silver and the bronze with the gold will engender unlikeness and an unharmonious unevenness ..... When strife arose,... the two groups were pulling against each other, the iron and bronze toward money-making and the acquisition of land and houses and gold and silver .... this is the starting point of transformation .... in some sort intermediate between aristocracy and oligarchy" (Republic, 547 A-C).

<sup>23</sup>Plato in examining, "how timocracy passes over into this? [i.e. oligarchy]" comments that it happened because "[the] treasure house which each possesses filled with gold destroys that polity, for first they invent ways of expenditure for themselves ... And ... as time goes on, and they advance in the pursuit of wealth, the more they hold that in honor the less they honor virtue ..... So, when wealth is honored in a state, and the wealthy, virtue and the good are less honored" (Republic, 550 D - 551 A; brackets added).

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one another" (Republic, 551 D). In this city the wealthy elite were the rulers (Republic, 548 A) and "Property, at any rate, is the thing most esteemed by that state [i.e. oligarchy] and that kind of man" (Republic, 554 B; brackets added). Because of the extreme economic inequality between the citizens which was also enforced by the existence of usury and unfair economic transactions (Republic, 555 C - 556 A), the class struggle emerged in the city.

Because of this, and the ethical corruption of the rulers, this system of polity was ruined and its place taken by *democracy* (Republic, 557 A). However, democracy in its turn has been ruined because: 1) the third economic class, that of artisans and craftsmen, which was the largest group in the city enjoying a normal standard of living, did not participate in public matters, and 2) there was a "lust" for liberty (Republic, 562 B-C).

### III. 2 "*One man must perform one social service*"

As we have mentioned, Plato regards that the division of labour increased in the last stage of society's evolution. And as Foley rightly comments, "Plato's division of labor account does seem to be an extension of his four-stage theory of human historical evolution" (Foley, 1974, p. 226). As Plato's contribution to economics in regard to this principle is very significant<sup>24</sup>, we have to ask how this division emerges and what its economic consequences are for Plato?

At first, Plato considered the division of labour to be one cause for the establishment of the city-state and the voluntary cooperation between the citizens<sup>25</sup> - an argument advanced also by Stuart<sup>26</sup> who

<sup>24</sup> Blanqui (1880, p. 29) and Trever (1916, p. 35) consider Plato to be the forerunner of Adam Smith in regard to the principle of the division of labour. On the other hand, Foley (1974, pp. 221-2; 224) stressed and McNulty (1975, p. 378) accepted that Smith had been influenced by Plato and other Greeks in respect to this principle. On the differences between Plato's and Smith's theory of the division of labour, see Gray (1931, pp. 6-7).

<sup>25</sup> As Plato notices, "the origin of the city, then, said I, in my opinion, is to be found in the fact that we do not severally suffice for our own needs, but each of us lacks many things. Do you think any other principle establishes the state? No other, said he. As a result of this, then, one man calling in another for one service and another for

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had an adequate knowledge of ancient Greek writings (see for example, 1767, vol. 2, pp. 380-1). In the case where a city-state does not establish upon or does not adopt this principle such a city can not be a well-functioning one (Charmides, 161 E).

For Plato - as also for Democritus (Karayiannis, 1988, p. 384) - the division of labour originated from the different natural inclinations and skill of men, that is, "one man must perform one social service in the state for which his nature was best adapted" (Republic, 433 A; see also, 370 B; 374 E; 423 D; 453 B; Laws 846 D-E; Timaeus, 17 C; Cratylus, 388 D)<sup>27</sup>. Only through the operation of this principle a well organized (Republic, 397 E; 406 C; 423 D) and "just" society (Republic, 434 C; 443 C) could be established.

The immediate positive economic effects produced by the division of labour are, according to Plato, the following<sup>28</sup>:

as associates and helpers, and to this dwelling together we give the name city or state, do we not?

By all means.

And between one man and another there is an interchange of giving, if it so happens, and taking, because each supposes this to be better for himself (Republic, 369 B-C).

See also Philebus, (54 C) where Plato by the use of allegory presented the city as consisting of individuals doing each one of them a special work. In regard to Plato's statement in the Republic, Lowry (1987a, p. 16) comments: "In this brief statement of the economic genesis of a state, Plato includes the concepts of economic interdependence, subjective mutuality, the need for exchange, and even an indication of the advantages to be obtained from the division of labor".

<sup>26</sup> Steuart declares that "if we suppose any person entirely taken up in feeding himself, depending upon no one, and having nobody depending on him, we lose the idea of society, because there are no reciprocal obligations between such a person and the other members of society" (Steuart, 1767, vol. 1, p. 88).

<sup>27</sup> This "thesis" of Plato has proved influential to subsequent Utopian and other authors. For example, More (1516, p. 70) at the beginning of the 16th century, Campanella (1602, p. 26) at the beginning of the 17th century and Hume in the 18th century held this view. More specifically, Hume comments: "different men .... are by nature fitted for different employments, and attain to greater perfection in any one, when they confine themselves to it alone" (Hume, ed. 1896, vol. II., p. 283). Also, McNulty (1975, p. 373) mentions that "This view of economic organization, based on natural differences between men, conditioned social thought for centuries. ....

The view expressed by Aquinas that one man is unable to do all the things that society requires is precisely that of Plato".

<sup>28</sup> Many historians of economic thought have commented upon these effects. For example see Bonar (1893, p. 15); Trever (1916, p. 35), Foley (1974, pp. 231, 233); Arkoudoyiannis, (1956, pp. 23-6); Gordon (1975, p. 28); Lowry, (1987b, pp. 95, 104).

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1) The productive capacity of individuals is increased and so are their surplus products destined for exchange<sup>29</sup>. This is primarily produced by the specialization (Republic, 394 E; Laws, 846 E - 847 A)<sup>30</sup>, experience, practice (Philebus, 55 E; Gorgias, 448 C; Charmides, 173 C; Ion, 540 D-E) and knowledge (Ion, 537 C-D; 538

A-B) which a person collects when he is engaged with only one task. This is a powerful reason for Plato to justify his suggestion that the education of men in the various arts must begin in childhood (Laws, 643 B-C).

2) Labour time is saved by doing things at the right time. As Plato put it:

"Again, would one man do better working at many tasks or one at one?"

One at one, he said.

And, furthermore, this, I fancy, is obvious - that if one lets slip the right season, the favorable moment in any task, the work is spoiled.

Obvious.

That, I take it, is because the business will not wait upon the leisure of the workman, but the workman must attend to it as his main affair, and not as a bywork" (Republic, 370 B).

Plato held that in depending on the division of labor "The indispensable minimum of a city,... would consist of four or five men" (Republic, 369 D), those who are absolutely necessary for producing the necessities of life, that is, a farmer, a builder, a weaver, a cobbler "and some other purveyor for the needs of the body" (Republic, 369 D)

<sup>29</sup> As Plato mentions: "I mean, shall the farmer, who is one, provide food for four and spend fourfold time and toil on the production of food and share it with the others, or shall he take no thought for them and provide a fourth portion of the food for himself alone in a quarter of the time and employ the other three-quarters, the one in the provision of a house, the other of a garment, the other of shoes, and not have the bother of associating with other people, but, himself for himself, mind his own affairs?"

And Adimantus said, But, perhaps, Socrates, the former way is easier" (Republic, 369 E - 370 A).

And elsewhere Plato writes: "the arts were distributed ... on the principle that one trained doctor suffices for many laymen, and so with the other experts" (Protagoras, 322 C).

<sup>30</sup> Democritus also stressed the significance of experience, teaching and knowledge in increasing labour productivity (Karayiannis, 1988, p. 385).

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a similar argument was advanced by Smith (see Foley, 1974, pp. 229-230) and Ruskin<sup>31</sup>. In another passage Plato adds carpenters, smiths "and many similar craftsmen" (Republic, 370 D). Moreover, he was well aware that there is another kind of division of labour, that between ordinary labour and the labour of organizer and superintendent of any production process. As he mentions, "the work of the carpenter then, is to make a rudder under the supervision of the steersman, if the rudder is to be a good one" (Cratylus, 390 D).

Plato, by conceiving the above division of labour as the minimum necessary, maintains that it could be increased in the case of a luxury society (Republic, 372 E - 373 C). However, it seems that he regarded such a possibility - contrary to Smith - as having a negative rather than a positive economic effect on society (Bonar, 1893, pp. 16-7; Bell, 1953, p. 19), not only because the increase of luxury consumption brings corruption into the city, but because in addition the extreme specialization and the engagement of one man with only one task diminishes his freedom (Republic, 465 B-D) and increases his vanity (Apology, 22 D; Laches, 195 B; see also Kanellopoulos, 1985, pp. 66, 71).

#### IV. Ethical "chremata"

Plato, observing that his fellow-citizens, after the end of the Peloponnesian war and the pressure of unfulfilled material wants, turned to unfair economic transactions, tried to persuade and teach them the norms of a "fair economy". Considering economic transactions as a source of unfairness (Republic, 372 A), he emphasized that this unfairness is more intense in a wealthy and luxurious city (Republic, 372 E - 373 A). He tried to abolish it in the following ways. Firstly, by convincing his fellow-citizens that limited material pleasure must be ranked as third or fourth in importance in their lives. Secondly, by revealing the way they could fulfill their material needs, and what their limits should be. Thirdly, by suggesting a schedule of laws which could prevent economic unfairness.

<sup>31</sup>Ruskin (1862, p. 177) considers that "five great intellectual professions, relating to daily necessities of life, have hitherto existed .... in every civilized nation: The Soldier .... The Pastor .... The Physician .... The Lawyer .... *The Merchant*".

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#### IV. 1 "To realize the importance of money"

Plato regarded that because of the innate differences between men's abilities and their different productions and needs, an "organon" for their economic communication, i.e. money, came into being (Republic, 371 B). This "organon", for Plato, was a material good serving as a medium of exchange and as a measure of value (Republic, 371 B; Laws, 728A, 742 A-B; see also Marx, 1859, p. 117, ft; Trever, 1916, p. 39; Monroe, 1923, p. 5; Burns, 1927, p. 467) - an idea also introduced by Heraclitus (Shell, 1908, p. 52) and followed up by Aristotle (Nicomachean Ethics, E. 5, 1Q-13; Politics, 1258b, 5). By the introduction and use of money the trading costs and the maldistribution of products were strongly diminished (Laws, 918 B-C; see also Lowry, 1987b, p. 105) - this argument is also advanced by Aristotle (Politics, 1257a). The role that money had played in the behavior of the majority of past generations is identified by Plato with bitterness and nostalgia in Greater Hippias (282 C-D) where we read: "None of those great men of the past ever saw fit to charge money for his wisdom .... they were too simple ever to realize the enormous importance of money". Thus, Plato's subject is that money has to continue to accomplish its primary role but not to be used as a medium for storing value and gathering wealth (Lysis, 220 A) - an argument introduced also by the Utopian writers More (1516, p. 142) and Campanella (1602, pp. 41; 51).

Plato, to use Schumpeter's (1954, pp. 56, 63) characterization, was a "Cartalist" or a non-metallist in regard to the substance of money (see also, Burns, 1927, p. 468; Gordon, 1961, p. 612). He conceived the intrinsic value of money as being independent from its market value. In the pseudo-Platonic Eryxias - a dialogue which has been transmitted to us among Plato's writings - the doctrine that wealth is equal to precious metals is dismissed<sup>32</sup>. More specifically, the author comments that there were in existence a lot of tokens-money being employed as a standard of value and as a measure of exchange but not as a means of

<sup>32</sup> Ritchie (1910, pp. 115-6) comments that "the Eryxias, being the oldest book we know of which isolates the subject of wealth for examination, may be called the earliest treatise on political economy".

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or representative of wealth, for example, the leather coins at Carthage, the pieces of iron in Lacedaemon, and the engraved stones in Ethiopia (Eryxias, 400A-D).

Plato was maintaining more or less that if a material was to be used as an "organon" of economic communication, i.e. money, all that was needed was its general acceptance as such by individuals. In cases where the volume of transactions is minimized because of self-sufficiency the need for an instrument of exchange ceases to exist (Eryxias, 402 B). However, in conclusion, we can state that the idea that money was established by "convention" or "agreement" or "custom" and not by nature was introduced by Plato (Republic, 371B) and repeated later on by Aristotle (Nicomachean Ethics E. 5, 10-3; Politics, 1257a, 11; 30-40).

Plato's suggestion for a double monetary system, one with token-money for internal transactions and another with coin-money for foreign transactions is well known (Laws, 742 A-B; see also Burns, 1927, p. 468; Houmanidis, 1972, p. 31), and has a strong similarity with the system proposed - for other reasons of course - by Sir James Steuart (1767, vol. 1, p. 315; vol. 2, pp. 572-3) two thousand years later<sup>33</sup>. Plato suggested this double monetary system for the following reasons: First, he recognized that foreign trade just as internal trade must be based on a single money-commodity generally accepted. Second, he had taken for granted that the international monetary system was based upon the precious metals and stamped coins or bullions (Meno, 89 B) which were generally accepted as money (Laws, 728 A)<sup>34</sup>. And third, by recognizing that most of his fellow-citizens wrongly accounted the precious metals as wealth, he wanted to check this corruptive and unnatural inclination. His position against the use of precious metals as a representative and/or a part of wealth in the city, was strong enough for him to comment: "many impious deeds have been done about the coin of the multitude" (Republic, 417 A; the same belief held by Sophocles in Antigone, 295).

<sup>33</sup> Elsewhere Steuart declares that "coin we .... called the money of the world, as notes may be called the money of the society" (1767, vol. 2, p. 439).

<sup>34</sup> Aristotle had recognized the following special properties of precious metals to serve as money: 1) they have their own intrinsic value (Politics, 1257a, 9); 2) their value is more stable than other commodities (Nicomachean Ethics, E. 5, 14-8); 3) they are suitable for stamping in order to guarantee its content and substance (Politics, 1257a, 9).

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#### IV. 2 *"The art of rearing living things"*

As is mentioned, Plato gave no priority to the economic actions of men; on the contrary, he tried to attenuate their significance in comparison with other priorities of life such as honor, virtue, etc. Thus, the question that arises is: what did he consider to be fair and respectable ways for men to earn their living? or, to use the words of Plato: "How shall we describe the .... art of rearing living things which has to do with rearing them collectively?" (Statesman, 261 E).

At first, it seems Plato had accepted that a part of the citizenry must be engaged (though not primarily) with agriculture and other productions of necessary goods. He had taken for granted that all these production processes would be performed mainly by the employment of slaves. However, he also recognized the usefulness of labourers, craftsmen and shopkeepers, viz:

"the wage earner, the tavernkeeper, and other callings, some more and some less reputable, all have the common function of meeting various demands with supply and

distributing commodities more evenly" (Laws, 918 B-C).

Nevertheless, his position toward labour was not sympathetic and in those cases where he accepted its useful function it seems that he had done it under the persuasion of necessity. However, he divided labour into ordinary and special labour. He mentions:

"[the] master builder... provides the knowledge but not the manual labour .... the master builder must give the appropriate directions to each of the workmen and see that they complete the work assigned" (Statesman, 259 E - 260 A; brackets added). Again, "in the manual arts one part is not more allied to knowledge and the other less" (Philebus, 55 D; see also Gorgias, 450 C).

As an aristocrat he turned his back on manual labour, by conceiving it - in contrast to Pericles (Thucydides, Pericle's Funeral Oration, 40) -as dishonorable engagement. He characterized it as "servile, menial and illiberal" (Gorgias, 517 D-E), and complaining about it, writes: "as even the sound of the reproach 'base mechanical' repels the man of free soul" (Laws, 741 E).

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However, he did not wish to see the class of craftsmen to disappear nor to lose its productive capacity. On the contrary, he not only justifies the presence and the reward of labour in the city, but also demonstrates its proper and fair rate (Kanellopoulos, 1985, p. 71). As he mentions: "Any common or general benefit that all craftsmen receive, then, they obviously derive from their common use of some further identical thing ..... But unless pay is added to it [i.e. art] is there any benefit which the craftsmen receives from the craft? Apparently not, he said" (Republic, 346 C-D; brackets added). Thus, "does not the wage earner's art yield wages?" (Republic, 346 B)<sup>35</sup>. Moreover, he maintained that the rate of wage is directly related not only to the quantity but also the quality of products (Meno, 91 D-E; see also the pseudo-Platonic work Ipparchus, 226 C). That is why he stressed that both extreme wealth and poverty diminish the productivity of labour. In the Republic (421 D - 422 A) he clearly notices that there is a point where the positive relationship between wage rate and work effort turns out to be negative, and that without the capital equipment the productivity of labour is decreased. In regard to the meaning and content of the "fair" wage, Plato seems to leave it to the sincere evaluation of the labourers and its rate to be determined rather by the cost of production<sup>36</sup>:

"If a man break his word to the employer with whom he has contracted for any piece of work, he shall be indebted in the value of the work and shall execute it again gratis from the beginning within the time agreed on ..... *The vendor was advised to take no advantage by asking*

*too high a price, but to price his goods with all candor at their true value worth, and the law gives the same injunction to the contractor, who, of course, as a craftsman is aware of the true value of his work"* (Laws, 921 A-B; emphasis added).

<sup>35</sup>Plato considers wage earning operations, to be among others, those of the coachman (Lysis, 208 A-B); the "salaried masters in the various subjects, who must be non-citizens" (Laws, 804 D); and the sophists, "Can we say then, Hippocrates, that a Sophist is really a merchant or peddler of the goods by which a soul is nourished? To me he appears to be something like that" (Protagoras, 313 C). On the salary of the sophists and the opposition and sarcasm of Socrates and Plato see also Protagoras (312 A; Meno, 91 D); and for an analysis of it see Shell (1978, pp. 36-

<sup>36</sup>Though Plato did not work upon the fair rate of exchange between goods as

Aristotle did, in the pseudo-Platonic *Eryxias* (403, B-E) we read that goods must be exchanged in accordance with the sincere estimation of both the buyer and seller.

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Plato dismissed the pursue of profit as a spurious action (*Republic*, 587 C) or as Baeck (1987, p. 86, ft. 3) comments, Plato, "eliminated the dynamics of profit from his ideal society", and characterized men who adopted this action as to be low-level men. The Greek philosopher comments: "The financier will affirm that in comparison with profit the pleasure of honor or of learning are of no value except in so far as they produce money" (*Republic*, 581 D). In the pseudo-Platonic work *Ipparchus*, is mentioned by the author that the profit emerges through the exchange of two goods which have different values (*Ipparchus*, 231 C-D). However, in this work the Platonic idea that men must accept only a fair profit from their transactions and must refuse the unfair one, is also presented (*Ipparchus*, 232 A)<sup>37</sup>. The fair profit for Plato was the moderate one, the rate of which, unfortunately, was left undetermined by the philosopher (*Laws*, 920 C).

Another activity dismissed by Plato was that of lending at interest. He comments that in the second-best ideal city (that of *Laws*) there must be "no lending on usury, the law permitting the borrower to withhold both interest and capital" (*Laws*, 742 C; see also Ingram, 1888, p. 13). Moreover, he turned against credit by stating:

"The sale is to be actual exchange of currency for goods and goods for currency, and neither party shall waive the receipt of a quid pro quo. A party who acts thus, by way of giving credit, shall put up with the consequences, whether he receives that for which he has bargained or not, as no action will lie in the case of such transactions" (*Laws*, 849 E - 850 A).

This position of Plato against lending at interest influenced Aristotle who considered "money as barren" (*Politics*, 1258b, 5) and also (because of Aristotle) the later scholars, particularly the medieval scholars (Gordon, 1982, pp. 415-6). Plato's position in regard to interest stemmed from his endeavor to remove any source (and usury was such a source in Athens; see for example, Isocrates, *Aeropageticus*, 33-5) or cause of injustice, corruption and struggle in

<sup>37</sup> Plato turned against to the business activities because they caused corruption and/or because he recognized that Greeks were rascals and "when they were rascals, were intelligent and effective rascals" (Calhoun, 1926, p. 27).

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the city<sup>38</sup>. I think that his endeavor is not unjustifiable if one keeps in mind how many complicated laws have been legislated in our century in order to eliminate injustice in the market, to protect consumers, and so forth.

#### IV. 3 "*Plouto gives wealth*"

Plato states, according to what Socrates thought (Koutoupis, 1908, p. 156), that the moderation of an individual's wealth is a necessary characteristic of the ethical and economic stability of the city-state. He maintains that it "disturb[s] anything there [i.e. in the city] either by excess or deficiency of wealth" (*Republic*, 591 C-E; brackets added). The way by which individuals accumulate wealth is commended by Plato who specifies that "wealth .... [is] attendant to wisdom" (*Laws*, 631 C; brackets added; see also *Apology*, 30 B; *Meno*, 78 D-E; *Laws*, 661 B-C). He felt that it was impossible to accumulate great wealth through fair actions (*Laws*, 743 B-C), and thus

in no case can we consider it to be an example of virtue (Laws, 742 E; Meno, 78 E; Menexenus, 246 E - 247 A) - the same belief is also held by Isocrates (To Demonicus, 38 D - 39 C)<sup>39</sup>. In addition, the Greek etymology of the word "ploutos" (wealth) originated, as Plato mentions, from the God Plouto, who "gives wealth, and his name means the giver of wealth, which comes out of the earth beneath" (Cratylus, 403 A). In dealing with "wealth which is not blind, but clear-sighted, because attendant on wisdom" (Laws, 631 C), Plato evaluated it in real and not money terms (see also Eryxias, 401 B, E). Moreover, he stressed that the real rate of wealth is determined subjectively and not objectively (Laws, 736 E). In particular, he emphasized that the determining factors of its value and importance (subjectively estimated) are: 1) its use (Euthydemus, 280 C-D; 288 E - 289 A; see also Eryxias, 400 E - 401 A); 2) its "right use" which is a proof of virtue and knowledge

<sup>38</sup> Finley rightly mentions that: "Plato proposed the abolition of interest in his Laws. This he did as a philosopher with a fully systematized ethical theory, not as the spokesman of a debtor class" (Finley, 1981, p. 76).

<sup>39</sup> Plato perhaps has influenced Ruskin in his treatment of wealth as "indicative of mortal luxury, merciless tyranny, ruinous chicane" (Ruskin, 1862, p. 187). On the influence of Plato on Ruskin, see also Trever (1916, pp. 24-5); Shell (1978, pp. 147-8).

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(Euthydemus, 281 B) - an argument introduced also by Democritus (Karayiannis, 1988, p. 383); and 3) its treatment with wisdom and moderation (Meno, 87 E; Euthydemus, 279 A-C)<sup>40</sup>. Only when these presuppositions prevail, can wealth prove advantageous to the individual and the city<sup>41</sup>, and only then can it rightly be classified as the third value in human life, viz:

"It were for the truest good and glory of all societies that the truth should be told of riches. They are for the service of the body, as the body itself for the service of the soul. Since, then, there are goods to which wealth is but a means, it must hold a third place, after goodness of body and soul" (Laws, 870 B; see also 697 B; 743 E).

Plato is being hostile toward the continuous pursuit of wealth by individuals for the following reasons: 1) If it happened it would be uncontrolled, because it is an "intense pleasure [which is] without measure" (Philebus, 52 C; brackets added)<sup>42</sup>. Thus, men would have no other interests in their life except wealth, which would be detrimental for the spiritual, ethical and political progress of society (Laws, 831 C; see also Letters, II, 312 C; VII, 326 C-D). 2) It would cause extreme economic inequality among the citizens which would lead to the destruction of the city-state because of the consumption of luxuries<sup>43</sup>, the pain produced by poverty (Laws, 919 B-C), and the struggle caused by the extreme economic division between the citizens (Republic, 552 A; Laws, 729 A). 3) "when a man lusts after wealth basely won, or has no disrelish for the winning, he does no real honor to his soul by such offerings-far, far from it! He sells its goodly treasure for a parcel of coin, but all the gold on earth is no equal exchange for goodness"

<sup>40</sup> Plato (Republic, 330 C), recognized that the consumption behavior of the rich man or his love of wealth depends on how he gained this wealth. Someone who gained it personally is more miserly than someone who inherited it.

<sup>41</sup> As Bonar concludes: "Wealth .... is recognized by Plato as an element of real necessity and rationality in human life when it is intelligently and moderately used,

and not blindly heaped up, without reference to the chief ends of life" (Bonar, 1893, p. 12).

<sup>42</sup> Aristotle (Politics, 1257b, 25-30) introduced the same argument against wealth and the "chrematistic" actions of individuals.

<sup>43</sup> Rousseau also considered luxury consumption as a cause of men's corruption. As he says: "lastly, little or on luxury - for luxury either comes or riches or makes them necessary; it corrupts at once rich and poor, the rich by possession and the poor by covetousness" (Rousseau, 1762, p. 217).

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(Laws, 728 A). And 4) "the passion of wealth ..... is one reason in particular why society declines to take this or any other wholly admirable pursuit seriously" (Laws, 831 D)<sup>44</sup>.

Under these ethical, economic and political negative effects accrued by the continuous pursuit of wealth, Plato proposed its discouragement in the city, viz: "Let us say, then, once for all, that escape must be sought in the combination of justice with freedom from avarice" (Laws, 737 A). And, "wealth of silver and gold must have neither sanctuary nor abode in our city" (Laws, 801 B). Thus, he regarded it better to establish in the city-state the prohibition of excessive opulence (Laws, 836 A), and of unfair economic transactions (Laws, 913 A; Republic, 556 B).

#### V. An Utopian economic structure

Plato tried under his main thesis that "a polity is a thing which nurtures men, good men when it is noble" (Menexenus, 238 C) to produce an economic, social and legal framework for a city which would not be "concerned with the special happiness of any class" (Republic, 519 E; see also Trever, 1916, p. 54; Bell, 1953, p. 18). His endeavor is directed toward "trying to create in words the pattern of a good state" (Republic, 472 D), and "how (the state was) constituted and of what (kind of) citizens composed it would seem likely to be most perfect" (Timaeus, 17 C; brackets added). He said that ethical, economic and social elements<sup>45</sup> were of primary importance for the establishment of the ideal city-state. As he recognized that the imperfections of human nature and behaviour were a source of conflict and exploitation between the citizens which led to the destruction of the city, he tried to master them<sup>46</sup>. To this end, he relied primarily on the

<sup>44</sup> Plato was well aware that the desires of ordinary men for material pleasures was unlimited, viz: "The great multitude of men are of a completely contrary temper - what they desire they desire out of all measure - when they have the option of making a reasonable profit, they prefer to make an exorbitant one" (Laws, 918 C).

<sup>45</sup> Rightly Lowry comments: "Plato took the human element as the primary raw material of political economy and statecraft" (Lowry, 1987b, p. 93).

<sup>46</sup> On the various struggles and conflicts in ancient Greece, see Metaxas (1955). As Lekachman comments: "Plato sought to minimize ... [the] ... extend and intensity [of class conflict] by assigning appropriate goals to each group" (Lekachman, 1959, p.7; brackets added). On the other hand, Popper mentions that for

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instrument of economic regulation, in order to prevent the class struggle and the "exploitation of the lower by the upper classes" (Trever, 1916, p. 49; see also Robin, 1928, p. 201). He experienced the dramatic military, ethical and economic decline of

his city, and he witnessed the corruption and immorality of politicians and the continual state of conflict in many Hellenic cities (Huby, 1972, p. 4; Field, 1949, p. 86). Also, he was well aware that "A community divided by irreconcilable differences cannot be in a healthy state" (Field, 1949, p. 86). Thus, he only wished to see his fellow-citizens abandon their differences and to be involved in a health corpus, the "just" city.

The Utopian states of Plato have been variously analyzed by many scholars (see for example, Huby, 1972, p. 7; Spiegel, 1971, p. 16). Our purpose, however, is by following Plato's steps and keeping in mind his experiences and aspirations, to analyze, from the economic point of view, his "perfect" and second-best ideal states.

#### V. 1 *"The city of the sons of gods"*

Plato in the Republic tried to design a perfect ideal city where "the others [i.e. cities] are aberrations, if this city is right" (Republic, 544 A; brackets added). By saying, "come, then, let us create a city from the beginning, in our theory. Its real creator, as it appears, will be our needs" (Republic, 369 C), he delineates from the beginning his normative and abstract theorization.

The framework of this ideal city is based, according to Plato, on the principle of the abolition of property - Aristotle criticized this idea in Politics (1262b - 1264 a) - the function of which will result in the elimination of class struggle and conflict<sup>47</sup>, viz: "So that we can count on their [i.e. the citizens] being free from the dissensions that arise among men from the possession of property, children, and kin" (Republic, 464 D; brackets added)<sup>48</sup>. In order to justify this institutions

Plato, "the main cause of social change is cultural clash, which is an unavoidable concomitant of the development of industry .... of trade, of possessing a harbor and a fleet, and of founding colonies" (Popper, 1968, p. 162).

<sup>47</sup> An institution proposed also for the same reason by More (1516, pp. 57-8).

<sup>48</sup> Lowry comments that the Republic "is an exposition of how things should be ne were setting up the best and most efficient political economy for the orderly generation and distribution of wealth" (Lowry, 1987b, p. 84).

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which was being discussed during that period in Athens (see Aristophanes, Ecclesiazusai, 590-593) - he starts from the fundamental principle of the brotherhood of citizens:

"we and our people .... being all born of one mother (i.e. the same city), claim to be neither the slaves of one another nor the masters; rather does our natural birth-equality drive us to seek lawfully legal equality" (Menexenus, 239 A).

Though the citizens of the city are all (metaphysically of course) brothers, they have different natural abilities and inclinations (Republic, 415 A; Timaeus, 17 C). According to those abilities and inclinations they are classified in three main and distinct classes (or castes), that of the rulers, the warriors, and the husbandmen-artisans, with different and well specified activities (Republic, 441 E; 443 C; 453 B). This classification corresponds to the tripartite classification of the "three forms" that are contained in the soul (Republic, 535 C; 580 D; see also Stefanides, 1948, p. 148; Lowry, 1987b pp. 111-2), namely "learn with one part of ourselves, feel anger with another, and with ... a third desire the pleasures of nutrition and generation and their kind" (Republic, 436 A). These three forms or "kinds" (Republic, 504 A) of the soul: reason, high spirits and appetite, correspond to the three types of men: the ruler, the

warrior, and the producer. Thus, a fair and happy society will be one where each citizen will exercise the work which he prefers according to his natural inclination and ability. Namely, when<sup>49</sup> the group of citizens which are motivated wholly by appetite or desire, such as the artisans, will specialize (according to their nature and inclination) in material pursuits. The second group, which is a group motivated by spirit or courage, called warriors, will guard the city. The third class, that of men who are outstanding for their wisdom, will govern the city. However, he does not put boundaries on the contents of these classes, on the contrary, he stressed that there is the possibility of transition from one class to another. He notes that "if a degenerate offspring was born to the guardians he must be sent away to the other classes, and likewise if a superior to the others he must be enrolled among the guardians" (Republic, 423 C-D). Plato, moreover, was well

<sup>49</sup>As Lowry comments: "The society of the Republic is a static, self-sufficient one based on the principle that everything and everybody has one best function" (Lowry, 1987b, p. 86).

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aware that to be functional, the city also needs labourers or "wage earners" (Republic, 371 E), while he mentions nothing (in this first ideal city) in regard to slaves<sup>50</sup>.

As we have said, Plato's new idea and main change in economic institutions was the abolition of property. He meant the abolition of property in terms of material things, "none must possess any private property" (Republic, 416 D; see also 316 D; 464 B; 543 B; Timaeus, 18 B), and in women and children (Republic, 457 D; 461 D). However, in regard to the latter he recognized that it was not empirically attainable (Republic, 450 C). !

In addition, Plato insisted that the citizens of the city-state must all have the same subsistence level which must not include luxury goods because those goods corrupted men (Republic, 417 D - 418 A). He notes that "by observation of such a city [i.e. a luxurious city] it may be we could discern the origin of justice and injustice in states" (Republic, 372 E; brackets added).

In the city Plato emphasized the abolition of property mainly of the guardians because he recognized that having the power of arms it was easy for them to get anything they wanted by force (Timaeus, 18 B). In addition, he based his idea for this new institution on the content of the real friendship among the citizens (Laws, 739 B-E; Lysis, 207 C; 215-6; Republic, 424 A).

This city of "gods or the sons of gods" as Plato characterized it was, for the philosopher, outside of human possibilities and prospects. However, he influenced on subsequent "utopian" writers such as More (1516), Campanella (1602), etc., while his plan found imitators in certain places under different situations such as the experiments of the "monastic communities in Christian lands for thousands of years ... [and]... in Israel the kibbutz movement" (Huby, 1972, p. 37), and "the

<sup>50</sup>Bonar comments that "from the absence of slaves in the City of Pigs, we may infer that [Plato] ... considered slavery to be the result of luxury and war; and he understands the dangers of the institution" (Bonar, 1893, p. 27; brackets added). However, there is another explanation for Plato's negligence in regard to the matter of slaves in the first ideal city. That he considered as self-evident their existence and function in the city, or as Huby put it: "Plato [in his Republic] does not refer to slaves in so many words in talking of this state, and with the organisation that he proposes

there would be no obvious need for them ..... however, the evidence, ..... is in favour of the view that Plato took it for granted that there would be slaves in it" (Huby, 1972, p. 17; brackets added).

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communism of monastic orders or in the rule of the Jesuit missionaries in Paraguay" (Ritchie, 1910, p. 115).

V. 2 "*The state builder -will intend the possible*"

Plato by realizing the non-attainment of his perfect city, or as he put it: "some of these objects are possibilities, others not so. Hence the state builder will intend the possible; the impossible he will neither make the object of a futile intention nor attempt it" (Laws, 742 E), proposed the establishment of another city-state more close to reality and attainability (Laws, 745 E-746 A)<sup>51</sup>.

In his second - best framework for the establishment of a city-state<sup>52</sup>, Plato introduced private property within limits (Laws, 737 B). Land, houses, etc. must be equally distributed to the citizens in terms of the productive capacity of property, namely, "We should further practice in these half sections the already-mentioned contrivance relative to the poverty or excellence of the soil and effect an equalization by the greater or less size of the divisions" (Laws, 745 D).

Moreover, the allotment of each citizen is bisected in "two half sections, a nearer and a remoter, paired together to form an allotment, one which is contiguous to the city with one on the border" (Laws, 745 C). It seems that he divided the allotment in order to abolish a duality in the economic and social life of the citizens, that is, those who live in the city and those in the open country (see also Kanellopoulos, 1985, p. 218). Then he divided the population to 5040 households (a convenient

<sup>51</sup>However, Schumpeter commended that "Plato's aim was not analysis at all but extra-empirical visions of an ideal polis .... The picture he painted of the Perfect State in his Politeia (The Republic) is no more analysis than a painter's rendering of a Venus is scientific anatomy. It goes without saying that on this plane the contrast between what is and what ought to be loses its meaning" (Schumpeter, 1954, pp. 54-5).

<sup>52</sup>For Huby, "the Laws, written in Plato's old age, is much nearer than the Republic to being a blueprint for an actual community" (Huby, 1972, p. 8).

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number as he mentions)<sup>53</sup> (Laws, 737 E - 738 A), each one receiving a property sufficient for its maintenance (Laws, 737 C - D).

Plato's main interest in this state was to discover applicable norms, or principles which would guarantee the distribution of property intact, that is, it "must remain forever unchanged, without increase or deviation whatsoever" (Laws, 739 E - 740 B)<sup>54</sup>. This is a prerequisite of an idea stressed by Plato that all the citizens must have equal economic opportunities, viz:

"It had indeed been well that all settlers should further enter our colony with equal means of every kind .... because of the *equal opportunities our society affords*" (Laws, 744 B; emphasis added)<sup>55</sup>.

Plato had introduced the following economic principles and norms (some of them have already been analyzed in the previous pages of this article), in regard to eliminating poverty (Laws, 744 D) and the possibilities of conflicts between the citizens<sup>56</sup>

1) The property of the citizens must be recorded by the officials of the state (Laws, 754 D).

2) The hereditary succession must be one to one, that is, "Let him who has a lot assigned him ever leave after him one son, of his own preference" (Laws, 740 C - D).

3) There must be population control (Laws, 740 D - E).

4) Any instrument of artificial wealth is prohibited in the city, while the profit or wealth motive is discouraged (Laws, 741, E; 742 C), thus,

<sup>53</sup> This number was convenient for subdivision and mathematical manipulations, and as Glotz (1953, p. 36) observes is extracted by the multiplication of  $1 \times 2 \times 3 \times 4 \times 5 \times 6 \times 7 = 5040$ . On the other hand, Kanellopoulos (1985, p. 232) comments that this number approached the usual population of the Greek city-states.

<sup>54</sup> In such a city as Lowry (1987b, p. 105) comments, trade "can only distribute consumer goods".

<sup>55</sup> In our days, Rawls stressed the equality of opportunities as the second principle of justice; he declares: "those with similar abilities and skills should have similar life chances" (Rawls, 1972, p. 73).

<sup>56</sup> Plato seems to have recognized what Robbin recently stressed, namely, that "the degree of conflict will in part depend on the distribution of property. In any society in which there exists inequality of property-holding there are bound to exist some inequalities of economic opportunity. But the extent to which this becomes a serious problem will depend essentially on the degree of inequality. In a society in which differences of property-holdings were narrow, the problem would be much less formidable than in a society in which differences of property-holding were great" (Robbins, 1939, p. 23).

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"such an organization leaves no great room for the making of fortunes" (Laws, 741 E).

5) The economic exchanges must take place in a specific market place ("agora"), and will be based on a "just"<sup>57</sup> and well known price<sup>58</sup> which will be controlled by the state (Laws, 915 D - E; see also Houmanidis, 1972, p. 35; Stoliarov, 1965, p. 17).

6) "there shall be neither selling nor buying on credit" (Laws, 915 E).

7) No interest on loans permitted (Laws, 743 D), except, "If payment be not made within the year, whereas all other moneys out upon loan shall bear no interest, a defaulter in this kind shall pay an interest of one obol on the drachma for each month in arrears" (Laws, 921 C - D; see also Houmanidis, 1972, p. 32; Barbieri, 1975, p. 27) -the case of "The medieval usura punitoria" (Bonar, 1893, p. 22, ft. 4).

8) There must be a symmetrical consumption pattern between the different classes of citizens, that is "by a rule of proportional, though unequal, distribution" (Laws, 744 C). And, "in no case shall the expenditure be disproportionate to the means of the giver" (Laws, 775 A).

9) The rate of wealth must have a minimum and maximum limit, namely, "let the limit on the side of penury be the value of an allotment; this must remain constant..... The~legislator will take it as a measure,

and permit the acquisition of twice, thrice, and as much as four times its value. If a man acquires further possessions, from treasure-trove, donation, or business, or by any other similar chance makes acquisitions in excess of this measure, he may retain his good name and escape all proceedings by consigning the surplus to the state and

its gods" (Laws, 744 E).

<sup>57</sup>As Trever mentions: Plato "seems to be thinking of labor, or cost of Production, as the chief element in value" (Trever, 1916, p. 23).

<sup>58</sup>Plato emphasized that the seller can put only one price on the goods on the same day. He mentions: "He that sells any article whatsoever in the market shall in no case put two prices on his wares. He shall ask one price, and if he do not get it, he will do right to take his goods away again, and shall not, that same day, set a higher or a lower price on them. Also there shall be no proffering of wares offered for sale, or vouching for them by an oath" (Laws, 917 B - C). Jaffe" considers that, in the same spirit, Edgeworth proclaimed his repugnance to the dissimulation and we objectionable arts of haggling which he denounced as an accessory evil of indeterminate contract" (Jaffe", 1974, p. 384)

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10) Taxes will be collected for the needs of the state (Laws, 955 D). Plato, requires, as Andreades mentions: "that the needs of the state be met either by a tax on capital or by a tax on income, with the government deciding each year on one or the other of these two forms" (Andreades, 1933, p. 127, ft. 3).

11) Any punishment upon citizens because of the breaking of the law should be determined according to their economic strength (Laws, 744 B).

12) He suggested that the citizens must behave well toward the slaves; "to use no violence toward a servant, but to wrong him-if such a thing could be with even more reluctance than an equal" (Laws, 777 D), and a man must not be "wrong in his relations with slaves " (Laws, 777 E).

Plato believes that by changing the economic structure of society through the introduction of new laws and institutions and with the supposition that the citizens will obey the law (Crito, 50 B; 51 A - B), their ethical, economic and social behavior could be changed<sup>59</sup>; He comments:

"by further laws and institutions you expell illiberality and commercialism from the souls of those who are to pursue them thoroughly to their profit" (Laws, 747 B).

Except for the above economic rules, Plato believes that the state must actively intervene in the economic transactions of individuals not only for the distribution of property to remain unchanged (Laws, 632 B; 850 A) but also for the establishment of a workable and fair market (Laws, 842 D - E).

From the above analysis it can easily be deduced that for Plato there was no self-regulating mechanism for the restoration or the assurance of a "just" society (Lowry, 1987b pp. 11, 88). Moreover, as Plato considered there to be little difference between the administration of the

59 For Spengler, "Plato and Aristotle .... looked upon economic activities as instrumental, to be carried on within the framework of the polis (or city-state) and subject to the principles of law and of a justice that had evolved out of an earlier conception of due share and compensation in accordance there with .... For both men the object of a citizen's existence in the polis was living the good and virtuous life and .... the impact of exchange and distribution upon man's welfare was appraised in terms of their influence upon his living the virtuous life" (Spengler 1980, pp. 77-8).

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household and of a small city (Statesman, 259 B), he felt that the general welfare

would be look after by the administrator or the king-philosopher of the city<sup>60</sup>.

#### Conclusions

Plato, the great Greek philosopher produced his economic ideas as a sort of model building. In addition, he seems to have felt that no thinking could be done without imagination. This explains why his endeavor to produce a coherent economic structure for the establishment and advance (in particular the ethical, spiritual and political advance) of society has been variously commented upon by modern scholars. For example, his aim has been considered to be "a search for the meaning of the normative concept of justice" (Ekelund, Hebert, 1983, p. 12); while his social theory has been regarded as "collectivistic and hostile to individualistic ideas" (Popper, 1968, p. 160). On the other hand, his economic ideas, arguments and views have been evaluated more for their scientific negligence and gaps than their pioneering contribution, more specifically, Plato is considered not to have recognized the effects of economic competition; on the contrary, he emphasized the complementarity between individuals (Spengler, 1980, p. 91). Also, he rejected the neoclassical theory of unlimited wants and scarce resources and did not emphasize economic growth (Lekachman, 1959, p. 6; Spengler, 1980, p. 91; Lowry, 1987b, p. 92). Moreover, he paid no attention to the motive of self-interest and the feeling of individuals in regard to their property. However, an opposing argument is expressed by Blanqui who says: "After more than two thousand years, we have not yet obtained the realization of the Utopia of Plato, of that just economic middle securing to each an equal share of the profits of labor" (Blanqui, 1880, p. 32).

However, we must accept that Plato in some significant economic subjects, such as the function and the substance of money, the division of labour and its effects, the relation between the ethical and economic actions, and so forth, has been without any question influential in the

<sup>60</sup>As Lowry comments: "The general welfare, as defined by the administrator, and not the happiness of any individual or group is the standard by which the effectiveness of any measure is to be judged" (Lowry, 1987b, p. 108).

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works of subsequent authors on economic and social subjects. Although neither Plato nor any other Greek philosopher of his age produced a theoretical system of economics, their contribution to this field has been hailed by many economists and commentators (see for example Blanqui, 1880, p. 2, etc). Moreover, Plato offered a dream to mankind: the dream of endeavoring to establish the "right" society<sup>61</sup>.

<sup>61</sup>He influenced many other philosophers of antiquity in scheduling "right" societies, as Theopompous from Chios (380 - 300 B. C) who wrote for the land of Meropon; Evimerous (340 - 261 B. C) who wrote for the land of Paghaion, Ioboulos (3rd - 2nd century B. C) who wrote for the Islands of the Sun, and some others in the Roman age such as Epiktetus, Plotinus, Porferius, Iamblichos (see Stephanides, 1948, pp. 170, 172 - 9).

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*Summary: The Platonic Ethico-Economic Structure of Society*

Many historians of economic thought have appraised Plato's economic ideas as secondary elements of his whole work. The author's thesis is that Plato's economic ideas are not merely a by-product but an essential ingredient of his philosophical system. More specifically, Plato regarded economic justice and a particular economic

structure as significant prerequisites for the establishment of an ideal city-state. Thus, the analysis of this paper is mainly addressed not only to his economic ideas but also to the significance of these ideas to his normative framework for the first-best or second-best society. Plato's purpose was the establishment of economic norms or rules which could enable Athens and his fellow-citizens to gain their prior ethical, political, philosophical and strategic leadership in the Hellenic world.