

## ARISTOTLE AND THE WELFARE ECONOMICS

**Introduction.** Aristotle's writings\* cover the whole span of human knowledge. Only a few of those writings refer specifically on economic subjects, and if they do it is in connection with moral or political matters or with an examination of the general art of reasoning. Aristotle's contributions to Economics do not constitute a coherent system of thought but lie in different fields and are not connected by any one principle of integration. Economics is undertaken by Aristotle as a part of the research of moral and political issues.

Aristotle's contribution to economic thought<sup>1</sup> was on two levels: first, his development of an overview of the politico-economic process in which stability and self-sufficiency are the primary goals, and secondly, his analysis of specific economic phenomena, such as value<sup>2</sup>, money<sup>3</sup>, exchange, as well as economic stages<sup>4</sup>. In his first contribution, he adopted Plato's ethical aspect to serve as a guide to the acquisition of values, as well as the supreme authority, the *Polis*. From an ethical point of view, Aristotle's ideas aiming at safeguarding the general conditions of happiness (*eudaimonia*) concerning the *Polis*, while from the specific economic side, his ideas looked towards achieving welfare. It is a real fact that Welfare Economics are originated from John Stuart Mill and followed by the leader of the Neoclassical School Alfred

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1. For an overview of a bibliography concerning Aristotle's economic ideas, see C. BALOGLU and H. PEUKERT, *Zum antiken ökonomischen Denken der Griechen (800-31 v.u.Z.). Eine kommentierte Bibliographie*, Marburg, Metropolis, 1996<sup>2</sup>, pp. 106-123; for recent studies on Aristotle's contribution to economic thought, cf. L. Th. HOUMANIDIS, *Οικονομική Ίστορία και η εξέλιξις τῶν οἰκονομικῶν θεωριῶν*, vol. I, Athens, Papazisis, 1980, pp. 196-218; A. BERTHOUD, *Aristote et l'argent*, Paris, Maspero, 1981; L. RUGGIU, *Aristotele e la Genesi dello Spazio Economico*, L. RUGGIU (ed.), *Genesi dello Spazio Economico*, Napoli, 1982, quoted, in: L. BAECK, *Greek Economic Thought: Initiators of a mediterranean Tradition*, B. B. PRICE (ed.), *Ancient Economic Thought*, London and New York, Routledge, 1997, pp. 146-171, at p. 170, n. 3; A. BUERGIN, *Zur Soziogenese der Politischen Ökonomie*, Marburg, Metropolis, 1993, Part II; C. BALOGLU *Die Ökonomie des Aristoteles. Eine Einführung in das aristotelische ökonomische Denken*, *Πλάτων*, 45, 1993, pp. 37-63 and 46, 1994, pp. 26-43; IDEM, *Ἡ Οἰκονομική σκέψις τῶν Ἀρχαίων Ἑλλήνων (The economic thought of the Ancient Greeks)*. Prize of the Academy of Athens. Foreword by Bas. A. Kyrkos. Thessaloniki, Historike kai Laographike Hetairia tes Chalkidikes, 1995, pp. 269-364, 386-387; S. MEIKLE, *Aristotle's Economic Thought*, Oxford, Clarendon Press, 1995; A. KANELLOPOULOS, *Σύγχρονες Οἰκονομικὲς Σκέψεις τῶν Ἀρχαίων Ἑλλήνων*, Athens, Livanis, 1996, pp. 313-331; B. SCHEFOLD, *Reflections of Ancient Economic Thought in Greek Poetry*, B. B. PRICE (ed.), *Ancient...., op. cit.*, pp. 99-145, at pp. 100-107; S. TODD LOWRY, *The economic and jurisprudential ideas of the Ancient Greeks: our heritage from Hellenic Thought*, S. TODD LOWRY and B. GORDON (eds.), *Ancient and Medieval Economic Ideas and Concepts of Social Justice*, Leiden-New York-Köln, Brill, 1998, pp. 11-37, at pp. 26-35.

2, 3, 4. L. HOUMANIDIS, *Aristotle on Value and Price*, *Archives of Economic History*, VI, 2, 1995, pp. 7-22.





Marshall.

This article attempts to show Aristotle's approach to what modern economic science calls «Welfare Economics». After a description of Aristotle's analysis of achievement of welfare, we deal above all with the main representative of the Welfare Economics, Marshall's disciple Arthur Cecil Pigou and then we make a comparison between Aristotle's proposals and Pigou's procedure, a subject which has not been covered, as far as we know, by the authors yet.

**1. Fundamentals of Aristotle's economic thought.** Aristotle's economics, as Plato's economics, in our view, is not the economics of growth. His approach is guided by a belief in the desirability of establishing a relatively stationary state of economic activity at a level, which ensures the maintenance of a moderate standard of material well being for the citizenry. In this respect, his outlook recalls that of the philosopher-economist John Stuart Mill in the nineteenth century<sup>5</sup>. This belief of the achievement of material well being is associated with an approach to the question of quality of life which emphasises the static aspects of the issue. Little attention is given to the variable features of the well stated life, which features may alter in the course of economic and social evolution. Aristotle reasons in terms of a system of natural law which, in essentials, is taken to be independent of temporal change and of location. Werner Jaeger, for example, has written of Aristotle: «The human world of state and society and mind appears to him not caught in the incalculable mobility of irrecapturable historical destiny ... but as founded fast in the unalterable permanence of forms that, while they change within certain limits, remain identical in essence and purpose»<sup>6</sup>. For Aristotle, economics is concerned chiefly with the ordering of human purpose and function within the two dominant economic institutions of his day-the *Oikos* (household) and the *Polis* (city-state).

**1.1 From the economics of the *Oikos* to the economics of the *Polis*.** At the beginning of Book VII of the *Politica* (Politics), Aristotle discusses the difficulty of determining the nature of the ideal constitution of a *polis*, or at least the best that can be approximated under given circumstances. He opens the discussion by framing the macro-micro aspects of the problem: «We must ... find some agreed conception of the way of life which is most desirable for all men and in all cases; and we must then discover whether or not the same way of life is desirable in the case of the community as in that of the individual»<sup>7</sup>. This formulation of the problem of composition may easily fall into either a purely political or ethical frame of reference, but in both the discussion that immediately follows and in the broader treatment in Book I of the *Politica*, the elements are analyzed by Aristotle are primarily economic.

He begins his analysis of the *Polis* by following, in part, the individualistic tradition, contending that the proper mode of inquiry is to start with the simplest elements which combine together to make the whole<sup>8</sup>. He maintains that the *Polis* «exists by nature» and that it is «prior to the individual»<sup>9</sup>, although it grows out of the combination of individual units<sup>10</sup>.

5. B. GORDON, *Economic Analysis before Adam Smith: From Hesiod to Lessius*, New York, Barnes and Noble, 1975, pp. 27-28. Middle-class intellectuals of affluent societies of the twentieth century who inveigh against growth could also claim some kinship with him.

6. W. JAEGER, *Aristotle. Fundamentals of the History of his Development*, Oxford, At the Clarendon Press, 1934, p. 389.

7. ARISTOTLE, *Politics*, VII 1, 1323, pp. 1323 a 15 - 20.

8. S. TODD LOWRY, *The Archaeology of Economic Ideas: The Classical Greek Tradition*, Durham (NC), Duke Univ. Press, 1987, p. 216.

9. ARISTOTLE, *Politics*, I 2, 1253 a 19-20.

10. It is not without value to note that K. PRIBRAM, *A History of Economic Reasoning*, Baltimore



It is important to underline that Aristotle applied the micro- (household-economics) and the macro-analysis (economics of the *Polis*)<sup>11</sup>.

The *Oikos* is an aggregate of individuals with natural, mutual demands upon one another. These reciprocal tensions result in a natural compound, the basic self-sufficient agricultural unit of production, which provides «goods of the body»<sup>12</sup>, the necessities of life. This unit also provides a structure for the primary functions of marriage, solve supervision, and child rearing which reflect the three relationships in the *Oikos* (husband and wife: *gamike*; father and children: *teknopoietike*; master and servants: *despotike*)<sup>13</sup>.

The village (*kome*), as Aristotle points out, is an aggregation of households; its natural function is to provide more goods<sup>14</sup>. In Book VII (1, 1323 a 26ff.) these are characterized as «external goods», products which contribute to a desirable standard of living above and beyond the basic necessities of survival. They result from specialization and the barter process within the village, which is an outgrowth of mutual need for one another's goods and skills. The aggregation of villages into larger compounds or *Poleis* permits not only economic self-sufficiency, but also the production of no material goods becoming for the internal world of the individual. As the *Polis* is the most comprehensive of human associations, the good towards which it is directed as human action must be a more comprehensive or final good than those sought by lesser or more partial associations; that greatest or most final good which is also the object of political science (*politike*) is eudaimonia (*happiness*) or the most complete activity of that which is peculiarly human - the activity of the soul in accordance with its own greatest excellence or virtue<sup>15</sup>. This aggregation for Aristotle is the optimum or end of the social process. He therefore answers his own question with the conclusion «the best way of life for individuals severally as well as for states collectively, is the life of goodness duly equipped with such a store of requisities... as makes it possible to share in the activities of goodness»<sup>16</sup>.

The objective target to achieve the welfare is been obtained by adding of the needs to the existing possibilities, that is, by switching of the economic activities by supplying the necessary good (necessities) for the household and the *Polis*<sup>17</sup>. On the other hand, we shouldn't forget that Aristotle used to live in an era which was characterized by insecurity and misfortune, outcome of which can be considered the inflation, the starving, the unequal distribution of wealth<sup>18</sup>. Therefore, P. Koslowski is quite right when he supports the view that

and London, John Hopkins Univ. Press, 1983, p. 243, calls attention to the fact that the Austrian economist Othmar Spann «applied to social communities the Aristotelian principle that the whole is the first and foremost category of being and prior and superior to its parts». See O. SPANN, *Die Haupttheorien der Volkswirtschaftslehre*, Leipzig, 1914, transl. by Eden and Cedar Paul, New York, W. W. Norton, 1930.

11. Cf. L. HOUMANIDIS, *Οἰκονομική Ἱστορία...*, *op. cit.*, p. 198, who recognizes this comparison; P. KOSLOWSKI, *Politik und Ökonomie bei Aristoteles*, Tübingen, J. C. B. Mohr, 1993, pp. 33-38.

12. ARISTOTLE, *Politics*, VII 1, 1323 a 26-28.

13. ARISTOTLE, *Politics*, I 3, 1253 b 6-11, 13-15, 12, 1259 a 38-40, cf. D. D. KOUSIS, *Ἀριστοτέλους Οἰκονομικά*, Athens, 1951, p. 28; C. Georgoulis' review on Kousis' book, in: *Πλάτων* 11, 1959, No 1, pp. 242-47, at p. 243; C. BALOGLOU, *Ἡ οἰκονομική...*, *op. cit.*, pp. 287-291.

14. *Politics*, I 2, 1252 b 17 - 18.

15. IDEM, *Politics*, I, 1252 a 1 - 7; IDEM, *Nicomachean Ethics*, I 1, 1094 a 27 - b 7; 2, 1098 a 16 - 18.

16. IDEM, *Politics*, VII, 1, 1323 b - 1324 a.

17. Th. Lewis has noted the necessity, not satisfied by many interpreters, «to recognise the distinction between the household and the polis». Th. LEWIS, Acquisition and Anxiety: Aristotle's case against the Market, *Canadian Journal of Economics*, 11, 1978, No 1, pp. 69-90, at p. 72, n. 6.

18. M. ROSTOVITZ, *Die hellenistische Welt. Gesellschaft und Wirtschaft*, German transl.,



Aristotle alleges the return in one «massvollen, das heisst stationäre Wirtschaft, der Autarkie ohne Überschusse und zu einem reduzierten Handelsvolumen zugunsten einer Ausdehnung der Landwirtschaft»<sup>19</sup>. For this reason, a political stability is required, which can be achieved only with a support of the economically and socially middle-class people<sup>20</sup>. The supreme wealth or supreme poverty undermines the political stability and order. The equilibrium is secured by a well-ordered, skilled, logical, powerful middle class, which will be in a position to achieve the counterbalance of the excessive demands of the extreme sides. Having in view the distribution of the income and wealth in an absolute perfect way to all the classes and the people, with a maximum approach of the geometrical equality<sup>21</sup>, Aristotle is considered with his way of approach, that he is close to the views of the economists of welfare<sup>22</sup>. In particular he said: «Measures must therefore be contrived that may bring about lasting prosperity (τεχναστέον οὖν ὅπως ἂν εὐπορία γένοιτο χρόνιος)»<sup>23</sup>. However, for the existence of the welfare, fundamental presupposition is considered the social or political or economic middleness. The middle is defined not by itself, but in comparison with the specific positions of the human being. This is identified by the total of the objective circumstances as well as by each time space-time frames<sup>24</sup>.

### 1.2 The programme of economic and social policy for the achievement of the welfare.

For the achievement of the welfare, he proposes specific economic and social measures: a. The social division of labour among the citizens guarantees the good order in the polis<sup>25</sup>. Aristotle describes extensively all the necessary occupations in a Polis<sup>26</sup>, which lead to the achievement of *eudaimonia*. b. An optimum relation between the size of population and the income. Aristotle states the principle that if property is to be limited, there must be a corresponding limitation on the increase of population<sup>27</sup> and that the letalone policy must be followed by increased poverty<sup>28</sup>. c. Preference of the system of private property in contrast to

Stuttgart, Kohlhammer, 1995, p. 75; cf. A. BAYONAS, «Η εξέλιξη τῶν πολιτευμάτων στὰ Πολιτικά τοῦ Ἀριστοτέλη», Ἀριστοτελικά, ed. by the Aristoteleian University of Thessalonike, 2300th Anniversary from Aristotle's death, Thessalonike, 1978, pp. 87-110, at pp. 88-90; P. KOSLOWSKI, Haus und Geld: Zur aristotelischen Unterscheidung von Politik, Ökonomik und Chrematistik, *Philosophisches Jahrbuch*, 86, 1979, pp. 60-83. It is also worth noting that Aeneas of Stymphalus, called Tacticus, describes in his work entitled *Περὶ τοῦ πῶς χρή πολιορκουμένων ἀντέχειν*, written at the middle of the fourth century B.C., the financial difficulties of many Greek poleis. Cf. A. WINTERLING, Polisbegriff und Stasistheorie des Aeneas Tacticus: zur Frage der Grenzen der griechischen Polisgesellschaften im 4. Jahrhundert v. Chr., *Historia*, 40, 1991, pp. 193-229; C. BALOGLU, Ἕνας στρατιωτικὸς οἰκονομολόγος ἀπὸ τὴν Ἑλληνικὴ Ἀρχαιότητα, *Στρατιωτικὴ Ἐπιθεώρηση*, July- August 1997, pp. 80-84.

19. P. KOSLOWSKI, Haus und Geld..., *op. cit.*, p. 77.

20. A. BUERGIN, *Zur Soziogenese der Politischen Ökonomie. Wirtschaftsgeschichtliche und dogmenhistorische Betrachtungen*, Marburg, Metropolis, 1996, pp. 122-23.

21. ARISTOTLE, *Politics*, II 2, 1261 a 30-32.

22. Cf. A. KANELLOPOULOS, *Σύγχρονες Οἰκονομικές...*, *op. cit.*, p. 314.

23. ARISTOTLE, *Politics*, VI 5, 1320 a 5.

24. IDEM, *Nichomachean Ethics*, II 1106 b 23-25. Cf. CHR. TEREZIS, Παιδαγωγικές πτυχές τῆς ἠθικῆς καὶ πολιτικῆς φιλοσοφίας τοῦ Ἀριστοτέλη, C. BOUDOURIS (ed.), *Ἡ Ἠθικὴ Φιλοσοφία τῶν Ἑλλήνων*, Athens, 1996, pp. 111 - 128, at p. 122.

25. IDEM, *Politics*, VII 9, 1328 b 24 - 30.

26. IDEM, *Politics*, VII 8, 1328 b 6 - 15; 9, 1321 a 31 - 39.

27. IDEM, *Politics*, II 7, 1266 b 8 - 14; VII 16, 1335 b 22.

28. IDEM, *Politics*, II 6, 1265 b 6 - 12.





communism. In Aristotle's opinion, the present system of private property, if accompanied by a right moral tone and proper laws, combines the advantages of both common and individual ownership<sup>29</sup>. d. The establishment of a right education system will lead people to an equalization of desires. According Aristotle the problem of the inequality of income between the citizens of the *Polis* will be solved by the equalization of desires rather than property<sup>30</sup>; by this procedure the upper classes shall not oppress the poor people and the majority of the people should be in a peaceful situation<sup>31</sup>. e. A specific programme of economic and social policy will achieve the economic well being of all citizens in the *Polis*. The poor will receive money being distributed, and after the need of a little fresh supply, – not just as the leaking pitchers of the Danaides receive water and in a moment need more and more. This kind of help to the poor is wasteful, and what is needed is to aid them to become economically independent<sup>32</sup>. He says the genuine friend of the people<sup>33</sup> will see that the masses are not very poor; for the best assurance of the abiding welfare of the *Polis* is the solid prosperity of the great majority of the population. He therefore advises the rich to contribute money in order to cultivate the poor land or give capital to the poor people to develop business enterprises: «And since this advantageous also for the well-to-do, the proper course is to collect all the proceeds of the revenues into a fund and distribute this in lump sums to the needy, best of all, if one can, in sums large enough for acquiring a small estate, or, failing this, to serve as capital for trade or husbandry»<sup>34</sup>. However, while the advice on the surface, to favor the commons, it is really a prudent suggestion to the upper classes, appealing to their selfish interest to avoid by this method the danger of a discontented proletariat<sup>35</sup>.

The above programme of economic and social policy, which is proposed by Aristotle, is included in the field of the policy of the redistribution of income/wealth, which has been adopted by Welfare Economics<sup>36</sup>. The main difference between Aristotle's proposal and the contemporary procedure lies in the intervention of the State in recent times, whereas in the Classical Times the richer people would play the role of the State. The achievement of all the above measures will lead in welfare of the citizens, which must be the target of each policy-

29: IDEM, *Politics*, II 5, 1263 b 22 - 26, 39 - 41. On Aristotle's views on property see C. DESPOTOPOULOS, Τὸ κοινωνικὸ πρόβλημα κατ' Ἀριστοτέλη, 52nd Year, No 1234, 1. 12. 1978, pp. 1541-48 [reprinted, in: *Επιστημονική Ἐπετηρίς Παντείου Ἀνωτάτης Σχολῆς Πολιτικῶν Ἐπιστημῶν*, Athens, 1981, pp. 93-108; also reprinted, in: D. ANDRIOPOULOS (ed.), *Ἀριστοτέλης. Ἀφιέρωμα στὸν John Anton*, Athens, Pitsilos, 1996, pp. 11-30]; W. MATHIE, Property in the Political Science of Aristotle, A. PAREL & Th. FLANAGAN (eds.), *Theories of Property: Aristotle to the Present*, Waterloo, Ontario, Wilfrid Laurier Univ. Press, 1979, pp. 13-32; R. MAYHEW, Aristotle on Property, *Review of Metaphysics*, 46, 1992-93, pp. 803-831; C. BALOGLOU, *Ἡ οἰκονομικὴ σκέψη...*, *op. cit.*, pp. 297-302; 349-350.

30. IDEM, *Politics* VII, 7, 1266 b 28 - 30.

31. Cf. A. A. TREVER, *A History of Greek Economic Thought*, Diss., Chicago, 1916 [repr. Philadelphia, Porcupine Press, 1975], p. 118.

32. ARISTOTLE, *Politics*, VI, 5, 1320 a 30 - 33.

33. IDEM, *Politics*, VI, 5, 1320 a 33 - 34: «ἀλθινῶς δημοσικόν».

34. IDEM, *Politics*, VI, 5, 1320 a 36 - 40. This advice is based on Isocrates' account of the ways of the rich in Athens in the days of Solon and Cleisthenes. ISOCRATES, *Areopagiticus*, 32. Cf. W. L. NEWMAN, *The Politics of Aristotle. With an Introduction, two prefatory essays and notes critical and explanatory*, vol. IV, Oxford, At the Clarendon Press, 1902, p. 535.

35. ARISTOTLE, *Politics*, VI, 5, 1320 a 36.

36. M. PSALIDOPOULOS, *Οἰκονομικὲς Θεωρίες καὶ Κοινωνικὴ Πολιτικὴ (Economic Theories and Social Policy. The British procedure)*, Athens, Aiolos, 1997<sup>2</sup>, pp. 15-16.



maker. This economic and social policy would satisfy – with the other Greek thinkers of the fourth century<sup>37</sup> – Wilhelm Roscher's (1817-1894) statement: «Die hellenische Volkswirtschaftslehre hat niemals den grossen Fehler begangen, ueber dem Reichthume die Menschen zu vergessen, und ueber der Vermehrung der Menschenzahl, der Wohlstand der Einzelnen gering zu achten»<sup>38</sup>. We want to underline the fact that Aristotle proposes a distribution of the income from the more rich people to the poorer, which will lead to an increase of the welfare of the *polis*. From this point of view, the main target of the Aristotelian theory, the distribution of welfare to the greatest number of citizens, seems to be similar to the most recent views of Pigou's theory of social welfare, which will discuss more extensively herebelow.

**2. Pigou's views on Welfare.** Arthur Cecil Pigou (1877-1959) belongs to the representatives of the so-called «Old School of Welfare Economics»<sup>39</sup>. In 1908 he succeeded A. Marshall (1842-1924) in the Chair of Political Economy at King's College in Cambridge, where he taught until his retirement in 1943.

Pigou's main work entitled *The Economics of Welfare*<sup>40</sup> «photographes», according to M. Blaug, «the Welfare State»<sup>41</sup>. The work was written after the first World War, during the Great Depression and Pigou emphasizes that Economics «is a positive science of what is and tends to be not a normative science of what ought to be»<sup>42</sup>. Generally, it will be guided by practical interests. From this point of view the goal sought is to make more easy practical measures to promote welfare<sup>43</sup>, «practical measures which statesmen may build upon the work of the economist»<sup>44</sup>. From this point of view, we can find a similarity between Aristotle's proposed measures of economic and social policy – being done by a statesman<sup>45</sup> –

37. For an analysis of Aristotle's proposals of economic and social policy compared to other corresponding ideas of the authors of the fourth century – like Xenophon (*Poroi*), Isocrates (*On Peace; Areopagiticus*), Demosthenes, Hyperides – in Athens, see Ch. J. BULLOCK, *Politics, Finance and Consequences. A study of the relations between Politics and Finance in the Ancient World with special reference to the consequences of sound and unsound policies*, Cambridge (Mass.), Harvard Univ. Press, 1939, pp. 155-161; E. Schütrumpf, *Xenophon. Vorschläge zur Beschaffung von Geldmitteln oder Über die Staatseinkünfte*, Darmstadt, Wissenschaftliche Buchgesellschaft, 1982; C. BALOGLU, *Ἡ οἰκονομική...*, *op. cit.*, ch. 10.

38. W. ROSCHER, Ueber das Verhaeltnis der Nationalökonomie zum klassischen Alterthume, *Berichte der historisch-philologischen Klasse der Königl. Sächsischen Gesellschaft der Wissenschaften*, 1849, pp. 115ff. Reprinted, in: W. ROSCHER, *Ansichten der Volkswirtschaft aus dem geschichtlichen Standpunkte*, Leipzig und Heidelberg, Winter, 1861, pp. 3-46, at p. 7 [edition which we are referring].

39. K. J. ARROW & T. SCITOVSKY (eds.), *Readings in Welfare Economics*, London, 1969; P. GEMTOS, *Οἱ Κοινωνικὲς Ἐπιστῆμεις. Μία Εἰσαγωγή*, Athens, 1995, pp. 216-221; L. HOUMANIDIS, *Ἱστορία Οἰκονομικῶν Θεωριῶν*, vol. II, Athens, Sychrone Ekdotike, 1995, ch. 18.

40. A. C. PIGOU, *The Economics of Welfare*, London, Macmillan, 1920, 4th edition 1932 [repr. 1962], an edition to which we are referring.

41. M. BLAUG, *Economic Theory in Retrospect*, London, Heinemann, 1968, p. 307.

42. A. C. PIGOU, *The Economics...*, *op. cit.*, p. 5.

43. Cf. A. KARAYIANNIS, *Ἱστορία Οἰκονομικῆς Μεθοδολογίας*, Athens, Interbooks, 1995, pp. 177-179.

44. C. PIGOU, *op. cit.*, p. 10

45. It is worth-noting that Aristotle expresses in several passages specific hints for a statesman and rhetorician according the administration of the public finance. Cf. ARISTOTLE, *Rhetorica*, I 4; *Politics* V 8, 1308 b 31 - 32; 9, 1306 b 6 - 7; VI 8, 1322 b 30 - 37.





and Pigou's statement. Pigou emphasizes the fact that «economic welfare ... is the subject-matter of economic science»<sup>46</sup> and he declares that his purpose is to study the important reason that effects economic welfare. The elements of welfare are states of consciousness which can be brought under the category of «greater» or «less»<sup>47</sup>. The economic welfare is, according to Pigou, «that part of social welfare that can be brought directly or indirectly into relation with the measuring-rod of money»<sup>48</sup> and is related to the size of the national income or national dividend, as Pigou calls it<sup>49</sup>. Furthermore, the study of the reason that affects on the distribution of income among the citizens will lead to the effects of the economic welfare.

A crucial point of Pigou's thought is that the distribution of income affects the economic welfare. If the national income is not equal divided among the people and the rich classes get proportionally more than the poor, then we shall have despair and obstacles for the achievement of welfare, provided that the purchasing power will be missed by the poor, resulting to the diminishing of production<sup>50</sup>. The change in the distribution of the national income in favour of the poor will bring, to them, a transfer of purchasing power by richer persons. Pigou emphasizes characteristically: «Nevertheless, it is evident that any transference of income from a relatively rich man to a relatively poor man of similar temperament, since it enables more intense wants to be satisfied at the expense of less intense wants, must increase the aggregate sum of satisfaction. The old «law of diminishing utility» thus leads securely to the proposition: Any case which increases the absolute share of real income in the hands of the poor, provided that it does not lead to a contraction in the size of the national dividend from any point of view, will, in general, increase economic welfare»<sup>51</sup>. By this procedure, the size of population should be taken under serious consideration. The beneficial effect on economic welfare by the increase in the real income of the poor will be neutralised by an expansion of population<sup>52</sup>. Therefore Pigou proposes the establishment of agricultural enterprises, of credit and consuming partnerships, whose target will be the relief of the poor<sup>53</sup>.

**3. A comparison between Aristotle and Pigou.** We observe that there is a similarity between Aristotle's proposals in *Politics* VI 5 and Pigou's ideas. Both authors want to increase people's welfare through a distribution of income in favour of the poor people. Aristotle does provide these ideas for the maintenance of the democracy as well. The common point in the procedure of both authors lies in their proposal of the establishment of enterprises, which will allow the employment of the unemployed people, the increase of their purchasing power and the increase of the welfare of the State. A real obstacle for the achievement of welfare is the existence of monopoly. Because of this reason, Pigou places himself against the existence of monopolies<sup>54</sup>. However, we should not forget that Aristotle<sup>55</sup> was the first one

46. A. C. PIGOU, *op. cit.*, p. 11.

47. A. C. PIGOU, *op. cit.*, p. 10.

48. A. C. PIGOU, *op. cit.*, p. 11.

49. A. C. PIGOU, *op. cit.*, pp. 31-33.

50. A. C. PIGOU, *op. cit.*, pp. 82-85.

51. A. C. PIGOU, *op. cit.*, p. 89.

52. A. C. PIGOU, *op. cit.*, pp. 98-102.

53. A. C. PIGOU, *op. cit.*, pp. 15, 209, 318.

54. A. C. PIGOU, *op. cit.*, pp. 106-110. Cf. L. Houmanidis, *Ιστορία Οικονομικών, op. cit.*, pp. 516-518.

55. Cf. ARISTOTLE, *Politics* I 1259 a 7 - 21 (Thales of Miletus); 1259 a 22 - 35 (the Sicilian merchant).



who had recognized that monopoly could create economic benefits and procure income to those who are dealing with monopoly, against the social totality.

**4. Concluding remarks.** Aristotle was not an economist in the contemporary meaning of the term; his purpose was to propose those measures which would secure democracy and bring welfare in the *polis*. He has been influenced by the problems which appeared in Athens, but he also proposed measures for the democratic *polis* as well. Pigou did not mention the constitutional factor by improving his ideas for achieving welfare. He has been influenced by the Great Depression and proposed specific measures for achieving welfare. His procedure seems to have similarities with Aristotle's, because of the distribution of the income from the richer to the poorer people.

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## Ο ΑΡΙΣΤΟΤΕΛΗΣ ΚΑΙ Η ΟΙΚΟΝΟΜΙΚΗ ΤΗΣ ΕΥΗΜΕΡΙΑΣ

### Περίληψη

1. Είναι γνωστόν ότι η Οικονομική της Ευημερίας άρχεται από του Fr. Hutcheson και του J. Bentham υποστηρίζαντος «τὴν μεγαλύτεραν ευτυχίαν διὰ τὸν μεγαλύτερον ἀριθμὸν ἀτόμων», ἂν καὶ περὶ ευημερίας ἀνέκρινεν ὁ Περικλῆς εἰς τὸν «Ἐπιτάφιον» του, καθὼς καὶ ὁ Ἀριστοτέλης εἰς τὴν «Ρητορικὴν» του (Α' 5, 1360 b 5 – 30). Μέσω τοῦ J. S. Mill, μαθητοῦ τοῦ Bentham, ὅστις διέτύπωσεν τὴν ἱεραρχίαν τῶν ὠφελιμοτήτων καὶ τὴν ἐξ αὐτῆς κοινωνικὴν ἁρμονίαν, καὶ τοῦ A. Marshall, ἡ Οἰκονομικὴ τῆς Ευημερίας ἐσυστηματοποιήθη ὑπὸ τοῦ A. C. Pigou (1877-1959), ὅστις εἰς τὸ ἔργον του *The Economics of Welfare* (1920) φωτογραφίζει τὸ «κράτος ευημερίας», μισὸν αἰῶνα πρὶν αὐτὸ καταστεῖ πραγματικότητα.

2. Συμφώνως πρὸς τὸν Ἀγγλὸν οἰκονομολόγον ἡ Οἰκονομικὴ Ἐπιστήμη ναὶ μὲν εἶναι θεωρητικὴ, ἀλλὰ αὐτὴ πρέπει νὰ ἔχῃ ὑπόψιν τὴν πράξιν καὶ νὰ κατευθύνεται ὑπὸ πρακτικοῦ ἐνδιαφέροντος. Διὰ τοῦτο καὶ σκοπὸς εἶναι ἡ παροχὴ μέτρων εὐνοούντων τὴν ευημερίαν, ἥτοι πρακτικῶν μέτρων. Ἡ μὴ δικαία διανομὴ τοῦ εἰσοδήματος δημιουργεῖ ἐμπόδια εἰς τὴν ἐπίτευξιν τῆς ευημερίας. Διὰ τὸν λόγον τοῦτον, συνιστᾶται ἡ ἰδρυσις γεωργικῶν, πιστωτικῶν, καταναλωτικῶν καὶ ἀστικῶν συνεταιρισμῶν πρὸς ἀνακούφισιν τῶν κατωτέρων εἰσοδηματικῶν τάξεων τῶν πόλεων καὶ τῆς ὑπαίθρου. Ἡ ὑπαρξις μονοπωλητῶν δημιουργεῖ ὡσαύτως ἐμπόδια εἰς τὴν ἐπίτευξιν τῆς ευημερίας.

3. Παρομοίας προτάσεις μὲ αὐτὰς τοῦ Pigou προέβαλεν καὶ διέτύπωσεν ὁ Ἀριστοτέλης εἰς τὸ Ζ 5 τῶν *Πολιτικῶν*, ὅστις ὑποδεικνύει συγκεκριμένας προτάσεις διὰ νὰ ἀνακάμψῃ ἡ πόλις τῶν Ἀθηνῶν ἐκ τῆς οἰκονομικῆς ὑφέσεως, εἰς τὴν ὁποίαν ἔχει περιέλθῃ. Αἱ προτάσεις του προσιδιάζουν μὲ τὰς ἀντιστοίχους τοῦ Pigou, ὥστε δικαίως νὰ θεωρεῖται ὡς ἐκ τῶν προδρόμων τῆς Οἰκονομικῆς τῆς Ευημερίας.

