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Exchange in Aristotle's Polis and Adam Smith's Market

Abstract

In *The Politics*, Aristotle, asserting that a polis must display virtue and friendship, advocates that trade must display moderation. However, in *The Wealth of Nations*, Smith's notion of exchange does not respect temperance or liberality. Furthermore, the absence of a natural moderation in owning property and the distortion of the natural use of money do not allow friendship to flourish between individuals in Smith's society. Instead the self-interest and advantage of the individual develops over the good of the community. Thus, Smith's society has the qualities of Aristotle's concept of an alliance, not a polis.

Introduction

Adam Smith's notion of the market is closer to Aristotle's idea of the alliance rather than the polis because in Smith's market, the individual is not prior to the community. The society, described in *Wealth of Nations*, only participates in living, not living well. The absence of a natural moderation in owning property and the distortion of the natural use of money do not allow friendship, a thing that is essential to Aristotle's notion of the polis, to flourish between individuals. In Smith's society, only the self-interest and advantage of the individual develops; Smith's society reveres the individual more than the community. This self-interest perpetrates because of a misunderstanding of the self—a misunderstanding of self care, which is predicated on care for the others and the whole community.

For Aristotle, the individual is only capable of exhibiting the qualities that the community exhibits. To be a true virtuous citizen one must live in a virtuous polis. Therefore, Aristotle states

that “though the city originates for the sake of staying alive, it exists for the sake of living well” (Aristotle, 1252b27). The city accomplishes the task of living and transcends to living well. The city begins with what is natural--survival--and ends with something natural--living well. Since one’s identity is embedded in one’s community, care for oneself is care for one’s community. Therefore, proper exchange must rise out of a care for self and other.

Money and Exchange

Aristotle believed that the origin of money and exchange is grounded in satisfying the self-sufficiency that is necessary for a community. According to Aristotle, virtue is preserved by the city, which moves beyond the necessity of survival to living well, but never departs from its harmony with nature. Proper exchange must uphold these obligations: it must be oriented toward providing goods to citizens so that they might attain self-sufficiency, while staying in accordance with nature. On top of this, people must observe moderation when they initiate in trading, since “self-sufficiency . . . with a view to good life is not unlimited” (Aristotle, 1256b26). In order to participate in the good life we must practice moderation in regards to property; there is a limit to “true wealth” (Aristotle, 1256b26). Furthermore, Aristotle states that property “consist[s] in a store of things necessary for life and useful to the community of city or household” (Aristotle, 1256b26). Therefore, true wealth is possession of what is necessary for survival and not more; it is possession useful to the “community of the city or household” (it must be useful to something greater than the individual who owns it). It is this true wealth that is necessary for the good life: a life in moderation. Although some exchange can be exercised in a moderate manner, some trading is by nature immoderate and against nature. Aristotle calls this type of exchange business.

Business loses touch with what is natural because it has no natural limit in regards to self-sufficiency. In this act of exchange, people trade what they have in surplus for things that they need. In this way, self-sufficiency can easily be attained in the community. As people began trading with foreign entities, money was created because not all objects were easy to carry. Once money was created, trade became “see[ing] from what sources and how to make most profit through the activity of exchange” (Aristotle, 1257a30). Therefore, it was no longer used to ensure self-sufficiency alone. When this happens, it loses touch with nature and hence loses its virtue. This type of exchange is “about money, because money is the element and limit of the exchange” (Aristotle, 1257b17). Aristotle sees this as a distortion of the natural use of money.

Adam Smith’s concept of exchange falls into Aristotle’s category of business. Aristotle, in *The Politics*, characterizes business as an unnatural type of exchange, because “[t]here is no limit to the end of business” (Aristotle, 1257b17). Without establishing a proper end to the amount one acquires, money loses its natural function. One of his examples of this is the practice of usury, which he condones as an unnatural use of money. Aristotle and Smith both believe that money began to be used to make exchange easier. However, they disagree on how money should be used now: Aristotle believes that money should continue to be used only to gain needed objects, while Smith sees no harm in expanding this purpose to include the accumulation of wealth. The example of usury highlights the differences in their views. According to Aristotle, in usury, there is no object of exchange outside of the increase of money itself and thus usury is the ultimate distortion of virtuous exchange. Adam Smith would not see anything more unnatural with usury than any other exchange of money, because Smith’s views exchange as a way to make a profit. This goal of increasing one’s capital is the primary goal of

usury. So for Adam Smith the purpose of usury and exchange are the same and therefore, there is nothing more unnatural about usury than other types of exchange.

In addition to maintaining moderation, Aristotle believes that we own things because ownership instills virtue in us. Ownership invokes us to care for the things that we call our own: “people care about what is their own and less about what is common” (Aristotle, 1261b32). Ownership entrusts us with the opportunity to be virtuous by giving us the chance to practice moderation and liberality. Therefore, ownership must never forget these aims toward which it is oriented. Wealth that does not help one grow in self-control and kindness is not being used for the correct purpose, and therefore violates the purpose for the establishment of the community—to live well. I think that Aristotle’s idea of “care” is central to his concept of proper exchange. His notion of exchange ensures care not only for the individual but for the entire community. This exchange stems from a complete understanding of self-identity as an identity that is embedded in one’s community. Thus, care for oneself advocates care for others and one’s community. Adam Smith does not keep the aim of virtue in mind, when he describes his account of ownership and exchange. The only time that one’s generosity is mentioned is in relation to a man who spends his fortune and a man who is a spendthrift. The man who is more liberal in spending his money is a better asset to society because his money is adding “to the increase of public capital” (Smith, 449), while the frugal man’s money does not stimulate the production of goods. This however seems to miss the concern for the community and virtue of the individual.. For Smith does not care whether a person is being selfish or generous, his primary concern is whether the production is being increased. So the importance of virtue is taken off the individuals; the importance is placed on the continuation of the system of production.

Aristotle believes that all acts have a proper limit that coincides with their end. For example, “the medical art is without limit with respect to being healthy and all arts are without limit with respect to their end . . . but they do have a limit with respect to what is for the sake of the end, because the end is the limit for all of them” (Aristotle, 1257b5). When this idea that the end is the limit is transferred to exchange, we discover that, for Aristotle, the proper exchange’s end is the exchange itself, which must be oriented toward self-sufficiency, as a way to ensure the virtue of the individual and community; however, Smith’s depiction of exchange allows the accumulation of goods and money to be the end, not the use of them. Therefore, the end, in capitalism, is an increase. An increase, however, can never be a proper end, because it can never be reached. An increase, as an infinite limit, and always is a source of immoderation. Marx, in *Communist Manifesto*, critiques this: “[i]n bourgeois society living labour is merely a means to increase accumulated labour. In communist society accumulated labour is but a means to broaden, to enrich, to promote the whole life of the worker” (Marx, 14). The bourgeois society aims at an infinite increase, which distorts the purpose of exchange, as Aristotle sees it. On the other hand, a communist society maintains the proper end of labor that is necessary to keep virtue in tact; labor, living, aims toward living well—a life that is broadened and enriched by one efforts of labor. This intent of enriching the life of the worker corresponds to Aristotle’s desire for a community to live well, not just live. This intention is not present in the outline of exchange that Smith presents.

Friendship in the Polis and the Market

The *Wealth of Nations* begins with this statement: “[t]he greatest improvement in the productive powers of labor . . . seems to have been the effects of the division of labour” (Smith,

109). This assertion declares that the division of labor does not necessarily benefit the whole community, but rather assists the production rates of the community. Adam Smith believes that this division of labor creates the best atmosphere for a city. Each person relies on one another to provide the services that they are not able to provide for themselves. In this way, “the most dissimilar geniuses are of use to one another” (Smith, 121). However, while this relationship of reliance seems to be comparable to that of the bonds of friendship, it is only an appearance of friendship that Aristotle advocates. Aristotle believes that citizens should freely come together to form a polis: “this deliberate choice to come together is friendship” (Aristotle, 1280a31). The reliance that Adam Smith’s division of labor creates does not allow for this deliberate choice to take place; the system forces people together because it is the only way to survive. One must hone a single task to compete for a living wage in the market. The only reason we associate with others is to exchange goods with them to survive or to make a profit. There is no care for the person that we trade with prescribed in Smith’s act of exchange. There is no friendship involved in this interaction. So, although the division of labor gives an image of friendship, there is no actual friendship that binds the community together.

Therefore, Smith’s description of a diverse nation better reflects Aristotle’s definition of an alliance--“an alliance gets its usefulness from its numbers even if they are all of the same kind” (Aristotle, 1261a22). An alliance can function with similar people because, by its nature, the alliance is based on the force the members can administer and not oriented toward working together to form a community. The alliance needs only quantity, not a distinct variation of quality. Furthermore, people do not form an alliance in order “to prevent themselves from being wronged by anyone, nor again for purposes of exchange and mutual utility” (Aristotle, 1280a34). If alliances are not created to gain “mutual utility,” then it appears that they are established for

personal gain. Alliances are predicated on the self-interest of the members and not on their concern for the well-being of the other members. This is significantly different than the purpose of exchange in the city.

The removal of friendship from the community takes away the virtue of labor and distorts the end of labor to something only meant to produce profit, not participate in a community of friends. As Marx criticizes, “[t]he bourgeoisie has stripped the sanctity from all professions” (Marx, 4). The sanctity has been stripped because the professions are no longer oriented toward the community, even though the division of labor is supposed to benefit the overall community. The division of labor is developed only to gain increase and its self-interested aims does not allow friendship to prosper in the society. Aristotle argues against this, “the work of courage is not to produce commodities but boldness” (Aristotle, 1257b40). When people become concerned with always gaining excess of what they need in business, they make commodities the end of their labor when it is not. For example, the end of medicine is health, but those concerned with self-interested gain believe the end of medicine to be wealth. Distorting the end of labor to money, takes the virtue out of labor. Therefore, the nature of Smith’s community ceases to be a community because the members are only interested in living, not living well.

In *Wealth of Nations*, exchange seems to be the reason that we interact with others and the reason we build a society. However, this is not the exchange that gains self-sufficiency, which was the start of Aristotle’s polis, but the exchange that is intended to serve as self-interested gain. For people participate in trade not for the mutual benefit of both parties, but solely for their own benefit: “[i]t is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest” (Smith, 119). This type of trade lacks any opportunity for virtue to flourish because it is based on egotistical

interests. These selfish interests remain in the community that is only living for survival. A society formed on self-interested interactions does not allow its citizens to befriend others. The community, which Smith depicts, does not embrace the friendship that Aristotle thinks is necessary in a virtuous polis. “In civilized society [a person] stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons” (Smith, 118). Humanity relies on others, but they rely on others only so that they may survive. The good qualities that friendship inspires never develop because men and women’s lives barely reach the level of self-sufficiency necessary to progress to a life filled with virtue and friendship.

Adam Smith’s notion of the market does not allow friendship to foster in society. As Marx points out, “[capitalism] has pitilessly severed the motley bonds of feudalism that joined men to their natural superiors, and has left intact no other bond between one man and another than naked self-interest, unfeeling ‘hard cash’” (Marx, 3). In this system of society, the people become means to attaining the ends that others’ desire. There is no regard for one’s neighbor, there is no virtue in this society. There is no polis; only a group of several people, each of whom is uniting with others for their own advantage.

Thus, the real thing becomes the individual, not the community. The private sector allows individuals to become the end to which their actions are aimed, rather than the good of the community. The bourgeois class, a class focused on the individual, arises out of such a society: “the essential condition for the existence and for the rule of the bourgeois class is the accumulation of wealth in the hands of private individuals, the formation and expansion of capital, and the essential condition for capital is wage—labour” (Marx, 12). The combination of the private sector and the system of production in place has formed a society that has no regard

for virtue, the community, or others. The only concern is their own private accumulation of wealth and the continuation of the productive system that earns them their wealth. The other individuals in the community only matter in so far as they provide labor to maintain the system of production. The individuals are dispensable: “[capitalism] has resolved personal worth into exchange-value, and in place of countless attested and hard-won freedoms it has established a single freedom—conscienceless free trade” (Marx, 3). This “conscienceless” free trade is a product of a civilization that has not used trade properly and wandered far from its natural use.

Conclusion

Aristotle asserts that “the virtue of the part must look to the virtue of the whole” (Aristotle, 1260b8). Using this criterion, Smith’s state will never attain virtue because he does not allow virtue to be attained on the individual level. In fact, his society advocates what Aristotle would consider bad: the accumulation of wealth for wealth’s sake and the prioritization of the individual over the community. For he believes that the “whole is necessarily prior to the part” (Aristotle, 1253a18). Without virtuous individuals, there cannot be a virtuous community. In order to build this virtuous community, one must understand the relation between their self and others. Aristotle promulgates that the correct understanding of self will lead to this virtue. The self-interested exchange that is apparent in Smith is not really self-interested at all. Greed is only an appearance of self-interest. For true self-interest is founded in care of not only oneself but others.

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