

DISCUSSION ON SOME NOTIONS IN PLATO'S "REPUBLIC" IN A. SMITH'S "THE WEALTH OF NATIONS"

Dr. Dimitrios Nikolaou Koumparoulis

Professor of Economics,
Monarch Business School,
SWITZERLAND

dr.koumparoulis@ugsm-monarch.com

ABSTRACT

One of the striking facts about the political thought of certain Greek thinkers is that it rests upon what may be truly called an economic interpretation of history. To be sure, the Athenian philosopher's conception of history was imperfect, and by an economic interpretation is not meant a materialistic one; but with these modifications, the statement is broadly true. Witness the following from Plato: "A State, . . . arises, as I conceive, out of the needs of mankind; no one is self-sufficing, but all of us have many wants. . . . Then, as we have many wants, and many persons are needed to supply them, one takes a helper for one purpose and another for another; and when these partners and helpers are gathered together in one habitation the body of inhabitants is termed a State. . . . And they exchange with one another, and one gives, and another receives, under the idea that the exchange will be for their good." The origin of the state, then, is traced to the lack of individual self-sufficiency in the satisfaction of wants, and to the advantage of specialization and exchange. Such reasoning indicates an important step toward the development of economic analysis.

Key words: State, Republic, Wealth of Nations

INTRODUCTION

The Classical School of Political Economy is usually considered to have begun with Adam Smith's *Inquiry into the Nature and Causes of the Wealth of Nations*, in 1776, and to have ended with John Stuart Mill's *Principles of Political Economy with some of their Applications to Social Philosophy*, in 1848 (Roll 1989, Rubin 1989). It is, furthermore, regarded as the source of all modern economic currents of thought, in the sense that all major constitutive notions of the modern schools of economic science originate with the Classical Economists and the debates surrounding the Classical theoretical analyses.

The investigation of any eventual theoretical similarities between ancient Greek thought and Classical Political Economy poses the question of whether the relation between the two systems of thought actually has the character of a somewhat direct influence of the former on the latter, or if the theoretical relevance (if any) occurs independently, as a result of the fact that both theoretical systems of thought are based on converging philosophical premises.

In our opinion, such an investigation must be based upon the cardinal notions of the theoretical system of Political Economy, in order to show its theoretical relation with ancient Greek philosophical, political and economic thought. The partiality of an analysis considering theoretical and philosophical ideas as existing independently of the system of thought in which they operate shall be, thus, avoided.

In this paper we will begin by discussing the different approaches to the problem of Greek influence on Classical Political Economy. We will then consider the distinguishing theoretical features of ancient Greek and Political Economy's approaches to society, economy, social classes and the individual, focusing mostly on the comparison between Plato's Republic and the social philosophy inherent in Classical Political Economy, especially A. Smith's *The Wealth of Nations*. In this

framework we are going to examine the kind of rationality peculiar to the economic individual as well as the rational drive of society, according to Plato and Adam Smith.

1. The different approaches to the problem of Greek influence on Political Economy

The influence of ancient Greek thought on the writings of Classical political economists is more than obvious. Adam Smith, for example, obtained considerable data from Greek literature, not only in his major philosophical work, *The Theory of Moral Sentiments*, but also in his *Wealth of Nations*, the fundamental work of Classical Political Economy.

Smith uses data from Homer to illustrate the early stages of exchange relations and the origin of money (Smith 1981, I.iv.3, p. 38), as well as the origins of political power and of public finance (Smith 1981, V.i.b.16, pp. 717-718). To a much greater extent, he uses the example of the Greek city states in the discussion of particular relevant problems of his time: The question as to whether education should be conducted at the charge of the state or not (Smith 1981, I.x.c.39, pp. 149-150, V.i.f.39-50, pp. 775-782), the comparison between a standing army and a militia (Smith 1981, V.i.a.5-29, pp. 692-702), several questions raised in regard to colonies and colonial policy (Smith 1981, IV.vii.a.1-3, pp. 556-558, IV.vii.b.4-6, pp. 566-567), were problems which Smith attacked with the help of conclusions drawn not only from modern history, but also from ancient Greek history and ancient Greek literature. (See also Scott 1940).

It is also well known that some economic problems have been treated in Greek literature: Aristotle's approach to the exchange process and private property (*The Nicomachean Ethics, Politics*), Xenophon's comments on the division of labour (*Cyropaedia*), as well as Plato's remarks on the same subject (*Republic, Laws, etc.*) are the most famous ancient Greek contributions to economic thought.

The problem that arises is whether ancient Greek contributions shall be regarded as the early formulation of some notions which typically belong to the theoretical system of economic science, (notions, therefore, later to be adopted by Classical Political Economy), or they shall be treated as mere commonplace observations, with very little (and rather coincidental) relevance to modern economic theory. According to the answer given to this question, theorists of economic history and Greek philosophy divide into three distinct trends.

i) Greek economic thought as the beginning of Political Economy

The first current discovers one or more principles of Political Economy in Greek literature, by locating similarities in some formulations of the Classical economists with those of Greek philosophers.

In this context it has been said [Foley (1974 & 1975)] that some formulations of Adam Smith concerning the division of labour depend on the corresponding formulations of Plato.

The division of labour concept in Xenophon, Plato and Adam Smith is also discussed by S. Todd Lowry, who suggests that the hypothesis of an ancient Greek influence and contribution to the concepts of Classical Political Economy is supported by the fact that "Plato clearly understood quantitative efficiency when he recommended the division of labour in the *Republic*" (Lowry 1987, p. 72). He advocates, therefore, in favour of "Charles R. Fay's judgment that both the *Theory of Moral Sentiments* and the *Wealth of Nations* were influenced by the classics" and adds that "William R. Scott's work also supports this thesis" (Lowry 1987, p. 72). The same author has argued in earlier publications that Political Economy's conception of circular flow has its roots in Pythagorean ideas and the Platonic tradition (Lowry 1974), while "the theory of quantitative subjective value was worked out in ancient times in great detail with little reference to exchange or commercial values. A presentation of this abstract analysis is found in Plato's dialogue *Protagoras*" (Lowry 1981, p. 812-813).

ii) Greek economic thought as common-sense description of ancient economy

The second current considers ancient Greek economic thinking as pre-analytic and pre-scientific and claims that although it contains "some penetrating reflections and observations on various economic problems", it cannot approach the fundamental phenomena of contemporary economy, since it reflects "the slave economy of antiquity, just as the writings of the medieval church reflected the feudal economy" (Rubin 1979, p. 14).

This approach to economic history, like the one discussed above, distinguishes Plato and Aristotle, as the major Greek thinkers in the field of economic ideas, but it considers their contribution to be of low analytical value: "In Aristotle we see the first separation and reunion of the positive and the ethical approach to economic process. His is a view of society similar to Plato's (...) It was the ethical form of Aristotle's views which served as the content for medieval theories of exchange: they found their first extension in the theory of 'just price'. It was not until the rise of the classical political economy of the eighteenth century that a positive theory of value was first developed" (Roll 1989, p.35). "Economic analysis is a minor element -a very minor one- in the inheritance that has been left to us by our cultural ancestors, the ancient Greeks (...) In his [Aristotle's] works Platonic glamour is conspicuous by its absence, and that instead we find (...) decorous, pedestrian, slightly mediocre, and more than slightly pompous common sense (...) The essential difference is that an analytic intention, which may be said (in a sense) to have been absent from Plato's mind, was the prime mover of Aristotle's" (Schumpeter 1967, pp. 53-54, 57).

Another version of this approach to the economic thought of ancient Greeks, supported by M.I. Finley, interprets the underdevelopment of Aristotle's economic analysis as intended: Finley, like Schumpeter, bases his argumentation on the distinction "between economic analysis and the observation or description of specific economic activities" (Finley 1978, p. 26), claiming that Xenophon's and Plato's economic ideas always remained descriptive. On the contrary, Aristotle "offered the rudiments of analysis" but he "then becomes doubly troublesome" (Finley 1978, p. 28). The main reason for Aristotle's failure is, according to Finley, the simple fact that he never intended to study economy in the first place; he was mainly interested in ethics and politics.

iii) Aristotle's approach to exchange as origin of the Marxian concept of "abstract labour"

The third approach to ancient Greek economic thought was introduced by Karl Marx in *Capital* and is shared today by a certain Marxist tradition. According to it, Political Economy has as its main object the exchange-value in a capitalist society, i.e. a society of fully developed commodity relations between free individuals (commodity possessors). "In most striking contrast with this accentuation of quantity and exchange-value is the attitude of the writers of classical antiquity, who are exclusively concerned with quality and use-value. (...) If the growth of the quantity produced is occasionally mentioned, this is only done with reference to the greater abundance of use-values. There is not a word alluding to exchange-value, or to the cheapening of commodities" (Marx 1990, pp. 486-488).

Although this argumentation can be regarded as merging with the above described second approach to Greek economic thought, Marx does not only ascribe "analytic intentions" or "rudiments of analysis" to Aristotle, but he regards him as the only thinker before himself who ever stated theoretically the problem of *commensurability of commodities in the exchange process*.

When analysing the value-form of the commodity, Marx writes: "The two peculiarities of the equivalent form we have just developed will become still clearer if we go back to the great investigator who was the first to analyze the value-form, like so many other forms of thought, society and nature. I mean Aristotle (...) The value-relation (...) requires that the house should be qualitatively equated with the bed, and that these things, being distinct to the senses, could not be compared with each other as commensurable magnitudes if they lacked this essential identity" (Marx 1990, p. 150).

As Meikle notes: "Neither Smith nor Ricardo showed any philosophical sensitivity to the problem of commensurability, and neither cites Aristotle's discussion of it. (...) Marx considered this oversight to be the principal weakness in classical political economy. Following Aristotle, he noted the incommensurability of products as natural objects or use-values, and following out the logic of Aristotle's argument, he also noted the incommensurability of the natural labours that produce them (...) Just as products (as subjects of systematic exchange) bore two distinct and quite different natures, use-value and exchange-value, so the labours that produced them bore the same two natures, which Marx distinguished as 'useful labour' and 'abstract, simple and homogeneous labour'" (Meikle 1991, pp.174-175).¹

Marx considers therefore Aristotle's formulation of the exchange problem as theoretically compatible with his labour theory of value. He does not regard, though, Aristotle's analysis as the beginning of the labour theory of value, since the Greek philosopher did not solve the problem he stated: The lack of the concept of human equality in ancient Greek society impeded him, according to Marx, to reach to the notion of homogeneous human labour (see Marx 1990, Chap. 1.3, p. 152).

2. Methodological problems in the approaches to Greek economic thought

Our discussion of the relation between ancient Greek thought and Classical Political Economy will not consider the third approach presented in the previous section of the paper, i.e. the Marxian (or any other) approach to Aristotle's theory of exchange. We are going to restrict our discussion only to Classical Political Economy (to which Marxian analysis does not belong) on the one hand, and Plato's *Republic* (where significant ideas concerning some economic phenomena are to be found) on the other.

As a first step of our analysis, we think it necessary to stress at this point some methodological problems, which seem to us to be inherent in the first two approaches.

i) The approach of *Greek economic thought as the beginning of Political Economy*, is in our opinion characterized by a theoretical partiality and selectivity. Nobody may disagree that formulations like the following: "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 ..." (Plato, *Republic*, 369E-370) are similar in form and meaning with some formulations of Adam Smith and other representatives of the Classical school of Political Economy.

The real theoretical problem is not, though, to detect such similarities, but to give an insight of the Greek (Platonic) and Political Economy's (Smithian) notion of the division of labour, as well as to investigate in which *theoretical conception of society and economy* each version of the division-of-labour notion is incorporated. Only the answer to these questions will enable us to understand whether we have to do with theoretically compatible concepts, and, consequently, whether ancient Greek thought shall be regarded as the beginning of Economic Science. We will deal with this problem in sections (3) & (4) of the paper.

ii) The approach of Greek economic thought as common-sense description of ancient economy suffers also, to our opinion, from a form of one-sided prejudice, even if one shares the main postulate of this approach, namely that ancient Greek thought does not contain any kind of coherent theoretical analysis. This approach ignores, or possibly underestimates, the importance and the influence of Greek literature on the philosophical roots of Classical Political Economy. In other words, the eventual fact that ancient Greek thought does not contain anything more than fragments of an economic theoretical

¹ In a striking different way J. Soudek evaluates Aristotle's theory of exchange: <<Aristotle's theory of exchange is of the type of pre-"marginal" utility theory. In spirit, if not in form, it belongs to the tradition of French utility theory of the late eighteenth century. Its counterparts in modern times are the theories of Contillac, Turgot and Say. Yet many influential interpreters (...), saw in it an unsatisfactorily developed labour theory of value, if it is merited the status of a "theory" at all>> (Soudek 1952, p. 64). Soudek's analysis shall be therefore classified to the approach conceiving Greek economic thought as the beginning of (utilitarian) Political Economy.

analysis, does not necessarily mean that it has not influenced indirectly (that is in a philosophical-epistemological sense) the formulation of the notions of Classical Political Economy.

This current fails to posit the following question: Why is Greek literature of importance for the work of Adam Smith, the other representatives of the Classical school of Political Economy, or even Marx? We will survey this subject in section (5) of the paper.

3. The Concept of Division of Labour in Plato and A. Smith

As stated above, division of labour appears to be the par excellence concept which connects Plato's *Republic* with Political Economy.

If we investigate the notion of the division of labour under the point of view posed in section (2), we may find enough evidence supporting the thesis about the theoretical incompatibility between Greek

First of all, Plato considers division of labour as the outcome of two basic principles: 1) Every person has many needs and is not self-sufficient (*Rep.* 369b); 2) people are different by nature: "our several natures are not all alike but different. One man is naturally fitted for one task, and another for another" (*Rep.*, 370B). That means that different people have different talents with regard to work. Certainly, the main natural differences of people correspond to the three different parts of the human soul (appetite, spirit, reason) and consequently reflect on the three classes of the city (economic class, auxiliaries, rulers). When later (book IV) Plato says that everybody has to do his own things ("τα εαυτού πράττειν"), this does not mean that every man is free to do what he wants (or likes) to do, but that he is obliged to fit to the class and do the job that is appropriate to his nature.² This means that a) Plato's economic man is an expert artisan, and therefore the division of labour regards different arts or crafts that produce a concrete product and not routines that are parts of the productive chain of an art; b) in this sense, different people do qualitatively different labour. Labour is not homogeneous, for Plato. There is no unskilled worker for him.

It is therefore clear that economic (for instance utilitarian³) individualism is alien to the Platonic notions of justice and political hierarchy of the social stands or classes (according to the part of human soul that predominates in each one of these classes). The Platonic individuals (like the different forms of human labour) are not "commensurable" with one other, they cannot be reduced to one and the same form of human nature.⁴ That is the reason why Platonic theory cannot constitute the basis neither of an institutionally (i.e. typically) non-hierarchical society ("all citizens are equal"), nor of a value theory.

Adam Smith's conception of the immanent regularities governing the division of labour is strikingly diverse. First of all, he has the opposite approach to Plato with regard to the relation between human nature and the division of labour. If we suppose that Smith adopted Plato's idea about the economic significance of the division of labour (an idea which is though common in all economists before Smith, for instance Petty, Quesnay, Turgot ...), we have also to accept that Smith turned upside-down Plato's conceptual structure, since he regards the "natural talents" of different people to be "not the

² See also Annas (1981), p. 74-75.

³ According to the basic principle of utilitarian individualism, on which the theory of subjective value and the Utilitarian School of Political Economy is based, all persons are identical with regard to their Goal (the search for happiness) and Nature. Besides, the individual goals or motives are the only ones originally existing. This means that happiness of the society and social interest are secondary, produced magnitudes, occurring as the mechanical sum of their constituents, namely the happiness or the interests of the individuals belonging to the given society.

⁴ " (...) do you suppose that constitutions spring (...) from the characters of the citizens (...)?" "They could not possibly come from any other source," he said. "Then if the forms of government are five, the patterns of individual souls must be five also." "Surely." "Now we have already described the man corresponding to aristocracy or the government of the best, whom we aver to be the truly good and just man." (...) "Must we not, then, next after this, survey the inferior types (...)" (Plato, *Republic*, 544D-545B).

cause, as the effect of the division of labour".⁵ For him, the cause of the division of labour is man's "disposition to truck, barter and exchange".⁶

Smith himself was aware of the fact that the division of labour acquires its fully developed form only in a society with fully developed market relations⁷ and therefore he "is careful to point out that Division of Labour had not proceeded very far [in ancient Greece]" (Scott 1940, p. 96).

Last but not least, Smith advocates for a division of labour which enables the maximum possible mobility of the work-force, while Plato supports, as indicated, the idea of stable life-time occupations.⁸

We see, therefore, that a striking theoretical diversion is hidden behind the phenomenal convergence of Plato's and Smith's formulations with respect to the division of labour: for Smith the division of labour is the cause that explains human capacity, for Plato the opposite is valid.

Plato regards individuals as having different natures, and from this assumption he derives his division of labour. Smith regards one single human nature; that of a "trader" (reflected in man's "disposition to truck, barter and exchange"), and from this point he concludes to a kind of division of labour going much further than Plato's artisans, to the concrete routines of a manufacturing production process. It is a division of labour concept which leads to homogeneous labour and a quantitative approach to economy.

Our theoretical comparison of the Smithian notion of division of labour with the phenomenally similar Platonian notion, allowed us, therefore, to detect the incompatibility between the two theoretical systems under discussion. This theoretical diversity does not only refer to the notion examined, but reflects a major theoretical diversity in the way each system of thought conceives social process in general; i.e. society, economy, social classes, etc. Furthermore, this incompatibility between ancient Greek and Political Economy's theoretical conceptions, (which can be ascribed to each society's specific structural characteristics), can also explain the fact, which was pointed out by Finley (1974), that the Ancients deal with ethics and politics and not with economics in the first place. We will discuss further these subjects in section (4) of this paper.

4. Political Society and Economy

The system of thought established by Classical Political Economy differentiates from ancient Greek thought, mainly in the way it conceives economy, and, consequently, society as a whole.

Society, according to the concepts of Classical Economic School, is "based" on economy. In other words, economy possesses the theoretical priority, in the sense that it is conceived as the social "level" which determines social structure as a whole, as well as social evolution: Social classes are regarded to be the outcome of economic reproduction; they are defined, in the first instance, according to their specific form of revenue: Individuals are either workers (wage earners), or capitalists (profit earners), or rentners (rent earners). "The produce of the earth -all that is derived from its surface by the united application of labour, machinery, and capital, is divided among three classes of the community;

⁵ "The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when growing up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour" (Smith 1981, I.ii.4, p. 28).

⁶ "As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful" (Smith 1981, I.ii.5, p. 28).

⁷ Smith entitles the third chapter of his "An Inquiry ..." as follows: "That the Division of Labour is limited by the Extent of the Market" (Smith 1981, I.iii.1, p. 31).

⁸ Smith entitles the third chapter of his "An Inquiry ..." as follows: "That the Division of Labour is limited by the Extent of the Market" (Smith 1981, I.iii.1, p. 31).

namely, the proprietor of the land, the owner of the stock or capital for its cultivation, and the labourers by whose industry it is cultivated" (D. Ricardo, 1951, p. 5).

Furthermore, Political Economy's approach to society leads necessarily to the thesis that economy determines also the form of the political "level" of society, that is the form of the state and the government. The economic development opens the way to material progress and prosperity, but also to the regime of political "liberty and justice", regardless of the initial ("ancient") political forms, which may deviate from "liberty and justice": "Mr. Quesnai (...) seems to have imagined that it [the political body] would thrive and prosper only under a certain precise regimen, the exact regimen of perfect liberty and perfect justice. He seems not to have considered that in the political body, the natural effort which every man is continually making to better his own condition, is a principle of preservation capable of preserving and correcting (...) the bad effects of a political oeconomy, in some degree both partial and oppressive. Such a political oeconomy, though it no doubt retards more or less, is not always capable of stopping altogether the natural progress of a nation towards wealth and prosperity, and still less of making it go backwards. If a nation could not prosper without the enjoyment of perfect liberty and perfect justice, there is not in the world a nation which could ever have prospered" (Smith 1981, IV.ix.28, p. 674).

For Political Economy's system of thought, economic forces shall be considered stronger than any political obstacles. Methodologically, this also means that Economy (the economic "level" of society) can be studied independently of its political and legal environment (although that the effects on the economy of this political and legal environment shall be always considered). This idea of A. Smith, which is absolutely alien to ancient Greek thought, declares, for the first time, Political Economy as an *independent theoretical discipline*.

The individual is thus conceived as homo oeconomicus, precisely because society is conceived as being constructed and as developing in accordance to the economic laws.⁹

On the contrary, in Greek thought the society's structure is determined mainly by its political institutions and forms, although the economic factor often plays a great role in the division of classes (eg. the classes which occurred from the reform of Solon in Athens). This means that political institutions and Politics possess the theoretical priority, they constitute the par excellence object of analysis.

This system of thought tends, therefore, to identify society with the political body. It is, thus, alien to any approach which would conceive the political forms as an outcome, or a "superstructure" built over the economy. That is why the "science of government" constitutes, according to Plato, the only non-particular science, which deals with the city as a whole (Rep. 428D-E), whereas a city governed primarily by the material necessities of human life (that is governed by economic needs -"the economy") is considered as the most primitive and unstable form of society: "First of all, then, let us consider what will be the manner of life of men thus provided. Will they not make bread and wine and garments and shoes? And they will build themselves houses and carry on their work in summer (...) and in winter (...) And for their nourishment they will provide meal from their barley and flour from their wheat, and kneading and cooking these they will serve noble cakes and loaves (...) they will feast with their children (...) garlanded and singing hymns to the gods in pleasant fellowship, not begetting offspring beyond their means lest they fall into poverty or war (...) If you were founding a city of pigs, Socrates, what other fodder than this would you provide?" (Rep. 372A-D). This first city just described is being conceived entirely in material terms, as a community devoted solely to production and consumption. Men not only are induced by their economic needs to co-operate with one another, but they do so selfishly (Rep. 369c10). However, Plato's first city is a very provisional and unstable form of society and is soon transformed into the second luxurious (or unhealthy) city, due to an

⁹ This line of argumentation was further developed by David Ricardo: "To determine the laws which regulate (...) distribution, is the principal problem in Political Economy" (Ricardo 1951, p. 5).

increase in population and the economic needs.¹⁰ Plato's ideal city is the product of a purging process in the luxurious city.

The Political Society in Plato's ideal city predominates over the individual (and the different classes), in effect determining the degree of freedom ascribed to the individual: "The law is not concerned with the special happiness of any class in the state, but is trying to produce this condition in the city as a whole, harmonizing and adapting the citizens to one another by persuasion and compulsion, and requiring them to impart to one another any benefit which they are severally able to bestow upon the community, and that it itself creates such men in the state, not that it may allow each to take what course pleases him, but with a view to using them for the binding together of the commonwealth" (Rep. 519E-520A).¹¹

We may then conclude, that Political Economy's main theoretical premises constitute an antipode to exactly this major Platonian conception: To allow each individual "to take what course pleases him" is regarded by all representatives of the Classical School of Political Economy as a constitutive element of "the regimen of perfect liberty and perfect justice". The following citation from Adam Smith's *The Wealth of Nations* fully illustrates the point stated here: "The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which publick and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration" (Smith 1981, II.iii.31 p. 343).

Let us formulate our point in another way: According to Smith, the inherently motivated effort of every individual to better his (her) economic position, betters the society; the happiness of the individual (or of each class) is the presupposition for the happiness of the community. To formulate this thesis, Smith had to reject Plato's conception of a politically determined social hierarchy, which is strictly structured,¹² and which positions the "one who is by nature an artisan or some kind of money maker tempted and incited by wealth" (Rep., 434B) at the lowest social level. Contrariwise, "one who is by nature some kind of money maker" is, according to Political Economy's conception, the typical free individual of society, whereas to be "tempted and incited by wealth" is considered as the par excellence motive of "rational behaviour".

Regarding now the rational element in the society, we can find striking differences between A. Smith and Plato. According to Smith, every person involved in the economic processes of the society and promoting his (her) own interest is an agent of rationality. The sum of all these economic acts (choises) of all people in a society creates a dynamic harmony in the economy, which is determined by certain *economic laws*. As A. Smith writes: "Every individual *necessarily* labours to render the annual revenue of the society as great as he can. He generally, indeed, *neither intends* to promote the publick interest, *nor knows* how much he is promoting it (...) he intends his own gain, and he is in this, as in many other cases, *led by an invisible hand to promote an end* which was no part of his intention" (Smith 1981, IV.ii.9 p. 456, underlined by us, J.M./V.K.).

¹⁰ We do not believe that Plato thought of the first city as a historical form of society which really existed. Cross and Woosley (1969, p. 80) believe that 'Plato is offering here a basic account of what has since been called Economic man -an account which in certain respects anticipates that given by A. Smith'.

¹¹ This thesis about the subordination of the individual to the public interest (which is defined independently of the individual interests, on the social level) appears repeatedly in the Republic, since it constitutes one of Plato's major ideas: "Consider, then, whether our aim in establishing the guardians is the greatest possible happiness among them or whether that is something we must see develop in the city as a whole, but these helpers and guardians are to be constrained and persuaded to do what will make them the best craftsmen in their own work, and similarly all the rest. And so, as the entire city develops and is ordered well, each class is to be left to the share of happiness that its nature comports" (Plato, 421C). In this way the class of rulers guarantees the unity of the city.

¹² "The proper functioning of the money-making class, the helpers and the guardians, each doing its own work in the state (...) would be justice and would render the city just" (Rep., 434C). "We are searching for justice, a thing more precious than much fine gold" (Rep., 337A).

There is, therefore, in Smith an objective or intersubjective rationality that leads the society to a certain direction. This propensity is stronger and more determinative than the political factor.

On the other hand, in Plato we find a rather static harmony and equilibrium, in his ideal city, which is due not to the (rational) economic acts of his economic class, but to the class of philosophers-rulers, whose soul is dominated by its rational element. The soul of the people of the economic class is dominated by its appetitive element. In this way a community constituted only by working people is unstable, since the opposite individual interests will lead to a mess and chaos. Such a society can exist only temporarily, and is considered to be a primitive social condition, governed by the basic economic needs (like Plato's first city).

However, the person of Plato's economic class is not irrational. Although it is the appetitive element of his soul that dominates, this economic person is guided by a kind of rationality in order to make the correct economic choices regarding his job. This "rationality", though, is restricted only to his own work and is not extended to public affairs.¹³

The harmony, stability and unity of the city is guaranteed by the class of rulers which is guided by the rational element of the soul of its members. The rulers are therefore able to incorporate the appropriate knowledge and conceive the good of

the city as a whole. Contrariwise, in Smith the "invisible hand" that leads the society has nothing to do with the knowledge that some people may have about the laws of the economy.

We see, therefore, that *with respect to the conception of economy and society*, the two systems of thought examined in this paper are theoretically incompatible. Plato shall not be thus considered as the beginning of Political Economy.

The theoretical incompatibility of Political Economy's conception of society with that of ancient Greek philosophy not only leads to the diversing contents of some notions which appear in both systems of thought (division of labour, utility), but also explains Plato's many aversions to aspects of economic activity.¹⁴

As Max Weber (1947) argues, the theoretical incompatibility between ancient Greek philosophy and Political Economy shall be ascribed to the different economic and political structures of the societies in which each system of thought was formulated: "The middle-age city knows nothing of a *Demos*, like that of Attica, which was conditioned purely by political power, and enjoyed civic compensation and rent distribution (...) The political situation of the middle-age citizen showed him the way to be a *homo oeconomicus*, while in the ancient age the *Polis* preserved, in the period of its prime, its character of a military-technical defence union: The ancient citizen was *homo politicus*" (Weber 1947, pp. 584, 592).¹⁵

5. The Epistemological Relevance: the Phenomena and their "Essence"

As stated in section (3) of this paper, an investigation of the theoretical relevance between ancient Greek philosophy and Classical Political Economy must also take into consideration the influence of Greek philosophy on the philosophical roots and the epistemological presuppositions of Political

¹³ See also Cross and Woosley (1964), p. 123-24; Annas (1981), p. 131; Klosko (1986), p. 108-9. Another kind of rationality inherent in all three classes is, according to Plato's model, their ability to recognize and accept their specific position in society.

¹⁴ Plato advocates abolishing private property of the guardians (*Republic*, 464B), considers "wealth and poverty" as causes which corrupt craftsmen (*Republic*, 421D), rejects interest levying upon loans (*Laws*, 742C) etc.

¹⁵ Certain aspects of Greek economic life contained elements (commodity and wage forms) similar to those of the free market economy (Mueller 1971). In this way the "exception" of Aristotle's theory of exchange (which shall be regarded as the first scientific formulation -in the Political Economy's meaning of the word- of the problem of exchange) can be explained.

Economy. In fact, Political Economy is always connected with a philosophical as well as a sociological conception of science (and society).

It is first of all obvious, that Political Economy, as well as every other social science, owes to Greek Philosophy the conception of Man as the Subject of History and of all Social Process: This anthropological philosophical conception, being the antipode to all kinds of theological approaches, connects ancient Greek thought with the enlightenment and modern age, leaving aside the thought of the middle ages. In this manner, ancient Greek philosophy shall be regarded as a major contribution to the formation of the epistemological presuppositions of Political Economy.

Moreover, we can identify a much more particular epistemological influence of ancient Greek and more specifically of the Platonic philosophy on Classical Political Economy: namely the conception that (economic) phenomena possess an inherent, law-determined regularity (a concept also shared by the natural sciences), which, though, does not appear to the direct observation of the agents of production, but constitutes the hidden causal core, the "essence" of the directly observable phenomena. The aim of science is, therefore, to reveal this hidden "essence" of observable processes.

This major epistemological conception, about the distinction between the appearance and the hidden essence of processes, leads Smith and the other representatives of the Classical School of Political Economy to formulate an *objective theory of value* (the theory of labour-value) and to reject all pre-existing concepts of a subjective utility theory.¹⁶ The labour-value is the law-determined regularity which is hidden behind (and governs) the directly observable exchange patterns of useful things.

Smith uses the adjective "natural" to denote either that a situation corresponds to the "natural right" of the individual, i.e. to the "obvious and simple system of natural liberty" (Smith 1981, IV.ix.51 p. 687), or that an economic phenomenon is governed by a law-determined regularity, which exists independently of the will or the knowledge of the participants to economic life: natural price, natural wage, natural profit, natural rent etc. (see Smith 1981, I.vii, pp. 72-81).

In its second, purely descriptive (i.e. non-normative) meaning, the notion "natural" refers also to a distinction between the directly observable and the "invisible-essential" side of economic processes, as indicated by the famous notion of the "invisible hand", cited above.

This theoretical conception of a necessary distinction between the observable phenomena and their "invisible", unaltered "essence" is a central feature of Plato's philosophy, connected with his theory of Forms. His epistemological and ontological theories are to be found in the middle books of his Republic (V, VI, VII).

Plato distinguishes in his Republic the "true nature" of a thing from its "phantasms" (516B) or images and declares the intelligible to be "the authentic source of truth and reason" (517C). In contrast to the intelligible, which provides knowledge of the essence of things, in most cases "the sensation yields nothing that can be trusted" (523B).

In this theoretical framework, Plato concludes that the knowledge provided by mere observation, or by participation to economic life differs qualitatively from the "true" knowledge earned by intellect: "We should induce those who are to share the highest functions of state to enter upon the study of calculation and take hold of it, not as amateurs, but to follow it up until they attain pure thought, not for the purpose of buying and selling (...) but (...) for facilitating the conversion of the soul itself from

¹⁶ Nicholas Barbon in his A discourse of Trade (London 1690), was the first to formulate a subjective utility approach: "The Value of all Wares arise from their Use; Things of no Use have no Value (...) To supply these two Necessities [the Wants of the Body and the Wants of the Mind], all things under the Sun become useful and therefore have a Value" (cited by Rubin 1989, p. 382). D. Ricardo formulated the most thorough critique to the theory of subjective utility, on behalf of the objective labour-value approach of the Classical School: "When I give 2,000 times more cloth for a pound of gold than I give for a pound of iron, does it prove that I attach 2,000 times more utility to gold than I do to iron? certainly not; it proves only (...) that the cost of production of gold is 2,000 times greater than the cost of production of iron (...) If the utility were the measure of value, it is probable I should give more for the iron" (Ricardo 1951, p. 283).

the world of generation to essence and truth" (*Rep.*, 525C). A study "is suitable" (i.e. scientific) "if it compels the soul to contemplate essence" (*Rep.*, 526E). This kind of study "deals with being and the invisible".¹⁷ On the contrary, "if anyone tries to learn about the things of sense (...) I would never say that he really learns -for nothing of the kind admits to true knowledge" (*Rep.*, 529B).

Plato gives "the name dialectician to the man who is able to exact an account of the essence of each thing" (534B), and affirms that dialectics has to confront with "all perceptions of sense".¹⁸

As it can be concluded from the above discussion, we consider this Platonic concept of the (invisible) essence of phenomena to be a cardinal epistemological thesis. This idea, influenced the new scientific revolution starting with Galileo, Kepler and others, who accepted that behind the natural processes there are regularities and laws that can be expressed mathematically. Smith formulated his theory of objective labour-value in this theoretical framework and, as discussed above, seems also to have been influenced by it.

REFERENCES

- Adam, J. (1902): *The Republic of Plato*, Cambridge U.P.
- Annas, J. (1981): *An Introduction to Plato's Republic*, Oxford U.P.
- Cross, R.C. and Woosley, A.D. (1964): *Plato's Republic: A Philosophical Commentary*, Macmillan.
- Finley, M.I. (1978): "Aristotle and Economic Analysis", in: *Studies in Ancient Society*, edited by M.I. Finley, Routledge and Kegan Paul, London.
- Foley, V. (1974): "The division of Labor in Plato and Smith", in: *History of Political Economy*, Vol. 6, Duke University Press.
- Foley, V. (1975): "Smith and the Greeks: a Reply to Professor McNulty's Comments", in: *HOPE*, Vol. 7, No 3.
- Klosko, G (1986): *The Development of Plato's Political Theory*, Methuen, London.
- Lowry, T.S. (1974): "The Archeology of the Circulation Concept in Economic Theory", in: *Journal of the History of Ideas*, Vol. 3

¹⁷ Compare the following formulation by Karl Marx: "All science would be superfluous if the form of appearance of things directly coincided with their essence" (Marx 1991, p. 956).

¹⁸ "When anyone by dialectics attempts through discourse of reason and apart from all perceptions of sense to find his way to the very essence of each thing (...) he arrives at the limit of the intelligible" (*Rep.*, 532B).