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## Smart Economy or Changing Structures – Reasoning for Taking Responsibility in Policy Making

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# ***Akıllı İktisat ya da Yapısal Dönüşüm- Politika Oluşturmada Sorumluluk Almanın Mantığı \****

## **ÖZET**

Elinizdeki metin son dönemlerde iktisat üzerine yürütülen iki farklı tartışmaya atıfta bulunmaktadır. Bunlardan birincisi Sen, Stiglitz gibi iktisatçılar ve Nussbaum gibi filozoflarca gündeme getirilen ve genel olarak iktisat bilimi üzerine yapılan daha kapsamlı tartışmalar; diğeri ise büyük küresel ekonomik krizin yükselişi bağlamında gündeme gelen tartışmalardır. Bu tartışmalarda ahlak ve erdem temelli bir çok yeni yönelim arayışı ile karşılaşmaktayız. Aristotelese yapılan atıflarla birlikte düşünüldüğünde bu durum bizde bir tür Rönesans yaşadığımız hissini uyandırıyor.

Elinizdeki metin, yazarın son dönemde yaptığı çalışmalar temelinde bu tür yönelimleri eleştirmektedir. Bu eleştiride temel dayanaklarımız (a) Erdemler aslında belirli grupların belirgin biçimde dışlanmasına dayanmaktadır ve bu yönüyle son derece çelişkili ve sosyal açıdan problemlidirler (b) durumun daha kapsamlı bir değerlendirmesi temelinde ve 'değerler' ötesine geçilerek bakıldığında güncel iddiaların böyle kapsamlı ve geniş bir kavrayıştan yoksun oldukları görülmektedir.

**Anahtar Kelimeler:** iktisat, politik iktisat, politik-iktisadi kriz, ahlaki iktisat, ahlaki kriz, antik iktisat

## ***Smart Economy or Changing Structures – Reasoning for Taking Responsibility in Policy Making\****

### **ABSTRACT**

The present text makes reference to recent debates - on the one hand the general debates on a wider understanding of economics as they are brought forward by economists as Sen, Stiglitz but as well by philosophers as Nussbaum and others; on the other hand debates as they arose in the context of the recent manifestation of the major global economic crisis. In many ways we find quests for a moral and virtue-based reorientation, and by making this claim we find a kind of Renaissance, for instance by references to Aristotle.

The present text, going back to various recent research by the author, criticises such orientations, claiming that (a) in many cases the virtues are actually depending on a manifest exclusion of certain groups, being with this highly contradictory and this socially problematic and (b) and depending on a wider understanding of the context, thus going much beyond 'values' - today's reclaims lack the understanding of such wider understanding.

**Key words:** economy, political economy, political-economic crisis, moral economy, moral crisis, ancient economy

\* For Helen D. who saw herself forced to find a different answer to the challenges of a society that treats virtues with contempt, knowing responsibility only as matter of respecting structural borders and limits.

## Introduction

About 150 years ago Marx and Engels saw a spectre haunting Europe, the spectre of a radical and elementary change – based on a not less radical and elementary analysis: radical meaning going at the roots of the problems of the society they lived in and elementary meaning that they started by looking at the elements, the elementary forms of the new society as they had been given in the contemporary formation.

Today, not only after the manifestation of the crisis, we reached apparently a comparable stage of societal development though the spectre haunting Europe is in most of the discussions tamed, downsized to a spirit, still caught in the bottle of drunkenness of the experienced shock: a timid genius, smartly emerging from a vague insecurity about the current situation and hoping for a spiritual shift with corresponding virtues rather than orienting on elementary changes.

This is a matter that still fits well into the debate arising around the millennium change – a general fear of the end of the world, which in its restrained form took the steadfast conviction of an end of history. But such notion is not much more than a frantic attempt to give the general apocalyptic mood a positive semblance.

However, questions and interrogator remained alert: Will hoping for the release of a beneficent genius bring the much needed change? Moreover, does such genius actually exist and is it even possible?

## Challenges for Political and Academic Debates: On a Moral and Morally-Regulated Economy?

In concrete terms, such notions pose important questions for the political process – they challenge the system, not least by calling individuals legally to account those: people who had been in different ways personally responsible, causing by their behaviour developments as the crash of financial institutions, offering on the ‘free market’ investment opportunities that had been prone to fail in disastrous ways, pushing individuals and systems alike into more than precarious situations.

We see respective debates in different form: the general critique and scepticism towards the state, its institutions and representatives, expressed in different and contradicting options

- opposition and search for a larger superpower versus retreat from the large political narrative and emerging thrust that only communities can provide security and answers;
- calls for strict regulative systems to control perpetrators and their implementation as means of securing individual and social accountability versus the hope for governance structures as open methods of regulation and implementation, providing democratic means of politics;
- concrete demands to prosecute the offenders versus the search for structural changes as individuals are not more than puppets of the systemic – objective and subjective – structures;
- in academic debates the stance for smart economies and smart societies pursued versus advocating technocratic solutions.

– All this and more is already part of concrete debates of attac, the network of people who are from various position critical towards globalisation (<http://www.attac.org/>; <http://www.attac-netzwerk.de/index.php?id=238>). During a meeting of the academic council (<http://www.attac-netzwerk.de/das-netzwerk/wissenschaftlicher-beirat/aktuelles/>) in November (<http://www.attac-netzwerk.de/das-netzwerk/wissenschaftlicher-beirat/aktuelles/>) this is an issue, asking for a more open confrontation of and discussion between these different positions.

## A Framework for Thinking About Moral Standards – Root of Current Debates in Aristotle

Still, having said all this, I am just wondering if much of this debate is just me and a matter that moves people of my age – a kind of intellectual midlife-crisis: getting older, looking for something which I didn't find or I do not see, or that I have lost ... –just reading again Aristotle. And I am

wondering: isn't all this a complaint that we can find for a long, long time, sometimes more pronounced, sometimes less. Also in painting, poetry, ...: the different streams and styles ... Extreme outward oriented, extroverted – and then again the other way: introverted, retreating, not knowing the world and not wanting to know it: reducing the world on feelings, emotions ...

Already Aristotle pointed on the one hand on the fact that human beings strive for the good –he links this to pleasure, suggesting a close link between pleasure and the development of virtue. On the other hand, however, he frequently points out that pain has to be employed as means of education – in order to avoid a drifting-off of individuals towards things that are not 'good', virtues. Such principle – employing pleasure and pain as means of paideia – is cum grano salis also relevant as principle on the political level, the polis requiring according to Aristotle to be well ordered by nomos – the law. Such taxis requires in his eyes 'good regulation', be it written or not. All these terms and concepts are not truly defined and gaining an understanding is only possibly by referring to – not less vague moments – 'equity and justice', paideia, personal wealth (not as material wealth) and sufficiency of resources for an autarkic existence. A fundamental problem is clear when Aristotle says that he has little hope in logoi, i.e. reasoning and arguing. Necessary are law; certain intelligence; a right system; and adequate sanctions, all this pointing – at least for the masses – on a system based on fear.

This is of special importance as Aristotle does actually frequently complain about some forms of degeneration. And he does so in particular with some vague elaborations on changes of the socio-economic system: the increasing prevalence of 'things necessary and useful' over the things that should actually be the final aim of any action: 'the good and the noble' (*ascholē*, i.e. business/occupation gaining prevalence over *schoolē*, i.e. leisure) – this will be briefly addressed later.

Not more than a general lament then?

–Of course, pointing on Aristotle is of special relevance as he is usually the point of reference for entirely different arguments especially in the context of the critique of the contemporary loss of values: Aristotle is the example par excellence for virtues, for the virtues-obliged society. He highlights the following two sets of virtues:

- moral virtues are in his view prudence, justice, fortitude, courage, liberality, magnificence, magnanimity, temperance;
- intellectual virtues are in his view justice, perseverance, empathy, integrity, intellectual courage, confidence in reason, autonomy.

Part of my recent research is geared towards three linked issues:

- (i) the question of the recent crisis – a crisis that seems to be a 'recent event' but is a not much more than a matter of 'normal capitalism', structurally grounded in the mechanisms that are elementary to this system;
- (ii) the nevertheless fundamental change, being part of a secular shift which is – by way of causes and by way of consequences – closely linked to changes of values;
- (iii) the investigation of the ways in which values are specific to a given mode of production and as such the hope for value change is not highly unproductive and actually misleading rather than helpful.

In looking at these questions, it is also necessary to critically review at least in a casual way Aristotelian values, better: his value system itself.

## Political Economy – Some Structural Issues

Looking at the crisis – and understanding it in both perspectives as 'secular crisis' of capitalism and as contemporary crisis of the current world economy, the situation is rather simple – leaving the technical details of complex finance (mis-)management aside:

1. Capital is – in a self-contradicting way – depending on investment and the extension of production and thus on the extension of consumption, however at the same time on the limitation of wages to permanently counterbalance the tendency of the rate of profit to fall and thus on the limitation of mass income which in consequence means the limitation of mass consumption. – So far we are moving within the array of the formula  $M - C - M'$
2. Simplified, from here emerges an increasing over-accumulation which is not least based on a tendency of the rate of profits to fall: competition pushes towards 'employing' capital rather than labour – however, constant capital does not produce any value by itself. In particular the creation of surplus value depends on variable capital, i.e. labour that actually 'activates' the value production. In this process of re-ordering constant and variable capital in their relative seize we find the inherent tendency of a decrease of the profit rate but with this also the pressure on wages and consequently the pressure on mass-consumption. This means, however, that the profit is also in absolute terms under pressure – as over-accumulation in this constellation is likely to go hand in hand with an under-consumption: commodities simply cannot be realised on the markets.
3. However, at the same time it is especially for the lower income echelons necessary to consume: the largest share of their income is spent for 'necessary goods', items that are answering basic needs. This means that in some respect the interaction between default principles of the capitalist economy are disrupted and we find the decrease of purchasing power and nevertheless the increase of consumption – to a large extent depending on loans:

*The solution to this dilemma which emerged was the rise and rise of consumer indebtedness. By 2008 the credit outstanding of US consumers exceeded US\$ 2.5 trillion and mortgages borrowing in the UK exceeded in seize the entire gross domestic product (GDP). Total indebtedness of households, enterprises and governments exceeded three times the US and UK national income in 2007. This growth has permitted the growth of domestic demand to more than match the growth in domestic output, despite the falling shares of labour in national income.*

*(Gough, Ian, 2010: Economic Crisis, Climate Change and the Future of Welfare States; in: 21st Century Society; 5/1: London/New York; Routledge, February; 51-64; here: 56)*

4. This is the constellation underlying the financialisation of the entire economy, finance markets becoming self-energising: as the finance market with its new products still, permanently and persistently overtakes those profits gained from the investment in the productive sphere more and more capital is gained and less and less capital is meaningfully invested in the so-called real economy. But despite the immense increase of excrement money from the (in tendency) idle productive sphere more money is needed. Consequently, as John Bellamy Foster and Fred Magdoff state, in this situation,

*[a] system geared to speculation under conditions of increasing financial fragility needs constant new infusions of cash, much of which is obtained from the working population through drastic increases in exploitation.*  
*(Foster, John Bellamy/Magdoff, Fred, 2006: Monopoly-Finance Capital, in: Monthly Review, December 2006; reproduced in: Foster, John Bellamy/Magdoff, Fred, 2009: The Great Financial Crisis. Causes and Consequences; New York: Monthly Review Press: 63-76; here: 74)*

However, as the fundamental structure – the essential link between profit generation and production – remains unquestioned we do not find a fundamental change of capitalism as such but only a superficial and artificial maintenance pattern – far-reaching but not radical; apparently problem-solving but actually only meaning a delay, and amplification.



*There is no growth miracle whereby a mature capitalist economy prone to high exploitation and vanishing investment opportunities (and unable to expand net exports to the rest of the world) can continue to grow rapidly – other than through the action of bubbles that only threaten to burst in the end.*

*(Foster, John Bellamy/Magdoff, Fred, 2006: The Household Debt Bubble, in: Monthly Review, May 2006; reproduced in: Foster, John Bellamy/Magdoff, Fred, 2009: The Great Financial Crisis. Causes and Consequences; New York: Monthly Review Press: 28-38; here:38)*

Again, taking together we find as overall development over the recent years a move from rapidly increasing household debt and speculation to a fully-fledged monopolistic system of financialised capitalism<sup>1</sup>.

## Economy – The General Rationale

Going a step further, we can add to the two perspectives of the 'secular crisis' of capitalism, as contemporary crisis of the current world economy a third perspective, namely the look on a secular perspective of the general rationale of the economy. Again, only a brief look can be provided, consisting of two points:

- The shift from a sustenance-oriented, production-based system towards a system that is geared towards accumulation as way of increasing, concentrating and centralising wealth.
- The shift from a system in which sustenance orientation is understood as concern of extension, in the extreme case in the way of a global economy as we face it today. – Looking at the latter point it is important though to recognise two trends, being part of the world-systems development:
  - ❖ the one is about integration, i.e. the enlargement of the relevant socio-spatial system and with this the emergence of a larger entity which may claim sustenance-orientation;
  - ❖ the other is, on the contrary, concerned with a complex system of 'division of labour'. This is on the one hand a matter of building centre-periphery relationships between 'strong economies' and 'weak economies', and it is on the other hand equally important a matter of specialisation of different economies and the exploitation of relevant relative advantages – we may speak of the availability of raw-materials, particular demographic patterns that allow redefining the economy of scales and with this the application of certain advantages of management strategies, sector orientations and others. In all these cases especially of the second trend we are not least confronted with socio-technical patterns that are relevant in both respects of international/global power relationships, the specific regional/national patterns of social relationships and the technical-managerial relationships as contributors to the organisation of social life.

## Changes in the Morality of Economy or Changing of the Social Fabric?

My specific concern is not so much the changing economic pattern as such. Rather, the issue that is centrally at stake is the more or less fundamental 'social change', the change of the underlying 'social meaning' of what economy is actually about. We should not forget that any economic formation is centrally about a socio-politico-economic principle that is aiming on state building and also power allocation as matter concerned with recruiting, maintaining and distributing (or we may also say: managing) resources for a specifically defined number of people. And as such we have to underline that the social – and more specifically the economic part – is not least a fundamentally ecological relationship:

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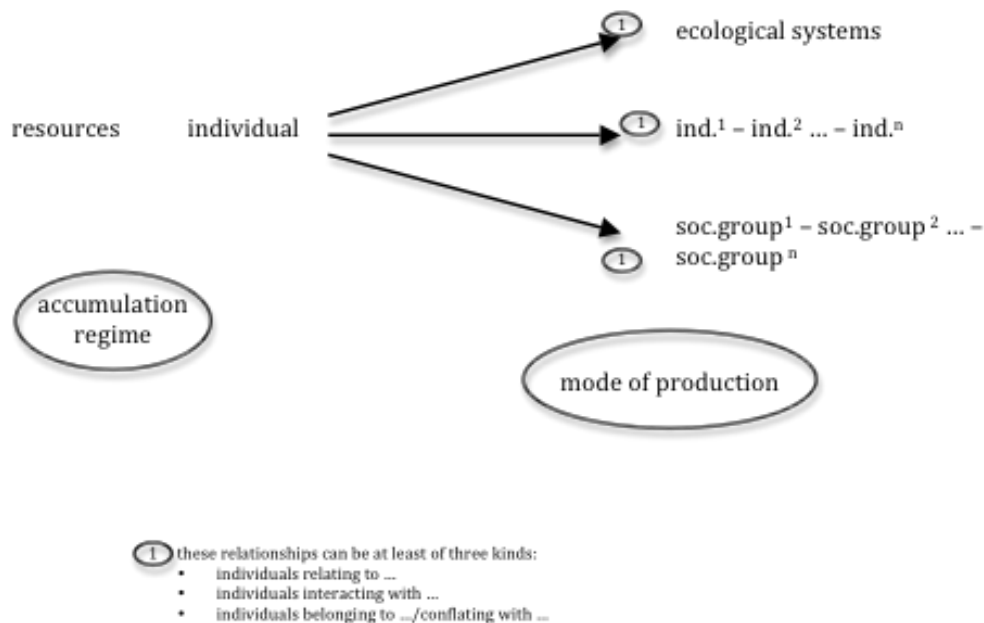
<sup>1</sup> The terminology may be problematic as we cannot speak of a monopolist system in the strict sense – it is more a oligopolistic system. However is important to recognise that we face a monopolistic-like system

*Historical-materialist political economy begins with the recognition that 'getting a living' is the ultimate basis of human social organization. The ultimate basis of 'getting a living' is ecological, however. The invention of agriculture made possible the production of a substantial surplus. Gordon Childe (1951) made famous the term 'Neolithic Revolution' to describe the profound effects on human social organization brought about by the production of an agricultural surplus. The subsequent 'Urban Revolution' and the states that developed on this basis contributed to the formation of our world system.*

*(Gills, Barry G./Frank, André Gunder 1993/1996: The Cumulation of Accumulation; in: Frank, André Gunder/Gills, Barry G. 1993/1996: The World System. Five Hundred Years or Five Thousand?; London/New York: Routledge: 81-114; here: 82; with reference to Childe, Gordon, 1951: Man Makes Himself; New York: Mentor).*

As general point of reference within which this 'making a living' is undertaken, we have the three relationships: (i) the human being to his/her ecological context<sup>2</sup>, (ii) the relationships of human beings amongst each other and (iii) the relationship between the 'related', socially organised and institutionalised human beings to their eco-environment.

All this goes, of course, hand in hand with very specific accumulation regimes and modes of production defining the systemic pattern of power systems in terms of the ability to generate powers by human action and on the ground of a given socio-technical standard and in terms of the allocation and distribution of these resources. This can be visualised in the following way.



**Figure 1: Accumulation Regime and Mode of Production**

This opens also a new perspective on the debate about the criteria for defining world systems – the question if defining world systems based on the relevant mode of production or the accumulation regimes. – This will be briefly furthered below.

<sup>2</sup> I resist the temptation to differentiate between 'natural' and man-build environment (infrastructure, institutions etc.). With actively engaging in any kind of environment the pure 'naturalness' is bereaved from its absolute innocence and with the penetration of artefacts and nature the first are developing to something like a second nature.

## Capitalism – One Step Forward ...

We should not forget that in general terms capitalism is a major historical step forward in at least four respects. (i) ‘Economically’ it meant an exorbitant increase of resources on the basis of the path-breaking boost of the productive forces under the pressure of private property and competition. This is (ii) ‘materially’ and ‘technically’ linked to the increasing expansion of resources: be it the immediate material affluence as matter the availability of resources for a greater number of people – which cannot be denied even if we face especially today an increasing inequality – all this being condition, though not guarantee for (iii) ‘socially’ extending personal and social ‘ranges’ as matter of space and/or time – life expectancy in absolute terms and also in terms of the so-called quality-life-years is only one moment. Condition and consequence is (iv) ‘politically’ a shift or move of power: as much as the economic system develops as relationship based on exchange, it discharges ‘political power’, requiring and allowing the development of an ‘independent political system’, usually the modern nation state. Linked to this is in turn again a social factor, namely that the social is ‘individualised’: utilitarianism stands at the one end, long chains of interaction with the need of ‘intrinsicification of control’, i.e. the emergence of psychological mechanisms of intrinsic self-control stands at the other end.

## ... And Its Move Back

Analytically we have to distinguish between the emergence of capitalism and its globalisation – the modern world-system as it had been brought forward in particular by Immanuel Wallerstein and furthered by Samir Amin – and the more secular development of a world-system itself André Gunder Frank, Andrey Korotayev or Leonid Grinin. The first stance presupposes the existence of capitalism, whereas the second actually looks at the development of global integration or integrity of the economic system, independent of its economic character (see the Frank, André Gunder/Gills, Barry G. 1993/1996: *The 5,000-Year World System. An Interdisciplinary Introduction*; in: Frank, André Gunder/Gills, Barry G. 1993/1996: *The World System. Five Hundred Years or Five Thousand?*; London/New York: Routledge: 3-55).

– The ‘new values’: individualism and hedonism are welded with a blind compliance the of functional requirements and laws of society at the interface of three developments: the emergence of capitalism and its development towards finance monopoly-finance capitalism, the increasing range of individuals to act and the increasing compulsion and imposture to act ‘independently on the own account’.

In a very broad historical overview we then arrive at the following secular development:

‘CASINO CAPITALISM’		‘CAPITALISM’		‘GENERIC SOCIAL ECONOMY’	
manufacturing	limited or extending	exchange	as facilitator of consumption	exchange	oikos
consumption		distribution		as matter of ‘productive social policy’	
distribution	as increasing inequality	Consumption	core as passive & active consumption, creating profit	consumption	
exchange		manufacturing		core as point of departure	
	especially on finance markets and as hording				

**Matrix 1: Forms of Capitalisms – Historical Specification of its Basis**

It had been said earlier that by taking a world systems perspective we are in some respect working on the borderline and also on bringing together the different perspectives: the perspective from accumulation regimes on the one hand and the perspective on modes of production on the other

hand. This is getting clearer by looking at the actual process of production in its complex understanding (as outlined in Marx' Grundrisse) and the concrete 'design' as matter of the individual moments and their relationship to each other. Again, we find production fundamentally defined by productive consumption, manufacturing, distribution and exchange. This is accompanied by the two perspectives on power, namely as ability-based dealing with resources (their generation and maintenance and allocation) on the one hand and control-oriented allocation and exchange of the resources – including the decisions around which resources should be prioritised in terms of generating them. These two lines reflect very much the different moments of power – as juxtapositionend especially by Samir Amin and seen as more or less indistinguishable by André Gunder Frank and Barry K. Gills. Briefly – and taking for clarification a statement from Samir Amin – the point in question gets clear by the following. Looking at power and the transition of the world system from about the year 1,500 onwards, he insists on

*the qualitative break represented by capitalism ...; it manifests itself in a fundamental reversal: the dominance of the economic replaces that of the political and ideological. That is why the world capitalist system is qualitatively different from all previous systems.*

*(Amin, Samir, 1991: The Ancient World-Systems versus the Modern Capitalist World-System; in: Frank/Gills, (eds.), 1993/96, op.cit.:247-277; here: 250)*

In somewhat simplified for, of course, the development is presented in the following graphs as sequence of developments over different societal stages looking at the four stages of precapitalist tributary systems and household economies, precapitalist /early capitalist trade economies, early capitalist, industrial economies and late capitalist, finance and communication based economies (see also Herrmann, Peter, forthcoming: Smart Development or Human Rights?, in: Herrmann, Peter, forthcoming: Rights – Developing Ownership by Linking Control over Space and Time)

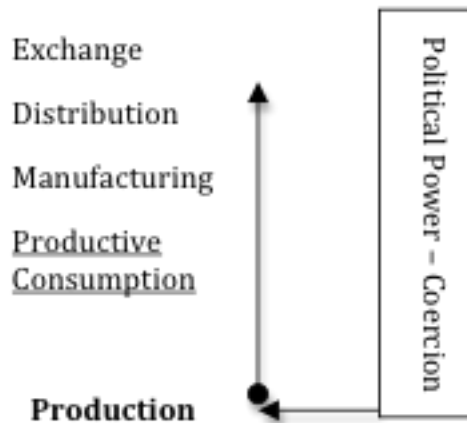


Figure 2: Tributary Systems/Household Economies

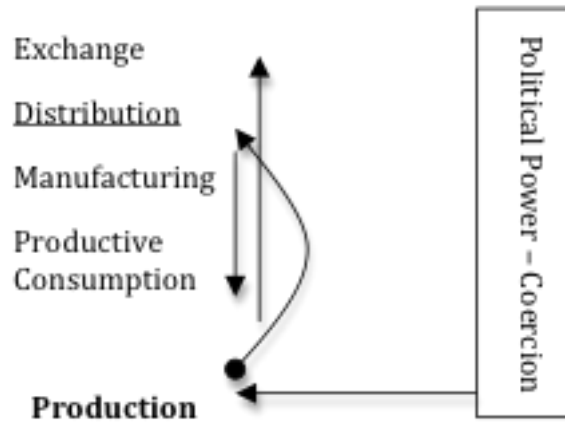


Figure 3: Trade Capitalism

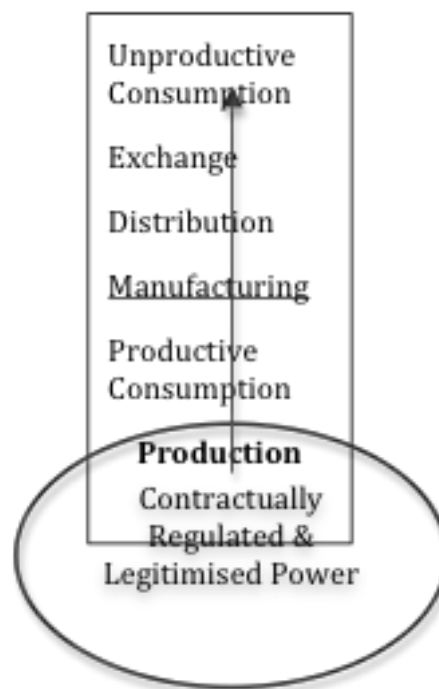
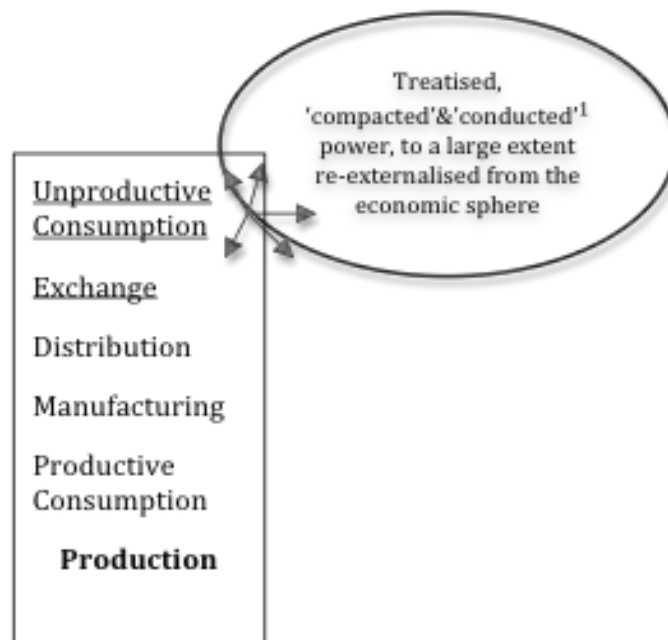


Figure 4: Industrial Capitalism



1 – Alluding to the numerous compacts and code of conducts that are now offered by public and private businesses.

**Figure 5: Finance and Communication Based Capitalism**

### Values and Virtues – Daydreams Only

Then, looking at values and virtues as possible guiding structures, it is extremely problematic due to the tensions between requirement and conditions. The following overview looks at some issues brought forward by Aristotle, looking also at some of the main restrictions and contradictions. – Though this is not a random choice of issues it is neither an all-encompassing compilation.

REQUIREMENTS AND VIRTUES ORIENTATIONS	REALISATION	CONDITIONS
economy I: sustainable and self-sustaining, strictly autarkic entity	basing the mode of production on consumption	limiting range of productive activities on a low level
economy II: holistic concept, understanding production not as aiming on the production of goods but as achieving happiness	modesty of the orientation by self-sustenance and autarky	remains substantially undefined
defining what a good society is	limitation of the society in space and time by defining its foundation by commonality and a consumption-based mode of production <sup>3</sup>	lack of criteria, thus remaining dependent on subjectivism and voluntarism

<sup>3</sup> Though consumption is meant to be a 'productive process' and production is not limited on producing commodities but 'happiness'.

<p>motivating people 'doing good'</p>	<p><i>paideia</i> based on the 'operative virtue' of <i>phronēsis</i>, i.e. practical judgement</p>	<p>sufficient resources for all, not least linked to a system of low productivity, leaving sufficient time for 'community education'</p>
<p>making 'happiness understood as social'</p>	<p>hierarchical system and subordination</p>	<p>exclusive system, based at least to some extent on force (coercion)</p>
<p>oikos – polis as diffusely reflected relationality<sup>4</sup></p>	<p>in instances the subordination of the oikos under the polis – the latter seen as mediator</p>	<p>leaving aside that the implied hierarchical character may be normatively contested a more fundamental question remains in which way the issues of (i) exclusion and that of (ii) individuality are approached. At least it should be clearly spelled out that the Aristotelian approach saw the individual as a too small unit to secure autarky and independence – thus being incompatible with the modern understanding of individualism. Also and more fundamental is that the relationship between the different 'aggregate levels' is not really clear. On the one hand the polis is seen as superior, on other occasions the relationship is turned around. In any cases the major point seems to be to chose the oikos as smallest entity being able to achieve autarky within, by and for the betterment of the polis; the latter being responsible for providing a space in which the oikos can flourish.</p>

<sup>4</sup> They are introduced by Brent Slife, saying '[r]elationships are not just the interactions of what was originally nonrelational; relationships are relational 'all the way down.' Things are not first self-contained entities and then interactive. Each thing, including each person, is first and always a nexus of relations.' (Slife, Brent D., 2004: *Taking Practice Seriously: Toward a Relational Ontology*; in: *Journal of Theoretical and Philosophical Psychology*; 24.2; 157-178; here: 159). I introduced in forthcoming publications a concept that goes even further by introducing explicitly space and time as generic elements of the concept. In this context Roy Bhaskar's elaboration of critical realism is also important. For instance this is getting clear in the statement that a societal totality must be regarded as 'an ensemble of structures, practices and conventions which individuals reproduce or transform, but which would not exist unless they did so. Society does not exist independently of human activity (the error of reification). But it is not the product of it (the error of voluntarism) (...) It is important to stress that the reproduction and/or transformation of society, though for the most part unconsciously achieved, is nevertheless still an achievement, a skilled accomplishment of active subjects, not a mechanical consequence of antecedent conditions.' (Bhaskar, Roy, 1979: *The Possibility of Naturalism. A Philosophical Critique of the Contemporary Human Sciences*; Brighton: Harvester: 45 f.)

engagement of all citizens	strict entity of polis and oikos and classification of the members on a principal of functionality	in principal hierarchical
justice and equality as basic principles of polis and oikos	strict closure of the systems on the basis of taking commonality as point of reference	closure also and not least means exclusion, for instance expressed in the double-binding classification of slaves who are partners in one respect and at the same time 'things' in another respect

**Matrix 2: Aristotle's Virtues and their Conditions**

The three crucially important points of reference in the Aristotelian construct of thoughts that need to be considered when aiming on a comparative analysis that attempts to draw conclusions for today's policy constellations.

**First**, the socio-political system and the mode of integration

As this is frequently overlooked it is worthwhile to look at the very much hierarchical and exclusionary character that characterises Aristotelian thinking. D. Brendan Nagle contends that in general,

*[because] for Aristotle all compound entities were hierarchical, the oikos was necessarily and naturally hierarchical. However, as a human artifact, it needed to be hierarchical in a just way. Rulership was inevitable but it was not to be conducted arbitrarily. It should follow specific, intelligible forms of rule.*

*(Nagle, D. Brendan, 2006: The Household as the Foundation of Aristotle's Polis; Cambridge: Cambridge University Press: 161)*

The actual problem occurs only after this statement when we look at the wider framework, aiming on detecting the mechanisms of rule-determination. This will be more specifically explored in the following point. However, at this stage it is important to note that the genuine integration of economic and social processes actually causes a major challenge for rule-setting. To the extent to which we accept that the oikos is a basically autarkic socio-economic system, primarily concerned with – materially – sustenance provision and – socio-ideally – the production of happiness – rather than extended accumulation of material wealth the arising problem is that there are no specific criteria for such rule-setting, outside of the process itself. This has surely advantages seen from the experience which points on the one hand on an economy that is completely obsessed by exchange – a structure that is even disjoined from its own genuine foundation, namely the production of use value – and on the other hand an economy that is not at all disjoined from political sphere but on the contrary welded together in terms of a state-monopolist system, where politics are colonised by neoliberal obsessions and where 'business interest' is coddled by a regulative state and governance structure that defrauds a very specific mode of production and accumulation regime. However, with all reservations it has to be seen that the modern Montesquieu'ian state brought not only the individual to its glamour but also the state as mediator between conflicting class interests rather than maintaining its open class character<sup>5</sup>. It had been a

<sup>5</sup> This statement should not make us overlook the fact that this mediating function is still a function following the interest of the hegemonic capitalist class and that this modern state is by no means infinitely bound to applying the rule of law. Here the Weberian definition, referring to the ultimate legitimate power is much more realistic as the legalist-affirmative approach by Zuern/Leibfried as [presented elsewhere in this essay].



time characterised by the ‘normalisation of change’, the development of a new sovereignty and not least by scienticism. The latter meant the development of structuralism and with this – paradoxically – the fading out of movement and change and the permanent effort not least by the state and more in general the ruling classes to externalise contradictions. In this light we can also say that it had been Renaissance in the sense of replicating the ancient system of total exclusion as it will be briefly presented below (see page 38). Actually – in a research statement mainly thought to address political debate in academia and the political responsibility of social science – it is important to note that science played a major role here – though in a very indirect and mediated way – as the Euclidian and Newtonian perspective did not allow for any derivations, a pattern of argumentation which had been very much strived for as underlying basis as well of ‘positivist social science’, made explicit latest by August Comte.

However, reading Aristotle realistically it is getting clear that his approach of the state – the polis – and his view on the relationship between oikos and polis is very much guided by a functionalist paradigm.

**Second**, also – and in a way subsequently – worthwhile to closer scrutiny is Aristotelian understanding of the relationship between polis, oikos and individual.

The first decisive issue is the non-formal understanding of citizenship. Rather than seeing it as being based on one of today’s criteria – *Ius Sanguinis* or *Ius Soli* – Aristotle favoured an ‘educational approach’ towards citizenship, defining it as consequence of various steps of inception. This is also relevant the other way round, i.e. by considering the ‘state’ as matter of a specific constitutional practice, subsequently also integrating polis and oikos. Olav Eikeland elaborates with reference to Aristotle’s *Politica* (using the Loeb Classical Library as reference)

*Also, every polis is in some in some specific state or condition defined through specific patterns of practical relations between its members and groups of members, amounting to a constitution, or politeia (Pol1274b38, 1278b9-12, 1289b22-1290a13, 1290b21-39, 1295a35-b1). A constitution is characterised through certain kinds of relations. Hence, people make up each other’s constitution mutually. In a certain sense, constitutions emerge as patterns from the activities of its members. They change, when patterns of relations change, not when individuals move or change positions within unchanged patterns.*

*(Eikeland, Olav, 2008: The Peter Lang AG. International Academic Publisher: 392)*

And, after a brief look at the meaning of the ‘rule of law’, Eikeland continues, by saying that

*Aristotle is fully aware of how formalistic de jure constitutions may not coincide with de facto constitutions, creating tensions (Pol1292b11-21).*

*(ibid.)*

As much as we may criticise the two modern forms, however, we have to acknowledge that such educational, or today we would probably say ‘discursive’ approach is entirely open to subjectivism and the permanent affirmation of a ruling elite. – Looking at present discussions about ‘citizen-tests’ there will be hardly any dispute on the unsoundness of the Aristotelian view.

Seeing the dominant role of functionalism and looking at the fact that the practical criterion for assessing if something is pursuant to the relevant virtues or not, some question-marks have to be seen. A dialogical approach, referring to some notion of practical reason must become problematic latest when the practice is explicitly geared to autarkic sustenance, logically being in tendency static and/or submissive under external conditions.

In this light the actual ‘educational process’ as *paideia* is getting qualified. Its critical reflection is surely meaningful in the perspective of developing an ‘alternative’ to today’s skills-oriented education and social work. Aristotle’s sees *philia* taking one of the three forms: use, pleasure or virtue. This shows already the problematique of alienation between human action and societal conditions and framing in such early societal form, reaching much beyond the virtue-based relationship which would be based on the relationally developing identity of virtues and human action. Nevertheless it shows well the responsibility of the pedagogue and the pedagogical role also of the social and community worker, the social manager and any other professional in the

social field. However, the actual reach of *phila* and *paideia* as one of the glues between *oikos* and *polis* is probably much overrated. One reason for such an interpretation is that the definition of the relationship Aristotle lacks methodological and substantial clarity: both are seen as independent, both are seen as one supporting the other in flourishing and both are seen as point of departure of a relationship based on mutuality. None of these positions is proposed to have a methodologically based reasoning – it is more the reflection of a diffuse understanding of relationality of a small space/time pattern rather than a systematically developed ontological relationality as presented before.

**Third**, the crucial issue is of course, the economic system. In this respect the situation as such is, of course, difficult to assess in retrospect – not necessarily due to the lack of sound information but more due to the fact that we lack clear standards. In some way we are in such historical-comparative analysis usually a difficult to justify *pas de double*. We take today's standards as point of reference – looking at them in a critical perspective in terms of the malfunction of today's societies – and apply these standards to the early stages, however frequently forgetting to reflect the conditionality of the functioning under those historical conditions. One commonly investigated instance is the state, frequently considered as a 'given', to some extent formal and neutral entity, independent of historical time. Today's malfunctions can hardly be denied, are obvious and analysed in two ways: by using a 'broad brush approach' that allows us to draw attention to equally broad systemic structural issues. One example is a definition that can probably be seen as 'standard' in this area, provided by Michael Zuern and Stephan Leibfried, defining

*the modern state in four, intersecting, dimensions. The resource dimension comprises the control of the use of force and revenues, and is associated with the consolidation of the modern territorial state from scattered feudal patterns. The law dimension includes jurisdiction, courts, and all the necessary elements of the rule of law, called 'Rechtsstaat' or constitutional state in German-speaking countries where it is most closely identified with the widely held concept of the state. Legitimacy or the acceptance of political rule came into full bloom with the rise of the democratic nation-state in the 19th century. And welfare, or the facilitation of economic growth and social equality, is the leitmotif of the intervention state, which acquired responsibility for the general well-being of the citizenry in the 20th century.*

*Territorial State, the state that secures the Rule of Law, the Democratic State, and the Intervention State, and which we connote with the acronym TRUDI.*

*(Zuern, Michael/Leibfried, Stephan: A New Perspective on the State. Reconfiguring the National Constellation; in: European Review, Vol. 13, Supp. No. 1, 1–36 [2005]: 1-36: 2 f.)*

A definition like this provides a medium range, surely being more concrete than Max Weber's reference to the ultimate 'legitimate power'; and surely being more general if compared with definitions that are developed in the context of concrete issues around governing and governance.

In any case – and this is true as well for Max Weber's approach – these definitions do not allow any strict comparison of the 'state' they have in mind with the 'state' we have in mind when we talk about the ancient or late medieval city-states. So, the true criteria for comparison remains paradoxically open by applying criteria that are closing the understanding of what we have in mind. Against this backdrop it is then more or less easy to suggest these earlier 'states' as more just, more efficient, more democratic – especially as all these criteria are (a) not clearly defined and (b) remain in these debates to large extent de-contextualised.

Looking at the economic system we face a similar problem, coming from a fundamentally market-society and capitalist mindset – even if we are critical towards capitalist market societies – it is difficult (a) to imagine fundamentally different understandings and (b) not to glorify certain overcome models that in hindsight look much more 'integrated' and even cohesive. We easily acknowledge – especially on grounds of daily experience – the shortcomings of the systems we live in (be it locally or globally) and we easily de-contextualise what we know about ancient systems. And we also easily push even most strikingly critical remarks of contemporaries of those ancient aside – wishing to obtain a smooth picture makes us highly selective in perception and interpretation alike. So, let us start with a very simple statement made by Sophocles, perhaps

bringing us into a more critical mood for the later look at the ancient economies. In his *Antigone* we find Creon's exclamation

*'Tis by them, well I know, that these have been beguiled and bribed to do this deed. Nothing so evil as money ever grew to be current among men. This lays cities low, this drives men from their homes, this trains and warps honest souls till they set themselves to works of shame; this still teaches folk to practise villainies, and to know every godless deed.*

*(Sophocles, 442 B.C.E.: Antigone; Translated by Jebb, R.C.; <http://classics.mit.edu/Sophocles/antigone.html> - 19/10/2010 7:16 p.m.)*

Although this quote suggests that this ancient society and economy had been very much like the one we know from today, the reality is distinct if we can trust the easily accessible sources – and here only two issues will be addressed.

First we have to acknowledge that the understanding of what economy is about is entirely different to our understanding. At stake are not the issue of production of goods – let alone the understanding of goods as commodities. The entire economic process is geared towards 'producing happiness'. Aristotle

*(call[s]) a thing chosen always as an end and never as a means (...)  
absolutely final and this is happiness, eudaimonia, human flourishing*

*(Aristotle, 350: The Nicomachean Ethics; London et. altera: Penguin, 1955: passim).*

This means not least that production in the strict sense – as matter of manufacturing – is limited and not geared to accumulation of 'wealth' in material terms but seen as matter of producing wealth in a wider understanding, namely as matter of *euporos* rather than *plousios*, the first being understood as matter of the ability and 'leisure' allowing to 'function as citizen'. Involved is a whole range of management issues – as management is a major means of dealing with resources. And also implied is the fact that certain 'issues' as we know them from today's economic systems simply do not exist within the framework of the ancient accumulation regimes. This makes it extremely problematic to classify these economies within the commonly accepted systems as for instance<sup>6</sup> Tributary System, Household Economy, Feudal System, Finance Capitalism, Mercantilist Systems, Developing Industrial Capitalism, Developed Industrial Capitalism, State Monopolist Capitalism, Finance/Communication Economy (see in this context Herrmann, Peter, forthcoming: *Smart Development or Human Rights? in: Rights – Developing Ownership by Linking Control over Space and Time*; Amsterdam: Rozenberg Publishers; also: Herrmann, Peter, forthcoming: *Prolegomena. Encore Citizenship – Revisiting or Redefining?* in: Herrmann, Peter (ed.), forthcoming: *New Princedoms – Critical Remarks on Claimed Alternatives by New Life Worlds*; Rozenberg Publishers).

A second 'problem of deviation' has to be seen in the fact that these accumulation systems had been – terminologically an apparent paradox – non-accumulation-oriented. Accumulation is not a core feature of the economic process – moreover, the process is in its core not an economic process in the strict sense but a wider matter of social relationships in which the production is not more than a 'peripheral means' for achieving a 'good life'. Of course it can be said that this is also the case in today's societies – for instance when we see frequently in EU-documents statements underscoring that economic growth is not an end in itself but only a means to improve living standards and the quality of life. However, even if we presume that such statements are meant to be serious, these modern economies remain focused on these means, suggesting that wealth is arising from economic performance. Perhaps the most important factor is that these modern economies are – in their (neo-)classical and their Keynesian understanding of capitalism very much based on the assumption of individuals as utility-maximising actors that enhance their well-being through participation on the free and ideally undisturbed market. However, such market does not exist in the ancient understanding – not least as these economies are considered to be self-serving, autarkic and in themselves closed.

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<sup>6</sup> There are other, by and large similar classifications

### Three points, however, are important.

First, we have to look at the contradictory understanding of work in the Aristotelian thinking. As much as work is on the one hand part of self-fulfilling life, it is on the other hand a matter that is actually 'externalised' and left to slaves who look after the 'necessities', distinct activities if compared with the higher activities of citizens. The slave and other un-free labourers are submitting themselves – by definition – to activities that are not chosen by themselves but originate in the purpose of serfdom for the wealth of their 'superior' of whom they are property of which Aristotle says that

*[a] piece of property is sometimes spoken of as a part; for a part is only part of something but wholly belongs to it, as does a piece of property. So a slave is not only his master's slave but wholly his master's property, while the master is his slave's master but does not belong to him. And this proprietorship is not a matter of simple formal control of one over the other. Rather, the vital point is that of the inner reasoning behind the two entirely different states of existence.*

*(Aristotle, app 335 BC: The Politics; Translated and with an Introduction by T.A. Sinclair; Harmondsworth/Baltimore/Victoria: Penguin, 1962/1972: 32)*

Whereas the slave acts as tool, 'true production' is different – it is like art,

*a productive state that is truly reasoned. Every art is concerned with bringing something into being, and the practice of an art is the study of how to bring into being something that is capable either of being or of not being, and the cause of which is in the producer and not in the product. For it is not with things that are or come to be of necessity that art is concerned, nor with natural objects (because these have their origins in themselves).*

*(Aristotle, 350: The Nicomachean Ethics; London et. altera: Penguin, 1955: 149)*

Second, as it had been already mentioned, we are confronted with the concept of extremely closed systems. This closure had been one of space but also a closure in 'time'. The latter is meant to concern the closure of systems towards extensive or intensive reproduction. In a way one may classify the systems as 'stand-still'-economies. As appealing as such self-sufficiency may appear when compared with the excessive consumerism of today's capitalist systems – where 'bubbles' are not only a matter of housing investment and the development of innovations of financial instruments that feed into a virtual economy but also of over-consumerism – we cannot neglect the fact that even in today's societies this over-consumerism is very much limited to a relatively small group of the higher echelons. Next to them is still a majority of people who are confronted with a fundamentally different situation<sup>7</sup>.

Workers necessarily spend all or almost all of their income on consumption. Thus for households in the bottom 60 percent of the income distribution in the United States, average personal consumption expansion equalled or exceeded average pre-tax income in 2003; while the fifth of the population just above them used up five-sixths of their pre-tax income (most of the rest no doubt taken by taxes) on consumption.[.] In contrast to those high up on the income pyramid – the capitalist class and their relatively well-to-do hangers-on – spend a much smaller percentage of their income on personal consumption. The overwhelming proportion of the income of capitalists (which at this level has to be extended to include unrealized capital gains) is devoted to investment.

*(Foster, John Bellamy/Magdoff, Fred, 2008: The Household Debt Bubble, in: Monthly Review, May 2008; reproduced in: Foster, John Bellamy/Magdoff, Fred, 2009: The Great Financial Crisis. Causes and Consequences; 27-38; here: 27)*

<sup>7</sup> See already the earlier mention of high indebtedness.

We find a twofold disengagement: the one is based on the establishment of a gap between the distinct elements of the overall process of production; and the other is the more complex reversion of the overall relationship – actually the entire process is turned upside-down. Decisive is that now the social dimension of the process is also changed – not by its dismissal of the social but by the final individualisation of the social. This may be – worded in this way – difficult to comprehend. However, it will not be wrong to interpret (nearly) all ‘theories of individualisation’ as theories seeing this process basically as specific mode of socialisation.

In order to understand the actual pattern going hand in hand with this process we have to refer back to what had been said earlier on the overall development of production, namely (i) the differentiation and segmentation of the overall process and (ii) subsequently the process of turning the process on its head and maintaining, even amplifying the relative independence of the elements. To repeat and focus, we find a development in four steps:

Point of departure is on the first stage a generally integrated process of social production, i.e. production with the four elementary forms of manufacturing, productive consumption, distribution and exchange.

Socially and politically we are concerned with a system of closed socio-economic entities that are in a reasonable way ‘integrated’, i.e. self-sufficient and comprising of the two dimensions: direct social integration and economic performance.

This moves on to a second stage of a socio-economic system that differentiates between the different elementary steps which are now performed – relatively – independent from each other. However, an important aspect going hand in hand with this segmentation is the outplacement of narrowly understood economic performance and its separation from the overall social fabric. The economic process is now basically concerned with its own reproduction, its own power-structure and even with its own, autopoietically defined goal: the accumulation of capital as end in itself.

To some extent this sequence can be questioned – as for example discussed by André Gunder Frank and Barry K. Gills who suggest accumulation rather production as point of reference for establishing ‘world systems’ and their development – with this they plead for a much longer time span for world systems analysis (see different contributions in Frank, André Gunder/Gills, Barry K. (eds.), 1993/1996: *The World System. Five Hundred Years or Five Thousand*; London/New York: Routledge). However, for the present context this is only of little meaning.

Socially and politically meaningful is the following: Of course, this is still a ‘social process’ – being based in social interaction and showing social consequences. However, as it is separated, it is also a matter of individualist action and the definition of relationship stepping away from genuine ‘ontological relationality’ and moving towards the utilitarian definition of relations, for instance (and not least) expressed in contractualised relations between individuals. It is important to note that this means as well that this social process is by and large cut off from the wider environmental settings. Relations between individuals, relations between individuals and their environment and finally relations between humankind and the natural environment are redefined and reduced on purpose-bound relations.

A third stage can be marked by the ‘completion of this process’ as the final implementation of capitalism. The foregoing relation had been already very much guided by this stage – it would have been more correct to describe it by looking at preceding phases of in particular feudal relationships, characterised by tributary relationships: dependencies between ‘free individuals’, however more based in relationships of ‘social power’ rather than following inherently economic determination – we find this very much reflected for instance in the works by Samir Amin. As said, the third stage we are here looking at is the one of ‘completed capitalism’, though on an early stage – in the understanding of orthodox economics understood as free competition.

Socially and politically meaningful is the finalisation also as matter of a more and systematic split between political and economic power which can now serve as point of departure for the development of ‘two contradicting sets of virtues’. This surely is nothing that is absolutely new, as it is not least suggested by the qualification by for instance Frank’s and Gills’ proposal to switch to accumulation rather than production as point of reference (see the previous reference). However, we find in any case a shift in the class bias of the respective systems as also stated by the two latter authors. Looking at cycles of accumulation and cycles of hegemony as being common developmental patterns of historical development, they develop comparative perspective, Barry K.

Gills asking 'what historical forces propel and perpetuate these cycles?' (*Gills, Barry K.: Hegemonic Translations in the World Systems; in: Frank, André Gunder/Gills, Barry K. (eds.), 1993/1996: The World System. Five Hundred Years or Five Thousand; London/New York: Routledge: 115-140; here: 130*)

*The answer is class struggles. Historically, class struggles or class conflict, both between the elite and the exploited, and between elites, are essentially a struggle over political means to determine the shares of surplus apportioned to the classes.*

*(ibid.: 130 f.)*

And for present times they state that

*[i]n the modern era synchronization and conjuncture continue to be important elements of the spatial an conjuncture continue to be important elements of the spatial/temporal interface of historical change. However, the dynamic of alternation between variants of power configuration does not operate in exactly the same way as in the premodern era. The shift in the axis of class conflict is the key to this difference. In the premodern era the main form of class conflict was between state and private elites internally, and between state elites externally. In the modern era, the main form of class conflict internally is between producers and appropriating classes (both state and private) and between private owner-producers of different states, while internally the state and private elites are in a very close alliance.*

*(ibid.: 137)*

This surely needs further elaboration, however it shows already the direction of analysis: the investigation of the interwovenness of economic value production, the distinct localisation of such production within the economic circle<sup>8</sup> and the values as matter of morals and virtues.

The fourth – and up to now – final stage of this development can be seen in the financialisation of economies and society at large. From distinction to separation we arrive now at turning the entire process around and we may say that the process is now turned head down – an economy that is not only 'segmented' (i.e. the separation of the elements of the overall process) and increasingly 'disembedded' (i.e. the separation of the economic process from the overall social fabric) but that is now also disentangled from its own productive basis.

Socially and politically this is meaningful in two respects. We move now entirely to the individual that is responsible only towards him- or herself – it is not the traditional individual as it emerges with utilitarian thinking but the enforced hedonist person that is made artificially 'top-heavy': a life in a illusionary world of brands and logos as much as the economy is build on unproductive investment in finance markets and 'bubbles'. And it is in this context too that power as matter of coercion and the reinvigoration of uncontrolled politics emerges. In this light the call for virtues is not much more than a call for the re-subjection of power: new princedoms of illegitimate power.

Third, although the commonly known – and taken for granted – connotation of economics in Aristotelian thinking is the one of the oikos, i.e. household economy we should not forget another dimension of real economic development and thinking at the time, namely that of the chrematistike.

The oikos as a self-sustaining system of economics within a household is in the present discussion surely the most relevant as far as it describes the conditions of the development and flourishing of the virtue-led society Aristotle had in mind. It links into a political body of the polis which for instance Morgan Hermann Hansen described as a 'society of citizens' (s. Hansen, Morgan Herman, 1991: The Athenian Democracy in the Age of Demosthenes. Structure, Principles, and Ideology; Norman: University of Oklahoma Press, quoted in: Berent, Moshe, 2006: The Stateless Polis: A Reply to Critics; in: Social Evolution & History; 5/1, Volgograd: Uchitel, March: 141-163;

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<sup>8</sup> As developed before, spanning from manufacturing to exchange

here: 153 f.). However, although this had been the dominant economic pattern, Aristotle speaks in his outlook on the Greek society also of chrematistike. The reason for such distinction is that

*we seek to define wealth and money-making in different ways; and we are right in doing so, for they are different; on the one hand true wealth, in accordance with nature, belonging to household management, productive; on the other money-making, with no place in nature, belonging to trade and not productive of goods in the full sense. In this kind of money-making, in which coined money is both the end pursued in the transaction and the medium by which the transaction is performed, there is no limit to the amount of riches to be got.*

*(Aristotle, app 335 BC: The Politics; Translated and with an Introduction by T.A. Sinclair; Harmondsworth/Baltimore/Victoria: Penguin, 1962/1972: 43 f.)*

More pronouncedly, Aristotle characterises chrematistike as disjoined pattern on another occasion in The Politics, pointing out that

*there is another kind of property-getting, to which the term money-making is generally and quite rightly applied ; and it is due to it that there is thought to be no limit to wealth or its acquisition.*

*(ibid.: 41)*

*After elaborating further on what Karl Marx would later call the distinction between use value and exchange value, Aristotle takes certain goods as example for his exploration, stating that the*

*process of exchange can be applied to any of them and the practice has its origin in a state of affairs often to be found in nature, namely, too much here and not enough there. It was essential that the exchange should be carried on just so far as to satisfy the needs of the parties. ...*

*Interchange of this kind is not contrary to nature, and is not a form of money-making; it keeps its original purpose – to re-establish nature's own equilibrium of self-sufficiency.*

*(ibid.: 41 f.)*

But:

*All the same it was out of it that money-making arose. ... Once a currency was provided, development was rapid and what started as a necessary exchange of goods became trade, the other kind of money-making. ... Indeed wealth is often regarded as consisting in a pile of money, since the aim of money-making and of trade is to make such a pile.*

*(ibid.: 42 f.)*

Of course, this is 'morally' or in terms of virtues linked to what had already briefly presented above: the different 'forms of wealth' In the perspective of economics it is the reversal of the circle, later elaborated by Karl Marx. What surfaces on the one hand as distinction between use value and exchange value is on the other hand expressed in the confrontation of the one circle of C-M-C, presenting the exchange aiming on availing of utilities whereas the circle M-C-M' (as valorised money) is a recursive process, in its extreme case completely decoupled from real production as matter of use values, now solely concerned with the 'production' of exchange values – this had been developed before. Aristotle reproves the latter, i.e. the chrematistike apparently for being disconnected from virtues. However, instead of following this value-informed proposition, I contend that the actual reason behind his rebuke is going much further and requires us to understand the different conceptualisation of economy, in itself conceptualised by allowing a fundamental contradiction permeate the reasoning. The one concern of Aristotle's economic thought is that of 'pure political economy', looking at the oikos as community that provides wealth to its members. In the eyes of Claus Dierksmeier and Michel Pirson,

*the very way in which Aristotle deals with economic affairs undercuts the modern separation of economics from ethics and all other concerns of life.*

(Dierksmeier, Claus/Pirson, Michel, 2009:

*Oikonomia Versus Chrematistike: Learning from Aristotle about the Future Orientation of Business Management in: Journal of Business Ethics 2009/88 : 417–430; here: 418 DOI 10.1007/s10551-009-0128-7 - <http://www.springerlink.com/content/10k36gr676p13772/fulltext.pdf> 07/08/2010 5:48 a.m.)*

On the other hand, however, we find a second concern, namely the economy understood as matter of generating wealth, 'in accordance with nature' – and again we have to refer to the definition presented before. However, together with the understanding of community as exclusive and hierarchical, this depends on production – and production is in Aristotle's understanding 'negative' and it turns out that the wealth Aristotle has in mind is produced on the cost of the slave who is seen as instrumental for its generation. The claim of equality and justice finds its limitation latest when Aristotle lists the

*[q]ualities which have importance in society, and have therefore a right to be considered [as] (...) noble birth, free birth, and property; since the members must be free and must be taxpayers, and you could no more make a city out of paupers than out of slaves.*

(Aristotle, app 335 BC: *The Politics*; Translated and with an Introduction by T.A. Sinclair; Harmondsworth/Baltimore/Victoria: Penguin, 1962/1972: 129)

In other words, the ethical principles, the virtues, are derived from a concept of economy that stands head-down. It depends not only on the socio-political exclusion of certain groups but also on the exclusion of certain practices from the socio-economic process itself. Slave labour – as well as any 'productive practice' undertaken – is actually seen as standing outside of the realm of what had been on the previous occasion characterised as matter of 'true wealth, in accordance with nature, belonging to household management, productive'.

The slave and other un-free labourers are submitting themselves – by definition – to activities that are not chosen by themselves but originate in the purpose of serfdom for the wealth of their 'superior' of whom they are property, of which Aristotle says that

*[a] piece of property is sometimes spoken of as a part; for a part is only part of something but wholly belongs to it, as does a piece of property. So a slave is not only his master's slave but wholly his master's property, while the master is his slave's master but does not belong to him. And this proprietorship is not a matter of simple formal control of one over the other. Rather, the vital point is that of the inner reasoning behind the two entirely different states of existence.*

(Aristotle, app 335 BC: *The Politics*; Translated and with an Introduction by T.A. Sinclair; Harmondsworth/Baltimore/Victoria: Penguin, 1962/1972: 32)

Whereas the slave acts as tool, 'true production' is different – it is like art

*a productive state that is truly reasoned. Every art is concerned with bringing something into being, and the practice of an art is the study of how to bring into being something that is capable either of being or of not being, and the cause of which is in the producer and not in the product. For it is not with things that are or come to be of necessity that art is concerned, nor with natural objects (because these have their origins in themselves).*

(Aristotle, 350: *The Nicomachean Ethics*; London et. altera: Penguin, 1955: 149)

And we find in this distinction not only the basis for totally excluding certain groups from society, namely a matter of the total exclusion of slaves from the realm of 'developed humankind', it is also about the sceptical review of the emerging society of the chrematistike with its low meaning – to the description from above we may add at this point that it is not only a matter for the slave,



*[as] for the life of a businessman, it does not give him much freedom of action. Besides, wealth is obviously not the good that we are seeking, because it serves only as a means; i.e. for getting something else.*

*(Aristotle, 350: The Nicomachean Ethics; London et. Altera: Penguin, 1955: 9)*

Taking this as background, it is easy to discern, that this entirely understanding of goodness, the plea to virtue, is consequently in permanent danger of being lost in its demagogic contraction on an elitist stance of despotism – insofar as this model of a virtuous life and a virtuous society does not depend on real practice (actually, as mentioned before, a large part of this practice, namely production, is excluded). Rather, despotic elitism and idealism are at stake – as Dierksmeier and Pirson state in modern language with reference to the Nicomachean Ethics:

Reflexive deliberation and continuous moral discussion are vital for a community so that it can properly assume its moral educative function

*(Dierksmeier/Pirson, op.cit.: 420)*

As such, one may say, it is also very much reflected in the comprehension reflected in Plato's 'philosopher-king', presented in Chapter VI of The Republic, seeing soul and polis as homologous, expressed in the first chapter in the simple words: 'Then an evil soul must necessarily be an evil ruler and superintendent, and the good soul a good ruler? – Yes, necessarily.' This is a feature we find as well in early Asian interpretations of 'virtues' as for instance by the link which is established between yan and xing (speech and deed), as spelled out in the Analects of Confucius, originally reflecting the conditions of agrarian 'communitarian societies' (see Lai, Whalen, 2010: On 'Trust and Being True': Toward a Genealogy of Morals; in: Dao; published by Springer Netherlands; published July 17th, 2010; Springer Link Date: Thursday, March 01, 2007; DOI: 10.1007/s11712-010-9173-2)

Virtues as specific form of goodness seem now to represent and be represented as deity on earth. And at least in the West – especially later in Protestantism – we find as well a very specific performance-oriented reinterpretation of virtue. Fernand Braudel asserts that

*[v]irtù, in the fifteenth-century Italy, meant not virtue but glory, effectiveness, and power.*

*(Braudel, Fernand, 1963: A History of Civilizations; Translated by Richard Mayne: New York: Penguin Books, 1993: 315)*

It had been the Renaissance also of the individual as we know it from the ancient philosophy even of Aristotle. As much as he put emphasis on the human being as social being, he puts his argument forward by insisting on a strictly hierarchical and exclusive order and also on excellence as a kind of categorical imperative for 'good citizenship' – thus allowing even the complete exclusion of social groups (see for instance the remarks in book one, chapter 13 of Aristotle's Politics where in some translations actually the term 'excellence' is used).

In any case, in all these contexts, the understanding of economy – and economics – is fundamentally different to our understanding. To cut a long story short, we may say: a good life is about virtue and virtue is about excellence and excellence is about good management of resources in accordance with the needs of self-sustenance – and as such the actual process of 'production', only concerned with necessity, remains outside. It is a relatively complex economic question – and not least it is a question of political economy also in the sense of an economy which is predominantly based on coercion: the production by slaves cannot be grounded in the economic process itself as slavery is based on force, not representing a formally equal exchange. However, it has to be underlined that this had not been understood as an economy without accumulation. But it definitely meant an economy without accumulation as its major purpose. And of course it had been an understanding of economy without accumulation of capital – for the simple reason that capital actually did not exist if we understand it properly as socio-economic category. Karl Marx marks this on the one hand by demarcation from money-circulation, stating that

*[t]he simple circulation of commodities – selling in order to buy – is a means of carrying out a purpose unconnected with circulation, namely, the appropriation of use values, the satisfaction of wants. The circulation of*

*money as capital is, on the contrary, an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits*

*(Marx, Karl, 1894: Capital, Vol. I; in: Karl Marx, Frederick Engels. Collected Works. Karl Marx. Frederick Engels. Volume 35: Karl Marx. Capital, Volume I; London: Lawrence&Wishart, 1996: 163)<sup>9</sup>*

On the other hand, however, he emphasises most importantly the fact that this constitutes a very specific social relationship as

*property in money, means of subsistence, machines and other means of production, does not as yet stamp a man as a capitalist if there be wanting the correlative – the wage-worker, the other man who is compelled to sell himself of his own free-will. ... He discovered that capital is not a thing, but a social relation between persons, established by the instrumentality of things.*

*(ibid.: 753)*

The society obliged to virtues is dismantled – no, actually it is created like a Zaratustraen god: the setting in place of an elite, the total exclusion of all who are not Herrenmensch and the arbitrary definition of economy as matter that is not concerned with production but with something else: circulation, finance and good-doing. Those who fall out of this Herrenrasse are those who lived as slaves at the times of Aristotle's time: well respected partners, though at the end not more than propertied things, and if needed standing at the gates of the foundation of moral good – if lucky they will be received by a Melindian-Bill-ian angel. Less polemically: the loss of virtue is a simple consequence of an increasingly inclusive society, a society that does not allow total exclusion – as the exclusion of slaves and the exclusion of 'dirty production' but also a society of which the ruling classes – in economics and in the apparatus of securing the hegemony – are not ready to accept the need for total inclusion.

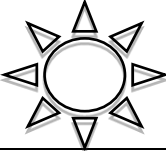

## Conclusion

Talking about – and asking for – a shift to virtues in societies and responsible actors especially at the top of societies is surely laudable as matter of hope; however, if it is equally laudable as foundation for developing a political strategy is an entirely different question. Such hesitation is not derived from the rebuke of visions on which political strategies have to be established. The reason for hesitation is rather given by the fact of complexity of any society which – not only since enlightenment – produces its very own set of values and a basic framework within which individuals behave and act. This does by no means suggest that we are dealing with straightjackets. The problem is a fundamental problem of societies, the relation between two by and large reverse movements: on the one hand we find an overall movement towards asserting individuals as independent actors (not least reflected in the notion of 'agency', appearing as objectified, reified actors). On the other hand we find increasingly a development towards social control, the thus at least objectively increasing reach of individual action<sup>10</sup> leads to an objectively increasing socialisation. We can schematise this by with the following Matrix 3.

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<sup>9</sup> Against this, the definition proposed by Kasja Ekholm and Jonathan Friedman, seeing it as the form of abstract wealth represented in the concrete form of metal or even money that can be accumulated in itself and converted into other forms of wealth, land, labor, and products  
*(Ekholm, Kasja/Friedman, Jonathan, 1993/1996: 'Capital' Imperialism and Exploitation in Ancient World Systems; in: Frank/Gills (eds.), op.cit.: 5980; here: 68)*, and with this the orientation on the accumulation regime rather than the mode of production must remain highly problematic.

<sup>10</sup> This has nothing to do with the consciousness of it and the conscious and successful control of the reach.

	increasing objective interwovenness and embeddedness of individual action	increasing alienation of individuals by the lack of immediate 'visible' and 'perceived' social impact.
increasing meaning of the reflexivity of individual self-assessment		
increasing perception of social meaninglessness of/by individuals		

**Matrix 3: Individualisation and Socialisation as Reverse Developments**

However and paradoxically, because the individual is thrown back onto him-/herself it can control to a decreasing degree his/her actual social meaning. We can easily see this reflected by statements in sociology as Helmut Willke saying

*because so much is possible, nothing seems to be practicable*

*(Willke, Helmut, 1989: Systemtheorie entwickelter Gesellschaften. Dynamik und Riskanz moderner gesellschaftlicher Selbstorganisation; Weinheim, München: 41; translation P.H.)*

And we see it easily in expressions of the feeling individual's express in – private and sometimes also public – statements and an entirely different behaviour. As individuals we all seem to be oriented along the lines of virtues, and we would barely find anybody opposing virtues as for instance those already mentioned earlier, referring to Aristotle's proposal:

- moral virtues are in his view prudence, justice, fortitude, courage, liberality, magnificence, magnanimity, temperance;
- intellectual virtues are in his view justice, perseverance, empathy, integrity, intellectual courage, confidence in reason, autonomy.

However, we find equally easy the same people not only reinterpreting these virtues to suit their individual interest but, while continuing celebrating them, acting against them.

The explanation emerging from the foregoing analysis of the ancient Greek socio-politico-economic system and the attempt to discuss arising issues in a developmental perspective that we find shifts in the societal development oscillating around two axis,

- the one being by and large concerned with the mode of production – i.e. the specific relationship between the four elements as they had been outlined by Marx: productive consumption, manufacturing/production of goods, distribution and exchange;
- the other being by and large defined by the accumulation regime, i.e. the

particular combination of production and consumption which can be reproduced over time despite conflictual tendencies

(Jessop, Bob: State Theory. Putting Capitalist States in their Place; Cambridge: Polity Press in association with Basil Blackwell, 1990: 308).

To the extent to which we can speak of economic systems in general – rather than looking only at capitalism – as being a matter of ceaseless accumulation<sup>11</sup> we can say that one of the major contradictions is that accumulation grows faster than production, i.e. that any mode of production

<sup>11</sup> merging positions taken for instance by Wallerstein and Frank

gathers resources which, at one point, it cannot accommodate in a productive way anymore. This had been expressed by Karl Marx, speaking an economic structure being fetters to the development of the productive forces. In politico-ideological terms we are confronted with an alienation of capitalism from itself.

The clash of the different values of the mode of production and the accumulation regime – understood as values in their economic meaning – translates into a clash of virtues and needs to be reintegrated in some way. This can be simply a matter of emerging authoritarianism – we should never forget that the Renaissance had been a system characterised by a major occurrence of brute and violent repression. And it can be a matter of following virtues in the understanding of good-doing, moral self-containment and charitable deeds – again the Renaissance can be taken as reference, being one of the most supportive systems for charity and arts and in a wider sense: the growth of culture and science.

Important is that this clash of mode of production and accumulation regime is not only the seedbed for a new mode of production but as well the foundation for a radical change of the institutional systems in the widest understanding. This is a matter of changing institutions – though we have governing structures for a long time we have a specifically understood state in our understanding only emerging with the Renaissance and then more definitely with the French Revolution; and though we have citizens and citizenship for a long time we have specifically understood individuality in our understanding again only emerging with the Renaissance and then more definitely with the French Revolution... . Institutions, political structures follow a similar pattern and the point in question is not only that we should ever take institutions – and their definitions – for granted. In a similar way as we find a clash of modes of production and accumulation regimes, we find a clash of modes of life and regulation regimes. Of course, the individual is in several ways ‘determined’, dominated and guided – or even oppressed and coerced – by the political systems in the widest sense, i.e. a specific regulation regime. However, any regulation regime grows out of and on the foundation of a specifically defined and lived mode of life, currently individualism brought to the boil: the ‘hedonist personality’ that finds its roots in the ultimate assertion of utilitarianism without basis, i.e. utilitarian orientation in an economic system that is not based in producing any utilities anymore but which redefined utility as matter of the sphere of circulation: finance capitalism, casino capitalism as systems at best enforcing and allowing retreat of the good, of virtues into hidden spheres of the private; and enforcing and allowing the individual to behave in the public as werewolves in sheep’s clothes.

## **Forthcoming Literature, to which the presentation refers**

Herrmann, Peter (Ed.), forthcoming: *New Princedoms – Critical Remarks on Claimed Alternatives by New Life Worlds*. With Contributions by Wendy Earles, Brigitte Kratzwald and Peter Herrmann. With a preface by Hurriyet Babacan; Amsterdam: Rozenberg

Herrmann, Peter, forthcoming: *Globalisation revisited; Society and Economy*; Budapest: Akadémiai Kiadó

Herrmann, Peter, forthcoming: *God, Rights, Law and a Good Society. Overcoming Religion and Moral as Social Policy Approach in a Godless and Amoral Society*; Amsterdam: Rozenberg

Herrmann, Peter, forthcoming: *Human Rights – Good Will Hunting versus Taking Clear Positions* In: Çelik, Kezban/Kalaycioglu, Sibel/Herrmann, Peter: *Religion and Social Policy* (working title); New York: Nova Science

Herrmann, Peter, forthcoming: *Rights – Developing Ownership by Linking Control over Space and Time*; Amsterdam: Rozenberg

Herrmann, Peter, forthcoming: *Searching for Global Social Policy – Economy, Economics and Governance*; Amsterdam: Rozenberg

Herrmann, Peter, forthcoming: *Social Services – Social Injustice through Empowering Customers and Users?*; Bremen: Europaeischer Hochschulverlag

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Sosyoloji (Bielefeld, Almanya), İktisat (Hamburg), Siyaset Bilimi (Berlin), Sosyal Politika ve Felsefe (Bremen) alanlarında farklı üniversitelerde lisans eğitimini tamamlamıştır. Avrupa Birliği üyesi birçok ülkenin üniversitelerinde ders vermiştir. Bununla birlikte, Yabancı ve Uluslararası Sosyal Güvenlik Hukuku alanında Max Planck Enstitüsü için ülke raporörü olarak görev yapmaktadır. Aynı zamanda merkezi Hollanda'da bulunan Avrupa Sosyal Kalite Vakfının danışmanlık görevini yürütmektedir. Bağımsız Avrupa Sosyal, Organizasyonel ve Bilim Danışmanlığı Araştırma Enstitüsü (Aghabullogue, İrlanda) Müdürü olarak görev yapmaktadır. Bununla birlikte, misafir öğretim üyesi statüsünde çeşitli ülkelerde dersler de vermektedir.





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