Plato and Aristotle on the Ethics of Business

Andrew Murray

Published in Philosophy for Business (http://www.isfp.co.uk/businesspathways/) Issue Number 54, 19th October 2009. This is the first of three essays on business ethics. Following it are ‘Aristotle on the Ethics of Workplace Relations’ (Issue Number 55, 4th December 2009) and ‘Aristotle and Locke on the Moral Limits of Wealth’ (Issue Number 59. 28th April 2010).

The focus of this essay is not ‘business ethics’, which arose out of perceived needs for ethical boundaries, but ‘the ethics of business’ – the questions of what ethics is inherent in the kinds of activities in which business partakes and of what difficulties belong to it. It will conclude that the ethic natural to business is insufficient for negotiating some of the larger issues that business faces. The essay will draw on two classical sources – Book One of Plato’s Republic and Book Five of Aristotle’s, Nicomachean Ethics. It may surprise that these works are deemed relevant, but what we find in them are the first methodical analyses of business activity in the emerging Greek free societies. They stand at the foundation of our civilisation and offer a clarity that is often later obscured.

The Problems of Justice in Plato’s Republic Book I

The Republic, which is about justice, begins with a chance meeting of associates and the decision to withdraw to the house of an aged but wealthy businessman for conversation. The first book of The Republic is unlike the other nine and is more like an early Platonic dialogue, in which the drama of the interplay of characters is essential, than the middle Plato of the later books. In some senses it is a complete dialogue in its own right. Although it can be easily passed over for the ‘more serious’ discussion, that is a mistake, because in this book Socrates elicits the natural or instinctual understandings of justice of different persons in the community. I will deal just with Book One.

In Book I, three definitions of justice are articulated, or if we take into account Socrates’ presuppositions, four definitions. The master of the house, Cephalus agrees to the definition that justice is ‘speaking the truth and giving back what one takes.’ His son and heir, Polemarchus, adopts the opinion that justice is ‘doing good to friends and harm to enemies.’ Thrasymachus, a wandering teacher of the political art of speechmaking, asserts ‘that the just is nothing other than the advantage of the stronger.’ In his questioning of each of these views, Socrates maintains a stance that ‘justice is more profitable than injustice’, which later in Book I becomes the question of ‘whether the just also live better than the unjust and are happier.’ (352d) There is a pervading sense that for him justice stands at the pinnacle of human virtue. Each of these views will be of interest to us, but it is with Cephalus that we must start, as does Plato. In a short passage of just four pages, he paints an exquisitely precise picture of the moral landscape of the aged businessman.

Cephalus lives not in Athens but at its port, Piraeus, where he does his business. His inherited wealth predates his grandfather, but he is proud that he will pass on more to his son than his father had to him. He is delighted to see Socrates and encourages him to come more often since he has found that with the decline of the pleasures of the body due to old age, the pleasures of conversation have increased. Socrates questions him about old age, and Cephalus distinguishes those of his contemporaries who lament the loss of the pleasures of sex, drinking and feasts and those who

3 Republic 332d, p. 8.
4 Republic 338c, p. 15.
5 Republic 345a, p. 22.
6 Republic 352d, p.31.
7 In Books II – X, this becomes the search for the form of Justice itself and a thought experiment exploring the possibility of a regime in which perfect justice might be achieved. In these books, Socrates’ thesis is that the life of the just man is better than that of the unjust man, even if he suffers misfortune. (See Glaucon’s statement of the contrary thesis at 358c.) The fact that in the end the ideal state does not stand up pushes the argument back to Book I.

--

see it as a time of peace and freedom. He asserts, however, that the real question is one of character. For those who are ‘balanced and good-tempered, even old age is only moderately troublesome’,9 for those who are not both old age and youth are difficult. The discussion is of ethics, and Cephalus establishes himself as an upright and temperate person. In response to Socrates’ challenge that the consolations of his wealth make it easier for him to deal with old age, he agrees that poverty would be difficult for the decent man but that the one who is not decent would not be made better by wealth.

They continue to discuss wealth, and Socrates raises the difficulty that those who make money ‘are twice as attached to it as others’ and unlikely to find value in higher things.10 He then asks Cephalus what he has most enjoyed from possessing wealth. Cephalus replies that when one comes close to death and to Hades, where unjust deeds are punished, those who have been unjust lie awake at night in fright, but that those who are aware of no unjust deeds are nursed by hope. ‘The possession of money’, he says, ‘contributes a great deal to not have to cheat or lie to any man against one’s will.’11

It is from this discussion that Socrates gleans Cephalus’ understanding of justice, ‘speaking the truth and giving back what one takes’.12 One gets the sense that it is both his conception of justice and a principle by which he has lived, and that it now gives him consolation in old age. Socrates, however, challenges the definition. What if one receives a weapon from a friend when he is sane, but the friend demands it back after he has turned mad. Is it just to return it? At this point, Cephalus, despite his love of conversation, hands the discussion over to his son, Polemarchus, and leaves the company to go and make offerings to the gods, a task in which he had been engaged when they all arrived.

What Plato has displayed here is a conception of justice that flows naturally from the kind of activity that business is. Business is about trade and exchange, which is necessarily done in relationship with other people.13 If one does not tell the truth about one’s product and the other party realises that it has bought something that is not of the standard it appeared to be, that party will complain of unfairness, and the possibility of further trade is undermined. The relationship will fail. Similarly, in business, the terms of exchange are negotiated and contracts are made. Should one receive what is owed under a contract but not give what is owed in return, the contract has clearly failed and injustice has been done. Yet again, the possibility of further business dealing will be undermined, because an essential component of the activity is missing. It would seem that we have touched the ethical core of the business relationship.

Yet, Plato instils a doubt. Cephalus is clearly a decent person. We can glean from the dialogue that he is temperate and prudent, and can suppose that in his youth and prime he was courageous. Wealth has enabled him to live justly in his own estimation. Yet when Socrates begins to question his understanding of justice, he becomes uncomfortable, and the lover of conversation withdraws to the privacy of the sanctuary to offer sacrifice to the gods in order to ease his passage into the next life. What is it that concerns him? It is not anything obvious, but somehow a doubt remains about whether he has indeed lived justly, even though he has told the truth and paid his debts.

Socrates’ discussion with Polemarchus is more playful, for he is dealing with an energetic young man. Yet some crucial moves are made. Polemarchus persists in the view that ‘justice is doing good to friends and harm to enemies’.14 At first, being young and enamoured with politics, he identifies this with ‘making war and being an ally in battle’,15 but pushed by Socrates he reveals that he is the son of his father and associates the view with contracts and partnerships, in other words with life of business. There is some sense to this, as the maintenance of trading relationships demands that one treat those in the relationships well. Closer examination by Socrates of what real rather than apparent friends are and of real good, however, challenges this, and Polemarchus has to admit that ‘it is not the work of the just man to harm either a friend or anyone else.’16

Although the discussion with the wandering teacher, Thrasy Machus, is longer and much more heated, because Socrates and Thrasy Machus are peers of a sort, it need not detain us except for a few crucial points. Thrasy Machus asserts powerfully that ‘the just is nothing other than the

---

9 Republic 329d, p. 5.
10 Republic 330c, p. 6.
11 Republic 331b, p. 7.
12 Republic 331e-d, p. 7.
13 Aristotle introduces a hard distinction between producers and traders (Politics I, 9). In this essay we are examining the ethics of the relations of a business with those outside the business, and so it is convenient that Cephalus is a trader. An alternative exercise is to examine the internal human relations of a business, and then it is more fruitful to concentrate on the productive side of business.

14 Republic 332d, p. 8, and 334b, p. 11.
15 Republic 332e, p. 9.
16 Republic 335e, p. 13.
advantage of the stronger. 17 What he means is that each ruling group sets down laws for its own advantage: a democracy sets down democratic laws; a tyranny, tyrannic laws; and the others do the same. 18 Thrasymachus has shifted the discussion to political justice and he has a point. Nevertheless, embedded in his definition are other propositions that deserve scrutiny and which Socrates teases out. These are: (1) that justice is identical with what the law demands; (2) that a particular regime will put in place laws that mirror itself and its interests; (3) that rulers will and should ordinarily act in their own interests. These will be taken up in the next section, which will in turn prepare us to understand Cephalus’ predicament and also problems of contemporary business practice such as regulation of the financial sector, high executive salaries and the production of unhealthy food.

Clarifications and Distinctions in Aristotle’s Ethics

It will help us resolve the dilemmas present in Book I of the Republic, if we look at Aristotle’s discussion of justice in Book V of his Nicomachean Ethics. He soon remarks ‘that the words justice and injustice are ambiguous’. 19 Not only are they ambiguous, but the meanings given them are close together, so that people often do not notice that they have shifted meaning and equivocation enters the discussion. It is with this ambiguity that Socrates has often played to the annoyance of his interlocutors. Let us look first at how Aristotle removes three of these ambiguities.

The first is that ‘just’ and ‘unjust’ are said variously of persons, dispositions and actions. Aristotle has done the groundwork for the resolution of this problem in the earlier books of the Ethics. A just person is one who does just acts with the disposition or habit. It is this habit that constitutes the virtue of justice. The virtues and vices that one possesses constitute one’s character.

The second ambiguity is that we seem to have two different measures of what is just and unjust. We consider unjust both a person who breaks the law and one who treats others unfairly. Justice is both lawfulness and fairness. Initially, Aristotle leans towards the fairness definition, because to be unjust is always to take more than one’s share of the kinds of goods that constitute good fortune – money, land, honour, position. These external goods ‘are always good in themselves, but are not always good for the individual.’ 20 A virtuous person will not only take a just share but will also know how to use it properly; a vicious person will misuse even a smaller share. One of the goods at stake, however, is the happiness of the political community, and it is here that law comes into play. In a well-formed state, the laws prescribe the manner of many activities so as to share the advantages of communal life fairly. In what came to be called ‘political justice’, to be just equates with following the law.

The third ambiguity flows from the second. Assuming a regime that is good and capable and laws that are complete, to be virtuous in this ideal community will be equivalent to following the laws. Justice in this sense will be the sum and perfection of all the virtues, specifically in how their exercise relates to others in the community. Aristotle calls this general or universal justice, and it was the likely object of Socrates’ pursuit in the Republic. He is, however, going to be more concerned with particular justice, justice as simply one of the virtues, which deals ‘with honour or money or security or any single name that we can use to cover all three’. 21

With these ambiguities clarified, Aristotle is able to distinguish the different kinds of particular justice. The principal distinction is between distributive justice, which relates to the distribution of honour or money or such other assets as are divisible among members of the community’ and rectificatory justice, “which rectifies the conditions of a transaction”. 22 He further divides rectificatory justice on the basis of transactions that are voluntary, such as buying and selling, which we call commutative justice, and transactions that are involuntary on the part of the recipient and generally amount to inflicted injury subject in our system either to criminal law (retributive justice) or civil law (corrective justice). It is with distributive and commutative justice that we will be concerned, because it is this distinction that will illuminate the problems of Republic I.

Distributive justice has to do with the fair distribution of a community’s goods among the members of the community. It would be simple if all goods were commensurate and all members were entitled to an equal share, but neither is the case. The goods are diverse and Aristotle recognises that their distribution is best made according to some sense of merit rather than strict equality. He speaks of a proportionality of distribution in relation to merit or desert. This leads us into one of Thrasymachus’ concerns, for Aristotle acknowledges that not all elements in a

---

17 Republic 338c, p. 15.
18 Republic 338d, p. 16.
20 Ethics V, 1 (1129b4), pp. 113-114.
21 Ethics V, 2 (1130b3), p. 117.
22 Ethics V, 2 (1130b30 -1131a3), p. 118.
community judge merit in the same way: ‘the
democratic view is that the criterion is free birth;
the oligarchic that it is wealth or good family; the
aristocratic that it is excellence.’ 23  His work, the
Politics, is devoted to examining how these
different elements in a community might be
balanced. What he will not accept from
Thrasymachus is that justice is identical with law,
unless, of course, the law is good. Nor will he
accept that those who rule should do so only for
their own good. Although distribution will
recognise differences in the community, the
exercise of rule must consider the good of the
whole and of all its elements. Otherwise, it is
deviant rule such as tyranny.

Commutative justice does, however, look to a
kind of equality or more properly, reciprocity. In
buying and selling, both parties expect to do well,
so that the goods exchanged though clearly not
identical need to be valued in a way that is fair for
both parties. The means of commensurability is
money and the measure of value is demand. It is
here that Aristotle touches the nature of business as
a whole and its role in the political community.

Without exchange there would be no [community], without equality there would
be no exchange, without commensurability there would be no equality. Strictly
speaking, things so widely different cannot be commensurable; but in relation to
demand a sufficient degree of accuracy is possible. 24

These matters are not exact, but they can be settled.
Aristotle further remarks that commercial
transactions have immunity from the law, 25 that is,
in setting price. This is generally true, unless, of
course, abuses begin to dominate on the basis of
strength (monopolies) or wickedness (deceptive
deals made in secret). Then laws will be
established to limit the extent of immunity and to
curb abuse.

The Ethics of Business – Cephalus’
Insecurity

We are now in a position to examine
Cephalus’ discomfort more closely and also to note
applications of Plato’s analysis for today’s world.
It can be taken for granted that Cephalus is a good
man and that he has lived the core business ethic of
telling the truth and paying his debts. Yet doubts
remain, and he finds it necessary to appease the
gods. Three areas of difficulty can be discerned.

First, in setting his prices, Cephalus has
enjoyed immunity from the law, which has been
both useful and a necessary part of how markets
function. If the negotiations have been above
board and contracts have been completed, Cephalus
can rest that he has acted justly. Yet, there are
issues. Having enjoyed this immunity, can
Cephalus experience the consolation of affirmation
by an external monitor of his actions? Did he ever
negotiate from a position of such strength, that the
other party had to accept gracefully a deal that was
very disadvantageous? Was he ever tempted to
link this immunity with the assumption that what is
unjust is what is so determined by law and so
consider himself free to do anything not forbidden
by law? Each of these questions points to a
difficulty at the heart of the ethics of business. In
modern times, these difficulties have shown up in
debates about labour laws, monopolies and the
regulation and deregulation of the financial sector.

Secondly, Cephalus has been a truth-teller, but
has he been a truth-seeker? He has understood his
product, but has he sought to understand how his
activities have affected the well-being of the
community and we would say the environment?
He has lived in Piraeus rather than Athens, and it is
possible that both distance and the concrete nature
of his own activities have held him back from
deeper inquiry. The dialogue shows that he is not
about to start. In our times, businesses that make
judgments according only to accounting advice
face this difficulty. At a more sinister level,
businesses that produce unhealthy food and
promote it through the manipulation of taste have
questions to answer. The very existence of the
tobacco industry raises serious questions.

Thirdly, Cephalus locates his sense of justice
firmly in the area of commutative justice and
altogether neglects distributive justice. At root he
is right, because business is about transactions and
individual businesses could hardly carry the
political responsibility of ensuring fair distribution
of wealth, honour and opportunity across the whole
community. Yet there is a problem. Commutative
justice is only one part of justice, and in relation to
the good of the whole community it is the lesser
part. Business justly prides itself on generating
wealth, but, though it is not easy, there is surely
some dimension of responsibility also for the more
general distribution of wealth. In today’s world,
these questions arise around the issue of high
executive salaries. They are frequently justified in
terms of commutative justice, market forces and
the immunity from law given the market. But are
there not distributive issues as well – between
company and shareholders; between executives and
other employees; between company and customers?

23 Ethics V, 3 (1131a27-28), p. 119. See also
Politics III, 9.
What these questions show is that the ethic inherent to the ordinary activity of doing business and therefore the ethic that business people are likely to use is insufficient for some of the larger ethical issues that business must face. Can business be a good citizen? In the Republic, Cephalus goes off to pray to the gods in order to find his peace. In the Ethics, Aristotle notes the Temple of the Graces, which is set up in a public place for the repayment of benefits. ‘It is,’ he says, ‘right both to repay a service to a benefactor and at another time to take the initiative in benefaction’. Might it be that in our time philanthropy is one way in which we attempt to put things right?

Andrew Murray is Senior Lecturer in Philosophy at Catholic Institute of Sydney.
apmurray@cis.catholic.edu.au
www.cis.catholic.edu.au/murray.htm