Augustana College
Chapel of Reconciliation

Economics and/as Ethics: From Aristotle to Adam to Arrow[1]

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10 March 2008

Economics without ethics is a mutilated science,–the play of Hamlet without Hamlet[2].

INTRODUCTION

Thanks to Rich Bowman and Pastor Paul for inviting me to participate in this series of conversations on ethics in the disciplines. Thank you for attending. When Rich first approached me about this I was reticent to participate. I told him that I didn't think I could do justice to the topic in 15 or 20 minutes. I now know that I can't. I also now wish I'd have conceded this point before 1:30 AM this morning.

In any event, I believe this is my first time in the pulpit since I was the narrator for my Sunday School Christmas program more than a few years ago. Now I don't have the faintest idea of what I said that evening. I do, however, clearly recall that I wore a blue shirt even though I had been explicitly told to wear a white one. I also recall that after the program Etta Brown–one of the elder ladies of the Church–praised my oratorical skills and suggested that I should be a preacher someday. I suspect my mother savored that comment much more than I did.

Etta and husband John loved to go fishing–the pursuit of which could have been quite problematic in their later lives. Etta had never learned to drive. John had one artificial eye–a fact that very much intrigued me--and had lost most of his sight in the other. The fishin' hole was several miles from their home. Undaunted, they continued to go fishing. John would take the wheel and Etta would patiently tell him where to steer. "A little more to the left, John. A bit more to the right." To my knowledge they never had so much as a minor accident. Needless to say, children were regularly cautioned to be on the alert for the blue Plymouth with bamboo fishing poles lashed to the roof.

I tell you this story **mostly** to provide an amusing anecdote to momentarily divert your attention from the fact that you are soon to be subjected to some musings about economics–the discipline which Thomas Carlyle dubbed "the dismal science" and poet Robert Southey described as "diarrhea of the intellect." However, the story also provides a simile. My essential thesis is that over its lifetime, economics–like John–has experienced a significant loss of vision.[3] But unlike John Brown, "economic John" hasn't been heeding Etta's gentle corrective. Rather, he's cruising down the highway having inadvertently left Etta at a distant rest stop. And he may be approaching rush-hour traffic.

WHAT IS ECONOMICS?

At the outset I find myself at a bit of a disadvantage *vis a vis* the earlier presenters in this series. I suspect that most people have a pretty good sense of at least the broad contours of what theology, folklore, journalism and education are about and what it is that theologians, folklorists, journalists and educators "do." I know from experience that most people really **don't** know what economics is or what economists do. I'm thus compelled to briefly address this issue at the outset. (If you came to hear about how to make big bucks in the market, I'll pause for a minute so that you can discretely grab your coat and exit so as to not be thoroughly disappointed.)

A journalist once asked French philosopher and author Julien Benda to provide a definition of existentialism. Benda quipped that "There is no such things as existentialism; there are only existentialists." Although I'm very much inclined to adopt this attitude and simply state that economics is what economists do, I will resist that impulse.

The subject matter of economics has varied greatly over time and place and a strict definition is almost certainly impossible. That said, one would find virtually universal agreement among contemporary economists that economics is the investigation of how societies **produce**, **distribute** and **consume** goods and services. The great Victorian economist Alfred Marshall captured this sentiment when he pithily referred to economics as "the study of mankind in the ordinary business of life." [4] From this vantage point, economic activity is obviously as old as human civilization. Economics is inextricably bound up in the very act of living.

But the idea of an economy–as an abstract concept existing independently of other domains of human existence–is comparatively recent. The earliest writings on what we would today construe to be economic topics are tangled up in more general discussions of justice and morality. To use Karl Polanyi's phrase, early economies were "embedded economies."[5] It is only recently–certainly not more than two to three centuries ago-- that economies came to be disembedded. Nevertheless, within the last century "the economy" has arguably become one of the most dominant institutions of the industrial West.

EARLY ECONOMIC THOUGHT

The first systematic inquiry into economic affairs is found in the Greek philosophers of antiquity, particularly Aristotle. Aristotle's inquiry established the economic motifs which would prevail throughout the late medieval period. Aristotle focused on community, self-sufficiency and justice. The role of economic activity was to enable the realization of well-being within the ideal city-state--a just and harmonious community.

Although they may strike the modern ear as a bit strange, Aristotle's contributions to "economic" thought were substantial.[6] At the outset, Aristotle drew a distinction between economics (*oikonomik*) and chrematistics (*chrematistik*).[7] The former pertains to wealth consumed for purposes of satisfying wants and the provision of the necessary and useful commodities to meet those wants (i.e., the art of household management). Chrematistics deals with wealth-seeking, money-making and some forms of exchange. Economics was viewed as natural while chrematistics was quite likely unnatural. Barter (i.e., exchange) for purpose of satisfying wants was not contrary to nature. Retail trade--money-making--was.[8] Wealth was an instrument for the attainment of happiness but was never to become an end in itself.

Closely related to this was the notion of the proper (or natural) versus improper (or unnatural) use of a thing.[9] This distinction rests on Aristotle's belief that there is a certain level of consumption (i.e., a naturally-limited level) which is sufficient for a proper (i.e., good, virtuous) life. Within Aristotelian economics there **is** such a thing as enough. Exchange (barter) to acquire necessary goods is natural whereas trade for any other purpose is unnatural since there are no inherent limits to such activity.

Aristotle was concerned with reciprocity (equivalence) in exchange. Exchange should make each party better off-- and equally so.[10] Any other result represented **gain on exchange** and was to be avoided. In the presence of money functioning only as a medium of exchange there is no problem as goods exchange for money which in turn exchanges for different real goods. When money moves beyond medium of exchange and becomes money capital, there will be (monetary) gain on exchange. How much is permissible? A "just price" allows a fair return (i.e., an amount sufficient for the merchant to maintain his standard of living). Without this social constraint, the price could escalate to the monopoly price and under such conditions the social hierarchy (community) would be compromised.

Aristotle was the first to offer a systematic statement of money, recognizing all of its attributes and functions. Money was clearly seen as useful–Aristotle noted that money makes commensurable those things which are incommensurable. But Aristotle argued that money was **sterile**, that it did not add to the real wealth of the citizenry. Money, since it is “barren”, does not naturally reproduce (multiply). When made to artificially reproduce via lending at usury (and/or trade for purposes of wealth-getting) it is not subject to limits and such use is hence unnatural. In his words, “Wherefore of all modes of making money this is the most unnatural.”

SCHOLASTIC (MEDIEVAL) ECONOMICS

Aristotle’s “economics” was ultimately lost with the decline of the Roman Empire.[11] By the eighth century, western Europe had returned to an agricultural economy and the merchant class had all but disappeared. The comparatively high level of literacy within Greco-Roman civilization was no longer present and the educated people were predominantly the churchmen. The feudal manor became the center of political, economic and social activity. The legalization of Christianity had occurred only in the latter period of the Roman Empire but the Catholic Church was now the largest land holder.

The feudal manor was ruled by "custom and tradition". The prevailing ideology was the Christian Paternalist Ethic--a system of mutual obligations and services (“social contract”). Economic life was subordinate to individual salvation since earthly life was but a prelude to eternity. In all human relationships (thus including the economic) the individual was to focus on the law of God. The church of course recognized that economic activity (production, distribution and consumption) was essential to human survival but the activities had to be placed in proper perspective.

Nowhere had the horror of the Church been more pronounced than in its attitude toward the vulgar practice of usury which was decreed to be a mortal sin. Usurers' confessions would not be heard, they would not receive Christian burial, and their wills were considered invalid. Merely attempting to defend usury rendered one suspect and simply providing a house to a usurer could get you excommunicated.

Originally banned only among clerics, it was banned entirely (for Christians) during the reign of Charlemagne. Most of the disdain for usury was theologically based. The Old Testament Jews literally regarded themselves as the children of one God, a relationship that meant that all Jews were brothers. Deuteronomy 23: 19-20 forbade Hebrews from taking interest from brothers but not from foreigners (others). This passage provided a continual challenge to the medieval church's doctrine of universal brotherhood and its prohibition of usury. How could interest be levied on the "other" when all are "brothers"?

Scholasticism united orthodox Christian theology with the rediscovered Greek philosophy (especially Aristotle's thought) acquired from the Arab world when the Mediterranean was again opened to the (now) Christian West.[12] To some extent, faith and reason were reconciled. All knowledge was organized under theology. Aristotle's "God " was an impersonal principle which accounted for order in the world and his philosophy was a product of human reason alone. Not surprisingly, conflicts between Aristotelean philosophy and essential Christian doctrine were frequent. For St. Thomas, the conflict between faith and reason signified that an error in reason had occurred somewhere. Since both faith and reason came from God they could not conflict.

St. Thomas applied Aristotelian principles to Christian dogma and attempted to reconcile Christian dogma with the actual conditions of economic life. Aquinas agreed with Aristotle that private property was not contrary to natural law and that wealth was good only to the extent that it fostered a virtuous life. Justice was served when goods exchanged at equal value. Troubled by the emerging economic practices, the Scholastics tired to make them as respectable as possible by setting moral/ethical rules governing them.

The growth of commerce from 1000 A.D. had forced theologians to come to better terms with the emerging market orientation of life. Markets, prices and business conditions were beginning to "compete" with the moral authority of the Church. Consequently, the Church began to search for the ethical foundations of market exchange--the doctrine of just price. By the 13th century, the Medieval Schoolmen (Scholastics) had identified the just price as that which allowed continued reproduction of the social order. It would allow the merchant and his family to maintain their customary station in life.

Aquinas' *Summa Theologica* summarized the Church's stance on the just price and usury. A parable summarizes the position on just price. A monk on a pilgrimage to Rome purchased a silver chalice for his cathedral. On the trip back to Germany he showed it to some merchants and told them what he had paid for it. They applauded him, telling them he had paid far less than what it was worth. Horrified, the monk immediately set out for Rome in order to pay the seller enough to make up the fair price lest he fall into the sin of avarice.

In many medieval transactions, interest had been hidden from clerics. Ultimately St.

Thomas, on the basis of Roman law, differentiated between consumptibles/ nonconsumptibles and loans/ leases. A loan of money came to be viewed primarily as a change in ownership and interest as a tax on the labor of the borrower. Interest taking became acceptable where lenders could demonstrate that by making a loan they had suffered a definite loss, had missed an alternative to profit or had incurred a risk of not being repaid. Toward the end of the Middle Ages, as industrial capital became ever more prominent, the Church ultimately had to draw a distinction between legitimate interest and illegitimate usury.[13]

The success-oriented profit-motivated behavior associated with emerging markets was clearly at odds with customary prices and traditional economic relationships. A moral dilemma was present. The church taught brotherhood while the market fostered rivalry and *caveat emptor*. The conflict between market success and salvation was one precipitating factor in the Reformation as businessmen began to question the theologians. Protestant heresy was instrumental in the rise of capitalism.

The Reformation ushered in a new morality which was more conducive to the emerging economic ethic.[14] Calvinist doctrine claimed that God intended a place on earth for each individual whereby he could work out his destiny. This place ("calling") had to be diligently sought out though soul-searching and once found, it had to be pursued diligently. Salvation was to be earned by hard work in one's calling. Even the businessman could enter heaven! In some quarters, worldly success was considered an indication that one had found his proper calling and was fulfilling God's plan. Although Luther's views on the just price and usury were not fundamentally different from those of the Scholastics, Calvin denied that interest taking was in itself sinful. In any event, with the demise of Catholic doctrine as legally-binding law, a profound change occurred between theological and economic thought.

THE MERCANTILIST INTERLUDE

Over the course of the fourteenth, fifteenth and sixteenth centuries the Medieval world declined as the modern world was born. Feudalism gave way to the national state and serfdom gave way to the laboring class. The transition from medieval to modern is the essence of the "capitalist (commercial) revolution". Portugal, Spain, the Netherlands and England (among others) emerged as centralized kingdoms.

The Protestant Reformation had sent much of Europe into bloody religious conflict, culminating in the break from the Catholic Church (1650) which subsequently reduced its following by about a half. The "world unity" point of view associated with Catholicism was replaced by a Protestant idea of much narrower national independence. This lent support to more individualistic religion and economics and the proscriptions against accumulation faded. In areas where Catholicism remained strong (e.g. France, Spain) social status of merchants remained low whereas in areas where Protestantism grew strong (e.g. England, Netherlands) the status of merchants rose substantially.

The new economic, political and religious situations gave rise to the nationalist state and economic theorizing of a national scale transpired. Thus was ushered in an era of mercantilism. Mercantilism was economic policy and doctrine inextricably bound up with the political doctrine of nationalism. The ultimate end of mercantilism was political--the establishment of an independent, self-sufficient, wealthy and powerful state. The era was characterized by intense international rivalries wherein every state was potentially an enemy of all others. If a nation was doing well, it was believed that it occurred at the expense of others ("zero sum game"). Powerful armies were essential and hence the material prosperity for their support. The state needed an increase in wealth to support a bureaucracy and army, and Precious metals came to be seen as the predominant source of wealth.

Prior to the mercantilist era, economic theorizing had emanated mainly from philosophers, clerics and lawgivers. Mercantilist writings were in the main the reflections of men of affairs--merchants. (The term mercantilism derives from the Italian word for merchant.) No systematic exposition (analytics) emerged. Rather, there were many pamphleteers who were usually self-interested merchant monopoly company advocates.[15] Literally thousands of publications offering counsel to the rulers and the administrators of the time were produced. Just as Machiavelli had advised rulers on matters of political expediency, mercantilists offered policies of economic expediency. Although mercantilist literature was produced in all developing countries, the most significant contributions were made by English and French writers.

Mercantilism was a symbiotic relationship between commerce and crown. A key institution was the merchant monopoly company (of which the British East India Company represents the prototypical example). The crown granted these companies exclusive territorial rights in exchange for a share of the anticipated booty. Voyages to the new world were thus waged for "God, gold and glory".

The two main elements of mercantilism were **bullionism** which suggested that the wealth of a nation is a function of quantity of precious metals. Bullionists argued that increases in precious metals (money) would quicken trade and cause production (including guns/gunpowder) to increase. They saw increased money as essential to growth of trade[16] .

Mercantilists also stressed pursuit of a favorable **balance of trade** (maximal exports of goods and minimal imports). [17]

Mercantilism reached it zenith in France (from 1661 to 1683) under Louis XIV and his finance minister Colbert (1619-1683). There was exceedingly strong restraint on commerce and manufacturing. Virtually every aspect of production was brought under government control as French industry became an official concern. The extent of regulation (even to the extent of prescribing thread-counts of fabrics) ultimately stifled the French economy. In time this would play a role in the French revolution.

ADAM SMITH AND THE RISE OF CLASSICAL LIBERALISM[18]

In Adam Smith's era, capitalism had not yet achieved legal and political status and the Industrial Revolution was just beginning to exert its impacts. England was still a nation of small shopkeepers–even the pin factory immortalized in Smith's *Wealth of Nations* employed only 10 people. Mercantilist monopolies still existed and the medieval guild system had not yet been completely dismantled. Agriculture, although improving as a result of new techniques, was still quite small in scale. Against this backdrop, Adam Smith–moral philosopher--sought to understand how/why nations grow and prosper.

At the outset, we must recognize that there is a duality in Smith in that he authored two great books which, on the surface, might appear to be incompatible. *The Theory of Moral Sentiments* (1759) was immediately successful and earned Smith a wide reputation. Therein, Smith asked how self-interested people form moral judgements which apparently contradict or transcend self-interest. His answer was *sympathy*.[19] People have the capacity to see as "impartial spectators," putting themselves in the position of others and thus forming a sympathetic notion of the objective merits of the situation.

The *Wealth of Nations* (1776) is the more familiar book. Here, Smith was first and foremost concerned with the causes of economic growth.[20] His initial answer is a productive labor force. But what gives rise to a productive labor force? Smith asserts the primacy of an ever-finer specialization and division of labor.[21] The driving force in Smith's "growth model" is the "desire of bettering our condition" which is but one of the natural drives or propensities which Smith believes constitutes human nature. This in turn gives rise to a profit motive. Every manufacturer is impelled to expand his business to increase profits. The road to profits necessitates equipping workers with capital so as to better partake of the benefits of specialization and division of labor. Capitalists thus seek (save) money to invest in machines and equipment (i.e., engage in capital accumulation). Smith notes that capital accumulation must precede the division of labor.

Smith advocated a "system of natural liberty" (his phrase for commercial capitalism) in which everyone would be left free to pursue/advance their own interests. He believed that this system would provide the greatest wealth for the individual and society. Mercantilists had argued that these selfish-interests had to be regulated to prevent wealth from declining since they believed that individuals (nations) profited only at the expense of others. Smith argued that exchange was mutually beneficial and touted the virtues of free trade.[22]

But how does market society prevent the self-interested profit-hungry capitalist from "extorting" it's the citizenry? Smith asserted that market competition (his "invisible hand") was the great balancing wheel. If prices or profits strayed from "natural" levels, competition would bring them back into line. The competitive market transformed individualistic chaos into social harmony.

Smith saw economic growth as a grassroots movement--**everyone** working, specializing and saving (accumulating) to increase productivity and wealth; everyone seeking "human betterment." There was no reason why the world should **not** experience progress. Smith was not an apologist for merchants or landowners or any other special interests. Smith's vision of progress was all-inclusive--embracing even the common man.

In Smith's view a great hindrance to economic progress was government–particularly a government in league with commercial monopoly a la mercantilism.[23] The *Wealth of Nations* is very much an anti-mercantilist treatise. Smith had little fear of private monopoly, believing that it could not long endure. Monopoly profits would invite competition which would erode them. Smith's vision of harmony arising through the natural workings of the economic system stands in stark contrast with the visions of scholastics and mercantilists who saw the system characterized by disharmonies which necessitated restraints and/or interventions.

Smith's "system of perfect liberty" was seen to be virtually self-regulating and impediments to the workings of the market were undesirable. Smith argued that there is necessarily no conflict between individual and social goals. Brotherhood--at least in economic affairs--would be created through self interest. The self-interest was of course assumed to be tempered by sympathy–a point lost on most modern students of economics. Smith's system of natural liberty was rooted in a moral society and would be torn asunder in the absence of a moral code.

Smith's second book was immediately successful although it did not receive full recognition for a quarter century (i.e, ten years after his death). At that point it had become the "bible" of the rising capitalist class. Never mind that Smith had excoriated the capitalists for their "mean rapacity", they very selectively seized Smith's arguments and crafted a capitalist ideology of *laissez faire*.[24] As Denis Goulet noted (p. 9) "The *Wealth of Nations* was, in effect, the Declaration of Independence severing economics from moral philosophy; with its publication economics became a separate discipline."

THE MODERN VIEW

The modern view of economics (neoclassical economics) is substantially a rooted in the definition provided by Lionel Robbins 75 years ago. In his most famous essay, *The Nature and Significance of Economic Science* (1932) , Baron Robbins declared that "Economics is the science which studies human behaviour as a relationship between ends and ***scarce*** means which have alternative uses (emphasis added)." From this vantage point economics is a discipline which investigates phenomena which are the result of scarcity (e.g., costs and prices) as well as institutions which have developed to cope with scarcity (e.g., markets and property rights). Scarcity quite literally defines modern economics.

Choices are clearly unavoidable within a world of finite means and infinite wants. Every society has to choose **what** to produce (and subsequently what not to), **how** to produce it and to **whom** the goods will accrue. Efficiency becomes critically important. If choices are inescapable it seems prudent and wise that we strive to choose the **best** (i.e., most efficient) course of action.

The Robbinsian definition was given philosophical/methodological support twenty years later in another famous essay. Milton Friedman's *The Methodology of Positive Economics*

(1953) clearly delineates between **positive** and **normative** economics. Normative economics reflects "what ought to be" whereas positive economics concerns "what is." Friedman notes that "positive economics is in principle independent of any particular ethical position or normative judgements." For the last half-century most economists have sought to practice positive economics and likely believe they have succeeded.

Contemporary economics is largely rational choice theory. Economic agents (consumers and producers) are postulated to be motivated solely by self-interest and acting in accordance with rational maximizing behavior. Consumers maximize happiness by choosing the optimal collection of goods and services consistent with their budget constraints (determined by income and prices). Producers maximize profits by bringing to market the optimal quantity of goods and services (determined by revenues in relation to costs). Within the realm of competitive markets, the self-interested behavior of individual consumers and producers converges to a point which exhibits important equilibrium properties. It can be shown that (under restrictive assumptions) this outcome is Pareto Optimal–that no individual can be made better off without another being made worse off. In short, the competitive market outcome is most efficient.

It might thus appear that economics has thus finally successfully purged itself of all the pesky ethical criteria and associated moralizing which has characterized it over the greater part of its history. Economists need not in principle worry about ethics! I daresay that a position dangerously close to this is in fact what the vast majority of economists have come to tacitly believe. Adam Smith's invisible hand has the capacity to magically transforms private vice into public virtue–and there's no requirement for sympathy.

The ethical dimension has of course not really been purged. It's merely been submerged.

To choose to focus on efficiency to the neglect of anything/everything else (e.g., equity) is to make a huge ethical judgement. Furthermore, efficiency is not independent of equity. If we begin a market process with a different distribution of resources among its participants, the outcome will be efficient but it will be a different outcome. Which outcome is better? If in the abstract we could choose the initial distribution of resources for all participants, what should that distribution look like?

John Stuart Mill, the individual perhaps most responsible for the creation of *homo economicus* (rational economic man) argued more than 170 years ago that there may be scientific economics (natural laws) within the realm of economic production. (In the vernacular, economic science can help us come to understand what makes the economic pie larger or smaller.) He noted that with respect to distribution there are no such laws. (Economic science cannot tell us how to slice the pie.) Ultimately, distribution is a political decision lying outside the realm of economic science.

Mill believed that the study of abstract *homo economicus* was the only avenue by which inexact economic insights might be gained. A study of humankind in their pursuit of wealth would provide important insights into the human condition but such was not to be mistaken for the full understanding of humankind. It's time that we take Mill seriously and attempt to integrate the substantial insights of economics into a broader humanistic perspective. As John needed Etta, economics needs ethics.

NOTES

1. A brief note is in order for the non-economist. "Adam" is Adam Smith, frequently (but erroneously) cited as the father of economics. His *Wealth of Nations* is a celebrated classic of economics. "Arrow" is Kenneth Arrow, commonly recognized as one of the founders of modern (neoclassical) economics and recipient of the Nobel Prize in economics (1972). In the vernacular, Arrow provided the first existence proof of Smith's market-clearing equilibrium. See below.

2. The quotation is from Washington Gladden, a theologian supportive of the social-gospel movement which began in the 1870s. This movement, which held sway for some thirty years, was strongly critical of the ethics of capitalism. See Fine, p. 170.

3.This brings to mind one of the last books of a favorite author, Robert Heilbroner's *The Crisis of Vision in Modern Economics*.

4. Marshall is famous for having synthesized "supply and demand" a phrase which has obviously become quite ubiquitous even among non-economists.

5. Polanyi argues that the economy did not become disembedded until several centuries later. He also argues that by the 19th century in the U.S. and U.K., the economy came to dominate society.

6. Eric Roll (p. 31) argues that Aristotle was the "first analytical economist".

7. See Daly and Cobb Chapter 7 for a contemporary discussion of oikonomia and chrematistics. They note that oikonomia is long-run oriented (rather than short-run), considers costs/benefits to the whole community (rather than only the parties to the transaction) and focuses on concrete use value and limited accumulation thereof (rather than abstract exchange value and the impetus toward unlimited accumulation). The note, derisively, that "the great discovery of modern economics is that chrematistics is oikonomia, thanks to the invisible hand".

8. Aristotle held a particularly dim view of international trade. Dependence of one state upon another planted the seed for social unrest (the importation of foreign manners and customs), the antithesis of community. Bonar (p. 43) quotes Aristotle as saying that "States which make themselves market-places for the world only do it for the sake of revenue; and since it is not proper for a *polis* to share in such gain, it ought not have such an emporium."

9.Aristotle notes (Bk I, Ch. ix) "Of everything we possess there are two uses: both belonging to the thing as such, but not in the same manner, for one is the proper and the other the improper or secondary use of it. For example, a shoe is used for wear, and is used for exchange; both are uses of the shoe."

10.Aristotle was also concerned with distributive justice and corrective justice. Distributive justice recognized that individual differences with respect to societal contribution warranted differences in income shares. How much income inequality is necessary to maintain community?

Distributive justice relates to status. Corrective justice pertained to the process of redistribution (taxes and transfers)--the judge's correction of wrongs by reducing the gain of one party and the loss of the other. Corrective justice relates to restoration of equality in voluntary and involuntary contracts.

11. Historians of economic thought generally agree that the Romans added little to economic thought. The greatest Roman "economic" contribution is likely within the area of commercial law, property law and general jurisprudence.

12. From 700 to 1100, Arabs led the world in power, social refinement, living standards, literature, scholarship, science, medicine and philosophy. Arab intellectuals preserved and developed Greek mathematics, science and philosophy as the West sank into the "dark ages". . After Toledo was recaptured from the Moors, European scholars flocked there in order to translate the ancient classics from Greek (which Europe had forgotten) to Arabic (or Hebrew) to Latin. These Latin texts were scrutinized for the next 400 years by the scholars of the medieval church--the philosophers/priests known as the Scholastics.

13. As E. K. Hunt (p. 10) notes "The sins that were most strongly denounced within the context of the Christian paternalist ethic were to become the behavioral assumptions on which the entire capitalist market economy was to be based."

14.. Religion and the rise of capitalism is an interesting theme in the history of economic thought. The "Weber Thesis" asserts that he rise of Calvinism precipitated the birth of capitalism.

15. Chief among them was Thomas Mun (1571-1641) of the East India company. Not all mercantilists were men of affairs. Thomas Hobbes (1588-1679) and John Locke (1632-1704) were, at least to some extent, mercantilistic.

16. Some might find it interesting that Luther believed Germans were enriched the world while beggaring themselves by sending their gold and silver to foreign countries. See Roll p. 65.

17. Mercantilists also advocated colonization to establish sources of raw materials (and precious metals) and export markets for finished products. Colonies were forbidden to engage in manufacture and were to trade only with the mother country. Mercantilists also advocated low wages which would lead to low prices which would lead to more exports and a favorable balance of trade. Mercantilists advocated large populations to keep wages low and provide markets for goods. Mercantilists also advocated low interest rates to discourage hoarding and encourage investment.

18. Classical liberalism entailed four assumptions about human nature. People were believed to be egoistic, coldly calculating, essentially inert and atomistic. The egoism derived from Bentham's (utilitarian) assertion that man is slave to two masters; pleasure and pain. Which pleasures to seek or pains to avoid were rationally chosen. Classical liberals believed that lacking the "carrot and stick" of pleasure and pain would render people lazy (inert). Classical liberals saw the individual as a more fundamental reality than the group/society. The group was simply the

additive total of individuals. (See Hunt, p. 39)

19. The book begins with the statement "How selfish soever man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others and render their happiness necessary to him even though he derives nothing from it other than the pleasure of seeing it."

20. Note that the full title is *An Inquiry into the Nature and Causes of the Wealth of Nations*.

21. It is important to note that Smith was also well aware of the downside of specialization. In Book V he posits that "The man whose whole life is spent in performing a few simple operations ... generally becomes as stupid and ignorant as it is possible for a human creature to become." He advocated universal education as a corrective.

22. "It is the maxim of every prudent master of a family never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or what is the same thing, with the price of a part of it, whatever else they have occasion for. What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage."

23. Smith recognized legitimate roles for government. At minimum, government was required to maintain justice (essential to a system of private property), to provide national defense and to erect and maintain certain public works. Smith addresses the role of government in Book V of the *Wealth of Nations*. Book V (about a fifth of the treatise) was often eliminated in the printing of less expensive editions of the book.

24. Heilbroner (p. 70) notes that "Thus, by a strange injustice, the man who warned that the grasping eighteenth-century industrialists 'generally have an interest to deceive and even to oppress the public' came to be regarded as their economic patron saint."

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MORNING WORSHIP
Monday, March 10, 2008

Prelude *"Rock of Ages Cleft for Me/There is a Galm in Gilead"*
Arr. By Robert Buckley Farlee

Welcome

Invocation

Call to Worship Psalm 122, read responsively

Hymn *"All are Welcome"* ELW#641, vv. 1-2

Message *"Ethics and Economics"* Brian Eggleston

Benediction & Dismissal

Postlude *"Just As I Am"*
Arr. Robert Buckley Farlee
Saxaphone - Katie Misar

CAMPUS MINISTRY ANNOUNCEMENTS

SERVING THE BANQUET - TODAY!!! Campus Ministry is sponsoring a team to serve the Banquet (The local soup kitchen) on **Monday, March. 10th.** There are two shifts that need workers: the afternoon shift to prepare the food (2-4:30 pm) and the evening shift to serve (5:15-8 pm) There is a sign-up sheet on the Narthex table. Please consider helping with this worthwhile project!

CAMPUS MINISTRY STAFF AND MUSICIANS FOR 08-09
Applications are now being taken for campus ministry staff and musicians for the coming school year. The deadline for returning the applications to the chapel office is ***Fri., Mar. 14th*** (right before spring break.) **Questions - call or stop by the chapel office (5403)**

UNITY PRAYER - There will be an offering of prayer for the community every Monday, Wednesday, and Friday at 7:00am in the Back Alley and Sundays at 9:00pm at the Valhalla Theme House (1000 W. 28th St.). **All members of the Augustana community are invited to attend.**

SHIRT COLLECTION - There is a shirt collection for a Ugandan orphanage going on until **Friday, Mar. 14th**. Todd Mickalowski, a senior Augustana student, worked at this orphanage last summer and is sending a box of shirts back to the orphanage with a person who works there. The ages of the children vary from 2 to 21 years old. Donations may be made in various locations, including the chapel narthex.

MAY PEACE PREVAIL ON EARTH – In honor of the 5th year anniversary of the Iraq War the Augustana Coalition for Social Justice invites all faculty, staff, students, and administration to join together in remembrance of those wounded or killed. **On Wednesday, March 12th at 10:40 am**, immediately following Chapel services, the Augustana and Sioux Falls community will stand hand-in-hand as one body stretching across campus for 20 minutes of silence. Our line will begin at the pole outside the Chapel of Reconciliation reading "May Peace Prevail on Earth." Tables will be set up in the Morrison Commons March 9th-12th for sign up and distribution of candles for participants. We ask you to take 20 minutes to reflect and pray as one community for all those involved in this conflict and for peace. After 20 minutes we will light our candles and place them in the sand as a reminder that represents all those involved.

CHAPEL CALENDAR

Tues. (11th)	Koinonia, 10 am
Wed. (12th)	Holy Communion, 10 am - ELCA Bishop Dave Zellmer
Fri. (14th)	Worship, 10 am - Jesson Vogt, Sr. Spkr.

SPRING/EASTER BREAK - 15th - 24th