

**Aristotle's Politics as a Model for Corporate Ethics**

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Aristotle's Politics deals with organized communities and the relation of persons within the communities. He discusses the purposes of communities and describes in some detail the organization of successful communities as well as perversions, which are not successful. He discusses the ability of human beings and their rightful places within communities.

This paper will develop models of successful business organizations that might be based on Aristotle's principles as well as failures or problematic business organizations that have not followed Aristotle's ideas.

In business ethics we often seek analysis for ethical business that may be intended for religious organizations, military operations, or in this case, political theory. The analogy is seldom precise as the goals differ. As I continued to study Politics, I believe the models proposed by Aristotle offer a fairly precise analogy between the state or political community and the modern corporation which is an organization designed to make money. Aristotle also challenges my own ideological bent that views the purpose of corporations to operate within the law and make profits for the shareholders. Aristotle would regard my view as a bit perverse and assert other values that are more important than the making of money. Aristotle also is not what we might today call politically correct. His views on slavery, women, and one person-one vote democracy are unacceptable to our current ideology. Since few argue that a corporation should be a one stakeholder-one vote democracy, the analogy between his political communities and our corporations is not as far off as his views might be on our political system. As will be later discussed, he would feel that our current political system has dangers of extreme democracy or tyranny of the majority.

This paper will attempt to describe Aristotle's theories and then apply them to modern business corporations consistent with Aristotle's theories and point out aspects of the model that we today would not approve. Aristotle, while aware of vast empires, described political structures that would apply to Greek City states. Thus the size of the organization is much more comparable to a modern corporation than a modern nation of millions of people.

## The Purposes of Organizations

The state or by our analogy the corporation, is the most complex and created for the highest purposes. Aristotle begins with the basic nature of human kind which:

In the first place there must be a union of those who cannot exist without each other; namely, of male and female, that the race may continue (and this is a union which is formed, not of deliberate purpose, but because, in common with other animals and with plants, mankind have a natural desire to leave behind them an image of themselves), and of natural ruler and subject, that both may be preserved.

For preservation of the species there are two elements—men and women and rules and the ruled.

These basic relationships are the family.

Out of these two relationships between man and woman, master and slave, the first thing to arise is the family, and Hesiod is right when he says—

‘First house and wife and an ox for the plough’,  
for the ox is the poor man’s slave. The family is the association established by nature for the supply of men’s everyday wants, and the members of it are called by Charondas ‘companions of the cupboard’, and by Epimenides the Cretan, ‘companions of the manager.’

The family comes out of the two basic relationships in nature. The next level of organization

But when several families are united, and the association aims at something more than the supply of daily needs, the first society to be formed is the village. And the most natural form of the village appears to be that of a colony from the family, composed of the children and grandchildren, who are said to be ‘suckled with the same milk’.

Finally

When several villages are united in a single complete community, large enough to be nearly or quite self-sufficient, the state comes into existence, originating in the bare needs of life, and continuing in existence for the sake of a good life.

Aristotle tells us that kingship was the form of rule in the early days because it was an extension of the concept of family rule. “Hence it is evident that the state is a creation of nature and that man is by nature a political animal.” (p. 536) “He who is unable to live in a society or has no need because he is sufficient unto himself must be either a beast or a god.” (p. 537) Then man without a proper state.

For man, when perfected, is the best of animals, but, when separated from law and justice, he is the worst of all; since armed injustice is the more dangerous, and he is equipped at birth with arms, meant to be used by intelligence and virtue, which he may use for the worst ends. Wherefore, if he have not virtue, he is the most unholy and the most savage of animals, and the most full of lust and gluttony. But justice is the bond of

men in states, for the administration of justice, which is the determination of what is just, is the principle of order in political society.

Aristotle builds up his theory of the state from the basic instincts of man as living thing to collections of humans first to survive and then to achieve the higher goals of human life.

The purpose of the state or the corporation, in our analogy, is to strive to “the good life.” This is achieved by the rule of the virtuous and the highest form of virtue is justice. This takes us back to the Nicomachian Ethics in which Aristotle sets out the purposes of life and his ethical norms. The Politics is then the organization by which the elements of the previous work are brought to fruition. Aristotle asserts the end of life is to attain happiness. He quickly concedes that the concept happiness needs considerable definition. The vulgar, he says, misled by some of their betters, would equate happiness with pleasure. Contrary to some strains of church tradition Aristotle does not reject a limited pleasure principle and also suggests that pleasure is as far as some people can go. Higher forms of happiness are honor for those of “active disposition” and knowledge for the philosophical. Thomas Aquinas’ in the middle ages, took the principle of knowledge and gave it a Christian twist saying that knowledge of the principles of the universe brought one closer to knowing God. The analogy works fairly well. He describes the active person very well in this passage:

The remaining alternative, then, is that it is a true and reasoned state of capacity to act with regard to the things that are good or bad for man. For while making has an end other than itself, action cannot; for good action itself is its end. It is for this reason that we think Pericles and men like him have practical wisdom, viz. because they can see what is good for themselves and what is good for men in general; we consider that those can do this who are good at managing households or states.

A person seeking honor will cultivate virtue. Among the virtues are courage, temperance, of money, pride, good temper and above all, justice, which is the key element in running or being a citizen in a state. A central question of philosophy and for educators is, “can virtue be taught?” Naturally, we can teach about virtue, but can we as educators or rulers make people be more virtuous? Aristotle says emphatically the answer is yes. Virtue comes out of behavior. Behavior is from habit to a great extent. The Greek word “ethos” means habit and habits are developed in people, especially the young. Humans

act out choices—they exercise free will and thus if good habits are developed in our young charges or our employees, the state or company can be a virtuous or ethical entity.

In discussing learning theory, Aristotle has the wonderful example of the nature of the stone.

For instance the stone which by nature moves downwards cannot be habituated to move upwards, not even if one tries to train it by throwing it up ten thousand times; nor can fire be habituated to move downwards, nor can anything else that by nature behaves in one way be trained to behave in another.

Occasionally we all have students who fit this pattern! Virtue is developed, as are most things with hands-on learning.

Again of all the things that come to use by nature we first acquire the potentiality and later exhibit the activity (this is plain in the case of the senses; for it was not by often seeing or often hearing that we got these senses, but on the contrary we had them before we used them, and did not come to have them by using them); but the virtues we get by first exercising them, as also happens in case of the arts as well. For the things we have to learn before we can do them, we learn by doing them, e.g. men become builders by building and lyre-players by playing the lyre; so too we become just by doing just acts, temperate by doing temperate acts, brave by doing braving acts. (page 331)

...for one who has the activity will of necessity be acting, and acting well. And as in the Olympic Games it is not the most beautiful and the strongest that are crowned but those who compete (for it is some of these that are victorious), so those who act win, and rightly win, the noble and good things in life. (pages 320-21)

Thus family and village where we are “suckled with the same milk,” are for basic necessities. The state is to promote and foster “the good life” which comes when virtues, especially justice are fostered. Justice allows all other virtues to thrive

Now the laws in their enactments on all subjects aim at the common advantage either of all or of the best or of those who hold power, or something of the sort; so that in one sense we call those acts just that tend to produce and preserve happiness and its components for the political society. And the law bids us do both the acts of a brave man (e.g. not to desert out post nor take to flight nor throw away our arms), and those of a temperate man (e.g. not to commit adultery nor to gratify one’s lust), and those of a good-tempered man (e.g. not to strike another nor to speak evil), and similarly with regard to the other virtues and forms of wickedness, commanding some acts and forbidding others; and the rightly-framed law does this rightly, and the hastily conceived one less well. (page 399)

Money Making—Business to many of us is about making money. As with pleasure, Aristotle is not hostile to money and wealth, but finds it can become mean and compulsive:

This is why all things that are exchanged must be somehow comparable. It is for this end that money has been introduced, and it becomes in a sense an intermediate; for it measures all things, and therefore the excess and the defect—how many shoes are equal to a house (or for a given amount of food) must therefore correspond to the ratio of builder to shoemaker. For if this be not so, there will be no exchange and no intercourse. And this proportion will not be effected unless the goods are somehow equal. All goods must therefore be measured by some one thing, as we said before. (page 408-409)

In discussing the virtues of money he concentrates on the spending of it and not the getting of it. Aristotle believes and well describes in the Ethics that one shows taste and character or the lack of such by how one spends. People with money can show themselves to be vulgar and garish or to be of good taste by how they spend an equal sum of money. Reasonable generosity is also described as a virtue but giving all you have to the poor is simply not an issue. The best and most virtuous use of money for Aristotle would probably be to send your sons to his school the Lyceum.

At this point we see a number of things coming together. For the necessities of life goods and services must be produced. Money is a medium of exchange by which more advanced peoples exchange goods and services. Corporations as states facilitate this purpose. But a greater purpose of a corporation is to serve justly the needs of citizenry or the stakeholders. The employees in an ethical corporation are virtuous people or are in the process of developing as best they can. Corporate leaders are men of proven honor and have in particular cultivated the virtue of justice and have the ability as men of action to create a structure or set of policies to implement the good life. As a major part of this goods and services are produced and distributed justly according to the merits of the stakeholders. Aristotle is not egalitarian in his notions of just distribution. Now the details of organization:

Slavery—Athens at the time of Aristotle had a large population of slaves. This is a touchy issue for us as the consequences of having this institution are still much with us. It was argued by some that slavery is unnatural and exists not naturally but by the force of law only. Aristotle will have none of this. Some are born to be slaves.

But is there any one thus intended by nature to be a slave, and for whom such a condition is expedient and right, or rather is not all slavery a violation of nature?

There is no difficulty in answering this question, on grounds both of reason and of fact. For that some should rule and others be ruled is a thing not only necessary, but expedient; from the hour of their birth, some are marked out for subjection, others for rule.

In addition to natural slaves who seem to be many, there are slaves who were captured prizes of battle, which they are not naturally slaves, but that is the “fortunes of war” and part of life. Slaves are human beings and can be taught virtue (honesty, hard work) and in Aristotle’s view benefit from slavery. In Athens of the time slaves had certain rights. What is the corporate analogy?

Our corporate Aristotelian leader would not advocate a return to slavery. Aristotle tells us that slaves are human beings with souls and can learn limited virtue and at the same time are property which implies heavy responsibility in the owner/master. In our corporate setting any employee has the freedom to leave the employment as a slave could not, but this does not diminish the responsibilities of the corporation and its leaders to the employees especially those in lower echelons. The leaders would recognize the limitations of some employees. Current management theories on empowerment won’t work. Many persons have neither the soul, nature, nor the constitution to make decisions about much of anything. In this day of choice on retirement plans and health care plans leaders would have a responsibility to make sure their employees choose plans in their long-term interest. A couple of years ago a corporation sold a factory in Northern Florida to another firm. No one lost a job but each worker made decisions on rolling accrued retirement savings over into a new plan. The newspaper article reported extraordinary sales of motorboats, fancy pickup trucks and Lincolns in that county. My grandfather, as my father told the story, was a plant manager. His workers were easy prey for loan sharks and my grandfather felt a strong sense of obligation to protect his workers from these predators. Today this would be regarded as highly paternalistic, but Aristotle would approve and consider what happened in Florida as poor leadership.

## **Forms of Government and business**

Of Aristotle's three forms of organization—family, village, and state, he is really only interested in the state which provides or can provide the “good life” rather than the basic necessities of existence provided by the family and village. The mom and pop store or very small businesses with a few employees is like a family or village with a ruler who rules with and teaches virtue. These forms are of no particular organizational interest to Aristotle.

A state as is well known and often cited part of the Politics may properly have three forms of government, and each form has its perversion. The forms he describes are monarchy, aristocracy, and a constitutional system. The perversions are tyranny, oligarchy, and extreme democracy. Essentially a good form of government or leadership style leads to developing the good life for all and a perverse form is an organization run for the exclusive benefit of those in control.

The true forms of government, therefore, are those in which the one, or the few, or the many, govern with a view to the common interest; but governments which rule with a view to the private interest, whether of the one, or of the few, or of the many, are perversions.

Here we come into problems with both translation and our own ideology. Constitutional system and extreme democracy are our translations of Greek words with which I am not familiar. Also democracy is to us a positive notion which all reasonable people favor and Aristotle being generally regarded as the West's greatest philosopher we can't readily admit that he has troubles with what we regard as handed down from God. His descriptions are of some interest, but of very substantial interest is his discussion of details of organizational leadership. We will discuss those details and make applications to corporate leadership.

### **Accumulation of wealth.**

Property, Aristotle asserts, is necessary for life as is the development of the arts of property creation and accumulation. But

far as the art of household management must either find ready to hand, or itself provide, such things necessary to life, and useful for the community of the family or state, as can



be stored. They are the elements of true riches; for the amount of property which is needed for a good life is not unlimited, although Solon in one of his poems says that

‘No bound to riches has been fixed for man’.

But there is a boundary fixed, just as there is in the other arts; for the instruments of any art are never unlimited, either in number or size.

Hence some persons are led to believe that getting wealth is the object of household management, and the whole idea of their lives is that they ought either to increase their money without limit, or at any rate not to lose it. The origin of this disposition in men is that they are intent upon living only, and not upon living well.

It seems to be a common theme in philosophy and religion to warn against excessive material wealth and point out the desire for even more. Aristotle in Book I Chapter 9 discusses the creation of money as a representation of value. On one hand the description is primitive and yet he understands the concept that money is a representation of and not wealth itself. He also discusses the rudiments of import-export theory and basic market concepts of the values of labor and goods.

Aristotle would point out that while Japanese and many European firms are motivated by profit, their more sincere interest in stakeholders takes them back from the almost obsession.

### **U.S. firms here with profit**

In Book I Chapter 11, Aristotle seemingly with biblical authority regards taking interest on loans of money as unnatural (so much for Western banking) and tells the often quoted story of the philosopher Thales the Milesian who made a killing cornering the market in olive presses. He did this to show philosophers could make money if they wished. Aristotle clearly enjoys the story as have thousands of teachers since

#### The Corporate Citizen

What is a citizen?

He who has the power to take part in the deliberative or judicial administration of any state is said by us to be a citizen of that state; and, speaking generally, a state is a body of citizens sufficing for the purposes of life.

In modern terms, citizenship would be equated with the right to vote and in the corporate context, managerial responsibility. Slaves, lower level freemen and women are not citizens in a good state.

Almost as touchy as slavery, is the issue of women, their role was limited and citizenship was not part of it. If Homer occasionally nodded we can allow Aristotle to do so too. An interesting view showing the high importance of women in Greek culture is given in HDF Kitto's The Greeks. In short, a culture that produced Antigone and Media did not hold women in low regard.

It was the sense of this difference which made Jason say that 'he felt hungry when he was not a tyrant', meaning that he could not endure to live in a private station. But, on the other hand, it may be argued that men are praised for knowing both how to rule and how to obey, and he is said to be a citizen of approved virtue who is able to do both.

Aristotle repeats frequently that the good citizen must be able to rule and obey. A successful commanding general must to some extent come through the ranks and to some extent be able to obey good advice and council.

Aristotle beautifully says, "The helmsman is part of the crew" (III 7)

In Book III Chapter 9, he repeats that regardless of the form of government justice must be the central virtue.

When the persons are omitted, then men judge erroneously. The reason is that they are passing judgment on themselves, and most people are bad judges in their own case. And whereas justice implies a relation to persons as well as things, and a just distribution, as I have already said in the *Ethics*,<sup>27</sup> implies the same ratio between the persons and between the things, they agree about the equality of the things, but dispute about the equality of the persons, chiefly for the reason which I have just given—because they are bad judges in their own affairs; and secondly, because both the parties to the argument are speaking of a limited and partial justice, but imagine themselves to be speaking of absolute justice.

He discusses this in the context of the rule of law alone is not enough, it must be justice law.

Laws may be very unjust and speaking to our modern world.

If the poor, for example, because they are more in number, divide among themselves the property of the rich—is not this unjust? No, by heaven (will be the reply), for the supreme authority justly willed it. But if this is not injustice, pray what is? Again, when in the first division all has been taken, and the majority divide anew the property of the minority, is it not evident, if this goes on, that they will ruin the state? Yet surely, virtue is not the ruin of those who possess her, nor is justice destructive of a state;

and similarly;

But is it just then that the few and the wealthy should be the rulers? And what if they, in like manner, rob and plunder the people—is this just? If so, the other case will likewise be just. But there can be no doubt that all these things are wrong and unjust.

This speaks to our current debate on the tax cuts including estate tax. In mid 1970's England, a family earning \$20,000 would face a marginal tax of 80%. A tyranny or perversion of the majority. Similarly it is pointed out that the evils of capitalism are demonstrated in the injustices in many countries dominated by a few families. Whatever the merits of capitalism this demonstrates why oligarchy (rule by the few without justice) is bad.

Justice, the highest of the virtues, comes from mature reflection on alternative paths in political or corporate life. This is well and good but not much help in solving the immediate problems of our day. To what extent should the government pay for the health care of our senior citizens? What about the rest of the population? Why stop with the borders of the United States? What is the obligation of pharmaceutical companies to those struck with AIDS in Africa or the obligation of an American farmer to the hungry of the World? Aristotle has no direct answers or even a methodology that helps much, so we are left to ponder.

As discussed above the true citizen can both lead and follow. In this context he discusses decision making.

The principle that the multitude ought to be supreme rather than the few best is one that is maintained, and, though not free from difficulty, yet seems to contain an element of truth. For the many, of whom each individual is but an ordinary person, when they meet together may very likely be better than the few good, if regarded not individually but collectively, just as a feast to which many contribute is better than a dinner provided out of a single purse.

Again and again we have the power of many examples that make a strong point. "A feast to which many contribute... is something we all understand and identify with." Aristotle makes a point which he emphasizes again and again. The wisdom of the collective tends to be stronger than that of the few or the one. A business leader must have constant feedback from stakeholders (shareholders,