

MODULE: HISTORY OF ECONOMIC THOUGHT

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First Axis: Economic Thought in Ancient Civilizations

Lesson Objectives:

This lesson aims to:

- ✓ Examine the extent of social and political development in ancient Greek society and the key economic ideas associated with it;
- ✓ Identify the main economic ideas in Roman civilization;
- ✓ Highlight the social structure of ancient societies.

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Introduction

Economic thought in ancient civilizations—particularly in Greece and Rome—represents the earliest stages of economic analysis. Greek philosophers, thinkers, and poets addressed certain economic issues and phenomena, albeit in a limited and fragmented manner. These issues were not studied as an independent discipline; rather, they were related by philosophy, politics, and ethics. Consequently, economic thought among the Greeks and Romans lacked autonomy and clarity as a distinct field of knowledge.

First: Economic Thought in Greek Civilization

Greek civilization flourished from the 8th century BCE to the 3rd century BCE.

Historical records show that Greek philosophers contributed to economic discussions alongside their achievements in mathematics, geometry, philosophy, medicine, chemistry, mechanics, and astronomy. Prominent figures include Plato, Euclid, Ptolemy, Aristotle, Archimedes, Pythagoras, Thales, and Socrates, whose Greek economic ideas reflect the economic reality of their time. Key characteristics of the Greek economy during the era of Plato and Aristotle include:

- ✓ The decline of the tribal system in economic organization;
- ✓ The emergence and stabilization of private land ownership;
- ✓ A high degree of division of labor;
- ✓ The growing importance of trade, particularly maritime trade;
- ✓ The widespread use of money in exchange.

In addition to these economic characteristics, we find some social characteristics that accompanied them and which concern us in our study, namely the class division that prevailed in ancient Greek society, a division that was based on the existence of **three (03) classes: the ruling class; the class of warriors, soldiers, and landowners; and the class of slaves** who are the real means of production in society.

In our topic, we will focus on the most important economic ideas of Xenophon, Plato, and Aristotle, given the comprehensiveness and general importance of their work.

I. Xenophon (427 – 355 BCE)

A landowner, soldier, historian, and student of Socrates, Xenophon authored works such as "The Economist" and "Revenues". He defined "**economics**" (**Oikonomos**) as household management (from **oikos = house**, **nomos = management**).

His contributions include:

- ✓ Emphasis on efficient management and supervision of labor;
- ✓ Recognition of the importance of division of labor;
- ✓ Focus on increasing surplus and improving product quality;
- ✓ Acknowledgment of human resources as central to productivity;
- ✓ There is also another contribution by Xenophon, who preceded many thinkers in discussing the private benefit that an individual obtains from consuming a product, which does not necessarily increase according to the increase in the quantity of goods he has, and this means that it tends towards decreasing.

II. Plato (427 – 347 BCE)

He was a student of Socrates and a teacher of Aristotle. Plato presented his economic ideas in "The Republic". In this book, Plato does not attempt to describe an existing society but rather tries to draw a picture of what the ideal society (the utopia) should be like.

Plato's main economic ideas can be summarized as follows:

1) Division of labor:

Plato advocates a division of labor that he considers essential for social organization and greater efficiency in his utopia. He believes each person should specialize in a particular profession. Plato bases his argument for the importance of this division of labor on two main points:

- ✓ Each person possesses their own unique talents and abilities;
- ✓ Individual specialization leads to increased production, both quantitatively and qualitatively, and enhances productivity.

2) Social classes:

Plato divides society into **three (3) classes** (as was the case in Greek society):

- ✓ **The class of rulers and philosophers:** who must be cared for and educated;
- ✓ **The class of warriors and soldiers:** who defend the state;
- ✓ **The working class (artisans and producers):** who carry out production.

3) Property:

Plato did **not accept private property** for **all classes of society**, as he restricted it to the class of producers only (**private property** was allowed only **for producers**). As for rulers and soldiers, he believed they should devote themselves to ensuring the proper conduct of public affairs, should not

have private property or personal families, and should instead practice a communal life (**rulers and soldiers should not own property or families**).

4) Money:

Plato considered money to play an important role in the economy of the "ideal city," as it is a means of facilitating exchange (**medium of exchange**) that can take place without gold or silver.

He also suggested using a type of money with a **nominal value independent of its intrinsic value** so that it does not deviate from performing its basic function, which is to facilitate the exchange process, and that its acceptance is not due to the material from which that money is made but to the people's agreement to use it as a medium of exchange.

5) Opposition to usury (interest):

Plato took a clear stance against usury, calling for its prohibition and deeming it an unnatural form of gain. **This was based on:**

- ✓ The ethical considerations he emphasized, on the one hand;
- ✓ The fact that the justification for the existence of money and its fundamental characteristic lies solely in its function as a medium of exchange;
- ✓ Using money for lending at interest rates deviates from its original nature, leading him to believe that "**money does not beget money**".

6) State intervention:

Plato also advocated for extensive and strong state intervention in public life, arguing that it was essential for achieving the common good, maintaining order, and realizing social justice.

7) Population:

Plato was also concerned with population and suggested that the state should work to maintain a specific population level that corresponds to the country's capabilities. To limit the large population increase, Plato did not hesitate to suggest exiling a number of the population that exceeded the required limit to other places to live. He did not even hesitate to suggest limiting marriage, abortion of pregnant women, and similar measures.

III. Aristotle (384 – 322 BCE)

He was a student of Plato, and Aristotle's ideas are similar to Plato's in that both fall under the domains of ethics, philosophy, and politics. However, Aristotle distinguished himself from his predecessors by offering an analytical perspective on certain economic problems and phenomena.

Therefore, Aristotle is considered the first of the ancient thinkers to provide what could be termed the "**seeds of an economic theory**" through analysis of economic phenomena and problems.

Aristotle differed from his teacher on several issues, most notably his idealist view of social organization and his advocacy against allowing rulers and soldiers to acquire private property and to refrain from forming families and familial relationships.

The most important ideas (**main contributions**) that Aristotle addressed are the following:

1) Private property:

Aristotle **supported it** and criticized all the opinions that called for the abolition of private property. In his opinion, private property leads individuals to love themselves, so everyone seeks to develop their property and thus increase production. This is why Aristotle prefers private property (**he sees that what belongs to everyone does not belong to anyone**), while **public property may lead to disputes between individuals**.

2) The economic basis of the state:

The state is not merely a gathering of individuals for the purpose of exchange and satisfying material needs, as Plato explained, but rather a gathering of families and villages in an integrated community (**social relations**) that is self-sufficient with the aim of achieving a happy and independent life.

3) Money and its functions:

Aristotle points to the need for money to facilitate the exchange of goods (**as a medium of exchange**) because of the difficulties encountered in the barter process. However, Aristotle's view of money differs from Plato's. **In addition** to being a medium of exchange, it plays the role of "**a store of value**" as well as "**a measure of the values**" of exchanged goods;

As for the **intrinsic nature of money**, Aristotle disagreed with Plato (**who believed that money should be independent of its intrinsic value**) and considered that money should carry **a real intrinsic value** that corresponds to what it symbolizes in terms of exchange value.

4) Theory of value:

Aristotle distinguished between **two types of value** for each commodity:

- ✓ **Use value:** the utility of the commodity to the consumer;
- ✓ **Exchange value:** which aims to determine the rate of exchange between commodities.

He indicated a relationship between the two but did not specify its nature, stating that **the first is a condition for the second**.

Regarding the determination of exchange value, Aristotle focused on defining the concept of "just price" (equitable exchange) in light of ethical considerations.

5) Condemnation of Monopoly:

Aristotle utterly condemned monopolies and monopoly prices as immoral and unjust, advocating fair prices in accordance with the principle of equitable exchange.

Prohibition of Interest and Usury:

Aristotle agreed with his teacher (Plato) regarding usury and interest, reaffirming his rejection of them. He maintained that "money does not beget money", arguing that interest is morally reprehensible and that money exists to facilitate exchange.

Second: Economic Thought in Roman Civilization

The Roman Empire dominated for nearly ten centuries (from the 5th century BCE to the 5th century CE), controlling vast territories around the Mediterranean Sea, despite their diverse customs, cultures, and geographical distances.

Unlike the Greeks, the Romans were less philosophically inclined and more focused on warfare, conquest, occupation, and the development of laws. As a result, their economic ideas are primarily derived from legal frameworks rather than philosophical writings.

The Romans specialized in the following areas (main contributions):

1) The concept of natural law:

This was the prevailing concept in the Roman Empire, operating alongside Roman civil law. It was based on the right of every individual to enter into any contracts and obligations they wished (freedom of contract), using their own property as they saw fit, and to freely dispose of their produce (Freedom of production), choose their work, and possess economic freedom to pursue their own interests (Freedom to pursue personal economic interests).

2) Trade:

Initially, trade was limited to exchanging village foodstuffs for city crafts. After the Roman conquests, trade flourished, and a class of merchants and capitalists emerged. The shift from agriculture to trade led to the disappearance of the middle class of farmers.

3) The development of usurious monetary capital:

The growth of trade and monetary circulation led to the development of usurious monetary capital, and the companies of those who carried out the lending process began to appear, and money exchange offices spread widely.

4) Private (individual) property:

This was further expanded by the unpaid labor of slaves, which increased production and the accumulation of wealth by merchants and capitalists.

5) Slavery:

The Romans, like the Greeks, recognized slavery, and agriculture relied heavily on it in the early stages of their civilization.

6) Focus on Agriculture:

Agriculture relied heavily on slave labor, starting as small family farms and gradually expanding. Land ownership also increased for a small number of people.

7) Foreign Trade:

The empire's trade was centered in Rome, and conquests contributed to the expansion of foreign trade and the construction of trade routes across the empire.