

E pistemological foundations for the relationship between ethics and finance

Ethics in Finance, Robin Cosgrove Prize
Iberoamerican edition 2012-2013

First Prize *ex-aequo*

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* The views expressed herein are those of the author and do not necessarily reflect those of the Organization he is affiliated to.

'Even though they are specialists, financial professionals can also learn something by considering their activities in a broader intellectual context'

Ramiro de Maeztu,
El sentido reverencial del dinero

Reflecting on the relationship between ethics and finance is currently an *oxymoron* and not just in scientific terms but also, and above all, in terms of what ordinary people think – in other words, in terms of common sense. Luckily, the most elementary common sense tells us when something is wrong, as is clear from the general public's growing criticism of 'the system'. In my view, the now widespread distrust of anything connected with the economy and business – let alone finance – is due to a failure in understanding these activities, and ultimately to a misunderstanding

of humanity itself. Although this growing aversion leads many to dismiss theoretical reflection in favour of action, the reality is that, without appropriate theoretical foundations, practice gets lost in good intentions.

The economy's present identity crisis is the result of its continuous, progressive shift away from reality toward an impersonal, objective and universal (in-human) science that is not so much based on a true anthropology, but rather on a reductive, pragmatic and ideological view of humanity. In what follows, I will attempt to explain the ultimate cause of the contentious relationship between finance and ethics in modern thinking and, in doing so, I must first analyse the technical nature of finance and its relationship to human activity, so that we can truly speak of ethics.

FINANCE & THE COMMON GOOD/BIEN COMMUN

La méfiance désormais généralisée à l'égard de tout ce qui concerne l'économie et les entreprises est due à une défaillance dans la compréhension de ces activités, et finalement, à une mauvaise compréhension de l'humanité elle-même. A travers ce texte, je vais tenter d'expliquer la véritable cause de la relation controversée entre la finance et l'éthique dans la pensée moderne. Pour y parvenir, je dois d'abord analyser la nature technique de la finance et sa relation avec l'activité humaine, afin que nous puissions véritablement parler d'éthique.

Aristote, qui peut être considéré comme le premier économiste analytique, décrit l'homme comme un animal politique, consacré au bien de sa maison puis à celui de la ville où il vit. Pour Aristote, la gestion de l'économie est avant tout une éthique de la vie privée, qui implique la quête des besoins relatifs à la maison et au bien être. A l'opposé de l'enrichissement personnel, superflu et inutile.

The private dimension of the economy

In classic Western thinking, man is considered a social being by his very nature. Aristotle defines him as a 'political animal' (*politikon zoon*), i.e. a being devoted to the good of the city (polis). But, before being a political animal, he is a 'householding animal' (*oikonomikon zoon*)¹ and Aristotle's analysis of the configuration of the home, known as 'domestic economy', constitutes his most innovative contribution to the history of economic thought. Thus we may say that 'Aristotle was the first analytical economist... It was he who laid the foundations of science and who first posed the economic problems with which all later thinkers have been concerned.'² From a philosophical point of view, the history of economic thought is a dialogue with Aristotle.³

The meaning Aristotle gives to the economy is very different from its meaning in modern times.⁴ He understands the economy (*oikonomike*) as 'household management', and to refer to this idea he uses a word derived from *oikos*, which means dwelling, home or family. The economy is

¹ See *Eudemian Ethics*, VII, 10, 1242 at 22-3. The noun *zoon* means 'living being, animal'.

² Roll (1950), p. 33.

³ Berthoud (2002), p. 60.

⁴ Modern economic theory is considered to have begun with the publication of Adam Smith's *The Wealth of Nations* (1776), which to some extent represents its independence from moral philosophy and hence the start of value neutrality. Cf. Finley (1973), pp. 17-20.

an art and an ethic of private life, for the family obtains what it requires to meet its basic, limited needs. Within the management of the home, Aristotle identifies chrematistics (*chrematistike*) as the component devoted to acquisition rather than use, (Aristotle. *Politics*, 1256a) i.e. it is at the level of means. There is a natural chrematistics, which concerns what is needed for the home and good living (and hence has a limit), and another, unnatural chrematistics, which seeks to acquire that which is unnecessary, or superfluous. (Aristotle. *Politics*, 1257a).

Seen in this light, the economy is not just an organization of instruments or means, not just a technique, but also includes an ethical component. It is concerned with the good of man and the community (the common good). Chrematistics, on the other hand, has no end, for its object is not need, but money and if it is not then subordinated to economics, it boosts human desire, as Aristotle illustrates in a poem taken from Solon: 'No bound to riches has been fixed for man (Aristotle. *Politics*, 1257b). Wealth, then, when it is seen in terms of the abstraction of money, rather than in terms of the reality of things, becomes aimless. Indeed, 'ethical questions refer to the way in which man wants,'⁵ and so education is needed if we are to want the right things.

⁵ Cruz Prados (1999), p. 159

L'économie comporte donc un volet éthique car elle concerne aussi le bien être de l'homme et de la communauté dans laquelle il vit.

Dans leurs écrits, Platon et Aristote ont été les premiers à relater la première crise économique, qui était avant tout une crise de la vie publique. Aristote était déjà conscient de l'importance des échanges pour le développement de la ville.

Le principal problème des échanges est de définir le montant d'un bien pouvant être échangé contre un autre sur une base équitable et juste. Les notions de nécessité et d'utilité sont ici essentielles. La solution, qui va rendre les échanges possibles, est l'argent, soit une représentation conventionnelle de la nécessité.

The public dimension of the economy

While the private aspect of the economy appears at the start of *Politics* – as a condition of possibility for the polis – its political dimension is discussed in Book V of *Nicomachean Ethics*, which deals with justice. Here Aristotle distinguishes between universal and private justice, and within the latter he distinguishes between distributive justice (equality according to geometrical proportion) and commutative justice (equality according to arithmetical proportion). Immediately afterwards, in Chapter 5, and in the context of commutative justice, he discusses the subject of justice in exchange as a form of reciprocity that keeps the community together (Aristotle. *Nicomachean Ethics*, 1132b).

Although rationality in the ancient world was very different from what it is today, in this particular case we could say that Plato and Aristotle were reflecting on the first economic crisis, which was a crisis of public life. However, unlike his master Plato, whose solution not only inspired socialist currents of thought, but also pervades the dominant modern economy⁶ – and who, in *The Republic*, ends up abolishing money – (Plato. *The Repu-*

⁶ There is no technical solution to the problem of social order, and any claim to the contrary leads to the tyranny of turning the city into a 'big family' where all things are held in common.

blic of Plato, V 464d), Aristotle was aware of the importance of exchange for the development of the city. Yet, he realized that the logic of *do ut des* ('I give that you may give') is not a sufficient basis for the unity of the city, which is why he mentions the *spirit of grace*, the 'gift', as it were, that is present in all exchange and transcends its technical aspect: 'This is why they give a prominent place to the temple of Graces – to promote the requital of services; for this is characteristic of grace – we should serve in return one who has shown grace to us, and should another time take the initiative in showing it' (Aristotle. *Nicomachean Ethics*, 1133a).

The main problem of exchange is how to determine which amount of a good to exchange for another on a fair basis; this is known as the 'problem of commensurability' (Aristotle. *Nicomachean Ethics*, 1133b). Strictly speaking, things in themselves are incommensurable, i.e. they cannot be compared from the ontological point of view, but in terms of need (*chreia*) or usefulness (for instance, St Augustine shows how a mouse is ontologically more valuable than wheat, and yet we prefer the latter for its usefulness to human life). The solution that makes exchange possible is money (*nomisma*), which comes to be a conventional – not by nature but by law (*nōmos*) – representation of need (Aristotle. *Nicomachean Ethics*, 1133b). There are those that claim Aristotle laid the founda-

En analysant les différentes formes d'échanges, Aristote conclut qu'ils sont de deux natures: l'une naturellement propre au bien être de l'homme dans la communauté, et l'autre qui ne l'est pas, le problème étant de pouvoir distinguer les deux. Le troc est ainsi opposé à l'échange qui implique de l'argent.

La nature même de l'argent est très fallacieuse car elle pousse l'homme à accumuler peu à peu, à devenir riche pour être riche, soit un système sans limite qui corrompt en poursuivant une fin inappropriée.

tions for the analytical treatment of money, yet, as Aristotle worried, the introduction of money⁷ into exchange poses a risk to the city.

The development of exchange

In Book 1 of *Politics*, he analyses the birth of exchange and identifies various forms of it: barter, or exchange that does not involve money; using money to acquire something one needs; buying and selling in order to earn money; and lending money at interest (known as usury).⁸ He examines the development of relations of exchange over time, and investigates the nature of exchange value and its impact on human behaviour. As regards the end (*telos*) of these forms of exchange, he concludes that they are of two different kinds: one that is natural to man's good life in the community, and one that is not. The problem of course remains how to distinguish between the two.

In the city, men 'exchange with one another the necessaries of life and nothing more' (Aristotle. *Politics*, 1257a). In this way Aristotle presents the need for exchange and the first form it takes: barter, i.e. exchange of goods that does not involve money, represented by C-C' (commodities). This kind of exchan-

⁷ See, for example, Polanyi (1977), Schumpeter (1954), or Moreau, (1969).

⁸ Nowadays the term 'usury' means lending money at excessive rates of interest. However, Aristotle does not admit differences in degree: all interest is usury and, given its purpose, is intrinsically bad and equally unjust.

ge is necessary in order to supplement natural self-sufficiency; but it logically leads to the other kind, involving money: a good is sold (C-M), and the money it is sold for is used to buy another good (M-C'). This is represented by C-M-C', and as long as things are sold in order to buy other things, money is a means of obtaining a good that one wants to consume. Aristotle accepts the C-M-C' circuit,⁹ since its end is consumption; but when things are bought (M-C) in order to sell them for a larger amount of money (C-M'), i.e. when the M-C-M' circuit is created, money is pursued for its own sake, and Aristotle considers this unjust.

The nature of money

The difference between C and C' in the first case is qualitative (they are incommensurable) and they refer to things that are used in different ways. But the difference between M and M' is quantitative; M' is necessarily a larger amount because this is the only possible difference between two amounts of money, which is commensurable. So the risk here is that if M can be turned into M' there is nothing to stop it from increasing further to M'', and so on ad infinitum: 'there is no limit of the end, which is riches of the spurious kind,

⁹ The distinction that Aristotle makes between exchange value and use value may create ambivalence on this issue, for the exchange value of a good is not its 'proper and particular' use. Yet Aristotle does not use the term 'unnatural' (*para phusin*), and the fact that something is not 'proper and particular' does not mean that it is bad.

Le fait de pouvoir échanger générant des abus potentiels de pouvoir et de l'injustice, il faut réduire au minimum les effets indésirables des rapports d'argent. La question est de savoir si l'argent est un moyen ou une finalité en soi.

Aristote distingue trois types d'activités humaines, chacune régie par un type de rationalité. La contemplation est ainsi régie par la raison théorique, l'action par la raison morale et la production par la raison technique. Chacun des différents usages de la raison donne lieu à un genre différent de la connaissance.

and the acquisition of wealth' (Aristotle. *Politics*, 1257b). The fourth type of exchange involves money but no goods, i.e. M-M', or usury. 'The most hated sort, and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural object of it... interest is money from money... that is why of all modes of getting wealth this is the most unnatural' (Aristotle. *Politics*, 1258b). Money produces interest, yet it was not invented for that purpose, but rather to facilitate exchange. For ancient Athenians, lending money was a sign of friendship, and its purpose was to keep the polis stable.¹⁰ In the same way, any activity or profession can be corrupted by pursuing an inappropriate end: 'The quality of courage, for example, is not intended to make wealth, but to inspire confidence; neither is this the aim of the general's or of the physician's art; but the one aims at victory and the other at health. Nevertheless, some men turn every quality or art into a means of getting wealth; this they conceive to be the end, and to the promotion of the end they think all things must contribute' (Aristotle. *Politics*, 1258a).

The key to grasping the difference lies in the relationship to money and the distinction between goods presented in *Ethics*. Natural chrematistics pursues useful things, for their use value; but unnatural chrematistics – which includes trade (*kapeliike*)

¹⁰ See Millet (1991) and Meikle (1995).

– is guided by exchange value, which is ultimately the same as desire for money. Exchange value quantifies things, assigning them a logical category different from that which is naturally theirs (the ability to satisfy a need). The essence of money is to be an exchange value, and as such has no inherent limits (it is a quantity, not a quality), which is why it cannot become an end in itself.

What is certain is that money, although ambivalent, is nonetheless necessary and cannot be eradicated.¹¹ Instead, its adverse effects must be minimized, for the possibility of exchange opens the door to abuse of power, injustice, violence and lack of reciprocity. The great problem of usury (M-M') is the claim that technique can, by itself, ensure gain, distorting the idea of wealth. As Aristotle saw it, the city is viable as long as chrematistics does not predominate and this duality remains a latent element in modern economic thought. Neoclassical economists tried to solve this duality by creating a conceptual link to the notion of utility. If utility is the only purpose of action, they postulated, its results matter more than action itself and the question of whether money is a means or an end becomes irrelevant.¹²

¹¹ This is what Plato and Marx expressly claim, but it is also implicitly derived from the theory of Walrasian equilibrium in which, paradoxically, money is logically unnecessary.

¹² Basically, utilitarianism insists on quantification in monetary terms, for it maintains that there are no incommensurable ultimate values. Williams (1972), pp. 96-112.

Toute pratique étant normative, elle doit réfléchir sur les moyens et les fins. L'économie devient donc une science pratique.

Three kinds of rationality

Aristotle identifies three kinds of human activity (*energeia*): contemplation (*theoria*), action (*praxis*) and production (*poiesis*), each governed by a different kind of rational excellence (*arete*). Thus contemplation is governed by theoretical reason (*sophia*), action by moral – practical – reason (*phronesis*) and production by technical reason (*techne*). Aristotle does not contrast thought with activity, recognising that all complex human activity is marked by unity between conception and execution, and that in relation to this there are three kinds of thought (*dianoia*): theoretical thought, which speculates on something; practical thought, which works; and productive thought, which makes (Aristotle. *Metaphysics*, II 2 y VII 1).

Each of the various uses of reason (theoretical, practical and technical) gives rise to a differentiated kind of knowledge – or science in the broad sense – depending on the object of its study. Theoretical reason enables us to know the essence and causes of things, which is fundamental for an overall view of things. Practical reason enables man to reflect on his actions so that they are organized to their own perfection. That is why all practice is normative, and must reflect on means and ends. Technical reason, on the other hand, only moves in the realm of means, and is aimed at results.

Seen in this light, economics is a practical science, whereas chre-

matistis is a technical one, meaning that it cannot lay claim to the clarity of the exact sciences, as most positive schools of thought suggest. In *Nicomachean Ethics*, Aristotle warns that 'Our discussion will be adequate if it has as much clearness as the subject-matter admits of, for precision is not to be sought for alike in all discussions ... We must be content, then, in speaking of such subjects and with such premises to indicate the truth roughly and in outline ... for it is the mark of an educated man to look for precision in each class of things just so far as the nature of the subject admits' (Aristotle. *Nicomachean Ethics*, 1094b).

Understanding the economy in this sense presupposes a difference between action (*praxis*) and production (*poiesis*), which are two different ways of doing things (Aristotle. *Nicomachean Ethics*, 1140a). Even though the way in which Aristotle makes this distinction has been greatly criticized (in his day the difference was not just internal, but rather external, since production was a job for slaves), there is certainly an implicit reference to the relationship between technical reason and moral reason (*phronesis* and *techne*), which is one of subordination. In any case we are faced with two kinds of teleology: 'For while making has an end other than itself, action cannot; for good action itself is its end' (Aristotle. *Nicomachean Ethics*, 1140b).

EPISTEMOLOGICAL FOUNDATIONS FOR ETHICS AND FINANCE

Pour Aristote, l'analyse de la technologie est nécessaire: il s'agit d'une sorte de vertu, car orienté vers la notion de bien, mais elle peut aussi être utilisée de mauvaise manière. Les questions instrumentales deviennent donc toutes des questions morales. Selon lui, dans tous les arts et les sciences, la fin et les moyens devraient être sous notre contrôle de manière équilibrée.

Epistemology of technology

There is some ambiguity in the term *techne*, alternatively translated as 'art' or 'craftsmanship', i.e. to refer both to manual or industrial arts and to instrumental methods – used by people who are skilled at something – in order to achieve ends. Aristotle sometimes refers to *techne* as a state (*hexis*) and sometimes as a faculty (*dynamis*). In the first sense, 'art, then, as has been said, is a state concerned with making [*poietike hexis*], involving true reasoning, and lack of art [*atechnia*] on the contrary is a state concerned with making, involving a false course of reasoning; both are concerned with the variable' (Aristotle. *Nicomachean Ethics*, 1140a). Here he defines *techne* as a kind of virtue (or vice) that does not lead to the morally good, but to the intellectually correct – i.e. *techne* provides the most efficient means of achieving the proposed ends, whether these are good or bad. This is a 'kind of virtue', for virtue is strictly directed towards the good, whereas *techne* is ambivalent and can be used badly. Aristotle refers to this second meaning of art as a mere faculty (*dynamis*), for he is loath to state that something can be intellectually good but morally bad.¹³ In order for *techne* to be a virtue, it must be subordinated to *phronesis*.¹⁴ Technical reason certainly requires moral reason in order to be good, but the latter also needs the former in order to achieve good,

¹³ *Dynamis*, unlike *hexis*, can be used for opposing purposes.

¹⁴ Murphy (1993), p. 106.

for 'practical wisdom is a virtue and not an art' (Aristotle. *Nicomachean Ethics*, 1140b). Thus *phronesis*, as a moral and intellectual virtue, includes and perfects *techne*, allowing for a human use of it (Aristotle. *Nicomachean Ethics*, 1141a, 1141b, 1142a, 1143b, 1153a).

Ultimately, all instrumental questions are moral questions, but the ends must be human – they cannot be relegated to mere mechanical causality. 'There are two things in which all well-being consists: one of them is the choice of a right end and aim of action, and the other the discovery of the actions which contribute towards it... In all arts and sciences both the end and the means should be equally within our control' (Aristotle. *Politics*, 1331b).

Action and production

Aristotle's distinction between action and production had major consequences for the modern economy, often owing to misinterpretation.¹⁵ When he says that, in addition to an internal end, production has an end outside itself, whereas action does not (it is an end in itself), he is thinking of the rationality that underlies every kind of activity. As Crespo says, echoing Agazzi, 'The practical dimension concerns itself with knowing and justifying the end, a value in itself that implicates all action. This of course involves means,

¹⁵ The interpretation was that production has a tangible purpose and action an intangible one; this is reflected in Smith's notions of productive and unproductive labour.

La distinction d'Aristote entre l'action et la production a eu d'importantes conséquences pour l'économie moderne.

Les techniques sont moralement ambiguës. Telles une expression de la capacité de l'homme à faire les choses, elles sont devenues plus complexes et plus puissantes au fil du temps. Il n'y a pas de technique neutre et objective: elle est toujours guidée par des intérêts humains et la finance ne fait pas exception. Je vais vous démontrer que la prétendue neutralité de la science et de la technique est une illusion. L'autonomie de la raison est de loin l'élément le plus caractéristique de la modernité.

Orienter l'action depuis l'extérieur, comme cela se pratique habituellement dans le monde physique, est problématique car cela revient à annuler l'action. Ce qui détermine l'action est pourtant bien son caractère subjectif, soit ce qui se passe au sein du sujet qui agit.

but only insofar as they are implicated in an end, which is what leads to action. In reality, when moving into the practical field, these are not really means, but rather parts of the end. Practical rationality does not address means as means, but rather in themselves, as particular ends that must be in harmony in a horizon of totality. This totality is a certain way of conceiving life itself.¹⁶

We can thus conclude that techniques are morally ambiguous. As an expression of man's ability to make things, they have become more complex and powerful over time, capable of determining future possibilities and making it difficult to correct wrong decisions. There is no such thing as a neutral, objective technique, but rather is designed and driven by human interests – and finance is no exception. Thus, in the next section, I will turn to demonstrating that the supposed neutrality of science and technique is a fallacy.

Modernity and the reign of technique

The autonomy of reason is by far the most characteristic feature of modernity. Indeed, there has been a radical change in the understanding of the rational, which lost its profound sense of openness to truth and has become an instrument for the pursuit individual certainty. This change resulted in the consideration of man as an individual, who can act only by using his thinking mind, as

¹⁶ Crespo (2006), p. 28.

seen in Descartes, without any need for tradition or community. Those who set out in pursuit of certainty end up abandoning the language of culture and tradition in favour of a supposedly universal, objective language, whether in its natural form (physics) or its abstract one (mathematics), finally applying it to human action, which is reduced to a mere externality.

For Hegel, the political economy of the Scottish Enlightenment represented the science of modernity *per excellence*, whereas Kant believed that Newton's physics were the leading science of modernity. Although there were other schools of thought, modern economic theory originally arose in response to the need to explain the meaning of society. Yet, it seriously erred in designing the political economy as a kind of 'social physics', forcing a hypothesis of man that has caused all kinds of problems. This hypothesis considers man as an isolated, pre-social individual, a concept that is known as 'methodological individualism,' and gave rise to the famous notion of *homo oeconomicus*.

Modern physics (Galileo, Newton, Descartes) has been so idealized because it reveals an order behind the seeming chaos of nature, an order that, moreover, admits mathematical expression, as observed in astronomy. Yet, approaching the coordination of individual decisions as a mathematical problem requires an *a priori* theoretical rationality, reducing human action to an external

Le problème n'est pas dans les technologies qui sont appliquées, mais plutôt dans la mentalité dominante, basée sur la technique, et dans la manière dont la finance est utilisée pour retrouver une dimension pratique de l'action.

theory of decision-making. It was not until the late nineteenth century, when Lagrange's model of mechanistic equilibrium in mathematical physics influenced the German empirical philosophy of Weber and Fechner, that some economists, such as Jevons, Edgeworth and Walras, attempted to explain the meaning of society by turning political economy into mathematical psychics. Yet the 'flight from psychologism' initiated by Pareto and concluded by Debreu was needed in order for a new axiomatic mathematics (Hilbert) to develop, so that action could be deemed a mere externality. This led to what has been called the 'formalist revolution' in economic theory.

The impact of the formalist revolution

Action theory comes down to a *a priori* calculation of plans that maximize individual advantages not on the assumption of personal interest, which presupposes a degree of intentionality, but as a mathematical property. The problem in guiding action externally, as usually happens in the physical world, is that, instead of maintaining action's decisive, subjective character, it cancels action out by depriving it of its meaning, i.e. 'When human action is reduced to a mathematical decision-making problem, the agent disappears. He does not act or even think; rather, his action is thought for him; he does not move, but rather is moved.'¹⁷ The purpose of the economy is not

¹⁷ Martínez Echevarría (2012).

consumption, which by definition is concrete and limited, but chrematistic production, understood as a mathematical function that is dominated by calculation. As for technique, it is nothing more than instrumental domination.

Constructing a kind of 'neutral' foundation for society is seriously problematic because a semblance of order is achieved by eliminating multiple views of the common good, which – however paradoxical it may seem – are precisely what keeps a political community together. Inevitably, economics – or rather its chrematistic aspect – becomes a substitute for what was once meant by politics. Making it part of a theory turns the human acquisitive process into an autonomous, neutral activity, ratifying the moral neutrality of the maximization of gain, 'a manifestation of the European spirit's move toward individualism, subjectivism and rationalization.'¹⁸

As Koslowski points out in his famous essay *Ethics of Capitalism*, the liberation of the economy from morality leads to justification of contracts on the basis of mere formality rather than their substance (which is justice), probabilistic morality – in other words, laxity – as an expression of subjectivism, and loss of control over interest payments (in accordance with market forces rather than conditions of justice).¹⁹ Ultimately, this is a consequence of not facing up to the complex problem of

¹⁸ Koslowski (1997), p. 31.

¹⁹ Koslowski (1997), p.46.



Le caractère éthique de l'économie dépend du fait que la politique, activité pratique dont le but est le bien commun, ne perde pas son caractère dirigeant. Il faut mettre en avant les efforts conjoints des hommes pour se procurer les moyens de mettre leur capacité productive au service et à la disposition de la société.

value, by transferring it to the individual and reducing the incommensurable to common terms (with money acting as a 'common denominator'). Ultimately, ethics in economics, and hence financial ethics, is only possible if politics – a practical activity whose purpose is the common good (including partial and instrumental goods, and hence all technologies) – retains its governing role.

A return to practical reason

Such an extensive theoretical discussion to arrive at general, straightforward conclusions may seem unnecessary and even absurd. It is indeed very typical of modern thought to give priority to action. Yet, as we have seen, it is theory that guides practical and technical action. When there are no firm theoretical foundations for reality, i.e. when we do not look more closely at causes, we cannot move beyond the mere level of means. This is clearly seen in the repercussions of economic crises (especially the one in 2008), when analysts solely discussed issues of *financial engineering* – whereas all crises reflect the vast number of personal decisions that are made in society. The problem is not in the technologies that are applied, but rather in the prevailing 'technicist' mentality and the key to changing the way finance is used lies in a return to the practical dimension of action.

This has major implications. Modern economic rationality, as it has developed, is an attempt to control reality, whether theoretically or te-

chnically, by claiming to predict the future in absolute terms. In this sense, the problem of coordinating a multitude of individual decisions ends up as a regression to infinity, as can be seen in game theory. Human rationality develops within practice, and hence is uncertain. That is why economic theory systematically fails in its precise approach to human existential time, for it has to develop more and more hypotheses in its attempts to explain reality in terms of models.

Reason is a single power with two uses: theoretical and practical. Theoretical reason is open to truth and clings to it once it possesses it; it is thus more thoroughly and definitively updated than practical reason. Practical reason, on the other hand, is open to many possibilities and so is never 'closed', not even to error (theoretical reason does not make mistakes, only the person who reasons), which is why it has to be corrected. A re-evaluation of practical reason requires the present tense, for practical reason cannot hope to know reality without action.²⁰ Practical reason enables us to compare contingent goods that are within our control and are open to many different possibilities – ultimately, means – in order to find the best

²⁰ However, acts of practical reason are not actions but acts, and their known objects are mental forms commensurate with their acts. Reason has four feasible acts: practical concept, counsel or deliberation, practical judgement and precept or command. Thomas Aquinas, *Summa Theologiae* II-II ps., q. 153, a. 5, co.



among them (*practical counsel*), to be aware of our deliberative ability, to assess our acts, to correct them when they do not improve reason, and to differentiate between what is urgent and what is important (*eu-boulia*); to judge what is probable (particular, contingent, possible and plausible), arranging the order of things with more or less good sense and experience (*practical judgement*); to choose – decide on – the most appropriate of possible actions, and finally to receive a mandate to work towards an end (*precept*). The key to progressing in this direction lies in an appropriate anthropological underpinning, which implies understanding reality, tradition and culture as they really are. New financial trends are moving further and further away from stock markets

and complex derivatives, to focus instead on initiatives that involve communities and acknowledge their real needs and capabilities. The ‘anti-community’ gains that resulted from speculation and the efficient use of ‘language’ are increasingly being replaced by communal efforts to put its productive capacity at society’s disposal. The concept of capital, synonymous with wealth until most recently, is now expanding to include relational, cultural, intellectual and moral aspects, with a growing cooperation and respect for nature. With a true anthropology to guide it, technique, finance in particular, can be geared toward the service of man and its potential will then be truly remarkable. •

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