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ΣΟΚΡΑΤΕΣ

socratic economics and how to avoid a new economic crisis

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Abstracts

How do we avoid a new financial crisis like the one that erupted, so to speak, in 2007? If we bother ourselves with consulting some of the ancient Greek philosophers such as Plato and Xenophon, we learn that a sound and harmonic economy is always preconditioned by the presence of virtue.

Without virtue any household, private or national, will deteriorate.

From this perspective, therefore, financial - or more broadly speaking - economic crisis arise whenever people fail to act virtuously. So the message from across so many centuries long gone is that if we are to avoid a new economic crisis, we must – each and every one of us – live in accordance with the dictate of virtue. That is, we do not necessarily have to be good at calculating or drawing graphs in order to be good economists nor necessarily at good terms – for that matter – with great *isms* such as *capitalism*, *communism* or *liberalism*, no, the message is a different one: we must strive to become virtuous men and women ourselves!

Therefore, it is that we – aspiring economists - find ourselves faced with the very same questions that Socrates, notorious for his outer ugliness and unequalled wisdom, dedicated the best part of his life exploring: What does it mean to be virtuous and how do one become that?

His answer, to which his very life attests, is that economy should not be thought of or practiced as an abstract science, rather, economy is a question about the right way of living. The prime obstacle for the achievement thereof being ignorance. His life was ever a struggle to retain his intellectual liberty against false opinion; a master that pulls and tugs men hither and thither, but rarely to where men ought to be – like so many Americans in grand and luxurious houses they couldn't afford; a catastrophe which came to be known as the housing bubble.

In this master thesis, therefore, I will argue, that virtue is the very fabric that determines the highs and low of the economy, that no one will have a steady passage through life who does not possess virtue and that economic crisis will not go away before no man is governed by false opinion.

Economics is not about money, it is about knowledge.

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Introduction

In this master thesis, I will – as also mentioned in the *Abstract* – be asking: how do we avoid future economic crisis? In that regard, I will be discussing the homespun concept: *Socratic economics* (or alternatively: oiko-sofia). The way I define this concept is – pushed to the extreme – quite simple: Unlike traditional/modern economics that will normally ask *how it will pay*, Socratic economics will ask *how it will do good*.

Socrates is, of course, very well known for his speaking with all kinds of people, laymen and philosophers alike. In Plato's *Apology* we learn, that he talked with politicians, poets and artisans when trying to prove or disprove the Delphic oracle's verdict, that he of all the Greeks was the wisest. But in Plato's and Xenophon's other writings we also see him in conversation with rhapsodes, soldiers, sophists, slaves, playwrights, economists and many others – not forgetting, that he was also a veteran of the Battle at Potidaea 432 B.C. where he rescued Alcibiades.

Obviously, the well-worn notion that many people today perhaps entertain of philosophers as people resting in comfortable armchairs while smoking their pipe and grooming their beards, did not apply to Socrates.

The reason I mention this, is that many a modern reader may be of the conviction, that philosophy is one thing while, say, soldiery another, philosophy one thing and poetry another, economy one thing - philosophy another and so on. The truth of the matter, in the Socratic sense, is, that this is not so. According to history, vague as the sources though may be, the first to call himself a philosopher was Pythagoras. The word in Greek, as many will know, meaning *one who loves wisdom*. If philosophy was truly completely separate from all other sciences (and so our aforementioned modern reader would be right in his conviction) and they from that, then what would this wisdom, that philosophers love, be of, if not related, but isolated, from all other fields of knowledge? We see that Socrates supposedly felt the same, when we read the *Charmides* wherein he puts on a very skeptical attitude toward such a knowledge of *knowledge*, but not of knowledge in general, which we otherwise would assume gave substance to the concept.

Therefore, when I come up with the concept of Socratic economics for this assignment, the point is just this: WHOMEVER (politicians, artisans, sophists etc.) Socrates was talking with, he was always – ALWAYS – relating the subject at hand with virtue and the highest virtue of them all was *GOODNESS*. In other words: It is unthinkable, that the Socrates we know of through Xenophon and Plato would commence a dialogue about any subject, in our case economics, without relating the subject with the different virtues: justice, piety, temperance, courage etc. In a word: goodness.

But, evidently, business and economic activities can be – and are - undertaken on other grounds than the desire to do good; it can, as I also try to catch with my words *how it will pay*, simply be about making money, optimizing, creating growth, selling more, making profits, capitalizing, winning market etc.

In my time as a student at Copenhagen Business School, I have come across that sentiment more than once; a way of thinking about economics seemingly detached from any considerations about the inherent *goodness* of the economic activity at hand; its whole legitimacy instead solely dependent on whether or not the operation was likely to pay off. Traditional marketing is, to my mind, a very good example of this way of thinking, though not necessarily so.

This way of thinking about economics stands, I will argue, in dire contrast to my concept of Socratic economics and, furthermore, because of its narrow and shortsighted outlook - the cause of economic crisis.

So in order to understand the concept of Socratic economics, one must naturally understand the man who has given name to the concept: Socrates.

In this master thesis, through review and analysis by a number of Plato's and Xenophon's dialogues, I will be focusing on four concepts that I think are essential for such an understanding. These concepts are Socratic ignorance, Socratic irony and Socratic insistence on clear definitions and last, but not least, goodness (*arête*) or beauty.

The problem of the assignment is to make it clear to the reader that we today – from a Socratic point of view – have a problem regarding the way we think of economics. E.g., many will tend to think that one cannot be a good economist, if one is poor or perhaps make an unprofitable investment. Nevertheless, Socrates

points out to Kritobulos in Xenophon's *Oikonomikos*, despite he himself being much poorer than Kritobulos in a financial sense, that he many a times have considered Kritobulos to be a poor man¹. In other words: the good economist is *not* measured with a financial yardstick, at all. On the contrary, to make it very plain, the good economist is measured with what we perhaps could call *the idea of goodness* or *arête* - for as we learn in the writings of Xenophon, Socrates was always trying to learn and understand the *good and beautiful*.

In Plato's *Apology* Socrates makes his position on money very clear indeed, where he says:

I tell you that virtue is not given by money, but that from virtue comes money and every other good of man, public as well as private. (Plat. Apol. 30.)

If we want to be good economists then, in the Socratic sense, we have to learn about that which is good and beautiful - about virtue / *arête* - and not debase ourselves by simply asking, if it's profitable to us in a monetary sense or more simply: *how it will pay?*

Problem statement:

How do we avoid future economic crisis?

¹ Xenophon. *Oikonomikos*, p. 18-19. ii.2 – ii.4

Methodological considerations

Traduttore, traditore. All translators are traitors to the original an Italian saying goes. If true, then this master thesis is, unfortunately, largely based on the work of traitors, however well-meaning these traitors may have been! Both Plato and Xenophon, whose writings underlies this assignment, wrote in Greek, but I have, I regret to say, only studied them in translation.

Having more than one translation of the same, say, Platonic dialogue on the table in front of you, one soon realizes, that the wording, rhythm and even meaning, differs. Considering the emphasis that Socrates, as we know him, placed on clarity by always demanding definitions, his hairsplitting logic and insistence on step-by-step argumentation, one cannot help but feel, that even the slightest mistranslation might - as if it had been an arithmetical problem - cause one to draw faulty conclusions.

To my mind, this methodological problem cannot be underestimated. The safest - and hardest - way for any true student of Socrates, therefore, is to go *ad fontes*. Read Plato, Xenophon and Aristophanes in Greek. Do not rely on commentaries or translations, but: *go and see for yourself!*

Which brings us to another methodological consideration.

If the translations might distort the real Socrates, the same is also true of the primary sources: Plato, Xenophon and Aristophanes. Oh woe! Indeed, we feel almost compelled to conclude, that the treachery is not restricted to the many good translators, but that it also numbers our first-hand witnesses, who we otherwise owe so much!

Scholars have dubbed this problem the *Socratic problem*.²

Is the historical Socrates identical with the one we meet in the writings of Plato, Xenophon and Aristophanes? Or, on the contrary, are the respective portrayals of Socrates from the hand of these eminent writers merely literary inventions, caricatures and stereotypes designed to serve the purpose of the author?

² In the words of Louis André Dorion in his article: *Rise and Fall of the Socratic Problem*: "The 'Socratic problem' refers to the historical and methodological problem that historians confront when they attempt to reconstruct the philosophical doctrines of the historical Socrates."

The question presupposes two things. One, that Socrates was a historical character, which no one doubts. Two, that a historical person can be *known*. My position on the Socratic problem is as follows:

Even in the case of a living person we might arguably maintain, that he appears differently to different people. A politician, e.g., may appear as cynical, cold and determined in the eyes of the public, but to his wife, he might appear loving, weak and perhaps halting. Both conceptions might be said to be true in spite of their contrariety – which in turn raises the question; what does it mean to know a person?

Or in the words of the American, so-called transcendentalist, Henry David Thoreau: *it is not what we look at, that matters, but what we see* – a statement, that begs the question: what determines what we see?

To me, e.g., a person might be good at speaking Chinese, but to a native Chinese, he might be terrible. The cause of the differing assessments, obviously, being one of knowledge; just as the right judgement of the aforementioned politician depends on the knowledge of the beholder. The wife and public will (most likely) have different insights and different shared experiences together with the politician. They will see him in different ways, because they *know* him in different ways.

Who knows, if the historical Socrates experienced a wisdom so deep, that even the great genius of Plato was not capable of rendering it full justice. In line, I think, with the Socrates of both Xenophon and Plato I shall therefore contend myself with not knowing everything about the historical Socrates.

Arguably, he would reason, or so I imagine, that as he does not even know himself – we remember, that he did claim to know, that he did not know anything (Plat. Apol. 29.) – how then would it be possible anyway, for someone else to know him? This, I believe, renders the Socratic question obsolete. We must simply contend ourselves with knowing what Plato and Xenophon knew – no more, no less.

Part 1

The problem: economic crisis

Before a doctor can treat a patient, he must - as is common knowledge - first make a diagnosis. Similarly, before one can fix one's broken bike, one will first have to figure out what exactly is wrong with it: is it the tube, chain or perhaps the breaks that are somehow in disorder?

If there is a leak on the tube and one starts working on the chain, will that fix the broken bike?

Of course not; a precise diagnosis is required, if one wants to fix anything.

The problem I have set out to deal with in my master thesis I have hitherto only introduced by name: economic crisis. But names are like containers, they vary in form and may hold any content we please to store in them.

So a clarification of my understanding of the recent economic crisis is needed here at the beginning, if we, in the next section of this thesis, are to provide a cure to the problem. As a passing remark one might mention, that this way of approaching the matter is very much in line with the Socratic Method – which is; always start

with a clear definition. This was something the Socrates of Plato and Xenophon always did – as we shall see later on.

So what exactly do I mean, when I talk about economic crisis?

Well, first and foremost, my point of departure is the so-called financial crisis, or more precisely, the credit and



housing crisis of 2007-2008³, which I shall try to give an account of below. However, our aim should not be solely to avoid economic crisis similar to the one recently endured, but economic crisis altogether. Whether we are talking about houses, food, IT, cloth, stocks or whatever it might be; we do not want things to bust.

Many may perhaps think that the economic crisis was something that began in the fall of 2007. In this paper, I will argue, that this is not true. Rather, I will suggest, that the economic crisis started many years before 2007, only until then, the symptoms of it had not been of a kind that would wake people from their usual negligent and disregarding slumber. Indeed, it should not come as a surprise to anyone, methinks, that the economic crisis had been around long before 2007.⁴

If it hadn't, how would it have been possible for people such as economist Raghuram G. Rajan to predict and warn against a *full-blown financial crisis*?⁵

No, there were indeed lookout-men trying to warn us, but the trouble about slumbering people – one may speculate – is, that they do not like being disturbed⁶. Which in turn, of course, makes the job of being the lookout man somewhat unattractive – who wants to be a disturber of the sleepy?

But what was it then, that people such as Raghuram G. Rajan in 2005 was disturbing us with?

Back then, what he said, was, that the financial system at large (banks, insurance companies, pension funds etc.) were – due to their investments – far more exposed

³ See cf. Viral V. Acharya and Matthew Richardson article: *Causes of the Financial Crisis*, wherein they conclude that the : “*fundamental cause of the crisis was the combination of a credit boom and a housing bubble.*”

⁴ Talking about economic crisis, I am not necessarily talking about economies in recession. The talk might as well be about expanding economies. Some slump can be desirable, some growth undesirable - something the recent crisis only exemplified all too well. Cf. the beneath mentioned NINJA-loans.

⁵ Raghuram G. Rajan. *Has financial development made the world riskier?* Speech delivered to the world's leading bankers at that time (Alan Greenspan, Timothy Geithner, Larry Summers, Ben Bernanke etc.) in 2005 at Jackson Hole, Wyoming.

⁶ But, of course, one can be more or less ‘tactful’ when disturbing. E.g., Raghuram G. Rajan chose to call attention to the world economy's worrying condition during the aforementioned meeting at Jackson Hole – what lack of conduit! This was a meeting by and large dedicated to the legacy of the - at that time - retiring Federal Reserve chairman Alan Greenspan. As Rajan notes in his book *Fault Lines* (p. 3): “*some of the papers in the conference (...) focused on whether Alan Greenspan was the best central banker in history, or just among the best*”. The reaction, as Rajan smilingly recounts in the movie *Inside Job* (00:40:04-00:41): (Larry) “*Summers was vocal*”.

to risk than they themselves realized (or perhaps did realize, but didn't act on anyway).⁷

The primary reason why the development of the financial system was making the world riskier – hence the title of the paper Rajan delivered at Jackson Hole – was the so-called subprime loans.⁸ Subprime, Latin, of course, meaning not the best. And true enough, these were loans given to people, which in many instances had no income, no job and no assets.⁹

But, of course one must ask, if people had neither income, job or other assets of value – why, then, would the banks and financial institutions want to issue out these loans? Weren't they running a huge risk?

The short answer is because there were incentives of all sorts for them to do so. In his book *Fault Lines* Raghuram G. Rajan traces these incentives or fault lines, as he metaphorically calls them.

For one thing, Rajan explains, politicians endorsed American debt-financed homeownership. E.g. in 1995 President Bill Clinton sent a clear message to the financial sector. He wrote: *“For many potential homebuyers, the lack of cash available to accumulate the required down payment and closing costs is the major impediment to purchasing a home. Other households do not have sufficient available income to make the monthly payments on mortgages financed at market interest rates for standard loan terms. Financing strategies, fueled by the creativity and resources of the private and public sectors should address both of these financial barriers to homeownership.”*¹⁰

Clinton's successor in office, George W. Bush, although not a democrat like Clinton, continued this policy. According to Rajan the Bush administration *“pushed up the low-income lending mandate on Fannie and Freddie”*¹¹.

⁷ Economist Kenneth Rogoff from Harvard University sums up the long and short of Rajan's paper to the present bankers at Jackson Hole quite nicely: *“you guys have claimed you found a way to make more money with less risk, I say, you've found a way to make more profit with more risk – and there's a big difference”*. *Inside job*. (00:39:50-00:40:04)

⁸ Raghuram G. Rajan. *Fault Lines*. p. 40.

⁹ Raghuram G. Rajan. *Fault Lines*. p. 128.

¹⁰ Raghuram G. Rajan. *Fault Lines*. p. 36.

¹¹ Raghuram G. Rajan. *Fault Lines*. p. 38.

But why were American politicians so soft on the idea of American debt-homeownership? Rajan explains that the idea took nurture from the dissatisfaction with the growing income inequality in the United States; from the growing gap between rich and poor. Cheap credit *“was an easy, popular, and quick way to address perceptions of inequality.”*¹²

How then, did the financial sector comply with the political signals? Citing Bill Clinton, they did indeed address the *financial barriers to homeownership* of the impecunious Americans; which leads us to another of the incentives that inclined the financial industry into issuing loans, such as those dubbed NINJA-loans.¹³

In the wake of the Dot-Com bust in 2000-2001, the Federal Reserve had kept interest rates low, so that it would be cheap to take loans. Furthermore, the chairman then in charge, Alan Greenspan, announced, that the Federal Reserve could not prevent an asset-price boom (as when house prices goes up through the roof), but in case it happened, the FED would: *“mitigate the fallout when it occurs and, hopefully, ease the transition to the next expansion”*.¹⁴

On the one hand, therefore, he was saying, that the FED would not raise the interest rates, which would otherwise make it more expensive to loan, which in turn would then result in decreased demand or recession, i.e. the opposite of booming asset-prices. On the other hand, he was also saying, that the FED would help clean up the mess, if something bad happened to the financial industry. This FED policy came to be known as *the Greenspan put*. Basically, as Rajan analyzes, it told traders and bankers: *“that if they gambled, the Fed would not limit their gains, but if their bets turned sour, the Fed would limit the consequences.”*¹⁵ An invitation for all traders and bankers to put their money into one asset - not spreading out their investments. Good times if the value of the asset would boom, not too bad times if it would bust for the FED had guaranteed that it would be there to *mitigate the fallout* and *ease the transition to the next expansion*.

¹² Raghuram G. Rajan. *Fault Lines*. p. 43.

¹³ A NINJA-loan is a loan to a borrower with no job, income or asset.

¹⁴ Raghuram G. Rajan. *Fault Lines*. p. 113.

¹⁵ Raghuram G. Rajan. *Fault Lines*. p. 113.

Yet, despite these incentives – and Rajan lists many more – it may still seem odd, that bankers, brokers and investors would issue, bet and trade with mortgages, which in so many cases had been granted to people whose creditworthiness had not even been assessed, as was the case with e.g. the so-called *liar-loans*.

In trying to understand this, we might take a quick look at what is labelled the *securitization food chain* in the movie *Inside Job*.

So a would-be homeowner would get a mortgage at his local bank. When the customer had left the bank, the bank would resell the mortgage to some investment bank. This bank would then package the mortgage loan into a so-called CDO – *collateralized debt obligation* – derivative, which could comprise a huge number of mortgages and other kinds of loans and debt.

The investment bank would then have rating agencies rate the CDO. In this way many subprime loans packaged into CDO's received the best investment grade possible: AAA. In this system the original mortgage issuer have no interest as to whether or not the mortgage-taker is able to repay, he is going to sell the mortgage loan to some investment bank anyway.¹⁶

The investment banks – making their income on reselling the mortgages to investors – ditto had no immediate monetary interest as to whether or not the mortgage-taker could manage their mortgage repayment. In fact, the investment bank Goldman Sachs were - in the wake of the crisis - accused of selling CDO's to investors that they themselves were at the same time betting against. They did that by investing in so-called *credit default swaps* – so if the subprime mortgages they had just sold to some investors went bad, they would make money.¹⁷

Indeed, according to the movie *Inside Job*, they did this to such an extent, that the they became worried, that the issuers of the CDS, the insurance company AIG, might not be able to re-compensate them, if the CDO's failed, why Goldman insured themselves against AIG's possible bankrupt. However, according to Allan Sloan, senior editor of Fortune magazine, what Goldman did not do, was to warn their

¹⁶ Ferguson, Charles. *Inside job*.

¹⁷ <https://www.youtube.com/watch?v=oOpFbjHcxFO> (13-03-2017)

customers, the investors who had bought CDO's from them, that they had lost faith (if they ever had any) in the CDO's.¹⁸

If that were indeed how it all happened, it would seem that there were many ways to make money of an artificially inflated housing market, e.g. the same way Goldman did it; simply by betting against the bad mortgages.

How much, then, did this whole misère cost in the US? According to a study from 2013 by the Government Accountability Office, the total amount at that time was 22 trillion dollars.¹⁹

According to NCPA, as of May 11. 2015, 10 million American families have had to default on their mortgage loans and in effect leave their homes due to this economic crisis.²⁰ Now talking about '*their homes*' might in general be a little bit misleading, though of course on paper, it was so.

According to Allan Sloan,²¹ many American homeowners had borrowed 99.3% on average of the price on their house. In other words: there were American homeowners who owned as little as 0,7% of their own houses prior to the housing bubble. You talk about owning your own chimney, more like owning your own chimney cap - *aes alienum*!

So, logically, the prerequisite for a housing bubble of this kind is loan activity. If everyone had owned their own homes 100 %, there would not have been a housing bubble, because there would not have been any defaults. If people own their houses, they cannot be evicted. Evictions happen, because someone else wants to evict you. The financial institutions had the right to evict people, because people were in their pockets.

When these people could not pay their mortgages any longer, the financial institutions threw them out of their pockets – why we may conclude, that the financial institutions do not fancy unpaying people in their pockets. Therefore,

¹⁸ Ferguson, Charles. *Inside job*.

¹⁹ http://www.huffingtonpost.com/2013/02/14/financial-crisis-cost-gao_n_2687553.html (13-03-2017) As for Denmark, professor at Copenhagen Business School Jesper Rangvid have calculated, that the recent crisis has cost 400 billion kroner.

²⁰ National Center for Policy Analysis. See: http://www.ncpa.org/sub/dpd/index.php?Article_ID=25643 (07-03-2017)

²¹ Ferguson, Charles: *Inside job*.

unless it says otherwise in the bank's window, people should not forget this, when taking a loan.

This brings us back to Raghuram G. Rajan. What he was basically doing in 2005, was calling attention to the financial institutions bad loaning activity. They made the housing bubble possible. Though – we do not want to forget - it still would not have been possible, if it had not been for the many happy real-estate borrowers. ²² In this case, it took two for a tango.

In conclusion, therefore - and that to the very best of my understanding - the lesson to be learnt from the recent economic crisis is that: too many loans, which should never have been issued, were issued. ²³

This difficult experience clearly demonstrated that the taking and issuing of loans have impact on the household of both the individual and the state(s). The ultimate cure, I will argue, is not regulation of the financial markets, though I do not doubt, that regulation can indeed change things and sometimes even for the better.

But however much regulation you impose or however much you restructure the system, if the people that operate within the system do not change with it, then I predict, that the new regulations or restructured system will one day be criticized for being the cause and source of new economic crisis. A postulate, yes, but so my belief.

On the contrary, the cure is – in a word – philosophy. In the following section of this master thesis, I shall be presenting the views – as I understand and deduct them – of Plato and Xenophon on economics. In essence, as shall hopefully become clear, good housekeeping – be that of individuals or states – depend, to repeat myself, solely on the virtue of either the individual or individuals.

In other words: our actions determine the condition of our own and our common economy. If we all suffered the same lifestyle as poor, old Diogenes, who is notorious for having lived in a barrel on the sideways of Athens, then surely, the

²² Raghuram G. Rajan. *Fault Lines*. p. 39. “As I argue repeatedly in this book, it may well be that many of the parts played by the key actors were guided by the preferences and applause of the audience, rather than by well-thought-out intent.”

²³ Raghuram G. Rajan. *Fault Lines*. p.7.

financial institutions should soon be on a slimming diet, for it is, let's not forget, not least our interest, that are keeping them fat and well-off.

This is to say – and it will most likely be a challenging thought to *oi polloi* – that we are ourselves the cause of our problems - in this case: economic problems.

For our problems to go away, many of our desires, our ideas about the good life, about identity, about what is right and what is wrong, about what is valuable and what is not – has to go away too.

E.g. if our demand or desire for cigarettes continue, so will the supply most likely continue. If our idea about the good life continues to be associated with three cars, five flat screens and a huge house with, say, seven rooms for three people, then the supply for such things will most likely also continue to exist. If our urge for nice, juicy beef – like the cuts you get on the restaurant Mash – continues, so will the supply of this supposedly very CO₂-discharging industry most likely also continue. Our demand is the origin of other people's supply. Unfortunately, in a sense, our demand is not always our own, but one, apparently, programmed into our uncritical and thoughtless minds²⁴.

And so, with a view to avoiding future economic crisis, such as the one we have just been studying, we now turn to what I believe is a possible cure for such nasty monsters: philosophy. Or more specifically, Plato and Xenophon's Socrates and his perhaps life-long pursuit and investigation of the right way of living, the virtuous life; that sort of living, that would spare one the hardships, wrongs and misery, which are the stuff, that economic crisis are made of.



²⁴ See e.g. illusionist Derren Brown implanting the craving for a red BMX bike into the mind of British actor Simon Pegg. If the production is not an 'illusion' itself – with Simon Pegg in the role of a mindless goon – then surely, I think, Derren Brown would find all doors open, were he ever inclined to switch his profession with that of marketing.
<https://www.youtube.com/watch?v=jTwCMX5sUQU> (08-03-2017)

The cure: philosophy

Platonic and Xenophonic readings:
Euthyphro, Laches, Oikonomikos, Meno, Charmides and Euthydemus

In the last section (*The problem: economic crisis*) we learned, that *too many loans were granted, that should never have been granted*. The question then seems to be, if those loans would still have been granted, if the world to a higher degree had resorted to philosophy.

This, of course, is a contra factual question. I can only talk on my own behalf and as one who has studied philosophy that I would never have borrowed money to people without jobs, income or other assets; whose capability to meet their mortgage payment relied solely on the continued boom in housing prices.

Now, resorting to philosophy may mean different things to different people. In this paper, however, it means resorting to the philosophy of Plato.

In this section of my master thesis, I will be doing a close reading of some of Plato and Xenophon's Socratic dialogues. These dialogues are characterized by Socrates' investigative mind. That which they investigate is, of course, the nature of virtue(s). We have dwelt on this question already, but why bother reading old philosophical dialogues - contemplating concepts such as justice, courage, piety etc. as a mean to prevent new economic crisis?

The short answer is; if economic crisis arise because of the lack of justice, courage, piety and virtue in general – we have to study virtue and strive to live virtuously, if we want our lives chapters not solely to be about crisis and misery.

But there is a reason for such reservation against linking a topic such as economics with that of philosophy. In truth, methinks, it should be the other way around. That is, we should find it strange if some professor of economics wanted us to get down and acquainted with economics without raising the same fundamental questions as Socrates did: *what is piety, what is goodness, what is justice, who is oikonomikos*.

From the reading we will learn, that to Plato's and Xenophon's Socrates, economics and virtuousness were inextricably linked. What this mean can at one and the same time be quite trivial and quite incomprehensible. Let us consider why:

Quite trivial, since it should be obvious to anyone, that if you are lazy instead of industrious, then your production will be lower; e.g., your crop will not be harvested. Or if you are unjust toward your employees rather than just, you will not earn their trust and goodwill; e.g. if you do not pay them their promised salaries or if you take credit for their work. It should be obvious from these instances, that human virtues and economics do have something to do with one another.

Quite incomprehensible because one has to know about justice, goodness, courage, piety etc. in order to establish a link between them and economics: Socrates did insist, that in order for us to determine, which action is just, we must know what justice is per se; how else, if ignorant about, say, justice, can we recognize it in any given situation? That would be like asking some poor doorman who had never seen a Chinese person not to let any Chinese people into the nightclub. He would not know whom to look for!

To repeat, the lesson is this: In order for the economy to be prosperous, its constituents must be virtuous. For the constituents to be virtuous in action, they must know what virtue is. The inverse being equally true. When the economy is not prosperous, as one may argue is the case when we suffer an economic crisis, then it is due to the constituents not behaving virtuously, quite simply because of their ignorance about the nature of virtue.

Of course, the only way to learn about virtue is not limited to the study of Plato or Xenophon – far from it! After all, Plato and Xenophon did not learn it from Plato and Xenophon (if one reckons that they possessed it, of course); so logically speaking, there must be other ways! However, Plato's and Xenophon's Socrates did inquire into the nature of virtue – and perhaps better so, than anyone else - which makes him so relevant to us, who are investigating how to avoid economic crisis in the future.

As we shall see: many of these dialogues have a negative outcome. We do not get a definitive answer to e.g. *what is piety*. But we do get many an answer of what, in this case, piety is not! Therefore, the outcome is in truth not solely negative. We

are presented with a method, the Socratic Method, of testing and investigating into the nature of virtue. We do get a positive method that may help us understand which actions that are not in accordance with virtue in a given situation – be it in business or in general.

Therefore, if we are familiar with this method, then we might spare ourselves from many a wrong or, if one prefers, unvirtuous decision. If the fundamental hypothesis is correct, that there will be no sound and harmonious economy without virtue, then, in my humble opinion, the familiarity of such a method must count for something after all.

So just imagine, if people, through Socratic thinking and dialogue, had figured out, that the acquisition of new houses with loaned money were not in accordance with virtue - what the riddance of such a notion would not have been good for!

Here then follows examinations of Plato's dialogues *Euthyphro*, *Laches*, *Meno*, *Charmides* and *Euthydemus* and Xenophon's *Oikonomikos* with a view to demonstrating some of the characteristics of the Socratic Method: his irony, his notorious ignorance etc.

Euthyphro

The topic of Plato's dialogue *Euthyphro* is the virtue piety²⁵ (gr. εὐσέβεια, lat. pietas, da. fromhed). The dialogue takes place in the porch of the Kings Archon of Athens, whereto Socrates is on his way to pick up the impeachment filed against him by Meletus, Anytos and Lycon – the impeachment, we all know, that would later cost him his life.

²⁵ As a curiosity one can note, that the concept of eusebeia has deep roots far back in Greek religious life. In orphic theogony, Dikē is the daughter of Nomos and Eusebeia. For a general survey of the sources, see Otto Kern, *Die Religion der Griechen*, I, Berlin 1926, pp. 273-290. In one of the famous bilingual edicts of king Asoka, the Greek eusebeia is given as a synonym of dharmo/dharmas a fundamental concept of Indian Buddhism. Pietate et Justitia – gudsfrygt og retfærdighed – Christian V's motto (1646-1699).

At the doorstep of the chambers, he meets a man, who, like himself, has some legal business at hand – Euthyphro. Instead of being sued, like Socrates, he is there to pursue. *Who*, Socrates ask, *my father*, comes the answer.

What then the reason for Euthyphro’s suit against his father? Socrates inquires.

Murder. Euthyphro replies. The case is this:

Euthyphro’s father having learned that one of his slaves has murdered another slave throws the murderer – tied and unable to free himself - into a ditch while he sends a servant to ask a diviner for further council on the matter. Upon return, the slave is dead.

Euthyphro, firm in the belief that he is taking the right measures toward his father, soon finds himself subjected to what has later on become known as a *Socratic elenchus* - a Socratic interrogation or refutation.

So, having explained the unfortunate circumstances, Euthyphro brings up the question of piety. His family, he explains, has accused him of being impious for charging his own father. (Plat. Euthyph. 4.)

But, to be sure, Euthyphro knows better than they about matters of piety and impiety wherefore, having been assured of this, Socrates immediately – and ironically – volunteers to become Euthyphro’s disciple adjuring him to impart some of his great wisdom. And so Socrates ask: *What is piety, and what is impiety?*

After a short detour his interlocutor replies: *Piety, then, is that which is dear to the gods, and impiety is that which is not dear to them.* (Plat. Euthyph. 6-7.)

This is the first definition. And the “gadfly” is there at once with his poisonous sting! For, Euthyphro, is it not true, that the gods, not unlike humans, argue and quarrel with each other? Do they not have differences of opinion regarding good and evil, just and unjust? And is it not true then, that some of the gods are well disposed toward some thing or some person while others hold this same thing or person in contempt? To all of this, Euthyphro agrees.²⁶

But, if that being so, the definition must be qualified or else, very likely, that thing or person may, at one and the same time, be both pious and impious – depending,

²⁶ I, for my part, could not help but to think of the Iliad, when reading this passage. How some of the Olympian gods fights alongside the Trojans while others on the side of the Achaeans.

of course, on the unity or disunity among the gods - and, as Socrates puts it, this was not what he was inquiring for.

Therefore, the definition, with the consent of Euthyphro, is amended into: *what all the gods hate is impious, and what they love, pious*. With this new definition the same thing or person cannot at one and the same time be dear to some gods while despised by others and thereby pious and impious simultaneously. Unanimity among the gods is thenceforth simply presupposed.

Yet the veracity of the definition's claim has yet to be tested. Is it in fact so, that what is dear to all the gods, is also pious and vice versa?

This is the part of the dialogue, which many refer to as *Euthyphro's dilemma*.²⁷

The Socratic dilemma is this: Do the gods love something because it is pious or is something pious because the gods love it? (Plat. Euthyph. 10.)

Euthyphro ends up confirming the first option; that something is pious, which then in turn makes it dear to the gods - thereby discarding the second option, that something is pious, because of the gods loving it.

So, at this intermediate stage, what Euthyphro is really saying, is that piousness is a sort of intrinsic value in things and men and that this value is dear or loved by the gods.

But Euthyphro *also*, inadvertently, ends up confirming the second option indirectly! For is it not true, that for something to be in a state of something, say, being loved, something must have preceded this state, an act, that is, someone must be loving something/someone, before that something/someone can be in a state of being loved, Socrates ask. Euthyphro confirms this.

That is to say, before something can be in a state of being dear to the gods, then the act of the gods loving that something must have preceded this state.

It follows that that which is dear/loved by the gods is dear and loved by the gods, because the gods love it, which in effect means, that that which is dear to the gods is not loved by them, because it is pious, but dear to them, because they love it.

Euthyphro had confirmed, as we noticed a moment ago, that the intrinsic value of piousness is loved by the gods, but, we now see, that what is in a state of being

²⁷ See e.g., Wikipedia: https://en.wikipedia.org/wiki/Euthyphro_dilemma (24-03-2017)

loved by the gods, is so, because of some action preceding this state; i.e. the gods having bestowed their love upon that object. In other words: that which is loved by the gods, is not piety, as Euthyphro's definition otherwise states.

Put differently: that which is pious is something different from that which is loved by the gods, even though it may incidentally happen to be the same thing. But given that these are two different things per se – the pious, and that which is loved by the gods – Socrates concludes, that Euthyphro has but offered him an attribute of piousness – that all the gods love it – but that he has yet to tell him anything about the essence or intrinsic nature of piety. (Plat. Euthyph. 11.)

Alas, Euthyphro's dilemma turned out to show, that what all the gods love is in fact not piety, wherefore they have still to discover the nature or essence of piety. As Euthyphro is not capable of coming up with any new definition of piety, Socrates takes over the lead.

Discussing piety's relation to justice and then investigating if piety is to be identified with the task of serving and sacrificing to the gods, Euthyphro once again returns to his old definition that *piety is dear to the gods*.

But hadn't they already agreed, that the pious is not the same as that which is loved by the gods, Socrates reminds Euthyphro, who must admit, that either they were wrong then or else he is wrong now, when bringing up the definition once again. (Plat. Euthyph. 15.)

At this point Euthyphro suddenly finds himself in a hurry leaving Socrates in, as the latter of them puts it, despair – the dialogue ends.

To briefly sum up: Whereas the nature or essence of piety was not discovered, Euthyphro's definitions thereof were refuted. The value of refutation is something we will return to later on, not least in the examination of Plato's dialogue Meno.

We now turn to another Platonic dialogue to study further the Socratic Method and to observe Socrates putting his irony and ignorance at work; that of *Laches*.

Laches

The theme of Plato's dialogue Laches is courage (gr. ἀνδρεία, lat. fortitudo, da. sjælsstyrke) and, as was the case in the dialogue of *Euthyphro*, we have before us a Platonic treatise that – at a superficial level – comes short of providing any satisfactory answer as to what courage is. But the interlocutors of Socrates do provide us with several unsatisfactory definitions of courage, which are all skillfully refuted by Socrates.

This sort of dialogue, which does not accomplish to come up with a final answer to the question that it sets out to solve, have also become known as aporetic (gr. ἀπορία, lat. aporia, da. rådvildhed) dialogues.

The interlocutors of Socrates in such a dialogue are left in a state of perplexity or torpidity – what they thought they knew with certainty about, say courage, is shown to be inadequate. However, liberated from a few misconceptions, the interlocutors are left aware of their own ignorance regarding, well, at least the subject at hand. And perhaps, one may argue, the removal of an erroneous belief is as valuable as the addition of a correct one?

Furthermore, if one may be allowed to speculate a little bit, is it not thinkable, that in their quiet minds, Socrates' interlocutors would have conceived the truth in his frequently mentioned words, that he, Socrates, does not have any answers himself... for at that point, must they not be experiencing the very same thing? Plato does not explicitly mention the setting of the dialogue, but we infer from the context, that it must have been at a gymnasium. Two upper class Athenians, Lysimachus and Melesias, want the education for their sons which they never had themselves.

So in order to accomplish this, they have brought their sons along for a display of an adept showing his skills in heavy-armor fighting together with two old veterans, Laches and Nicias, so to ask their advice, if this expertise in fighting is something that their sons should be instructed in and about the proper education of the youth

in general. Also present at the display is Socrates, who is invited to share his thoughts on the issue.

Soon Laches and Nicias have disagreed as to the appropriateness of the young men learning the art of heavy-armor fighting and Socrates is given the decisive voice in



the matter, but he has them all soon convinced, that decisions are best based on knowledge, not numbers. (Plat. Lach. 184.)

Therefore, it is first to be determined what exactly the nature of this knowledge is that they

are enquiring into and, furthermore, if any of them have possession of such knowledge or not.

It quickly turns out, that this sort of military training – this skill - is only a means to an end, which is the betterment of the youth's soul. So the knowledge they are seeking is a knowledge of the soul – and Socrates straightaway declares his own ignorance on the matter while – ironically - emphasizing Laches and Nicias' qualities in this regard, given that they have already stated their opinions on the matter. For is it not true, that in order to talk about something, one also must have knowledge about that something?²⁸ (Plat. Lach. 186.)

So what is it that they are deliberating imparting upon the souls of the youth, is it not virtue? *Certainly*, Laches replies.

Moreover, in relation to fighting in armor and combat in general, is it not a particular part of virtue, the one called courage, that we are discussing? *Very true*, Laches responds.

²⁸ One cannot help but to think of the words of Wittgenstein: *Whereof one cannot speak, thereof one must be silent*. (Tractatus Logico-Philosophicus, 1921.)

Therefore, quoting W. K. C. Guthrie, but in the words of Xenophon, Socrates has at this point: “*led the whole discussion back to the definition*”.²⁹

Alas, Laches’ first definition of courage: *he is a man of courage who does not run away, but remains at his post and fights against the enemy.* (Plat. Lach. 190.)

But this definition only applies to heavy-armored soldiers, who are indeed known for staying at their posts, but what about the cavalry for instance, who, on the other hand, are known for flying hither and thither in battle. This they do not do out of cowardice, surely? *No, of course not*, but because this is the best and most effective way of fighting, *yes*. But how do we define that sort of courage, which both heavy-armored soldiers, cavalarians and any other group – military and non-military – have in common? Socrates goes on, and Laches offers his second definition: *I should say, that courage is a sort of endurance of the soul.* (Plat. Lach. 192.)

But when Socrates is involved all definitions go before a fall. Is courage a noble thing, he ask, *yes*. Is any kind of endurance noble or can one talk about one part that is wise and another, which is foolish? One can certainly think of both wise and foolish endurance, Laches admits. But we cannot uphold, can we, Laches, that foolish endurance is noble, can we? Therefore, the definition has already been qualified, courage is now: *a sort of wise endurance of the soul.* (Plat. Lach. 192.)

So what of this wise endurance of the soul?

If a man in battle with wisdom organizes his army in such a way, that it is superior in numbers and position relative to the enemy; is this man, enduring the hardships of war, more courageous than his enemy, who, despite the poor odds due to his own lack of wisdom, endures and faces the thunder?

To this Laches admits that it is the latter, who is the one more courageous. But his is a foolish endurance, is it not, Laches, comparatively speaking? *True*. Yet if we praise this instance of foolish endurance courageous while maintaining that only wise endurance is courage, are we not contradicting ourselves? They are, Laches confirms.

²⁹ Guthrie, W.K.C. *A History of Greek Philosophy. IV Plato: the man and his dialogues earlier period.* Cambridge University Press, 1975. p. 128.

At this point Socrates' sting has left its mark; for Laches now finds himself in a aporetic state of mind: *I fancy that I do know the nature of courage; but, somehow or other, she has slipped away from me, and I cannot get hold of her and tell her nature.*

Socrates, with a picturesque metaphor, lumping himself together with Laches ironically now calls for Nicias to assist them in the enterprise: *Nicias, do what you can to help your friends, who are tossing on the waves of argument, and at the last gasp: you see our extremity, and may save us (...).* Alas, we feel comforted to learn that his prayers did not go unanswered. (Plat. Lach. 194.)

So, after some amicable quarrelling between Nicias and Laches, Nicias offers the following definition of courage: *courage is knowledge of the grounds of hope and fear.* (Plat. Lach. 196.)

Socrates interrogates: Hope and fear have to do with the future, do they not, *true*; but do you not remember, Nicias, we did define courage to be a part of virtue, just as justice and temperance are also parts of virtue, *correct*.

Furthermore, any science, be it of medicine, husbandry or courage is not threefold, one part of it concerned with the past, another with the present and a final part with the future, rather, e.g. medicine is concerned with its subject irrespective of the tense, true – *yes, Socrates.*

But if courage is a science, which we said it was, and given that sciences are always concerned with both past, present and future, then our postulate cannot be right, that courage is solely concerned with the future, doesn't that follow? *Right.* Rather than saying, that courage is a knowledge concerned only with that which pertains to the future, are you not really saying, that courage is that which has knowledge of all that is hopeful and fearful both in the past, present and future? This is the second and last definition Nicias propounds. (Plat. Lach. 199.)

But if a man had knowledge of all good and evil, *how they are, have been and will be produced* – such a man, will not be wanting in any virtue; temperance, justice, piety or otherwise, true? Socrates inquires. *Granted.* Would it not be fairer to say, that this new definition is not of courage at all, but of all of virtue, whereof courage is only a part? *Conceited.*

So what of it: is heavy-armored fighting a skill for the young to learn? Socrates concludes that they are all perplexed and therefore, logically, unable to instruct the youth, whence he infers that they should make the education of the youth their own education. (Plat. Lach. 201.) This, to my mind, is a very nice example of the modesty that the Socratic ignorance resuscitates.

Oikonomikos

Those who thought, that economics had to do with difficult equations, calculations and zigzagging graphs are, upon reading Xenophon's *Oikonomikos*, introduced to a new way of thinking about the subject. Furthermore, if anyone thought, that an economic activity's worth should be measured by its pecuniary implications, they will find themselves challenged upon reading the *Oikonomikos*.³⁰

We will return to these considerations. As the Danish translator, Signe Isager correctly observes Xenophon's *Oikonomikos* has a form that makes you think of Chinese boxes or Russian matryoshka dolls: a dialogue within a dialogue within a dialogue.



³⁰ According to economist Raghuram G. Rajan there were indeed many people who thought like this prior to the recent economic crisis of 2007. In his book *Fault Lines* (p. 153), when explaining the financial system's behavior in the run-up to the economic meltdown of 2007, he makes the following remark: "*the industry's entire system of values uses money as the measure of all things*". In particular about bankers, he says (p. 126): "*Because their business typically offers few pillars to which they can anchor their morality, their primary compass becomes how much money they make. The picture of bankers slaving after bonuses soon after they had been rescued by government bailouts was not only outrageous but also pitiable – pitiable because they were clamoring for their primary measure of self-worth and status to be restored.*"

Many are the subjects discussed in the dialogue *Oikonomikos*. The division of labor between wife and spouse, how to discipline slaves, farming and make-up to name just a few. But many as the topics are, they are all linked together by their relation to one concept: *oikos*.

Oikos means house. But, and this is where the dialogue starts out, not just house. According to the interlocutor of Socrates, Kritobulos, *oikos* amounts to all of one's belongings: friends, wife, money, house, animals, enemies etc.

The good *oiko*-nomist, economist, is he, who understands to make all of these entities contribute to the prosperity of his *oikos*.³¹

So with that established, they, Socrates and Kritobulos, must naturally investigate what that is, which may separate the prosperous farmer from the unsuccessful one, the good wife from the bad, the well-trained slave from the rebellious one and so on.

So what is that, which separates - generally speaking?

It have many shades, Socrates names a few – idleness, weakness of character, lechery, sloppiness, intemperance – but we may safely sum them all up in one word: vices.

I.e. vices and, it follows, virtues have to do with economy, as Xenophon's Socrates understood the science. In other words: In order to be a good economist, one must be virtuous. Which is also to say, that if one wants to learn economics, one has to learn about virtue.

This is a crucial point for Socrates, which breaks with the common way of thinking about economics for Kritobulos and, as I remarked in the beginning of this passage, for anyone who might think of economics as something separated from vices, virtues, morality and ethics.

Xenophon's Socrates goes as far as to postulate (as I also mentioned in the *Introduction*), that he is rich, Kritobulos poor, even though Kritobulos, granted, is a possessor of an *oikos* worth one hundred times more than Socrates' in a pecuniary sense.³²

³¹ Xenophon. *Oikonomikos*, p. 17. i,14-i.15.

³² Xenophon. *Oikonomikos*, p. 18-19. ii,2 – ii.4.

The definition of oikos was, as was noted, not restricted to money only. Friends too, for example, were included in the definition and Socrates harbors no doubt, as he explains to Kritobulos, that his friends would come to his aid were he ever in need, whereas the friends of Kritobulos, only look to him with a view of getting something out of him. Rich now, but dark clouds on the horizon, is basically what Socrates is saying about Kritobulos. We infer that Kritobulos has not been sufficiently virtuous in his accumulating of wealth. He must have made enemies along the way.

To this Kritobulos have no objections, on the contrary, he admits that he needs Socrates' help; but Socrates – as we might have suspected – immediately declares his own ignorance on the subject of oikos.

Right away though, he goes on to say, that he will take Kritobulos to people, whom he has talked to and learned from, that does indeed possess the knowledge, that he, Kritobulos, is after.

From here on the remainder of the dialogue, which is the better part, takes the form of *learning-from-one-who-knows*. Socrates relates his encounter with Ischomachos, a person who was known to be both good and beautiful, to Kritobulos. He retells what Ischomachos had told him about the education of his young wife, about farming, about his own duties as master, about instructing the slaves etc.

All this retelling for the sake of helping Kritobulos become a better manager of his own household. One can understand, why Socrates is supposed to have had loyal friends!

In order to elaborate a bit on the idea, that the good economist is a virtuous man, we will look at a few of these lessons of Ischomachos.

Firstly, Socrates ask Ischomachos to tell him, how he trained his wife to become a prosperous addition to his oikos. The background, it should be mentioned, is that Ischomachos married – as was apparently the custom back then – a girl who was only 16 years of age. Furthermore, up until matrimony it was, we learn, tradition, that the girl would see, hear and experience as little as possible. A *tabula rasa* was, we infer, a premium.

What then did a virtuous man such as Ischomachos teach his young wife?

He taught her about orderliness. Everything have its right place in the household and we must know that place and place the right thing in that place, so that we will know where to look for it, when we need it.³³

He taught her about make-up. That it was unnecessary, for in matrimony husband and wife were bound to get to know each other anyway. That it was an art of deception given that one's real color is hidden away much like wearing false jewelry will give the impression of immense wealth, where there is none to be found.³⁴

Secondly, Socrates ask Ischomachos to tell him about his own duties.

Ischomachos explains that he takes great care of being charitable toward his slaves, so that their attitude towards him will be friendly. Furthermore, when he is to pick a slave as farm bailiff he will not pick one who is overly prone to food and alcohol, sleep and lechery, but one who desires praise and upon teaching him, he will reward him when he does good and punish him, when he does bad.³⁵

Finally, Ischomachos relates, that it is not possible for anyone to train anyone else anything without having any knowledge of that which is to be trained; therefore, he must master, and takes great care to master, all the arts that he wants to teach his slaves.

Then Ischomachos goes on to explain Socrates some technicalities about farming – about the soil, about the crops, about the time for planting, harvest, ploughing and so on – knowledge he must possess in order for him to teach it to his subordinates.³⁶

It goes without saying, that if he does not have, say, knowledge about the right time of planting, the crop might not give a good yield.

It goes without saying, that if the farm bailiff is not punished when he sleeps instead of doing his work, then – perhaps especially in the absence of his master - a lot of work will be neglected and left undone with a bad effect on the prosperity of his oikos.

³³ Xenophon. *Oikonomikos*, p. 39. viii, 10.

³⁴ Xenophon. *Oikonomikos*, p. 44. x,3-x,8.

³⁵ Xenophon. *Oikonomikos*, p. 51. xii,5-xii,12.

³⁶ Xenophon. *Oikonomikos*, p. 57. xvi,8-xix,14.

It goes without saying, that if his wife does not know where the food is stashed in the house, when a meal is to be prepared, then the meal cannot be prepared with the obvious consequence, that many bellies will not be filled, which again means, that a lot of work cannot be undertaken and so on.

From these few and sporadic examples from the dialogue, we understand, that the good economist e.g. must be just and must be able to exact justice (courage) toward his farm bailiff. From the Platonic dialogues, we learn that justice and courage are parts of virtue, so we see, once again, that the good economist has to be a virtuous man - for he has to know about justice and courage, without which he would not, in this example, be able to train a good farm bailiff.

To sum up: to be a good economist one must be virtuous. To be a successful capitalist, does not mean, that one is a good economist. For one might have come by one's capital in bad ways, so that one – like Kritobulos – has friends, who only wait for their turn to take a bite! Such a wretched man would then only be rich in money, but not in friends and given that oikos is not defined solely by money, then he is arguably richer who is not only rich in money, but also in friends.

Perhaps Socrates would not object, if one drew attention to the reply Solon gave to the notoriously rich king Croesus, when asked, if he, king Croesus, was not the happiest man in the world owing all that nice treasure.

No, Solon replied, for in all things, one has to look to the end before passing judgement. Therefore, not before his death could he tell, if Croesus was truly happy – for he might come to lose all his treasure before the end. Which, of course, we all know he did.

This way of thinking about economy arguably also comprise a notion of time. A good economist is not one who have more than plenty today and less than enough tomorrow; rather, he is one, who has what *he needs* at any given time.

The lesson of Oikonomikos is, that we cannot measure wealth solely in a pecuniary way and that to talk about economy without at the same time talking about virtue is meaningless.

Meno

In *Oikonomikos* we learned, that in the eyes of it's author, Xenophon, there was no difference between the virtuous man and the good economist – they were one and the same. What better enterprise then, if one wants to be a sound economist, then to ask: what is virtue (gr. ἀρετή, lat. virtus, da. dyd)? The very question raised in Plato's dialogue: Meno.

Perhaps not so much of interest to this investigation, it should still be noted, that Plato's dialogue Meno is not quite like the other two Platonic dialogues I have already discussed: Euthyphro and Laches.

In Meno, we are not only presented with the typical Socratic interrogation or elenchus – in this case about virtue. Certain other themes are also introduced in this dialogue.

Plato lets his Socrates talk about the immortality of the soul, the rebirth of the soul, recollection and mathematics. Guthrie notes, that this may likely be³⁷ the first dialogue wherein Plato introduces his Pythagorean and Orphic heritage.³⁸ These topics shall also be addressed briefly in the following résumé.

Before examining the dialogue, we may want to remind ourselves that at the very end in the dialogue *Laches* Socrates actually offered us a definition of virtue. Socrates was saying, that: *if a man knew all good and evil, and how they are, and have been, and will be produced, would he not be perfect, and wanting in no virtue, whether justice, or temperance, or holiness? He would possess them all, and he would know which were dangers and which were not, and guard against them whether they were supernatural or natural; and he would provide the good, as he would know how to deal both with gods and with men.*

³⁷ The right chronological order of Plato's writings have been discussed since antiquity. Though there is consensus, there is no certainty.

³⁸ Guthrie, W.K.C. *A History of Greek Philosophy. IV Plato: the man and his dialogues earlier period.* p. 249-252.

To which Nicias agreed and so Socrates continued: *But then, Nicias, courage, according to this new definition of yours, instead of being a part of virtue only, will be all virtue?* (Plat. Lach. 199.)

Virtue per se was not what they were looking for at the time – they were looking for a different kind of animal; a definition of courage. But in the passing it would seem, that Socrates equated a *knowledge* that knew all about *good and evil* with virtue. Guthrie labels this identification of virtue as *Socratic intellectualism*.³⁹

Fair of us it is to ask, then, if it is the same perception of virtue that we encounter in the Meno?

The persons of the dialogue are Meno, Meno's slave, Anytus and Socrates. The same Anytus, supposedly, that would later become one of Socrates' accusers, which surely - quoting Guthrie: *adds dramatic force to the words of Anytus*⁴⁰ – that is, when he accuses Socrates of being: *too ready to speak evil of men* and goes on warning him to be: *careful*. (Plat. Meno. 94.)

However, the dialogue begins with Meno asking Socrates whether virtue is something, that can be taught or if it is rather something, that comes to man by nature.

Socrates then declares, that he knows everything there is to know about virt.... but, joking aside – I do hope, my readers will bear with me! On the contrary - of course - Socrates then declares, that he does not know whether it can be taught or if it comes to man by nature, let alone what virtue is in and by itself! Can Meno tell him? (Plat. Meno. 70.)

No trouble out of that, Meno replies, for there are virtues numberless. Corresponding to the actions and ages of each of us: a woman should be able to order the house; a man should know how to administer the state and so on. This is the first of Meno's attempts of defining virtue.

³⁹ Guthrie, W.K.C. *A History of Greek Philosophy. IV Plato: the man and his dialogues earlier period.* p. 133.

⁴⁰ Guthrie, W.K.C. *A History of Greek Philosophy. IV Plato: the man and his dialogues earlier period.* p. 237.

But Meno, Socrates responds, in what way do these numberless virtues not differ from one another – or, in other words, what is that they have in common, what is that which distinguishes them all as virtues?

This Meno does not understand. But Meno, can either house or state be well ordered without justice or temperance? Meno: No. Then both men and women, if they are to be good men and women must have part in the same virtues; say, justice and temperance? Meno: *true*. Socrates: well now that the sameness of virtue have been granted – please tell me what virtue is?

After a little chatting Meno offers his second definition of virtue; it is: *the power of governing mankind justly*. (Plat. Meno. 73.)

Socrates: But if a slave governed his master, he wouldn't be a slave, would he? However, concerning what you said about *governing mankind justly* – is justice a virtue or virtue?

Meno: there are many other virtues besides it such as temperance, courage etc. So: *a virtue*. Socrates: But Meno, again you present me with a swarm of virtues, when we are searching for that – simile in multis - which makes all of these many virtues virtuous.

So Meno tries again. His third definition of virtue is: *virtue is the desire of things honorable and the power of attaining them*. (Plat. Meno. 77.)

But, Meno, all men desire good and honorable things – do they not? Socrates ask. After a little arguing, Meno agrees, all men do desire good and honorable things. Then, Meno, one man is no better in this regard, than another, why virtue, according to you Meno, is the power of attaining good – true?

To this Meno also agrees.

And what are these goods: health, wealth, gold and silver? Yes, Meno replies.

So virtue is the power of attaining gold and silver etc. But will this acquisition have to happen piously / justly or is that of no consequence Meno?

How can there be virtue without justice, Meno replies.

And so not to procure health, wealth, gold and silver, when it is not just, is just?

True, Meno replies.

But you confirmed Meno, only a few moments ago, that justice is a part of virtue, not virtue itself. Now you say that whatever is accompanied by justice is virtue,

thereby equating a part of virtue with virtue. So once again, we are back looking for the simile in multis – what is virtue *whole and unbroken*? Socrates responds. (Plat. Meno. 79.)

Meno has now offered three definitions of virtue, all of which, however, have been refuted by Socrates.

At this point Meno calls Socrates a flat torpedo fish – for he feels torpified and knows not how to answer!

Socrates concedes, that the simile might be a good one, if the torpedo fish is also torpid itself, for as he told Meno to begin with, the reason he perplexes other people is because he is himself perplexed –



he knows not what virtue is.⁴¹ This confession triggers off Meno.

How, Socrates, can one enquire into that which one does not know; for how will you ever know that this is the thing which you did not know, when you come across it? How will you recognize it? (Plat. Meno. 80.) In answering this paradox, Plato lets Socrates introduce his theory of anamnesis.

According to some priests and priestesses⁴², who Socrates once heard speaking of matters divine, the soul is immortal. Though the body may die, the soul lives on and at one point in time – it will be reborn again.

That is to say, that the soul will have acquired much knowledge throughout its many incarnations and also, of course, when it was not incarnated, but was *in the world below*. (Plat. Meno. 81.)

⁴¹ Apparently, it is not only yawning that is contagious.

⁴² Most likely, as already indicated, they would have been Pythagorean and Orphic. See: Thomas Taylor: *Iamblichus' Life of Pythagoras*, Inner Traditions International lrd, 1986. Also: G. R. S. Mead: *Orpheus*. John M. Watkins, 1965.

Now since the soul never dies and never has been dead, when it learns something, it is in truth merely remembering something that it once knew, but somehow has forgotten. So the theory of anamnesis.

To prove the truthfulness of this theory Socrates asks Meno to allow him to demonstrate on his slave. This Meno grants. Socrates then asks the slave a series of questions concerning geometry. How do we double the square?

It turns out, that the slave, who had never received any instruction in mathematics before that session, could answer many questions quite on his own. But he also makes a mistake. Socrates wants him to double the volume of a square. So if the square is four in volume, how do you construct the square, which has eight in volume? The slave thinks mistakenly that a double square comes from a double line. So Socrates points out that the doubling of the line has given a figure four times as great as the original square.

Next the slave answers that the square two times two will be double with lines of three – but that, of course, gives a square with a volume of nine and not eight. At this point the up-until-then confident slave tells Socrates, that he, even though he thought at first that he knew how to double the square – simply by doubling the lines – does not know after all.

The flat torpedo fish has discharged himself. And was that not a good thing Meno? If they had not asked the slave those questions, wouldn't he still be suffering under the erroneous belief, that *the double space would have a double side?* (Plat. Meno. 84.)

Wouldn't he, at that time, have been willing to go before the world and tell any number of people, that that was how it was done? We infer, thereby either making a laugh of himself or – in his ignorance – put them on the wrong track?

He would, Meno acknowledges.

Now, Meno, do you imagine, that he would ever have enquired into that which he thought he knew, but really did not, if never perplexed under the idea, that he did not know after all?

Certainly not, Meno concedes.

This whole passage of dialogue requires a comment.

For it implies, or justifies really, in a clear manner the meaning or function of the Socratic ignorance. The awareness of one's ignorance is here demonstrated to be a prerequisite for growing wiser, perfecting one's knowledge or, paradoxically, fighting one's own ignorance!

Therefore: without testing one's own beliefs, one will soon end up with the self-confidence of Meno's slave! That was, as we saw, unfounded confidence. Fragile and soon to unravel.

Furthermore: Plato lets Socrates talk as if the ignorance of mathematics is no different from the ignorance of virtue. Therefore, the passage also suggests, that the ignorance of mathematics is no different from the ignorance of virtue; that virtue, justice, piety, courage etc. are something quite as recognizable and objective as a geometrical figure.

Something one can be right and wrong about.

Next: Socrates continues his questioning and the slave finally succeeds in doubling the square – quite on his own.

However, how does this demonstration prove the immortality of the soul?

Socrates: Has this slave ever been taught in mathematics? So he did not acquire the knowledge, which he has just put on display in this life, wherefore he must have acquired it at some other time, no? That is, when he was not a man, yes? But since he was always either a man or not a man, yes, and since the knowledge was in him both when he was and was not a man, then the soul must be immortal and must always have known, true? Q.E.D. (Plat. Meno. 86.)

Therefore, it has not only been proven, that it is worth examining into that which one does not know, cf. the unfounded confidence of Meno's slave. It has also been proven, that it is possible to search for that which one does not know, given that one has known it before and is therefore likely to recognize it, when one come across it again – and like so, the digression into the theory of anamnesis is put to rest and the search for virtue is resumed.

But Meno does not want to search for virtue.

He should rather prefer to go back to his initial question: can virtue be taught or is it something that comes to us a gift from nature?

Under the premise, that virtue is knowledge, Socrates grudgingly confirms. They first conclude, that virtue can be taught, but then Socrates starts to doubt the veracity of their premise; for if virtue can be taught, there must be teachers who teach virtue, yes? But Socrates has, even though he has put much effort into it, never been able to find any such teachers.

At this point Anytus joins the conversation, but in the end, they agree, that there are no teachers of virtue to be thought of wherefore their premise must be wrong. Knowledge is not virtue. (Plat. Meno. 99.)

But certainly, there have been great and inspired statesmen – what, then, did guide them if not virtue, which according to the premise of this investigation, is knowledge? Right opinion, Socrates answers.

In the end Socrates concludes, that this whole investigation has brought no certainty with it. Certainty they will not achieve, before they begin with the beginning and ask: what is the actual nature of virtue or what virtue is.

The dialogue of Meno provides us with a justification of Socrates' ignorance. It explains why Euthyphro, Laches, Nicias and Meno are all better off being perplexed by the knowledge of their own ignorance than being confident not knowing about it.

Though the dialogue did not provide any definitive answers to the question: what is virtue, we were reminded – as when we contemplate the species of the natural kingdom – that for something to belong to a category, say that of *canis* – dogs – there must be something (in this case common traits) that connects some sort of sameness in all the variety. It was proposed, if that sameness was to be identified with knowledge, but it was not concluded. The results were altogether dismissed, it seemed to me, as the departing point was wrong.

The lesson the economist may take with him here, is, that he has to question all of his beliefs. Is homeownership a good thing per se? Is more better? Is greed good? Is the linkage marketing makes between different things with a view to sales a good thing, say, when linking beautiful women and cigarettes?

If the economists do not, they – if my understanding of Meno is correct – will one day, just as Meno's slave, learn, that they have spent their life's time fooling not only the people who got exposed to their erroneous beliefs, but also themselves.

Charmides

Even though Benjamin Jowett have translated the Greek σωφροσύνη – which is the virtue discussed in *Charmides* - with temperance, Guthrie notes, that this translation is in fact misleading – instead he suggests *self-control* (da. selvkontrol/selvbeherskelse/mådehold).⁴³

Such dissension in regard to proper translation goes to show the dangers – as I also alluded to in the section: methodological considerations – of relying on translations, rather than working with the sources themselves. By going to the sources oneself, one can assure oneself of the original author's real meaning.

Whereas piety (Euthyphro) and perhaps even courage (Laches) - not to mention virtue per se (Meno) - will perhaps be rather abstract and foreign entities to many now living Danes, self-control is a word you, or at least I, often hear.

Is it not true, that e.g. when we go shopping, we then might feel an urge to pull down some titbits or sweet drinks from the shelves, but (in a rare few cases!) we control ourselves, perhaps because of this reason (our budget?), perhaps because of that (our bodily appearance or well-being?).

If one is allowed to use the word (temperance) in this sense – and why should one not be allowed to do that? – then we once again see the connection between economy and a virtue: self-control or temperance.

Another way one might exert self-control over oneself is in regard to Eros or love. Intoxicating enough in itself, some people do not need alcohol to forget about ring and vows. We do not need to mention any names, but Bill Clinton and Monika Lewinsky do come to mind. However, we could also have mentioned Socrates in

⁴³ Guthrie, W.K.C. *A History of Greek Philosophy. IV Plato: the man and his dialogues earlier period.* p. 157.

this regard and his struggle to control himself, as described in *Charmides*, when he lays his eyes on the very same - a beautiful young man.

"I caught a sight of the inwards of his garment, and took the flame. Then I could no longer contain myself. I thought how well Cydias understood the nature of love, when, in speaking of a fair youth, he warns some one 'not to bring the fawn in the sight of the lion to be devoured by him' for I felt that I had been overcome by a sort of wild beast appetite". (Plat. Charm. 155.)

No wonder, one might be led to think then, that so many companies like to associate their products with 'love' to get the attention of the consumers or, in the words of this Cydias - *to bring the fawn in the sight of the lion* – even though their products might not have anything to do with love.

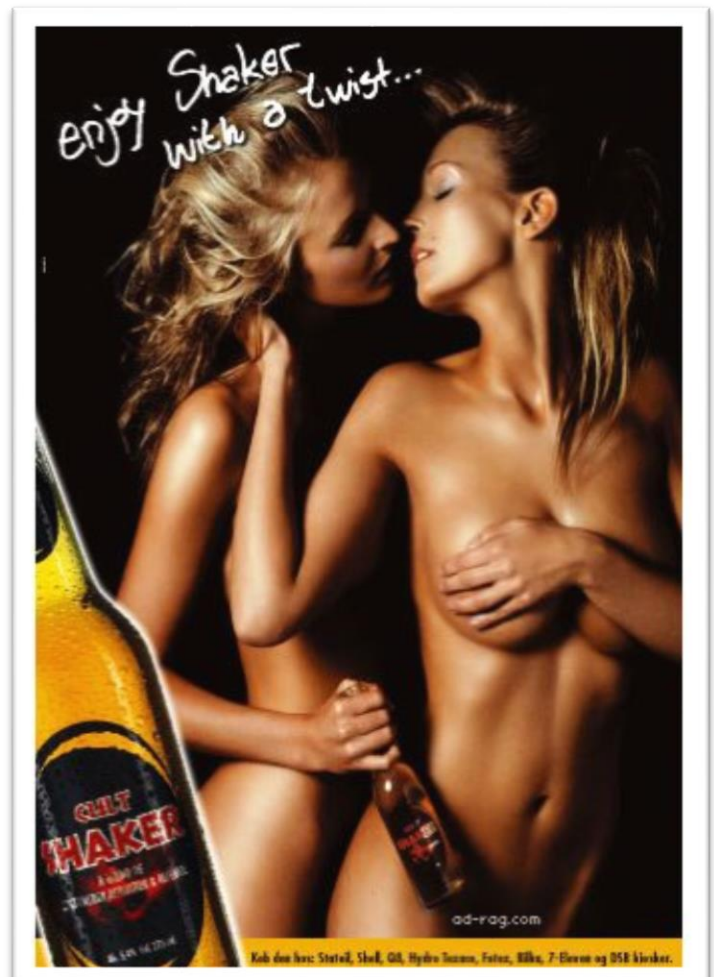
(Speaking on my own behalf only, I can safely say, that commercials such as this poster on the right, promise more than what they deliver – never ever did I get more than 'the bottle' on

the pictures. But, on the other hand, maybe the offer only applied to the first 100 customers?)

Did Socrates manage to contain himself then after catching a glimpse of the insight of Charmides' garments?

Well, if he had not, there would not have been much dialogue for us to examine, so of course he did!

The reason why Socrates and Charmides get within each other's proximity in the first place is the profane one, that Charmides – the day before – had told his guardian Critias – who is now in the company of Socrates - that he suffered a



headache. Critias, with a view to the interests of Charmides, wants him to associate with Socrates whom he reveres. Therefore Critias suggests, that he, Socrates, should pretend that he knows how to make headaches go away – a suggestion to which Socrates agrees.

What will it take then to make the headache of Charmides go away?

Simple: a leaf and a charm; the charm (logos, words) being unnecessary though, if the subject already possesses what the charm means to instill: *sophrosyne*, temperance or self-control in the soul. (Plat. Charm. 158.)

Does Charmides already possess this virtue?

If so, he must be able to tell what temperance is – for if he possess it shouldn't he also then be able to *give some intimation of her nature and qualities*?

So what is temperance?

Charmides' first definition: *temperance is quietness*. (Plat. Charm. 159.)

In order to refute this definition Socrates starts by making Charmides agree, that temperance is good and noble.

Next: by a series of examples he demonstrates, that quietness or *slowness* – again, the fact that the interlocutors do not object to this linking between quietness and slowness firstly implies, that the common understanding back then of quietness was different from ours today and secondly reminds us, that a first-hand acquaintance with the Greek language is indispensable, if one wants to avoid misinterpretations – is not always the best in all given situations.

E.g. is it not better to be a quick runner or a quick learner, then a slow runner or slow learner, in which case, we must infer – if it is to be maintained, that temperance always is a good thing (and that is maintained) – that in some cases, it is not.

So Charmides tries again, temperance then is: *the same as modesty*. (Plat. Charm. 160.) This definition is not really logically refuted by Socrates, instead he simply adduces the authority of Homer, who sang:

Modesty is not good for a needy man. (Plat. Charm. 161.)

Charmides confirms that the words are true, but if the words are true, then – it follows – temperance is sometimes good (for they did agree earlier, that temperance was good) and sometimes not good. But given Charmides confirmation that

temperance is always good, it cannot be modesty, which is only good – as it would seem - sometimes.

So Charmides tries a third time: *Temperance is doing our own business.* (Plat. Charm. 161.)

As this is a definition Charmides did not think up for himself, but had heard from someone else, Socrates is forced to conjecture about what the author possibly could have meant.

Did the author perhaps mean, that everyone should be doing everything in his household himself as a jack-of-all-trades: weave, make his own shoes, cook, produce his own furniture and so on and if so, do we imagine Charmides, that a state where everyone were self-reliant in this way and did not depend on the services of others would be a well-ordered and a temperate state? (Plat. Charm. 161-162.)

Where to Charmides responds: *clearly not*; and we remember in this context, that in his *Republic* Plato lets Socrates champion the necessity of a division of labor in his imaginative state.⁴⁴

It soon turns out, that the real author of the definition – even though it is not explicitly confirmed – is none other than Critias, whom - when Charmides at this point throws in the towel - takes over the argument with Socrates.

What did Critias mean by this definition then?

It turns out, that Critias does not see a conflict between people working and providing their services to other people and his definition – why? Because he makes a distinction between *doing* and *making*. Whereas *doing* is good, *making* is not good. So as long as one *do* something for someone else, but not *make* – then all is good. Examples of what sort of trades *making* might refer to?

“The manufacture of shoes, or in selling pickles or sitting for hire in a house of ill-fame”. (Plat. Charm. 163.)

⁴⁴ See e.g. Plato. Rep. 370: *And if so, we must infer that all things are produced more plentifully and easily and of a better quality when one man does one thing which is natural to him and does it at the right time, and leaves other things.* Furthermore, Plato. Rep. 374: *And the shoemaker was not allowed by us to be a husbandman, or a weaver, or a builder – in order that we might have our shoes well made; but to him and to every other worker was assigned one work for which he was by nature fitted, and at that he was to continue working all his life long and at no other; he was not to let opportunities slip, and then he would become a good workman.*

So Critias elaborates, that *he who does good actions* is temperate.

But, Critias, Socrates enquires: does the temperate men – those who do good actions - know, that they are temperate?

Critias thinks they do, but is it not so, Socrates wants to know, that sometimes a physician isn't in the know as to his treatment will prove beneficial or not; yet despite this ignorance the treatment might be beneficial in which case we must conclude, that here was a man who did a good action without knowing, that he did? (Plat. Charm. 164.)

Hereto Critias withdraws his definition. Equating knowledge of one's actions with self-knowledge Critias rejects that a man without self-knowledge can be temperate and now instead presents Socrates with – in the words of Guthrie – *his own doctrine that virtue is knowledge*.⁴⁵

This is the fourth and last definition of the dialogue, that: *temperance is self-knowledge*. (Plat. Charm. 164.)

So how does Socrates refute (or possibly affirm) this definition?

But if temperance is a knowledge, it must be a knowledge of something, Critias – Socrates reflects. It is a knowledge of itself, Critias replies.

Going into the claim Socrates then ask, well, medicine is a science of health, no, as architecture is the science of building – what does this science, which we now call temperance or wisdom and is of itself, in turn effect?

This makes Critias – I hope I do not hereby offend him! – bridle. But wisdom is not like the other sciences Socrates! It alone is of itself and not of something else! (Plat. Charm. 166.)

But can we think of any reasonable analogy to such a thing, Critias? A vision e.g. that does not see anything but itself? Or a hearing, which hears no sound, but itself? Or what about desire? A desire that is not of something, but of itself? Or maybe a wish, that is not a wish for something, but for itself?

Critias cannot think of any such things while Socrates *altogether distrusts my own power of determining these matters*. (Plat. Charm. 169.)

⁴⁵ Guthrie, W.K.C. *A History of Greek Philosophy. IV Plato: the man and his dialogues earlier period*. p. 169.

So Critias, please, make your case and explain the possibility of such a science and also demonstrate that such a science would be beneficial for surely we maintain that wisdom and temperance are beneficial?

Critias is at this point perplexed, so Socrates helps him by asking how this self-knowledge or wisdom enables one to distinguish between that which one knows and that which one does not know?

(We remember that this was one of the earlier points: he who does good actions must – according to Critias - also know, that he does them.)

It turns out, that it does so only to a very limited degree. For he who possess this self-knowledge will not be able e.g. to distinguish a pretender in medicine from a true physician, because that requires knowledge of the subject-matter, i.e. medicine, which Critias has conceded, is not the same as self-knowledge.

He who has self-knowledge will only be able to distinguish his own fellow, that is, some other person who likewise possess such self-knowledge. But we did agree earlier Critias, that self-knowledge surely must be something beneficial – and surely this sort of self-knowledge doesn't at this point seems good for anything; for now this self-knowledge is not even capable of distinguishing that which one knows, from that which one does not know? (Plat. Charm. 171.)

So can it still be maintained, that such knowledge will lead to happy lives – be beneficial? Socrates wants to know. Critias replies, that *if you discard knowledge, you will hardly find the crown of happiness in anything else.* (Plat. Charm. 173.)

Again: of what is this knowledge Critias? Shoemaking? *God forbid.* Working in brass? *Certainly not.* The prophet's foresight then perhaps? Ahh yes, that is more to Critias' liking! However, there are other people too, Critias adds. The knowledge that this prophet possesses, which of it is it that tends to make him most happy?

The knowledge with which he discerns good and evil. Critias replies.

But if this knowledge of good and evil will make men happy, that will render wisdom – as they have defined it so far, as a knowledge of itself – quite obsolete.

Critias agrees that it is inconceivable, that wisdom is not advantageous and so the chase for the nature of temperance is suspended.

None of the four definitions of temperance offered in the *Charmides* ended up as being satisfactory. All four were discarded. Nevertheless, Socrates openly declares his belief that temperance is a *great good*. (Plat. Charm. 175.)

We, as students of household management and economics, may now continue the dialogue within ourselves about temperance.

What would we answer if Socrates asked us: *what is temperance*? What would our answer be? Would this our answer be able to satisfy him and how would the world look to our eyes, if that our wrong – if wrong it proved to be – notion of temperance were no longer giving color to it?

Euthydemus

Unlike Plato's other dialogues that we have hitherto been studying, *Euthydemus* does not deal explicitly with the examination of any particular virtue.

Instead, it gives a vivid portrait of Socrates in conversation with two sophists: Euthydemus and his brother Dionysodorus. In so doing, it contrasts the Socratic Method to that of – in Plato's own terminology – the eristic.

To us – who, I suppose, are trying to become good economists through the study of virtue –

it may therefore not appear as relevant a Platonic dialogue as *Euthyphro*, *Laches*, *Meno* and *Charmides*.

But, as the Socratic Method is also the object of our study, this dialogue will still be instructive to us in so far as the Socratic Method is made more comprehensible by its comparison to the eristic way of pursuing an argument. That is to say, that herein it is highlighted what the Socratic Method is not about.



The persons of the dialogue is Socrates, who is narrator, and Crito, who is the listener. Socrates relates an encounter he had with two brothers from Magna Graecia of the city Thurii, Euthydemus and Dionysodorus, who professed to possess the ability of teaching anyone virtue, even to the unwilling. (Plat. Euthyd. 273.)

The introduction of these two characters provides - to my mind - an excellent example of the Socratic irony. That which is low and base is praised as heavenly and magnificent. The point of using the irony being, naturally, that the low and base is low and base precisely because it thinks itself heavenly and magnificent (when in fact it is not), which in turn makes it susceptible to this kind of adulation. For example: en passant Plato lets Socrates remark, that Euthydemus and Dionysodorus were *driven out of Thurii*. (Plat. Euthyd. 271.) Why would Socrates volunteer to become the pupil of two outcasts, we might ask?

Furthermore: Socrates also possesses information about when Euthydemus and Dionysodorus suddenly acquired their eristic (or sophistic) abilities. As Plato lets Socrates remark: *last year, or the year before, they had none of their new wisdom*. (Plat. Euthyd. 272.) Having spent their life's time apparently with legal and military pursuits Euthydemus and Dionysodorus are really nothing but novices in the eristic discipline – yet still Socrates describes their wisdom as *consummate!* (Plat. Euthyd. 271.)

Of course Euthydemus and Dionysodorus are by Plato portrayed as dilettantes. So when Socrates does not directly address them as such, we understand quite well, that if Socrates had called them stupid and conceited, they would have felt offended; perhaps they would even have been enraged – and there would have been no dialogue for us to study, or, in the very least, a quite different kind of dialogue, perhaps not unlike the ones you will find at night bars 05:00 am in the morning somewhere in Copenhagen.

But Socrates was, as we know, successful and Euthydemus and Dionysodorus - having found their tongue - soon provide the crowd with many examples of their *consummate* wisdom. So how do Euthydemus and Dionysodorus go about teaching virtue to the depraved?

Example: Dionysodorus ask Ctesippus, one of Socrates' friends present, if he has a dog. Yes, is the answer. Does the dog have puppies? This question releases another *yes*. The dog is the father of the puppies? *Sure*. Then we may conclude that the dog is a father and since he is yours, he is *your father*, why we may also safely conclude – (OF COURSE) – that the puppies are *your* brother, since he is not only your father, but also theirs! (Plat. Euthyd. 298.)

We all know – including Euthydemus and Dionysodorus – that the father of Ctesippus was not an actual dog, but by exploiting the words one is capable of making that logically wrong deduction, which is in truth but a logical fallacy.

This goes to show, that this method of arguing – the eristic method – at least in the hands of Plato's Euthydemus and Dionysodorus, does not strive toward discovering the truth; for what truth – other than Euthydemus' and Dionysodorus' dishonesty – was discovered in this example?

But if this method does not strive towards discovering the truth, what does this method strive toward? In this case perhaps the good will of the crowd? Plato writes: *Then, my dear Crito, there was universal applause of the speakers and their words, and what with laughing and clapping of hands and rejoicings the two men were quite overpowered; for hitherto their partisans only had cheered at each successive hit, but now the whole company shouted with delight until the columns of the Lyceum returned the sound, seeming to sympathize in their joy.* (Plat. Euthyd. 303.)

Another example of the eristic method – this time Socrates is in the line of fire:

Who makes pots? *The potter*. Who has to kill and skin and mince and boil and roast? *The cook*. If a man does his business, he does rightly? *Certainly*. And the business of the cook was to cut up and skin – yes? Yes. Then if someone were to kill, mince, boil and roast the cook or make a pot of the potter, then he would rightly be doing his business. (Plat. Euthyd. 301.)

Euthydemus and Dionysodorus go on to demonstrate, that there is no such thing as telling lies, contradictions do not exist, that it is not possible to speak or think falsely, that the gods are animals etc.

But in all of their demonstrations the logic doesn't add up.

One example of this, where Socrates catches Dionysodorus in two rounds. Socrates asks Dionysodorus: *there is no such thing as falsehood; a man must either say what*

is true or say nothing? To which Dionysodorus assents. Then there is no such thing as false opinion? *No.* Are you saying this as a paradox, Dionysodorus; or do you seriously maintain no man to be ignorant? *Refute me* - Dionysodorus incautiously replies. But how can I refute you, if, as you say, to tell a falsehood is impossible? Next, Socrates (The premise of the whole dialogue was, as mentioned earlier, that Euthydemus and Dionysodorus professed the ability to teach virtue.): If there is no such thing as error in deed, word, or thought, then what, in the name of goodness, do you come hither to teach? And were you not just now saying that you could teach virtue best of all men to anyone who was willing to learn? Caught in his own spin Dionysodorus responds with an insult: *And are you such an old fool, Socrates...* (Plat. Euthyd. 286.)

To sum up Euthydemus and Dionysodorus do nothing but coquet on the expense of logic; for all their demonstrations are logically inconsistent. Of course saying things such as the gods are really animals or that someone's father was a dog would – on a vulgar audience – have an arousing effect and so for a speaker, who craves the crowd's applause; such logical sophistry will be very tempting.

Socrates was able to bring to light the contradiction of their words; that they on the one hand professed to teach virtue, yet at the same time maintained; that falsehood and ignorance did not exist. Which raises the question: how can you teach anyone anything, if everyone knows exactly the same on the premise that ignorance does not exist?

On the basis of Plato's portrayal of them we may therefore doubt their sincerity, when they claim to have knowledge of virtue and instead have them under suspicion of really being nothing more than charlatans.

We may furthermore conclude that we, as aspiring economists, are under threat from false teachers, whose motivation is not virtue, but other things like perhaps the cheering of the crowd.

We remember, that Socrates remarked about Xenophon's Kritobulos, that his friends were not as friendly minded to him as Socrates' friends were to him, implying that he probably had stepped some toes along the way. An art Euthydemus and Dionysodorus being outcasts of Thurii - and more than once

warned by the interlocutors in this dialogue, that: *they* (gentlemen) *speak coldly of the insipid and cold dialectician* (Plat. Euthyd. 284.) - also seem to have had some good merits at. The art of toe stepping.

The Socratic Method – concluding remarks

If we are to distill the essence of the Socratic Method or defining traits of his character after having read these six dialogues the following qualities seem to materialize: the Socratic *ignorance*, the Socratic *insistence on clear definitions*, the Socratic *irony* and the Socratic belief *in an objective reality* (the good and beautiful) or what have elsewhere become known as the Platonic world of ideas.

As I will argue in the next section of this thesis – *Application* – these four traits or qualities are indispensable to anyone who nests aspirations of becoming a true economist. The lack of these qualities in a person – on the contrary – the contributing cause – and when lacking in the majority of people – the main cause of economic crisis.

Let us therefore sum up what we have learned hitherto about the Socratic Method, for as I contend, it is the only way forward for all people – professionals and laymen alike – when dealing with the inevitable economic questions of life.

Socratic ignorance. The most notable thing to note about the Socratic ignorance, which we have seen displayed in all of the dialogues (where Socrates time and time again professes that he does not know about that which they are inquiring into), is, that Socrates considers it a fundamental basic condition to mankind and not something peculiar to himself. The only difference, however, between him and mankind, the slight one, that he is aware of his own ignorance, they, like the slave of Meno before questioned, are not. No better does this come to expression than in *Apology*, where he says:

“And I am called wise, for my hearers always imagine that I myself possess the wisdom which I find wanting in others: but the truth is, O men of Athens, that God only is wise; and by his answer he intends to show that the wisdom of men is worth little or nothing; he is not speaking of Socrates, he is only using my name by way of

illustration, as if he said, He, O men, is the wisest, who, like Socrates, knows that his wisdom is in truth worth nothing.” (Plat. Apol. 23.)

In short, one could perhaps say that since there is nothing that one cannot in theory be ignorant about and if one wants to know what it is, that one is ignorant about, then there is nothing that one shouldn't be ready to question and enquire into – no matter how holy the cow then may be: in a democratic country – the idea of democracy, in a Islamic country – the historical truth to the religious dogmas and as aspiring economists, we might well add, any ingrained ideas, such as that of *homo economicus*, a popular saying such as *greed is good* or, had we lived in the 18th century, Thomas Malthus' theory, that mankind would increase relatively faster than the production of substances with dire consequences to follow.⁴⁶

The insistence on clear definitions. The dialogue *Euthydemus* exemplified quite nicely that ambiguities can be exploited to cause confusion and vulgar, unintelligible entertainment.

In Plato's dialogues *Euthyphro*, *Laches*, *Meno* and *Charmides*, however, we see time and time again, how – and again, in the word of Xenophon – Socrates manages to *led the whole discussion back to the definition*.

Of course, this insistence makes sense to us, for we cannot ourselves imagine how to refute someone – or possibly confirm someone – if we do not know what it is this someone is saying. If we do not know if X is saying, that it is raining or that the sun is shining, how are we to tell, if he is correct?

Without defining that of which we speak, confusion is bound to arise. A word may mean one thing to this person but something else to that. If we ask a child to fix us the *svensknøgle*, the child may go and pick up the key to one's Swedish cabin, if one has one such, instead of the tool for screwing on and out nuts.

If there is one thing, that does not characterize the Socrates that we know of, it is that he did not commence on conversations with people where the meaning of what were being said was left unexplored.

We may reflect then that when in *Meno* Socrates compares mathematical ignorance to that of ethical ignorance as something natural and straightforward, then this

⁴⁶ https://da.wikipedia.org/wiki/Thomas_Malthus (16-04-2017)

insistence on clear definitions is made so much more understandable for us – for we all know, that if there is an error in the first part of e.g. an arithmetical problem, then that error will go through all the rest of calculations.

The point of origin must be correct or else the efforts shall amount to nothing more than that of Sisyphus.

To give one example of Socrates' insistence of clarity of speech we may look to the dialogue *Charmides* where Critias was drawing a distinction between *making* and *doing* to which Socrates replies: *I am no stranger to the endless distinctions which Prodicus draws about names. Now I have no objection to your giving names any signification which you please, if you will only tell me what you mean by them.* (Plat. Charm. 163.)

Socratic irony. If there is one thing, that is very typical of Socrates, it is his tribute and homage to those who make themselves to be experts in this or that. He talks about the *consummate* wisdom of Euthydemus and Dionysodorus, he talks about becoming Euthyphro's *disciple* and flatter him by saying, that if anyone knows about piety *you are he.* (Plat. Euthyph. 15.)

Of course, the Socratic irony has its roots in the Socratic ignorance. When man's wisdom in general is deemed by Socrates to be *only worth little or nothing*, then it is clear, that a comic contrast arises when a person puffs out his feathers and declares himself to be an expert in this or that. Like Euthyphro, who thought he knew what the gods deemed pious and impious or Meno's slave who in the passing was self-confident, that he knew how to double the square even though moments later it was demonstrated that he did not.

But, as I also noted in my account of *Euthydemus*, the Socratic irony also serves the purpose of getting the dialogue going. If Socrates had served the blunt truth to Euthyphro – e.g. that he was a fool for believing the common stories about the Gods, then – insulted - Euthyphro might have left him there standing on the porch of the Kings Archon in Athens. And maybe, Euthyphro's (ill-considered) reasons for pursuing his own father would then never have been tested.

The Socratic belief in an objective reality. Talking about ignorance does not make much sense, if it is not coupled with an object. One is always ignorant about something. But if one can be ignorant about something – one has in a sense

postulated, that there is something that is objective – for to be ignorant about it, it must exist? Likewise, it doesn't make much sense to refute someone, if there is no truth or objective reality – for if there is not, why not just leave him with his erroneous belief? One viewpoint would be as good or as faulty, if one prefers, as another.

To give a few examples of where this Socratic belief in an objective reality shines through:

In a very funny passage in *Euthydemus* where it would seem, that Socrates is deliberately making the young man Cleinias better than he really is by misrepresenting him (and is caught in doing this by his interlocutor Crito), Socrates quotes Cleinias for having said, that: *the geometricians and astronomers and calculators (who all belong to the hunting class, for they do not make their diagrams, but only find out that which was previously contained in them)*. The mathematical truths already exist – the mathematicians, like the huntsmen, discover them by means of their diagrams. (Plat. Euthyd. 290.)

Another example is found in the *Charmides* where Critias is growing a bit impatient with Socrates, whereto Socrates replies: *“How can you think that I have any other motive in refuting you but what I should have in examining into myself? Which motive would be just a fear of my unconsciously fancying that I knew something of which I was ignorant. And at this moment I pursue the argument chiefly for my own sake, and perhaps in some degree also for the sake of my other friends. For is not the discovery of things as they truly are, a good common to all mankind? (...) Then, I said, be cheerful, sweet sir, and give your opinion in answer to the question which I asked, never minding whether Critias or Socrates is the person refuted; attend only to the argument, and see what will come of the refutation.”* (Plat. Charm. 166.)

Finally, we might add - in extension of this last quote – that a belief in an objective reality shifts the focus or interest away from the eristic conversation to an investigative or Socratic conversation. The eristic conversation is about out-battling your opponent, whereas the Socratic conversation – broadly speaking – is about discovery of that which is.

More could, of course, be said about Socrates than these four traits I've here highlighted about him. For example; I have not mentioned his notorious daimonion with a word.

Hereto I can only say, that I hope what has here been presented have inspired the reader to go to the primary sources himself – as I also encouraged in the section *methodological considerations* - for what has not been included here has not been excluded due to irrelevancy, but because the workload it would take to present them here is larger than what is available to the composition of this master thesis.

Part 2

Application

The application of the Socratic approach to economics depends entirely on the individual's acquisition and knowledge of this approach. Therefore, this section of my master thesis will be occupied to a high extent with the question of education. In essence, what I will champion is that each man – in accordance with the view of Plato and Xenophon – should strive to become *good and beautiful*, because he who is good and beautiful is also – according to the ancients – a good economist. My underlying assumption here being, that if all men are good economists, we shall in the future avoid economic crisis.

The first step then shall be to examine what business schools are currently doing in order to secure, that its students are becoming good and beautiful – i.e. good economists.

Corrupting the youth?

In an academic paper from 2005, Sumantra Ghoshal writes: *By propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility.*⁴⁷

If correct, business schools have come to represent the exact opposite position to that of Plato, Socrates and Xenophon on economics. James Bonar, writer of economic history, in 1893 described Plato's relationship to economics in the following words: *The conceptions of Wealth, Production, Distribution, and of the economical functions of State and Society are treated by Plato, some incidentally,*

⁴⁷ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 76.

*others at length, but always in subordination to Ethics, and never as (even in theory) separable from ethical considerations.*⁴⁸

So what makes Sumantra Ghoshal write, as he does?

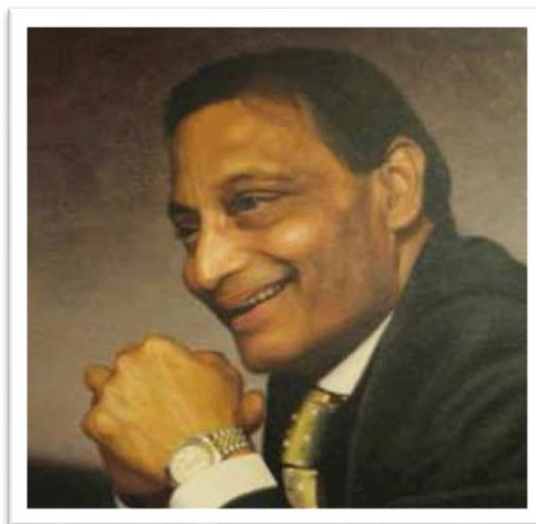
If I have not misunderstood the good author his main complaint against business schools and their academic staff is that they – in their desire to mimic the seeming objectivity of the natural sciences – have excluded all

apparently unquantifiable questions about ethics and morality from their economic theories.

Ghoshal finds support for this thesis in a statement by the Austrian philosopher Friedrich Hayek, which I shall therefore also quote: *It seems to me that this failure of economists to guide public policy more successfully is clearly connected with their propensity to imitate as closely as possible the procedures of the brilliantly successful physical sciences.*⁴⁹

Whether or not the natural sciences in themselves are something different from the humanities - whether practiced as such or not - is not a matter to take up here – and if they were not different; would the exertion then, one might ask, of the natural sciences from this point of view – as something profoundly ethical or as if it was ethics itself - still, if economics were to mimic it, lead to - in the words of Sumantra Ghoshal – *the explicit denial of any role of moral or ethical considerations in the practice of management?*⁵⁰

As was said, not a matter to take up or settle here.⁵¹



⁴⁸ Bonar, James. *Philosophy and Political economy – in some of their historical relations*. p. 11.

⁴⁹ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 79.

⁵⁰ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 79.

⁵¹ Consider e.g. the paper of the Russian scholar Andrey Terentyev: *Contiguity of Parallel Worlds. Buddhist and Everett's*, wherein he points out the similarities between modern quantum physics and the philosophy of Buddhism.

So, according to Sumantra Ghoshal, the problem is, that economic theoretician's: *"have professed that business is reducible to a kind of physics in which even if individual managers do play a role, it can safely be taken as determined by the economic, social, and psychological laws that inevitably shape peoples' actions."*⁵² In effect, all – what he calls – *human intentionality* or *choice* have been neglected by the business schools.

These economic theories void of any ethical considerations are taught to students – reminding us of Plato's stone of Heraclea⁵³ - who become managers and who, in their managerial positions in good belief carry out actions equally void of any ethical considerations.⁵⁴

Sumantra Ghoshal provides a handful of examples of these amoral economic theories; one such being: the agency theory. According to Ghoshal the agency theory teaches that: *managers cannot be trusted to do their jobs – which, of course, is to maximize shareholder value – and that to overcome 'agency problems,' managers' interest and incentives must be aligned with those of the shareholders by, for example, making stock options a significant part of their pay.*⁵⁵

As if all people are only willing to do their best, if their own apparent monetary interests are in alignment with that which they are working for!⁵⁶

⁵² Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 77.

⁵³ In Plato's dialogue *Ion* Socrates uses the image of the stone of Heraclea – a magnet – as a comparison to how one man's idea – given to him by the Muses – is passed on to other people like rhapsodes, actors, dancers and at the bottom audiences; much like water flowing downwards from the initial source. *In like manner the Muse first of all inspires men herself; and from these inspired persons a chain of other persons is suspended, who take the inspiration. (...) The rhapsode like yourself (Ion) and the actor are intermediate links, and the poet himself is the first of them. Through all these the God sways the souls of men in any direction which he pleases, and makes one man hang down from another.* (Plat. *Ion*. 533-536.)

⁵⁴ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 75.

⁵⁵ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 75.

⁵⁶ Worth noting, perhaps, is that former president George W. Bush expressed quite the same mindset, when he, prior to the economic crisis in 2004, declared: *'If you own something, you have a vital stake in the future of our country. The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country'*. Raghuram G. Rajan. *Fault Lines*. p.37.

Another example Sumantra Ghoshal brings up is the fundamental economic assumption about *homo economicus*. That is: *a model of people as rational self-interest maximizers*.⁵⁷

Mainstream economics, he writes, have always worked on the assumption that people are rational and that when they act, they act out of self-interest.

That people in general act rationally, is, quite obviously, not true – if it were so, why would so many people take house loans, that they could not pay back – as we have just seen – if the housing-market were to go from boom to bust? Alternatively, perhaps, one would counter that it is a rational thing to live for a short time in a house one cannot afford only to get evicted? Again: we come back to the Socratic insistence on clear definitions! Whether or not the sentence is true depends entirely on what is meant by the words used – and in this case *rational*.

In refuting the idea of *homo economicus* Sumantra Ghoshal reminds us of examples to the contrary: *mothers taking care of their children, people leaving a tip after a meal in restaurants they are unlikely to visit again, or Peace Corps volunteers toiling amid the depravations of impoverished countries*.⁵⁸

One might further add – going a big out of a tangent - that if self-interest was really the only force causing people to act, one might ask, why in the first place a word like *self-sacrifice* was ever invented?

And – if I may draw attention to the most obvious example - if the story of Jesus Christ is true and historical after all, how then was it in Jesus Christ's own self-interest to sacrifice his life for the sake of humanity? Is the answer, that his father would have denounced him and given the seat at his right hand to someone else? Moreover, what does this then tell us about Jesus' view of humanity? An instrument only to making himself a career in heaven?

Another economic theory that Sumantra Ghoshal mentions is Michael E. Porter's so-called five forces. A theory, like the other two here mentioned, I have myself been presented to during my time at Copenhagen Business School.

⁵⁷ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 82.

⁵⁸ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 83.

According to Ghoshal this theory suggests: “that companies must compete not only with their competitors but also with their suppliers, customers, employees, and regulators”.⁵⁹ Unfortunately, Ghoshal does not further develop this critique.

Whereas Sumantra Ghoshal does not offer a solution – he only says, that business schools should stop doing what it is they are doing⁶⁰, but does not say, what is to replace that which is to stop (even though he does allude to a phenomenon called *positive psychology*) – we, having now carefully examined half a dozen of Socratic dialogues, are not so badly off as to be without solutions.

We simply have to ask ourselves: *what would Socrates have done?*

The simple answer – and it really is simple – is, that he would most likely have us go interrogate the proponents and originators of these economic theories – which Sumantra Ghoshal says, we should stop teaching at our business schools because they are *amoral* – to see if the theories were coherent or, if Ghoshal is correct, refutable.

Furthermore, Sumantra Ghoshal accuses himself halfway of ranting, because – and that with a reference to Thomas Kuhn – he does not have a positive alternative⁶¹ to these supposedly amoral theories, but in doing that, I think, he is simply subscribing to the doctrine, that there is a doctrine, but as he is not capable of pointing to it, how then is he capable to assume it?

Around the world business schools are introducing classes – or even degrees such as the one I am trying to earn with this master thesis - on philosophy and courses on corporate social responsibility, but Sumantra Ghoshal explains, that as long as all the remaining offered courses are still disseminating their *amoral* theories, then those – according to Sumantra Ghoshal - good efforts will be to no avail.⁶²

In short, Sumantra Ghoshal concludes, that we do not have any alternative theory (theories) to those supposedly *amoral* ones we have today. He suggests that: *such*

⁵⁹ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 75.

⁶⁰ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 87.

⁶¹ Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 87.

⁶² Ghoshal, Sumantra. *Bad Management Theories Are Destroying Good Management Practices*, 2005. p. 88.

an alternative theory can only emerge from the collective efforts of many, and that the first step in stimulating that collective effort lies in reshaping the structure and context within which business school faculty work.

On the contrary, I suggest, that whereas we – like Kritobulos – might learn to see – and that is what the Greek word *theory* means etymologically speaking – and therefore understand the things that determine the prosperity of our *oikos* better; the fundamental theory about economics is already there for all who wishes to see, to see.

We remember, that Socrates almost next to never spoke in the positive about anything – that is, giving affirmation of something he was sure of. Almost never did he do that in any of the dialogues that I have here accounted for.

On the contrary, he would say that regarding courage, virtue or piety – he was ignorant. But, as the biographer Andreas Simonsen points out⁶³ in the *Apology* he does make a statement in the positive, when he talks about the ignorance of man. *He, O men, is the wisest, who, like Socrates, knows that his wisdom is in truth worth nothing.* (Plat. Apol. 23.)

Therefore - if we are to be good pupils of Socrates - the most important theory of all theories for business schools to teach its students is the one about human ignorance or *docta ignorantia*.

If, on the other hand, you posit a theory - as Sumantra Ghoshal would have it - one might ask, if one has not already fallen out with this fundamental Socratic claim?

That is not to say, of course, that your everyday theories are no good for nothing, but it is to say, that theories are just theories – particular ways of looking at something; and since man has yet to discover an end to his accumulation of knowledge in any given subject – knowledge, which is the very fabric, that determines how he sees⁶⁴ – then man's way of looking at things – his theories - will continue to change.

⁶³ Simonsen, Andreas. *Sokrates*. p. 33.

⁶⁴ Think for instance about how most people fear scandals. Even though we did not want to mention any names - the names Bill Clinton and Monica Lewinsky does come to mind yet again. In the most recent Presidential election in the United States we remember how President Donald Trump did make use of Bill Clinton's affair to draw away attention from his own comments about women.

Educational initiatives

Whether or not the situation at business schools worldwide is as Sumantra Ghoshal describes - many new educational initiatives in Denmark do seek to introduce ethical questions and philosophy into the minds of the students.

The prerequisite for shifting toward a more ‘Socratic economy’ will be the knowledge of Socrates and his way of dealing with issues such as economy. Therefore I will highlight some of them here and briefly comment.

At many business schools, e.g., courses on CSR (Corporate Social Responsibility) are being offered. The justification of this subject is, though – it appears to me – highly contested.

Perhaps the most notorious critic being Milton Friedman, who are widely attributed with the saying, that: *the business of business is business*. Or, as was the title of a paper of his from 1970: *The Social Responsibility of Business Is to Increase Its profits*.⁶⁵ Quite obviously, the business of business is indeed business, just as the business of a painter is painting or the business of a chef is cooking. So, in short, Friedman has – if I have not misunderstood something – come to be synonymous with the dismissal of businesses having any notion of corporate responsibilities beyond that of making money.

Furthermore, one David Vogel, has in his book *The Market for Virtue* concluded, that: *there is no evidence that behaving more virtuously makes firms more profitable*.⁶⁶ With virtue David Vogel is alluding to the concept of CSR. How David Vogel defines virtue, however, not a subject to rest on here.

Before looking at another educational initiative, that seeks to expose students to ethical or philosophical questions; it is perhaps worth reminding ourselves, that

Donald Trump would not have been able to do that, if the public had not *known* about Bill Clinton’s infidelity; if the public had not already *seen* him in that light of infidelity.

⁶⁵ Milton Friedman: *The Social Responsibility of Business Is to Increase Its Profits*. New York Times Magazine, 1970.

⁶⁶ Vogel, David. *The Market for Virtue. The potential and Limits of Corporate Social Responsibility*. 2005. Brookings Institution Press. p. 17.

when teachers of CSR usually will go about presenting one of the traditional corporate horror stories of behavior⁶⁷ to which most listeners will react with virtuous indignation; those actions were, after all, not committed by a corporation, but by people.

That is to say: it is never the corporation that has responsibilities, but the people in the corporation.⁶⁸

Unlike corporate social responsibility, which is of course already being taught at business schools, the next educational initiative that I will discuss has only recently been brought before the public's attention and are therefore not in effect. In January 2017, the present minister for education in Denmark, Søren Pind, announced, that he was contemplating to revive the departed *examen philosophicum*.⁶⁹

This would make it obligatory to all Danes with a desire for a higher education to pass an exam, though, as it has not been designed yet, one has only its predecessor (abolished in 1971) and the minister's few words as a starting point for speculation, but presumably many philosophical subjects and thinkers will be introduced to the students.

Whether or not the Socratic Method will be introduced to students – and to what extent – is at this point, of course, unclear, but if so – with Sumantra Ghoshal's paper in mind – it would perhaps present the business students to a way of contemplating economics that they would otherwise not have been exposed to.

⁶⁷ For example: In the daily paper Berlingske on 21st of February 2017 one could read, that for approximately 10 years - between the mid-1960s and 1974 - the Danish firm Lars Foss Kemi simply dumped their big barrels with poisonous waste in bogs around Northern Zealand (See: <https://www.b.dk/nationalt/giftigt-affald-dumpet-i-moser-i-nordsjaelland>). To bring to mind another corporate horror story of behavior – one could mention the case of Coca Cola opening up factories in different places in India. Dependent on water for making their drink they soon *depleted groundwater resources, leaving nearly four dozen villages deprived of their sources of irrigation*. (K. Ravi Raman. *Community-Coca-Cola Interface*. p. 107. Social Analysis, volume 51. 2007.) And to stress: In neither case was it the corporation Lars Foss Kemi or Coca Cola who did those things. It was people working at Lars Foss Kemi and at Coca Cola who did them.

⁶⁸ In his article 'From CSR1 to CSR2' William C. Frederick discusses the concept CSR and its many phases. One might speculate, that perhaps one day talk will be – with a homespun concept – about CPSR (corporate people's social responsibilities) instead of CSR.

⁶⁹ <https://www.b.dk/nationalt/soeren-pind-alle-studerende-skal-til-eksamen-i-filosofikum> (20-04-2017)

However, the reintroduction of examen philosophicum – in Danish *Filosofikum* –, is, of course, directed toward only a small percentage of the Danish population – those who want a higher education – but, of course, it is not only that small percentage of the Danes that have economic decisions to make.

Therefore another educational initiative – or idea - shall also here be mentioned; one that is directed towards all Danes.

Unlike many other countries in the world⁷⁰ – philosophy is not being taught as a independent subject in the Danish public school. A quick google-search reveals that many writers in recent time have spoken for the establishment of a philosophy

course running even from the first year of public school until graduation nine years later.⁷¹

In a recent article from February 2017 two Danish



academicians – Lærke Groth and Dorete Kallesøe – even claims that the teaching of philosophy in public schools has been measured to raise the overall academic performance of the children.

And, moreover, that tests on children who had received teaching in philosophy compared to children who hadn't, showed, that those children not only did better academically, but felt more secure about themselves, about delivering speeches in public, about solving conflicts and much more besides.⁷² Therefore, they conclude

⁷⁰ A UNESCO report from 2007 maps where and at what levels philosophy is being taught around the world. See: <http://unesdoc.unesco.org/images/0015/001541/154173e.pdf>

⁷¹ See for example Pernille Vigso Bagge (2011): <https://www.religion.dk/kommentaren/folkeskolen-b%C3%B8r-satse-meget-mere-p%C3%A5-religion-og-filosofi>

Or Henrik Vestergaard Jørgensen (2011): <https://www.kristeligt-dagblad.dk/danmark/b%C3%B8rn-skal-l%C3%A6re-t%C3%A6nke-filosofisk>

⁷² See: <http://jyllands-posten.dk/debat/kronik/ECE9382358/filosofi-med-boern-er-svaret-uanset-spoergsmaalet/>

– freely translated from Danish into English – that: *philosophy is the answer, no matter the question.*

No matter the benefits a philosophy course running all through public school would, at the very least, secure broad familiarity with the philosophical classics and inevitably therefore also with Plato and the Socratic method.

Oikos

We have briefly seen, that initiatives indirectly exposing future generations – not least future generations of educated businesspeople – to the classic way of thinking economics - as something inseparable from ethics and philosophy – are being discussed and to some extent also have been implemented.

One concept that will become very important to future businesspeople to acquaint themselves with is: *oikos*.⁷³ As mentioned – in Greek *oikos* means house. So when we use the word economy, which is a compound of *oikos* and *nomos* (which means laws), we are really saying: laws of the house or in a more colloquial language: household management.

Household, of course, can refer to that which we wish to refer it to: a private house or maybe the conglomerate of private houses that makes up a nation or perhaps even the household of all humans on planet earth. And so, in the *Oikonomikos*, Xenophon uses the word not only in relation to a private household – that of the good and beautiful Ischomachos – but also when he lets Socrates describe how the Persian King Cyrus governs (or manages) his kingdom (or household).⁷⁴

The question for future businesspeople - and everyone with an *oikos* - therefore, the same as the one raised in Xenophon's *Oikonomikos* – how to make *my* *oikos* prosper?

This question is not only an ethical one; the answer is also bound to vary from case to case and be very pragmatic and down to earth. The answer is bound to vary,

⁷³ Making Xenophon's *Oikonomikos* obligatory reading at CBS and all other business schools is something that I would be a huge proponent of!

⁷⁴ Xenophon. *Oikonomikos*, p. 25-27. iv,5-iv.24.

because occupations differ. Many of us are not farmers as Ischomachos was. But, of course, for those who are – the same pragmatic approaches are no less relevant today, as it was then. Till the earth at a given time at year to achieve the best yield – and so on.

Furthermore, technologies are around today that were not around then. Nevertheless, the correct use of them is still something that separates the good economist from the bad⁷⁵. Perhaps the expensive acquisition of a flame gun to fight the weeds in one's driveway e.g. might turn out to be more costly to one's oikos, than simply fighting the weed with one's own hands?

Or maybe think of people who buy huge refrigerators. They will of course have room for a lot of nice food. However, from recent debate we learn⁷⁶, that many people do not consume all the food they buy. Instead they throw it out often times because its expiry date has passed. Maybe one does not need a big refrigerator, because one does not, apparently, need all the food that one buys?

Or to mention another topic also relating to oikos that has recently been discussed in Danish media, think about so-called waste of clothes and textiles. Many Danes, apparently, buy cloth they never use. Five kilos each year on average. ⁷⁷ Would they still have bought it, if they had known beforehand that they were not going to be using it?

The considerations – we understand - are many, when the topic is about oikos. Or, at least, the considerations should be many. Something the economic crisis taught us, that they are not to too many people.

For we remember, that too many people were granted loans (mortgages) - loans; which whole sustainability depended on the continued raise of the housing market and in effect their potential increased equity value – in other words: speculation. The economic crisis is a lesson in poor household management not just by the

⁷⁵ As when Socrates draws attention to farmers who have about similar farms and means, but where one is being ruined and the other is doing well. (Xenophon, *Oikonomikos*. p. 2. lli,5.)

⁷⁶ According to the organization *Stop Spild Af Mad* Danish households – on a yearly basis – throws out 260.000 tons of food, that otherwise could have been eaten. See: <http://www.stopspildafmad.dk/madspildital.html> (26-04-2017)

⁷⁷ See: <http://politiken.dk/indland/art5887523/Vi-k%C3%B8ber-16-kilo-t%C3%B8j-om-%C3%A5ret-men-lader-knap-fem-kilo-ligge-i-skabet> (26-04-2017)

loan-takers, but also by the loan-providers – and of course, we do not want to forget the politicians who endorsed debt-based homeownership.

We may therefore conclude that the economic crisis is also a memento to the fact, that household management is something many people do not find easy. Which makes inquiry into the nature of oikos necessary, if more poor household management – private as well as national or even global - is to be avoided.

This inquiry might make us reflect on the relationship between economics and philosophy.

For example: If the reason for acquiring a house is to live in a house, then he is the good economist, who does not get evicted prematurely. But as housing is normally associated with costs, then the good economist in such a situation is forced to ask himself, what sort of house his means allows him to inhabit.

Therefore, the good economist must be someone who knows how *to ask* the right questions. But to ask questions is time-consuming, so the good economist must be someone who takes time off to ask questions. But – having already looked at a few questions the economist might contemplate - what sort of questions, one might then ask, are beyond the good economist to ask?

In fact, if we accept the broad definition of oikos offered to us by Xenophon in his *Oikonomikos*, indeed, it becomes very difficult to discern what exactly the difference is between economy and philosophy – philosophy being a discipline, I suppose, which knows of no subject beyond its probing and questioning?

For example, Socrates and Kritobulos conclude in their conversation, that the good economist must also know how to treat his enemies in such a way, that it will benefit his oikos.⁷⁸ Likewise, of course, he must also know how to treat his friends, so that it will benefit his oikos. But will questions about justice, piety, courage, temperance etc. not pop up from time to time when dealing with other people, friend as well as foe?

If so, how does the good economist know, that he is behaving with justice, that he is behaving piously, that he is behaving with courageous wisdom and not with

⁷⁸ Xenophon. *Oikonomikos*, p. 17. i,15.

foolish recklessness and that he is behaving with temperance toward his fellow human beings?

Will he not also have to inquire into the nature of these virtues – just as Plato's Socrates did – or is there some other way of knowing if one's actions are in accordance with the various virtues and virtue in general?

In addition, if he does not inquire into the nature of virtue will he not risk acting on incorrect presumptions about virtue like e.g. Euthyphro who thought he knew about piety, but all of a sudden had to leave Socrates, before he had given him an irrefutable definition thereof?

Or like Laches who at one point thought that courage was staying one's ground until Socrates reminded him, that that definition of courage hardly applied to the cavalry (maybe one could hypothesize, that this incorrect presumption about courage could ultimately cost a proud man his life – which must be said to be something, that is very bad for one's oikos – if he in a given situation decided to stay and fight, even though victory could have been achieved if only he had fled and perhaps reorganized)?

If the concept of oikos also encompasses one's relations with the people one has dealings with (wife, workers, children, slaves, businesspeople etc.), all of one's belongings and indeed, also one's virtues – for Xenophon, as we have seen, also lets Socrates point out the vices that will bring one's oikos to fall (idleness, weakness of character, lechery, sloppiness, intemperance) – where, then, do we draw the line between economy and philosophy? Perhaps something for the good economist to consider!

As a final note on oikos and household management we might also draw attention to another consideration our future economists must have in mind: the possible interdependence between the different households.

That is to say, that the actions e.g. of the private households determines the condition of the national household and likewise, the actions of the national household determines the condition of the global household.

For example: many scientists today claim to know, that the (over)consumption of private households is actually contributing to the global heating, which in turn



might indeed eradicate entire nations, because of rising water levels due to the meltdown of the arctic poles.⁷⁹

Just to give one example relating to the consumption of private households: apparently the many cows that go into the hamburger industry and that we use for spaghetti bolognese, lasagna, tatar and so many other tasty dishes, let out so

much “air” (methane gas) when they burp, that they are actually contributing on a large scale to the meltdown of the poles!⁸⁰

For this reason, scientists are now working on the development of a ‘super-cow’.⁸¹ The idea is to breed a cow that matures faster, so that it will have a shorter life span, before it is slaughtered.

Shorter life span, of course, meaning less burping.

In short: the questions relating to oikos are indeed many.

Socratic economics

When reading Plato and Xenophon, we learn, that money⁸² is not the yardstick of the good economist, virtue is. And it was Plato’s Socrates who told us, that *from*

⁷⁹ E.g. the Republic of Maldives in the Indian Ocean. See: <https://ing.dk/artikel/udsigt-til-havstigning-far-maldiverne-til-soge-efter-nyt-land-93222> (27-04-2017)

⁸⁰ According to a report from 2006 by the UN, the burping of cows is to be taken very seriously; for as the report makes clear: cows are – apparently – *more damaging to the planet* than cars. <http://www.independent.co.uk/environment/climate-change/cow-emissions-more-damaging-to-planet-than-co2-from-cars-427843.html>

⁸¹ See: <http://politiken.dk/viden/art4807484/Forskere-vil-stoppe-b%C3%B8vsende-k%C3%B8er> (28-04-2017)

⁸² When determining the yardstick for the good economist – which of course should be a topic open for debate – could one, then, not ask – in the event someone proposes money as that yardstick – as

virtue comes money (Plat. Apol. 30.), while Xenophon's Socrates told us, that when one's oikos deteriorates it is because of the presence of vices or, we could also say, lack of virtue.

Now, it may be said, that it is not just the economists, who are economists. For do they make decisions the rest of us don't? Therefore, we all have to learn about virtue, if we concede to the opinion of the ancients on economics and if we desire our economy to be prosperous, of course.

So the question for any aspiring economist is, to repeat myself, not how to make money, so to cover the next month's mortgages, but how to acquire virtue. The task for any president on any business school: how to make sure, that the students become as virtuous as possible.

In other words: people who today are studying marketing, finance, accounting etc. should only be putting their skills in these arts to use, if it is *the right thing* to do – which is not the same thing, as *if it is profitable*. What pecuniary profitability have to do with economics is a question that should be answered and not used as a reason for taking economical decisions.

What I have had the cheek of calling Socratic economics (or perhaps oiko-sofia would be better?) could – to some extend – just as well have been subjected under the traditional denomination: *classical economics*. In both cases, the point is that economics is never treated as something separated from ethics. It is never treated as an independent science thereof. When this came about – the presumed separation of economics from ethics - in the history of economics is an interesting question, but not the object of this master thesis to investigate.⁸³

With this concept I mean nothing else, then that economists – and that means all of us – have to start questioning their own economic decisions. The economic crisis was a blatant example to the contrary – that many people do not question anything

to what money is other than a medium of exchange (as was for example the opinion of David Hume; see: Compendium for *Money, Finance and Philosophy* 2016: Geoffrey Ingham. *The Nature of Money*. p. 18.) made up of some arbitrary material and why the relative possession of that specific material, and not some other material, should be the yardstick for whether or not someone is either a good or bad economist?

⁸³ The academician John Martella observes on this point: '*It is also important to remember that economics as a discipline did not exist until the late eighteenth century. Before that time economics existed as a subset of ethics and political philosophy*'. See: Martella, John. *Philosophy, Economic History, and the Rise of Capitalism*. Drury University. 1992.

at all. And so mortgages were provided to people – who were not even questioned about their monthly income!⁸⁴ (Not that those people should not have questioned themselves – they should!)

Furthermore: people should start questioning themselves, if they will be able to consume all the food they buy or if they are going to throw it out. If they buy cloth with a view to wearing it, they should ask themselves the same question: am I going to wear this piece of cloth or not – and so on!

In fact, people should start questioning themselves, why it is necessary to question things – because, the fact that many people don't question things, is an indicator to the fact, that people don't know why it's important.

Plato's dialogues wherein we see Socrates refuting his interlocutors on questions concerning the definitions of different virtues provide excellent material as to why it is important to ask questions. When we do not question, we act on unquestioned assumptions. But unquestioned assumptions – to use a common example – like that Saddam Hussein had weapons of mass destruction might turn out not to be correct or as we assumed with the inevitable result – that when they were not correct - we come to regret what we did afterwards (not to mention, that we might come to cause a great deal of unjust harm to other people).

If Sumantra Ghoshal is correct about the theories that are being taught at business schools, then the problem is that no one has questioned these theories. A more Socratic orientated university and business school would, therefore, be a great desideratum in the future. When someone has a new theory (that man is a *homo economicus* for example) he should be tested in front of a crowd – often many people gathered around Socrates when he plunged himself into conversations – and asked exactly what he means by his new theory. Are there no examples to the contrary and so on. If he said, e.g. that a *homo economicus* was a man, who always sought to maximize everything and get the most out of everything he did – then we might ask, if he had ever heard about the Indian ascetics, who renounce all worldly possessions – are they too *homo economicus*? And if they are not *homo economicus*, then – wouldn't he agree – it would seem that his theory did not apply

⁸⁴ Raghuram G. Rajan. *Fault Lines*. p. 36.

to all human beings? So how large a part of the world's total population does his theory apply to and why only a part and not the whole? And so on.

In a sentence, Socratic economics is about discovering the nomos (laws) that governs oikos through questioning.

Conclusion

Through the study of Plato and Xenophon, we learned, that the good economist is no other than the good and virtuous man. In the words of Xenophon *the beautiful and good man* - καλὸς καὶ ἀγαθός – an expression that is often, and more elegantly, translated into English with *the perfect gentleman*.⁸⁵

It is tempting then to ask: *who is the good economist* today? Is it people who are educated and who hold university degrees as ‘economists’? Or is it perhaps those within the financial sector like e.g. Mr. Lloyd Blankfein – CEO of Goldman Sachs? Maybe people who make fortunes on the stock market like Warren Buffett?

Sumantra Ghoshal would probably answer, that the educated ‘economists’ and the people in the financial sector were *amoral*, because of the *amoral* theories they have been taught. Does *amorality* today matter in our judgment of who is a ‘*good economist*’ and who is not?



Irrespective of the present condition of economics (be it as Sumantra Ghoshal describes or not) the Socratic Method – to my mind – represents a path that aspiring economists will be able to learn a lot from.

The lesson of the recent economic crisis was that mortgages were provided to people who should not have been provided those mortgages. This happened largely due to the fact, that no one questioned anything. Instead of having their eyes focused on virtue, people were being distracted by politicians who lulled them into the dream of debt-based homeownership and not, as it should have been, self-earned homeownership.

⁸⁵ Nisbeth, Henrik. *Xenofon. Erindringer om Sokrates og Sokrates' Forsvarstale*. p. 30.

They were being serviced by a financial sector that did not consider if the mortgages were also going to be able to be paid back by the mortgage-takers. According to Raghuram G. Rajan, way too often, people were not even asked about their income. Economics is not the science about owning many things – it is about having what is appropriate. It is not about having the most expensive cars on the residential road or the most ostentatious house – it is about owning what is suitable for *you* to have. A small boy, who cannot reach the pedals in a car has no use of a car. A man who owns a house with 10 rooms may very likely not have any use for such a big house. Too big Americans have no need for more hamburgers, what they need is a long run by the beach. Many people have no use for more clothes – their closets are already full with clothes they never use. And so on.

How do we know what is right and what is not right? That depends on what *right* is? What is right? Is it right for man to be so fat, that he cannot move around without two helpers at each side supporting him? Well, if he wants to do good in sports, it is not right to be so fat and for many other reasons. If it's right for a man to have a house with 10 rooms – he has to explain to us why that is; for wouldn't we say, that a house with just 1 room should be fine? Or does a house serve another purpose than sheltering? We have to have the courage to raise even the most fundamental of questions so in order to remind ourselves of the function of the things that we take for granted and never contemplate.

One man who tried to figure out what is right and what is not was Socrates. That is why I have included him in my thesis in the first place. To draw attention to a role model. His example provides a path – though if it is the only one should of course also – in his spirit - be a matter of investigation.

In a way, the picture today is that economics have been hijacked by many weird and disturbing symbols. People in ties and lounge suits, people with calculators and graphs, big skyscrapers and white polished teeth. It's not to say, that you cannot be a good economist if you belong to that group, but it's certainly not to say either, that you are, if you do. Economics is about the right way of living – ironically, economics today also has a way of promoting one “right” way of living and it is often presented as having something to do with *materialism*. The underlying premise for all commercials always being, that something *has to be sold*. However, if economics

is about the right way of living, then asceticism has potentially the same right as the consuming lifestyle that is promoted to us almost on a daily basis through commercials. In other words: one life style is emphasized while others are neglected. Yet how often have these different lifestyles been critically tested by a philosopher, asking: which style is the one that provide most happiness? Which one is the one most virtuous?

I started out by asking the question: how do we avoid future economic crisis. The recent economic crisis was about overconsumption. For a myriad of reasons people bought houses, they could not afford. Ironically many people were set on the street, they were evicted, so in a sense, their overconsumption ended in the exact opposite;

a sort of under-consumption. In the first case they had too much - in the second too little. First they lived in a “castle” then they had to live in tents, as many indeed had to. Anytime people have either too little or too much – one should be allowed to talk



about an economic crisis. When we starve, we are as much in a crisis as when we are massively overweight – so fat, that we cannot move around in our own house. The only time we are not in an economic crisis is when we have *enough* or what is *appropriate* to us. So the answer to the question *how do we avoid future economic crisis*, is, that we should not have too much nor too little, but strive to have just enough. But how do we know when that is? This, of course, depends on the *we* in the sentence. Who is that *we* that have to have *enough*? If it is a blue whale – then *enough* e.g. in terms of food will be something quite different from *enough* if we are talking about a human being. Or, in other words, self-knowledge is required, if we are to say how much is enough, for that depends on who *we* are. Which raises the question, what is self-knowledge – and here we go again! Back to Socrates. But he is dead and *you* are alive!

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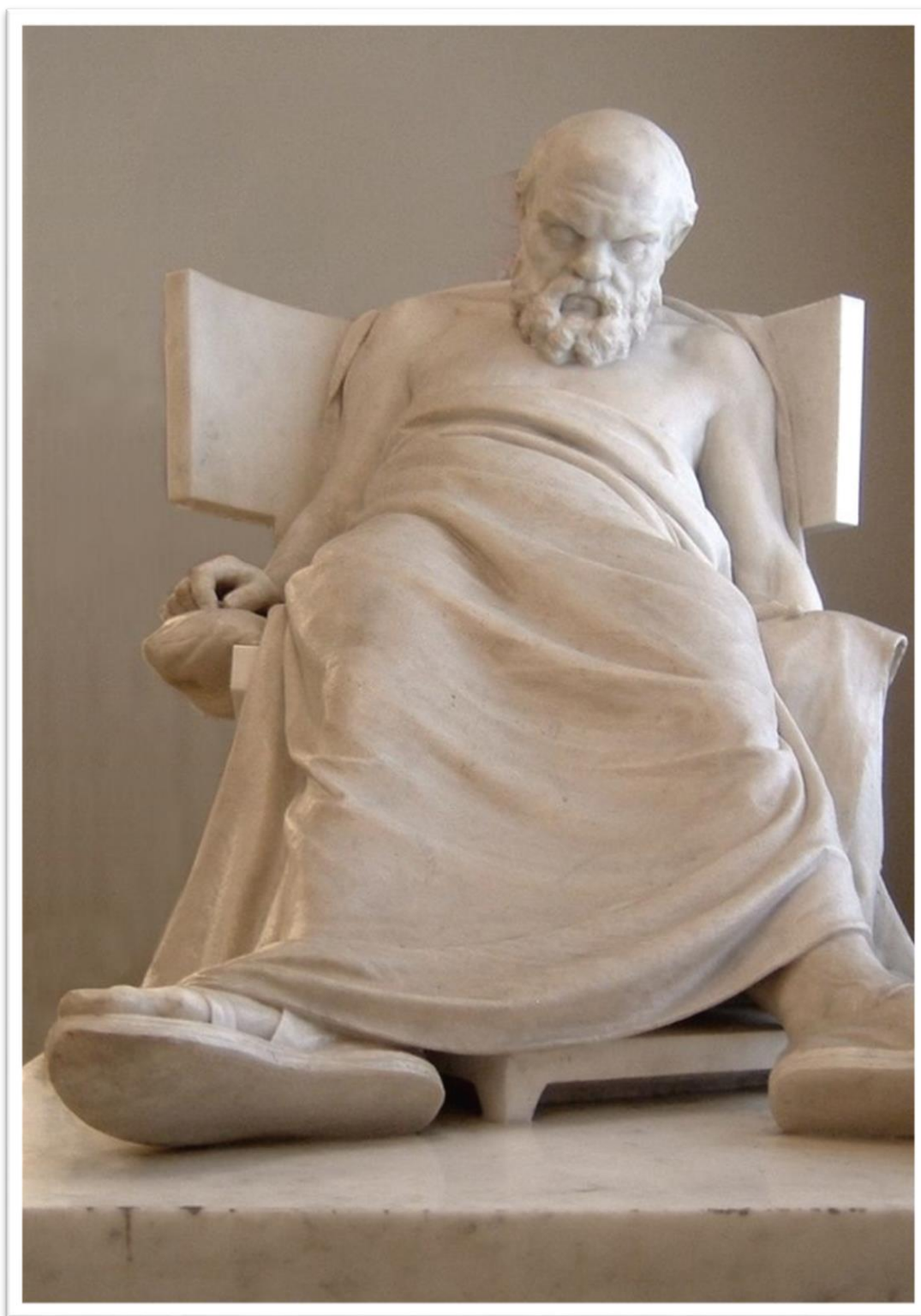
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