

## Scholastic Morality and the Birth of Economics: The Thought of Martín de Azpilcueta\*

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One of the most debated issues today in the social sciences is the relationship between ethics and economics. Martín de Azpilcueta's (1492–1586) writings on morality hold a distinguished place in the theological literature of the early modern era because he addressed many of the fundamental moral issues surrounding the birth of market economics. This article evaluates the reception of Scholastic political economy in the history of economic thought and presents a detailed exposition of Azpilcueta's moral teaching on the commercial and financial practices of his day. The article concludes with a description of Azpilcueta's understanding of the intrinsic relationship between morality and economics, which, for him, was neither a mere juxtaposition nor an opposition of disciplines.

### Introduction

The analysis that Scholastic writers made of the economic phenomena of their time has been enjoying a resurgence of interest since the 1950s. The various schools of moral theology, which traditionally only attracted the attention of historical theologians, have now become the object of study for economic historians.<sup>1</sup> Economic historians have looked primarily—though not exclusively—at the economic teachings of what has been called *second scholasticism* or the School of Salamanca. This interest in the springs of scholasticism has occurred from a variety of intellectual disciplines—history, theology, and political philosophy. There has been no shortage of opinion attributing to the Scholastic writers of this period, the honor of founding modern economics. This article will attempt to provide, first of all, an overview of recent developments in scholarship on the second Scholastic period. With this discussion as a base, the second half will analyze the principal points of Martín de Azpilcueta's economic moral teaching.

### Reception of Scholastic Political Economy in Economic Historiography

Traditionally, it was held that the birth of modern economics, as a rigorous reflection on economic facts, ought to be placed in the eighteenth century. For

this insight, we are indebted to the so-called classical school of economics, among whose representatives, a special position is given to Adam Smith. If economic historians looked to earlier records—principally to Aristotle and the mercantile literature—it was done so as a tentative precedent and considered to be pre-history. Meanwhile, the contributions of writers in the early medieval period were generally neglected.

E. J. Hamilton's observations of the so-called price revolution in Castille during the Golden Age could be illustrative in this respect,<sup>2</sup> but this is not the place to analyze his argument that sixteenth-century Castillian inflation resulted from New World metal shipments. However, for our purpose, it is worth noting Hamilton's judgment about this phenomenon, namely, that the Scholastic writers did not know how to explain the causes of the price revolution.

Bating the clergy and nobility, few Spaniards had sufficient education to compose a mercantilist tract; and the clergy had little inclination for economic speculation. The vast majority of outstanding Spanish mercantilists before 1700 were ecclesiastics, little acquainted with either the economic literature or life of financially advanced nations. Their profession afforded them scant opportunity to acquire the intricate economic knowledge requisite to fathom foreign exchange.<sup>3</sup>

Not long after the publication of Hamilton's major works, scholars began to express opposing viewpoints to his thesis. J. Larraz was among the first to claim a prominent role for the School of Salamanca in the history of economics.<sup>4</sup> Nevertheless, it was Joseph Schumpeter who, strictly speaking, initiated and extended the debate over the School of Salamanca from the field of monetary theory to that of economics in general. Thus, in contrast to Hamilton, Schumpeter states: "The very high level of Spanish sixteenth-century economics was due chiefly to the Scholastic contributions."<sup>5</sup>

### Scholasticism in the Work of Joseph Schumpeter

According to Elizabeth Schumpeter's testimony, her husband's interest in scholasticism went back to the early 1940s, even though his *History of Economic Analysis* did not appear until 1954, four years after his death. It is commonly held that Schumpeter's *History of Economic Analysis* constituted, in its day, the decisive push for the exploration of sixteenth-century Spanish contributions to the development of economics. It was the first time in the history of economics that a textbook claimed a place of importance for Scholastic contributions to the discipline. Schumpeter gave sustained attention to the different varieties of Scholastic theology, but, as expected, critics responded to his thesis rather quickly.<sup>6</sup>

Unfortunately, given the limitations of this article, we cannot analyze Schumpeter's thesis with the attention it deserves, embracing as it does, a lengthy historical period and extending to such diverse disciplines as philosophy, theology, sociology, history, and applied economics. It is enough to acknowledge here that the main line of Schumpeter's argument contrasts with later approaches to the question. According to him, scholasticism's importance as an object of historical study turned out to be a novelty and as such had to be justified. Naturally, the factors used to justify it were varied. However, he was able to establish two affirmations that pushed the scholarly community in the direction of more accurately assessing the Spanish Scholastic contribution to economics.

First, the intellectuals of the early Middle Ages—nearly all of them monks and friars—were independent men, of whom can be attributed a radical and critical attitude in non-ecclesiastical matters. Their subjection to ecclesiastical authority in matters of faith was compatible with a wide-ranging freedom of opinion in all other matters. It must not be forgotten that the anti-scholastic prejudice that Schumpeter fought against had undoubted influence, whether for ideological reasons or simply because of an uncritical acceptance of historical generalizations. “The reader had better see in these Scholastic doctors simply college or university professors. Saint Aquinas, then, was a professor. His *Summa Theologica* was, as he informs us in the preface, conceived as a textbook for beginners (*incipientes*).”<sup>7</sup>

Second, Schumpeter was able to show historically that scholasticism played an important role in the birth of capitalism. The birth of capitalism should actually be located in the thirteenth century, according to him, but the processes begun earlier were consolidated by the end of the fifteenth century, due largely to the work of the Scholastic writers. “By the end of the fifteenth century, most of the phenomena that we are in the habit of associating with that vague word *capitalism* had put in their appearance, including big business, stock and commodity speculation, and ‘high finance’, to all of which people reacted much as we do ourselves. Even then these phenomena were not all of them new.”<sup>8</sup>

These two observations constitute the essence of Schumpeter's results from his study of the Scholastic sources. The later Scholastics, men of independent minds and gifted with a critical frame of mind, were the first to observe and evaluate the transformations that nascent capitalism was raising for moral theology. After briefly mentioning the economic thought of Thomas Aquinas, Schumpeter focuses his study on the Scholastic period extending from the fourteenth to the seventeenth centuries. He surveys the thought of Gabriel Biel, S. Antonio de Florencia, and Tomas de Mercado, along with three Jesuits

writers Leonardo Lesio, Luis de Molina, and Juan de Lugo, which Dempsey had already studied in some depth.<sup>9</sup>

As a result of his study of scholasticism, Schumpeter emphasizes the Scholastic concept of value based on a satisfaction of necessities, identifying the just price with any competitive price, not to mention enumerating the determining factors of price, but without integrating them into a theory of supply and demand. In their treatment of money, Schumpeter finds in the Scholastics a strictly cash theory, a close proximity to the quantitative theory of money, and a consideration of the problems of coining, of exterior traffic, of international movement of silver and gold, and so forth. In his opinion, the most important and positive contribution of the Scholastics to monetary theory is their understanding of the importance of commercial profit for raising interests above zero.

Schumpeter's thesis concerning the Scholastic understanding of economics was quickly subjected to severe criticism, which led him to make slight revisions to some aspects of his argument.<sup>10</sup> Nevertheless, leaving aside these revisions, it is worth accenting the central points of his thesis. According to him, the Scholastics should be taken seriously because of the quality and rigor of their economic analysis. Thus, he writes:

It is within their system of moral theology and law that economics gained definite if not separate existence, and it is they who come nearer than does any other group to having been founders of scientific economics. And not only that: it will appear, even, that the basis they laid for a serviceable and well-integrated body of analytic tools and propositions were sounder than was much subsequent work, in the sense that a considerable part of the economics of the later nineteenth century might have developed from those bases more quickly and with less trouble than it actually cost to develop it.<sup>11</sup>

Schumpeter advances, therefore, an entirely new way of looking at the history of economics by shifting the origin of economic thought away from the eighteenth century to that of the sixteenth century. The basis of modern economics, which was traditionally situated in the so-called classical school—with its immediate precedent in the mercantile literature—is now sought in the late Middle Ages, specifically in the references to the economy in the tradition of Scholastic moral philosophy.

Schumpeter's decision to include the Scholastic theologians in the birth of modern economics was hotly debated. Nevertheless, if we disregard his reservations regarding dates, selection of authors, and so forth, it can be seen that Schumpeter's thesis initiates a new way of viewing the relationship between

history and the object of history. This, in turn, raises another important question: Could modern economics, as we know it today, be enriched by the insights of the Scholastic theologians? Schumpeter answers in the affirmative. But he thinks it is possible to separate the Scholastic analysis of economics from its formal theological grounding. Thus, according to Schumpeter,

We may indeed call this, or any value judgment of any kind, unscientific or extra scientific. But there is no point in throwing out the analytic baby with the philosophic bath-water. And this is precisely what is being done by those who dispose of the scholastic doctors or their laical successors merely by pointing to its associations with a system of moral and legal imperatives—of legal laws in the analytic sense because of its association with a system of natural laws in the normative sense.<sup>12</sup>

We will return to Schumpeter's position at a later point in the article, at which time a comparison will be made with the perspective of other scholars.

From the moment Schumpeter's work was published, his placement of the birth of modern economics in the Scholastic tradition had a powerful effect on economic historiography. His study encouraged scholars to take a fresh look at the Scholastic period and many—though critical of his selection of authors, dates, and so forth—built on his fundamental assumptions. One such scholar was Marjorie Grice-Hutchinson, who held that

Schumpeter realized that the roots of economic analysis lay in moral philosophy more than in commercialism, as most of the earlier historians had maintained. The principal current of thought, in the opinion of Schumpeter, originated with Aristotle and medieval scholasticism, including the doctors of the sixteenth and the seventeenth centuries and passing through the philosophers of the natural law (especially Grotius, Locke, and Pufendorf), to arrive at Frances Hutcheson and Adam Smith.<sup>13</sup>

The work of Raymond de Roover can also be situated in this line of thought.<sup>14</sup>

#### *The Perspective of the Austrian School*

A paradigmatic example of the way that the Austrian school of economics approaches economic historiography can be found in the work of Murray N. Rothbard.<sup>15</sup> After mentioning the new understanding of the Scholastic period that Schumpeter inaugurated in the 1950s, Rothbard went on to claim that “the Scholastic [writers] believed the just price was whatever price was established on the ‘common estimate’ of the free market.” Thus, as a result of their similarity with the Austrian School, he drew the conclusion that the Scholastic writers should be “considered ‘proto-Austrians’, with a sophisticated subjective utility theory of value and price.”<sup>16</sup> Rothbard's judgment about the Scholastics was

reinforced through the work of E. Kauder who argued that seventeenth- and eighteenth-century French and Italian economic thought was likewise “proto-Austrian.” According to Rothbard, the view of the Scholastics as proto-Austrians was curbed by the focus given to Adam Smith as the first formulator of the labor theory of value. Consequently, attention was deflected away from Smith as the founder of laissez-faire political economy (and his use of Scholastic antecedents) and focused instead on showing how he was a precursor of Karl Marx.

In his more speculative analysis, Kauder sought to uncover the reasons that geographical asymmetry can be observed in the development of economic thought. Why did the tradition that explains value on the basis of subjective utility flourish on the Continent, especially in France, Italy, and later in Austria, while the theories of work and the cost of production develop especially in Great Britain? Kauder attributed the difference to the profound influence of religion in these settings.<sup>17</sup> Scholasticism and Catholicism in general—we must not forget that France, Italy, and Austria were Catholic countries—viewed consumption as the end of production and the utility and enjoyment of the consumer, at least in moderation, as activities and ends of value. Whereas, the Calvinist tradition of Great Britain—Smith himself was a moderate Calvinist—emphasized the importance of hard work not necessarily as the only good but as good in itself, while the well-being of the consumer was understood as the condition for the permanence of work and production.

Kauder's explanation of the asymmetrical distribution of economic thought in relation to geographical-religious criteria was initially viewed by Rothbard as speculative, perhaps suggestive, but insufficiently documented. However, after studying the history of economics more thoroughly, Rothbard gradually obtained confirmation of Kauder's thesis, which he eventually adopted wholesale.<sup>18</sup> This perspective is reflected in Rothbard's history of economics as he traces the Austrian vision of economics from the first philosophically oriented Greek economists, to the laissez-faire period of Roman law, through medieval Christianity and its extension prior to the Renaissance, up to the sixteenth-century School of Spanish scholasticism. In his treatment of Spanish scholasticism, Rothbard examines in some detail the ideas of Azpilcueta and Medina and presents the thesis that the Spanish Scholastics were proto-Austrians.<sup>19</sup>

#### *The Explicit Debate on Presuppositions*

Recently O. Langholm and F. Gomez Camacho have expressed some hesitation over the definition of the Scholastic period by mid-century scholars. According to Langholm, the traditional approach to economic historiography, which omits any substantial reference to the period before the eighteenth

century, implicitly affirms a view of economic history based on a prior view of economics. Frequently, economists have taken for granted certain universally valid laws that are similar to the laws of physics and medicine. The conclusion drawn from this understanding of economic laws is that only with the arrival of the modern world was it possible for modern economics to be born. Langholm advises that, according to this understanding, the psychological suppositions underlying human conduct are nothing more than Enlightenment assumptions.<sup>20</sup>

The intellectuals of the Scholastic period, as Langholm acknowledges further on, were not economists in our sense of the term today. Rather, they were academics who wrote about economic issues from the perspective of other disciplines. But this should not invalidate the analytic aspect of their writing, for we are not dealing here with a phenomenon that is limited only to the Scholastic period. To develop norms of moral behavior, the Scholastic doctors necessarily had to cut through that which was superficially apparent in order to discern the individual and social consequences of alternative norms of conduct. In this way, contends Langholm, the study of theological sources by economic historians is justifiable. If Aristotle furnished scholasticism with important ethical principles, then on what basis should Scholastic ethics, which is grounded in theological presuppositions and applied in the sphere of moral theology, be excluded from historical analysis.

In general, Langholm views the Scholastic contribution to economics in a favorable light, but he brings to this discussion the precision of a trained historian. According to Langholm, while the modern economy could have commenced following certain patterns of medieval thought, it must not be forgotten that the presuppositions from which the Scholastics worked are distinct from our own. When Scholastic thought is approached as a field of study that is interesting for its own sake, it becomes apparent that the focal point is ethics rather than technical economic analysis. It is this factor, more than any other, that determines which suppositions are adequate for a rapprochement that does justice to the Scholastic sources.<sup>21</sup>

In Spain, the contribution of Camacho's studies on Scholastic political economy ought to be emphasized. Concurring with Langholm, Camacho indicates that

when there is a disregard for metaphysics and for epistemology which served the Spanish doctors as a basis for the elaboration of their economic thought, one is ignoring one of the essential elements that form what Kuhn has called "matrix of the discipline," in which their thought is formed. In ignoring this element of the matrix of scholastic discipline,

one is depriving the Spanish doctors' economic thought of the cultural and philosophical references that permits an identification of it as historical thought, that is, put in the context of a defined and concrete moment in history.<sup>22</sup>

The philosophical matrix in which Scholastic thought was forged is none other than that of right reason. Certainly, in the period of second scholasticism, the concept of right reason receives nuances peculiar to a moderate nominalism, which ought to be taken into account especially when speaking of later scholasticism. Mere recognition of this fact, however, does not prevent us from observing that the most profound break with the concept of right reason will occur during the Enlightenment, at which time an entirely new understanding of reason will be formulated. The rupture is produced by the substitution of right reason for enlightened scientific reason. This is Camacho's principal thesis with respect to the moral philosophy of the Scholastic period, thus he concludes:

The purpose of this book will have been achieved if it helps those interested in economic science to have a more exact notion than is normally the case, of how economic reflection was formed in the heart of Western culture, ... of how economic thought, in the Spain of the XVI and the XVII centuries, enjoyed its own personality, achieved through being a product of right reason, and from belonging to what was then called moral philosophy and how it began finally losing this personality to the extent that right reason and its probable opinions were substituted in the XVII and XVIII centuries for scientific reasoning, which guaranteed the necessary truth of its conclusions.<sup>23</sup>

#### *Toward a Conclusion*

Even though the issue is still debated today, since the 1950s, economic historiography has become progressively more receptive to the Scholastic contribution to the extent that a number of historians claim a position of importance for these writers. There have also been quite a few intramural skirmishes within the larger debate such as strictly historical questions surrounding the Scholastic period itself and those of a more ideological character (e.g., Rothbard's proto-Austrian thesis). The Scholastic theologians have been appealed to as both the first Marxists and the precursors of laissez-faire political economy. However, it is worth mentioning that this debate, which first emerged among ideologically inclined historians such as Rothbard and Kauder, later opened itself to larger epistemological observations. Though it may seem obvious, the question of whether economic historians should examine the Scholastic period is largely contingent upon how one views the nature of economics. Consequently, there are as many answers to this question as there are ways of understanding

economics. Nevertheless, if the presuppositions of scholasticism are granted, it is possible to discover three main lines of response to our query.

The first can be labeled “traditional historiography.” Though our question had not yet been introduced explicitly, the omission of any reference whatsoever to the Scholastic period was sustained by the underlying conviction that the Middle Ages, which saw an extraordinary fecundity in other areas of knowledge, simply ignored economic issues. The work of E. J. Hamilton is a good example of traditional historiography. In my estimation, as scholarship develops around the Scholastic contribution, traditional historians will broaden their research agenda to include the Scholastic doctors.

Schumpeter’s approach represents the second type of response. He justifies the inclusion of Scholastic contributions to economic history because he starts from the fact that the Scholastics were theologians who took an interest in the economic life of their time. Following Schumpeter’s lead, therefore, a controversial viewpoint is set in motion, namely, that modern economic thought can incorporate Scholastic insights because its analytic observations can be separated from its normative, moral reasoning.<sup>24</sup>

The third response to the question—represented by Langholm and Camacho—likewise accepts the Scholastic contribution to economic thought, but distances itself from Schumpeter’s desire to separate the analytic and the philosophical/theological aspects. Taken as a whole, this position offers an important observation: If Scholastic economic thought is accepted without separation, it does not fit into the mold of modern economic thought, which has been narrowed due to positivism. Hamilton thought the historian could ignore the Scholastic sources entirely, whereas Schumpeter thought that only the normative aspect could be ignored. However, when viewed from a broader perspective, we discover that the Scholastic view of economic freedom has deep roots in Christian morality and is quite different from that of modern economic theory. In my opinion, broadening our perspective is necessary not only to do justice to the sources but also to teach us valuable lessons in the present. It ought to be recognized that the prolonged neglect of Scholastic contributions to political economy has not been merely coincidental or due to scholarly inertia.

It has frequently been shown that modern political economy, as an experimental science, was founded on positivist presuppositions. The technical language of econometrics came to predominate in this restricted understanding of economics. The effects of such a constriction were manifest: lack of appreciation for the Scholastic contribution, separation of ethical or normative questions from strict economic analysis, and neglect of the political framework

without which it is difficult to conceive of economics as the science of free human action.<sup>25</sup> For the rest of the article, I will present an overview of the principal aspects of Martín de Azpilcueta’s economic morality. It is my hope that this study of Azpilcueta’s observations, which figure among the most valuable of the period, will foster an integration of economics and ethics.

### The Economic Morality of Martín de Azpilcueta

#### *Doctor Navarrus and His Written Work*

Martín de Azpilcueta y Jaureguizar was born in Barasoain (Navarra) on December 13, 1492.<sup>26</sup> Of a noble family, he obtained the Bachelor of Theology degree from the University of Alcalá. From there he moved to the University of Toulouse in 1516, where he received his doctorate in canon law after mastering civil law as well. He then began teaching and, in 1522, was appointed a professor at the University of Cahors.

Upon receiving ordination in France, he took the habit of the Order of Regular Clergy of Saint Augustine in the monastery of Roncesvalles. In 1524 he arrived at the University of Salamanca, where he eventually acceded to the chair of canon law in 1537. Among Azpilcueta’s Salamanican disciples were Diego de Covarrubias (1512–1577), the Portuguese legal expert Arias Pinelo, Francisco Sarmiento, and Pedro Deza (1526–1600). Somewhat later he assumed the chair of canon law at the University of Coimbra. Aside from his teaching activities, he exerted influence in Portuguese public life as an adviser and confessor to distinguished personalities. But after sixteen years of teaching, he resigned his post to prepare his works for publication.

Toward the end of 1556 he returned to Spain to revise his writings. Several years later, he was appointed counsel for the defense in the legal process of the Archbishop of Toledo, Bartolome de Carranza.<sup>27</sup> After some resistance, Felipe II transferred the case to Rome following the wishes of the Holy Father. Azpilcueta’s period in Rome lasted from August 1567 until his death on June 21, 1586. In addition to his work in the Archbishop of Toledo’s defense, and the Latin edition of many of his works, Azpilcueta was appointed Advisor in the Supreme Penitentiary Tribunal at the request of Pius V and Charles Borromeo.

If we were to describe the three major periods of Azpilcueta’s development, the Salamanican sojourn would correspond to the period of his mature thought. His move to Coimbra and his stay in Castille consolidate the years of work at Salamanca, the result of which was the publication of an important nucleus of works. Finally, during the last years of his life in Rome, instead of writing new material, he revised, updated, translated, and synthesized his earlier works.

One of the characteristics of Azpilcueta's work is the diversity of fields and disciplines to which he applied his intellectual talent. Undoubtedly, canon law and moral theology were the intellectual disciplines that contributed the most to his doctrinal development. However, as Tejero observes, his reliance on these disciplines did not prevent him from "being secondarily involved with other sciences, such as Dogmatic and Spiritual Theology, the Liturgy, Pastoral Work, Civil Law, International Law, Economics, Medicine, and so forth."<sup>28</sup> To a great extent, Azpilcueta's interdisciplinary competence helps to explain the growing interest of scholars from a variety of fields in his work.<sup>29</sup> To discern the interdisciplinary significance of Azpilcueta's writing, we must first understand his achievements in the context of his time. Thus, according to Andres,

Vitoria extends theology to man as an individual and as a member of natural society, national, international, and ecclesial; Soto builds the *Treatise on Justice and Law* from justice; Juan de Medina studies penance as a virtue and as a sacrament, paying especial attention to contracts. Azpilcueta combines in the same reflection the psychological, theological, pastoral, and juridical aspects. He is not only a canon lawyer, but principally a moralist, with a concept of morality not very far from that of Busembaun, Saint Alfonso Maria de Liguori, Noldin, and other authors of the last three centuries.<sup>30</sup>

Azpilcueta's most celebrated work was undoubtedly the *Handbook for Confessors* (Salamanca, 1556) or, in Latin, the *Enchiridion confessoriorum* (Rome, 1573). By the second half of the sixteenth century and the first quarter of the seventeenth it had reached eighty-one editions and ninety-two more in the form of revisions, extant versions, and compendiums. First written in Portuguese, then in Spanish, and finally in Latin, it was also translated into Italian and French.<sup>31</sup> The *Handbook for Confessors* constitutes a watershed that culminated in the early seventeenth century with the birth of moral theology as an independent discipline.<sup>32</sup>

A significant part of Azpilcueta's exposition of economic morality can be found in the *Handbook* under the treatment of the seventh commandment and the discussion of avarice as a capital sin. However, Azpilcueta's mature thought on the subject dates back to the explanations he first used at Salamanca and Coimbra, which were later published as *In tres de poenitentia distinctiones posteriores commentarii* (Coimbra, 1542). This document appeared later in completed form with the title *Commentaria in septem distinctiones de poenitentia*. The *Comentario resolutorio de cambios* and the *Comentario resolutorio de usuras*, which appear as appendices to the Salamancan edition of the *Manual*, are also significant statements of Azpilcueta's economic morality.

### Commercial Activity

Among the specific questions that constitute commercial or economic morality, the practice of commerce is particularly important. Other questions such as the morality of profit, the just price, the legitimacy or prohibition of credit, and activities connected with trading are examples of questions with which Azpilcueta was concerned. He was busy formulating answers to these questions as early as his tenure at Salamanca, as is evident from his commentary on Gratian's treatise on penitence.<sup>33</sup> By paying attention to the date of his reflection, we have been able to affirm that "the doctrinal stamp of the school with respect to the morality of commercial activity cannot be considered on the sidelines of Azpilcueta's doctrine."<sup>34</sup>

Though Azpilcueta does not delimit boundaries for his definition of commerce, he essentially adopts Aquinas' understanding of the term, which was indebted to Aristotle. Thus, for him, commerce does not consist in the activity of exchange but only in that which is *propter lucrum*. In this sense, therefore, only those who buy *in order to* obtain a profit by selling for a higher price can be said to engage in business (*ST*, II-II, q. 77, a. 4). Observe, however, that Azpilcueta does not describe commerce from the viewpoint of the person carrying out the activity, nor of his habitual character, but focuses instead on the morality of making a profit. He begins with a text from Leo the Great, around which he structures his view of commerce: "The quality of profit excuses the trader or inculcates him, because there is honest profit and there is dishonest [profit]."<sup>35</sup> This is Azpilcueta's first statement of the problem. If such a distinction is adopted, and the possibility is granted of licit profit coming from commerce, such an activity cannot be considered immoral in itself. This is so, according to Azpilcueta, since an honest effect cannot be derived from a bad cause. The next step consists in establishing a criterion that allows each case to be discerned individually. He also cites a text from Augustine that runs along the same line: "Commerce does not make me bad; rather, my iniquity and my lies do."<sup>36</sup>

Both passages seem to be apprehensive of the morality of profit-seeking activities. In this respect, we must acknowledge two important antecedents in the Scholastic treatment of this issue: Aristotle's celebrated distinction between domestic and monetary economy, which we will return to momentarily, and the radical condemnation of commerce expressed in a text falsely attributed to Chrysostom.<sup>37</sup> The second antecedent deals with an authority that Gratian takes up and exercises a decisive influence from the twelfth to the sixteenth century, as much with canon lawyers as with the authors of Summa's and commentators on the *Sentencias* (i.e., Alexander of Hales and Thomas Aquinas). This fragment,

probably from the fifth century, is a gloss on Matthew 21:12 (the expulsion of the sellers from the temple) and concludes that merchants can never please God, or only with great difficulty, and thus, Christians who become involved in such activity should be expelled from the Church.

Among the authorities favorable to commerce, Azpilcueta appeals to Cicero, who found it difficult to envision the republic's survival without it. Profit can also be viewed as the salary of the traders, who ought to take up the multiple works generated by commerce. Both aspects, the necessity of commerce for the republic and profit as a salary merited by the tradesman, are some of the principal elements of Scotus' tradition. This tradition was often juxtaposed to Aquinas' insistence on the *telos* of commerce.<sup>38</sup>

Finally, Azpilcueta recalls Aquinas's exposition, which utilizes Aristotle's distinction between the two ways of exchange, of that which satisfies the necessities of life and profit generated from trade. Aristotle was critical of the second form of exchange because the desire for profit is unlimited. Aristotle's argument is modified slightly by Aquinas, for though Aquinas admits that commerce contains an element of crudeness, he also acknowledges that profit can be ordained to a necessary or honest end (such as maintaining one's home, assisting the needy, and funding public utilities). Thus, commerce should be considered licit activity.

Having analyzed the principal medieval *auctoritates* on the matter, Azpilcueta sums up his exposition with five conclusions. First, considered in isolation, commerce is neither good nor bad, though it can provide an occasion for avarice or the disordered desire for profit. Second, if profit or wealth accumulation becomes the ultimate objective, then such business must be considered immoral. Third, merchants who transport their goods to provide necessities for the republic and for others deserve maximum praise. Since the ethical judgment of commerce principally depends on its objective, such an activity will be as laudable or censurable as that which inspires it. Fourth, a moderate profit constitutes the salary of those who do business honestly. Finally, though it cannot be viewed as an independent conclusion, Azpilcueta illustrates his understanding of commerce with an important principle. He considers the case of a person who trades to provide for himself and his family but soon reaches a point where his needs are met. Consequently, Azpilcueta asks, Should the man stop trading because his principal needs are met? According to him, the man shows prudence in desisting from further action unless he changes his objective to help the republic or the poor.

Azpilcueta's teaching on the morality of commerce revolves around the end to which profit—and commercial activity itself—is directed. This is equivalent

to saying that profit should always assume an instrumental character and be ordered to honest ends. With respect to the moderation of profit, we are left with the question: What criteria must be adopted to discern when profit is moderate and when it is not? Are we talking about an absolute limitation of profit or merely curbing a relative proportion of it? If the latter, is the proportion measured in relation to the trader's work or to his necessities?

In my understanding, it is the concept of end that raises the issue of a moderate profit. If the moral quality of profit is judged by the end it pursues, its moderation can only be conceived as a proportion between the quantity of profit and the end to which the profit is directed. According to Aquinas, "In all that speaks of order directed to an end, goodness is found in a certain measure, as all means should be proportionate to their end, as medicine with respect to health" (*ST*, q. 118, a. 1c.). Profit is judged to be good when it is proportionate with the honest end to which it is directed: the necessity of one's livelihood, the common good, and the poor. This is expressed even more precisely in the case of a trader who has reached a point where his needs have been satisfied.

But Azpilcueta's exposition raises obvious objections. On the one hand, it is clear that human necessities are neither static nor easily determinable, particularly in the case where future necessities are considered. On the other hand, however, one should not think of common and individual goods as opposites or as juxtaposed objectives.<sup>39</sup> It goes without saying that Azpilcueta is simplifying reality for a didactic purpose. But this does not lessen the force of his teaching on profit: Economic necessity is not without limit and once met, lucrative activity should be abandoned or its intent should be amended to encompass a wider network of people.

#### *The Just Price*

The Scholastic doctors approached the phenomenon of exchange from the categories given in the classical treatises on justice, particularly that of commutative justice. The norm of commutative justice is expressed in what can be called the principle of equivalence between reciprocal contributions. If, as Aquinas taught, exchange is instituted for the utility of both parties, the immediate consequence is that a certain proportion or equivalence should be respected between the given and the received (*ST*, II-II, q. 58, a. 10).

The question formulated in this way, therefore, appears to presuppose a value of things known or easily determinable. Aquinas, who treats this topic briefly (q. 77, a. 1), explains the concept of price as compensation to the vendor for the utility lost in becoming detached from the thing sold. While maintaining continuity with Aquinas's position, Azpilcueta's analysis is more dynamic and

thus can account better for the multitude of circumstances that produce fluctuations in prices. This is not surprising, if we keep in mind the commercial situation of the sixteenth century, which was not only intensified in comparison to that of the thirteenth century but also showed new qualitative elements. After arriving in Salamanca and experiencing the effects of Castillian inflation firsthand, Azpilcueta saw clearly just how much prices can differ between nations, which led him to investigate the causes of price modifications and to formulate a quantitative theory of money.

His first observation has to do with the divisibility of prices, that is, of a certain amplitude or margin of variation in prices. The reason a just price cannot be fixed concerns the essence of a price, which, according to Aquinas, consists in “a certain estimation.” Such estimations are prudential judgments and show a measure of subjective valuation. But who does the estimating and what criteria are used to do it? Regarding the question of who establishes prices, Azpilcueta responds that the just price is, first of all, the one that authorities establish. But when this is not possible, then the just price is the one that emerges out of common estimation. However, in the absence of these options, the just price is the one that each person fixes for a good. It is worth observing that such a succession only pretends to offer practical criteria for the individual conscience, and thus should not be interpreted as a political or economic program. To understand this more fully, we should examine the various types of prices.

The first type of price is a rate established by an authority. Rates established by authorities must be given due consideration for the simple reason that unjust rates are not morally obligatory.<sup>40</sup> Price regulations are met, then, with a moral consideration analogous to that which any authority receives in the classic theory of the just law. In another place, Azpilcueta explains that the prohibition of selling beyond the just price can be found in the seventh commandment. It is clear that no human law can rescind the norms of the Decalogue without separating itself from the truth, because the ultimate foundation of law is in divine authority and justice,<sup>41</sup> but Azpilcueta states that authorities should fix prices only in exceptional cases.<sup>42</sup> He provides several reasons to support this judgment. First, fixing rates allows for the possibility that corrupted and virtually useless items will be sold at the same price as perfectly useful ones. Second, often in cases of extreme need, the effect of introducing an established rate is annulled by a change in circumstance. Third, in times of plenty, the rigidity of a fixed rate impedes the possibility of agreeing to buy goods for a lesser price. Finally, fixed rates provide occasions for innumerable mortal sins. One such example can be seen in refusing to sell a commodity

at the standard rate if an item with an unregulated price is not bought for double or even four times its worth. To sum up, Azpilcueta affirms that the price established by authority is obligatory whenever the authority acts in conformity with the dictates of prudence, which only indicates in exceptional circumstances the need to fix the prices of certain products.

The second type of price is determined on the basis of the common estimate of buyers and sellers. Given that the legal or fixed price is only to be used in exceptional circumstances, the ordinary way of establishing prices is on the basis of reaching an agreement between the buyer and the seller. But what criteria do buyers and sellers use to determine a price? This question will be taken up below in the discussion of value.

The third type of price is the one determined by the seller. “When there is no standard rate nor common estimation, each individual can set a convenient price for his goods, heedful of his industry and the expenses, and the work it took to take it from one place to another, and the danger that was presented in leading it out of its danger, and the care that they have in keeping it, and the expenses incurred in conserving it.”<sup>43</sup> Azpilcueta’s allusion to cost functions as a practical reference point for the trader’s conscience. Thus, instead of providing an objective theory of economic value, he presents a way of conducting one’s affairs when no legal price or common estimate has been established. In this way, therefore, no room is left for doubt:

It is nonetheless to be noted that some people are deceived in thinking that they sell their goods for a just price every time they do not sell for more than it cost them, bearing in mind their expenses and moderate gains, as Soto has noted well. Because it could be that his expense was excessive: or that he was mistaken into buying more expensively: or that due to the abundance of similar goods, which have coincided, his price had to be lowered. Therefore, occasionally he will have to sell what he bought for less than it cost him, even though he sells on credit, if he wants to sell it therefore, and on other occasions he could sell it with greater profit than is normal, even in cash, because he spent little, or managed to buy in time, that this merchandise fell in price whence he bought it, and not whence he brought it, before it went up in price through his fault.<sup>44</sup>

It should be acknowledged that the Scholastics present distinct classes of prices as part of a broader moral theory and not because of political opportunism. It is possible to argue, therefore, that “a defense exclusively of one of these two prices [legal or free] would have meant placing one’s bet on a determined *economic system*.... The Spanish doctors did not think of this problem in the same way as it was thought about later, for example, by A. Smith in the XVIII century.”<sup>45</sup>



These observations on prices provide an overview of Azpilcueta's view of the just price.

Another relevant aspect of Azpilcueta's thought on the issue of a just price is his clarification of the Roman law aphorism, "The thing is worth as much as one can get for it."<sup>46</sup> He agrees with the basic sense of the aphorism but thinks it has more to do with the cash price and the place, time, and manner of sale. All of this is contingent on the absence of monopoly, fraud, or willful misrepresentation. Similar reflections can be found in the teaching of Gabriel Biel, who understands it to refer to the price that can be obtained as *iuste et rationabiliter* (in accord with justice and right reason).

One final issue that should be addressed with respect to the just price is its effect on the vendor. It can be said, particularly in reference to Aquinas, that the effect of the just price on the vendor constitutes the core of Scholastic teaching on the issue.<sup>47</sup> The practice of considering the usefulness of a price to the vendor (and not the buyer) as a condition of justice was already well-established in the sixteenth century. In fact, it had prevailed in moral theology since the thirteenth century. Aquinas and Scotus clearly taught that the vendor's interest lessens as the buyer attains greater satisfaction. The principal reason for this had to do with the concept of a price. Price was viewed as compensation to the vendor to pay for the loss of the sold item. Since loss does not increase for the buyer, justice for the vendor requires that prices be artificially maintained. Azpilcueta teaches this principle in a number of places, and, on occasion, refers specifically to the relevant passages in Aquinas and Scotus:

Neither is it usury, nor sin that he who has great need of something that belongs to him, importuned by another to sell it to him, he sells it for such an amount (beyond the just price) as corresponds to the harm he receives in parting with it: or, rather than the just price, for such an amount as the wish to keep it is worth. But if it is because of the buyer being in great need, it should not be sold for more than it is worth, according to the general acceptance of St. Thomas and Scotus.<sup>48</sup>

Why is it a condition of justice that only the vendor's interest be taken into account, when the principal moral consideration relates to the fact that buying and selling were meant for the *reciprocal* usefulness of both buyer and seller? Does this mean that the buyer's utility has no bearing whatsoever in determining the just price? From a strictly economic point of view, it seems clear that price is based on a double estimate of value—that of the buyer and the vendor—that emerges from the respective utility of both parties.

The Scholastic concern with the utility of the vendor was also used to formulate a norm of justice. The reason for this was to prevent the vendor from

abusing a buyer's situation of need to increase prices unjustifiably. After stating the same rule, Domingo de Soto affirms in an example, which Azpilcueta and Bernardino de Siena both use, that the monetary value of a medicine should not be determined in proportion to the health of a sick person.<sup>49</sup> This norm presented a view of economic freedom that was not sufficiently defined by the negative conditions that classical law proposed for understanding freedom of consent within contracts: the absence of physical violence, of willful misrepresentation, and of fear. A form of coercion exists in economic exchanges when dealing with people's basic human needs.<sup>50</sup> If this interpretation is correct, another question must be posed, Is it not possible for the buyer to abuse the financial necessity of the vendor?

It seems that Azpilcueta, following the Scholastic tradition, views the relationship of exchange in a set structure where the buyer is a consumer and the seller is a trader—a professional who customarily earns a profit but must occasionally accept losses. One can imagine that the precise formulation of this ethical norm also presupposes a basic market structure having to do with insufficient resource planning or with a concentration on supply. The conclusion to be derived from both factors is an imbalance that favors the vendor at the expense of the buyer. In this way, then, the Scholastic norm endeavors to reestablish commutative equity by balancing the utility of the vendor and the buyer.

One could object that this problem is more artificial than real—as in modern idealized views of the market as a self-correcting system that spontaneously reverts to perfect competitiveness. It is important to see, however, that Azpilcueta does not reason from an ideal concept of the market, but rather from a historical understanding in which the moral aspects of market behavior exert influence over the process of developing moral theology.

#### *Usury and the Value of Money*

Of all the issues related to commerce in Scholastic moral theology, the payment of loans was perhaps the most prominent.<sup>51</sup> The theory of usury had its roots in Scripture, Roman law, the Fathers, and canon law. As time passed, the teaching on usury grew like a tree with multiple branches, some of which gained autonomy within the whole. This was the case with the institution of the Mounts of Piety—at least from the fifteenth century—and with some contracts that, while formally separate from the loan, fulfilled the same economic function. In the category of contracts, Azpilcueta deals with leases, sales on credit, and a version of the company contract—the so-called triune contract—in which a person transfers risk to a third party in the hope of receiving a payment.

The historical evolution of the theory of usury, in part, explains why this issue is covered extensively in Azpilcueta's writing. While it is impossible to offer a full treatment of Azpilcueta's analysis of usury, it is important to be aware of the fact that his treatment of the question was one of the most lucid in the sixteenth century and that it exerted noteworthy influence on later writers. In the space that remains, I will provide an introduction to his view of usury by examining the various classes he defines, the principal moral arguments used against the practice, a discussion of extrinsic titles, and some observations on money that have recently attracted scholarly attention.

*Concept and Classes.* Using canon law as a basis, Azpilcueta defines *usury* as those earnings, of value through their nature as money, that are principally intended to be taken by reason of a loan, whether it be open or secret.<sup>52</sup> He clarifies the terms of this definition by adding that not all loan payments constitute usury. He excludes cases where earnings are not derived from the act of lending. This means that for a loan to be usurious it must involve a *lucrum ex mutuo*. A person is considered usurious who waits to receive, *by reason* of the loan, a superior amount of money to the original sum lent. However, there are some exceptions to this rule as when friendship, work, or risk is involved. The definition of usury as it pertains to a mutual loan constitutes the backbone of the concept and its moral condemnation.

Though defined in relation to a kind of contract, usury embraces all earnings that can be registered economically. The phrase *open or secret* in the definition refers to the premiums in the price of the sale on credit, or to the cancellation of a debt for a lesser amount than the nominal rate. The issue of "green payments" is a good way of illustrating Azpilcueta's teaching on the morality of negotiating rates of interest for future payments. "Green payments," in contrast to mature payments, were payments that would not have to be made for one, two, three, or more years. The debate over green payments is based on whether it is legitimate to be able to purchase such payments for a reduced price over the nominal rate of interest. Azpilcueta held to the legitimacy of green payments over against the views of Aquinas, Saint Antonino, the *Summa Angellica*, Silvester, and Soto, "whose opinions [added Azpilcueta] cannot persuade me." Agreeing with Cajetan,<sup>53</sup> he maintained the legitimacy of providing a discount for purchasing a bond of one or more years. He reasoned as follows:

Because this is not borrowing but buying: and not buying the monies that have to be paid for, but the right to charge them in one year. And as this right has no use until the year is passed, it is indeed worth less than if it were useful now.<sup>54</sup>

In addition to the category of secret usury, Azpilcueta employs the categories of real and mental usury. Real usury is that which is made by means of a pact, whether it is tacit, already expressed, or public in nature. Mental usury is when a contract does not have a pact but the principal intent is to make a profit through lending. Mental usury distinguishes between the external ambit and the conscience.

*Principal Moral Arguments in the Assessment of Usury.* The affirmation of usury's licitness within scholasticism is undeniable, but it is grounded as much in the natural law as it is in the traditional interpretation of biblical texts by the Fathers, Councils, and canon law. This reference to the canonical tradition on usury is particularly significant for Azpilcueta, which should not be surprising if we recall his role as a jurist, in which, frequent appeal would have been made to the *auctoritates* rather than to speculative theologians. But this does not preclude him from using the central scholastic arguments against retributive loans. In fact, such arguments constitute the bulk of his reflection on usury and were extended in three principal lines of thought.

The first was the mutual contract. He defined usurious activity specifically in relation to the mutual loan. Roman law distinguished between the mutual contract and the lease on the basis of the contract's object. So, in the case of a mutual loan, the principal object is that which can be consumed and is given in weight, by count, or by measure (as is money, wheat, wine, and so forth). Whereas, in the case of a lease, the principal object has to do with items of use to the consumer such as real estate, animals for agricultural work, and so forth. The loan of use was a free loan and thus could be considered a free contract. The object of a mutual contract was to transfer ownership of a thing, especially because it is impossible to separate the use of a consumable good from its consumption. Hence, the borrower is obliged to repay not the loan but a comparable good in quantity and quality. From this it can be seen that risk is transferred with the ownership of the thing. The conclusion is that it is not possible, without violating commutative justice, for the moneylender to charge a fee for the use of something belonging to someone else regardless of the risk of loss. In the case of a lease there is nothing inappropriate about charging a fee for the loan, because the lessor maintains the loan and assumes the risk of default. The tenant or lessee, however, is obliged to return the same object and not something similar.

The second way Azpilcueta extended his argument against usury concerned the sterility of money. Traditionally, following Aristotle, Scholastic writers held to the sterility of consumable goods, particularly in the case of money. They frequently appealed to examples in nature to bolster their argument: Land can

be leased and animals can produce offspring that can be purchased for a sum of money, but money itself has no such generative property. The earnings obtained by the use of consumable goods are attributed to human work and not to the good itself, whose only possible use consists in being consumed. Such an affirmation is supported, in part, by a concept of money that swings between the metallic status of the currency and its nominal value. Nevertheless, Azpilcueta advances a monetary theory of greater scope, which permits him to transcend the simply metallic or nominalist concept of money.

The third line of Azpilcueta's thought had to do with time. As we have seen already, he defines usury in relation to transferring ownership of a loan and averting the risk of losing the sterile goods purchased by the loan. Hence, the mutual contract is formulated on the basis of the simple passing of time. Since time is commonly owned, it cannot be sold in the form of a loan. A lender cannot expect to receive more than he lent initially because he will be repaid in money, which is unproductive or sterile.

These are the principal arguments that Scholastic theologians employed against the practice of credit on loan, and they constitute Azpilcueta's main arguments against usury. The Scholastic analysis of the problem, given its debt to Aristotle's concept of money, may seem irrelevant or archaic to twentieth-century interpreters. However, it is important to see that several economic changes in the sixteenth century, such as the growing recourse to credit due to commercial expansion and innovations regarding methods of payment due to deficiencies in the monetary system, presented new challenges to the moral theologian. This was certainly the case with Azpilcueta—especially regarding the question of extrinsic titles and the concept of money—who demonstrated an aptitude to perceive the moral dimensions of economic phenomena.

*The Doctrine of Extrinsic Titles.* Starting in the thirteenth century, moral theologians began to develop an interest in extrinsic titles, which, in some respects, were the mainstay of the theory of usury. As we have seen, the moral reproach attached to usurious practices focuses on the difficulty of justifying—in terms of commutative justice—a payment that is greater than the initial capital outlay and is compensated only by the passage of time. However, the moral difficulty vanishes when the payment exceeding the principal is underwritten as a payment for work, expenses, damages, risks, and so forth. The teaching on extrinsic titles principally dealt with the morality of providing compensation for damage (*damnum emergens*), for the earnings renounced by the lender in giving up funds (*lucrum cessans*), and for the consideration of risk (*periculum sortis*).

The title of *damnum emergens* deals with a lender's right to be compensated for damages that may occur because of a loan. This claim is relatively straight-

forward and universally agreed to by the moral theologians. As Aquinas makes clear, the payment in these cases does not proceed from the sale of money but from an external source.

The starting point for analyzing *periculum sortis* is a canonical text that declares a person to be usurious who receives something, *ultra sortem* (above the capital), in a transaction where that same person assumes the risk. Instead of analyzing the possible insolvency of the borrower, the text considers the case of loaning to a merchant who would embark on a long journey and face the danger of pirates, theft, shipwreck, and so forth. The money is met here with the same consideration as any other merchandise because the risk—which the lender assumes, and for which the payment of a sum is agreed—is entailed in the journey. Thus, compensation on the basis of *periculum sortis* is unanimously rejected.

The title of *lucrum cessans* is more difficult to sort through than the previous two. There are more questions regarding the licitness of compensating lenders *lucro cesante* (in an unconditional sense) because it does not account well for delays in payment and other aspects of debtor culpability. Azpilcueta describes *lucrum cessans* as the interest of earnings (as opposed to interest of damage): "All the difficulty is in the other situation, namely that when a person ... lends money, saying that he had his money tied up in a deal or was about to have, and to give it as a loan he stops dealing and earning more, if he can in good conscience take the interest from that earning, that is given before faulting or delaying the payment."<sup>55</sup> He responds to this situation affirmatively, however, thus distancing himself from the tradition.

According to Azpilcueta, the starting point in determining the value of money (today we would say, the productivity of capital) is in distinguishing between a person's absolute (or abstract) earning capacity and his ability to earn based on certain character qualities.

The creditors cannot all take *interesse* on earnings because the debtor does not pay what he owes, as merchants can and the others cannot: and, therefore, this means that more is owed to the merchant due to the money that he deals with than to another who does not deal with money. Therefore what this appears to say is that a certain amount of money is worth more in the hands of the appropriate dealer, than the same amount in the hands of another. From which it follows that if one receives something more than someone else could receive, it is not through this that he receives more than he had and gave.<sup>56</sup>

Azpilcueta stresses the point that money reaches a superior value "in the hands of the dealer with whom he later wants to deal with." What is important for the

payment of the *lucro cesante* is not so much the condition of the trader who provides the funds, but, rather, that the money lent was already included in the deal. This is significant because there is productive potential to the money, which, in turn, permits a payment to be made of a greater amount than the initial sum without rupturing commutative justice. To illustrate his point, Azpilcueta refers to an agricultural example used by Cajetan, “Likewise the wheat seed, that one has to sow later, without having more for himself, is worth more than another, and whoever steals this would be obliged to return more than had he stolen from someone who did not have to sow his.”<sup>57</sup> He concludes, therefore, that the interest on earnings should not be considered usurious “as it is not taken as a result of the loan, but rather as a result of that greater and special capacity, that it has in the hands of one and not in the hands of others.”<sup>58</sup>

*Observations on Money.* The expansion of international trade in the sixteenth century led to innovations in methods of payment and the exchange of money that were previously unknown. These developments were mirrored in the moral literature of the time, the so-called *de cambiis* treatises, which sought to detect modalities of exchange that evaded the general prohibition against usury. Azpilcueta responded to these developments in the *Comentario resolutorio de cambios*, which is the work that contemporary economists most frequently study in relation to his achievements.<sup>59</sup>

Azpilcueta’s thoughts on money are formed in the midst of two significant events in sixteenth-century Spain: the influx of precious metals from America and the phenomena of Castillian inflation. These experiences led him to analyze the factors that affect the value of money. His analysis moves beyond the medieval explanations because he discerns a connection between money and merchandise that enables him to view money in terms of its purchasing power. As a result, he investigated both the uses of money and developed criteria for determining its value.

He discusses the classically derived eight uses or functions of money.<sup>60</sup> With respect to its economic use, Azpilcueta refers to money as a means of payment, a unit of counting, and a means of value (“a public measure of marketable things”). He also engages in a discussion of money’s usefulness in exchanges (the exchange of money for money), and thus, distances himself from Aristotle’s condemnation of the practice, which was based on the supposed natural finality of money and the distinction between domestic and monetary economy.

Aristotle thought it was wrong, this art of exchanging and dealing in the exchange of monies, for this third party use does not seem to him to be very natural, neither does it bring benefits to the republic, nor does it have any other end but that of profit which is an end without end.... But

as Saint Thomas himself says that the art of dealing is licit if the end is a moderate earning, in order to maintain himself and his family and the art of exchange brings some benefits to the republic: We say that if it is exercised as it ought to be and the object of the earnings, to which it purports to be ordered in the honest and moderate maintaining of himself and his household, then it is licit. Nor is it true that the use of money, exchanging it in order to make more money with it, goes against its nature. Because even though it is different to the first and principal reason for which it exists, it is not then less principal and secondary for that which it is capable. In the same way is endeavoring to make money out of the use of shoes, although it is different to the first purpose for which they exist, it does not go against their nature.<sup>61</sup>

The use of money in commercial activity raised important moral issues for Azpilcueta, as did trading, for earlier moral theologians. The result of his reasoning made it possible for the principle of commutative justice to be applied in the exchange of money for money, thus helping to overcome the long prohibition on such practice.

In discussing the value of money, Azpilcueta formulates a detailed description of seven classes of exchange that encompass such practices as changing big coins for small coins and exchanging currencies. However, in the end, he moves away from the established juridical framework for such practices, which meant that he would have to take up the question of a thing’s intrinsic value. “The solution to the aforementioned difficulty depends on knowing how and when a unit of money, that is equal to another, according to the common price, which was assigned to it by law or custom at the time of coining, is worth more or less for whatever reason than the other. Given that it is not possible to know if the exchange of having a certain amount of money for another is just, without knowing the value of both.”<sup>62</sup> The enduring value of Azpilcueta’s insight is that it accounts for circumstances that alter the value of money. In fact, his theory has a quantitative element that produces key insights into the nature of money.

The rest being the same, in the countries where there is a great lack of money, less money is given for marketable goods and even for the hands and work of men than where there is an abundance of it; as we can see from experience in France, where there is less money than in Spain, bread, wine, wool, hands, and work cost less; and even in Spain, when there was less money, much less was given for marketable goods, the hands and work of men than later when the discoveries of the Indies covered it in silver and gold. The cause of which is that money is worth more where and when there is a lack of it, than where and when there is an abundance, and what some say, that the lack of money reduces the price of everything, is born of the fact that their more than sufficient rise

makes everything appear much lower, just as a small man next to a very tall man appears smaller than if he were next to his equal.<sup>63</sup>

The medieval tradition, in contrast to Azpilcueta, tended to affirm a fixed value for money, with the result that its value had to be established by various authorities.

### Toward an Integration of Morality and Economics

Of the many interesting issues raised by Azpilcueta's moral theology, perhaps the most significant is his assertion that economics should be viewed as an outgrowth of free human action. In this sense, then, economics in his mind would be nearer to philosophy and moral theology than to Newtonian physics. But this insight into Azpilcueta's viewpoint should not be seen as invalidating contemporary econometric analysis, as if moral considerations should exercise despotic control over economics. While morality is not principally concerned with the issue of efficiency in resource allocation, it should respect the proper disciplinary autonomy of economics. It must be understood that efficiency, for the discipline of economics, is always understood in instrumental terms—as in the measurement of alternative outputs and the relation of means to results. But economic efficiency alone is unable to act as a guide for navigating between alternative objectives and gauging the results of action on human growth.

Azpilcueta explicitly addresses the effect of economic activity on human growth, in two distinct ways. He first raises this issue in his discussion of moderate gain in the licitness of commercial profit. For Azpilcueta, as for the tradition preceding him, moderate gain does not necessarily signify reduced profit but profit that is sufficient to its end, so long as the end is honest. A second way that he discusses the effect of economic activity on human growth is in the treatment of the vendor and the buyer. The principle he employs is meant to respect human dignity in establishing prices, thus affirming the fact that people should not be treated as objects of dominion.

Scholastic reflection on economic activity not only displayed a keen sensitivity to economic developments, it formulated a sophisticated moral theory to keep pace with the intellectual advances of its time. My goal in this article has not been to describe the shortcomings of the modern positivistic understanding of economics but to acknowledge the limitations that arise from separating the normative and descriptive aspects of economics. It ought to be acknowledged that all description of human action, including economic description, is conditioned by implicit anthropological assumptions. Accepting the principal insights of scholastic moral reflection on economic activity may serve not only

to integrate ethics and economics but also to understand more fully the economic dimension of human action.

### Notes

\* This article is a synopsis of the discussion I developed extensively in *Moral y economía en la obra de Martín de Azpilcueta* (Pamplona: Ediciones Universidad de Navarra, S. A., 1998). Nevertheless, since the publication of the book, new contributions to the field of Scholastic economic morality have appeared that ought to be considered. In fact, these contributions show the lively interest that has arisen in the economic morality of the Scholastic writers.

1. Though they contain a diversity of perspectives, we can cite from some of the latest publications. Murray N. Rothbard, *Economic Thought Before Adam Smith: An Austrian Perspective in the History of Economic Thought*, vol. 1 (Hants, U.K.: Edward Elgar Publishing Company, 1995); A. del Vigo Gutiérrez, *Cambistas mercaderes y banqueros en el Siglo de Oro español* (Madrid: BAC, 1997); O. Langholm, *The Legacy of Scholasticism in Economic Thought: Antecedents of Choice and Power* (Cambridge: Cambridge University Press, 1998); F. Gomez Camacho, *Economía y filosofía moral: la formación del pensamiento económico europeo en la Escolástica Española* (Madrid: Síntesis, 1998); *Actas de la VI Conferencia Anual de "Ética, Economía y Dirección"* (EBEN-España); J. R. Flecha, ed., *Europa: Mercado o comunidad? De la Escuela de Salamanca a la Europa del futuro* (Salamanca: Publicaciones Universidad Pontificia de Salamanca, 1999).

2. E. J. Hamilton, *American Treasure and the Price Revolution in Spain, 1501–1650* (Cambridge, Mass.: Harvard University Press, 1934).

3. E. J. Hamilton, "Spanish Mercantilism before 1700," in *Facts and Factors in Economic History: Articles by Former Students*, ed. E. F. Gay (Cambridge, Mass.: Harvard University Press, 1932), 230. Hamilton attributes the first formulation of the quantitative theory to the Frenchman Jean Bodin. Later it was shown that Martín de Azpilcueta anticipates Bodin's observation by ten years, and that he, like Tomás de Mercado, far surpassed Bodin's analysis.

4. J. Larraz Lopez, *La época del mercantilismo en Castilla, 1500–1700*, 2<sup>nd</sup> ed. (Madrid: Aguilar, 1963), 71ff. A short time later A. Ullastres Calvo published, "Martín de Azpilcueta y su comentario resolutorio de cambios: Las ideas económicas de un moralista español del siglo XVI, I," *Anales de Economía* 3-4 (1941): 375–409; and "Martín de Azpilcueta y su comentario resolutorio de cambios: Las ideas económicas de un moralista español del siglo XVI, II," *Anales de Economía* 5 (1942): 51–95. Some earlier precedents existed, W. Endemann, *Studien in der romanisch-kanonistischen Wirtschafts- und Rechtslehre bis gegen Ende des 17. Jahrhunderts* (Berlin: J. Guttentag, 1874–1883); A. E. Sayous, "Observations d'écrivains du XVI<sup>ème</sup> siècle sur les changes et notamment sur l'influence de la disparité du pouvoir d'achat des monnaies," *Revue Economique Internationale* 4 (1928): 291–319; B. W. Dempsey, "The Historical Emergence of Quantity Theory," *Quarterly Journal of Economics* 50 (November 1935): 174–84.

5. Joseph A. Schumpeter, *History of Economic Analysis*, 6<sup>th</sup> ed. (New York: Oxford University Press, 1966), 165.

6. Cf. J. Viner, "Schumpeter's History of Economic Analysis," *American Economic Review* 44, 5 (1954): 894–910; F. H. Knight, "Schumpeter's History of Economics," *Southern Economic Journal* 21 (1955): 261–72; R. De Roover, "Joseph Schumpeter and Scholastic Economics," *Kyklos* X (1957): 116–47.

7. Schumpeter, *History of Economic Analysis*, 78.

8. *Ibid.*

9. *Ibid.*, 94ff. See B. W. Dempsey, *Interest and Usury* (Washington, D.C.: American Council of Public Affairs, 1943).

10. We have already alluded to the criticisms of Viner and Knight, who attribute Schumpeter's position to an apologetic attitude. In *Economic Theory in Retrospect* (Homewood, Ill.: R. D. Irwin,

1962), 30 ff., Mark Blaug admits the possibility that Smith was influenced by Scholastic ideas but is unsure whether this acknowledgment entails revising the history of early economic thought.

11. Schumpeter, *History of Economic Analysis*, 97.

12. *Ibid.*, 111.

13. Marjorie Grice-Hutchinson, "Los economistas españoles y la Historia del análisis económico de Schumpeter," *Papeles de Economía Española* 17 (1983): 173. Her classic study is *The School of Salamanca: Readings in Spanish Monetary Theory, 1544–1605* (Oxford: Clarendon Press, 1952). See also her *Early Economic Thought in Spain, 1177–1740* (London: Allen & Unwin, 1978) and *Economic Thought in Spain: Selected Essays* (Hants, U.K.: Edward Elgar Publishing Company, 1993).

14. In addition to De Roover's article in note 6, see "Scholastic Economics: Survival and Lasting Influence from the Sixteenth Century to A. Smith," *Quarterly Journal of Economics* 69 (1955): 161–90; "The Concept of the Just Price: Theory and Economic Policy," *Journal of Economic History* 18 (1958): 418–34; S. Bernardino of Siena and Saint'Antonino of Florence: *The Two Great Thinkers of the Middle Ages* (Cambridge, Mass.: Harvard University Press, 1967); and "Economic Thought: Ancient and Medieval Thought," in *International Encyclopedia of the Social Sciences*, vol. 4, ed. D. L. Sills (New York: Macmillan, 1968), 430–35.

15. Rothbard, *Economic Thought Before Adam Smith*. Apart from Langholm's first monograph on the Scholastic period, *Price and Value in the Aristotelian Tradition: A Study in Scholastic Economic Sources* (Oslo and New York: Oxford University Press, 1979), Rothbard does not refer to any of his subsequent studies. Rothbard expressed similar ideas in an earlier essay, "New Light on the Prehistory of the Austrian School," in *The Foundations of Modern Austrian Economics*, ed. E. G. Dolan (Kansas City: Sheed and Ward, 1976), 52–74. Rothbard's thesis continued in Spain through the work of Jesús Huerta De Soto, "New Light on the Prehistory of the Theory of Banking and the School of Salamanca," *The Review of Austrian Economics* 9 (1996): 59–81.

16. Cf. Rothbard, *Economic Thought Before Adam Smith*, x–xi.

17. Cf. E. Kauder, "A Genesis of the Marginal Utility Theory: From Aristotle to the End of the Eighteenth Century," *The Economic Journal* 63 (1953): 638–50; *History of Marginal Utility Theory* (Princeton: Princeton University Press, 1965), 3–29. According to Kauder, a comparison of such disparate thinkers as Aristotle, Thomas Aquinas, Jeremy Bentham, Franz Brentano, and J. S. Mill indicates a partial convergence in the development of the theory of value based on the concept of subjective utility (xv–xxii).

18. Cf. Rothbard, *Economic Thought Before Adam Smith*, xi–xiii.

19. Cf. *Ibid.*, 97–133.

20. O. Langholm, *Economics in the Medieval Schools: Wealth, Exchange, Value, Money, and Usury According to the Paris Theological Tradition, 1200–1350* (Leiden, New York, and Köln: E. J. Brill, 1992): 1–10. See also *Price and Value in the Aristotelian Tradition*; "Economic Freedom in Scholastic Thought," *History of Political Economy* 14, 2 (1982): 260–83; and "Scholastic Economics," in *Pre-Classical Economic Thought*, ed. S. T. Lowrey (Boston: Kluwer Academic Publishers, 1987), 115–35.

21. Langholm's latest work, *The Legacy of Scholasticism in Economic Thought*, endeavors to show the development of Scholastic thought over the centuries. Interestingly, he thinks that the period between Thomas Aquinas and Thomas Hobbes can be characterized more by rupture than by continuity.

22. Camacho, *Economía y filosofía moral*, 11.

23. *Ibid.*, 324.

24. On this point, the reader should refer to Schumpeter, *History of Economic Analysis*, 111.

25. See, for example, J. M. Naredo, *La economía en evolución. Historia y perspectivas de las categorías básicas del pensamiento económico* (Madrid: Ministerio de Economía y Hacienda-Siglo XXI editores, 1987); R. Fernandez Crespo, *La economía como ciencia moral: nuevas perspectivas de la teoría económica* (Buenos Aires: Ediciones de la Universidad Católica Argentina, 1997); and "Controversy: Is Economics a Moral Science?," *Journal of Markets and Morality* 1, 2 (Fall 1998): 201–11.

26. Classic biographies of Azpilcueta's life are M. Argita y Lasa, *El Doctor Navarro Don Martín de Azpilcueta y sus obras. Estudio histórico-crítico* (Pamplona: J. Ezquerro, 1895); H. De Oloriz, *Nueva*

*biografía del Doctor Navarro D. Martín de Azpilcueta y enumeración de sus obras* (Pamplona: N. Aramburu, 1916). For a more recent assessment of Azpilcueta's life and work, see E. Tejero, "Los escritos sobre el Doctor Navarro," in *Estudios sobre el Doctor Navarro. En el IV centenario de la muerte de Martín de Azpilcueta* (Pamplona: Gobierno de Navarra and Ediciones Universidad de Navarra, S. A., 1988), 22–34.

27. For more on Carranza's process, see Argita, *El Doctor Navarro Don Martín de Azpilcueta y sus obras*, 298–391; Oloriz, *Nueva biografía del Doctor Navarro D. Martín de Azpilcueta*, 87–105; J. Cuervo, "Carranza y el Doctor Navarro, I," *La Ciencia Tomista* 6 (1912): 369–95; and "Carranza y el Doctor Navarro, II," *La Ciencia Tomista* 7 (1913): 398–427. The definitive work on Carranza is J. I. Tellechea Idigoras, *El proceso romano del arzobispo Carranza, 1567–1576* (Roma: Ed. Iglesia Nacional Española, 1988).

28. E. Tejero, "Relevancia doctrinal del Dr. Navarro en el ámbito de las ciencias eclesiásticas y en la tradición cultural de Europa," *Príncipe de Viana* 47 (1986): 577.

29. For a comprehensive listing and analysis of Azpilcueta's writings on doctrine, see Tejero, "Los escritos sobre el Doctor Navarro," 34–44.

30. M. Andres, *La teología española en el siglo XVI*, vol. 2 (Madrid: BAC, 1976–1977), 368. Concerning the renewal of interest in Azpilcueta's thought in jurisprudence, see R. García Villoslada, "La Universidad de París durante los estudios de Francisco de Vitoria O.P. (1507–1522)," *Analecta Gregoriana* (1938): 13.

31. See E. Dunoyer, "L'Enchiridion confessoriorum del Navarro," Ph.D. diss., Pontificium Institutum "Angelicum" de Urbe, 1957, for a history of the various editions of the *Enchiridion*.

32. For additional information on the *Handbook's* content and place in the history of moral theology, see J. Theiner, *Die Entwicklung der Moraltheologie zur eigenständigen Disziplin* (Regensburg: F. Pustet, 1970), 85–88; and Muñoz, *Moral y Economía en la obra de Martín de Azpilcueta*, 111–22.

33. Martín de Azpilcueta, *Commentaria in septem distinctiones de poenitentia*, in *Operum excellentissimi D. Martini ab Azpilcueta Doctoris Navarri*, vol. 2 (Romae: 1588), 427–36.

34. E. Tejero, "Criterios morales de Martín de Azpilcueta sobre el precio justo," in *Doctrina social de la Iglesia y realidad socio-económica, XII Simposio Internacional de Teología*, ed. T. López (Pamplona: Ediciones Universidad de Navarra, S. A., 1991), 990, n. 4.

35. Leo Magnus, *Epist.* 167 (Gratian 33, 3, *De poenitentia*, dist. 5, 2, ed. Richter-Friedberg, I, 1240; PL 54, 1206). The complete text is: "Qualitas lucri negotiantem aut excusat, aut arguit; quia est et honestus quaestus, et turpis: verumtamen poenitentius utilis est dispendia pati, quam periculis negotiatiōnis adstringi; quia difficile est inter ementis, vendentisque commercium, non intervenire peccatum."

36. *Enarr. in Ps. LXX*, 17 (Gratian, dist. 88, c. 12, ed. Richter-Friedberg, I, 310; CCSL 39, 955).

37. Pseudo-Crisostomo, *Opus imperfectum in Matth.*, hom. 38 (Gratian, dist. 88 c. 11, ed. Richter-Friedberg, I, 308; PG 56, 839). See R. Sierra Bravo, *El pensamiento social y económico de la Escolástica desde sus orígenes al comienzo del catolicismo social*, vol. 1 (Madrid: CSIC, 1975), 159ff., which attributes a clear Manichaean inspiration to the text. This contrasts with Chrysostom's moderate view on trading. See also Langholm, *Economics in the Medieval Schools*, 58. For the use of the text in the thirteenth- and the first half of the fourteenth century, see Langholm's index of names, under the reference "John Chrysostom (and Pseudo-)" in the same volume.

38. D. Scotus, *Opus oxoniense*, IV, d. 15, q. 2, 22, in *Opera omnia*, vol. 18 (Paris: M. Vives, 1891–95), 317ff.

39. This can also be found in another celebrated text. Azpilcueta writes: "To accumulate in order to provide for future necessities, marriages of the children and others, is prudence and not sin. And still without sin he can accumulate in order to buy property, income, titles, and to change his lower and worse state for a higher and better, to serve in this more freely, or to God more, who gave him the talent for this." *Manual de confesores y penitentes* (Salamanca: Andrea de Portonariis, 1556), 467–70.

40. *Ibid.*, 476.

41. Martín de Azpilcueta, *Consiliorum seu responsorum in quinque libros iuxta numerum et titulos Decretalium distributorum*, vol. 1 (Venetiis: 1601), 379ff.

42. Martín de Azpilcueta, *Enchiridion sive manuale confessoriorum*, 571.
43. Azpilcueta, *Manual de confesores*, 79, 473.
44. *Ibid.*, 228, 280.
45. Camacho, *Luis de Molina*, 201.
46. Azpilcueta, *Manual de confesores*, 78, 472–73.
47. Langholm, *Economics in the Medieval Schools*, 232ff.
48. Azpilcueta, *Manual de confesores*, 282ff. The internal quotations correspond to Tomás de Aquino, *Summa Theologica*, II-II, q.77, a.1c; and Scotus, *Opus oxoniense*, vol. 18, d. 15, q.2, 16, 289.
49. Domingo De Soto, *De iustitia et iure* (Salamanca: Andreas a Portonariis, 1553), lib. VI, q.3, a.1. This citation can be found in a more recent critical edition of this text, see *De iustitia et iure*, vol. 3 (Madrid: Instituto de Estudios Políticos, 1967–68), 550.
50. On this question, see Langholm, *The Legacy of Scholasticism in Economic Thought*.
51. For general studies on the usury issue, see T. P. McLaughlin, “The Teaching of the Canonist on Usury (XII, XIII and XIV Centuries), I,” *Mediaeval Studies* 1 (1939): 81–147; and “The Teaching of the Canonist on Usury (XII, XIII and XIV Centuries), II,” *Mediaeval Studies* 2 (1940): 1–22; G. Le Bras, “Usure. II. La doctrine ecclésiastique de l’usure à l’époque classique (XII–XV siècle),” in *Dictionnaire de Théologie Catholique* XV, 2 (1950): 2336–72. Even given the debatable presuppositions of his moral thought, J. T. Noonan’s work in the field is still considered a classic: *The Scholastic Analysis of Usury* (Cambridge, Mass.: Harvard University Press, 1957).
52. Martín de Azpilcueta, *Comentario resolutorio de usuras* (Salamanca: Andreas de Portonariis, 1556), 8.
53. Cajetan, *Summula de peccatis, verbo usura* (Lugduni: 1523), 223b–224. For more on Cajetan’s work, see P. Michaud-Quantin, *Sommes de casuistique et manuels de confession au moyen âge, XII–XVI siècles* (Louvain: Nauwelaerts, 1962), 104–6.
54. Azpilcueta, *Manual de confesores*, 281, n. 231.
55. Azpilcueta, *Comentario resolutorio de usuras*, 47, 23.
56. *Ibid.*, 52, 25.
57. *Ibid.*
58. *Ibid.*, 26.
59. The only work in the Azpilcueta corpus that has a critical edition is the *Comentario resolutorio de cambios*. A. Ullastres, L. Perena, and J. Perez Prendes are the authors of the introduction to Azpilcueta’s work, which can be found in *Corpus Hispanorum de Pace*, IV (Madrid: CSIC, 1965). In addition to the work of Ullastres, Larraz, Grice-Hutchinson, Rothbard, and del Vigo cited above, see P. Vilar, *Or et monnaie dans l’histoire* (Paris: Flammarion, 1969); Bernard et Michele Gazier, *Or et monnaie chez Martin de Azpilcueta* (Paris: Economia, 1978); V. Vazquez de Prada, *Martín de Azpilcueta como economista: su “Comentario resolutorio de cambios”: En el IV centenario de la muerte de Martín de Azpilcueta* (Pamplona: Gobierno de Navarra and Ediciones Universidad de Navarra, S. A., 1988), 349–66.
60. Azpilcueta, *Comentario resolutorio de cambios*, 11–12, 21–24.
61. *Ibid.*, 22ff.
62. *Ibid.*, 66.
63. *Ibid.*, 51, 74ff.