

WHAT SALAMANCA SCHOLASTICS CAN TEACH OUR SOCIAL THINKERS TODAY

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Catholic social teaching is a decidedly mixed lot, particularly as it pertains to economic issues. On one view that is exactly as it should be. Times change, cultures differ and so too do human beings. What was appropriate in another time or another place may not be here and now, or so it is said.

However, in the review of Catholic social thought that begins with this article I shall argue something quite different.

Good Catholic social teaching combines ethics -- moral theology and philosophy -- with economic analysis. The basic principles of ethics and economics are not things of the moment. Economics assumes a continuity and a purposefulness to human behaviour. So too does ethics, given its base in metaphysics.

Dalliance with skepticism

In the instances in which Catholic social teaching has been off the mark, and more than a few examples can be found, particularly in recent years, the principal problem has been its intellectually cavalier treatment of the economic issues in question. That failing in turn, I believe, is symptomatic of a broader problem that has plagued much recent Catholic thought -- a dalliance with, if not tacit acceptance of, modern philosophical skepticism. The result has been to ignore the scientific question, or at best give it short shrift, and hence to muddle the moral prescription in very many an instance. If the streets of Athens are viewed as so many blind alleys, however, the only recourse will be to go straight to Jerusalem.

Firm philosophical base

Perhaps paradoxically given the near millennium that has elapsed since Medieval times, scholastic social thought had none of these underlying intellectual failings. On the contrary, it had the firm philosophical base that one might expect, and it not only paid due attention to the economic fundamentals, but was in fact the source of a number of first rate analytical contributions to what became the field of economics. Scholastic social thought thus serves as an exemplar of how Catholic social thinking should be conducted. I therefore begin with it, briefly reviewing the contribution of St.

Thomas Aquinas himself and focusing more extensively on those of the late scholastics associated with the University of Salamanca who wrote several centuries later.

Mostly Dominicans

The Salamancans were indeed a remarkable group. Priest-professors, and philosophers, moral theologians and jurists, they wrote on a broad spectrum of questions relevant to the changing European society of their time. These ranged from purely economic issues such as the inflation that Spain and much of the rest of Europe was experiencing during the sixteenth century, to political philosophy and legal theory. The majority of the group, like St. Thomas, were Dominicans. The prominent names here include: Francisco de Vitoria (c.1492-1546), initially a professor at the Sorbonne and later at Salamanca and called the Father of the Hispanic Scholastics; Domingo de Soto (1495-1560) his student in Paris and later also a professor at Salamanca; Martín de Azpilcueta, known as Navarrus (1493-1586), an eminent canon lawyer and professor first at Salamanca and subsequently in Portugal; Domingo de Bañez (1527-1624), professor of theology at Salamanca and friend and confessor of St. Theresa of Avila; and Tomás de Mercado (c. 1500-1575). Jesuit thinkers included Luís de Molina (1535-1600), a theologian and civil lawyer; Juan de Mariana (1535-1624); Francisco Suárez (1548-1617) a theologian who taught first at Salamanca, and other universities in Spain and Portugal as well as in Rome; Leonard Lessius (1554-1623), a Belgian theologian and student of Suárez in Rome who later taught at Louvain; and Cardinal Juan de Luego (1583-1660), the last of the Spanish late scholastics.

For our purposes, what makes this Salamanca School so special is the intellectually sophisticated way in which its members applied economic reasoning to moral issues. This is the case both on the general level of methodology and on the specific level of problem analysis.

In methodology they followed St. Thomas. They were realists and hence relied on empirical observation as well as deductive reasoning. Their starting point was natural law theory as developed by St. Thomas. This had two key elements. The first

was the role of reason per se: What makes us good persons and the things that we do good is acting according to our nature, St. Thomas had argued. This in turn means acting according to reason, since it is from reason that our nature derives its human character. But reason comes from the Author of reason.

Hence the second element: To act contrary to what our reason prescribes is therefore to act contrary to what God prescribes. Reason in this schema thus occupies center stage and, just as important, it plays its role in a drama that has a grand design.

This Thomistic view and the metaphysics underlying it have a rather profound set of implications: Not only are rationally arrived at normative, moral judgements about human behaviour possible, but positive, scientific analysis of such behaviour is possible too. In fact, the one and the other are seen to go hand in hand.

Private property

It is therefore not in the least farfetched to regard St. Thomas's development of natural law and its subsequent implementation by the Salamanca School writers as the beginning of a scientific economics, as Joseph A. Schumpeter in his monumental History of Economic Analysis has argued. From belief in natural law it is only a small step to belief in a natural order, which is a requisite for such a scientific approach.

The discussion of private property by the Salamancans is particularly illuminating in this respect. Private property to borrow later economic terminology in their eyes was seen as "efficient". Compared with the alternative of common ownership, it worked better. Private property they argued would promote justice, harmony and order in society to a much greater extent than common property. It would also lead to much more productive use of resources. The underlying reason, they claimed, was the flawed nature of man. Given original sin, the problem of scarcity, of unlimited wants coming up against limited resources, arises. Disputes over property will therefore arise too. Under common property such disputes will be greater, the worst who will rely on their might will succeed at the expense of the best, and resources will be wasted.

Intellectual bloodline

In this explanation, one can perhaps see the shadow of Adam Smith's much misunderstood "invisible hand" in the background. It is not an

illusion. Commentators on the Salamanca School have noted a clear intellectual bloodline running from Suárez and his student Lessius, via the seventeenth century Protestant legal theorists Hugo Grotius and Samuel von Pufendorf, to Francis Hutcheson, Smith's teacher in Glasgow, to Smith himself. Consider in addition the following quotation from Mercado cited by Alejandro A. Chauven in his excellent little book:

We cannot find a person who does not favor his own interests or who does not prefer to furnish his own home rather than that of the republic. We can see that privately owned property flourishes, while city- and council-owned property suffers from inadequate care and worse management. ... If universal love will not induce people to take care of things, private interest will. Hence, privately owned goods will multiply. Had they remained in common possession, the opposite would be true.

Economic valuation

A second example of Salamancan analytical prowess is to be found in their discussions of the just price. Contrary to conventional belief, the notion of a just price was not viewed as a purely normative and quasi-theological construct. It was something that required positive analysis. The question of what constituted a just price could not be answered without some notion of how prices actually are determined. That in turn required a theory of economic valuation. Since such a theory could not simply be taken off the shelf, the Salamancan writers devised their own, again borrowing heavily from St. Thomas. The just price under normal, non-monopolistic conditions, they said, was the market-determined price. It resulted from the interaction of peoples' preferences and the relative scarcity of the good in question.

That was a rather good answer. As things turned out, not until the latter part of the nineteenth century was their value theory improved upon, and in the centuries in between a number of otherwise fine economic thinkers unaware of this Salamancan theoretical contribution actually developed grossly inferior theories -- the labour theories of value of the English classical economists being a major case in point.

Morally neutral

Another, related set of contributions came in the course of the Salamanca School's analyses of the

general increases in prices and currency depreciation that took place in Spain following the inflows of precious metals from the Americas in the sixteenth century. Were such price increases just? Was it moral to charge more for a foreign currency at a later point in time than an earlier one? Yes on both scores answered the Salamancan writers. Prices rose and exchange rates depreciated, the Salamancan writers explained, as a direct result of the specie-induced increases in the money supply. Both were purely monetary phenomena, not in any fundamental sense the result of actions by merchants, and without implications one way or the other morally.

In arriving at that those conclusions, they hit upon two of the main building blocks of modern monetary theory -- the quantity theory of money, which they used to analyze inflation and its effects, and the purchasing power parity theorem, which they used to explain the behaviour of foreign exchange rates.

Acerbic comments

A final area of Salamancan analysis that should be mentioned has to do with public policy and the role of government. The Salamancan writers, like St. Thomas, affirmed the need for government. The function of government was to promote the common good. They observed, however, that historically governments often tended to do otherwise. This is evident in their often acerbic comments on the actual policies that governments followed in both the fiscal and monetary areas and on the tendency of those in government to pursue self enrichment at the public's expense.

Correspondingly, they regarded the government's fixing of prices as just in principle, but as a practical matter not likely to be successful, that is, unlikely to contribute to the common good. The operation of markets was simply too complex for an outside observer to determine the right price.

Subtle reasoning

What stands out here, as in the other instances that I have cited, is the subtlety of the Salamanca School's reasoning. They viewed the economic system as a logically coherent process rather than as something with neither rhyme nor reason to it. They realized moreover that markets work precisely because they are "the result of human action and not of human design," to use Nobelist Friedrich von Hayek's terminology.

In such a schema, utopianism, be it of the fideistic or the scientific variety, has little place. One cannot put the moral cart before the scientific horse,

tinker with this and with that and expect that people will be better off as a result.

If anything has created more confusion in Catholic social thought since that time it has been failure to realize those simple facts, to issue ethical pronouncements on economic questions without having done the necessary scientific homework beforehand. That part of the story however will come later.

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