

ent in the rest of the ancient world or before this era in Greece. The essence of philosophic thought is that it penetrates the *ad hoc* vagaries of day-to-day life in order to arrive at truths that transcend the daily accidents of time and place. Philosophy arrives at truths about the world and about human life that are absolute, universal and eternal – at least while the world and humanity last. It arrives, in short, at a system of natural laws. But economic analysis is a subset of such investigation, because genuine economic theory can only advance beyond shifting day-to-day events by penetrating truths about human action which are absolute, unchanging and eternal, which are unaffected by changes of time and place. Economic thought, at least correct economic thought, is itself a subset of natural laws in its own branch of investigation.

If we remember the snatches of economic thought contributed by the Greeks: Hesiod on scarcity, Democritus on subjective value and utility, the influence of supply and demand on value, and on time-preference, Plato and Xenophon on the division of labour, Plato on the functions of money, Aristotle on supply and demand, money, exchange, and the imputation of value from ends to means, we see that all of these men were focusing on the logical implications of a few broadly empirical axioms of human life: the existence of human action, the eternal pursuit of goals by employing scarce means, the diversity and inequality among men. These axioms are certainly empirical, but they are so broad and pervasive that they apply to all of human life, at any time and place. Once articulated and set forth, they impel assent to their truth by a shock of recognition: once articulated, they become *evident* to the human mind. Since these axioms are then established as certain and apodictic, the processes of logic – themselves universal and apodictic and transcending time and place – can be used to arrive at absolutely true conclusions.

While this method of reasoning – of philosophy and of economics – is both empirical, being derived from the world, and true, it runs against the grain of modern philosophies of science. In modern positivism, or neopositivism, for example, ‘evidence’ is much narrower, fleeting and open to change. In much of modern economics, using the positivist method, ‘empirical evidence’ is a congeries of isolated and narrow economic events, each of which is conceived as homogeneous bits of information, supposedly used to ‘test’, to confirm or refute, economic hypotheses. These bits, like laboratory experiments, are supposed to result in ‘evidence’ to test a theory. Modern positivism is unequipped to understand or handle a system of analysis – whether classical Greek philosophy or economic theory – grounded on deductions from fundamental axioms so broadly empirical as to be virtually self-evident – evident to the self – once they are articulated. Positivism fails to understand that the results of laboratory experiments are only ‘evidence’ because they too *make evident* to the scientists (or to others who follow the experiments), that is, *make evident to the self*, facts or truths not evident before. The

deductive processes of logic and mathematics do the same thing: they compel assent by making things evident to people which were not evident before. Correct economic theory, which we have named as 'praxeological' theory, is another way by which truths are made evident to the human mind.

Even politics, which some scoff at as not purely or strictly economics, impinges heavily on economic thought. Politics is of course an aspect of human action, and much of it has a crucial impact on economic life. Eternal natural law truths about economic aspects of politics may be and have been arrived at, and cannot be neglected in a study of the development of economic thought. When Democritus and Aristotle defended a regime of private property and Aristotle demolished Plato's portrayal of an ideal communism, they were engaging in important economic analysis of the nature and consequences of alternative systems of control and ownership of property.

Aristotle was the culmination of ancient economic thought as he was of classical philosophy. Economic theorizing collapsed after the death of Aristotle, and later Hellenistic and Roman epochs were virtually devoid of economic thought. Again, it is impossible to explain fully the disappearance of economic thought, but surely one reason must have been the disintegration of the once proud Greek *polis* after the time of Aristotle. The Greek city-states were subjected to conquest and disintegration beginning with the empire of Alexander the Great during the life of his former mentor Aristotle. Eventually Greece, much diminished in wealth and economic prosperity, became absorbed by the Roman Empire.

Small wonder, then, that the only references to economic affairs should be counsels of despair, with various Greek philosophers futilely urging their followers to solve the problem of aggravated scarcity by drastically curbing their wants and desires. In short, if you're miserable and poverty-stricken, accept your lot as man's inevitable fate and try to want no more than you have. This counsel of hopelessness and despair was preached by Diogenes (412–323 BC) the founder of the school of Cynics, and by Epicurus (343–270 BC), the founder of the Epicureans. Diogenes and the Cynics pursued this culture of poverty to such length as to adopt the name and the life of dogs; Diogenes himself made his home in a barrel. Consistent with his outlook, Diogenes denounced the hero Prometheus, who in Greek myth stole the gift of fire from the gods and thus made possible innovation, the growth of human knowledge, and the progress of mankind. Prometheus, wrote Diogenes, was properly punished by the gods for this fateful deed.

As Bertrand Russell summed up:

...Aristotle is the last Greek philosopher who faces the world cheerfully; after him, all have, in one form or another, a philosophy of retreat. The world is bad; let us learn to be independent of it. External goods are precarious; they are the gift of fortune, not the reward of our own efforts.

The most interesting and influential school of Greek philosophers after Aristotle was the Stoics, founded by Zeno of Clitium (c.336–264 BC), who appeared about the year 300 BC in Athens to teach at a painted porch (*stoa poikile*) after which he and his followers were called Stoics. While the Stoics began as an offshoot of Cynicism, preaching the quenching of desire for worldly goods, it took on a new and more optimistic note with Stoicism's second great founder, Chrysippus (281–208 BC). Whereas Diogenes had preached that the love of money was the root of all evil, Chrysippus countered with the quip that the 'wise man will turn three somersaults for an adequate fee'. Chrysippus was also sound on the inherent inequality and diversity of man: 'Nothing', he pointed out, 'can prevent some seats in the theatre from being better than others'.

But the most important contribution of Stoic thought was in ethical, political and legal philosophy, for it was the Stoics who first developed and systematized, especially in the legal sphere, the concept and the philosophy of natural law. It was precisely because Plato and Aristotle were circumscribed politically by the Greek *polis* that their moral and legal philosophy became closely intertwined with the Greek city-state. For the Socratics, the city-state, not the individual, was the locus of human virtue. But the destruction or subjugation of the Greek *polis* after Aristotle freed the thought of the Stoics from its admixture with politics. The Stoics were therefore free to use their reason to set forth a doctrine of natural law focusing not on the *polis* but on each individual, and not on each state but on all states everywhere. In short, in the hands of the Stoics, natural law became absolute and universal, transcending political barriers or fleeting limitations of time and place. Law and ethics, the principles of justice, became transcultural and transnational, applying to all human beings everywhere. And since every man possesses the faculty of reason, he can employ right reason to understand the truths of the natural law. The important implication for politics is that the natural law, the just and proper moral law discovered by man's right reason, can and should be used to engage in a moral critique of the positive man-made laws of any state or *polis*. For the first time, positive law became continually subject to a transcendent critique based on the universal and eternal nature of man.

The Stoics were undoubtedly aided in arriving at their cosmopolitan disregard for the narrow interests of the *polis* by the fact that most of them were Easterners who had come from outside the Greek mainland. Zeno, the founder, described as 'tall, gaunt, and swarthy', came from Clitium on the island of Cyprus. Many, including Chrysippus, came from Tarsus, in Cilicia, on the Asia Minor mainland near Syria. Later Greek Stoics were centred in Rhodes, an island off Asia Minor.

Stoicism lasted 500 years, and its most important influence was transmitted from Greece to Rome. The later Stoics, during the first two centuries after

the birth of Christ, were Roman rather than Greek. The great transmitter of Stoic ideas from Greece to Rome was the famous Roman statesman, jurist, and orator Marcus Tullius Cicero (106–43 BC). Following Cicero, Stoic natural law doctrines heavily influenced the Roman jurists of the second and third centuries AD, and thus helped shape the great structures of Roman law which became pervasive in Western civilization. Cicero's influence was assured by his lucid and sparkling style, and by the fact that he was the first Stoic to write in Latin, the language of Roman law and of all thinkers and writers in the West down to the end of the seventeenth century. Moreover, Cicero's and other Latin writings have been far better preserved than the fragmentary remains we have from the Greeks.

Cicero's writings were heavily influenced by the Greek Stoic leader, the aristocratic Panaetius of Rhodes (c.185–110 BC) and as a young man he travelled there to study with his follower, Posidonius of Rhodes (135–51 BC), the greatest Stoic of his age. There is no better way to sum up Cicero's Stoic natural law philosophy than by quoting what one of his followers called his 'almost divine words'. Paraphrasing and developing the definition and insight of Chrysippus, Cicero wrote:

There is a true law, right reason, agreeable to nature, known to all men, constant and eternal, which calls to duty by its precepts, deters from evil by its prohibition ... This law cannot be departed from without guilt ... Nor is there one law at Rome and another at Athens, one thing now and another afterward; but the same law, unchanging and eternal, binds all races of man and all times; and there is one common, as it were, master and ruler – God, the author, promulgator and mover of this law. Whoever does not obey it departs from [his true] self, contemns the nature of man and inflicts upon himself the greatest penalties...

Cicero also contributed to Western thought a great anti-statist parable which resounded through the centuries, a parable that revealed the nature of rulers of state as nothing more than pirates writ large. Cicero told the story of a pirate who was dragged into the court of Alexander the Great. When Alexander denounced him for piracy and brigandage and asked the pirate what impulse had led him to make the sea unsafe with his one little ship, the pirate trenchantly replied, 'the same impulse which has led you [Alexander] to make the whole world unsafe'.

But despite their important contributions to moral and legal philosophy, neither the Stoics nor other Romans contributed anything else of significance to economic thought. Roman law, however, heavily influenced and pervaded later legal developments in the West. Roman private law elaborated, for the first time in the West, the idea of property rights as absolute, with each owner having the right to use his property as he saw fit. From this stemmed the right to make contracts freely, with contracts interpreted as transfers of titles to

property. Some Roman jurists declared that property rights were required by the natural law. The Romans also founded the law merchant, and Roman law strongly influenced the common law of the English-speaking countries and the civil law of the continent of Europe.

1.10 Taoism in ancient China

The only other body of ancient thought worth mentioning is the schools of political philosophy in ancient China. Though remarkable for its insights, ancient Chinese thought had virtually no impact outside the isolated Chinese Empire in later centuries, and so will be dealt with only briefly.

The three main schools of political thought: the Legalists, the Taoists, and the Confucians, were established from the sixth to the fourth centuries BC. Roughly, the Legalists, the latest of the three broad schools, simply believed in maximal power to the state, and advised rulers how to increase that power. The Taoists were the world's first libertarians, who believed in virtually no interference by the state in economy or society, and the Confucians were middle-of-the-roaders on this critical issue. The towering figure of Confucius (551–479 BC), whose name was actually Ch'iu Chung-ni, was an erudite man from an impoverished but aristocratic family of the fallen Yin dynasty, who became Grand Marshal of the state of Sung. In practice, though far more idealistic, Confucian thought differed little from the Legalists, since Confucianism was largely dedicated to installing an educated philosophically minded bureaucracy to rule in China.

By far the most interesting of the Chinese political philosophers were the Taoists, founded by the immensely important but shadowy figure of Lao Tzu. Little is known about Lao Tzu's life, but he was apparently a contemporary and personal acquaintance of Confucius. Like the latter he came originally from the state of Sung and was a descendant of lower aristocracy of the Yin dynasty. Both men lived in a time of turmoil, wars and statism, but each reacted very differently. For Lao Tzu worked out the view that the individual and his happiness was the key unit of society. If social institutions hampered the individual's flowering and his happiness, then those institutions should be reduced or abolished altogether. To the individualist Lao Tzu, government, with its 'laws and regulations more numerous than the hairs of an ox', was a vicious oppressor of the individual, and 'more to be feared than fierce tigers'. Government, in sum, must be limited to the smallest possible minimum; 'inaction' became the watchword for Lao Tzu, since only inaction of government can permit the individual to flourish and achieve happiness. Any intervention by government, he declared, would be counterproductive, and would lead to confusion and turmoil. The first political economist to discern the systemic effects of government intervention, Lao Tzu, after referring to the common experience of mankind, came to his penetrating conclusion: 'The

more artificial taboos and restrictions there are in the world, the more the people are impoverished... The more that laws and regulations are given prominence, the more thieves and robbers there will be'.

The worst of government interventions, according to Lao Tzu, was heavy taxation and war. 'The people hunger because their superiors consume an excess in taxation' and, 'where armies have been stationed, thorns and brambles grow. After a great war, harsh years of famine are sure to follow'.

The wisest course is to keep the government simple and inactive, for then the world 'stabilizes itself'.

As Lao Tzu put it: 'Therefore, the Sage says: I take no action yet the people transform themselves, I favor quiescence and the people right themselves, I take no action and the people enrich themselves...'

Deeply pessimistic, and seeing no hope for a mass movement to correct oppressive government, Lao Tzu counselled the now familiar Taoist path of withdrawal, retreat, and limitation of one's desires.

Two centuries later, Lao Tzu's great follower Chuang Tzu (369–c.286 BC) built on the master's ideas of *laissez-faire* to push them to their logical conclusion: individualist anarchism. The influential Chuang Tzu, a great stylist who wrote in allegorical parables, was therefore the first anarchist in the history of human thought. The highly learned Chuang Tzu was a native of the state of Meng (now probably in Honan province), and also descended from the old aristocracy. A minor official in his native state, Chuang Tzu's fame spread far and wide throughout China, so much so that King Wei of the Ch'u kingdom sent an emissary to Chuang Tzu bearing great gifts and urging him to become the king's chief minister of state. Chuang Tzu's scornful rejection of the king's offer is one of the great declarations in history on the evils underlying the trappings of state power and the contrasting virtues of the private life:

A thousand ounces of gold is indeed a great reward, and the office of chief minister is truly an elevated position. But have you, sir, not seen the sacrificial ox awaiting the sacrifices at the royal shrine of state? It is well cared for and fed for a few years, caparisoned with rich brocades, so that it will be ready to be led into the Great Temple. At that moment, even though it would gladly change places with any solitary pig, can it do so? So, quick and be off with you! Don't sully me. I would rather roam and idle about in a muddy ditch, at my own amusement, than to be put under the restraints that the ruler would impose. I will never take any official service, and thereby I will [be free] to satisfy my own purposes.

Chuang Tzu reiterated and embellished Lao Tzu's devotion to *laissez-faire* and opposition to state rule: 'There has been such a thing as letting mankind alone; there has never been such a thing as governing mankind [with success]'. Chuang Tzu was also the first to work out the idea of 'spontaneous

order', independently discovered by Proudhon in the nineteenth century, and developed by F.A. von Hayek of the Austrian School in the twentieth. Thus, Chuang Tzu: 'Good order results spontaneously when things are let alone'.

But while people in their 'natural freedom' can run their lives very well by themselves, government rules and edicts distort that nature into an artificial Procrustean bed. As Chuang Tzu wrote, 'The common people have a constant nature; they spin and are clothed, till and are fed...it is what may be called their "natural freedom"'. These people of natural freedom were born and died themselves, suffered from no restrictions or restraints, and were neither quarrelsome nor disorderly. If rulers were to establish rites and laws to govern the people, 'it would indeed be no different from stretching the short legs of the duck and trimming off the long legs of the heron' or 'haltering a horse'. Such rules would not only be of no benefit, but would work great harm. In short, Chuang Tzu concluded, the world 'does simply not need governing; in fact it should not be governed'.

Chuang Tzu, moreover, was perhaps the first theorist to see the state as a brigand writ large: 'A petty thief is put in jail. A great brigand becomes a ruler of a State'. Thus, the only difference between state rulers and out-and-out robber chieftains is the size of their depredations. This theme of ruler-as-robber was to be repeated, as we have seen, by Cicero, and later by Christian thinkers in the Middle Ages, though of course these were arrived at independently.

Taoist thought flourished for several centuries, culminating in the most determinedly anarchistic thinker, Pao Ching-yen, who lived in the early fourth century AD, and about whose life nothing is known. Elaborating on Chuang-Tzu, Pao contrasted the idyllic ways of ancient times that had had no rulers and no government with the misery inflicted by the rulers of the current age. In the earliest days, wrote Pao 'there were no rulers and no officials. [People] dug wells and drank, tilled fields and ate. When the sun rose, they went to work; and when it set, they rested. Placidly going their ways with no encumbrances, they grandly achieved their own fulfillment'. In the stateless age, there was no warfare and no disorder:

Where knights and hosts could not be assembled there was no warfare afield... Ideas of using power for advantage had not yet burgeoned. Disaster and disorder did not occur. Shields and spears were not used; city walls and moats were not built... People munched their food and disported themselves; they were carefree and contented.

Into this idyll of peace and contentment, wrote Pao Ching-yen, there came the violence and deceit instituted by the state. The history of government is the history of violence, of the strong plundering the weak. Wicked tyrants engage in orgies of violence; being rulers they 'could give free rein to all

desires'. Furthermore, the government's institutionalization of violence meant that the petty disorders of daily life would be greatly intensified and expanded on a much larger scale. As Pao put it:

Disputes among the ordinary people are merely trivial matters, for what scope of consequences can a contest of strength between ordinary fellows generate? They have no spreading lands to arouse avarice...they wield no authority through which they can advance their struggle. Their power is not such that they can assemble mass followings, and they command no awe that might quell [such gatherings] by their opponents. How can they compare with a display of the royal anger, which can deploy armies and move battalions, making people who hold no enmities attack states that have done no wrong?

To the common charge that he has overlooked good and benevolent rulers, Pao replied that the government itself is a violent exploitation of the weak by the strong. The system *itself* is the problem, and the object of government is not to benefit the people, but to control and plunder them. There is no ruler who can compare in virtue with a condition of non-rule.

Pao Ching-yen also engaged in a masterful study in political psychology by pointing out that the very existence of institutionalized violence by the state generates imitative violence among the people. In a happy and stateless world, declared Pao, the people would naturally turn to thoughts of good order and not be interested in plundering their neighbours. But rulers oppress and loot the people and 'make them toil without rest and wrest away things from them endlessly.' In that way, theft and banditry are stimulated among the unhappy people, and arms and armour, intended to pacify the public, are stolen by bandits to intensify their plunder. 'All these things are brought about because there are rulers.' The common idea, concluded Pao, that strong government is needed to combat disorders among the people, commits the serious error of confusing cause and effect.

The only Chinese with notable views in the more strictly economic realm was the distinguished second century B.C. historian, Ssu-ma Ch'ien (145–c.90 BC). Ch'ien was an advocate of *laissez-faire*, and pointed out that minimal government made for abundance of food and clothing, as did the abstinence of government from competing with private enterprise. This was similar to the Taoist view, but Ch'ien, a worldly and sophisticated man, dismissed the idea that people could solve the economic problem by reducing desires to a minimum. People, Ch'ien maintained, preferred the best and most attainable goods and services, as well as ease and comfort. Men are therefore habitual seekers after wealth.

Since Ch'ien thought very little of the idea of limiting one's desires, he was impelled, far more than the Taoists, to investigate and analyse free

market activities. He therefore saw that specialization and the division of labour on the market produced goods and services in an orderly fashion:

Each man has only to be left to utilize his own abilities and exert his strength to obtain what he wishes...When each person works away at his own occupation and delights in his own business, then like water flowing downward, goods will naturally flow ceaselessly day and night without being summoned, and the people will produce commodities without having been asked.

To Ch'ien, this was the natural outcome of the free market. 'Does this not ally with reason? Is it not a natural result?' Furthermore, prices are regulated on the market, since excessively cheap or dear prices tend to correct themselves and reach a proper level.

But if the free market is self-regulating, asked Ch'ien perceptively, 'what need is there for government directives, mobilizations of labor, or periodic assemblies?' What need indeed?

Ssu-ma Ch'ien also set forth the function of entrepreneurship on the market. The entrepreneur accumulates wealth and functions by anticipating conditions (i.e. forecasting) and acting accordingly. In short, he keeps 'a sharp eye out for the opportunities of the times.'

Finally, Ch'ien was one of the world's first monetary theorists. He pointed out that increased quantity and a debased quality of coinage by government depreciates the value of money and makes prices rise. And he saw too that government inherently tended to engage in this sort of inflation and debase-ment.

1.11 Note

1. H.H. Joachim, *Aristotle: The Nichomachean Ethics* (Oxford: The Clarendon Press, 1951), p. 50. Also see Moses I. Finley, 'Aristotle and Economic Analysis', in *Studies in Ancient Society* (London: Routledge and Kegan Paul, 1974), pp. 32-40.

2 The Christian Middle Ages

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2.1 The Roman law: property rights and *laissez-faire*

One of the most powerful influences in the legal and political thought and institutions of the Christian West during the Middle Ages was the Roman law, derived from the Republic and Empire of ancient Rome. Roman law classically developed in the first to the third centuries AD. Private law developed the theory of the absolute right of private property and of freedom of trade and contract. While Roman public law theoretically allowed state interference in the life of the citizen, there was little such interference in the late Republic and early Empire. Private property rights and *laissez-faire* were therefore the fundamental heritage of the Roman law to later centuries, and much of it was adopted by countries of the Christian West. Though the Roman Empire collapsed in the fourth and fifth centuries, its legal heritage continued, as embodied in two great collections of the Roman law: influential in the West, the Theodosian Code, promulgated by the Emperor Theodosius in 438 AD and in the East the great four-volume *Corpus Juris Civilis*, promulgated by the Byzantine Christian Emperor Justinian in the 530s.

Both collections emphasized strongly that the 'just' price (*justum pretium*) was simply any price arrived at by free and voluntary bargaining between buyer and seller. Each man has the right to do what he wants with his property, and therefore has the right to make contracts to give away, buy, or sell such property; hence, whatever price is freely arrived at is 'just'. Thus in the *Corpus*, several leading Roman jurists of the third century quoted the early second century jurist Pomponius in a classic expression of the morality of *laissez-faire*: 'In buying and selling natural law permits the one party to buy for less and the other to sell for more than the thing is worth; thus each party is allowed to outwit the other'; and 'it is naturally permitted to parties to circumvent each other in the price of buying and selling'. The only problem here is the odd phrase, 'the thing is worth', which assumes that there is some value *other* than free bargaining that expresses some 'true worth', a phrase that would prove to be an unfortunate harbinger of the future.

More specifically, the Theodosian Code was crystal-clear: any price set by free and voluntary bargaining is just and legitimate, the only exception being a contract made by children. Force or fraud, as infringements on property rights, were of course considered illegal. The code held explicitly that ignorance of the value of a good by either buyer or seller was insufficient ground for authorities to step in and rescind the voluntarily agreed contract. The Theodosian Code was carried forward in western Europe, e.g. the Visigothic law set forth in the sixth and seventh centuries, and the Bavarian law of the early eighth century. Bavarian law added the explicit provision that a buyer may not rescind a sale because he later decides that the agreed price was too high. This *laissez-faire* aspect of the Theodosian Code later became incorporated into Christian canon law by being included

in the collection of 'capitularies' (decrees) by St Benedictus Diaconus in the ninth century AD.

While the Justinian *Corpus*, promulgated in the East, was equally devoted to *laissez-faire*, it included a minor element that was later to grow and justify attacks upon free bargaining. As part of the Justinian discussion of how courts can appraise property for payment of damages, the code mentioned that if a seller has sold his property for less than half 'the just price', then he suffers 'great loss' (*laesio enormis*), and the seller is then entitled either to get back the difference between the original price and the just price from the buyer, or else get his property back at that original price. This clause was apparently meant only to apply to real estate and to compensations for damages, where authorities must somehow assess the 'true' price, and it had no influence on the laws of the next centuries. But it was to yield unfortunate effects in the future.

2.2 Early Christian attitudes towards merchants

Roman law was not the only influence on economic ideas in the Middle Ages. Ambivalent attitudes in the early Christian tradition also proved highly important.

Economic matters were of course scarcely central to either the Old or New Testament, and scattered economic pronouncements are contradictory or subject to ambivalent interpretation. Fulminations against excessive love of money do not necessarily imply hostility to commerce or wealth. One remarkable aspect of the Old Testament, however, is its repeated, almost pre-Calvinist, extolling of work for its own sake. In contrast to the contemptuous attitude toward labour of the Greek philosophers, the Old Testament is filled with exhortations in favour of work: from the 'be fruitful and multiply' of Genesis to 'Enjoy life in your toil at which you toil under the sun' of Ecclesiastes. Oddly, these calls to labour are often accompanied by admonitions against the accumulation of wealth. Later, in the second century BC, the Hebrew scribe who wrote the Apocryphal book Ecclesiasticus goes so far as to extol labour as a sacred calling. Manual workers, he writes, 'keep stable the fabric of the world, and their prayer is in the practice of their trade'. Yet the pursuit of money is condemned, and merchants are habitually treated with deep suspicion: 'A merchant can hardly keep from wrong doing, and a tradesman will not be declared innocent of sin'. And yet, in the same book of Ecclesiasticus, the reader is instructed not to be ashamed of profit or success in business.

The attitude of the early Christians, including Jesus and the Apostles, toward work and trade was coloured by their intense expectation of the imminent end of the world and of the coming of the Kingdom of God. Obviously, if one expects the impending end of the world, one is inclined to

have little patience for such activities as investing or accumulating wealth; rather the tendency is to act as the lilies of the field, to follow Jesus, and forget about mundane matters. It was in this context that we must understand St Paul's famous 'the love of money is the root of all evil.'

By approximately 100 AD, however, the books of the New Testament written by St John make it clear that the Christian Church had abandoned the idea of the imminent end of the world. But the Hellenistic and the Gospel heritage fused to lead the early Church Fathers into a retreatist view of the world and its economic activities, combined with fulminations against wealth and merchants who tend to amass such wealth. The Church Fathers railed against mercantile activities as necessarily stamped with the sin of greed, and as almost always accompanied by deceit and fraud. Leading the parade was the mystical and apocalyptic Tertullian (160–240), a prominent Carthaginian lawyer who converted late in life to Christianity and eventually formed his own heretical sect. To Tertullian, attack on merchants and money-making was part and parcel of a general philippic against the secular world, which he expected at any moment to founder on the shoals of excess population, so that the earth would soon suffer from 'epidemics, famines, wars, and the earth's opening to swallow whole cities' as a grisly solution to the overpopulation problem.

Two centuries later, the fiery St Jerome (c.340–420), educated in Rome but also influenced by the eastern Fathers, took up the theme, proclaiming the fallacy that in trade, one man's gain must be achieved by means of the other man's loss: 'All riches come from iniquity, and unless one has lost, another cannot gain. Hence that common opinion seems to me to be very true, 'the rich man is unjust, or the heir of an unjust one''. And yet there was another, contradictory strain even in Jerome, who also declared that 'A wise man with riches has greater glory than one who is wise only', for he can accomplish more good things; 'wealth is not an obstacle to the rich man who uses it well'.

Probably the most intelligent attitude toward wealth and money-making among the early Church Fathers was that of the Athenian-born eastern Father Clement of Alexandria (c.150–215). While Clement counselled that property be used for the good of the community, he endorsed private property and the accumulation of wealth. He attacked as foolish the ascetic ideal of divesting oneself of one's possessions. As Clement wisely put it, employing a natural law theme:

We must not cast away riches which can benefit our neighbor. Possessions were made to be possessed; goods are called goods because they do good, and they have been provided by God for the good of men: they are at hand and serve as the material, the instruments for a good use in the hand of him who knows how to use them.

Clement also took a hard-nosed attitude toward the rootless poor. If living without possessions was so desirable, he pointed out,

then that whole swarm of proletarians, derelicts and beggars who live from hand to mouth, all those wretched cast out upon the streets, though they live in ignorance of God and of his justice, would be the most blessed and the most religious and the only candidates for eternal life simply because they are penniless...

The early Church Fathers culminated in the great Saint Augustine (354–430) who, living at the time of the sack of Rome in 410 and of the collapse of the Roman Empire, had to look ahead to a post-ancient world which he was greatly to influence. Born in Numidia in Africa, Aurelius Augustinus was educated in Carthage, and became a professor of rhetoric in Milan. Baptized a Christian at the age of 32, St Augustine became bishop of Hippo in his native North Africa. The Roman Empire under Constantine had embraced Christianity a century earlier, and Augustine wrote his great work, *The City of God*, as a rebuttal to the charge that the embrace of Christianity had resulted in the fall of Rome.

Augustine's economic views were scattered throughout *The City of God* and his other highly influential writings. But he definitely, and presumably independently of Aristotle, arrived at the view that people's payments for goods, the valuation they placed on them, was determined by their own needs rather than by any more objective criterion or by their rank in the order of nature. This was at least the basis of the later Austrian theory of subjective value. He also pointed out that it was the common desire of all men to buy cheap and to sell dear.

Furthermore, Augustine was the first Church Father to have a positive attitude towards the role of the merchant. Rebutting the common patristic charges against the merchants, Augustine pointed out that they perform a beneficial service by transporting goods over great distances and selling them to the consumer. Since, according to Christian principle, 'the labourer is worthy of his hire', then the merchant too deserved compensation for his activities and labour.

To the common charge of endemic deceit and fraud in the mercantile trades, Augustine cogently replied that any such lies and perjuries were the fault not of the trade but of the trader himself. Such sins originated in the iniquity of the person, not in his occupation. After all, Augustine pointed out, shoemakers and farmers are also capable of lies and perjuries, and yet the Church Fathers had not condemned *their* occupations as being *per se* evil.

Clearing the merchants of the stain of inherent evil proved enormously influential in the following centuries, and was quoted time and again in the flowering of Christian thought in the twelfth and thirteenth centuries.

A less tangible but still important contribution to social thought was St Augustine's recasting of the ancient world's view of the human personality. To the Greek philosophers, the individual personality was to be moulded to conform to the needs and desires of the *polis*. Dictation by the *polis* necessarily meant a static society, with discouragement directed towards any innovating entrepreneurs trying to break out of the contemporary mould. But St Augustine's stress was on the individual's personality unfolding itself and therefore progressing over time. Hence Augustine's profound emphasis on the individual at least set the stage indirectly for an attitude favourable to innovation, economic growth and development. That aspect of Augustine's thought, however, was not really stressed by the thirteenth century Christian theologians and philosophers who built on Augustine's thought. It is ironic that the man who set the stage for optimism and a theory of human progress should, on his death-bed, find the barbarian hordes besieging his beloved city of Hippo.

If St Augustine looked benignly on the role of the merchant, he was also favourable, though not as warmly, towards the social role of rulers of state. On the one hand, Augustine took up and expanded Cicero's parable demonstrating that Alexander the Great was simply a pirate writ large, and that the state is nothing but a large-scale and settled robber band. In his famous *City of God*, Augustine asks:

And so if justice is left out, what are kingdoms except great robber bands? For what are robber bands except little kingdoms? The band also is a group of men governed by the orders of a leader, bound by a social compact, and its booty is divided according to a law agreed upon. If by repeatedly adding desperate men this plague grows to the point where it holds territory and establishes a fixed seat, seizes cities and subdues people, then it more conspicuously assumes the name of kingdom, and this name is now openly granted to it, not for any subtraction of cupidity, but by addition of impunity. For it was an elegant and true reply that was made to Alexander the Great by a certain pirate whom he had captured. When the king asked him what he was thinking of, that he should molest the sea, he said with defiant independence: 'The same as you when you molest the world! Since I do this with a little ship I am called a pirate. You do it with a great fleet and are called emperor'.¹

Yet Augustine ends by approving the role of the state, even though it is a robber band on a large scale. For while he stressed the individual rather than the *polis*, in pre-Calvinist fashion Augustine emphasized the wickedness and depravity of man. In this fallen, wicked and sinful world, state rule, though unpleasant and coercive, becomes necessary. Hence, Augustine supported the forcible crushing by the Christian Church in North Africa of the Donatist heresy, which indeed believed, in contrast to Augustine, that all kings were necessarily evil.

The likening of the head of state to a large-scale brigand, however, was resurrected in its original anti-state context by the great Pope Gregory VII, in the course of his struggle with the kings of Europe over his Gregorian reforms in the late eleventh century. This strain of bitter anti-statism, then, emerges from time to time in the early Christian era and in the Middle Ages.

2.3 The Carolingians and canon law

'Canon law' was the law governing the Church, and during the early Christian era and the Middle Ages the intertwining of Church and state often meant that canon law and state law were one and the same. Early canon law consisted of papal decretals, decrees of church councils, and the writings of the Church Fathers. We have seen that later canon law also incorporated much of the Roman law. But canon law also included something else basically pernicious: the decrees and regulations ('capitularies') of the Carolingian Empire in the latter eighth and ninth centuries.

From the fifth to the tenth centuries, the economic and political chaos of the Dark Ages prevailed throughout Europe, and there was consequently little or no room for the development of political, legal or economic thought. The only exception was the activities of the Carolingian Empire, which burgeoned in western Europe. The most important Carolingian Emperor was Charlemagne (742–814) and his rule devolved on to his successors during the remainder of the ninth century. In capitulary after capitulary, Charlemagne and his successors laid down detailed regulations for every aspect of economic, political and religious life throughout the empire. Many of these regulations became incorporated into the canon law of later centuries, thereby remaining influential well after the crumbling of the Carolingian Empire itself.

Charlemagne built his despotic network of regulations on a shaky foundation. Thus the important Church council of Nicaea (325) had forbidden any clergymen from engaging in any economic activities leading to 'shameful gain' (*turpe lucrum*). In his council at Nijmegen (806) Charlemagne revived, greatly broadened and imposed the old doctrine of *turpe lucrum*. But now the prohibition was extended from the clergy to everyone, and the definition broadened from fraud to all greed and avarice, and included any disobedience of Charlemagne's extensive price regulations. Any market deviations from these fixed prices were accused of being profiteering by either buyers or sellers and hence *turpe lucrum*. As a corollary, all speculative buying and selling in foodstuffs was prohibited. Moreover, in foreshadowing the English common law prohibition of 'forestalling', any sale of goods outside and at higher prices than the regular markets was prohibited. Since the English common law was motivated, not by a misguided attempt to aid the poor but in order to confer monopoly privileges on local owners of market sites, it is