

century, had suddenly pulled a forgotten quotation from Luke (6:35) out of the hat: ‘lend freely, hoping nothing thereby’, and used this vague counsel to charity as a stick with which to prohibit all interest on loans. More remarkably, all later scholastics had followed this dubious divine ban on interest-taking; even the radical Summenhart had conceded the divine injunction against interest and simply narrowed it down to virtually nothing. It paradoxically now fell to the conservative de Soto to cast the first stone. The Luke statement, he declared contemptuously, has no relevance to lending at interest, and Christ most definitely did not declare usury to be sinful. Therefore, he concluded, if usury is not against the natural law, it is perfectly licit. *Theologically*, there is no problem with usury.

#### 4.4 The School of Salamanca: Azpilcueta and Medina

Fortunately, de Soto’s reactionary and statist influence was at least partially offset by another of Vitoria’s distinguished students, Martin de Azpilcueta Navarrus (1493–1586). Renowned for his saintly life and vast learning, the gaunt, hook-nosed Dominican Azpilcueta was regarded as the most eminent canon lawyer of his day. After teaching canon law in Cahors and Toulouse in France, Azpilcueta returned to take up a chair at Salamanca, where his overflowing lectures featured a new method of teaching civil law by combining it with canon law. In 1538, Azpilcueta was sent by Emperor Charles V to be rector of the new University of Coimbra, in western Portugal. There he developed the principles of international law originally set forth by his master, Vitoria. Azpilcueta spent his last years in Rome, a trusted adviser to three popes, dying at the advanced age of 93.

Azpilcueta used his great influence to advance economic liberalism farther than it had ever gone before, among the scholastics or anywhere else. In sharp contrast to de Soto’s admiration for comprehensive price control, Azpilcueta was the first economic thinker to state clearly and boldly that government price-fixing was imprudent and unwise. When goods are abundant, he sensibly pointed out, there is no need for maximum price control, and when goods are scarce, controls would do the community more harm than good.

But Azpilcueta’s outstanding contribution to economics was his theory of money, published in his *Comentario resolutio de usuras* (1556) as an appendix to a manual on moral theology. The manual and the commentaries in the appendix were translated into Latin and Italian, and proved to be influential for Catholic writers for many years. Azpilcueta built on the analysis of Cardinal Cajetan to present the first clear and unambiguous presentation of the ‘quantity theory of money’. Or rather, he breaks firmly with the tradition that money can in any sense be a fixed measure of value of other goods. In contrast to older emphasis on foreign exchange, or money in terms of other

monies, Azpilcueta clearly identified the value of money as its purchasing power in terms of goods. Once Azpilcueta grasped these two points firmly, then the ‘quantity theory’ followed directly. For then, like other goods, the value of money varied inversely with its supply, or quantity available. As Azpilcueta put it: ‘all merchandise becomes dearer when it is in great demand and short supply, and that money, in so far as it may be sold, bartered, or exchanged by some other form of contract, is merchandise, and therefore also becomes dearer when it is in great demand and short supply’.

It should be noted that this splendid and concise analysis of the determinants of the purchasing power of money does not make the mistake of later ‘quantity theorists’ in stressing the quantity or supply of money while ignoring the demand. On the contrary, demand and supply analysis was applied correctly to the monetary sphere.

Gold and silver flooded into Spain and then the rest of Europe in the sixteenth century, driving up prices first in Spain and then in the other countries. Prices doubled by the middle of the century. Historians of economic thought have held the first quantity theorist, the first thinker to attribute the price rise to the influx of specie, to be the French absolutist political theorist Jean Bodin. But Bodin’s famous *Reply to the Paradoxes of M. Malestroit* (1568) was anticipated by 12 years by Azpilcueta’s work, and since the erudite Bodin probably had read the Spanish Dominican, his announced claim to originality seems in unusually bad taste. And since Spain was the first recipient of the flow of specie from the New World, it is certainly not surprising that a Spaniard should be the first person to decipher the new phenomenon. Thus, Azpilcueta wrote:

...other things being equal, in countries where there is a great scarcity of money all other saleable goods, and even the hands and labor of men, are given for less money than where it is abundant. Thus we see by experience that in France, where money is scarcer than in Spain, bread, wine, cloth and labor are worth much less. And even in Spain, in times when money was scarcer, saleable goods and labor were given for very much less than after the discovery of the Indies, which flooded the country with gold and silver. The reason for this is that money is worth more where and when it is scarce than where and when it is abundant.

Martin de Azpilcueta, in this case influenced by his colleague de Soto, also developed the latter’s purchasing-power parity theory of exchange rates, at the same time that he worked out the ‘quantity theory’, supply and demand analysis of the value of money. The two of course, go hand in hand.

One of Azpilcueta’s most important contributions was to revive the vital concept of time-preference, perhaps under the influence of the works of its discoverer, San Bernardino of Siena. Azpilcueta pointed out, more clearly than Bernardino, that a present good, such as money, will naturally be worth

more on the market than future goods, that is, goods that are now claims to money in the future. As Azpilcueta put it: ‘a claim on something is worth less than the thing itself, and ... it is plain that that which is not usable for a year is less valuable than something of the same quality which is usable at once’.

But if a future good is naturally less valuable than a present good on the market, then this insight should automatically justify ‘usury’ as the charging of interest not on ‘time’ but on the exchange of present goods (money) for a future claim on that money (an IOU). And yet, this seemingly simple deduction (simple to us who come after) was not made by Azpilcueta Navarrus.

On the foreign exchange market, Azpilcueta struck a blow for economic liberalism by reviving the Cajetan line, and repudiating the statist fulminations of his colleague de Soto, who had called for the prohibition of all foreign exchange transactions as usurious. In addition to repeating Cajetanian arguments, the Spanish Dominican and trusted advisor to three popes injected practical considerations. Azpilcueta pointed out that ‘an infinite number of decent Christian’ merchants, aristocrats, widows, and even churchmen commonly invest in foreign exchange. Azpilcueta insisted that he refuses to ‘damn the whole world’ by imposing overly rigorous standards. Furthermore, he warned, to abolish foreign exchange markets ‘would be to plunge the realm into poverty’, a step he was clearly not willing to take.

On most other aspects of the usury question, however, Azpilcueta Navarrus was surprisingly conservative, and a big step backward from the advanced freemarket position of Conrad Summenhart. On the *census*, or annuity contract, Azpilcueta Navarrus was far harsher than de Soto, who was liberal on this particular aspect of ‘usury’. Instead, Azpilcueta was the main influence on Pope Pius V’s issue in 1569 of the bull *Cum onus*, in which all *census* is declared illegal except on a ‘fruitful, immobile good’, for which status money, of course, cannot qualify. The pope had been goaded into issuing the bull by Cardinal San Carlo Borromeo, who as newly appointed archbishop of Milan, professed to find usury everywhere in that sinful city. Borromeo was one of the leaders of the Catholic Counter-Reformation, and his prodding led to *Cum onus*.

But it was too late; the *census* contract was too ingrained in European practice, and too many theologians had adopted the liberal approach. The majority of Catholic theologians rejected this new attempt and simply stated that the pope’s arguments were matters of positive rather than natural law, and therefore that the papal bull had to be accepted by the government or be the common practice of a particular country for it to carry the force of law in that country. Interestingly enough, not a single country in Europe accepted *Cum onus*: not Spain, not France, nor Germany, not southern Italy, nor even Rome itself!

The contempt with which *Cum onus* was received throughout Europe is strikingly revealed in its treatment by the recently founded Jesuit Order. The Society of Jesus was founded in 1537 by an invalidated Spanish ex-army officer, Ignatius Loyola, born in the Basque country. The rapidly expanding society was installed on rigorous discipline along consciously military lines (Loyola's original title for the society was 'the Company of Jesus'). Under vow of absolute obedience to the pope and to the general of the order, the Jesuits became the 'shock troops' of the Catholic Counter-Reformation. Despite their vow to the pope, the Jesuit general congregation of 1573, only four years after *Cum onus*, validated the mutually redeemable *census* contract. And in 1581, the Jesuit congregation went the whole way and validated every type of census contract. When some German Jesuits became restive at this liberality, the general of the Jesuit Order, Claude Aquaviva, in 1589 ordered that the validity of the *census* contract be upheld by German Jesuits with no further dissent. So much for the pope's *census* prohibition.

In the following century, the *census* loophole was widely used to camouflage interest on loan contracts, particularly in Germany. As Noonan points out, it is certainly significant that the German word for interest on a loan is *zins*, derived from the Latin *census*.

The Summenhart–Cajetan doctrine of implicit intention – that if someone did not *intend* a contract to be a loan, then it was licit – was carried even further by the remarkable Jesuit congregation of 1581. The congregation justified virtually every contract. As Noonan concludes: 'In practice, it meant that only loans to aged or infirm persons without property or loans bearing a rate of interest beyond that obtainable in "a guaranteed investment contract or *census*" were to be regarded as true usurious loans'.

If Azpilcueta Navarrus was conservative on most aspects of usury, he did however become the first writer to justify interest charged on *lucrum cessans* (investment profit foregone) for *all* loans, not just *ad hoc* loans made out of charity (previous writers) or even only for loans to business (Cajetan). Now any profit foregone could be charged as interest, even by professional money-lenders. The only restriction remaining – a feeble one in practice – is that the lender would actually have used his money to make the foregone investment.

Of this first generation of late Spanish scholastics – approximately those who were born in the 1480s and 1490s – the final noteworthy writer was Juan de Medina (1490–1546). Medina, a Franciscan, did not, however, teach theology at Salamanca but at the Collegium at Alcalá. Medina's distinction comes from being the first writer in history to advance the view clearly that charging interest on a loan is legitimate if in compensation to the lender for risk of non-payment. Medina's reasoning was impeccable: exposing one's property 'to the risk of being lost, is sellable, and purchasable at a price, nor is it among those things which are to be done gratuitously'. Furthermore,

Medina pointed out, theologians now admit that someone who guarantees a debtor's loan can licitly charge for that service; but in that case, if the borrower cannot find a guarantor, why cannot the lender charge the borrower for assuming the risk of non-repayment? Isn't *his* charge similar to the charge of the guarantor?

The argument was sound, but the shock to the scholastics was severe, no less so because Medina weakened his risk justification by banning interest on riskless loans and restricting the charge to cases where the borrower could not find a guarantor. Domingo de Soto, in horror, correctly pointed out that to admit a charge for risk of non-payment would destroy the entire usury prohibition, since a charge could be made for a loan above the principal. The usually more liberal Azpilcueta gave Medina even shorter shrift, objecting correctly if insufficiently, that every theologian, canon lawyer, and natural lawyer disagreed with Medina's innovation. And that was supposed to be the end of the matter.

Medina's discussion of value theory, however, was not nearly so cogent. In discussing the just market price, Medina throws in higgledy-piggledy a host of factors: costs, labour, industry, and risk for suppliers; need or utility for buyers; and scarcity or abundance of the good. Clearly, there was much less of a coherent analysis of supply than in the hands of San Bernardino of Siena. On the other hand, whereas the scholastic tradition held that the legal price would have to take precedence over the market price, Medina cited two cases where the market price should be followed: where the market price is lower, and where the authorities were too slow in adjusting the legal edict to a higher market price.

#### **4.5 The School of Salamanca: the middle years**

The institution and the structure of thought of the School of Salamanca was established, then, in the first half of the sixteenth century by three great Dominicans: Francisco de Vitoria, and his followers, Domingo de Soto and Martin de Azpilcueta Navarrus. The latter two theologians were the founders of the economic aspect of the systematic theology and philosophy of the Salamanca School.

The middle generation of Salamancans were those men born in the first decades of the sixteenth century, and writing near and after mid-century. The oldest of these second-generation members was the eminent Diego de Covarrubias y Leiva (1512–77) whose handsome and distinguished features grace a stunning portrait by the great Spanish painter El Greco, now hanging in the Greco Museum in Toledo. Acknowledged as the greatest jurist since Vitoria, Covarrubias was the most prominent student of Azpilcueta. After ten years as professor of canon law at the University of Salamanca, Covarrubias was made auditor of the chancellor of Castile by the emperor, after which he

became bishop of Ciudad Rodrigo and bishop of Segovia. In 1572, Covarrubias became president of the council of Castile. As did so many other scholastics of the time, Covarrubias' writings ranged over theology, history, numismatics, and other disciplines of human action as well as the law.

The theory of value had lain in the doldrums ever since San Bernardino and Johannes Nider in the fifteenth century, and now, a century later, it was revived by Covarrubias. In his *Variarum* (1554), Covarrubias gets value theory back on the right track: the value of goods on the market is determined by utility, and by the scarcity of the product. The value of goods, then, depends not on matters intrinsic to the good or to its production, but on the estimations of consumers. Thus Covarrubias: 'The value of an article does not depend on its essential nature but on the estimation of men, even if that estimation is foolish. Thus, in the Indies wheat is dearer than in Spain because men esteem it more highly, though the nature of the wheat is the same in both places'. In considering the just price of a good, Covarrubias added, we must consider not its original cost, nor its cost in labour, but only its common market value. Prices fall when buyers are few and goods are abundant, and vice versa.

It should be noted, as will be mentioned further below, that Covarrubias, considered one of the greatest experts on Roman law in his day, exerted considerable influence on the great seventeenth century Dutch Protestant jurist Hugo Grotius. Covarrubias' economic writings were particularly influential in Italy, where they continued to be cited down through the work of the eminent Abbé Ferdinando Galiani, in 1750.

Another important contribution to utility theory was made by a lesser contemporary of Covarrubias, Luis Saravia de la Calle Veroñese. Saravia was one of several influential writers of handbooks on moral theology, which took the teachings of the great theologians and boiled them down for confessors and their penitents. In his *Instrucción de mercades* (Medina del Campo, 1554), Saravia lashed out at all manner of cost-of-production theories of value, insisting that utility and market demand alone, interacting with scarcity of supply, determine the common market price and hence the just price. Saravia's attack on cost of production notions was trenchant and hard-hitting:

the just price arises from the abundance or scarcity of goods, merchants, and money, as has been said, and not from costs, labor and risk. If we had to consider labor and risk in order to assess the just price, no merchant would ever suffer loss, nor would abundance or scarcity of goods and money enter into the question.

Saravia's work, in addition to being cited many times by later Spanish writers, was also influential in Italy, where it was translated in 1561. The Italian A.M. Venusti became a disciple of Saravia and published a similar treatise.

The next important Salamanca economist was the colourful Dominican Tomás de Mercado (d. 1585). Mercado's was the next important handbook on moral theology after Saravia: *Tratos y contratos de mercaderes* (Salamanca, 1569). Born in Seville, Mercado was raised in Mexico, where he entered the Dominican Order, from which he returned to Salamanca and Seville. Mercado's handbook drew on his extensive knowledge of business practice picked up on his travels, and it was written in a concise and even sardonic style.

Mercado was a perceptive, if sometimes confused, monetary theorist. Applying utility analysis to money, Mercado went right up to the edge of marginal analysis by pointing out that the purchasing power is the highest where money is most scarce and therefore highly 'esteemed.' In short, Mercado dimly realized that the demand for money is a schedule, falling as the supply of money increases, and that the value, or purchasing power, of money is determined by the interaction of its supply and demand. Thus Mercado:

...money is esteemed much less in the Indies [where it is mined] than in Spain...After the Indies, the place where money is least esteemed is Seville, the city that gathers unto herself all the good things from the New World, and, after Seville, the other parts of Spain. Money is highly esteemed in Flanders, Rome, Germany and England. This estimation and appreciation are brought about, in the first place, by the abundance or scarcity of these metals; since they are found and mined in America, they are there held in little esteem.

It is not surprising that Mercado, in contrast to de Soto, opposed the outlawing of internal currency exchange in Spain. On the other hand, he was confused enough, in contrast to his keen analysis of the value of money, to favour the outlawing of the export of metals. But wouldn't the 'esteem' for the remaining metals be higher, and wouldn't this check and offset the outward flow of metals?

During the 1570s, a satellite group of theologian-economists arose at Valencia, grounding themselves on their studies at Salamanca. The most important was Francisco García who, in his *Tratado utilismo* (Valencia, 1583) expanded and developed the subjective utility theory of value. In a notable advance in discussions of utility, García pointed out that the utility or value of a thing may vary because: one good may have many uses and serve more purposes than another, may serve a more important service than another, and/or may perform a given service more efficiently than another.

In addition to utility determining value and price, García noted also its relative abundance or scarcity. And here, García too, came just to the edge – although not over – of discovering the final, missing marginal element in utility theory:

For example, we have said that bread is more valuable than meat because it is more necessary for the preservation of human life. But there may come a time when bread is so abundant and meat so scarce that bread is cheaper than meat.

Garcia went on to detail other determinants of value including the number of buyers and sellers; and the eagerness to buy and sell (i.e. intensity of demand in buying or holding on to a product): ‘whether vendors are eager to sell their goods, and buyers much sought after and importuned’. He then went on to integrate monetary into value theory, another determinant of prices being ‘whether money is scarce or plentiful’.

In monetary theory, Garcia continued and developed the Azpilcueta–Covarrubias–Mercado line. In the Indies, where gold and silver are plentiful, specie is ‘not as highly esteemed’ as in Spain, where there is less gold and silver. He similarly pointed out in his comprehensive discussion, that when money is abundant in any given country, its esteem or value will be low, whereas when money is scarce it is far more highly valued. In other words, as Garcia pointed out, these differences in degrees of esteem, or demand, may occur either over place or over time.

This comparative analysis of changes in the value of money over time or place was an important advance in monetary theory. But not only that; Garcia, for the first time, rested his ‘macro’ analysis on a ‘micro’ insight: that a very rich man, a man with an abundant personal supply of money, will tend to evaluate each unit of currency less than when he was poor, or than another poor man. Here Garcia actually grasped, though sketchily, the concept of the diminishing marginal utility of money. Marginalism, in this area at least, was actually reached rather than simply approached.

Finally, Garcia arrived at the most integrated utility theory of the value of money to date: the value of money on the market is determined by the supply of money available, the intensity of the demand for money, and the safety of the money itself (called by later economists the ‘quality’ of the money in the minds of people in the market).

#### **4.6 The late Salamancans**

The School of Salamanca, begun by Francisco Vitoria in the 1520s, reached its final flowering at the end of the sixteenth century. One of the leading lights of that era was the Dominican Domingo de Bañez de Mondragon (1527–1604), professor of theology at the University of Salamanca, and friend and confessor of the famous mystic St Theresa of Avila. De Bañez was renowned for the great controversy with his eminent Jesuit colleague Luís de Molina, on the crucial question of determinism versus free will. De Bañez took the Dominican position, which leaned toward the ‘Calvinist’ – determinist stand that salvation is solely a product of God’s grace, ordered from

the beginning of time for God's own inscrutable reasons. Molina championed the Jesuit view, which upheld the freedom of will of each individual in achieving salvation. In the latter view, the free will choice of the individual is necessary to effectuate God's grace which is there for him to accept. A historian sums up Molina's view of free will with these inspiring words: 'Liberty is ours, so indisputably ours, that, with the help of God's gifts, it lies in our power to avoid all mortal sin and to attain eternal life. Freedom belongs to the sons of God'.<sup>1</sup>

In a systematic discussion of money, its value, and foreign exchange, De Bañez (in *De Justitia et Jure*, 1594), provided a cogent discussion of the purchasing-power parity theory of exchanges, a theory which had formed the scholastic main line since De Soto and Azpilcueta.

The last notable Salamancan economic thinker was the great theologian Luís de Molina (1535–1601). The ascendancy of Molina in Spanish scholastic thought was a fitting embodiment of the passing of the theological and the natural law torch from the Dominicans to the aggressive new Jesuit Order. By the late sixteenth century, the influence of the Order permeated all of Spain.

Though a Salamancan through and through, Molina only briefly studied and never actually taught at that university. Born in Cuenca of a noble family, Molina went briefly to Salamanca, and then to the University of Alcalá. Entering the new Jesuit Order, Molina was sent to the University of Coimbra in Portugal, since the Jesuit Order was not yet fully organized in Castile. Molina was to remain 29 years as a student and teacher in Portugal. After Coimbra, the habitually shabbily dressed Molina taught theology and civil law for 20 years at the University of Évora. In retirement back in Cuenca, the learned and worldly Molina published his massive six-volume *magnum opus*, *De Justitia et Jure*. The first three volumes were published in 1593, 1597 and 1600, and the other volumes followed posthumously.

Luís de Molina was a solid economic liberal, and he provided a comprehensive analysis, in the Salamancan vein, of supply and demand and their determination of price. The just price is, of course, the common market price. One important addition that Molina made to his forerunners was to point out that goods supplied at retail in small quantities will sell at a higher unit price than at bulk sales before the goods get to the retailer. This argument also served as an added justification for the existence of the much-abused retailer.

But Molina in economics was primarily a monetary theorist. Here, he endorsed and carried forward the purchasing-power parity theory of exchange rates and the Salamancan analysis of the value of money, even explicitly endorsing the work of his theological opponent, Domingo de Bañez. Molina's analysis of the determination of the value of money and its changes was the most subtle to date, using explicit 'other things being equal' (*ceteris*

*paribus*) clauses, and developing the analysis of the determinants of the demand for money.

Thus, on the causes of changes in price and particularly of the Spanish inflation of the sixteenth century, Molina wrote:

Just as an abundance of goods causes prices to fall (the quantity of money and number of merchants being equal), so does an abundance of money cause them to rise (the quantity of goods and number of merchants being equal). The reason is that the money by itself becomes less valuable for the purpose of buying and comparing goods. Thus we see that in Spain the purchasing-power of money is far lower, on account of its abundance, than it was eighty years ago. A thing that could be bought for two ducats at that time is nowadays worth five, six, or even more. Wages have risen in the same proportion, and so have dowries, the price of estates, the income from benefices, and other things.

After going through the standard Spanish scholastic analysis of how abundance of money causes a fall in its value, first and foremost in the New World, then in Seville and Spain, Molina noted the importance of the demand for money: ‘Wherever the demand for money is greatest, whether for buying or carrying goods, conducting other business, waging war, holding the royal court, or for any other reason, there will its value be highest’.

It is not surprising that the economic liberal Molina strongly attacked any government fixing of exchange rates. The value of one currency in terms of another is always changing in response to supply and demand forces, and therefore it is meet and just that exchange rates fluctuate accordingly. Molina then pointed out that fixed exchange rates would create a shortage of money. He did not, however, go into detail.

Molina also inveighed against most governmental price controls, particularly the imposing of ceiling prices on farm commodities.

On usury, Molina, while still not going as far as the radical acceptance of interest by Conrad Summenhart a century earlier, took important steps in widening the accepted bounds of the charging of interest. He put his immense prestige behind Juan de Medina’s entirely new defence of charging payment for the lender’s assumption of risk. Indeed, he widened Medina’s permitted bounds of using the risk defence. Not only that: Molina greatly widened the scope of *lucrum cessans*, and solidly entrenched that permissible title to interest as a broad principle permeating the market economy. One of the few remaining restrictions is intention: the loan is not permissible if the lender had not intended to invest the loaned funds.

Luís de Molina also played an important role in reviving active natural rights and private-property rights theory, which had fallen into a decline since the early part of the sixteenth century. Humanists and Protestants, as we shall see below, had little use for the concept of natural rights, while Vitoria

and the Dominicans slipped into a determinist, passive or attenuated view of rights. Only the University of Louvain, in Belgium, began to serve as a centre of free will thought, along with the idea of absolute natural rights of person and property. The Louvain theologian Johannes Driedo stressed freedom of the will (in *De Concordia*, 1537) and active natural rights (*De Libertate Christiana*, 1548).

By the 1580s, the new Jesuit Order began to launch its assault on the Dominicans, whom they suspected of crypto-Calvinism – a suspicion not allayed by the fact that many Dominicans had converted to Calvinism during the sixteenth century. In the course of his championing free will against de Bañez and the Dominicans, Molina also returned to the active natural rights view which had for long only continued to be upheld at Louvain. Attacking the passive claim theory of rights, Molina put the distinction very clearly:

When we say...that someone has a *ius* to something, we do not mean that anything is owed to him, but that he has a faculty to it, whose contravention would cause him injury. In this way we say that someone has a *ius* to use his own things, such as consuming his own food – that is, if he is impeded, injury and injustice will be done to him. In the same way that a pauper has the *ius* to beg alms, a merchant has the *ius* to sell his wares, etc.

Note that the astute Molina did *not* say that the pauper had the right to be given alms. For Molina, as for all active property rights theorists, a ‘right’ was not a claim to someone else’s property, but was, on the contrary a clear-cut right to use one’s own property without someone else’s claim being levied upon it.

It was Molina’s achievement to link this active natural rights theory with his libertarian commitment to freedom and the free will of each individual, both theologically and philosophically. Professor Tuck sums up this linkage with these stirring words: Molina’s ‘was a theory which involved a picture of man as a free and independent being, making his own decisions and being held to them, on matters to do with both his physical and his spiritual welfare’.<sup>2</sup>

The School of Salamanca had begun with the distinguished jurist, de Vitoria, and so it is fitting that the last major Salamanca should be another renowned jurist, and perhaps the most illustrious thinker in the history of the Jesuit Order – Francisco Suarez (1548–1617). The last of the great Thomists, this celebrated theologian was born in Granada into an ancient noble family. Entering the University of Salamanca, Suarez applied to the Jesuit Order in 1564 and was the only applicant among 50 candidates that year to be rejected – as mentally and physically below standard! Admitted finally with an inferior rank, Suarez could hardly keep up with his studies and was known – ironically like St Thomas Aquinas before him – as the ‘dumb ox’. Soon,

however, the humble and modest Suarez became the star pupil, and it was not long before his theology professors were asking him for advice.

In 1571, Suarez became professor of philosophy at Segovia, then taught theology at Avila and Valladolid. Suarez soon attained to the famous chair of theology at the Jesuit College in Rome. From there, due to ill health, Suarez returned to Spain, teaching at Alcalá, where he was virtually ignored, and then to Salamanca, where, as in Alcalá, he lost academic disputes to inferior rivals. In 1593, the emperor insisted on Suarez's accepting the main chair of theology at Coimbra, where, in 1612, he published his masterwork, *De Legibus ac de Deo Legislatore*.

Francisco Suarez never achieved his due in life. His quiet, plodding lecture style made him lose academic influence to flashier though inferior rivals. Perhaps the crowning indignity heaped upon him is that, in 1597, at the age of 49, this brilliant and learned jurist and theologian, perhaps the greatest mind in the history of the Jesuit Order, was forced to leave the University of Coimbra for a year to obtain a doctorate in theology at Évora. Ph.D-it is in the sixteenth century!<sup>3</sup>

While Suarez contributed little on strictly economic matters, he added greatly to the weight of the Louvain–Molina rediscovery of the active natural rights view of private property, and he reinforced the great impact of Molinist freewill theory. In addition, Suarez had a much more restricted view of the just power of the king than did Molina or his other predecessors. To Suarez the power of the ruler is in no sense a divinely created institution since political power by natural and divine law devolves solely on the people as a whole. The community as a whole confers political power on the king or other set of rulers; and while Suarez believed that natural law requires *some* form of state, the sovereign power of any particular state 'must necessarily be bestowed upon him by the consent of the community'.

Suarez's theory, of course, held radical implications indeed. For if the people or the community confer state power on a king or a set of rulers, may they not then take it away? Here, Suarez fumbled; he was certainly not prepared to go all the way to a truly radical or revolutionary position. No, he declared inconsistently, once the sovereign power is conferred by the people on a king, it is his forever; the people cannot take it back. But then Suarez shifts once more, adopting the traditional Thomist doctrine of the right of the people to resist tyrants. If a king lapses into tyranny, then the people may rise up and resist, and even assassinate the king. But Suarez, like his forbears, hedged this powerful right of 'tyrannicide' with a thicket of restrictions; in particular, tyranny must be manifest, and a private person cannot rise up himself and kill the king. The act must in some way be mandated by the people or community acting as a whole.

#### 4.7 The learned extremist: Juan de Mariana

One of the last Spanish scholastics was a Jesuit but not a Salamancan. He was the 'extremist' contemporary of Molina and Suarez, Juan de Mariana (1536–1624). Mariana was born near Toledo, of poor and humble parents. He entered the great University of Alcalá in 1553, shone as a student, and a year later was received into the new Society of Jesus. After completing his studies at Alcalá, Mariana went to the Jesuit College at Rome in 1561 to teach philosophy and theology, and after four years moved to Sicily to set up the theology programme at the Jesuit college there. In 1569, Mariana moved to teach theology at the great University of Paris, at the remarkably young age of 33. After four years, ill health forced him to retire to live in Toledo; ill health, however, often does not necessarily mean a short life, and Mariana lived to the then phenomenally ripe old age of 88.

Fortunately, Mariana's 'retirement' was an active one, and his great learning and erudition drew numerous persons, from private citizens to state and ecclesiastical authorities, to ask for his advice and guidance. He was able to publish two great and influential books. One was a history of Spain, written first in Latin and then in Spanish, which went into many volumes and many editions in both languages. The Latin version was eventually published in 11 volumes, and the Spanish in 30. The Spanish edition has long been considered one of the classics of Spanish style, and it went into many editions until the mid-nineteenth century.

The other notable work of Mariana, *De Rege* (*On Kingship*), was published in 1599, written at the suggestion of King Philip II of Spain and dedicated to his successor Philip III. But monarchy did not fare well at the hands of the hard-hitting Mariana. A fervent opponent of the rising tide of absolutism in Europe, and of the doctrine of such as King James I of England that kings rule absolutely by divine right, Mariana converted the scholastic doctrine of tyranny from an abstract concept into a weapon with which to smite real monarchs of the past. He denounced such ancient rulers as Cyrus the Great, Alexander the Great, and Julius Caesar as tyrants, who acquired their power by injustice and robbery. Previous scholastics, including Suarez, believed that the people could ratify such unjust usurpation by their consent after the fact, and thereby make their rule legitimate. But Mariana was not so quick to concede the consent of the people. In contrast to other scholastics, who placed the 'ownership' of power in the king, he stressed that the people have a right to reclaim their political power whenever the king should abuse it. Indeed Mariana held that, in transferring their original political power from a state of nature to the king, the people necessarily reserved important rights to themselves; in addition to the right to reclaim sovereignty, they retained such vital powers as taxation, the right to veto laws, and the right to determine succession if the king has no heir. It should already be clear that it

was Mariana, rather than Suarez, who might be called the forebear of John Locke's theory of popular consent and the continuing superiority of the people to the government. Furthermore, Mariana also anticipated Locke in holding that men leave the state of nature to form governments in order to preserve their rights of private property. Mariana also went far beyond Suarez in postulating a state of nature, a society, previous to the institution of government.

But the most fascinating feature of the 'extremism' of Mariana's political theory was his creative innovation in the scholastic theory of tyrannicide. That a tyrant might be justly killed by the people had long been standard doctrine; but Mariana broadened it greatly in two significant ways. First, he expanded the definition of tyranny: a tyrant was any ruler who violated the laws of religion, who imposed taxes without the people's consent, or who prevented a meeting of a democratic parliament. All the other scholastics, in contrast, had located the sole power to tax in the ruler. Even more spectacularly, to Mariana *any* individual citizen can justly assassinate a tyrant and may do so by any means necessary. Assassination did not require some sort of collective decision by the entire people. To be sure, Mariana did not think that an individual should engage in assassination lightly. First, he should try to assemble the people to make this crucial decision. But if that is impossible, he should at least consult some 'erudite and grave men', *unless* the cry of the people against the tyrant is so starkly manifest that consultation becomes unnecessary.

Furthermore, Mariana added – in phrases anticipating Locke's and the Declaration of Independence's justification of the right of rebellion – that we need not worry about the public order being greatly disrupted by too many people taking up the practice of tyrannicide. For this is a dangerous enterprise, Mariana sensibly pointed out, and very few are ever ready to risk their lives in that way. On the contrary, *most* tyrants have not died a violent death, and tyrannicides have almost always been greeted by the populace as heroes. In contrast to the common objections to tyrannicide, he concluded, it would be salutary for rulers to fear the people, and to realize that a lapse into tyranny might cause the people to call them to account for their crimes.

Mariana has given us an eloquent description of the typical tyrant at his deadly work:

He seizes the property of individuals and squanders it, impelled as he is by the unkingly vices of lust, avarice, cruelty, and fraud.... Tyrants, indeed, try to injure and ruin everybody, but they direct their attack especially against rich and upright men throughout the realm. They consider the good more suspect than the evil; and the virtue which they themselves lack is most formidable to them... They expel the better men from the commonwealth on the principle that whatever is exalted in the kingdom should be laid low... They exhaust all the rest so that they can not

unite by demanding new tributes from them daily, by stirring up quarrels among the citizens, and by joining war to war. They build huge works at the expense and by the suffering of the citizens. Whence the pyramids of Egypt were born... The tyrant necessarily fears that those whom he terrorizes and holds as slaves will attempt to overthrow him.... Thus he forbids the citizens to congregate together, to meet in assemblies, and to discuss the commonwealth altogether, taking from them by secret-police methods the opportunity of free speaking and freely listening so that they are not even allowed to complain freely....

This ‘erudite and grave man’, Juan de Mariana, left no doubt what he thought of the most recent famous tyrannicide: that of the French King Henry III. In 1588, Henry III had been prepared to name as his successor Henry of Navarre, a Calvinist who would be ruling over a fiercely Catholic nation. Facing a rebellion by the Catholic nobles, headed by the duc de Guise, and backed by the devoted Catholic citizens of Paris, Henry III called the duke and his brother the cardinal to a peace parley into his camp, and then had the two assassinated. The following year, on the point of conquering the city of Paris, Henry III was assassinated in turn, by a young Dominican friar and member of the Catholic League, Jacques Clément. To Mariana, in this way ‘blood was expiated with blood’ and the duc de Guise was ‘avenged with royal blood’. ‘Thus perished Clément’, concluded Mariana, ‘an eternal ornament of France’. The assassination had similarly been hailed by Pope Sixtus V, and by the fiery Catholic preachers of Paris.

The French authorities were understandably edgy about Mariana’s theories and at his book *De Rege*. Finally, in 1610, Henry IV (formerly Henry of Navarre, who had converted from Calvinism to the Catholic faith in order to become king of France), was assassinated by the Catholic resister Ravaillac, who despised the religious centrism and the state absolutism imposed by the king. At that point, France erupted in an orgy of indignation against Mariana, and the *parlement* of Paris had *De Rege* burned publicly by the hangman. Before executing Ravaillac, the assassin was questioned closely as to whether reading Mariana had driven him to murder, but he denied ever having heard of him. While the king of Spain refused to heed French pleas to suppress this subversive work, the general of the Jesuit Order issued a decree to his society, forbidding them to teach that it is lawful to kill tyrants. This truckling, however, did not prevent a successful smear campaign in France against the Jesuit Order, as well as its loss of political and theological influence.

Juan de Mariana possessed one of the most fascinating personalities in the history of political and economic thought. Honest, gutsy and fearless, Mariana was in hot water almost all of his long life, even for his economic writings. Turning his attention to monetary theory and practice, Mariana, in his brief treatise *De Monetae Mutatione (On the Alteration of Money)*, 1609 denounced his sovereign, Philip III, for robbing the people and crippling commerce

through the debasement of copper coinage. He pointed out that this debasement also added to Spain's chronic price inflation by increasing the quantity of money in the country. Philip had wiped out his public debt by debasing his copper coins by two-thirds, thereby tripling the supply of copper money.

Mariana noted that debasement and government tampering with the market value of money could only cause grave economic problems:

Only a fool would try to separate these values in such a way that the legal price should differ from the natural. Foolish, nay, wicked the ruler who orders that a thing the common people value, let us say, at five should be sold for ten. Men are guided in this matter by common estimation founded on considerations of the quality of things, and of their abundance or scarcity. It would be vain for a Prince to seek to undermine these principles of commerce. 'Tis best to leave them intact instead of assailing them by force to the public detriment.

Mariana begins *De Monetae* with a charming and candid apologia for writing the book reminiscent of the great Swedish economist Knut Wicksell over two and a half centuries later: he knows that his criticism of the king courted great unpopularity, but everyone is now groaning under the hardships resulting from the debasement, and yet no one has had the courage to criticize the king's action publicly. Hence, justice requires that at least one man – Mariana – should move in to express the common grievance publicly. When a combination of fear and bribery conspire to silence critics, there should be at least one man in the country who knows the truth and has the courage to point it out to one and all.

Mariana then proceeds to demonstrate that debasement is a very heavy hidden tax on the private property of his subjects, and that, *pace* his political theory, no king has the right to impose taxes without the consent of the people. Since political power originated with the people, the king has no rights over the private property of his subjects, nor can he appropriate their wealth by his whim and will. Mariana notes the papal bull *Coena Domini*, which had decreed the excommunication of any ruler who imposes new taxes. Mariana reasons that any king who practises debasement should incur the same punishment, as should any legal monopoly imposed by the state without the consent of the people. Under such monopolies, the state itself, or its grantee, can sell a product to the public at a price higher than its market worth, and this is surely nothing but a tax.<sup>4</sup>

Mariana also set forth a history of debasement and its unfortunate effects; and he pointed out that governments are supposed to maintain all standards of weight and measure, not only of money, and that their record in adulterating those standards is most disgraceful. Castile, for example, had changed its measures of oil and wine, in order to levy a hidden tax, and this led to great confusion and popular unrest.