and the other theologians of the previous century in insisting on the just price for all exchanges and, not being content with the more liberal legist creed of free bargaining up to the alleged point of *laesio enormis*, in asserting that divine law, which must take precedence over human law, demands complete virtue, or the precise just price.

Unfortunately, in discussing the just price, St Thomas stored up great trouble for the future by being vague about what precisely the just price is supposed to be. As a founder of a system built on the great Aristotle, Aquinas, following St Albert before him, felt obliged to incorporate the Aristotelian analysis of exchange into his theory, with all the ambiguities and obscurities that that entailed. St Thomas was clearly an Aristotelian in adopting the latter's trenchant view that the determinant of exchange value was the need, or utility, of consumers, as expressed in their demand for products. And so, this proto-Austrian aspect of value based on demand and utility was reinstated in economic thought. On the other hand, Aristotle's erroneous view of exchange as 'equating' values was rediscovered, along with the indecipherable shoemaker–builder ratio. Unfortunately, in the course of the *Commentary to the* (Nichomachean) *Ethics*, Thomas followed St Albert in seeming to add to utility, as a determinant of exchange value, labour plus expenses. This gave hostage to the later idea that St Thomas had either added to Aristotle's utility theory of value a cost of production theory (labour plus expenses), or even replaced utility by a cost theory. Some commentators have even declared that Aquinas had adopted a labour theory of value, capped by the notorious and triumphant sentence by the twentieth century Anglican socialist historian Richard Henry Tawney: 'The true descendant of the doctrines of Aquinas is the labour theory of value. The last of the Schoolmen is Karl Marx.'[2]

It has taken historians several decades to recover from Tawney's disastrous misinterpretation. Indeed, the scholastics were sophisticated thinkers and social economists who favoured trade and capitalism, and advocated the common market price as the just price, with the exception of the problem of usury. Even in value theory, the labour plus expenses discussion in Aquinas is an anomaly. For labour plus expenses (*never* just labour) appears only in Aquinas's *Commentary* and not in the *Summa*, his *magnum opus*.[3] Moreover, we have seen that labour plus expenses was a formula generally used in Aquinas's times to justify the profits of merchants rather than as a means of determining economic value. It is therefore likely that Aquinas was using the concept in this sense, making the sensible point that a merchant who failed in the long run to cover his costs and not to make profits would go out of business.

In addition, there are many indications that Aquinas adhered to the common view of the Churchmen of his and previous times that the just price was the common market price. If so, then he could scarcely *also* hold that the just price equalled cost of production, since the two can and do differ. Thus his conclusion in the *Summa* was that 'the value of economic goods is that which comes into human use and is measured by a monetary price, for which purpose money was invented.' Particularly revealing was a reply Aquinas made as early as 1262 in a letter to Jacopo da Viterbo (d. 1308), a lector of the Dominican monastery in Florence and later archbishop of Naples. In his letter, Aquinas referred to the common market price as the normative and just price with which to compare other contracts. Moreover, in the *Summa*, Aquinas notes the influence of supply and demand on prices. A more abundant supply in one place will tend to lower price in that place, and vice versa. Furthermore, St Thomas described without at all condemning the activities of merchants in making profits by buying goods where they were abundant and cheap, and then transporting and selling them in places where they are dear. None of this looks like a cost-of-production view of the just price.

Finally, and most charmingly and crucially, Aquinas, in his great *Summa*, raised a question that had been discussed by Cicero. A merchant is carrying grain to a famine-stricken area. He knows that soon other merchants are following him with many more supplies of grain. *Is* the merchant obliged to tell the starving citizenry of the supplies coming soon and thereby suffer a lower price, or is it all right for him to keep silent and reap the rewards of a high price? To Cicero, the merchant was duty-bound to disclose his information and sell at a lower price. But St Thomas argued differently. Since the arrival of the later merchants was a future event and *therefore* uncertain, Aquinas declared justice did not require him to tell his customers about the impending arrival of his competitors. He could sell his own grain at the prevailing market price for that area, even though it was extremely high. Of course, Aquinas went on amiably, if the merchant wished to tell his customers anyway, that would be especially virtuous, but justice did not require him to do so. There is no starker example of Aquinas's opting for the just price as the current price, determined by demand and supply, rather than the cost of production (which of course did not change much from the area of abundance to the famine area).

A piece of indirect evidence is that Giles of Lessines (d. c.1304), a student of Albert and Aquinas and a Dominican professor of theology at Paris, analysed the just price similarly, and flatly declared that it was the common market price. Giles stressed, furthermore, that a good is properly worth as much as it can be sold for without coercion or fraud.

It should come as no surprise that Aquinas, in contrast to Aristotle, was highly favourable towards the activities of the merchant. Mercantile profit, he declared, was a stipend for the merchant's labour, and a reward for shouldering the risks of transportation. In a commentary to Aristotle's *Politics* (1272), Aquinas noted shrewdly that greater risks in sea transportation resulted in greater profits for merchants. In his *Commentary to the Sentences* of Peter Lombard, written in the 1250s, Thomas followed preceding theologians in arguing that merchants could ply their trade without committing sin. But in his later work, he was far more positive, pointing out that merchants perform the important function of bringing goods from where they are abundant to where they are scarce.

Particularly important was Aquinas's brief outline of the mutual benefit each person derives from exchange. As he put it in the *Summa*: 'buying and selling seems to have been instituted for the mutual advantage of both parties, since one needs something that belongs to the other, and conversely'.

Building on Aristotle's theory of money, Aquinas pointed out its indispensability as a medium of exchange, a 'measure' of expression of values, and a unit of account. In contrast to Aristotle, Aquinas was not frightened at the idea of the value of money fluctuating on the market. On the contrary, Aquinas recognized that the purchasing power of money was bound to fluctuate, and was content if it fluctuated, as it usually did, more stably than did particular prices.

It was the peculiar fate of the usury prohibition in the Middle Ages that every time it seemed to be weakening in the face of reality, theorists would strengthen the ban. At a time when the highly sophisticated and knowledgeable Cardinal Hostiensis was seeking to soften the prohibition, St Thomas Aquinas unfortunately tightened it once more. Like his teacher St Albert, Aquinas added the Aristotelian objection to the medieval ban on usury, except that Aquinas also inserted something new. In the medieval tradition of starting with the conclusion – the crushing of usury – and seizing any odd argument to hand which might lead to it, Aquinas added a new twist to Aristotelian doctrine. Instead of stressing the barrenness of money as a major argument against usury, Aquinas seized on the term 'measure' and stressed that since money, in terms of money, of course, has a fixed legal face value, this means that the formal nature of money must be to remain fixed. The purchasing power of money can fluctuate due to changes in the supply of goods; that is legitimate and natural. But when the holder of money sets out to produce variations in its value by charging interest, he violates the nature of money and is therefore sinful and mindless of the natural law.

That such arrant nonsense should swiftly assume a central place in all later scholastic prohibitions of usury is testimony to the way that irrationality can seize the thought of even so great a champion of reason as Aquinas (and his followers). Why the fixed legal face value of a coin should mean that its value in exchange – at least from the side of money – should not change; or why the charging of interest should be confused with a change in the purchasing power of money, simply testifies to the human propensity for fallacy, especially when prohibiting usury had already become the overriding goal.

But Aquinas's argument against usury involved another invention of his own. Money, to him, is totally 'consumed'; it 'disappears' in exchange. Therefore money's use is equivalent to its ownership. Hence, when one charges interest on a loan, one is charging twice, for the money itself and for its use, although they are one and the same. Highlighting this odd thesis was Aquinas's discussion of why it was legitimate for an owner of money to charge rent for someone to display a coin. In that case, there is a bailment, a charge for keeping one's money in trust. But the reason why this charge is licit, for Aquinas, is that the display of money is only a 'secondary' use, a use separate from its ownership, since money is not 'consumed' or does not disappear in the process. The primary use of money is to disappear in the purchase of goods.

There are several grave problems with this new weapon invented by Aquinas with which to beat usury. First, what is *wrong* with charging 'twice', for ownership and use? Second, even if somehow wrong, this act scarcely bears the weight of sin and excommunication that the Catholic Church had loaded for centuries upon the hapless usurer. And third, if Aquinas had looked beyond the legal formalism of money, and at the goods which the borrower purchased with his loan, he might have seen that these purchased goods were in an important sense 'fruitful', so that while the money 'disappeared' in purchases, in an economic sense the goods-equivalent of money was retained by the borrower.

St Thomas's stress on consumption of money led to a curious shift on the usury question. In contrast to all theorists since Gratian, the sin now became not charging interest on a loan *per se*, but only on a good – money – that disappears. Therefore, for Aquinas, charging interest on a loan of goods in kind would not be condemned as 'usury'.

But if the usury prohibition on money was tightened with new arguments, Aquinas continued and strengthened the previous tradition of justifying investments in a partnership (*societas*). A *societas* was licit because each partner retained ownership of his money, and ran the risk of loss; hence profit on such risky investments was legitimate. In the late eleventh century, Ivo of Chartres had already briefly distinguished a *societas* from a usurious loan, and the distinction was elaborated in the early thirteenth century by the theologian Robert of Courçon (c.1204), and in John Teutonicus' *Gloss* on Gratian (1215). Courçon had made it clear that even an inactive partner risked his capital in an enterprise. This of course meant that types of inactive partnerships, such as sea loans for specific voyages, slid over into actual loans, and the lines were often fuzzy. Besides, and this was a problem that no one at the time would face, wasn't *any* lender necessarily risking his capital, since a borrower could always turn out to be unable to repay even the principal of a loan?

Aquinas now lent his enormous authority to the view that the *societas* was perfectly licit and not usurious. He succintly declared that the investor of money does not transfer ownership to a working partner; that ownership is retained by the investor; so that he risks his money and can legitimately earn a profit on the investment. The trouble with this, however, is that Aquinas here abandons his own thesis that the ownership of money is the same thing as its use. For the use of the money was transferred to the working partner, and therefore on St Thomas's own grounds he should have condemned all partnerships, as well as the *societas*, as illicit and usurious. Confronting a thirteenth century world in which the *societas* flourished and was crucial to commercial and economic life, it was unthinkable to Aquinas that he should throw the economy into chaos by condemning this well-established instrument of trade and finance.

Instead of ownership going with the use of a consumable item, then, Aquinas now advanced the idea of ownership going with incidence of risk. The investor risks his capital; therefore, he retains ownership of his investment. A seemingly sensible way out, but flimsy; not only did Aquinas thereby contradict his own bizarre ownership theory, he also failed to realize that, after all, not *all* ownership need be particularly risky. Another problem is that the risk-taker is making a profit on the investment of money, which is supposed to be sterile. Instead of stating that all profit should go to the working partner, St Thomas explicitly says that the capitalist rightly receives the 'gain coming thence', i.e. from the use of his money, 'as from his own property.' It looks very much as if St Thomas is here treating money as fertile and productive, providing an independent reward to the capitalist.

Yet, despite the inner contradictions rife in St Thomas's treatment of usury and the *societas*, his entire doctrine continued to be dominant for 200 years.

Finally, Aquinas was a firm believer in the superiority of private to communal property and resource ownership. Private ownership becomes a necessary feature of man's earthly state. It is the best guarantee of a peaceful and orderly society, and it provides maximum incentive for the care and efficient use of property. Thus, in the *Summa*, St Thomas keenly writes: 'every man is more careful to procure what is for himself alone that that which is common to many or to all since each one would shirk the labour and leave to another that which concerns the community, as happens where there are a great number of servants'.

Furthermore, developing the Roman law theory of acquisition, Aquinas, anticipating the famous theory of John Locke, grounded the right of original acquisition of property on two basic factors: labour and occupation. The initial right of each person is to ownership over his own self, in Aquinas's view in a 'proprietary right over himself'. Such individual self-ownership is based on the capacity of man as a rational being.

Next, cultivation and use of previously unused land establishes a just property title in the land in one man rather than in others. St Thomas's theory of acquisition was further clarified and developed by his close student and disciple, John of Paris (Jean Quidort, c.1250–1306), a member of the same Dominican community of St Jacques in Paris as Aquinas. Championing the absolute right of private property, Quidort declared that lay property

> is acquired by individual people through their own skill, labour and diligence, and individuals, as individuals, have right and power over it and valid lordship; each person may order his own and dispose, administer, hold or alienate it as he wishes, so long as he causes no injury to anyone else; since he is lord.

This 'homesteading' theory of property has been held by many historians to be the ancestor of the Marxian labour theory of value. But this charge confuses two very different things: determination of the *economic value* or price of a good, and a decision on how unused resources are to go over into private hands. The Aquinas–John of Paris–Locke view is the 'labour theory' (defining 'labour' as the expenditure of human energy rather than working for a wage) of the origin of property, *not* a labour theory of value.

In contrast to his forerunner Aristotle, labour for Aquinas was scarcely to be despised. On the contrary, labour is a dictate of positive, natural and divine law. Aquinas is very much aware that God in the Bible gave the dominion over all the earth to man for his use. Man's function is to take the materials provided by nature and, by discerning natural law, to mould that reality to achieve his purposes. While Aquinas scarcely has any conception of economic growth or capital accumulation, he clearly posits man as active moulder of his life. Gone is the passive Greek ideal of conforming to given conditions or to the requirements of the *polis*.

Perhaps St Thomas's most important contribution concerned the underpinning or framework of economics rather than strictly economic matters. For in reviving and building on Aristotle, St Thomas introduced and established in the Christian world a philosophy of natural law, a philosophy in which human reason is able to master the basic truths of the universe. In the hands of Aquinas as in Aristotle, philosophy, with reason as its instrument of knowledge, became once again the queen of the sciences. Human reason demonstrated the reality of the universe, and of the natural law of discoverable classes of entities. Human reason could know about the nature of the world, and it could therefore know the proper ethics for mankind. Ethics, then, became decipherable by reason. This rationalist tradition cut against the 'fideism' of the earlier Christian Church, the debilitating idea that only faith and supernatural revelation can provide an ethics for mankind. Debilitating because if the faith is lost, then ethics is lost as well. Thomism, in contrast, demonstrated that the laws of nature, including the nature of mankind, provided the means for man's reason to discover a rational ethics. To be sure, God created the natural laws of the universe, but the apprehension of these natural laws was possible whether or not one believed in God as creator. In this way, a rational ethic for man was provided on a truly scientific rather than on a supernatural foundation.

In the subset of natural law theory that deals with rights, St Thomas led a swing back from the twelfth century concept of a right as a claim on others rather than as an inviolable area of property right, of the dominion of an individual, to be defended from all others. In a brilliant work, Professor Richard Tuck[4] points out that early Roman law was marked by an 'active' property right/dominion view of rights, while the later twelfth century Romanists at Bologna converted the concept of 'right' to the passive listing of claims on other men. This 'passive' as opposed to 'active' concept of rights reflected the network of interwoven, customary and status claims that marked the Middle Ages. This is, in an important sense, the ancestor of the modern assertion of such 'claim-rights' as 'the right to a job', the 'right to three square meals a day', etc., all of which can only be fulfilled by coercing others to obtain them.

At thirteenth century Bologna, however, Accursius began a swing back to an active property rights theory, with the property of each individual a dominion which must be defended against all others. Aquinas adopted the idea of a natural dominion without, however, going all the way to a genuine natural rights theory, which asserts that private property is natural and not a convention created by society or government. Aquinas was moved to adopt the dominion theory because of the mighty late thirteenth century ideological battles between the Dominican and Franciscan Orders. The Franciscans, committed to total poverty, claimed that their subsistence use of resources was not really private property; this pleasant fiction enabled the Franciscans to claim that, in their state of voluntary poverty, they had risen above the ownership or possession of property. They maintained oddly that purely *consumption* use of resources, such as they engaged in, did not imply the possession of property. Supposedly, the sale or giving away of a resource was necessary to qualify it as property. Self-sufficiency or isolation did not, according to the Franciscan view, allow property to exist. The rival Dominicans, including Aquinas, understandably upset by this claim, began to insist that *all use* necessarily implied dominion, the possession and control of resources, and therefore property.

2.8 Late thirteenth century scholastics: Franciscans and utility theory

The first victory in the struggle over property right concepts was won by the Franciscans, whose theory was upheld by their protector, Pope Nicholas III, in his bull *Exiit*, issued in 1279. This dominant theory was elaborated by the first great critic of Thomism, the British Franciscan scholastic John Duns Scotus (1265–1308), professor of theology at Oxford and later at Paris. Aquinas had maintained that neither private nor communal property was a necessary feature of the state of nature, so that one condition was no more natural than the other. Scotus, on the contrary, boldly maintained that in a state of natural innocence both natural and divine law decree that all resources be held in common, so that no private property or dominion may exist. In this supposedly idyllic primitive communism, each person may take what he needs from the common store.

Rights theory was scarcely the only Franciscan deviation from mainline Thomism. As fideists, the Franciscans harked back to earlier Christian tradition before it had been superseded by the rationalism of St Thomas. They began, therefore, to deprecate the idea of a rational ethics and hence of natural law.

In the matter of rights theory, at least, the Franciscans were soon smashed. Reacting against the Franciscans, Pope John XXII issued his famous bull *Quia vir reprobus* (1329). *Quia* asserted trenchantly that God's dominion over the earth was reflected in man's dominion or property over his material possessions. Property rights, therefore, were *not*, as even Aquinas had believed, a product of positive law or social convention; they were rooted in man's nature, as created by divine law. Property rights were therefore natural and coextensive with man's actions in the material world. The Franciscans were effectively routed on this point; it was now established, as Richard Tuck puts it, that property 'was a basic fact about human beings, on which their social and political concepts had to be posited'.[5]

In more strictly economic matters, Franciscans could either adhere to or deviate from the mainline Thomist concept of the just price. Scotus himself set forth a deviationist view. In his commentary on Peter Lombard's *Sentences*, Scotus elaborated a minority view that many historians have wrongly attributed to scholasticism as a whole: that the just price was the merchant's cost of production plus compensation for the industry, labour and risk involved in bringing his product to market. The compensation, furthermore, was supposed to provide adequate support for the family of the merchant. In this way, labour plus expenses plus risk, previously employed to justify whatever profits the merchant might obtain, was now transformed into the determinant of the just price. Scotus made this cost-of-production a theory of just price, in contrast to the long-standing mainstream scholastic view that the just price was the common price on the market.

Although a Franciscan, the British scholastic at the University of Paris, Richard of Middleton (c.1249–1306), followed the economic doctrine of Aquinas and stressed need and utility as the determinants of economic value. The just price, following the main scholastic line, was equivalent to the common market price determined by these needs. Middleton also underlined Aquinas's vitally important concept that both parties to an exchange benefit. Becoming more precise than Aquinas, Middleton pointed out that, say, when a horse is sold for money, both the buyer and the seller gain from the transaction, since the buyer demonstrates that he needs the horse more than the money while the seller prefers the money to the horse.

In addition to developing this crucial concept of mutual benefit, Richard of Middleton was the first to apply that concept to international trade. International trade, as well as individual exchange, brings mutual benefits. Middleton illustrated this idea by postulating two countries: country *A* which has a superabundance of grain but a dearth of wine, and country *B* which has an abundance of wine but little grain. Both countries will then benefit by exchanging their respective surpluses. The merchants will also profit by transporting grain from country *A*, where it is abundant and its price is therefore cheap, to country *B*, where it is scarce and commands a high price. Merchants will also profit by the reverse traffic: shipping wine from country *B*, where its price is low, to *A*, where its price is high. By buying and selling at current market prices, the merchants are trading at the just price, and make a profit yet exploit no one. The merchants are justly compensated for performing a useful service and for taking trouble and risks. The only point missed by Middleton in this sophisticated analysis is that the actions of the various merchants will move toward equalizing prices in the two countries.

An even more dazzling contribution to economic thought was made by a Provençal Franciscan friar, for many years lector at Florence. Pierre de Jean Olivi (1248–98), in two treatises on contracts, one on usury and the other on purchases and sales, pointed out that economic value was determined by three factors: scarcity (*raritas*); usefulness (*virtuositas*); and desirability or desiredness (*complacibilitas*). The effect of scarcity, or what we would now call 'supply', is clear: the scarcer a product the more valuable it is, and therefore the higher the price. The more abundant the product (the greater the supply), on the other hand, the lower the value and the price.

Olivi's remarkable contribution was to investigate the previously vague concept of need or utility. Aquinas's student and disciple, the Dominican Giles of Lessines, teaching at the University of Paris, had taken the utility concept a step further by stating that goods are more or less valuable on the market according to the degree of their utility. But now Olivi separated utility into two parts. One was *virtuositas*, or the objective utility of a good, the objective power it has to satisfy human wants. But, as Olivi explains, the important factor in determining price is *complacibilitas*, or subjective utility, the subjective desirability of a product to the individual consumers.

Furthermore, Olivi squarely confronted the 'paradox of value' which would later confound Adam Smith and the classical economists, and did far better than they at solving it. The 'value paradox' is that a good such as water or bread, essential to life and therefore, according to the classical economists, having a high 'use-value', should be very cheap and have a low value on the market. At the same time, in contrast, gold or diamonds, non-essential luxuries and therefore of far lower use-value, have far higher exchange value on the market. The classical economists of the eighteenth and nineteenth centuries simply threw up their hands at this paradox and unsatisfactorily posed a sharp dichotomy between use- and exchange-value. Olivi, on the other hand, pointed to the solution: water, though necessary to human life, is so highly abundant and easily available that it commands a very low price on the market, while gold is far more scarce and therefore more valuable. Utility, in the determination of price, is relative to supply and not absolute. The complete solution to the value paradox had to wait for the Austrian School of the late nineteenth century: the 'marginal utility' – the value of each unit of a good – diminishes as its supply increases. Thus a superabundant good such as bread or water will have a low marginal utility, while a rare good such as gold will have a high one. The value of a good on the market, and therefore its price, is determined by its *marginal* utility, not the philosophical utility of the good as a whole or in the abstract. But, of course, before the Austrians, the marginal concept was lacking.

The marketplace for Olivi, then, was an arena in which prices for goods are formed out of the interaction of individuals with differing subjective utilities and valuations of the good. Just market prices, then, are not determined by referring to the objective qualities of the good, but by the interaction of subjective preferences on the market.

In addition to his monumental achievement in being the first to discover subjective utility theory, Olivi was the first to bring into economic thought the concept of capital (*capitale*) as a fund of money invested in a business venture. The term 'capital' had appeared in numerous business records since the mid-twelfth century, but this is the first time it was conceptualized. The concept of capital was used by Olivi to show that it was possible to use money in a fruitful way, to gain a profit. Olivi retained the usury ban where capital was invested without being altered in some way by the labour and industry of the investor. However, Olivi was one of the minority of scholastics to adopt the Hostiensis allowance of *lucrum cessans* – permitting an interest charge on a loan wherever the profit on an investment was foregone in the process. Unfortunately, Olivi continued Hostiensis' careful limitation of confining *lucrum cessans* to loans granted out of charity, so that the activities of a professional money-lender could still in no way be justified.

It is a notable irony in the history of economic thought that the discoverer of the subjective utility theory, a highly sophisticated analyst of how the market economy worked, a believer in the just price as the common market price, the initiator of the concept of capital, and a defender of at least the partial use of *lucrum cessans* as a way of justifying interest: that this great market thinker should have been the leader of the rigourist wing of the Franciscan order that believed in living in extreme poverty. Perhaps one explanation is that Olivi was born in the highly important market town of Narbonne. He was the main intellectual leader of the Spiritual Franciscans, who believed devoutly in following faithfully the rule of total poverty laid down by the founder of the order, St Francis of Assisi (1182–1226). It is a further irony that Olivi's opponents, the Conventual Franciscans, who believed in a far laxer interpretation of the rule, hurled anathemas at Olivi and other Spirituals and managed to destroy many physical as well as intellectual traces of Olivi's work. In 1304, six years after his death, a chapter general of the Franciscan Order commanded the destruction of all Olivi's works, and 14 years later, the unfortunate Olivi's body was disinterred and his bones scattered.

Not only were many physical copies of Olivi's writings destroyed, but it became unhealthy for Franciscans, at least, to refer to his works. As a result, when, nearly a century and a half later, Olivi's forgotten work was rediscovered by the great Franciscan saint San Bernardino (St Bernardine) of Siena, Bernardino thought it prudent not even to refer to the heretic Olivi, even though he used the latter's theory of utility virtually word for word in his own work. This reticence was necessary because Bernardino belonged to the strict Observant wing of the Franciscans, in a way descendants of Olivi's Spirituals. Indeed, it has only been since the 1950s that the illuminating economic writings of Olivi, and their appropriation by San Bernardino, have come to light.

Perhaps another reason for the hysteria with which the mainstream Franciscans greeted the religious views of Pierre Olivi was his continuing dalliance with the Joachimite heresy. One of the founders of mystical Christian messianism was the Calabrian hermit and Abbot Joachim of Fiore (1145–1202). In the early 1190s Joachim adopted the thesis that there had been in history not just two ages (pre-Christian and post-Christian), but a third age, of which he himself was the prophet. The pre-Christian epoch was the age of the Father, of the Old Testament; the Christian era the age of the Son, of the New Testament. And now was coming the fulfilment, the new third age, the apocalyptic age of the Holy Spirit, in which history was soon to come to an end. The third age, which for Joachim was to be ushered in during the next half-century, in the early or mid-thirteenth century, was to be an age of pure love and freedom. The knowledge of God would be revealed directly to all men, and there would be no work or property, because human beings would possess only spiritual bodies, their material bodies having disappeared. There would be no Church or Bible or state, but only a free community of perfect spiritual beings who would spend all their time in mystical ecstasy praising God until this millennial Kingdom of the Saints would usher in the Last Days, the days of the Last Judgement.

Seemingly tiny divergences in premisses often have grave social and political consequences, and such was true of disagreements among Christians on the apparently recondite question of eschatology, the science or discipline of the Last Days. Since St Augustine, the orthodox Christian view has been amillennialist, that is, that there is no special millennium or Kingdom of God in human history except the life of Jesus and the establishment of the Christian Church. This is the view of Catholics, of Lutherans, and probably of Calvin himself. The ideological or social conclusion is that Jesus will return to usher in the Last Judgement and the end of history in His own time, so that there is nothing that human beings can do to speed the Last Days. One variant of this doctrine is that after Jesus's return He will launch a thousand years of the Kingdom of God on earth before the Last Judgement; in practical terms, however, there is little of a significant difference here, since Christianity remains in place, and there is still nothing man can do to usher in the millennium.

The crucial difference comes with chiliastic ideas such as those of Joachim of Fiore, where not only was the world coming to the end soon, but man must do certain things to usher in the Last Days, to prepare the way for the Last Judgement. These are all post-millennial doctrines, that is, that man must *first* set up a Kingdom of God on earth as a necessary condition either for Jesus's return or for the Last Judgement. Generally, as we shall see further in the Protestant Reformation, post-millennial views lead to some form of theocratic coercion of society to pave the way for the culmination of history.

For Joachim of Fiore the path to the Last Days would be blazed by a new order of highly spiritual monks, from whom would come 12 patriarchs headed by a supreme teacher, who would convert the Jews to Christianity, as foretold in *Revelation*, and would lead all mankind away from the material and towards the love of things of the spirit. Then, for a brief blazing, three-and-a-half years, a secular king, the Antichrist, would chastise and destroy the corrupt Christian Church. The swift overthrow of the Antichrist would then usher in the total age of the Spirit.

In view of the radical and potentially explosive nature of Joachim's heresy, it is remarkable that no less than three contemporary popes expressed great interest in his doctrine. By the middle of the thirteenth century, however, Joachimism was neglected and little known. It is small wonder that the Joachimite heresy was revived by the Spiritual Franciscans, who were tempted to see in their own flourishing new order, and in their devotion to poverty, the very monastic order that had been foretold by Joachim to bring about the Last Days.

2.9 Notes

1. Saint Augustine, *The City of God* (Cambridge, Mass.: Loeb Classical Library/Harvard University Press, 1963), Vol. II, Book IV, IV, p. 17.
2. Richard Henry Tawney, *Religion and the Rise of Capitalism* (New York: Harcourt, Brace and World, 1937, orig. 1926), p. 36.
3. There is controversy among historians on when the *Commentary* was written. The older view, that it was written in 1266 or even earlier, would imply the simple explanation that Aquinas's views had matured from his earlier close adherence to his teacher, St Albert. The newer view, that the *Commentary* was written at the same time as the *Summa*, leaves the anomaly intact.
4. Richard Tuck, *Natural Rights Theories: Their Origin and Development* (Cambridge: Cambridge University Press, 1979).
5. Ibid., p. 24.

3 From Middle Ages to Renaissance

3.1 The great depression of the fourteenth century

Most people – historians not excepted – are tempted to think of economic and cultural progress as being continuous: in every century people are better off than in the one preceding. This comforting assumption had to be given up quite early when the Dark Ages ensued after the collapse of the Roman Empire. But it was generally held that after the 'renaissance' of the eleventh century, progress in western Europe was pretty well linear and continuous from that point to the present day. It took heroic efforts over many decades for economic historians like Professors Armando Sapori and Robert Sabatino Lopez to finally convince the historical profession that there was a grave secular decline in most of western Europe from approximately 1300 to the middle of the fifteenth century; a period which might be called the Late Middle Ages or the Early Renaissance. This secular decline, mistitled a 'depression', permeated most parts of western Europe with the exception of a few Italian city-states.

The economic decline was marked by a severe drop in population. Since the eleventh century, economic growth and prosperity had pulled up population figures. Total population in western Europe, estimated at 24 million in the year 1000 AD, had vaulted to 54 million by the year 1340. In little over a century, from 1340 to 1450, however, the western European population fell from 54 million to 37 million, a 31 per cent drop in only a century.

The successful battle to establish the fact of the great decline has done little, however, to establish the cause or causes of this debacle. Focus on the devastation caused by outbreaks of the Black Death in the mid-fourteenth century is partially correct, but superficial, for these outbreaks were themselves partly caused by an economic breakdown and fall in living standards which began earlier in the century. The causes of the great depression of western Europe can be summed up in one stark phrase: the newly imposed domination of the state. During the medieval synthesis of the High Middle Ages there was a balance between the power of Church and state, with the Church slightly more powerful. In the fourteenth century that balance was broken, and the nation-state came to hold sway, breaking the power of the Church, taxing, regulating, controlling and wreaking devastation through virtually continuous war for over a century (the Hundred Years' War, from 1337 to 1453).[1]

The first and critically most important step in the rise in the power of the state at the expense of crippling the economy was the destruction of the fairs of Champagne. During the High Middle Ages, the fairs of Champagne were the main mart for international trade, and the hub of local and international commerce. These fairs had been carefully nurtured by being made free zones, untaxed or unregulated by the French kings or nobles, while justice was swiftly and efficiently meted out by competing private and merchants' courts.

The fairs of Champagne reached their peak during the thirteenth century, and provided the centre for land-based trade over the Alps from northern Italy, bearing goods from afar.

Then, in the early fourteenth century, Philip IV, the Fair, king of France (1285–1314), moved to tax, plunder, and effectively destroy the vitally important fairs of Champagne. To finance his perpetual dynastic wars, Philip levied a stiff sales tax on the Champagne fairs. He also destroyed domestic capital and finance by repeated confiscatory levies on groups or organizations with money. In 1308, he destroyed the wealthy Order of the Templars, confiscating their funds for the royal treasury. Philip then turned to impose a series of crippling levies and confiscations on Jews and northern Italians ('Lombards') prominent at the fairs: in 1306, 1311, 1315, 1320 and 1321. Furthermore, at war with the Flemings, Philip broke the long-time custom that all merchants were welcome at the fairs, and decreed the exclusion of the Flemings. The result of these measures was a rapid and permanent decline of the fairs of Champagne and of the trading route over the Alps. Desperately, the Italian city-states began to reconstitute trade routes and sail around the Straits of Gibraltar to Bruges, which began to flourish even though the rest of Flanders was in decay.

It was particularly fateful that Philip the Fair inaugurated the system of regular taxation in France. Before then, there were no regular taxes. In the medieval era, while the king was supposed to be all-powerful in his own sphere, that sphere was restricted by the sanctity of private property. The king was supposed to be an armed enforcer and upholder of the law, and his revenues were supposed to derive from rents on royal lands, feudal dues and tolls. There was nothing that we would call regular taxation. In an emergency, such as an invasion or the launching of a crusade, the prince, in addition to invoking the feudal duty of fighting on his behalf, might ask his vassals for a subsidy; but that aid would be requested rather than ordered, and be limited in duration to the emergency period.

The perpetual wars of the fourteenth and the first half of the fifteenth centuries began in the 1290s, when Philip the Fair, taking advantage of King Edward I of England's war with Scotland and Wales, seized the province of Gascony from England. This launched a continuing warfare between England and Flanders on the one side, and France on the other, and led to a desperate need for funds by both the English and the French Crowns.

The merchants and capitalists at the fairs of Champagne might have money, but the largest and most tempting source for royal plunder was the Catholic Church. Both the English and French monarchs proceeded to tax the Church, which brought them into a collision course with the pope. Pope Boniface VIII (1294–1303) stoutly resisted this new form of pillage, and prohibited the monarchs from taxing the Church. King Edward reacted by denying justice in the royal courts to the Church, while Philip was more militant by prohibiting the transfer of Church revenue from France to Rome. Boniface was forced to retreat and to allow the tax, but his bull *Unam Sanctam* (1302) insisted that temporal authority must be subordinate to the spiritual. That was enough for Philip, who boldly seized the pope in Italy and prepared to try him for heresy, a trial only cut off by the death of the aged Boniface. At this point Philip the Fair seized the papacy itself, and brought the seat of the Roman Catholic Church from Rome to Avignon, where he proceeded to designate the pope himself. For virtually the entire fourteenth century, the pope, in his 'Babylonian captivity', was an abject tool of the French king; the pope only returned to Italy in the early fifteenth century.

In this way, the once mighty Catholic Church, dominant power and spiritual authority during the High Middle Ages, had been brought low and made a virtual vassal of the royal plunderer of France.

The decline of Church authority, then, was matched by the rise in the power of the absolute state. Not content with confiscating, plundering, taxing, crushing the fairs of Champagne, and bringing the Catholic Church under his heel, Philip the Fair also obtained revenue for his eternal wars by debasement of the coinage and thereby generated a secular inflation.

The wars of the fourteenth century did not cause a great deal of *direct* devastation: armies were small and hostilities were intermittent. The main devastation came from the heavy taxes and from the monetary inflation and borrowing to finance the eternal royal adventures. The enormous increase of taxation was the most crippling aspect of the wars. The expenses of war: recruitment of the modestly sized army; payments of its wages; supplies; and fortifications – all cost from two- to fourfold the ordinary expenses of the Crown. Add to that the high costs of tax assessment and enforcement and the cost of the loans, and the crippling burden of war taxation becomes all too clear.

The new taxes were everywhere. We have seen the grave effect of taxes on the Church; on a large monastic farm, they often absorbed over 40 per cent of the net profits of the farm. A uniform poll tax of one shilling, levied by the English Crown in 1380, inflicted great hardship on peasants and craftsmen. The tax amounted to one month's wages for agricultural workers and one week's wages for urban labourers; moreover, since many poor workers and peasants were paid in kind rather than money, amassing the money to pay the tax was particularly difficult.

Other new taxes levied were *ad valorem* on all transactions; taxes on wholesale and retail beverages; and levies on salt and wool. To combat evasion of the tax, the governments established monopoly markets for the sale of salt in France and 'staple points' for English wool. The taxes restricted supply and raised prices, crippling the critical English wool trade.