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## **(1) Meeting the Market**

Period: Ancients-1600

Cover: Ancients, Islamic, Scholastics & Renaissance economists

Topics: role of markets & merchants, inequality, usury, justice in exchange, intrinsic vs. customary value, money and inflation

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### **Outline:**

History of economics tends to only begin in mid-18th C. (1776). Why so late?

#### **(A) What is economics about?**

- (1) begin with discussion of the "economy" = world of exchange and markets,
- (2) exchange is a social relationship, different from force, duty, obligation.
- (3) role of markets in life, a social arrangement
- (4) emphasize not all life is about markets, and only recently has encroached on parts of human life, previously people semi-autonomous (Medieval peasant largely self-reliant)
- (5) agrarian feudal world is knit by obligations (masters & servants), not exchange

Economics, as a field, only begins 18th C. because only then are market relationships rising to become a larger part of life. ("To explain the way of markets to men")

#### **(B) The Merchant in Society**

- (1) Ancient writers (Confucius, Plato, Aristotle) write about society as an ideal hierarchy ordered and organized by duties & obligations (rulers, fighters, farmers, artisans).
- (2) What is place for merchant?
- (3) Merchant just move stuff around rather than actually produce something. Searches for profit for himself, with the goal of accumulating money (useless fetish).
- (5) Suspicion of merchant. Unnatural way of making a living. Low on the social hierarchy of Confucius & Aristotle (no duties, lives off labor of others, obeys no master - equivalent to vagabonds & beggars).

#### **(C) Trade and Civilization**

- (1) Nonetheless markets insist. Bring civilizational features - development of cities, writing, arts & crafts etc. pushed along by commerce.
- (2) Merchants may seem useless, but civilization impossible without them.
- (3) Although only a very small fraction of society or daily life, its ornaments depend on them.

#### **(D) Inequality and Usury**

e.g. one civilizational feature = money.

- (1) Coinage emerges in Lydia, c.650 BCE, becomes feature of Hellenic world, and spreads with it.
- (2) Impact of money -> makes trade easier. It also makes borrowing easier.
- (3) With borrowing comes debt and compound interest.
- (4) Inequality among farmers (hill vs. valley) → borrowing → debt slavery
- (5) Consequences of debt-slavery: (1) weakens military; (2) leads to tyranny (Peisistratus in Athens = Trump in America?)
- (6) Thus usury banned. Socially dangerous. Sinful. Unjust.
- (7) Aristotlean - **Justice** in exchange - "Just Price" (Justum Pretium), give in value what is received in value.

(Christian Golden Rule "Do unto others as you would have them do unto yourself")

- (8) Ban on usury persist into Middle Ages, in Christian & Islamic worlds.

#### **(E) Value**

- (1) Give in "value"? But what is "value"?
- (2) *Valor impositas* vs. *Bonitas instrinsica*. Is value whatever we agree (or the prince says) it is, or do things have inherent worth?
- (3) Money seems to have intrinsic value - at least twofold: (a) gold/silver; (b) "usefulness"
- (4) Money also has a tale value - Prince puts stamp on money, calls it "one drachma", and we accept it. Why do we accept it? (MMT moment - you can pay your taxes with it).
- (5) Same question for other goods. Do things have intrinsic worth? Or does its value merely hinge on someone else accepting it? Are they even separate questions? (would you accept something that is not worth it?)

Big question among Scholastics.

e.g. Diamonds vs. Water.

Diamonds - no intrinsic worth, high value in acceptance

Water - high intrinsic worth, low value in acceptance

Two answers:

(1) Labor theory of value (Bonitas intrinseca): takes a lot more work to produce diamonds than fetch water.

(2) Scarcity theory of value (Valor impositas): people simply willing to pay a lot for diamonds. Diamonds are rare. Desire for them exceeds their availability.

But are they separate answers?

Diamonds are rarer *because* it takes a lot more work to produce them.

This quarrel was not resolved by Scholastics. Nor even declared resolved until the modern day.

## **(F) Inflation**

These things seems like an academic question for monks to debate. But it became an urgent social issue in the late Middle Ages. Because of **inflation**.

Prices tended to be what they always were. But occasional bouts of inflation when prices of everything started going up. Especially price of bread - very visible, very socially disruptive.

People uncertain why inflation.

**Popular view:** blamed unscrupulous merchants for colluding to raise prices, holding back supplies or taking away grain to other places, (provoke grain/bread riots).

Solution: first economic legislation: price controls (England 1266, France 1304), ban exports, outlaw manipulative behavior ("engrossing, regrating, forestalling").

**Merchants' view:** It's not us! It's the king's fault. Currency debasement by mint (less gold/silver per drachma coin) means people are bidding prices of grain up (more drachmas per bushel) (first economic D & S reasoning!)

Solution: forbid the king from debasing coinage. Merchants (bourgeois cities) begin to be represented in Parliaments/Estates in 14th C., and demand king refrain from debasing coinage.

## **(G) Great Inflation**

Things seem under control until 16th C. when the **Great Inflation** begins.

(What's really going on? Population explosion in first half of 16th C., demand for grain accelerated, but people don't realize that)

Usual answers:

- (1) Merchants colluding again, punish them.
- (2) King debasing again, punish him.

But they weren't. So new possible answers:

- (3) Criminals ("clippers, forgers") are reducing gold/silver content of coins, punish them horribly.
- (4) Enclosures. They're converting land for sheep for wool exports. Grain supply is less. Forbid enclosures. (No, other way, high prices are driving enclosures! Root cause is still debasement)

Very confused debate, with many disparate answers.

**Jean Bodin (1566)** provided a unifying answer: **quantity theory of money**.

Prices are going up so fast because of bidding wars (demand is forging ahead of supply.)  
How much people bid (demand) depends on the quantity of money people have.  
So the rising quantity of money is what drives inflation. That is always the explanation.

Why is the quantity of money rising?

- (1) Debasement could be a cause
- (2) Clipping could be a cause.
- (3) Increased production of gold/silver from mines could be a cause.

Bodin hones in on (3). It is Spain's fault. The massive new silver mines in the Potosi (Peru) and Zacatecas (Mexico) are bringing huge amounts of silver into Europe, and driving up prices here.

[Never mind that inflation began before the Potosi mining finds. Bodin's theory seems to hit the button. Anticipated by Copernicus (1532)].

## **(H) The Merchant revisited**

The Great Inflation of the 16th C. brought about another economic question: usury.

Usury was banned. You couldn't charge interest on money lent.

But in times of inflation, that seems "unfair" to the lender - the money he lends is worth more than what he receives back later.

Push for relaxing the usury ban, allow lenders to charge interest so they don't lose from inflation.

Salamanca School in Spain and Protestant reformers (esp. Calvin) set theological grounds for lifting restrictions on usury. And extend that to lifting restrictions on trade.

Usury is fine, if it is productive, and doesn't harm society, but increases productive capacity (first time that concept is referred to).

Trade is also fine. It is wanted by God. God disperse goods across the world, because he wanted us to reach out to others, encourage universal brotherhood.

Trade, merchants, and profit are nothing to be suspicious about. They are a blessing, not a curse (Salamanca, Calvin, Grotius, etc.)

END OF OUTLINE OF EPISODE #1

== Notes & Trash below ==

### **(1) Why HET start so late?**

Typical history of economics only begin with Adam Smith in 1776. Why so late? Philosophy, Physics, etc. begins in Ancient times. Why wasn't there economics?

(Quick answer: Because economics is about how markets operate, and markets were not an important part of human life before the mid-18th C.)

### **(2) What is economics?**

- (a) Bizarre or modern: scarcity, rational choice, etc.
- (b) What is *subject*? The Economy.

What is *the Economy*? Well, all sorts of things: random man in the street, newspapers sections say: "money, business, profits, output, wages, banks, inflation, unemployment, etc."

What do these random things all have in common? They are all *Exchange* relationships ("I'll give you this *for* that")

### **(3) What is exchange?**

Exchange relationships:

- (1) buyer & seller
- (2) employer & employee
- (3) tenant & landlord
- (4) borrower & lender
- etc.

When something is "exchange", then it is part of "the economy".

[Exchange is...

- (1) Voluntary: no force/compulsion (I can say no and remain unmolested)
- (2) Reciprocal: no gifts (I give this *for* that)
- (3) Transparent: no surprise/fraud (you know what you're bargaining over)]

### **(4) Limits to exchange**

Exchange isn't everything.

Non-exchange relations:

- (1) ruler & ruled,
- (2) master & servant,

(3) parent & child,  
(4) lover & beloved,  
etc.

[Non-exchange relations *affect* exchange (e.g. government taxes affect economic activity, slavery is used in economic production), but are not themselves explainable *by* exchange (e.g. government taxes are a political process, need to know political system, parties, relation between slave & master is forced compulsion, etc.)]

Economics concerns itself purely to *explaining* exchange relations.

To explain other relations, you need other fields (political science, sociology, anthropology, psychology, etc.)

Economics doesn't explain everything about human behavior and relations. Some economists claim it does ("economic imperialism"). But economics only explains one facet of human behavior - exchange activity.

[Economics = Oiko + Nomos (rules of the household)]  
[Catallactics = Catallasso + ics (science of exchange)]

[Richard Whately = man is the "animal which exchanges".]  
[Adam Smith = dogs don't exchange.]

## (5) Markets

Exchange relationships are formed on *markets*.

"**Market**" = a place where exchange happens.

So economics = "study of markets", or "market relations" or "market behavior".

[Market can be real or abstract, e.g.  
real life fish market in the Bronx vs. "the housing market" - Zillow, etc.]

[Markets have a **social context**. For starters, at the very least, we need to recognize property and property rights. I can't offer "this for that", unless we first recognize "this" is mine and "that" is yours.]

How much of our lives today is dominated by markets?

Most of us buy food, clothing, etc. (exchange with shopkeepers),  
Most of us work for wages, (exchange with employers),  
Many of us pay rent for housing, (exchange with landlords),  
Most of us pay others for services (exchange with waiters, barbers, nannies, mechanics)  
And for big ticket purchases, we take out loans (exchange with banks),

All that is exchange.

Markets form a very large part of our daily life.

But not all parts. Family relations, loyalty to country, obedience to laws, etc. are *not* exchange, but characterized by gifts, duty and obligation ("because I said so")

But markets are encroaching in more and more areas of our lives today than before, e.g. education, child-care, etc.

And many say that is regrettable.

## **(6) Life before markets**

*But markets have not always been so important.*

Consider the life of a Medieval peasant. Could be anywhere in Europe, Asia, Africa.

- they are largely self-sufficient, grow their own food, make their own clothes, furniture, etc.
- family is a production unit, work is by family duty (husband ploughs, wife sows, kids rake; husband weaves, wife spins, kids card);
- exchange is a very small part of their life. Don't get involved in markets except once in a blue moon, to exchange maybe a very small part of their surplus (e.g. sell extra vegetables from garden), to get things they can't make themselves (e.g. buy nails and horseshoes from blacksmith).
- they owe loyalty to their feudal lords, they must work on his fields for a certain number of days per year, they must use his mills, they must follow him to battle,
- the share of crops they owe to the landed lord & master is fixed almost forever, and the landlords have obligation to keep his peasants on their land almost forever, they can't evict them off the land (who owns the land anyway? not clear),
- those in the artisanal sector are apprenticed at young age, to trades determined by parents; they learn skills and are given room & board by a master tradesman, and must obey him at all times.
- trades are dominated by hierarchical guild structures (masters, journeymen, apprenticeship) with very minute and strict rules (prices fixed by custom or law, can't innovate, can't compete, can't sell to highest bidder, etc.)
- practically no one works for wages (except only in urgency, for a small period of time).

So, daily life is dominated by custom, duty, obligation.

Exchange does happen, but only very occasionally. Markets exist, but are only a very small fraction of daily life.



This is why economics as a subject did not exist, for a very long period of time. Nobody thought to give this rather minor aspect of our lives and society any special attention, or felt it worth analyzing.

As the markets grew in importance, and encroached on an ever larger share of our daily lives and our social relations, our attention was drawn more and more to it.

It is really only the second half of the 18th Century, when the markets had begun to engage perhaps the majority of the population in western European (and esp. English) society, that "economics" became a distinct field of inquiry.

So the history of economic thought normally begins with Adam Smith's "Wealth of Nations", published in 1776. Of course, there were many writers who had written about the economy before, but only partially, or as an addendum to other considerations. Smith was the first to really tackle the topic comprehensively, and try to explain the ways of markets to man.

## **Part II - Ancients**

And before 18th Century?

Smith did not appear in a vacuum. There were writers who wrote about the economy before. Except not very systematically, usually only as an appendage to writings about politics and philosophy.

### **(A) Ancient social view**

Consider the ancient greats: e.g. Confucius in China, or Plato or Aristotle in Ancient Greece. A tradition carried on to the Medieval ages by Scholastic writers like Thomas Aquinas.

They lived in a world of custom and tradition, and defined ideal relationships in their idealized kingdom or polis (republic) in the form of duties of classes of people.

- those who rule (kings, emperors)
- those who fight (nobles, soldiers)
- those who pray (priests)
- those who grow things (farmers)
- those who make things (artisans)

They are all born into their class, and each class connected to the other by obligation.

Kings must rule wisely, soldiers must fight bravely, farmers must work diligently, etc. not because they're being paid, but because that is their *duty*, their assigned role in society.

Confucius, Aristotle, etc. pay a lot of attention to this, and provide norms of duties (moderation, etc.).

## **(B) Fitting the Merchant.**

Notice who is missing on the list: the merchant.

Merchant is the person who trades. Unlike other people in society, markets are his *entire life*, not merely a small facet of it.

The merchant is a weird character.

- He doesn't actually make anything, but only *moves* already-made stuff around between A and B.
- He doesn't do it because he is obliged to, nor that it his duty, nor that he has an interest in the welfare of A or B, but solely because he hopes to earn a "profit" from the price difference - buy low, sell high.
- His objective is to accumulate money (gold, silver, etc.) for himself, not to serve society or kingdom.
- Private accumulation of money has no social role. Nor any practical role. Make money to make more money. Merchants have a weird fetish for shiny stuff.
- Suspicions that merchants are cheating society - buying low one place to sell high another place is a bit unfair, exploiting ignorance and immobility of people.

Why should I pay you more for a barrel of wine than you paid the wine-maker for that barrel? You didn't actually make the wine! You just moved it around.

Granted, travel takes time and effort. I'll pay enough extra to cover your transport expenses. But no more.

(I would have gone there myself - but I was too busy doing my duty and working the fields. While you were doing...nothing? You have no duties!)

In the idealized social systems of the ancients - of Confucius, Aristotle, etc. the merchant *doesn't fit*. He lives off the labor of others, has no duties, obeys no master.

Consequently, the merchant is similar to a vagabond or beggar. And ranks with vagabonds and beggars at the lowest rung of the social ladder.

Doesn't matter that the merchant makes a lot of money, can buy lots of things, and walks around dressed like a lord. In social rank, he is the *lowest*.

## **(C) Trade in Ancient & Medieval societies**

It is peculiar that Confucius or Aristotle or Aquinas had so little regard for the merchant, and couldn't fit him into their social systems.

The civilizations they lived in - Ancient China, Ancient Greece and Medieval Italy - had actually *lots of trade* going on.

Indeed, Ancient civilization and trade are inextricably linked.

Seas & rivers main conduits of trade

Trade coincident with civilization

- Mesopotamia - (6000 BCE), Sumeria (4000), Bronze (3300), writing (2800)
- Yellow & Yangtze Rivers - China (3000 BCE)
- Nile & Red Sea - Egypt (2500 BCE)
- Mediterranean - Minoan/Mycenaean (1700)

Absence of trade experiment:

- Bronze Age collapse (1200) -> Ancient Dark Ages (c.1200-BCE)
- Disruption of trade -> depopulation of cities -> simplification of economy -> collapse of urban arts & crafts.

Re-emergence of Mediterranean trade:

- Phoenicians, Ionian Greeks, Etruscans
- re-emergence of writing (alphabet) c.900 BCE
- emergence of coinage (Lydia, c.630 BCE)

Classical Greece (500-320 BCE)

- Athenian dependence on olive oil exports
- Poseidon's Horse vs. Athena's olive tree
- Attic red clay pottery vs. Corinthian orientalist pottery

Are Greek cities mercantile states? No, still a small proportion. Vast population still agricultural.

Ancient Classics: society ordered in obligations & duties, no place for merchant in society.

Confucius's Analects (479 BCE)

Plato's Republic (c.380 BCE)

Aristotle's Politics & Nichomachean Ethics (335 BCE)

Money great Greek area innovation, spread with Hellenic influence

Social & political consequences.

Problem of Inequality - poor borrow from the rich.

Money makes it easier to borrow & lend.

Usury -> compound interest, increase inequality.

land not alienable to settle debts, but slavery and share of output is.  
rise of debt slavery

Military consequences -> field smaller armies (fewer farmers can afford bronze armor)  
Political consequences -> if debts not cancelled, debt-slaves throw political weight to  
"tyrants" who promise to sort it for them.

Inequality not sustainable in a republic.

Solon's reforms, etc.

(14) Dark Ages, collapse of markets, return to subsistence, manorial feudalism.

(15) Commercial Revolution (1000-1300)

- seaborne Saracen & Viking raiders re-create commercial networks (Mediterranean, North-Baltics) ("piracy is the first step to trade")
- Italian maritime republics (Amalfi, Pisa, Genoa, Venice) & Flemish-Hanseatic towns (Bruges, Ghent, Lubeck, Hamburg, Bremen, etc.) take over sea networks.
- gradual restoration of trade, rise of commercial cities.
- recovery of Classical knowledge via Arab writers, c.1086
  - (1) Christian capture of Toledo library (Aristotle, etc.)
  - (2) Recovery of Roman Law (Corpus Juris Civilis)
- founding of universities in towns (Bologna, Paris, etc.)
- children need to learn law to sue each other

(16) High Scholastic (mid-13th to mid-15th)

- Thomas Aquinas (1260s)
- John Duns Scotus (1290s)
- Jean Buridan (c.1340)
- Nicolas Oresme (c.1360)
- Antoninus of Florence (c.1440)
- Gabriel Biel (c.1480)

Attachment to sources:

(a) Old Texts (Bible, Church Fathers)

(b) New texts (Justinian, Aristotle)

Use natural law and reason needed to reveal God's plan

(17) Issue of Church property

Medieval Church & monasteries accumulate vast amounts of land and goods

Mendicant (begging) order (Franciscans) emerge in 1210s, live among the people, in the cities

Francis of Assisi accuses Church establishment of hypocrisy on wealth:

Bible sources recommend poverty:

- poverty of Jesus and Apostles
- abandonment necessary for salvation?
- sin of avarice, virtue of charity

Church fathers sources endorse poverty:

- Early Christian "communists"
- Monastic movement & monastery life
- Augustine: property not natural, but merely human institution

#### (18) Scholastics on Property

Scholastics (esp. Aquinas) respond to Franciscan challenge:

(1) Riches are no sin, poverty is no virtue

(2) Property a human convention, no moral implications

(3) Essential for society, stimulate peace, prosperity, e.g. resolves

- free riders
- tragedy of commons
- violence

(4) Responsibilities of property

- Stewardship, contingent on productive use
- sins of avarice and prodigality
- charity, munificence is attendant to justice
- theft in time of need no sin

#### (19) Scholastics on Slavery

Theory

- Bible: benevolent masters, obedient slaves
- Aristotle: natural, racial hierarchy
- Augustine: divine punishment for sin ("Curse of Ham")
- Scholastics: acceptable human convention
  - ex necessita, ex bello, ex delicto, ex propria voluntate
  - if war just, enslavement just
  - Encouraging escape is theft

Practice

- Enslavement of Christians (9th-12th C.), then forbidden
- Enslavement of potential Christians (14th C.), then forbidden

- Enslavement as missionary work (15th C.), encouraged
- Bartholomé de las Casas, Francisco de Vitoria (16th C.) forbid Indian enslavement.

## (20) Markets & Morality

Scholastic writers:

Markets are matter of personal morality, not state or society

Canon law

- don't defraud, honor your agreements
- don't profiteer in times of need
- don't withhold supply to drive up price
- don't engage in usury

Draw from Aristotle

- unnatural living, accumulation of money -> lure to sin (greed, avarice).
- justice price (justum pretium) - Commutative justice & Golden Rule
- ban on usury (interest)

Aquinas ambivalent:

- trade is useful, bring necessities to town, move grain from abundant to scarce regions

## (21) States & Markets

State interest in merchants grow as Middle Ages advance.

State interest to:

- Ensure availability of bread (Grain Riots),
- Tax merchants' cash for Prince's treasury

Legislation (13th-16th C.):

- False weights
- Security of food supply (outlaw "engrossers", "regrators", "forestallors")
- Price controls (e.g. England 1266, France 1304)
- Export controls (export bans, export tariffs, staples)
- Entry of bourgeois into Estates (e.g. England 1295, France 1302)
- Feudal aids -> taxes
- Regulate guild privileges, monopolies and coinage

## (22) Grain Trade Laws

Example of England's legislative progress: from export bans to export encouragement

1204 export ban "since time immemorial"  
1361, 1382 export prohibited entirely  
1394 export allowed with royal license  
1437 export allowed if domestic price below threshold (glut)  
1534 export prohibited entirely  
1555, 1559, 1563 export allowed if price below threshold  
1571 allowed if "domestic prices reasonable"  
1593, 1604, 1624, 1627, 1656, 1660, 1663 - price threshold export tariff  
1663 first import tariff (two-tier)  
1670 free export  
1670 import tariffs (three-tier)  
1673, 1689 export with bounties

### (23) Just Price

Justum pretium - give in value what you receive in value  
-Aristotelian "commutative justice"  
- Biblical "golden rule"

#### (1) Valor impositas (prince's price)

#### (2 )Bonitas intrinsica (intrinsic worth)

- Appearance in Genesis
- Duns Scotus: objective cost of production (labor)
- Buridan & Oresme: usefulness to man, adjusted by rarity
- Biel: No mutual benefit to exchange?
- (Salamanca 16th C.: usefulness varies from man to man).

### (24) Scholastics on Money.

Bible: Root of all evil

Aristotle: money just convention

no intrinsic value

lead to evil

Aquinas: measure of value

store of value

on balance, good

Valor impositus (tale) or Bonitas intrinsica (content)?

- Aristotle's nomos (convention or law)
- Civil law says sovereign right
- Aquinas: name, effigy, stamp, it is prince's tale
- Buridan, Oresme go for metal content.

### (25) Gold & silver history

Major mining finds affecting Europe:

Saxony (Goslar) - 960-1040, silver  
hiatus --

Freiberg (Saxony) - 1160-1300, silver  
Montieri (Tuscany) - 1160-1300, silver

Frisach (Carinthia) - 1190-1300, silver

Jihlava (Bohemia) - 1220-1290, silver

Iglesias (Sardinia) - 1220s-1290s, silver

Serbia - 1252-1260s - gold

hiatus --

Kutna Hora (Bohemia) - 1298-1360s, silver

Kremnica (Hungary), 1320s-1450s, gold

hiatus --

Bosnia and Serbia, 1410-1430, silver

hiatus --

Schwaz (Tyrol), Schneeberg (Saxony) - 1460-1610, silver-copper

Annaberg (Saxony), Joachimsthal (Bohemia), 1490-1620, silver-copper

Hispaniola (West Indies) - 1500-1530, gold

Potosi (Peru) - 1545, silver

Zacatecas (Mexico) - 1546, silver

Roughly:

13th C. silver boom:

- Grosso/groats (3-4d)

- Gold coinage (ducats, florins)

14th C. silver famine:

- 1294-1358 - Debasement era

- 1360-1417 - Hard times

(25) Revised view on money:

- Jean Buridan (1340s)

- Nicolas Oresme

-- Della Moneta (wr. c.1358, pub. 1373)

Value comes from human need and scarcity

Money has *bonitas intrinseca* (precious metal)

Belongs to community

Implied consent (Estates)

Seignorage limited to cost



Debasement without consent is theft  
Debasement with consent is ruinous

Bonitas intrinseca -> Quantity Theory  
Valor impositas -> Fiat money, Chartalist theories, etc.

### (26) Scholastics on usury

Bible: lend not to your brother, only to strangers.  
Church Fathers: Augustine, Ambrose, Jerome  
Leo I, 2nd Lateran (1139), 4th Lateran (1215)  
Clement V (1311) ban

Scholastics:

- Usury unjust
- Lending is no sacrifice (no intrinsic worth)

Exceptions:

*damnum emergens* (risk) - to allow commenda (profit-sharing)  
*lucrum cessans* (opp cost) - to allow for inflation

Usury exception rhyme:

"feuda, fidejussor, pro dote, stipendia cleri,  
Venditio fructus, cui velle jure noceri  
Vendens sub dubio, pretium post tepora solvens,  
Poena nec in fraudem, lex commissaria, gratis  
Dans, socii pompa: plus forte modis datur istis"  
(Hostiensis, 1250s)

[Side note: Usury ban in practice: moneylenders lent at interest regardless. Problem was in case of default, they couldn't sue in court to collect their debts. If it was discovered they charged any interest on that loan, they would instantly lose the case (lose both interest and principal).

"Legal rate of interest" introduced in England at 10% in 1560s. Meaning: if it is discovered you lent at less than 10%, then you *could* sue in courts to collect debts, and wouldn't lose the case. The "legal rate of interest" was the first government "interest rate" setting, governing loan markets. Mercantilists would later push for lowering the legal rate to make borrowing cheaper. See Locke in Mercantilist section.]

### (3) First Economists

Humanism (1450-1520)  
Discovery of America (1492)  
Habsburgs vs. Valois

Protestant Reformation (1520s)  
Great Inflation (1560s)  
Great Plague & Population growth in Europe (1500-1550)

Copernicus (1526)  
Charles Dumoulin (Molinaeus) (1546)  
John Hales (c.1550)  
Jean Bodin (1568, 1572)  
Gasparo Scaruffi (1582)  
Bernardo Davanzati (1588)

Salamanca (1530s-80s)  
- Francisco de Vitoria (1530s)  
- Domingo de Soto (1553)  
- Martin de Azpilcueta (Navarrus) (1556)

1563 Council of Trent. Condemnations of  
- personal annuities, 1569;  
- contractum trinius, 1571,  
- bills of exchange, 1586

Post Scholastic Summary:

Expansion of boundaries  
Humanism  
Discovery of America (1492)  
Reformation (1520s)  
Great Inflation (1560s)

Late 16th C. writers relax  
Salamanca school (Spain)  
"Commonwealth" writers (England)  
Luther vs. Calvin on trade  
Hugo Grotius (1604)

"Universal Economy"  
Divine Providence in scattering of resources  
Universal brotherhood of man by trade

SUMMARY OF PRE-MODERN ATTITUDES TO TRADE

**(1) Trade is a curse**

Merchant: unusual and undignified

Trade: dangerous, sinful, harmful

Aristotle (4th BC)

Augustine (5th CE)

**(2) Trade is neutral**

Thomas Aquinas (13th CE.)

**(3) Trade is a blessing**

Divine providence in scattering resources

Universal brotherhood in trade

Salamanca School (1500s)

John Calvin (1550s)

Hugo Grotius (1604)