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0521621593 - The Legacy of Scholasticism in Economic Thought: Antecedents of Choice and Power

Odd Langholm

Excerpt

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## Introduction

This book is a study of the development of one particular subject in the history of Western economic thought. It is directly concerned only with that part of economic activity that has to do with the exchange of goods and services, including loans. If it touches upon production and distribution, it is merely indirectly and by implication. More specifically, the study deals with the will of economic actors making exchange decisions, that is, with the nature of economic choice. Because of scarcity, any economic actor's range of choice is restricted, in a social context, deliberately or not, by the choices made by other economic actors. We shall therefore be primarily occupied with what used to be called compulsion but is now more often referred to as economic coercion. The story starts in the Middle Ages with the scholastics, or "schoolmen." I use these terms loosely to include both the university masters of theology and law and those who applied their ideas from the pulpit or in the confessional. On the subject in question, the scholastics taught the official doctrine of the Catholic Church, while drawing extensively on the heritage of classical antiquity. From this medieval origin, views on economic choice and compulsion/coercion will be recorded, as they gradually change over the centuries, until they manifest themselves in contemporary ideological and scholarly disputes.

There is one early-twentieth-century author who offers his readers a most revealing perspective on this subject. This is Max Weber. Because I am writing in English, I shall quote Weber's *Wirtschaft und Gesellschaft* in the English edition, *Economy and Society*. No alteration will be made to this admirable translation except for the reintroduction of a certain notation that is to be found in the original but has all but disappeared in the English version (this fact is food for thought in itself). Among different forms of socioeconomic relations discussed by Weber, particular attention is paid to power ("Macht") in a general sense and to domination ("Herrschaft") in a more specific sense. The former is "the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests." This concept is "sociologically amorphous," however, because all kinds of qualities in a person and

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combination of circumstances can enable him to impose his will in a given situation. Hence the need for the more precise concept of domination, which is “the probability that a command with a given specific content will be obeyed by a given group of persons.”<sup>1</sup> It would seem that this is not a particularly fortunate way of describing what takes place in the economic sphere, where words like “command” and “obedience” have a somewhat foreign ring to them. Perhaps for this reason, the distinction between the two concepts tends to become blurred when the author turns to economic relationships. These represent a main area of sociological research, because a frequent, and frequently intended, result of domination, as well as one of its most important instruments, is the possession of, or control (“Verfügung”) over, economic goods. This represents economic power (“ökonomische Macht”). A comprehensive taxonomy is out of the question, but it is useful to posit two limiting cases. These are

domination by virtue of a constellation of interests (in particular: by virtue of a position of monopoly), and domination by virtue of authority, i.e., power to command and duty to obey. The purest type of the former is monopolistic domination in the market; of the latter, patriarchal, magisterial, or princely power. In its purest form, the first is based upon influence derived exclusively from the possession of goods or marketable skills guaranteed in some way and acting upon the conduct of those dominated, who remain, however, formally “free” and are motivated simply by the pursuit of their own interests. The latter kind of domination rests upon alleged absolute duty to obey, regardless of personal motives or interests.

Even sellers in positions of incomplete monopoly can thus influence prices without imposing any obligation on buyers to submit to their domination. Similarly, in capital markets, banks have the power to dictate, or to influence strongly, interest rates and other loan conditions.

The potential debtors, if they really need the credit, must in their own interest submit to these conditions and must even guarantee this submission by supplying collateral security. The credit banks do not, however, pretend that they exercise “authority,” i.e., that they claim “submission” on the part of the dominated without regard to the latter’s own interests; they simply pursue their own interests and realize them best when the dominated persons, acting with formal “freedom,” rationally pursue their own interests as they are forced upon them by objective circumstances.

From markets in goods and money, Weber in the sequel extends his range of examples to the hiring of labor, referring to employment

<sup>1</sup> For this and the following quotations from Weber, cp., successively, *Wirtschaft und Gesellschaft*, 28–9; 603–5; 71; 179; and *Economy and Society*, 53; 942–5; 127–8; 305.

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based on a “contract concluded in the labour market by formally ‘equal’ parties through the ‘voluntary’ acceptance of terms offered by the employer.” Elsewhere he speaks in much the same terms of “formally ‘free’ labour,” namely, labor according to a contract that is formally free on both sides but that may be subject to substantial regulation. In all these areas, power relations may in principle be reversed. In the case of labor, the author does not fail to point out that there may be a certain monopolistic element present in the possession of an acquired professional skill. This is also a form of economic power.

The different classes of economic acts and agreements described in these quotations are those that are to be examined in the main, second part of this book: moneylending, exchange of commodities, the hire of labor. If Max Weber provides an apt introduction to our theme, it is because of his insistence on putting words like “free” (“frei”) and “voluntary” (“freiwillig”) in quotation marks when describing such acts and agreements, as though hedging against their unconditional use. The reason for this reluctance on the part of such a scrupulous author will naturally arouse the reader’s curiosity and may invite reflections and explorations along ideological, analytic, and historical lines. It is the latter line that is to be pursued in this book. Something must be said about the problem of entangling this line from the other two.

By indicating no more than that persons subjected to the economic power of others act “freely” and “voluntarily” in a certain formal sense, Weber evidently attempts, as far as possible, to avoid committing himself to any specific economic ideology. There is an old and firmly established tradition in European thought for the idea that neither party to a mutually free and voluntary agreement can be said to suffer injustice. According to one ideological view, no one has cause to complain if economic powers are left unrestrained, for those upon whom such powers are brought to bear act as freely and voluntarily as those who apply those powers. “Free” is simply free, and “voluntary” is simply voluntary. According to a different view, those who are in the economic power of others indeed have cause to complain, because they are being exploited: “Free” is really unfree and “voluntary” is really involuntary. The picture of capitalism as a society that functions for the greatest benefit of all because all are left free to pursue their own best interests, and the picture of the same system as a society of virtual slavery, where one class is forced by need to accept economic conditions on the level of subsistence, mark the extreme points on a scale. No social scientist, even if his conscious purpose is descriptive and explanatory, can hope successfully to hide his position on this scale under

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the cloak of his grammar. Some argue that it is best for any author not to try to do so but to state his position openly. For the historian, this dilemma will presumably be the more acute the closer to the present he brings his story. If it affects this book, it is mainly in Part III. All I wish to say is that my conscious purpose there is to show how both conflicting modern ideologies to some extent tie in with the much older literary traditions examined in Parts I and II.

To the extent that Max Weber succeeded in eliminating ideological implications, his *Wirtschaft und Gesellschaft* became a pioneering scientific study of one aspect of modern sociology (along with that of other aspects inspired in other works). It can reasonably be argued that one of the most important contributions to economics in the twentieth century was not rendered by economists but by social and political scientists studying the nature of power and dependence, freedom, and voluntary cooperation. For this line of research, Weber provided a typology, which invited the construction of systematic theories. A sideline to this, most relevant from the point of view of the present study and subtly invited by the notation in question, is the study of the nature of coercion (as the current literature mostly styles it), or compulsion (in the terminology of earlier traditions). In abstract terms, coercion is not defined exactly the same way by all authors. The following would seem to be more or less standard. If A does  $a^*$  rather than  $a$ , with the consequence that B does  $b^*$  rather than  $b$ , A can, under certain conditions, be said to coerce B. These conditions may include the proviso that  $a^*$  and  $b^*$  are in some sense extraordinary acts compared with  $a$  and  $b$ , and it is usually assumed that A intends to influence B's behavior as described. This general definition clearly includes cases where A represents authority, exercising "patriarchal, magisterial, or princely power" (as Weber has it). It seems more often to be assumed, however, that A and B are private individuals, the question of the lawfulness or not of the acts envisaged appearing merely as a factor limiting the practical applicability of the theory.

A case of pure economic coercion or, in Weber's terminology, of the exercise of private economic power, then, is that of a monopolist coercing a hungry or sick person, in fear of starvation or death, to agree "freely" and "voluntarily" to pay an abnormally high price for food or medicine. In modern society, exploitation of need in this crude sense is obviously only one among myriad means by which, or circumstances under which, one party to an economic relationship, involving capital, commodities, or labor, can obtain an unusual profit (lawful or not) by coercing the opposite party according to the abstract definition of coercion cited previously. Many such cases are described in the lit-

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erature. A stronger analytical model is being developed, which might, technically, be applied to historical source material as well. I shall have some occasion to refer to modern methodology, but in the main, true to a different research principle, I shall present the ideas on compulsion, the will, and freedom recorded in my primary sources in the much simpler analytical schemes in which they were originally set down. If lines can be drawn from Weber's peculiar notation, applied three quarters of a century ago, to contemporary ideological disputes and to future social science, there is a third line, which takes us back through the centuries to medieval scholastic philosophy. Taking leave of him here for the time being, it is useful to recall that Max Weber, before gaining fame as a sociologist, and indeed before applying himself to the study of religion and gaining notoriety for his thesis about the economic concomitants of Protestantism, was a medievalist.

It was a medieval master associated with the fledgling University of Paris who first raised the question of justice and validity of contracts in cases involving economic compulsion or coercion in the sense indicated above, that is, in the sense that one party to a contract does not agree to it or to its terms entirely freely and voluntarily but because of economic need. The earliest extant record of a discussion in these terms dates from the second decade of the thirteenth century, but there is some internal evidence to indicate that the tradition is somewhat older. It is clear, anyhow, that it consists in an adaptation to purely economic categories of an analytical model that originated in ancient Greece. It was transmitted to the Latin West through three distinct though occasionally confluent literary channels, namely, by way of translations of the relevant part of Aristotle's *Ethics* or of paraphrases on it, by way of Roman law, and by way of patristic moral theology. In Part I, a chapter is devoted to tracing each of these ancient traditions until their reinterpretation in economic terms.

In its original form, the model would not normally involve economic terms at all. The advantage obtained by the compeller would not be of an economic character, and the threat would be entirely physical. Moreover, in the ancient and early medieval periods, the questions raised by philosophers and theologians in connection with compulsion in this sense would not relate to justice but rather to the moral responsibility or culpability of the person succumbing to the threat. The model was applied to the question of justice and validity of contracts in classical Roman law, but authors in the legal tradition, including the early medieval Romanists, would insist on limiting the cases considered to those involving physical compulsion, the terms of contract being

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obtained by threats of death or physical violence. Aristotle described acts performed under compulsion as being “mixed” as regards their voluntary or involuntary nature: In the ensuing traditions, alternative terminologies appeared: The threatened person’s action or consent would not be “absolutely” or “simply” voluntary but merely “conditionally” voluntary or voluntary “in a certain respect.”

The kinship between these expressions and those of Weber is very obvious, but there is a difference as regards their dialectic signification. Whereas the twentieth-century social scientist will seek to preserve his “Wertfreiheit” by constructions like these, the medieval and early modern authors whose works are to be examined in the sequel would construct a detailed casuistry, considering different kinds and degrees of compulsion, different consequences of withstanding or succumbing to the compulsion, and would discuss how this affected the moral responsibility or culpability of the compelled, or the justice of the contract obtained by the compeller. When this model was fully adapted to economic categories, the casuistry was extended to a variety of economic contracts, to different kinds and degrees of need, and to various moral and legal questions relating to the profits obtained by compulsion. This is the scholastic tradition on need, the will and justice, which will be recorded and analyzed in Part II, the main part of this book. In the course of the approximately five centuries that it covers, opinions would change, new attitudes would appear, and different schools would be established, which, as will be indicated in Part III, tie in with conflicting modern ideologies.

When the ancient model of compulsion and the voluntary was applied to economic compulsion in the early thirteenth century, the first cases considered did not relate to the sale and purchase of necessities like food or medicine but rather to the lending and borrowing of money. This might nearly amount to the same thing, in that it seems originally to have been assumed that the money in question was to be used for the purchase of necessities. Unless the potential debtor agrees to pay usury, the potential creditor will refuse to lend. The consequences of this refusal may in the end be physical enough. When I call this economic compulsion distinct from the kind of physical compulsion long since considered by the Romanists, it is because the physical consequences do not appear in the form of violence threatening at the hands of the creditor or his henchmen but in the form of the want and possible starvation and death threatening the debtor if the loan is refused. Economic compulsion is compulsion by a person’s own need, utilized by another person to his advantage. Before long, cases involving usury were extended to loans for different purposes, includ-

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ing that of profitable investment, calling for critical assessment of compulsion and justice in relation to an ever-extending concept of economic need. Before the century was over, application of this analytical model had been made to the sale and purchase of necessary commodities as well, and it was later to be extended to luxuries. More than two centuries were to pass before cases of labor and wage contracts were similarly subjected to analysis in terms of compulsion by need in relation to consent and justice.

Some readers will no doubt recognize a certain scheme of historical periodization in this chronological sketch. The problem of usury is very old, arising even in mainly agrarian societies. Usury was discussed, and largely condemned, in Mediterranean cultures as far back as the written evidence extends. Problems relating to the just price of commodities and the validity of monetary exchange contracts will come to the fore with the growth of commercial capitalism. The question of the just price of labor, in the broad sense of a just remuneration of labor laid down in work offered for sale, will arise simultaneously and can be discussed by analogy with or, indeed, as an aspect of, the question of the just price of commodities. In the narrower sense of the just wage, this question will attract attention with the gradual replacement of slavery by hired labor in domestic service and with the appearance of industrial capitalism. In Part II, one chapter will be devoted to money and usury, two chapters to commodities and price, and one chapter to labor and wages. By the turn of the fifteenth and sixteenth centuries, a general paradigm, long since established, was at last being applied to the analysis of all these three main classes of economic contracts as regards need, the will, and justice. Within a few decades, however, the first signs of a decomposition of this paradigm had appeared, heralding both the long-drawn-out decline of scholastic economics and the rear-guard struggle to preserve its essential principles.

The primary source material supporting the analysis in Part I (pre-scholastic sources) is relatively limited and easily accessible (see Bibliography). Most of the authors cited are prominent historical figures; moreover, a selection of secondary critical literature is referred to in notes. Part II is more problematical from a biographical and bibliographical point of view. The material analyzed (scholastic sources, including most of the manuscript sources) is much larger and may seem complex and obscure. Scholasticism is understood in this book in a broad sense. It is taken to include not only the works of theologians and philosophers but also those of some Romanists and canonists as well as many works occupying border areas between these various dis-



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ciplines. All are relevant insofar as they contribute to the establishment, development, and criticism of the central doctrines analyzed in Part II. To the specialist in any of these areas of study, the authors representing his particular area will be thoroughly familiar figures as well. As we are to range over a number of such special areas, however, there is a danger of swamping the general reader (as well as the narrow specialist) with names and titles that tell him very little. The obvious way out of this dilemma is by simplification and selection, but this has all too often been done in medieval economics studies, usually at the cost of precision and variety in historical reconstruction, and this is something I very much want to avoid. As an alternative, I have supplied the bibliography of scholastic sources with the barest vital data about the authors (as far as they are known). On the basis of the following brief overview, and on further particulars supplied in the text as we proceed, I then trust that the titles of works listed will indicate where each author belongs within the broad compass of scholasticism. Some secondary critical studies will also be referred to here for additional information regarding different schools and periods, but very few of these touch, even peripherally, on the main theme of the present book.

As indicated previously, examination of the question of economic need and the will in connection with justice was initiated in Parisian academic circles. The authors in question were theologians with a notable leaning toward canon law. This is an expression of a general dependence of the subsequently dominant theological tradition of scholastic economics on a previous tradition in law. From the twelfth century, doctrines regarding moneylending and trade in commodities were developed in connection with the study of Roman and, mainly, canon law. These schools of law were based in Northern Italy with centers at Bologna but drew students and teachers from other regions as well. Some of the foremost proponents of economic doctrine in the canon law context were of Spanish origin. The just-price teaching of the early Romanists and canonists was studied by Baldwin, 1959. This scholarly work is still unsurpassed in its particular field. In other fields, the best works available are even older. McLaughlin, 1939–40, reports on the usury teaching of the early canonists. Canonistic culpability doctrine was examined by Kuttner, 1935, who refers briefly to the question of compulsion and the will. Most of the twelfth-, thirteenth-, and fourteenth-century lawyers quoted in the present book appear in one or more of these studies. For valuable bio-bibliographical information mention may also be made of a recent general introduction to medieval canon law by Brundage, 1995, and of the impressive repertory by Kuttner, 1937.



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In the first couple of centuries after the foundation of the University of Paris, scholasticism was associated with this institution and primarily with its faculties of philosophy and theology. These schools, in their heyday, represent the first great flourishing of scholastic thought. Paris attracted scholars from all parts of Europe. Besides some Frenchmen, the towering figures of medieval scholasticism include natives of Italy, Germany, Belgium, and Britain. Most of them were men who had studied and taught for a period in the schools of Paris and had received much of their inspiration there. As regards norms of economic behavior, which was a peripheral though relevant subject from the point of view both of moral philosophy and of moral theology, the contributions made by some British masters may be more significant than is generally recognized. Anyhow, scholastic economic doctrine found much of its lasting form in this academic milieu. This is true of the characteristic medieval paradigm regarding need, the will, and justice, which was to shape arguments and determine cases long after Paris had lost its prominent position. On the economic doctrines of the Paris theologians of the thirteenth and early fourteenth centuries, I refer to my recent comprehensive study, Langholm, 1992. Economic compulsion is mentioned there but is not a dominant theme. The book contains fuller information about authors quoted in the present one, and their works in theology and adjacent fields, as well as a more extensive bibliography of secondary sources. The economic doctrines developed in the philosophical traditions inspired from Paris (that is, mainly the commentary traditions on Aristotle's *Ethics* and *Politics*) are the subjects of two earlier works, Langholm, 1979, 1983. Both extend beyond the main Paris period and contain additional information about authors and their works. The first of them can be consulted thematically on the scholastic doctrine of justice in exchange, but the question of economic compulsion and the will is not raised.

The ravages of war, famine, and pestilence that struck Europe in the fourteenth century affected its intellectual life as well. In the aftermath of the Black Death, and for many decades to come, academic teachers discussing usury, trade, and related subjects were mostly content with copying the medieval masters. When scholastic economics resumed some of its vigor in the early fifteenth century, its center of gravity had moved eastward, to the more recently founded German universities. On the eve of the Renaissance, it crossed the Alps and came to rest in Northern Italy, where it remained until after the Reformation. The Council of Trent marks the end of Italian hegemony in this area. The last great flourishing of scholasticism is then often associated with Salamanca and other Iberian universities in Spain's golden age, when eco-

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conomic subjects naturally found their place in the academic curriculum. The German contribution will be noted in works covering a more extended period. One trustworthy critical study of this kind is that of Noonan, 1957, a work that deals with more than usury, which is the only subject announced in the title. Some of the works on the late Spanish scholastics to be mentioned also look back to their German predecessors, as well as to some of the Italians. In the case of the latter, these selective flashbacks cannot do justice to the contribution of Italian Renaissance scholasticism to the development of economic thought.

Some of the main thirteenth-century contributors to the formation of scholastic economic doctrine in the Paris theological tradition were born and taught for much of their lives in the Mediterranean region, and their ideas lived on there. While the influence of Paris declined and transalpine theology gradually lost touch with its source of inspiration in canon law, legal studies continued to flourish in Italy throughout the fourteenth and fifteenth centuries. In the early Renaissance, a growing commercial and industrial economy, the techniques and institutions that served it, and, not least, the mentality that was both its motive power and its product, all called for a reexamination of moral guidelines. This need was felt primarily by the friars, the successors of the great friar theologians of the Paris schools, but these were friars with a legal background as well. They caused the two academic traditions to merge once more, creating a characteristic set of economic doctrines in the border area between theology and canon law.

In view of the wealth of documentation and analysis of life and letters in Renaissance Italy, these doctrines represent a curiously neglected aspect of it. Such historical studies as have appeared tend to focus narrowly on one of the early itinerant preachers and on the mid-fifteenth-century author of a theological *summa*, both important figures. On the economics of these two Tuscan saints, there is a valuable study with much useful information and further references by De Roover, 1967. The main literary vehicles of the tradition, however, were the books of instruction (*summas*) and briefer manuals for confessors or penitents. They were not originally a Mediterranean genre, but they developed in Italy from the thirteenth century and flourished throughout this Italian phase of scholasticism. The question of justice in connection with need and the will was a frequent issue, and it was in Italy that attitudes to this question started to change. For general bio-bibliographical information, the best reference is Michaud-Quantin, 1962. Doctrinal studies of other subjects in these works have appeared. A monograph on their economics should be a promising research project.