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

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This book studies the development of ideas on freedom, coercion, and power in the history of economic thought. It focuses on the exchange of goods and services and on terms of exchange (interest rates, prices, and wages) and examines the nature of choice – that is, the state of the will of economic actors making exchange decisions. In a social context, anyone's range of choice is restricted by the choices made by others. The first to raise the question of the will in this economic context were the medieval scholastics, drawing on noneconomic analytic models inherited from antiquity and mainly from Aristotle. From these origins, views on economic choice, coercion, and power are recorded, as they gradually change over the centuries, until they manifest themselves in contemporary disputes between different branches of institutional economics.

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Preface

Historians of economic doctrine now recognize that modern theory is the product of continuous growth over a much longer period of time than was previously assumed. There is also, among historians in general, a renewed interest in the Middle Ages. The combination of these factors invites the question of what was the main and lasting contribution to economics of the medieval scholastics, that is, of the masters who taught and wrote in the first centuries of the European universities. The present volume contains the author's considered reply to that question. I first touched upon the subject some fifteen years ago in a brief article whose title, "Economic freedom in scholastic thought," may still serve as a clue. "Economic freedom" has been used as a label on a number of quite different things. For the medieval scholastics, it derived its principal meaning from an issue that has lain at the core of Christian philosophy since its origin, that of the freedom of the human will. In scholastic economic thought, freedom in that sense was brought to bear on two of the elements of all market economies, namely, the phenomenon of need in the face of scarcity and the arrangement of need satisfaction by means of exchange. The question of freedom then became the question of the state of the will of a person who consents to certain terms of exchange because of need. Conversely, it became the question of compulsion by need or, in a personalized sense, of compulsion (or coercion) by one party to the exchange taking advantage of the other party's need. Since the time of the scholastics, this issue has remained as an irritant in the body of economic doctrine, encapsulated for long periods of time by dominant schools, but occasionally breaking to the surface and issuing in ideological and ethical controversy.

There are several possible points of entry into the material presented here in order to record and explain these developments. A set of alternative reader's guides may be useful. First, of course, I should prefer the book to be read in the order in which it is presented. It then takes on the character of a sort of literary history of comments on the opening chapter of Book III of the *Nicomachean Ethics* of Aristotle, which deals with compulsion and the voluntary (much as value theory can be

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read as a history of comments on *Ethics*, V,5, on justice in exchange). All the channels described in Part I – philosophical, theological, and legal – through which the scholastics received the building blocks for their theory of the will in economic relationships, originated in ancient Greece, and the most direct line back leads to *Ethics*, III,1. Economists, for whom this volume is primarily intended, will probably find Chapters 1–3 more difficult than the rest. I nevertheless urge anyone who wants to trace the prehistory of current disputes about economic freedom and coercion to accept the challenge of Part I at some point, preferably but not necessarily at the outset.

Second, to persons primarily interested in scholastic economic thought as such, I suggest that Part I be bypassed or postponed. There is virtually no economics in Part I. As told in Part II, it was the medieval scholastics who restated the Aristotelian and related ancient traditions in terms of need and applied them to economic exchange in this altered form. This main, second part of the book was written with the idea in mind that it should be able to stand alone as a record of this one central theme in medieval and early modern thought. If Chapters 4–7 should whet the reader's curiosity about what went before and what came after, so much the better.

Third, and perhaps surprisingly in the economic context, I offer this book as a contribution to Hobbes studies, suggesting an entry in Chapter 8, which opens Part III. Thomas Hobbes is the only author who has a chapter all to himself in the book. Taking Hobbes on compulsion, the will, and justice as a point of departure, the rest of Part III can be read as a sketch of what his contribution led to in the field of economics, whereas Parts I and II explain the scholastic–Aristotelian *economic* doctrines against which he reacted so violently. Finally, let the participant, or observer, of current disputes between different branches of institutional economics read the concluding Chapter 10 first. It will indicate to him the modern issues whose long history is told in this book and may cause him to go back to one or another of the earlier entry points suggested previously.

It is hardly possible in a book that spans more than two millennia and ranges over a number of the human and social sciences to avoid making blunders. There are undoubtedly in this volume passages that will offend specialists in this or that area. I can only hope that it will be received in the spirit in which it was written. I am convinced that economics is a science in need of greater self-understanding and that one way to achieve this is by extending its scope, historically and thematically. With no intention of shifting responsibility, I extend my thanks to all those persons – historians, philosophers, philologists, and

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jurists, as well as economists – whose advice I have sought and generously been given. I thank the Norwegian School of Economics for granting me time and funds for research. Special thanks are due, once more, to Elisabeth Stiegler, who took my manuscript through its different stages with exemplary skill and good cheer. Last, but most of all, I thank my wife, Grethe, for companionship and encouragement on our joint expeditions into medieval Europe.