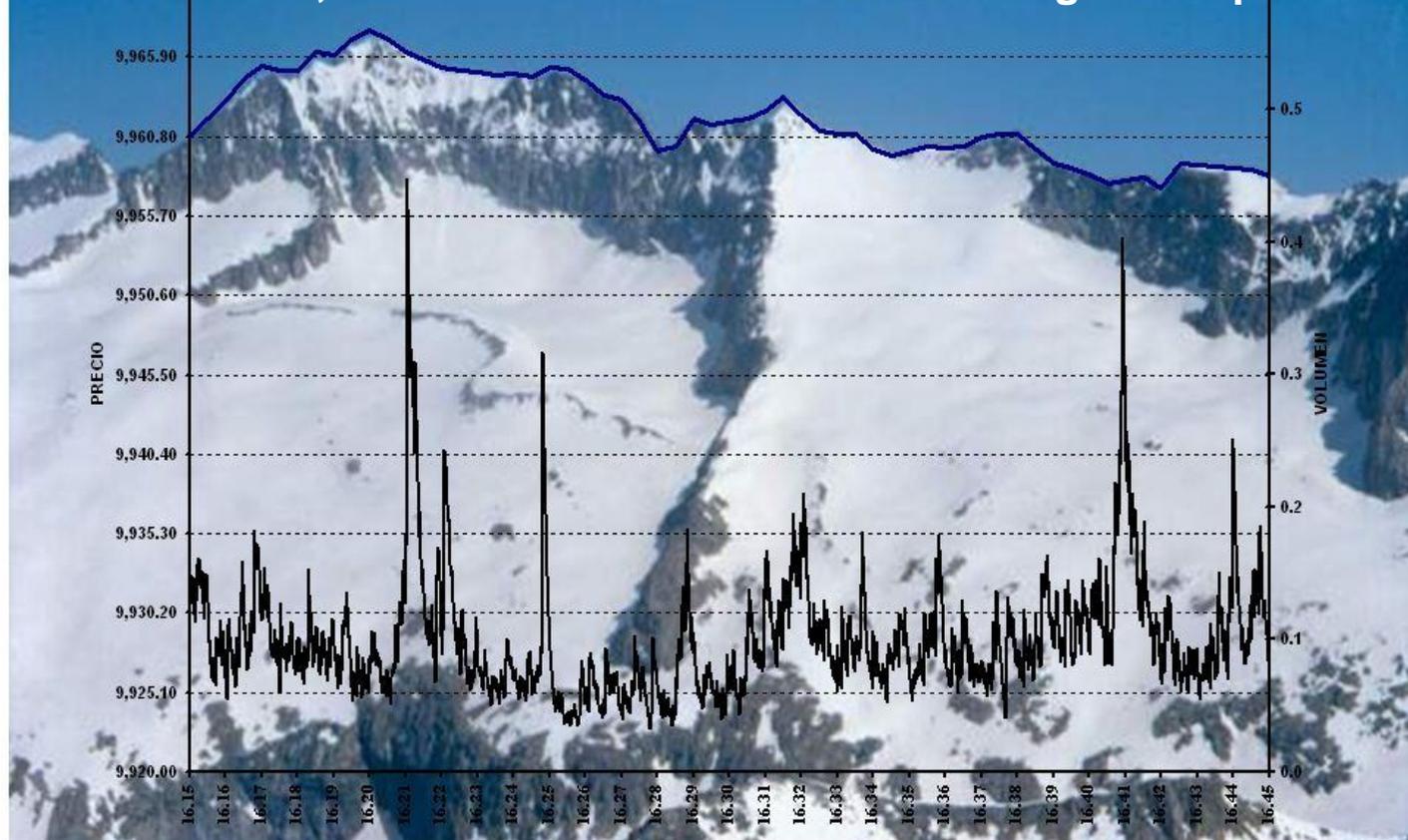


Economics, Finance and Mathematics from a high standpoint



Scholastic Just Price and Current Market Price: is it merely a matter of labelling?

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**Scholastic Just Price and Current Market Price: is it
merely a matter of labelling?**

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The scholastic analysis of just price is probably the most famous and lasting scholastic economic concept and a good example of the amalgam of economic and ethical arguments which were scholastics' economic theories.

From an analytical point of view some aspects of the just price theory remain controversial; mainly: the cost-of-production versus the subjective-utility theory of value and if the natural just price is the same concept as the current market price. Relating to this second point there are different interpretations. One of them considers that the just price is merely the current market price; the common estimation plays the same role that the market forces in a competitive context. Another group of scholars states that the just price is quite different from the market price; the fundamental reason is that the ethical framework of the scholastic paradigm sets a corpus of principles which greatly differs from the neoclassical *homo economicus*.

This paper tries to go into this topic in depth and reflects about the morality of the market price.

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If the exchangers are in somewhat comparable bargaining positions and meet in a spirit of trust and benevolence, they should be able to agree on terms of exchange by which both consider fair. The Christian ideal of mutual advantage by just, and free, exchange is one of the finest bequests of the scholastics to economic thought. (Langholm, 1992, p. 577)

1. Introduction

Scholastics doctors, following the Christian vision of God's City on earth attempted to construct an all-embracing system of human ethics in which the virtue of justice formed the foundation of a good and harmonic life among all human beings. The problem arises when the ideal vision face up to reality, specifically to economic reality and the doctors became aware that commercial practices overshadow this vision. This challenge drives the doctors to devote his efforts to harmonize economic reality with their ideal vision of society, following the dictates of natural law and Christian doctrine. "By a common denominator we may perhaps describe the economics doctrines of the medieval theologians as a set of compromises, codes of economic conduct which must be operational while abandoning as little as possible of the Christian vision of society. (Langholm, 1992, p. 565)

It is beyond all doubt that scholastic economics was drawn up from a Christian morality perspective. Nevertheless, "the normative motive, so often the enemy of patient analytic work, in this instance both set the task and supplied the method for the scholastic analysts. Once set, the task was strictly scientific and logically independent of the moral theology whose purposes were to be served." (Schumpeter, 1994, p. 190). In short, they were all economists –in the sense of making an intellectual effort to understand the economic reality and working out some valid explanations– without looking for –their only real interest was to act as spiritual guides. Precisely, this combination of moral perspective and economic analysis gives shape to the main contribution of scholastics to Economics, which has been to consider that people are morally-ruled beings with a social and political behaviour and responsibility (Dejuán & Monsalve, 2006). Just price theory is a paradigmatic example of this amalgam of economic and ethical arguments which were the scholastics' economic theories (Hamouda & Price, 1997).

The concept of just price, probably the more famous and lasting scholastic economic concept (Grice-Hutchinson, 1978, p. 155), has warranted a strong interest among historians of economic analysis for both ethical and controversial reasons. Concerning the first, there is a renewed interest in re-linking ethics and economics and exploring the moral responsibility of human beings in their economic behaviour. Considering this,

just price became an interesting theory to go into. It was a religious commandment, but regarded as more than that. In fact, it is possible to ascertain just price theory as a *rational theory* relying on the social and moral dimension of men and natural law principles. (Monsalve, 2010) On the other hand it played a fundamental role against economic compulsion (Langholm, 1998). The second reason laid in its controversial ambiguity which has two main discussions around it: one is the best known and most debated aspect of the foundations of value (labour and cost versus need); the other one deals with the question about if the just price is the same as the liberal market price or something totally different. This paper is interested in the second controversy, which I consider truly illuminating about the role ethics could play in Economics; there are some interesting lessons to be learnt from the concept of scholastic just price in the way of rethinking a more ethical Economics. Although the paper will focus on the second controversy, some valuable aspects of the theory of value will be pointed out because of being closely related to our main purpose.

The true problem in the scholastic-just-price and the current-market-price debate is not if it is possible to identify both concepts (which it is) but if the meaning attributed to the current-market-price is the same in the scholastic and liberal vision. The task to be done is to show if the same taxonomy “current market price” in scholastic and liberal traditions hide different concepts. *My thesis is that the just price is not merely the market price because of the fundamental moral dimension of economic agents.* According to this thesis I will speak of a collaborative market price (scholastic) and a competitive market price (liberal) in order to overcome the taxonomy problem.

The Italian Dominican Saint Thomas Aquinas (1225-1274) and the Spanish Jesuit Juan de Lugo (1583-1660) will be our main scholastic sources. Aquinas’ statements about just price in *Summa Theologica* and *Commentary on Aristotle’s Nichomachean Ethics* became the general doctrine throughout scholastic tradition. Aquinas would set this general framework about just price in the process of harmonizing the legacies of Aristotle, Roman and Canon laws and Patristic tradition from rational and theological perspectives. Juan de Lugo is commonly considered to be the last great representative of the Scholastics. So, the approaching to just price theory through Juan de Lugo allows us to catch the scholastic analysis in its high point as well as the end point.

2. Just price: Origins, development and role in scholastic tradition

The concept of just price is usually related to scholastics in the history of economic analysis. However, it was, actually, a legal formula already pre-existent in Roman law.

The essential of the scholastic theory of just price is contained in the three following texts (Noonan, 1957, pp. 82-83):

- (1) If you or your father sold property for less than its value, it is just that you should receive it back, though the authority of the judge upon restoring the price, or that the purchaser, at his election, should pay you what is lacking of the just price (and keep the property). A price is considered too little if one half of the true value is not paid. (Code, 4:44:2)
- (2) The value of things is based, not on the disposition or utility of single persons, but commonly (Digest, 35:2:63)
- (3) A thing is worth as much as it can be sold (Digest, 36:1:16)

The interpretation of these three principles in order to harmonize them with patristic tradition and Aristotle legacy gives shape to the concept of just price in scholastic economics. The concept evolved throughout the centuries with the changing in economics and historical circumstances. From the Paris Theological Tradition (early 13th century) to the late Spanish Jesuits (late 16th century) just price theory would be affected by subtle changes which, however, does not alter the very essence of the concept: to preserve the justice in exchange.²

The virtue of justice is a moral axiom (cardinal virtue) but also a logical requirement of living in society as Aquinas claims

buying and selling seem to be established for the common advantage of both parties, one of whom requires that which belongs to the other, and vice versa ... Now whatever is established for the common advantage, should not be more of a burden to one party than to another, and consequently all contracts between them should observe equality of thing and thing. (Aquinas, 77:1)

This quotation became a genuine blueprint for scholastics. Moreover, the fundamental role of economic analysis in the scholastic tradition will be to elucidate the justice in contractual relationships (Gordon, 1975, pp. 156-159). As Alexander Gray has stated:

² A challenging and exhaustive survey of early scholastics labeled as *Paris Theological Tradition* and the way it develops into "The vision of a Christian economy" could be found in the work of Langholm (Langholm, 1992). Late Spanish doctors and the suggestive "scholastic paradigm" have been studied deeply by Gómez Camacho (Gómez Camacho, 1998).

If one word were sought to cover all phases of medieval economic teaching, it would probably be found in the idea of “justice”... We are brothers and should behave as brothers, respecting each other’s rights and position in life... No one, under any circumstances, should take advantage of his neighbour. This is the sum and substance of medieval economic teaching (Gray, 1959, p. 56)

In short, to guarantee “the equality of thing and thing” is the fundamental role just price has to play in economic matters both as a moral imperative from a Christian point of view (cardinal virtue of justice) but also as a logical requirement of the social dimension of men who need to live in society and, consequently, to behave fraternally following the principles of natural law (rational dimension).

3. The source of value: cost and need controversy.

Two theories of value could be tracked in the scholastic tradition. The first one is the cost-of-production theory which links the value of goods with the cost of production (mainly labour). The second one is the subjective utility theory of value which links the value of goods with the estimation of the utility provided to fulfil human needs. The most common approach among early scholastics was to hold both interpretations, which were ethically relevant from a justice perspective.

- *Cost and labour criterion*, as a way of ensuring a proper reward to the merchant which enables him to support himself and his family on a suitable level for his profession. This incentive is necessary to guarantee the supply of goods in markets and, consequently, the well-being of the republic.
- *Need and demand criterion*. Human need is the true source of value. Goods are not valued according to its intrinsic perfection, but as man stands in need of them for his own use.

From a modern point of view the coexistence of both theories could be viewed as meaningless, but such is not the case inside a prescriptive framework characterized by commutative justice.³

St. Thomas was prescribing certain “just” courses of action which suggest that he envisaged the market price as satisfactory provided that it did not

³ Langholm points out that the interpretation of both theories as mutually exclusive and conflicting is a consequence of the late nineteenth century’s ideological conflict, when historians revisited scholastic economics

permit pure profit on the one hand, and did not lead to losses on the other (Hollander, 1965, pp. 631-632)

On the contrary both theories should be understood as mutually complementary.

...these two theories, far from being irreconcilable, from an ethical viewpoint, are simply tentative and mutually supporting estimates of what a fair price should be. But even more damaging, from the viewpoint of the history of economics, is the failure to see that these theories embody the two analytical approaches to value which, when they meet, make the equilibrium theory possible" (Langholm, 1992, p. 190)

Lapidus holds the same complementary thesis, but by putting particular emphasis in the special role played by human beings in Creation.

"Yet, founding the just price on need, as well as on labour and expenses, is not as contradictory as it might seem... if need, and labour and expenses, do indeed play an essential role in the determination of the just price, it is in no respect because they are exogenous factors prefiguring consumers' preferences and technology, but as endogenous factors that are themselves determined by a process whose joint results they represent. This process depends on the singular place that man occupies in Creation. Blessed with reason, he is capable of acceding to an understanding of the common good and of working towards its achievement. Man is thus more than a simple product of Creation - he is also its agent." (Lapidus, 1994, p. 439)

Nevertheless, according to Langholm "cost, then, may remain a consideration, but the decisive factors are the subjective values put by each of the exchangers on each of the objects of the exchange" (Langholm, 1992, p. 575). Moreover, the double approach in early scholastics gives way to the predominance of the subjective theory between late scholastics.

"[Fluctuation in natural prices depends] not, certainly, on the intrinsic and substantial perfection of the object which is being evaluated, but on its utility for human necessities; not only on this particular utility but on the appreciation of that utility. For instance, mice are worth less than wheat, although their natural perception is of a much higher order; a jewel is less useful than wheat or than a house; however, sometimes it is still worth more" (Lugo, 26:42)

We only speak of “predominance” because late scholastic doctors were aware of the importance of merchants to the republic and the need of a proper incentive and reward for their effort; so the cost-labour factor was still taking into account as already included in the just price.

“When a person sells as a regular business (“ex officio”), as merchants commonly do, he may for this reason sell at a higher price to make money for his own maintenance because the fact that they attend to the assembling, storing, and distributing of goods and the fact that they give up other occupations and sources of gain can be appraised at a price... But strictly speaking this is not selling above the true value, for in evaluating the common price of goods, attention is paid to these costs and profits made by merchants and the common and natural price rises for all of these” (Lugo, 26:48)

In that sense Gordon speaks of a fundamental dichotomy, which scholastics do not face up to: “utility was the determinant of price, yet personal effort was the title to income or gain. For the police, there was the problem that a structure of prices based on relative utilities would not yield an income structure compatible with relative degrees of effort” (Gordon, 1975, p. 238).

The outstanding aspect is to highlight that in the ethical framework of scholastic economic vision where man has a fundamental responsibility for the common good as an agent of Creation, just price should guarantee a proper reward to the merchants and avoid economic compulsion to the consumers.

4. The role of the market: just and market price controversy

4.1. What is a just price?

Scholastic just price could be better understood if it is considered as a sort of intellectual construct; an ideal price which guarantees the equality in exchange. It acts as a standard of measure to which every buying-and-selling transaction price should be referred and compared to. After that, it would be possible to state if the transaction was fair or unfair. In short, just price became a tool concept to validate the justice in exchange.

Just price is the price which guarantees the equality in transaction. It is the amount of money which a thing is worth. This ideal standard of measure is implicitly recognized by Aquinas.

Again, the quality of a thing that comes into human use is measured by the price given for it, for which purpose money was invented... Therefore if either the price exceeds the quantity of the thing's worth, or, conversely, the thing exceeds the price, there is no longer the equality of justice: and consequently, to sell a thing for more than its worth, or to buy it for less than its worth, is in itself unjust and unlawful. (Aquinas, 77:1)

If we only considered the just price as an ideal price there are no major problems with the concept. The true problem arises when it is trying to straighten out if a real price is fair or unfair in a particular transaction. How can we know that? Which elements are involved in setting the just price? In short, What is a just price?

Lugo states that

Just price is two-fold: the legal and the natural. The rightful or legal price is that set by law or by decree of the prince or magistrate after taking into consideration the quality of the object and all other buying and selling circumstances. The popular or natural price, on the other hand, is based upon the common estimation and judgment; not upon the particular appreciation of someone, but upon the community (Lugo, 26:38)

The former one as far as it was settled by the magistrates were not a major concern for most scholastics.⁴ People should respect it; on the contrary, their behaviour would be unfair (moral dimension) and unlawful (legal dimension).

The latter one is based upon "the *common estimation* and judgement". Scholastics granted that the price fixed in common, considering *the opinion of prudent and fair-minded man*, in a market place is a just price. Then, It could be said that, under certain conditions, the just price is actually the current market price obtained in the market. This is totally true. But the main problem remains to be unsolved. Is it possible to say that the just price is nothing more than the competitive market price? Some scholars granted it; some others denied it.

According to Schumpeter, late scholastics identified the just price with any competitive price.

⁴ Luis de Molina (1536-1600) and Melchor de Soria (1558-1643) held an interesting controversy about such questions related to the price of grain. Both doctors agreed that price controls are in place to prevent speculative behaviour but they held different opinions on the extent. Soria considers that magistrates have authority to fix prices out of the just price latitude. Molina points out the contrary; it is necessary to adjust to the natural price because only prices fixed within the latitude should be respected in all conscience by individuals (Gómez Camacho 1998, 521-6).

“Wherever such a price existed, it was “just” to pay and to accept it, whatever the consequences might be for the trading parties: if merchants, paying and accepting market prices, made gains, this was all right, and if they suffer losses, this was bad luck or else a penalty for incompetence so long as gains or loss resulted from the unhampered working of the market mechanism though not if it resulted, for example, from price fixing by public authority or monopolistic concerns” (Schumpeter, 1994, pp. 94-95).

The very same opinion is held by Grice-Hutchison who considered Schumpeter’s words as a “satisfactory summary” (Grice-Hutchinson, 1993, p. 41). De Roover expresses the same idea more concisely

the just price was nothing more mysterious than the competitive price, with this important qualification: the Doctor never questioned the right of the public authorities to set and regulate prices. In the absence of regulation, however, the just price was the one set by common estimation, that is by the free valuation of buyers and sellers, or, in other words, by the interplay of the forces of demand and supply. (De Roover, 1951, p. 496)

In his exhaustive analysis of the medieval theories of just price, Baldwin claims that

In basic terms the current price may be defined as the actual price of certain goods at a certain time and place. It would include both free competitive price and legal prices regulates by justly constituted officials. It would exclude, however, prices determined artificially through private monopolistic practices. (Baldwin, 1959, p. 76)

Gordon also interprets scholastic just price as the outcome of the operation of competitive market forces (cfr. Gordon, 1975, pp. 218-243). Chafuen holds the same opinion but from an Austrian perspective. Just price is the market price but not the perfect competition market price. He identifies the scholastic idea with the free entry principle (Chafuen, 2003, p. 83).

Gómez Camacho, appealing to the methodology of Thomas Kuhn and the changing of paradigm, breaks with previous liberalistic interpretation and warns us against the facile identification of “common estimation” with free market price.

“What makes it difficult to identify the scholastic common estimation with the liberal free market is the concept of the will and its function in economics as a moral science” (Gómez Camacho, 1998, p. 535)

Langholm “fully agrees” with this challenge to the liberalistic interpretation which suggests “that the medieval scholastics simply permitted the forces of the market to run their course and accepted the resultant «common estimate of the market» as the just price”

The modern mechanistic conception of the market as a suprapersonal force setting the terms to which an individual exchanger must submit was foreign to the medieval masters. Their frame of reference was a moral universe that obliged any buyer or seller to act for the common good and agree to terms of exchange accordingly, regardless of the advantage granted him by the forces of the market. This means that the common estimate of the just price could not refer indiscriminately to whatever price might be obtainable under existent market conditions. It was only with the dissolution of the medieval paradigm, initiated by some of the late scholastics, that a freer play of market forces was permitted to influence the just price" (Langholm, 1998, p. 85)⁵

4.2. The ethical perspective

Persons are morally-ruled beings in scholastic tradition, as well as in neoclassical. This is usually misunderstood because of the altruistic connotations conferred in Economics to the word moral. However, strictly speaking, “morality can be identified with the recognition of a personal conscience, which compels persons to take certain decisions and to avoid others, regardless of their particular interests. It conveys a sense of duty that people should follow (normative statement) and which, fortunately, most of them generally do follow” (Dejuán & Monsalve, 2006, p. 101). The outstanding issue is the different meaning of morality in both traditions. These differences could be traced in the constraints of the price-fixing mechanism process by common estimation, in the social dimension of private property and, in the end, in the vanishing of moral responsibility of humans as price takers, not makers.

⁵ Langholm’s interpretation focuses on medieval scholars. In his opinion “the objection to indentifying the just price with whatever price is obtainable in the market applies above all to the medieval scholastics” because “the School of Salamanca represents a transitional stage, wherein the doctrine of the medieval masters mingle with more liberalistic ideas about the role of the market...” (Langholm, 1998, p. 86) This thesis set out an interesting and challenging question which deserves further studies about the comparison between early and late scholastics.

a) Common estimation and its role against economic compulsion

Lugo's previous quotation states that "natural price is based upon common estimation". Literally, common estimation means that goods should be valued in common (*communiter*). This definition added no new significance to the process and the real meaning of this expression remains to be explained. What does *common estimation* really mean? How does this concept work within a price setting? What lies behind the common estimation concept? The interpretation of common estimation will be the interpretation of the just-price and current-market-price controversy.

In order to grasp the deeper meaning of *common estimation* we need to bring up two maxims of Roman law about the price fixing process. These maxims were a most cited principles in scholastic tradition: "Everyone is the moderator and arbiter of his own thing" and "The willing man receives no injury". These two principles crystallized in the maxim which embodies the very essence of a free-exchange economy: "A thing is worth what it can be sold for". Such assumptions –(1) price in market is fixed commonly and (2) a thing is worth what it can be sold for– drive us directly to a vision of a free-exchange economy and, consequently, to conclude that just price is nothing more than the competitive market price.

Nevertheless, another interpretation makes sense. Langholm has clearly demonstrated that the previous maxims of Roman law contradicted the ethical premise of patristic tradition and took away the deep meaning of just price. So, they were rewritten and modified in order to be added to the scholastic mainstream. "Can" was substituted for "ought"; value was not a question of economic power but one of moral (social) obligation. The maxim was modified in the following way: "a thing is worth as much as it can be sold for in the absence of force, fraud, and deceit, by which the will is removed from the buyer". This principle is applied only to necessities, not to luxuries which remain free to find their own prices.⁶ In this modified version, the maxims try to ensure the willingness in transaction and, on the other hand, to prevent from "economic compulsion" which would be the case of a man under utmost necessity (Langholm, 1998, pp. 78-82). This revised maxim and the outstanding role of "free and voluntary

⁶ This point was also controversial. Francisco de Vitoria held that to sell something above its value is only licit "when concern not necessities to humans but things related to the human curiosity and ornament" (Vitoria, 77:1:7). Lugo held that it is possible to pay something more above the real value but not without limits: Imagine that a seller instead of asking a thousand shields for a very rare falcon, had requested a whole kingdom or province..., would you say that this price can be demanded lawfully or, on the contrary, would you say that the seller abuses the excessive liking of the buyer and unjustly plunders it? You recognize then, that the limit needs to be indicated according to the prudent ones' judgment... (Lugo, 26:47)

consent” gives a new significance to common estimation as a bargaining process which fixes the current market prices.

A second aspect of common estimation to be considered is the common, not individual, dimension of the bargaining process. Scholastics strictly reject individual estimation as a determining factor of price. Value “rises and falls not with the valuation of this one or that one but with the common estimation” (Lugo, 26:47). This rejection emphasizes the moral impossibility of individuals of selling according to their own appreciation. It prevents the buyer or the seller to take into account particular circumstances in order to change the just price in a particular transaction.⁷ This would be the case, for instance, if a merchant raises his prices as a consequence of a shipwreck or a theft. Common and not individual estimation constitutes prevention against economic compulsion.

Scotus and Mair say that merchants must compute all the expenses which they incur in buying, transporting, or preserving the goods, and then the just compensation for the industry and labour expended and the risk to which they have exposed themselves, just as it having been hired for a wage to bring and sell such goods under their own risk. Nevertheless, this rule falls short first of all because if some merchant should have suffered a great loss by shipwreck or by theft in transporting goods he might lawfully demand a higher price for them than that at which they are sold by others. This is wrong since the goods are not commonly valued but can be had at a lower price. Secondly, those who are not merchants cannot observe that rule but measure the just price otherwise (Lugo, 26:41)

A third aspect should be brought up. Scholastic doctors state that common estimation should be ruled by the opinion of prudent and fair-minded men. This term does not

⁷ The Aquinas double rule of just pricing could be viewed as a concession to individual estimation. Let us remember that Aquinas speaks of buying and selling in two ways: First, as considered by them from this point of view buying and selling in subject to equality and commutative justice; Secondly, “considered as accidentally tending to the advantage of one party, and to the disadvantage of the other: for instance, when a man has great need of a certain thing, while another man will suffer if he is without it. In such a case the just price will depend not only on the thing sold, but on the loss which the sale brings to the seller. And thus it will be lawful to sell a thing for more than it is worth in itself, though the price paid is not more than it is worth to the owner. Yet if one man derives a great advantage by becoming possessed by the other man's property, and the seller is not at a loss through being without that thing, the latter ought not to raise the price, because the advantage accruing to the buyer, is not due to the seller, but to a circumstance affecting the buyer. Now no man should sell what is not his, though he may charge for the loss he suffers” (Aquinas, 1947 [1270], 77:1) The first part of the quotation is extremely challenging because it only allows the seller to consider his particular circumstances which rest his meaning to the general doctrine against economic compulsion. Nevertheless, the second part restores the coherence when states that the seller could not profit on the buyer's particular circumstances. On the other hand, the remarkable issue is that the second way is only of application in singular circumstances as a way of indemnity.

refer to a group of wise people or institution with judgement capacity but to the fact that prices have not been established in a lawless and irrational way. Such irrationality has no universal dimension but local coherently with the subjective approach to the value of goods. It is to say, common estimation could be different among different communities.

It could be thought that, if the opinion of prudent men has to be taken into account, to give trinkets, glass beads or red dresses to Ethiopians in exchange of gold is clearly unfair. It could be argued that, once all circumstances are known, those kinds of things are worth certain prices; because one of the relevant circumstances is the esteem that the good has among people. Hence, gold is fairly exchangeable for those kinds of things because possessing such goods provides honour, and for that reason they are considered as valuables (Lugo, 1848, 26:48).

Summarizing, common estimation is not merely an impersonal force driven by the egotistical individual's interests but a communal and prudent process where the moral responsibility ("ought" instead of "can") and the free and voluntary consent plays an outstanding role in preventing economic compulsion. As Langholm points out "In the medieval context, it makes more sense to interpret the market estimate of just price... as a means to combat the exploitation of individual economic needs" (Langholm, 1998, p. 88). In this sense just price settled by common estimation will be something different to competitive market price. Economic agents (buyers and sellers) are price makers with a moral duty (agents of Creation); not merely price takers as liberal traditions seem to claim.

b) The social bearings of private ownership

Private property was instituted for the common good of mankind. Scholastic tradition, following Aquinas, defends the division of goods for reason of social-order and economic-efficiency.⁸ Nevertheless, this right is not as absolute as the people were relieved of helping the truly needy. The first purpose of goods is to be of service to man in his necessities and the private ownership of possessions could not remove that essential characteristic. Aquinas defends this right in a more radical way in considering

⁸ [For man to possess property] is necessary to human life for three reasons. First because every man is more careful to procure what is for himself alone than 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 is a great number of servants. Secondly, because human affairs are conducted in more orderly fashion if each man is charged with taking care of some particular thing himself, whereas there would be confusion if everyone had to look after any one thing indeterminately. Thirdly, because a more peaceful state is ensured to man if each one is contented with his own. Hence it is to be observed that quarrels arise more frequently where there is no division of the things possessed. (Aquinas, 66:2)

lawful to steal through stress of need.⁹ Scholastics vision of the right to ownership tries to harmonize considerations of efficiency (private) with the fact that Creation was given by God to humankind in common. Dempsey has labelled this particular and radical interpretation as the “social bearings of private property”.

This universal quality of goods owned must be kept in mind when we approach the subject of just price of particular goods based on common evaluation. The two-fold disposition of the basic economic factors, men and goods, in the division of labour and the division of property are both social phenomena, each arising from the interdependence of men and each promoting that interdependence (Dempsey, 1948, p. 132)

These bearings play a fundamental role in the price fixing process. The mutual interdependence of men living in society does not morally allow to exploit others one position and take advantage of them. The honest and fair-minded person should be behaving in economics dealing under the virtue of justice because others need him as much as he needs others. On the other hand, creation is at the disposal of mankind in common. This communal dimension has to be taking into account by private owners in his economics dealings.

This particular vision of private property leads Domingo de Soto to reinterpret the roman maxim “everyone is the moderator and arbiter of his own thing”.

Everyone is the moderator and arbiter of his own thing provided that the thing has nothing to do with the other one; however, the person who sells something not only deals with his own thing but also with a thing which is common to both himself and the buyer (Soto, 6:2:3)

c) Maximization versus moderation

Since Adam Smith’s invisible hand metaphor, the self-interest impulse has become the fundamental motivation of economic human behaviour. This impulse has been modelled under the principle of maximization of both utility and profits. Moreover the mathematization of the economic analyses has been drawn over this fundamental principle. In that sense, to pursue wealth or money by itself is a rational attitude. This

⁹ Since, however, there are many who are in need, while it is impossible for all to be succored by means of the same thing, each one is entrusted with the stewardship of his own things, so that out of them he may come to the aid of those who are in need. Nevertheless, if the need be so manifest and urgent, that it is evident that the present need must be remedied by whatever means be at hand (for instance when a person is in some imminent danger, and there is no other possible remedy), then it is lawful for a man to succor his own need by means of another’s property, by taking it either openly or secretly: nor is this

conception of human nature could be condemned from a humanist-ethical perspective, not by an economic one

This egotistical vision of human nature “is hardly an invention of modern economics”; moreover, it could be tracked “the awakening and gradual expansion of this way of thinking among medieval scholastic theologians addressing economics subjects” (Langholm, 1992, p. 564) The substantial difference is that scholastics rejecting it as the primordial way of behaviour. Following Aristotle, scholastics consider money just as a means to live not as an end in itself. So looking for wealth and properties beyond the point of a proper supporting of the house is *contra natura*. Scholastics do not condemn an economic incentive but the disorderly pursuing of it.

First, it is true, that trade in its proper and rigorous sense is in itself neither morally good nor bad, but indifferent; the trade could be done well or badly. However, although it was indifferent in itself, many people usually trade fraudulently, that is the reason why such practices are usually considered as dangerous and rarely without sin... The danger is behind the oaths, lies, frauds, prices excess and other practices which, strictly speaking, are vice not of the trade itself but the trader. So, to trade is not only licit but also useful and necessary to the nation; it could be done pursuing an honest end as the maintenance of the family or the help to poor people. (Lugo, 26:22)

This quotation highlights the teleological vision of wealth in scholastic tradition.

d) Conclusion: *The vanishing of moral responsibility*

The teleological vision of the economy which compels to moderation, the communal dimension of private property, the common estimation role against economic compulsion and finally the fundamental responsibility of humans beings as agents of Creation set a moral framework that was quite different from the modern economic one. All of this has to be understood inside an organic conception of society where everyone has a role to play in order to get a proper functioning of the whole body or, in other words, to work for the common good. This organic vision was substituted by a mechanical one during the enlightenment. God set the world in motion and let it run alone. This mechanical conception stresses the importance of knowing the working rather than the causal agents. Nature and society were seen as perfect and harmonic

properly speaking theft or robbery. (Aquinas, 66:7)

systems. In such a context human responsibility vanishes (Gómez Camacho 1998, 514-5: 528-9).

Do not feel any concern now for our morals or our customs. It is socially impossible for these not to conform by their principles; it is socially impossible for men who live under such simple laws (property and the freedom of the market), than men who, once they have achieved knowledge of absolute justice, have submitted to an order whose base is by essence justice, and whose limitless advantages are evident, not to be, humanly speaking, the most virtuous men (Mercier de La Rivière, 1910, p. 356).

Homo iustus (ruled by moral and the self-control of passions in an organic society context) was superseded by *Homo economicus* (ruled by individualism and utilitarianism in a mechanical social context).¹⁰

4.3. Equality versus equilibrium

If we consider just price doctrine as an arbitration procedure focusing on justice, instead of economic theory focusing on market forces, the outstanding problem became the equality, not the equilibrium. From this point of view some other minor differences will appear between just price and liberal market price. We will point out three of them.

a) Latitude versus accuracy

All economic textbooks highlight that market price is characterized by unicity and stability. On the contrary, just price is characterized by width and divisibility.

...popular or natural price is not absolute but allows a certain latitude or range. Inside the margin three prices are usually pointed out: lowest or pious, medium or moderate and highest or rigorous. (Lugo, 26:39)

To understand this latitude of indetermination of just price, we should go into the role played by *recta ratio* (right reason) in scholastic epistemology and the probabilism associated with it. In brief, probabilism means the impossibility of the certainty of

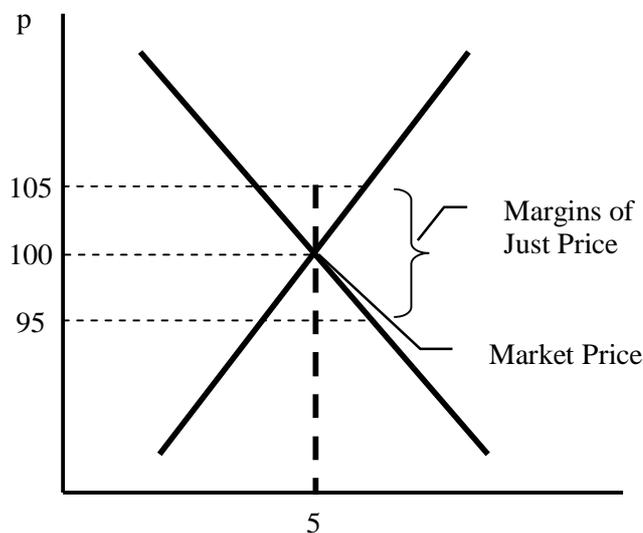
¹⁰ González Fabre (2005, pp. 49-58) draws the shift from *Homo iustus* to *Homo Economicus* through the following milestones: Maquiavelo and the “prevalence of power over moral”; Mandeville and the “private vices as public virtues”; Newton and the “harmonic explanation of whole nature”; Utilitarianism and “seeking pleasure and avoiding pains to maximize utility”; Smith and “the invisible hand as the universal social law, in a Newtonian sense, which turns own interest into common good”

human knowledge, so common estimation couldn't exactly set the just price. It also affects value and prices.

...we cannot ascertain what is the mathematical just value of things; some people think it would probably be one hundred, while some claim ninety and others ninety five. Because all of these opinions are prudent and probable, any of them could potentially be the just price in practice. (Lugo, 26:40)

Latitude versus accuracy marks a subtle difference between both just and market price.

Figure 1: Just Price and Market Price



b) Equality “out the just price”

The prevalence of equality is also demonstrated by the possibility of doing a fair exchange without respecting the just price in the context of a singular and particular transaction. Lugo distinguishes between the factors which change the just price and other circumstances which allow buying and selling below or above the just price. The former factors are: higher utility to satisfy human necessities and the subsequent higher estimation, shortage of goods, greater number of buyers, abundance of money, the manner of their sales (retail or offered insistently...)¹¹ The latter circumstances are:

¹¹ “Fluctuation in natural prices depends on several circumstances; Not, certainly, on the intrinsic and substantial perfection of the object which is being evaluated, but on its utility for human necessities; not only on this particular utility but on the appreciation of that utility.... Natural price also increases if there is a scarcity of sellable things or plentiful money and decreased by the opposite reasons... Finally, natural price fluctuates in accord with the ways of selling and buying. It is usual to sell more expensively in retail sales than in wholesale because the former way leads to greater expenses and labour to the seller; so he rightfully increases the price. It is also sold at a lower price when the seller insistently offers the commodities...” (Lugo 26, 42-44)

the existence of a lost gain (*lucrum cessans*) or emergent damages (*damnum emergens*) for the seller or the buyer (Lugo 26, 89), the risk of contract fulfillment (Lugo 26, 90), the purchase of credits at lower prices because of the uncertainty in payment (Lugo 26, 93), the things commonly sold on credit because the number of buyers will increase given that they don't need cash (Lugo 26, 122), in the case of special appreciation of the goods by the seller (Lugo 26, 90) and when the contract is carried out to favour the other party and some damages are involved (Lugo 26, 91).

The outstanding aspect is that these exceptional circumstances turn the common natural just price into an unfair price.

c) *The return to equality*

From a moral and just point of view the inequality should be corrected. Restitution was the mechanism arbitrated by scholastics. This mechanism, known as *laesio aenormies*, was ruled by Roman law which gave grounds for action only if the deviation from just price had been by 50%. This was insufficient for scholastics who claim for restitution in every unfair contract, whatever the violation was.

It is the common and true opinion between doctors that every wrongdoing against justice should be considered a serious sin in self-consciousness and restitution will be obligated... The "a priori" reason, following Saint Thomas, is that in buying and selling equity should be respected which does not happen when the price is higher or lower than the value (Lugo 26: 81)

Restitution is not automatic and depends on human will (self-consciousness) or a judge's sentence under a lawsuit. The lack of automatism doesn't prevent it from being a correction mechanism.

A more modern approach to restitution will make it appear as a senseless concept because of the lack of responsibility in human beings in modern transactions. Restitution doesn't justify in moral order either because fulfilling with market prices avoids moral responsibility in economic performance; nor does it in logic, because the market returns to equilibrium without any intervention.

5. Conclusions: The cooperative current-market-price

Just-and-market price controversy does not lie in the just-price-and-current-market-price-identification which is "so obviously correct as to be almost a truism" (Langholm, 1992, p. 580). The real problem is the significance given of the current-market-price.

Some scholars considered the meaning to be the same in both scholastic and liberal tradition considering the common dimension of the price fixing mechanism and the principle “*A thing is worth what it can be sold for*”. Others denied it, considering the importance given by scholastics to the will and consent.

In this paper I have tried to demonstrate the second thesis considering:

- First, the vision of the role of just price which converts the dichotomy cost-versus-need criterions of value into an harmonic vision where both criterions are ethically relevant.
- Second, the ethical perspective which lies in the scholastic concept of justice (equivalence) and human nature (social dimension and agents of Creation) which compels human beings to act for the common good.
- Finally, the differences which arise between just price and liberal market price when we focus on the equivalence dimension of the just price (latitude, fair transactions “out the just price” and restitution).

All of them allow us to speak of a cooperative market price which should be considered as totally different from a competitive market price.

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