The School of Scholastic Economic Thought
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Scholasticism refers to the school of economic thought that developed in Europe during the medieval period (500-1500). Scholastic thinkers are known for their moral and philosophical approach to the study of exchange, value, and ownership within the context of the time period. Of the scholastics, St. Thomas Aquinas is widely credited for his original, although sometimes ambiguous contributions to the early discussions of value, price, private property, and usury (or interest). Until the arrival of Mercantilism in the 14th century the Scholastics (or Schoolmen as they are commonly referred to today) were at the forefront of the foundations of establishing economic theory within the framework of philosophy.

Medieval Europe and the Origin of Scholasticism

Medieval Europe and more specifically the Holy Roman Empire was an environment dominated by the traditional rule of the King, Pope, and of customs established over the past 1000 years. This medieval European time period was coined “The Dark Ages”, and was a period riddled with famine, plague, superstition, and hardship. Key events included The Crusades, the 100 Years War, The Bubonic Plague, and the one of the most important documents in history, The Magna Carta. The vague analysis of economic activity came mainly as a byproduct of investigations into the decision making processes of people engaging in exchange of goods and services and had therefore been dismissed by a number of economic historians.

Societal Structure

Scholasticism evolved amongst a societal structure known as feudalism. The feudal society of Medieval Europe was one in which all authority was derived from God by the church, which was headed by the Pope. The feudal system was one in which the king of a land or region delegated power, responsibility, and land grants to his royal subordinates (nobles, barons, lords, etc.). These barons would in turn sub-let land to landlords, with the understanding that the baron had full control of the land, established his own laws and taxes, and had the right to call all to serve under the crown. It was then the lowly serfs whose duty it was to tend the land and provide free labor, food, and service whenever it was demanded. The relationship between lord and serf was one dictated by custom, tradition and authority. (Landreth, 2002) It was this class relationship that caused religious theologians of the time to examine what moral and ethical implications were addressed when two or more parties entered into an exchange, or contract.
The Analysis of Economics by the Scholastics

Due to the fact that feudal Europe consisted of subsistence agriculture economy the issue of economic analysis went disregarded by most. It was members of the church who first examined what roles philosophy, morals, and ethics played with regards to the economic activity of the time. Ultimately, Scholastics were hindered from developing profound and revolutionary economic theories both by the slow advancement of the economy and the inherent danger of defying the reigning authority’s established doctrines.

Scholastic Economics and Philosophy

St. Thomas Aquinas

Probably the most influential economic thinker of the Scholastic period was a Sicilian-born Roman Catholic by the name of Thomas Aquinas. Born circa 1224 this brilliant theologian and dedicated monastic spent his earlier years studying the works of Aristotle at the University of Naples, France. He was a strong proponent for the communal living practices set forth by Jesus Christ, a belief which drew much skepticism and hostility from those whom were benefiting from the feudal system which had become traditionalized throughout Europe. Some of his key contributions were to the ideas of private property, just price, and value (to which some argue he proposed one of the first labor theories). (Wulf, 1959) St. Thomas’ commentary on Aristotle’s The Nicomachean Ethics later became a significant influence upon Adam Smith, who incorporated moral philosophy into his theories of measuring exchange and establishing just price and value.

Exchange and Value

To Aquinas the issue of exchange was of significant importance in barter situations. It was his belief that the measure of exchange between heterogeneous goods indicated that some value must be placed on each good and that an ethical dilemma would arise. (Casey, 2010) The only just exchange would be that of two identical goods for the same quantity, but this would be redundant; therefore, some value would have to be established for the goods in order for the exchange to be just to both buyer and seller (or in his case traders, being that little to no market existed for surplus commodities). This posed, for him, the ethical aspect of prices, raising issues of equity and justice”. (Landreth, 2002)
Usury

Usury is defined today as the charging of excessive interest on a loan. During the reign of the Scholastics usury applied to any charging of interest. During the Medieval times a loan was usually of a good, and was hardly if ever intended as a method of producing any wealth. The Second Lateran Council (1139) banned usury using direct scriptural reference as their cause. (Casey, 2010) Deuteronomy 23:20 states, “You may charge a foreigner interest, but not a brother Israelite, so that the LORD your God may bless you in everything you put your hand to in the land you are entering to possess.” Both Aristotle and Aquinas argued that the taking of any interest on loans was unjust and in conflict with natural law.

Good and Justice

Central to the theories of the Scholastics is the notion that man is directed through his interactions with his society by free will, and autonomy. This moral philosophy has been introduced into economics by Aquinas, Adam Smith, J.S. Mill, and Karl Marx to name a few. “It is a matter of common experience that our conduct is motivated by different aims: riches, honor, material pleasure, social positions, etc.”. (Wulf, 1959) It is the reconciliation of these aims with what is best for us and our community that reveals the true good. Servitude or slavery for example is good for the man exercising authority over another and may be good for the servant for lack of any other means of existence. The private utility of another, however, is unjust and denies the respect and will of the other. “As much as Karl Marx, St. Thomas is cognizant of the humiliation inflicted on man by what Marx calls the alienation of work for the profit of another, and what St. Thomas called more simply servitude”. (Maritain, 1940)

The Decline of Scholasticism

As economic progress accelerated throughout Europe during the 16th century Scholasticism equally, and inversely, degenerated. The rise of secular groups, such as the Protestants, led to an attack on Scholasticism. Business-oriented Christians and rational merchants found ways to circumvent bans on usury and to establish more sophisticated means of exchange. Secular Christen groups were making moves to emphasize a simpler lifestyle and the tradition central to feudalism was breaking down. More systematic methods evolved to sanction the charging of interest, which led to the eventual collapse of the usury ban. Ultimately a more learned and market-based economy was growing throughout Europe and the customs and traditions of the past were no longer relevant. The school of Scholasticism was largely seen as unimpressive to the population of progressive and diverse intellectuals. The bureaucratic institution known as the Roman Catholic Church simply could not fight the wave of grassroots Western Europeans who saw the Church as corrupt and ineffective. It is evident, however, that the economic theories of the Scholastics went on to influence some of the most important economic thinkers of the following centuries.
Works Cited


[[http://bible.cc/deuteronomy/23-20.htm ]]