

## DISCUSSIONI

### Medieval Foundations of Economics. The Medieval Economic Thought in the book by Diana Wood\*

The synthesis *Medieval Economic Thought* by Diana Wood was published in the framework of the series of Cambridge medieval textbooks. This is the second systematic synthesis of medieval scholastic economics published in English since the nineties. The previous one was written by a Norwegian historian of economics Odd Langholm <sup>(1)</sup>. The approach presented in Langholm's works can be called "analytical" - his primary objective was to determine the contribution of medieval authors in the development of economic thought and economic analysis. Diana Wood, the author of the book reviewed here, represents a different approach. She takes into consideration not only the development of thought but history of economic and social practice as well. The notion of economic thought is considered extensively, the book discusses the economic mentality of the examined period. Therefore the medieval preaching and literature are the subjects of the study, too. Such approach can be called "historical". It has been represented by the group of significant medievalists recently, in particular by Ovidio Capitani, Julius Kirshner, Joel Kaye, Maria G. Muzzarelli, Krzysztof Olendzki and Giacomo Todeschini. As the most recent achievement there must be mentioned the book by Todeschini <sup>(2)</sup>. It concerns especially such ideas as: just ownership, possession,

\* D. WOOD, *Medieval Economic Thought*, Cambridge, 2002, pp. 259.

(1) O. LANGHOLM, *Economics in Medieval Schools. Wealth, Exchange, Value, Money and Usury according to the Paris Theological Tradition 1200-1350*, Leiden - New York - Köln, 1992.

(2) G. TODESCHINI, *I mercanti e il tempio. La società cristiana e il circolo virtuoso della ricchezza fra Medioevo ed Eta Moderna*, Bologna, 2002; see the review by O. CAPITANI, in *Rivista Storica Italiana*, CXV (2002), pp. 693-705.

use, generous donations of goods and economic activity of just Christian merchant benefiting to common good, contrasted with activity of *infideles*. Todeschinis' book was published in the same year as the synthesis by D. Wood, so it could not be taken into account in the reviewed book. Yet unfortunately, neither the previous works of Todeschini nor those by his master, O. Capitani, were taken into consideration.

The construction of the D. Wood's textbook is clear and logical. The chapters of the textbook mainly refer to the essential problems of economic ethics, such as: property (1), attitude to wealth and poverty (2), economic and ethical evaluation of trade and merchant profession (5), just price and just wage (6), usury and interest (7, 8). Two chapters refer to money and other measures used in economic transactions (4, 5). The book also includes « Notes on the main writers and anonymous works mentioned in the text » and the glossary of terms. The index is not only personal, but it covers the most important terms of medieval economics as well. The construction and edition of the textbook bring many advantages to readers.

A great majority of scholastic texts (*summas* and treatises) cited in the reviewed book has been already analysed by historians, so its presentation rather does not constitute an original contribution to the research topic (what the author admits in the conclusion). In the field of economic analysis the textbook follows mainly the authority of O. Langholm, also referring to the ideas of Barry Gordon and J. Kaye<sup>(3)</sup>.

Another part of sources comprises texts by medieval preachers and popular church moralists such as: an English Dominican John Bromyard, a Polish Silesian Dominican Peregrine of Opole, anonymous authors of *Fasciculus morum*, and an anonymous author of *Dives et pauper*. The discussion of these texts gives readers many interesting examples of the influence of scholastic economic concepts on the medieval mentality. Similarly, the book makes use of secular medieval literature, such as *Romans of the Rose* by Jean de Meun, or *Wynnere and Wastoure* (Middle English poem from the

(3) B. GORDON, *Economic Analysis before Adam Smith: Hesiod to Lessius*, London, 1975; J. KAYE, *Economy and Nature in the Fourteenth Century: Money, market exchange, and the emergence of scientific thought*, Cambridge, 1998.

14<sup>th</sup> century referring to national economic matters). The special value of the book is the attempt to integrate the presentation of economic thought, economic practice and economic aspects of medieval mentality.

The first chapter concerns the question of property. The fundamental distinction between the rule of common destination of goods, present in God's law, and private property sanctioned by positive law, has the essential meaning. The textbook describes different solutions to this question referring to St Augustine, Aristotle, St Thomas Aquinas, Benedictine monasticism, Mendicants, and the feudal structure of society. In the matter of Mendicants, particularly Franciscans, the key distinction between "dominion" and "use", are indicated. D. Wood also presents an interesting attempt to explain the feudal structure of society and feudal possession of land as the secular solution to the question of property. The issue of taxation as a way of limiting the property right is also considered.

The second chapter describes problems linked to wealth and poverty. A reader can find a discussion of essential issues here, such as: moral evaluation of wealth and poverty, the evaluation of labour, and its relation to wealth, the understanding of almsgiving in the categories of justice and charity, the exchange between material help on the part of the rich and spiritual support on the part of the poor. The questions are examined in the context of economic history referring to the charitable activity of monasteries and economic consequences of the Black Death. The historical changes in the attitude to wealth and poverty are stressed. As the author concludes: « By the fifteenth century poverty was no longer seen as an ideal, and wealth was regarded as praiseworthy, and even as an aid to salvation » (p. 67). In this case the contribution of Otto G. Oexle is worth pointing out, which is not mentioned in the textbook <sup>(4)</sup>.

The cited statement about the ethical appreciation of wealth is followed by the next thesis – the rejection of the ethical appreciation of labour: « This is not, however, to suggest that

(4) See especially: O. G. OEXLE, *Armut und Armenfürsorge um 1200. Ein Beitrag zum Verständnis der freiwilligen Armut bei Elisabeth von Thüringen*, in *Sankt Elisabeth. Fürstin, Dienerin, Heilige. Aufsätze - Dokumentation - Katalog*, Sigmaringen, 1991.

labour acquired any particular dignity or that there was any sense of a medieval <work ethic> » (p. 67). That opinion is questionable... In the same book, dealing with the problem of usury, it is pointed out that just labour was considered to be the proper source of wealth (« Underlying all these observations was the idea that the true source of economic profit is labour » p. 178). The concept of labour and *industria* as the sources of economic value has essential meaning in the medieval economic thought. In contrary to the statement of the reviewed book, a kind of “work ethic” appeared in the medieval period. Primarily it appreciated the labour of artisans (although some Renaissance authors came back to ancient depreciation of physical work). Beginning with the end of the 13<sup>th</sup> century business *industria* also acquired some respect. Merchant’s *industria* was especially analysed in texts of Henry of Gent, John Duns Scotus, and later Bernardino of Siena. Scholastic doctors stressed the contribution of business to common good (*bonum communis*). As G. Todeschini emphasises, *industria* was the key term in the idea of *virtus mercator* <sup>(5)</sup>. However, work ethic and business ethic in the late medieval period were different from the modern ethical approach associated with Protestantism described by Max Weber. Medieval authors, following the classical thought of Aristotle, estimated *liberalitas* (generosity) of businessman, whereas in Weberian model saving money had an essential meaning. One should also remember about the traditional assumption present in Aristotelian texts: the nature, not a human activity, is the basic source of wealth. This conviction, which was a reason for moral depreciation of a merchant profession (Aristotle, *Politics*, 1256 a – 1258 b), was questioned by the medieval authors, and, in this way they made an important step towards a dynamic vision of economy.

Chapters III and IV focus on money and weights and measures used in economic exchange. The textbook describes three essential functions of money: measure of value, medium of exchange, store of value. Their description takes into consideration coexistence of two kinds of money in the medieval period: the money of account and real money in circulation. The text refers to the analysis of money nature conducted by Thomas Aquinas, who presented the

(5) See: G. TODESCHINI, *I mercanti e il tempio....*, in particular chapter VII: *Investire: proteggere*.

concept of money as a fungible good, which was the main argument against usury. D. Wood suggests the close association between the concept of fungible money and the “sign” theory of money. This, however, has no confirmation, neither in Aristotelian texts nor in the medieval sources. As J. Schumpeter wrote the Aristotelian theory of money was “metallist” (6), the same should be said about medieval authors, who also generally followed metallist approach. The fragment of Aquinas commentary on Ethics cited in the reviewed book (*In decem libros Ethicorum*, liber V, lectio 9), does not present the “sign theory” of money (what D. Wood admits). And it is not inconsistency, because neither the idea of money as a stable measure of value, nor the concept of money as a fungible good implicates the “sign theory”. O. Langholm rightly states that the “sign theory” of “commodity theory” of money, which were formulated in the epoch of paper money, “are largely irrelevant” in discussion of medieval ideas (7). Another concept analysed in the reviewed textbook, linked to money nature, is the concept of sterility of money. Nevertheless, the sterility idea did not play a determining role in the medieval argumentation against usury (as John Noonan and O. Langholm demonstrated). The IV chapter includes many interesting examples from economic history of late-medieval period. The 14<sup>th</sup> century debasement is analysed both in economical and political categories, referring to the question of political sovereignty.

In chapter V the question of moral evaluation of trade and merchant is discussed (subchapters: « Changing attitudes: the tradesman’s entrance to heaven »; “The exaltation of merchant”). Unfortunately, the fragment does not refer to the texts by Thomas Aquinas (*Summa theologiae*, IIa-IIae, q. 77, art.4) and Henry of Gent (*Quodlibet I*, q. 40), which have essential meaning for the examined question. Aquinas’ linked merchant’s profit with *stipendium laboris*, whereas Henry of Gent linked profit with merchant’s *industria* and knowledge about market. As I stressed before, the question of medieval merchant’s evaluation is discussed on the wide base of the sources in the G. Todeschini’s most recent

(6) J. SCHUMPETER, *History of Economic Analysis*, Trowbridge-Wiltshire, 1972, p. 63.

(7) O. LANGHOLM, *Wealth and Money in the Aristotelian Tradition. A Study in Scholastic Economic Sources*, Bergen, 1983, p. 45.

book (*I mercanti e il tempio.....*) where the late medieval idea of the virtuous merchant is presented.

The whole chapter V of the reviewed book is titled “mercantile system”. The mercantilism is rightly associated with the ancient conviction about the fixed amount of economic resources, which was not rejected in the medieval period: « A conviction underlying mercantilism was that the world contained a fixed amount of resources, which had to be ‘balanced’ in favour of the writer’s homeland » (p. 124) (although, as emphasised above, the mentioned conviction was partly questioned by the emphasis on labour and *industria* meaning the source of wealth). The traditional vision of the world with the constant amount of resources was finally rejected in the 18<sup>th</sup> century by Adam Smith and his contemporaries. The mercantilist approach is usually connected with the early modern times, but as D. Wood rightly points out, it already existed in the economic practice of the 14<sup>th</sup> century. She presents an interesting opinion that « many principles which would later characterize ‘the mercantile system’, such as bullionism and the balance of trade, were expressed and implemented by legislation and action » of the late-medieval period (p. 131).

The author also shows that the monetary law: “bad money drives out good” was already confirmed in the 14<sup>th</sup> century practice. D. Wood rightly points out that mentioned law “probably erroneously” is named “Gresham’s law” (p. 127). She reminds that it was already anticipated by Nicholas Oresme (*De moneta*, chapter 20). Yet Oresme observations referred particularly to consequences of 14<sup>th</sup> century debasement. Whereas Nicholas Copernicus in the dissertation *Monetae cutendae ratio* published in 1526<sup>(8)</sup> the first time presented the law “bad money drives out good” as universal rule, especially concerning bimetallism and relations between gold and silver currencies. Later Thomas Gresham in one of his letters gave an explanation of the phenomena of driving out “good coin”, but he had never formulated that monetary law in such a precise way as Copernicus did.

Another significant aspect of “mercantile system” is the relation between trade policy and national sovereignty. The textbook

(8) Modern edition: *Mikołaja Kopernika rozprawy o monecie i inne pisma ekonomiczne oraz Jodocusa Ludwika Decjusza traktat biciu monety*, ed. J. ДМОЧОВСКИ, Warszawa, 1923 (original Latin text and Polish translation).

includes many examples from the economic history of England and France in the times of the Hundred Years War. D. Wood describes these phenomena as an anticipation of mercantilist theory. I would emphasise here that so called “mercantilism”, although present in practice, was generally rejected in the economic ethics theory of the late medieval period. As Raymond de Roover demonstrated « (...) the scholastics, in general, sided with consumer and were much more favorable to the maintenance of free competition than is commonly assumed. Unlike the mercantilists were implacably hostile to exclusive privileges and monopolies, which included any collusion or ‘conspiracy’ to raise the price of goods or services above the competitive level to the detriment of the public and for the benefit of private interests » <sup>(9)</sup>. In this field A. Smith rather than early modern mercantilists, was a follower of the scholastic approach.

The issue of just price is discussed referring to both Aristotelian theory of justice and tradition of Roman law in the VI chapter of the textbook. D. Wood provides an accurate analysis of such elements influencing just price as: current market price (the main elementary factor: *communis aestimatio*), labour and expenses, fixed legal price, social status. Nevertheless the first appearance of the notion of just price is not mentioned. The oldest text concerning that notion is the fragment of *De trinitate* by St Augustine – where the case of a just book seller is given to exemplify the situation when a buyer is not able to determine the value of the commodity:

« Nam scio ipse hominem, cum venalis codex ei fuisset oblatu, pretiique ejus ignarum et ideo quiddam exiguum poscentem cerneret venditorem, *justum pretium* quod molto amplius erat, nec opinanti dedisse » (*De trinitate libri quindecim*, lib. XIII, cap. 3).

This is the origin of the rule which forbids exploiting the ignorance or compulsory situation of the opposite party of transaction. Another drawback is the lack of references to significant letter *De emptione et venditione ad tempus*, in which Thomas Aquinas explained the issue of credit sale on the request of a Florentine

(9) R. DE ROOVER, *San Bernardino of Siena and Sant' Antonino of Florence. The Two Great Economic Thinkers of the Middle Ages*, Boston MA, 1967, p. 42; ID., *Monopoly Theory prior to Adam Smith: A Revision*, in *Quarterly Journal of Economics*, LXV (1951), pp. 492-524.

Dominican lecturer Jacob of Viterbo. The clear association between just price and market price in that text is very significant, as O. Capitani demonstrated <sup>(10)</sup>. To sum up the issue of just price, I would like to add that D. Wood, following the J. Kaye, overemphasises the Aristotelian model of just exchange in the presentation of the question. The greater significance should be attached here to legal and theological background, although the philosophical concept of justice was obviously an important tool of scholastic analysis.

The last two chapters of the book deal with the problem of usury. Chapter VII presents argumentation against the usury, referring also to the problem of restitution. The separate fragment discusses the question of the source of profit. It is rightly pointed out that according to medieval authors the labour and *industria*, not money invested in a business, were believed to be the essential sources of profit. At this point, there is a lack of information about the concept of capital presented by the Franciscan Peter Olivi <sup>(11)</sup>. In chapter VIII the evolutional development of the theory of interest and the concept of "extrinsic titles" of lender's compensation are discussed. Following the opinion of John Gilchrist, the last point of the evolution of the interest theory is found in the papal determination of the question of *montes pietatis*. The determination was formulated by Leo X in the bull *Inter multiplices* in 1515, where usurious profit was defined to be the profit acquired without labour, cost and risk.

It should be appreciated that the book describes briefly socioeconomic phenomena of the late-medieval epoch: buying and selling life rent (*census*), banking, exchange-dealing, and *montes*. Yet unfortunately, there is a lack of references to significant contribution of Julius Kirshner, concerning Dominican attitude to public debt <sup>(12)</sup>, and works by Maria G. Muzzarelli <sup>(13)</sup>. In the question of *census* trade it is worth noticing that this type of economic contract included not only life rent selling, but basically

(10) O. CAPITANI, *La "venditio ad terminum" nella valutazione morale di S. Tomasso d'Aquino e di Remigio de' Girolami*, in *Bullettino dell'Istituto Storico Italiano per il Medioevo*, 70 (1958), pp. 299-363.

(11) *Un trattato di economia politica francescana: il « De emptionibus et venditionibus, de usuris, de restitutionibus » di Pietro di Giovanni Olivi*, ed. G. TODESCHINI, Roma, 1980, p. 85.

(12) See bibliography in G. TODESCHINI, *I mercanti e il tempio...*, pp. 510-511.

(13) See especially: M. G. MUZZARELLI, *Il denaro e la salvezza. L'invenzione del Monte di Pietà*, Bologna, 2001.



four kinds of contracts: life rent selling, definitive selling, selling for determined time, and selling with the law of re-buying (*contractus reemptionis*, so called *wiederkauf* in German, *wyderkaf* in Polish). Selling a census was very popular in central European commercial centres. A lot of Czech, German and Polish late medieval authors analysed nature rent selling contracts, especially contracts *reemptionis* <sup>(14)</sup>. Opinions of Henry of Langenstein were very influential in this case. (He accepted only definitive selling and buying, treating other kinds as usurious).

The appendix with notes on authors includes most significant names. The serious mistake present here concerns John Buridan. He was not a Franciscan friar, as he is erroneously named. He even did not give lectures on theology, but only on philosophy (including also *philosophia naturalis* – that is medieval physics). The appendix does not cover Gerard of Siena – mentioned several times in the textbook chapters concerning usury. Neither John of Fryeburg can be found there, although many fragments of his famous preaching manual *Summa confessorum* dealt with economic issues (these fragments compiled together by the other Dominican Guy d'Evreux were later disseminated as, the separate text called *Regula mercatorum*). I also find an important deficiency in the absence of the most famous Central European author of treatise about contracts – Mathew of Krakow.

Despite the imperfections the book by D. Wood should contribute to the dissemination of knowledge about the medieval economic thought. The above mentioned magisterial work by O. Langholm (*Economics in Medieval Schools...*) is a very comprehensive synthesis covering only the period up to 1350. Whereas the book by D. Wood provides systematized and general presentation of fundamental issues of the medieval economic thought on the background of economic and social history of the whole medieval period (up to the beginning of Reformation). The attempt to present not only the scholastic thought, but also the medieval economic mentality, basing on sermons and popular literature – including Middle English sources (*Dives et pauper*, *Wynnere and*

(14) See: B. CHMIELOWSKA, *Traité de Stanislas de Skarbimierz "De contractu reemptionis" retrouvé dans le manuscrit G. 14838 de la Bibliothèque de Gand* (with the text edition), in *Mediaevalia Philosophica Polonorum*, vol. XXXI (1992), pp. 119-146.

*Wastoure*), must be appreciated. However, the weak point of the textbook is not taking into consideration many important publications concerning the presented topic. I mean especially such historians as: O. Capitani, G. Todeschini, and J. Kirhsner.

The review of the synthesis on the medieval economic thought is the opportunity to ask general questions on the topic. Searching for a connection between the main medieval economic concepts, I would pay attention to a wide meaning of the notion of *usura*, which can be found in patristic sources. Initially, usury concerned not only money lending, but was considered widely as an unjust profit, based on a weaker position of an opposite party in an economic contract. Such a meaning can be found particularly in the comments on Psalms by St Augustine (*Enarrationes in Psalmos*)<sup>(15)</sup>, in *Commentaria in Ezechielem* by St Jerome (lib. VI) or in comment on Tobias Book by St Ambrosias of Milan (*De Tobia*, cap. 14). It seems that this concept may serve as a common key to the medieval economic ideas.

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(15) Ps 54 [55 in original]; Ps 71 [72].