



Episode 493: Juan de Mariana: Defender of Regicide, Ferocious Foe of Inflation, and Great Economist

Guest: Eric Graf

WOODS: I am so glad I was up to my usual dorky behavior the other day, or I would never have come across your article. I was looking through old issues of *The Quarterly Journal of Austrian Economics*, which is – look, that's the sort of thing I do, all right? People who listen to this show think, he's probably not always like this, but as a matter of fact, even in my private life, that is what I'm like. And in fact, it really isn't that old of an issue, as a matter of fact, at all, I don't think. I'm looking at – yeah, Winter 2014 – and you have an article in here. It's quite a title; it's "Juan de Mariana and the Modern American Politics of Money: Salamanca, Cervantes, Jefferson, and the Austrian School." I find Juan de Mariana to be an extremely interesting figure to learn about. His life was great. It's an extraordinary life. But also his thought was quite profound. And what you're doing here is also speculating about the transmission of his thought down the centuries and down into the 18th century. But before we get into that kind of speculation, let's stick with Juan de Mariana, and tell us when he lived and the basics of who he was.

GRAF: Okay, well, welcome to Dorkdom.

WOODS: (laughing)

GRAF: I was working on Cervantes for years, and I actually had never heard of Mariana. And I quit academics for a couple years and worked as a trader, and my coach happened to be an Austrian, and one day while he was teaching me how to put collars on stocks, he said you've heard of Juan de Mariana, right? And I was shocked, you know, I'm sorry, no. I want to be a trader or whatever. And during the downtime, you know, as a day trader, you're really busy in the morning and at the close, and during the downtime, I just kept reading.

And this man is fascinating. He has become my personal hero. He took on the kings of Spain over monetary policy, in particular, and was actually charged with *lèse-majesté*, crime against the king, and put under house arrest. And he was in his 70s when this happened. So he's just an incredibly character, a super brain. If you go online and look at the portraits of him, they have appropriately enlarged his head. I mean, he just looks like the Brain.

And he's a great figure. He's somebody who, I guess he started off I would describe him as a historian with a serious theological bent, a Jesuit, and over the course of the late 16th century, he gradually through his historical investigations, gradually focused in on this issue of monetary adulteration, and he found medieval kings that had done this, and he turned very quickly to look at his contemporaries, the Hapsburgs of Spain, who had come from Austria, and he basically accused them of stealing money and enslaving the citizens of Spain through their inflationary monetary policy. And I guess it was Keynes who said this is something that only one man in a million can figure out; hopefully we're all about spreading the news. But he put his finger right on this issue of taking silver out of small denomination copper coins and really, really stuck it to these people. He's an amazing figure.

And in my studies, to me now it's 100% clear to the degree that these things can be clear, that Cervantes was very well versed in Mariana and had great respect for him. So in my own field of literature, he's an amazing figure who kind of comes tangentially to influence the novel in a way that I can think of very few other authors from the 16th century who would be more important in terms of understanding how the modern novel came about.

WOODS: All right, so you did say 16th century. Do you know offhand his exact dates?

GRAF: He was born in 1526, and he died in 1624. So a very long life, and even when he took on the kings of Spain in 1609 at the age of, let's see, 73 years old, he thought he was in the final phase, final years of his life. He was very sickly also, so he had health problems, but lived to a ripe old age. Just an amazing character.

WOODS: You know what I've found so interesting about him is that he, as you said, he wrote so persuasively and so knowledgeably and so powerfully against monetary debasement, against taking the pure coin and taking some of that precious metal out of it, putting base coin in it and profiting the king in that way. He was speaking about that as theft and so on. But he also talked about regicide as being a potentially legitimate course of action to follow when you have an absolutely incorrigible tyrant. And what I find so interesting about that is that – you mentioned he was put under house arrest for his monetary writings – that speaks a lot about the importance to the government of being able control the money, that he gets in trouble for criticizing inflationary monetary policy, but he is not put in prison for saying you can kill the king.

GRAF: Right, regicide's, yeah okay, been there, done that; it's an ancient concept. It didn't really bother them. And I would even go further. I would say it's more than just – I mean, his monetary treatise really put them on their heels, right? They went after him; they burned all of these that they could find; they bought them up and burned them, ironically. But it's his linking of that monetary policy, his description of it as an immoral practice, right? It's his notion that this is the essence of tyranny. This is how kings enslave their citizens. And when he explicitly links those two concepts, slavery and monetary policy, you've got a really potent mix that they couldn't afford to ignore.

WOODS: Let's point out that, as we've said, but I want to make sure that we emphasize this, he understood the economics of it very well. He wasn't just engaged in a moral crusade, although he was. But he understood the cause and effect relationship between the supply of money and the level of prices and so on and so forth. So put him in the context of the Late Scholastics. Tell people who they were. It's not like all of a sudden, out of the blue you have this Jesuit who happens to know about monetary economics.

GRAF: Right. You know, there's a series of Scholastics — this is called the School of Salamanca. Rothbard talks about them; Grice-Hutchinson talks about them. They are, from many points of view, they are the founders of the Austrian School. They lay the groundwork there. And they're working diligently in the middle 16th century. These are men like Covarrubias, Azpilcueta, Molina. This is a school, this is a group of men who are focused on this issue. And it makes sense: Spain was importing huge amounts of gold and silver. This was causing all kinds of, at that time, social mobility and flux and change, crisis. So they really did put their minds to it.

And you also have this odd irony in Spanish history, a cruel irony actually, that because the Spanish were so set on expelling the Jews and the Moors in the late 15th century, and this process lasted from the late 15th century to the early 17th century in terms of the Moors, those people were generally the ones in charge of trade and banking and financial management and advice at that time, and when they expelled them, suddenly it fell to Christians to assume many of these roles. They became the major merchants and traders and bankers of Spain, and of course that meant that their souls were at issue.

So like you, I want to emphasize how sophisticated and scientific his thought is, but there is also this weird theological, moral motive, right? They're worried about the souls of these people, so they really, these are the first scholars who take on economic instruments as objects of study. So it's a really fascinating time, and it really is the birth of modern economics as we know it.

WOODS: Now, tell us about the specific circumstances that Mariana faced. Who's he fighting against, and why — not that they really need much of an excuse — but why is there such urgency about debasing the money?

GRAF: Well, Spain is in a very expansionist mode in the 16th century. They are fighting wars all over the globe. They're in kind of an off-on war with England, similarly with France. They invade Portugal in 1580. They've conquered most of the New World. The Philippines are named after Philip II, the Hapsburg king. So Spain itself is in a massively expansionist and hugely costly endeavor to basically rule the world.

And the Hapsburg kings slipped in through some dynastic maneuvering at the end of the 15th century, early 16th century, and Charles I is the first one; Philip II is the second half of the 16th century, and then Philip III and Philip IV are the Hapsburg kings of Spain. And basically, they're at their wits' end for how to come up with finances,

how to pay for this incredible expense of managing, controlling, defending, expanding an empire.

And in particular in the Low Countries in Europe, that, I believe is called the Eighty Years' War, was hugely costly. Cervantes, on a personal level, Cervantes lost his own brother in a battle in the Low Countries, and this was very upsetting to Castilians. You find the second wave of major resistance to these Hapsburg kings has everything to do with this desire to repress Protestantism to maintain control of northern Europe, and they're basically taxing any way they can the Castilians to pay for all of this.

So you have the *Cortes* system, which was the Spanish version of a parliament, left over from the medieval period. They're conscious of this problem; they're protesting, and many, many writers and intellectuals of the period are also quite upset about it. So it's about financing military campaigns, maintaining tyrannical control.

And that leads them to this idea: hey, we can take out the few grains of silver in these coins and give citizens back newly stamped, fresh, shiny copper coins, and no one will be the wiser. And it's amazing to think about. They really did compel them to turn their coins in, and then they gave them back. I mean, it must have been, for someone who's not informed about economics, I mean, a black, corroded coin, versus a nice, brand new, shiny penny. I mean, we've all looked at a brand new penny and thought, wow, there's something impressive about that, how shiny that is. That's the essence of how they extracted wealth from their own citizens.

So they even got a machine from, this came from Austria, that was set up in Segovia. It's called el *Ingenio de Segovia*, the ingenious machine of Segovia, right? It's in some ways plausible to relate that to the title of the novel, right? *The Ingenious Gentleman of La Mancha* is the title of Cervantes' novel. But we won't go there; that's too dorky.

WOODS: (laughing) Not for this show, it isn't.

GRAF: Okay. But this machine basically gave them a little bit of advantage on counterfeiters, and it allowed them to mass produce these coins in a way that made the whole enterprise of fiat money really feasible and doable. And they started slowly, they experimented, but it took them about 15 years to really crank out these coins. And at the death of Philip II, when Philip III takes over, it becomes a definite policy of the court to extract money this way. It becomes a revenue-generating game, explicitly so.

WOODS: Now, the tricky thing about trying to trace Juan de Mariana's influence down the centuries, as you point out in your article, that again, I'm going to be link to at TomWoods.com/493, is that as you said, it was the authorities burned his work fairly diligently. So then it becomes hard to know who reads it, who's able to get his hands on it. Everything becomes highly speculative.

GRAF: Right.

WOODS: But how can we know that some people either did read him or were likely to have read him, and if they did, how did they get hold of it?

GRAF: Right. Ooh, that's the trick. That's the sort of Holy Grail of Mariana scholarship, to try and track down these treatises. We know that both Protestant and Catholic authorities burnt everything they could find by him, so that indicates that he was popular; he was dangerous, which probably added to the attraction of his texts.

And if you look at early modern censorship, you know, the Inquisitional lists of prohibited books, those things have traditionally been thought of as sort of tyrannical, absolutist, but they're actually pretty flimsy. I mean, they do indicate a tyrannical attempt to control what citizens are reading, but the closer historians look at this stuff, the more we realize that it was really a weak endeavor. I mean, it's so easy to hide a book, right? Just to tell people, okay, Sunday at Mass, you're going to have to bring the following books in, because we say so, didn't work very well. It's a bit like trying to control the Internet, right? People can, I guess – I'm not an authority on how the Chinese control what their citizens get, but it seems to me it's a lost cause, a very difficult effort to suppress information, especially when people are curious and people have heard that certain texts challenge authority. That just makes them all the more attractive.

Now, in terms of the actual philological record, a colleague of mine, actually the rector at the university I work for has found copies of Mariana's texts, one of his texts on weights and measures, which could be considered a prelude to his serious treatise on money. And we know that that text is in Locke's library, so that to me – and this is only in the past few years – that to me is a very exciting indication that extremely smart people managed to get their hands on Mariana's texts.

We also know that Jefferson actually bought and sent to his good friend, Madison, a copy of Mariana's history of Spain, and that text also contains early inklings of this monetary theme. He's looking at some medieval kings' shenanigans with coins, and he basically criticizes them, and he criticizes some very heroic kings in Spanish history, so that text has radical implications. We know that Jefferson got that. We know that Madison had that. That text was not burnt. It was widely distributed. It was translated into English I believe in the early 18th century. So there's plenty of avenues and plenty of ways that Mariana could have arrived into the hands of classical English economists like Ricardo or Smith, and it's hard for me to doubt that that happened.

WOODS: Let's say something about Cervantes, though. Now, not having read any Cervantes for quite a long time, back in my school days, until I looked at your article I wouldn't have known what he would have had to do with talking about monetary theory anyways. So what's the connection?

GRAF: Okay, now we're in my wheelhouse. This is a bit intimidating for me, talking to the great Tom Woods, author of *Meltdown* about economics.

WOODS: (laughing) Thanks.

GRAF: So I come from literature. I merely play an economist when I'm at literature conferences.

WOODS: By the way, let me put in parentheses that when I was reading your article, I didn't know anything about you as I was reading it, and I thought, wow – I'm not joking – I thought, this is a really sharp economist. So you did a pretty good job, I would say.

GRAF: All right, I'm very flattered. I'd be very interested in any feedback you have. I'm sure there are errors to be worked out. In any case, Cervantes – this is to me one of the most fascinating aspects of Cervantes' texts. Within the first – and to open my own parentheses, I just want to say that you economists have ruined *Don Quixote* for me. I cannot read it the same way that I used to. Every chapter, every other paragraph roughly, I'm finding these economic concepts.

WOODS: Ahh, yeah.

GRAF: The subjective value theory, I'm finding labor disputes, I'm finding this monetary policy issue. And this monetary policy issue is front and center. In the first four chapters of *Don Quixote*, you have four relatively explicit references to this monetary debasement issue. In fact, if you read closely in the very first chapter, the exposition of the novel where we get all the important information about *Don Quixote* that we need to go on, he describes Rocinante, Don Quixote's great steed, which is just a nag, a very decrepit animal, the first metaphor in Chapter One relates to Rocinante's hoof. And the narrator actually tells us that Rocinante's hoof had more quarters than a piece of eight. And what he means, he's referring to quarter cracks, which is a disease or a condition that horses have; their hooves start to crack and peel up and flake if they're not cared for properly. But it's also a pretty explicit reference to the quarter coins that are exchanged for pieces of eight, and people at that time around 1605, people are starting to figure out that they need a lot more quarter coins to buy a piece of eight. So it's really a pretty up front declaration that much of his novel actually has to do with this issue.

So Cervantes was very, I guess the term in literary studies or in academic humanities generally is considered negative, but he's bourgeois. He's a burger. He's writing for and describing a world that is being taken over and run by traders and merchants. This is pre-industrial capitalism. There's all kinds of machines all over *Don Quixote*. There's the great windmill episode. There's also watermills and fulling mills. Markets are everywhere in *Quixote*, and they're profoundly important. Merchants – in fact, merchants are the true heroes of the novel. Don Quixote, to the degree that he's kind of a menace, he's not perfect, he's constantly abusing merchants and innkeepers. He doesn't want to pay for any of his stays at inns, and throughout the novel, you see Cervantes basically proposing that Don Quixote should get with the times, become modern, realize that you need money and you need to barter for goods and services and that this is the way the world works. So in many ways, the novel's about the incipient birth of modern capitalism – and consciously so.

WOODS: By the way, before I forget, say something about this course that you have at UFM. I'm going to tell people about UFM in a minute, but I want people to know about this free *Don Quixote* course that you've got.

GRAF: Right, okay. Well, I work for Universidad Francisco Marroquin, or in English, the University of Francisco Marroquin, and we have put together an online course on *Don Quixote de La Mancha*. It's a big, intimidating text. It's well over 1,000 pages, but we take you through it in segments. You get weekly prompts through your email. It's all free. It's all online, and there's even sort of interaction, there's gamification, there's a discussion forum. We have live classes once or twice a semester. I think it's really exciting, and it's really, really slick. The animation that they've done is just beautiful, so I can't say enough about it. The people I work with are just fantastic. That whole new media crew at the university is just spectacular, so I hope people will go check it out. It's really neat.

WOODS: I'm going to link to it at TomWoods.com/493, but I'll also say the URL, which is DonQuijote.ufm.edu. It doesn't cost you a thing, so very much worth checking out. So how do we clearly and unambiguously see some connection between Mariana and Cervantes?

GRAF: Well, they lived in the same area – so starting with slightly less explicit connections. They're both Jesuit; they both had Jesuit training. They're both affiliated with the University of Alcalá in Madrid. But I would say that the most explicit references to Mariana have to do with two issues, one being monetary policy, which is all over *Don Quixote*. I said there were three metaphors in the first four chapters, but if you keep going and read all 52 chapters of Part I and 74 chapters of Part II, you're going to find a whole host of additional references. That issue's front and center for Cervantes, and he's clearly upset about it. He's not defending the king's behavior in any respect.

And the other thing I would add is this anti-monarchical bent. This is an ongoing debate in Cervantes studies, but I've pretty much come to the conclusion that at least during the 15 or so years that he was publishing or working on Part II of *Don Quixote*, he's pretty upset. He's pretty not just classical liberal; I'd say he's borderline libertarian. He has a serious problem with authority, and the text is just layered with all kinds of anti-monarchical commentary.

It's borderline textual regicide, I guess we could call it. The metaphor I always go back to in his Prologue to Part I, he refers to a classic Spanish refrain, which you could translate loosely as, "Under my cloak, I kill the king." So that's a really severe statement. It's a refrain; it's kind of casually thrown in there, but I've come to start reading the novel as more and more a process by which that little comment in the Prologue gains an importance if you truly understand the novel.

WOODS: Eric, you're coming to us from Guatemala. Now, I know about your university, but not everybody does, and I bet they're going to want to once they find out about it. Can you take two minutes to tell us about UFM?

GRAF: Okay, UFM was founded by the great Manuel Ayau, a businessman in Guatemala who basically saw that the extreme right and the extreme left in Guatemala were going to ruin the country and provide no future for it. He basically founded it on classical liberal, even libertarian ideals. Ludwig von Mises and Frederic Hayek are compulsory reading at this libertarian university, ironically enough. There are two texts that every student must read. And it's just a fantastic place. Anyone with the slightest classical liberal or libertarian leaning who visits this place will be absolutely overwhelmed.

I have to admit; I spent 25 years trying to find my way into being accepted into leftist academia to my utter frustration. When I first came to the University of Francisco Marroquin two and a half years ago, they give me a tour of the campus, and I literally broke down and cried when I saw on the side of their economics school building a statue, a relief in bronze to Ayn Rand. It has this very industrial early 20th century of Atlas holding up the Earth, and at that point, the hair went up on the back of my neck, the tears rolled down my face, and I couldn't believe it. I actually ended up at a libertarian university. And I would wager that it is the only libertarian university on the planet, right? There's other conservative universities, but they tend to have a religious bent. This is a very secular, very economics-focused university.

WOODS: Well, I'm going to place a link also to UFM over at TomWoods.com/493. You're the first person from UFM I've had on the show. I've gotten to know one or two people there, but you're the first one I've had on the show, and I'm really glad to do it. And even though obviously monetary theory is very much within the normal province of this show, the particular angle that you bring as somebody in literature is something new and fresh for us, and for that, I'm grateful. Thanks for your time today.

GRAF: Well, I really appreciate it, and I hope we get to have you come down and visit us some day.

WOODS: That'd be great fun. Thank you.

GRAF: All right, thank you, sir.