



The Late Scholastics: Christians for Freedom

Guest: Alejandro Chafuen

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Alejandro Chafuen is president of the Atlas Economic Research Foundation and author of [Faith and Liberty: The Economics of the Late Scholastics](#).

WOODS: I am looking at my review of your book *Faith and Liberty*, which in turn is a revision of your book from 1986, *Christians for Freedom: Late Scholastic Economics*, and the review is so glowing, I am almost embarrassed by how glowing it is. But I was so thrilled by this book when I first read it years ago that to have the chance to review it and give you proper thanks was an opportunity I jumped at. Let's start off by having you explain who the Late Scholastics were. This is a term that's probably not familiar to the layman.

CHAFUEN: Yeah, what it means the late scholars, or the great professors that follow Aquinas usually are labeled the Late Scholastics. Even Aquinas sometimes is grouped with them, but usually as you mention, it's hard to define perfectly. People, the scholars, mostly moralists, and priests, and jurists who taught after St. Thomas and after—not only just the centuries after—but I would say from the 13th to the early 17th century. That long period is sometimes labeled the Late Scholastics.

WOODS: Now up until, well, probably the 20th century, I suppose, with Raymond de Roover and some other scholars, people had the wrong impression by and large about what the Scholastics believed about economics. What was that faulty impression that then, thanks to you and to others, was eventually overturned?

CHAFUEN: Well, I had the same impressions. I was brought up in a way that everything before the French Revolution was bad. Everything that was before was like the Dark Ages. The major topic that was discussed about the medieval economics was the theory of just price, that have a fixed notion of wealth, a fixed notion of the economy, that the experts would define the just price, and the just wage, and that idea of the society determined from top down dominated their economic view. When I discovered that this was not only a little bit wrong but completely wrong, I basically changed course in my career and in my outlook to philosophy, history, and I learned a tremendous amount just by reading these big moralists not only in economics but in other fields of human action.

WOODS: I think one of the reasons that there had been such poor scholarship or sometimes no scholarship on this period is that a lot of these Late Scholastics are writing not in treatises whose titles would give you the idea that they are talking about economics, but they would bury discussions of economic topics somewhere in the middle of dense moral treatises—that were also written in Latin, and modern writers are not interested in these moral treatises, and they are certainly not able to read in Latin, so they had two strikes against them. Therefore, people wound up just repeating what they believed to be in there.

For instance, I think what most people believed was that these scholars believed that there was an objectively identifiable just price that we could identify for each good, and then if somebody were to sell above that just price, he would be engaging in immoral behavior. Now, what in fact did they believe about price? Is there anything to this idea that they believed in a just price, and if so, what did they mean by that term?

CHAFUEN: Well, their analysis equated just price with market prices devoid of fraud, monopoly, or coercion. Some of them said, look, it would be good if we could determine a just price and know exactly what the price will be. But this varies according to the circumstances, and demand, supply. They used the words “common estimation,” that was estimation that takes place in the market. It’s not just one buyer and one seller that determine prices, but basically the whole market process. So they used the term just price, and perhaps that led to some confusion. There are other things as well, I think. In the conclusion of my book, when I try to ask my same questions, how come this happened, these centuries of contributions were so badly interpreted. Partly it’s political. I said after the French Revolution—the French Revolution committed so many injustices—many people in the Church rejected everything that came from recent times and looked like, oh, liberal, in the proper sense of the word. On the other hand, a lot of the enemies of the Church we simply say without reason rejected faith, almost like reason could explain everything. So that combined effect meant a few people were looking into this. Three major sources, I think, that helped change my mind. I read a contribution by Joseph Schumpeter, the great Austrian historian of thought. Then F. A. Hayek wrote a little about them because he was influenced by one of his pupils, Marjorie Grice-Hutchinson, who started—first monetary theory authors. And then the great Austrian scholar Murray Rothbard also spoke very well about them. But it’s only when I went to Europe, and I went to the libraries, and I saw that these were not one, two, three, or four authors. It was what’s called common doctrine at the time. They had some flaws. They were more pro-free market, pro-private property. They are not libertarians in the modern, quasi-anarcho-capitalist definition. But they were at the forefront of the sense of an order of economics based on private property and freedom of contract, and I think they have no doubt about it.

WOODS: I am aware that Hayek thought very highly of Rothbard’s essay “New Light on the Prehistory of the Austrian School,” in which he spends quite a bit of time talking about the Late Scholastics. So it was in the 20th century that finally these prejudices began to wither away. So it’s interesting the way you put it. There were two prejudices at once. You had prejudice against

faith, which meant what could we learn from the Late Scholastics, so let's not even look, and then—this is a phenomenon that I have encountered with many people—you had a reactionary aspect in the Church; their view was that anything that had anything whatsoever to do with modernity was *ipso facto* tainted, and so the free market or anything that involved that sort of approach to the social sciences must be wrong, must be disparaged, and so they might consider the Late Scholastics, but they would have an interest in distorting them or suppressing their real message. Now, tell us about—we'll get into some basic ideas in a minute about wages, and profits, and things like that, but I am interested in the subject of distributive versus commutative justice. Can you explain what these two concepts are and what the Late Scholastics had to say about them?

CHAFUEN: Well, this is a huge topic. Commutative justice comes from the word commutation, which is basically justice that takes place mostly with contracts, with changes and usually between private parties. Distributive justice is a term that was used starting from Aristotle onward until at least a couple of centuries ago, which just has to do with all the things that we have in common. It has nothing to do with taking from one person and giving to the other. It has to do with government position—how we allocate taxes. Now, specifically, they said that wages, profits, rents have nothing to do with distributive justice. These are not the topics that have to do with distributive justice. Unfortunately, toward the end of the 19th century and beginning with the 20th, a whole school of thought started to equate distributive justice with taking property from one and giving it to the other, mostly taking from the rich and productive and giving to the unproductive. This, I cannot find a single author in several centuries of contribution who had that notion of distributive justice, which I think is very negative and exists today and is prevalent in many circles of the Church and other moralists' discussions.

WOODS: My view is that—sometimes I am told that I am not allowed to hold these views if I'm a member of the Church I have got to defer to this person or this or that document—but the day that the Late Scholastics are condemned as heretics is the day that I will listen to those people. Until then, I persist in my views. Now, what did they think about wages? Of course, we know that a lot of times when we read popular renditions of Catholic social thought, the idea is that a living wage must be paid that will allow the laborer and his family to live in reasonable comfort. What was the late Scholastic view?

CHAFUEN: Well, look, that—they would have loved that—that basically they believed that the wages needed to be determined like any other price, and if you want to help the worker, you should help with charity and with other efforts, so again, you don't treat the worker as you treat, you know, your typewriter or any other capital good. Human beings have a special dignity, and they always talk about that. But especially those authors were even explicit that the just wage, it was not to find what is sufficient for his sustenance and much less for the maintenance of his children and family. This is a quote from Luis de Molina, one of the great Jesuit theologians, and again, he was not condemned and beheaded.

WOODS: That's right. And I have that quotation right here. He says that the employer, and then the quotation is, "is only obliged to pay the laborer the just wage for his services considering all the attendant circumstances, not what is sufficient for his sustenance and much less for the maintenance of his children and family." Then we have Domingo de Soto, also a 16th-century figure saying, "If they freely accepted this salary for their job, it must be just. No injury is done to those who gave their consent." And then he says very bluntly, "If you do not want to serve for that salary, leave." Well, this is quite shocking to modern ears.

CHAFUEN: Yeah, and again, he is a Dominican, and I want to stress that because some people say, well, the Jesuits have so much freedom of thought. They can say anything. Well, this the Franciscans who lived just a few centuries after St. Francis saying practically the same thing. So I don't think they were cruel. They were just describing the economic system as it is, and again, many of them— de Soto has a whole little book on how to help the poor and about things to do and things not to do to help them. They were very serious scholars, and I think it would be great for the hierarchy and members of these religious orders today to go back and read these authors.

WOODS: Now, it's true that when we look at your book *Faith and Liberty* we can clearly see that there is a sympathy for a free market economy. In other words, one in which prices and wages are determined in the way that we are accustomed to seeing them determined: not by political authorities but by the give and take in the marketplace. But there's more here to the Late Scholastics. There are also some theoretical advances. For example, their value theory seems to anticipate the subjective value theory that we associate with the Austrians.

CHAFUEN: All right, there was one author, Duns Scotus, the famous Scottish author who basically not because he was against the market, just the opposite, he said the businessmen are so important that the prince should see that the entrepreneur, the businessman gets compensated for his costs, almost like a cost-plus determination of profit. They all came and attacked him. They were saying, no, a businessman is entitled to his profit if he anticipates the market correctly. Saint Bernardino of Siena, a great, great Franciscan of the 14th century basically said, no, look if he anticipates the market correctly and earns 300 percent, he's entitled to that just profit. There's not a profit determined by the prince above cost that is just. If that would be the case, they say, the rich would always have money because no matter what they do, they will have a little percentage and get a small profit. But Scotus was the only one who had that view.

WOODS: I've got here a passage from Luis Saravía de la Calle who said that—he makes the interesting point as I think you were getting at just now, "If we had to consider labor and risk in order to assess the just price, no merchant would ever suffer loss." So to think this way is actually to privilege people with wealth and privilege people who are already established in the market to say that there is some kind of just profit that we calculate on the basis of risk or on the basis of the good itself. Well, then, who would ever make losses? Everybody would be obligated to be paid the so-called just price. There would be no losses.

What about monetary theory? You've got in here a chapter on the theory of money. What kind of contributions are the Late Scholastics making there?

CHAFUEN: Well, they were the greatest champions of sound money. It was clear. We had the gold standard that was the system that evolved through ages because it proved it was most respectful of having money to have as a unit of account and is the most widely used means of exchange. So whenever they had to criticize someone for an increase in price, they criticized the monetary authority, and especially, another Jesuit wrote in 1609—he basically anticipated many of the great contributions that Austrians and Chicago economists made about the dangers of inflation.

But let me go one step back to what you said before about distributive justice and helping the poor supposedly by fixing profits of the rich. Economies that have those systems do the worst because, as you say, businessmen get less entrepreneurial, and the economy is not dynamic, and it's harder for the poor people to rise to the top because they are limited to the profits they can make, and again, the economy gets very stratified.

Going back to the monetary contribution, they thought that the money that is stolen by government money manipulation was like the worst type of thievery, because when a thief gets into your stable and steals your horse or part of your grain, you see it. But monetary manipulation, people don't see sometimes who the real culprit is. So they were very strict in that as well.

WOODS: Bringing this closer to the present day, why do you think it is that members of the Church hierarchy, especially in Latin America, tend to be so unsound on economics? The usual answer is that their own experience has either been with statism or with state capitalism or situations in which state-run institutions are then more or less handed over to cronies, and they confuse this with capitalism. Now, I can understand that, but is it really too much to ask for people to be able to make distinctions between the system they are living under and the dictionary definition of what a free market is supposed to be?

CHAFUEN: I think it is difficult because, again, many of these bishops—and the current pope is a good example—have friends who are economists, and I know a Chicago boy who spent time with them. But he doesn't read those books. But they see what happens in their country. They listen to confessions. Confession is secret. But they realize the enormous power of what people call today crony capitalism—the owners of wealth, old and new, who get close to the state to get privileges. And I think that the combined effect that they have not been exposed to what we both would call good economics, and the second, and the practice that they see is so flawed, and these great champions of capitalism, multinationals, are caught bribing left and right. This is what they see, and so when they listen to free market or libertarian answer with too simplistic words, saying, oh, it's the government's fault; the free market will solve it. Or when you criticize a capitalist as something bad, and you say, oh, no, he's not a capitalist. Then they say, this is a religion. This is not a free-market philosophy. So this absolutist view of the

free market is something that has to be contended with. It's another sort of creating a god that doesn't exist. So a good professor of mine at Catholic University in Argentina basically said, look, don't be so harsh with the bishops. Economists do not know economics. Why do you expect the bishops to know better economics? You have people like Paul Krugman, Stiglitz, and others saying things that for you and me are crazy, but bishops listen to them.

WOODS: Yeah, it's funny you say that, Alex. I have said exactly the same thing to people. As exasperating as I can sometimes find it, arguing with people in the Church on subjects like this, at the same time, you're right: if the economists don't know economics, how can I be losing my patience with people who have other things to do during the day—who aren't professionals who really ought to know better?

I wonder if I can close by asking you about what you're working on these days. You mentioned to me privately, and here I am disclosing it in public, that you were doing a little something on what these men thought about questions involving the natural environment. This is increasingly relevant because we know the Pope is apparently working on a document related to that subject. What have you come up with?

CHAFUEN: Correct. And I just asked about it because I wrote this short paper, 10-page paper for the Catholic University of Argentina. So there's a bigger chance that he might read it. The key problem that we find today that is a very mistaken anthropology view about who the human person is. Unfortunately it has drifted towards the view of the human person as a collection of chemicals that click in, click out—sometimes used as a mere individual. And for these people humans, no, moralists from Aquinas and all of his followers, the human being was at the center of creation and had basically our domain over not only the fish and the waters but even of the stars. And so each problem that I was able to study where they address an environmental being in a forest—you know, St. Boniface, writing in the seventh century, cut down an oak that was revered as a god; thanks to that he was able to convert a lot of pagan Europe. From bullfighting which, again, there were some debates, and for a while it was condemned, but never there was concern for the bull. It was the concern for the human being's heart, and the cruelty, and enjoying things they wished not to enjoy. But when they address the topic of forests, their concern basically was to respect the private property and have proper handling of their resources. But even St. Francis was, again, the only person who I think had a slightly different perspective because he even spoke to through the animals according to the narratives, and they asked him, are you allowed to eat meat on Fridays, on Christmas, if Christmas falls on a Friday? And he said, look, on Christmas Day even the walls should be able to eat meat. And he never punished people who went hunting even for pleasure. So overall I did not find a single circumstance where the late Scholastics, medieval scholars would side with what today environmentalists argue that almost equate nature and the rights of nature with the rights of human beings. So from mining, to fishing, to hunting, to bullfighting and all those topics the Late Scholastics argued the same as a free-market economist would argue today. And when

there was a spillover effect like too much of burning of coal in cities, well, now look, this is damaging other people. There should be a regulation that prevents it.

WOODS: Well, I'd love to see that article get a wider audience than it may get in an academic journal in Argentina. I hope there will be a chance to publish maybe a popular version of it somewhere online, do you think?

CHAFUEN: Yes, I hope so. Again, I think people like you and other economists who engage the Church in a respectful manner and basically say, look, this is a topic, economic science, it belongs to the layman. Many times the bishops say that, oh, look, these are topics that belong to the layman, but then they give their opinion with a lot of authority that almost they are acting like economists. And my hope is that the debate about what is sound economics will be between you and Paul Krugman, not the bishops.

WOODS: (laughs) Thank you. Before I let you go. Do you want to take a minute to tell people about the Atlas Economic Research Foundation? I bet a lot of my listeners are not familiar with it.

CHAFUEN: Well, things don't happen by chance in life. Things happen because of ideas, because of incentives, because of leadership, and also providence, or luck. And to work in ideas I think you have to be a professional and use the best methods of business. And we think that intellectual entrepreneurs, people like you, that work with think-tanks, with university-based centers using the best possible practices, they will be more effective in trying to disseminate the right views that will people to flourish in a climate of freedom and respect for the dignity of the human person. What Atlas does is to support these intellectual entrepreneurs through training programs, sometimes through grants, through networking efforts. So it was started by an Englishman in 1981 who started a think-tank in England in the '50s that saw the decline of England and led to the changes that Margaret Thatcher initiated and later were continued. So Atlas doesn't accept any government money. We are against it philosophically. I think it's an outstanding organization and hopefully people will look at what we do on our website, that is atlasnetwork.org.