Faith and Liberty: The Economic Thought of the Late Scholastics

Alejandro A. Chafuen

Lanham, Maryland: Lexington Books, 2003 (171 pages)

Recent times have witnessed growing academic interest in the relationships among theology, morality, and economics. *Faith and Liberty: The Economics Thought of the Late Scholastics* by Alejandro A. Chafuen (now president and CEO of the Atlas Foundation) is an important, even if indirect, contribution to this discussion. It is a second edition of a book originally entitled *Christians for Freedom* (San Francisco: Ignatius Press, 1986). This new edition has been fully revised for content as well as for language to tell anew the exciting but neglected story of Late-Scholastic economics. The new edition includes many corrections and improvements, including, for example, the reformatting of footnotes to increase readability.

Faith and Liberty is an important book in several respects, and it fully deserves this revised edition. First, it introduces the writings of thinkers whom most people have never heard of, and it does so in an entertaining fashion that is easily accessible to any educated layman. Second, it demonstrates that there was a school of social thought—long before Adam Smith and other "classical" economists—that defended free enterprise and private property. Third, it shows that medieval Scholastics were not mysterious and esoteric philosophers but skilled and practical thinkers who conveyed deep insights concerning the functioning of markets and were, in effect, foundational in the development of modern economic thought. The book is particularly valuable in exposing these ideas to English-speaking audiences.

The term *Late Scholastics* refers to a number of theologians from the fourteenth through seventeenth centuries who wrote on theology, philosophy, and even social sciences in the tradition of the work of Saint Thomas Aquinas (1226–1274). Their economic thinking is of interest in two different respects. On the one hand, the Late Scholastics developed original and sophisticated insights into pure economic theory. In particular, Scholastic value and price theory was consonant with the nineteenth-century developments furnished by Carl Menger and the Austrian school (chapter 7). Scholastic theory argued that economic value is based on objective value in use, scarcity, and desirability (that is, subjective utility) (81), and it refuted the much-later labor theory of value and resolved the "paradox of value" even before it was invented. Another important field was monetary theory, in which the Late Scholastics did foundational work by discovering the relationship between the quantity and the value of money (chapter 5). They, thus, provided the first formulation of the quantity theory of money and developed a sophisticated theory of inflation.

On the other hand, the Late Scholastics formed a school of thought highly sympathetic to free enterprise and private property—for example, they argued that private property is necessary to promote free cooperation, to ensure justice, and to preserve peace and harmony (chapter 3); they criticized government spending and favored low taxes (chapter 4); they condemned inflation and currency debasement (chapter 5); they defended freedom of commerce and trade (chapter 6); and they argued against guilds and monopolies in the labor market (chapter 9). This is not the whole story, of course. For example, they did not see private property as an absolute right but taught that property rights were subordinate to their universal destination, as the church has always taught.

The new edition of the book clarifies this issue in a section on the doctrine of "extreme need." Chafuen summarizes it as follows: "God created visible goods so that humans can live by their use; the division of goods can never abolish this first destiny to property rights. These rights evolved to preserve life and liberty. In extreme cases when these rights seem to be in contradiction, life and liberty should prevail. For that reason, one can take the neighbor's fruits, or escape on his horse. The person who benefited from these goods has the obligation to restitute, which proves that it is not the domain but the use that changes hands" (45).

Despite its merits, *Faith and Liberty* has its limitations. I want to discuss three problems in particular.

First, the book has an ambitious scope, but it only touches the surface. This is problematic, because the economic thought of the Late Scholastics was not as homogeneous as one might think upon a first look at the present book. As Chafuen puts together bits and pieces from a great number of thinkers (who did not always have the same view), it is not only difficult to keep track of their names but also quite impossible to understand the broader reasoning of individual thinkers. This is excusable to the extent that the economic thought of the Late Scholastics was scattered in their works on moral theology, but it is bound to cause confusion. Moreover, some of the author's interpretations seem inaccurate; for example, a footnote stating that according to Saint Thomas Aquinas, human law "should only forbid those vices that would render human society impossible" (118). Although Saint Thomas admitted that it is better not to repress a vice if worse sins may result, he clearly thought that human law's ultimate purpose is to make men moral, or good.

The second problem relates to the book's understanding of natural law. Chafuen correctly emphasizes the fact that the Late Scholastics did not operate within the utilitarian framework of many classical and neoclassical economists but, rather, followed the natural law tradition fortified by Saint Thomas. However, it is not exactly clear what the author means by this, and his definition of natural law as "intelligent creatures' participation in eternal law or what reason tells them about the nature of things" (26) is arguably vague. Moreover, at times, Chafuen seems to confuse two fundamentally different traditions, namely, the traditional natural law doctrine of Saint Thomas and the modern *natural rights* doctrine of Locke and others.

The Late Scholastics were moral theologians first and foremost, and this moral sense is evident throughout their analysis of economic controversies. Chafuen rightly emphasizes their dedication to the Christian virtue of charity: "The protection of private property, the promotion of trade, the encouragement of commerce, the reduction of superfluous government spending and taxes, and a policy of sound money were all destined to improve the condition of the workers" (110). Nevertheless, the deeper relationship between natural law and economics is not fully resolved in this important book.

Third and finally, one cannot avoid thinking that Chafuen is reading the Late Scholastics through somewhat ideological lenses. In particular, the chapter that compares Late-Scholastic economics with classical liberals and the Austrian school of economics gives the impression that the author's main goal is to prove that Christian ethics could be compatible with free-market principles. Even if the conclusion is correct and that some (but not all) of the Late Scholastics were forerunners of such a position, it would not be difficult to criticize the book for a one-sided perspective.

The new edition improves on the first on this score, the addition of the doctrine of extreme need helping in this regard. Still, *Faith and Liberty* is more likely to make secularist right-wingers sympathetic to the Church and the Christian faith than to convert leftist Christians to right-wing economics. Of course, this might have been the author's intention.

These limitations are understandable and, to some extent, unavoidable in a compact book like this. Moreover, Chafuen provides plenty of references to more extensive and detailed studies on the subject. *Faith and Liberty* is, despite its limitations, an important work that tells an illuminating story about the history of economics and challenges widespread misconceptions regarding scholasticism and the history of economic thought. It will also help, it is hoped, to discard the Weberian myth of the Protestant ethic and the spirit of a free economy.

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Social Capital and Economic Development: Well-Being in Developing Countries

Jonathan Isham, Thomas Kelly, and Sunder Ramaswamy (Editors)

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These three economists from Middlebury College in Vermont have one major and several minor points to make in their treatment of *social capital* in economic development. The major point, outlined in the four thematic chapters, is that social capital is an important factor in economic development and should, thus, be an important part of the development economist's analysis—and the development policy-maker's designs. The several minor points relate to the measurability of social capital and examples of its usefulness in case studies. The book, which emerged from a set of conference papers, presents a convincing argument. The minor points will remain of interest only to specialists. The major point is of particular interest to economists who are interested in the cultural, social, and ethical aspects of economic development.