THE DISCOVERY OF A NEW SCIENCE: ECONOMY IN THE SCHOOL OF SALAMANCA

EL DESCUBRIMIENTO DE UNA NUEVA CIENCIA: LA ECONOMÍA EN LA ESCUELA DE SALAMANCA

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Abstract

Since the writings of Grice-Hutchinson, interest in the economic insights of the School of Salamanca has grown steadily. Especially among representatives of the Austrian School, the Spanish authors of the early modern period are regarded as precursors of modern economics due to their economic achievements. This paper examines the methods and contexts in which the authors of the School of Salamanca addressed economic questions, describes the economic topics they discussed, and shows what conclusions they reached. Using the example of the just price, it outlines how economic theory emerged from moral philosophy. The paper also critcally examines to what extent and in what ways later economists truly built upon the insights of the authors from Salamanca.

Keywords

Justice in Exchange; Economics; Just Price; Value; *Ens Morale*

Resumen

Desde los escritos de Grice-Hutchinson, el interés por las ideas económicas de la Escuela de Salamanca ha crecido de forma constante. Especialmente entre los representantes de la Escuela Austríaca, los autores españoles de la temprana Edad Moderna fueron considerados los precursores de la economía moderna debido a sus logros económicos. Este artículo examina los métodos y contextos en los que los autores de la Escuela de Salamanca abordaron cuestiones económicas, describe los temas económicos que trataron y muestra las conclusiones a las que llegaron. A través del ejemplo del precio justo, se expone cómo la teoría económica surgió de la filosofía moral. Asimismo, el artículo analiza críticamente hasta qué punto y de qué manera los economistas posteriores realmente se basaron en las ideas de los autores salmantinos.

Palabras clave

Justicia en el intercambio; economía; precio justo; valor; *ens morale*

1. Was There Anything Like "Scholastic Economics"?

Over the past several decades, the discussion of the economic insights of the School of Salamanca has undergone a remarkable renaissance. Although the teaching of the Salamancan authors, after their influence started to diminish in the 18th century, has never been completely forgotten, a new wave of scholarly engagement focusing on their economic theories first began with Marjorie GriceHutchinson's, pioneering work in the 1950s. Her meticulous archival research laid bare a tradition of scholastic inquiry into value, price formation, monetary theory and the ethics of exchange, areas later thought to belong exclusively to modern political economy. Since then, a steady stream of historians and economists have sought to recover and reassess the theoretical sophistication of figures such as Domingo de Soto, Diego de Covarrubias y Leyva, Luis Saravia de la Calle, Juan de Mariana, Luis de Molina, Juan de Lugo, among others.

However, this situation leaves us with a confusing problem. Why has the economic thought the Salamancans formulated in their teachings and writings had so little influence on later generations of economists? Can we, at all, speak of something like "scholastic economics"? Is there a unifying method or a unifying *explanandum*, an area of objects to be explained, that could serve as a criterion to speak of scholastic economics? By answering this question, it might also become clear how the relation between today's economic insights and those of the Salamancan authors should be understood. This is crucial because in many aspects the Salamancans arrived at a quite modern approach when discussing economic questions. Yet there remains an incredibly puzzling situation: It is easily shown that the first authors that conceive of themselves as economists, like François Quesnay or Adam Smith, are influenced both by the metaphysical teachings and the tradition of natural law as developed in the School of Salamanca, but (which is especially clear in the account of Smith) they make rarely use of the economic insights provided by the Salamancans. At times, they even develop economic ideas that are opposed to those of the Salamancan authors. Possibly the most prominent example is the development of the labour theory of value by Smith.[1] Later thinkers pointed out that this meant a falling back behind the teachings of the Salamancan authors, which had formulated an subjective theory of value, a theory that later was put forward against Smith by authors like Carl Menger and which is nowadays considered to be common sense among economists.[2] So are there any channels via which the insights of the Salamancan authors have been transmitted to modern economists?

In order to approach these questions, I will first describe the similarities between today's economics and the economic thoughts in the writings of the Salamancan authors. I will then give some examples on how the Salamancans tended to address economic questions. It can be shown that many aspects of their teachings are in concordance with

[1] Adam Smith, *An Inquiry into the Nature and the Causes of the Wealth of Nations*, edited by W. B. Todd (Indianapolis: Liberty Fund, 1981), 47-64.
[2] Jesús Huerta de Soto, *The Austrian School. Market Order and Entrepreneurial Creativity* (Cheltenham and Northampton: Edward Elgar, 2008), 29-37.

today's economic science. Finally, we can address something that could be called the scientific framework in which the Salamancans discussed economic problems. As can be shown there, it is not so much economic theory itself that influenced later generations, but a certain kind of framework that was able to foster the emergence of modern social sciences.

It should be mentioned here that when talking about "the School of Salamanca" one faces the problem of generalisation. There have been various different or even contradictory theological, philosophical and juridical positions among those authors we tend to address by the term "School of Salamanca". Whether we can at all talk about a unified "school" is a question of its own. The term "School of Salamanca" will here be used as a heuristic concept to address those authors who developed their thoughts in the Iberian world of the 16th and 17th century, who discuss similar problems and who are referring to a common set of texts that form their shared heritage, especially the texts of Thomas Aquinas and their reception initiated by Francisco de Vitoria.

Against this background, the present paper pursues three aims. First, it proposes an ontological account of economic objects in the sense of an *ens morale*, i.e. an entity, whose existence and intelligibility depends on free agency, normative commitments and causal interaction, rather than on intrinsic physical properties or universalist conceptions. Second, it develops a micro-analytical reinterpretation of Molina's theory of the just price by tracing the causal mechanisms through which individual choices aggregate into market outcomes. Finally, it offers a reassessment of the channels through which the Salamancan authors may have influenced economic traditions since the 19th century, suggesting that their intellectual legacy is more plausibly transmitted through authors like Pufendorf, Carmichael, Hutcheson and Smith than through a direct lineage.

2. The School of Salamanca and Modern Economics

Over the last 50 years the economic theory of the Salamancan authors has been met with growing attention.[3] Perhaps no group of twentiethcentury- thinkers has celebrated

[3] Over the past two decades, the economic thought of the School of Salamanca has increasingly attracted interest among economists, philosophers, and theologians alike. The titles listed below may serve as a comprehensive starting point for engagement with the topic in light of the literature of the last 20 years: André Azevedo Alves, José Manuel Moreira, "Virtue and Commerce in Domingo de Soto's Thought: Commercial Practices, Character, and the Common Good", *Journal of Business Ethics* 113 (2013): 627–638; Mohammadhosein Bahmanpour-Khalesi: "The scholastic perspective on the time value of money and the contribution of Martín de Azpilcueta (1491–1586)", *Economic Affairs* 44/2 (2024): 320-337; José Barrientos García, Idoya Zorroza, "Moral y política en la escuela de Salamanca", *Anuario Filosófico* 45/2 (2012): 241-253; Gabriela de los Ángeles Caram, "Martín de Azpilcueta. Aportes ético-económicos y su influencia en las teorías económicas posteriores", *Cauriensia: revista anual de Ciencias Eclesiásticas* 15 (2020): 201-220; Alejandro A. Chafuen, *Raíces cristianas de la economía de libre mercado* (Madrid: El Buey Mudo, 2009); Pedro J. Caranti, "Martín de Azpilcueta: The Spanish Scholastic on Usury and Time-Preference", *Studia Humana* 9/2 (2020): 28-36; José Luis Cendejas Bueno, "Ciencia económica y pensamiento económico de la Escuela de

Salamanca", *Relectiones: Revista interdisciplinar de filosofía y humanidades* 7 (2020): 93-111; José Luis Cendejas Bueno, "Justice and just price in Francisco de Vitoria's *Commentary on Summa Theologica* II-II q. 77", *The Journal of Philosophical Economics* 14/1-2 (2021): 1-32; Anthony J. Cesario, "The School of Salamanca's Reconciliation of Economics and Religion", *Studia Humana* 9/2 (2020): 6-15; Alfredo Culleton, Marlo Do Nascimento, "Pensamento Económico na Idade Média", *Revista Portuguesa de Filosofia* 75/3 (2019): 1801-1824; Michael Thomas D'Emic, "The Price Revolution in Sixteenth-Century Spain. Interest Rates, Payments, and Deadweight Loss", *Journal of Markets & Morality* 25/2 (2022): 205–216; Alfonso Díaz, "Francisco Suárez and the 'Distributist Movement'", in *Projections of Spanish Jesuit Scholasticism on British Thought New Horizons in Politics, Law, and Rights*, edited by L. J. Prieto and J. L. Cendejas Bueno (Leiden, Boston: Brill, 2022), 235-256; Juan Manuel Elegido, "The Just Price: Three Insights from the Salamanca School", *Journal of Business Ethics* 90 (2009), 29-46; Ángel Manuel Fernández, "Juan de Mariana. Transmisión de las ideas de economía política de España hacia Inglaterra en el siglo XVII", *Iberian Journal of the History of Economic Thought* 2/2 (2015): 32-59; Cecilia Font de Villanueva, "Monetary Alterations in the Sixteenth and Seventeenth Centuries in Castile and England: Juan de Mariana and John Locke", in *Projections of Spanish Jesuit Scholasticism*, 291-313; Giuseppe Franco, "Die Wirtschaftsanalyse und die Wirtschaftsethik der Schule von Salamanca", in *Von Salamanca nach Freiburg: Joseph Höffner und die Soziale Marktwirtschaft*, edited by L. Roos, Ch. Müller, E. Nass and J. Zabel (Leiden, Boston: Brill, 2018), 35-104; Marjorie Grice-Hutchinson, *La escuela de Salamancauna interpretación de la teoría monetaria española, 1544-1605* (Salamanca: Caja España, 2005), translated J. L. Ramos, edition and introduction by L. Perdices de Blas and J. Reeder; Carlos Arturo Gómez, "Los desarrollos teóricos de la Escuela Austriaca de Economía inspirados en la Escuela de Salamanca. Validez en el estudio de problemas contemporáneos", *Procesos de mercado: revista europea de economía política* 7/1 (2010): 123-156; León M. Gómez Rivas, "A Chronicle of Liberal Thought in Spain: From Salamanca to Vienna Through Madrid", in *The Emergence of a Tradition: Essays in Honor of Jesús Huerta de Soto, Volume II: Philosophy and Political Economy*, edited by D. Howden and P. Bagus (Cham: Palgrave Macmillan, 2023), 85-94; León M. Gómez Rivas, "Ethics, Money, and Finance in the Late Scholastics: Francisco Suárezon Taxation", in *Projections of Spanish Jesuit Scholasticism*, 257-273; León M. Gómez Rivas, José Carlos Martín de la Hoz, *La Escuela de Salamanca: Cuando el pensamiento español iluminó al mundo* (Córdoba: Sektola, 2025); León G. Gómez Rivas, Cristóbal Matarán, "Modelos de difusión de ideas en la Historia del Pensamiento Económico: la Escuela de Salamanca y la Escuela Austriaca de Economía", *Journal of the sociology and theory of religion* 14/Extra 1 (2022): 103-133; Fernando Hernández Fradejas, "Derecho de propiedad privada y fiscalidad en Francisco Suárez", *Anuario Filosófico* 50/2 (2017): 269-296; Fernando Hernández Fradejas, "La Escuela de Salamanca como precursora de la economía moderna", *Procesos de mercado: revista europea de economía política* 8/2 (2011): 331-352; Jesús Huerta De Soto, "Juan de Mariana y los escolásticos españoles", *Dendra médica. Revista de humanidades* 12/1 (2013): 32-45; Juan Vicente Iborra Mallent, Luis Raúl Valdés Guerrero, "El pensamiento económico de la Escuela de Salamanca y la esclavitud negra", *Humanidades: revista de la Universidad de Montevideo* 8 (2020): 87-117; Melisa J. Luc, "Periodization in Prehistory Transition and the History of Economic Thought in Latin America: An Expanded View", *Research in the History of Economic thought and Methodology* 39A (2019), 133-148; Daniel Marín, "La Escuela de Salamanca: ciencia, teología y economía", *Razón española: Revista bimestral de pensamiento* 220 (2020): 212-216; Daniel Marín, "La Escuela Hispánica de Economía y su relación con otras escuelas modernas de pensamiento", in *El Barroco Iberoamericano y la Modernidad: actas del VI Simposio internacional del Instituto de Pensamiento*, edited by I. Murillo (Salamanca: Publicaciones Universidad Pontificia, 2013), 341-353; Cristóbal Matarán, "La teoría de la imposibilidad del socialismo del padre Juan de Mariana", *Journal of the sociology and theory of religion* 17/1 (2025): 111-128; Rodrigo Muñoz de Juana, "La teología moral escolástica y los orígenes de la ciencia económica. El pensamiento de Martín de Azpilcueta", *Studia Humanitatis* 7/8 (2018): 1218-2018; Perdices de Blas and José Luis the rediscovery of the economic theory found in the writings of the School of Salamanca more enthusiastically than the later Austrian School of economics. Friedrich A. Hayek, for instance, mentions the "Spanish Jesuits of the sixteenth century",[4] and among them especially Luis de Molina, as the first authors who correctly conceived the scientific object of economics. He even quoted two Salamancan authors, Luis de Molina and Juan de Lugo, in his speech after receiving the Nobel Prize for Economics in 1974.[5] Jospeh A. Schumpeter discusses at length authors like Tomás de Mercado, Luis de Molina or Juan de Lugo, who, as he argues, developed a "pure" system of economics on top of the system of moral theology they inherited from the tradition of the 13th century.[6] Later on Murray Rothbard pointed to the Salamancan authors as forerunners of key concepts of the Austrian School and pointed to ideas like methodological individualism or subjective value theory.[7] Contemporary Austrian scholars such as Jesús Huerta de Soto have even argued that it was the chief virtue of Carl Menger, who is considered the founder of the Austrian School of Economics, "to rediscover and encourage this continental, Spanish,

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Ramos, "¿Existió una Escuela de Salamanca en asuntos económicos?", *Araucaria: Revista Iberoamericana de Filosofía, Política, Humanidades y Relaciones Internacionales* 25/54 (2023): 519-541; Luis Perdices de Blas and José Luis Ramos, "La imagen económica de la España del siglo XVIIl. La mirada extranjera frente a la visión de los arbitristas", *Hispanic Research Journal: Iberian and Latin American Studies* 16/3 (2015): 221-238; Perdices de Blas and José Luis Ramos, "La moral económica de los comerciantesen las obras representadas en los corrales de comedias del Siglo de Oro", *Studia historica. Historia moderna* 44/1 (2022): 77-113; Luis Perdices Blas, "Marjorie Grice-Hutchinson (1909-2003) y sus investigaciones sobre historia del pensamiento económico", in *Mujeres economistas: las aportaciones de las mujeres a la ciencia económica y a su divulgación durante los siglos XIX y XX*, edited by Perdices de Blas and E. Gallego (Madrid: Ecobook, 2007), 525-556; Fermín del Pino-Díaz, "Traces of the Jesuit José de Acosta in the Scottish Enlightenment Thinker William Robertson", in *Projections of Spanish Jesuit Scholasticism*, 117-139; Antonio Sanchez-Bayón, "Acervo económico de la escuela de Salamanca: reconocimiento y relación con otras escuelas" *Estudios Económicos* 41/83 (2024): 5-32; Antonio Sánchez-Bayón, "La Escuela Económica Española y su relación con los enfoques heterodoxos", *Semestre económico* 25/58 (2022): 1-28; Antonio Sanchez-Bayón, "La Escuela Económica Española: aportaciones de la Escuela de Salamanca a la economía política y la hacienda pública", *Economía UNAM* 19/57 (2022): 164-191; Rudolf Schüssler, "The Economic Thought of Luis de Molina", in *A Companion to Luis de Molina*, edited by A. Aichele and M. Kaufman (Leiden, Boston: Brill 2013), 257-288; Enrique Somavilla, "El pensamiento económico de fray Pedro de Aragón, OESA", *Anuario jurídico y económico escurialense* 57 (2024): 335-394; Enrique Somavilla Rodríguez, *Una visión humanística de la economía española de los siglos XVI y XVII. La Escuela de Salamanca y fray Miguel Bartolomé Salón Ferrer, OESA* (Madrid: Universidad San Pablo, 2023).

[4] Friedrich August Hayek, *Law Legislation and Liberty. A Statement of the Liberal Principles of Justice and Political Economy*. (London and New York: Routledge, 1979), 21.

[5] Friedrich August Hayek, *Prize Lecture. The Pretence of Knowledge*. (NobelPrize.org, 1989). URL: https://www.nobelprize.org/prizes/economic-sciences/1974/hayek/lecture/ (accessed 31 May 2025).

[6] Joseph Alois Schumpeter, *History of Economic Analysis* (London, Boston and Sydney: Allen & Unwin, 1954), 95-98.

[7] Murray Newton Rothbard, "New Light on the Prehistory of the Austrian School", in *The Foundations of Modern Austrian Economics*, edited by E. Dolan (Kansas City: Sheed and Ward, 1976), 52-74 (here 71).

Catholic tradition",[8] to complete and uphold it,[9] and thus to overcome the "harmful effects on economics"[10] that the English classical school seemed to have had.

Since the Middle Ages, the moral problem of justice and usury was not only at the core of every economic analysis, it was the primary reason why those matters had been discussed. In order to know what behaviour in exchanging goods is just or unjust, one needs to derive things like the just price, the just gain, the just wage, just exchange rates between currencies and so forth. The Salamancan authors basically continued on this path, which led them to touch on those topics in contexts of moral theology, philosophical ethics and juridical writings. Many of their concepts are based upon medieval doctrines, not only, but especially that of Thomas Aquinas. In consequence, the core concepts are typically matters of justice in exchange, that means, of the virtue of commutative justice (*iustitia commutativa*). In this view, just exchange is constituted by an exchange of equivalents. This presupposes that the goods exchanged possess an intrinsic value, and that, in a just exchange, two goods with identical intrinsic value are traded against one another. This model, however, raises several difficulties, particularly with regard to explaining how merchants may legitimately obtain a gain from trade. This problem is further intensified by the introduction of money, which serves to facilitate the exchange of very different kinds of goods, as the following example may illustrate: Imagine a producer who comes to the market intending to exchange a bull for chickens. He must first transport the animal, then look for someone who wants a bull and is willing to offer chickens in return and finally discover that the bull cannot be divided without destroying its value. He will, therefore, either abstain from exchange or purchase more chickens than he actually wants. Money, by contrast, is portable, divisible, and generally accepted. It allows the seller to convert the bull into a quantity of currency and, with that currency, to acquire various goods whose total intrinsic value is assumed to be equivalent to that of the bull. This reflects the classical Aristotelian view[11] underlying the scholastic doctrine: exchange is just only if the goods traded possess equal intrinsic value. As long as two producers simply swap what they have for what they lack, no profit arises, and the requirement of equivalence seems unproblematic. One good of intrinsic worth is given in return for another with the same intrinsic worth, with both sides ending the exchange content.

But the whole situation changes once merchants enter the scene. Their livelihood depends precisely on buying goods at a lower price than the one for which they can later sell them. From the Aristotelian standpoint, however, such a profit appears difficult to justify. If commutative justice requires equivalence of value in each exchange, then buying low and selling high violates the parity of intrinsic value that defines a just transaction. The traditional model thus strains to account for the merchant's gain and

[8] Huerta de Soto, *Austrian School*, 34
[9] Huerta de Soto, *Austrian School*, 37.
[10] Huerta de Soto, *Austrian School*, 35.
[11] Aristotle, *Politics*, 1256a-1258a.

ultimately points toward the later shift from an intrinsic-value framework to a subjective theory of value.

Aquinas, among others, is arguing that it depends on the nature of the gain achieved by the merchant and on his personal motives for trading. Obviously, societies are in need for merchants to guarantee that goods are transported from locations, where they are available in abundance, to locations, where they are scarce. On his way, the merchant might face costs or incur risks. To be compensated for this, as Aquinas puts it, he can pay himself a wage, under the just motive to sustain himself, his business and his family. But as soon as he maximises his profits, as soon as he takes as much as he can get out of his trades, his gain becomes unjust and usurious and, in consequence, sinful.[12]

But what if the buyer of a good can derive much more value from it than the merchant ever could? Can't the merchant then charge a higher price? Arguing this way is precisely what the Austrian economists call the subjective theory of value (and what, up to a certain degree, is put forward by Covarrubias).[13] If a certain good is of higher value for a certain person than to the average person, this person is willing to pay more than the average price. Can it, then, be illegitimate to charge the higher price? After all, the buyer is not coerced and, since the good exchanged is of higher value to him than for other people, he buys it out of free will. This argument is denied by Aquinas. The reason he is giving us is this: Imagine that someone lends a hammer to another person. What does this person owe to the owner of the hammer? He precisely owes him the hammer he borrowed, in the same condition as he received it. If the one borrowing the hammer derives something of value from using the hammer, that, what he gains, is due to his own skill and his own labour. And since it is due to his own labour, the lender of the tool has no right at all to charge him of anything besides getting his hammer back. Aquinas offers both an explanation and an illustrative analogy to show why a subjective account of value would be inadmissible from his perspective. He notes that certain goods derive their entire usefulness from being consumed: wine through drinking, or grain through eating. In such cases, the use of the thing cannot be separated from the thing itself; granting someone the right to use such a good is effectively equivalent to transferring the good as such. In this line of reasoning, Aquinas treats use and substance as indistinguishable whenever consumption constitutes the very function of the object, and this framework undercuts the idea that value could be determined solely by subjective preference or individual estimation.[14]

But this still leaves us with the difficulty of how to determine the just price. Aquinas points to something we might call common knowledge, a knowledge consisting in a common estimation and that does not predict the just price to the point, but allows for a

[12] Thomas Aquinas, *Summa theologiae*, II-II, q. 77, a. 4.
[13] Marjorie Grice-Hutchinson, *Early Economic Thought in Spain 1177-1740* (London: George Allen & Unwin, 1978), 100-101.
[14] Thomas Aquinas, *Summa theologiae*, II-II, q. 78, a. 1.

certain range.[15] So if due to a lack of knowledge we do miss the just prise by a little, while we attempt to act as best as we can, the act itself can still be considered virtuous. The just price represents the material side of the act, while the decision of the will to act justly represents the formal side. So, an act of selling or buying is completely just, when the material side is just (i.e. the just price is realized) and the formal side is just as well (i.e. both persons intend to trade justly).

This framework put forth by Aquinas is the starting point for the Salamancan theologians. The problem of usury and just prices was well known and formed a unifying concept that needed no introduction. In consequence the list of works that could be mentioned here is extensive. It includes in the first generation of the School of Salamanca Francisco de Vitoria's commentaries on Aquina's *Summa theologiae,* Domingo de Soto's *De iustitia et iure* and Juan de Medina's *De poenitentia, restitutione et contractibus*. In succession to those authors, we can find a discussion of the topic in the works of Diego de Avendaño, Martín de Azpilcueta, Domingo Báñez, Luis Saravia de la Calle, Juan de Castillo Sotomayor, Antonio de Escobar y Mendoza, Gregorio López, Luis López, Juan de Mariana, Tomás de Mercado, Luis de Molina and Juan de Salas, among others. But which of those authors argued in a way that could be described as anticipation of modern economics? There are a few fields of insights that can be summed up. I will add some of the most important authors in brackets.[16] (Neither the list of topics nor that of the authors are meant to be exhaustive!)

1. Time preference, meaning that money or goods we can get right away are valued higher than goods that can only be had in the future (Luis de Molina and Martín de Azpilueta).
2. The subjective theory of value (Luis Saravia de la Calle, Diego de Covarrubias, Luis de Molina, Juan de Lugo).
3. The insight that the just price cannot be derived from cost of production (Luis Saravia de la Calle, Juan de Salas).
4. The effects that money and banking have on prices (Martín de Azpilcueta, Diege de Covarrubias, Luis de Molina, Juan de Mariana).
5. The connection between credit, bank deposits and the value of money. (Domingo de Soto, Martín de Azpilcueta, Luis de Molina, Tomás de Mercado, Domingo Báñez).
6. Insurance theory (Domingo de Soto).
7. The effects of monopolies (Martín de Azpilcueta, Luis de Molina, Bartolomé de Medina)

[15] Thomas Aquinas, *Summa theologiae*, II-II, q. 77, a. 1.
[16] Some points of this list can also be gathered from: Grice-Hutchinson, *Economic Thought*, 98-107; Huerta de Soto, *Austrian School*, 29-41; Elias Huber, "Carl Menger and the Spanish Scholastics", *Procesos de Mercado: Revista Europea de Economía Política* 13/2 (2016): 87-141 (here 89-90).

8. The impossibility of economic central planning (Juan de Medina, Luis de Molina, Juan de Mariana).

3. Economic Analysis in the School of Salamanca: The Example of the Just Price

The School of Salamanca encompasses authors that were skilled theologians, philosophers and jurists. Needless to say, academic social sciences like economics did not exist in the form we are used to today, but were mostly treated upon in a theological, philosophical and juridical context. The economic thinking of the Salamancan authors, therefore, is not organised within a distinct disciplinary framework but finds itself dispersed across a large part of their writings. As Hülsmann has aptly noted, one often has to search through hundreds or even thousands of pages to locate specific economic passages, since these are embedded within moral treatises, natural law arguments, or legal commentaries.[17] A further obstacle to systematic access lies in the sheer volume of texts. Authors of the period were extraordinarily prolific, due in part to the historical juncture at which manuscript culture coexisted with the emerging technology of the printing press. Printing thus helped to give birth to what we nowadays conceive as the "scholastic method" by enabling the production and circulation of voluminous works, often comprising numerous quotations of authorities, commentaries, casuistic analyses, treatises, and legal opinions.

Nevertheless, certain textual genres can be identified in which economic considerations appear more prominently. First and foremost are the natural law treatises, especially those bearing the title *De iustitia et iure* (*On Justice and Right*). These texts deal with fundamental questions concerning the relationship between rights, virtues and morality, addressing topics such as a theory of property, the formation of prices, justice in exchange, contractual relations, taxes, a theory of money and exchange rates and so forth. Secondly, economic questions are frequently addressed in works with titles as *Summa de poenitentia* or *Summa de confessionibus*, which were confession manuals intended for pastoral care. In those manuals, economic questions are touched frequently when the theologian has to judge whether a certain conduct in economic affairs was sinful or not. But in order to do so, the theologian had to understand—at least vaguely and in general—how certain economic problems were structured. One of the most famous confession manuals was Martín de Azpilcueta's *Manual de Confesores y penitentes*, which was published the first time in 1553 in Coimbra and to which Azpilcueta steadily kept adding and revising new editions. The edition of 1556[18] for instance is the one to include the first developed quantity theory of money and is one of those writings that Grice-Hutchinson

[17] Jörg Guido Hülsmann, *Mises. The Last Knight of Liberalism* (Auburn: Ludwig von Mises Institute, 2007), 112.
[18] In 1556 Azpilcueta published a commentary with the title *Comentario resolutorio de usuras*, which was later added to the *Manual de Confesores y penitentes*. Martín de Azpilcueta, *Comentario resolutorio de usuras* (Salamanca: Andrea de Portonariis, 1556).

discussed in her famous evaluation of the Salamancan authors in 1952.[19] Finally, economic reasoning can also be found in juridical and political treatises. One prominent example are the works of the above mentioned Diego de Covarrubias.[20] Of course the integration of economic content into a broader discursive context also determines the perspective from which such matters are treated. Economic phenomena are not examined for their own sake, but always in view of their moral or legal implications. They are either considered as objects of moral theology or within the framework of natural law, where the legitimacy of a law, a legal norm, or a prevailing economic custom is assessed in light of divine and natural justice.

Among the foundational concerns of economic thought, few are as persistent—and perhaps none as central—as the question of how a just price may be determined. Francisco de Vitoria takes up this problem already in his commentary on Aquinas. Drawing on the *Summa theologiae,* Vitoria argues that justice is the only virtue that essentially consists in a relation to another person, whereas all other virtues, such as temperance, are directed towards oneself.[21] Justice thereby is defined as the virtue that grants everyone what is due to him. Commenting on the *Secunda Secundae* of Aquinas *Summa theologiae*, where unjust buying and selling and the different frauds connected with it are discussed,[22] Vitoria uses Aquinas'concept of justice to show that two conditions must be met in order to trade justly. Firstly, the trade has to be conducted willingly by both sides, secondly, the exchange has to implement the just price. If, for example, one party is lying about the quality of the good exchanged, trading can not be conducted completely willingly, because it starts from a false assumption and thus happens under ignorance.[23] But how can we derive the just price? As Vitoria states, the just price is nothing that lies in the good itself, but what follows from human acts: Firstly, prices can be defined by public authority, meaning that pricing in this case is the result of positive laws. Secondly, prices can be the results of a common estimation of those people that are frequently trading.[24]

As almost all of the Salamancan authors agree on, the public authority has the right to fix prices.[25] Of course, like any other positive law, also those laws fixing prices have to be just, meaning that not any price can be justly controlled by the authority. Two distinct

[19] Marjorie Grice-Hutchinson, *Readings in Spanish Monetary Theory 1544- 1605* (Oxford: Clarendon, 1952).
[20] Diego de Covarrubias y Leyva, *Opera Omnia* (Frankfurt: Sigmund Feierabend, 1571-1573).
[21] Francisco de Vitoria, *De Justitia*, edited by V. Beltrán de Heredia, Publicaciones de la Asociación Francisco de Vitoria (Madrid: Medinaceli, 1934), 1-2 (no. 3).
[22] Thomas Aquinas, *Summa theologiae*, II-II, q. 77.
[23] Francisco de Vitoria, *De Justitia*, 122-127 (no. 5-9).
[24] Francisco de Vitoria, *De Justitia*, 117 (no. 2).
[25] Examples can be (among others): Luis de Molina, *De iustitia et iure* (Conchae: Ioannis Masselini 1593-1609), tractatus II, disp. 341, n. 1; Luis López, *Instructorium negotiantium: in duobus contentum libris* (Salamanca: Cornelio Bornado, 1589), lib. 1 cap. 10, re, p. 10; Leonhardus Lessius, *De Iustitia et Iure caeterisque Virtutibus Cardinalibus Libri IV* (Löwen: Johannes Masius, 1605), lib. 2 sect. 3 cap. 21.

scenarios must be considered. Firstly, a price imposed by the authority may be introduced in cases where no prior price exists, such as when new goods are introduced to the market and thus no common estimation exists. Secondly, the state may intervene in existing markets by imposing a price despite the presence of a prevailing market price. In both situations, the challenge for public authorities lies in determining a price that may be called just. Such interventions become especially problematic when they result in adverse consequences, that is, when, for instance, the common good is compromised, general welfare is diminished, or individual market participants are treated unjustly or burdened beyond their economic capacity. The question of how prices should be set in the absence of a prior market valuation is of comparatively minor importance, as such cases do not occur frequently and not for goods of daily use.

Juan de Medina gives us some hints on how the public authorities can approach the valuation of a good with no prior price. If, for a new good, there is no law by which its price can be determined, we can look at the good from the perspective of the seller, the buyer or the good itself. In the first perspective, productions costs, costs of labour, costs for storage and incurred risk can be considered. From the perspective of the buyer the need for the good, the amount of other buyers and how much convenience a good can deliver might be taken into account. From the perspective of the thing itself it can be considered how common or rare the thing is, how productive or fertile it is and the advantages it offers.[26] Similar statements can be found in Molina's *De iustitia et iure*,[27] where he writes that:

> When something new is brought into a province, its just price is to be determined and assessed according to the judgement of prudent persons, taking into account the quality, usefulness, abundance or scarcity of the item being brought in, as well as the expenses, risks, and difficulties involved in transporting it. The novelty of the item also makes it more valuable.[28]

Far more common—and more problematic—is the second case, in which the authority intervenes in already functioning markets with an established system of prices. The concept of the just price becomes especially controversial wherever such imposed prices appear to produce negative effects. But when exactly does this occur? Several scenarios are worth considering. First, when scholars argue that certain prices, even if motivated by good intentions, ultimately harm the common good. Second, when individual economic actors are driven into hardship. Such hardship may be material, for example, when farmers are compelled to sell grain at such low prices that they can no

[26] Grice-Hutchinson, *Economic Thought*, 99.
[27] Molina, *De iustitia*, tractatus II, disp. 348, n. 1.
[28] Molina, *De iustitia*, tractatus II, disp. 348, n. 9: "Quando de novo aliquid in provinciam aliquam asportatur, pretium justum prudentium arbitrio est constituendum ac judicandum, attenta qualitate, utilitate, multitudine, aut paucitate rei, quae asportatur, attentisque expensis, & periculis, ac difficultatibus in ea afferenda, rei etiam novitas pretiosiorem illam efficit." (This and all further translations are my own.)

longer sustain their farm or their family. Or it may be moral hardship, whenever individuals are put under such pressure, that they feel they have no other choice but to circumvent or to transgress positive laws.[29]

For the theologians of the School of Salamanca, this raises a particularly serious concern, as they are responsible for offering pastoral counsel in confession. They must advise the faithful on how to act without falling into sin, always bearing in mind that any violation of positive law is, by definition, considered sinful. But what if individuals had no viable alternative, or if it would be unreasonable to expect them to act in accordance with certain regulations? This is precisely where Jesuit casuistry comes into play. What is striking in many authors of the School of Salamanca is their reliance on a form of empirical social analysis that anticipates methods more commonly associated with modern social science. The authors of the School of Salamanca were acutely aware that, as academic theologians, jurists, and philosophers, they often lacked the practical experience of those actively participating in the market. Among Jesuit writers in particular, there is a marked tendency to compensate for this deficit through empirical inquiry. They often did so by engaging in case studies and interviews, by speaking with merchants, with farmers offering their goods, with state inspectors, with judges and lawyers involved in litigation, with administrative officials, with small-scale traders as well as international commercial agents. They asked how prices came to be, what the underlying mechanisms of price formation were, whether pricing would have been different under other circumstances, and what factors might justify a change in price. A particularly noteworthy figure in this context is the Jesuit Luis de Molina, who devotes substantial portions of his *De iustitia et iure* to precisely these issues.

4. The Just Price in Luis de Molina's *De iustitia et iure*

As noted, price theory is perhaps the most fundamental aspect of Salamancan thought, touching on nearly every major economic question, like credit, supply and demand, scarcity, time preference, technological development, the distinction between necessities and luxuries, valuation, and the architecture of markets. It also reveals how aggregated individual actions generate market prices through identifiable causal mechanisms. To make this structure explicit, I will refer to three argumentized steps:

1. Micro-level: Individual acts of buying, selling, and valuation.
2. Meso-level: Aggregation of individual acts, especially through categories as the "common estimation", resulting in socially recognised market prices.
3. Ontological level: Prices are interpreted as moral beings, that are stable and accessible to scientific analysis.

[29] Molina, *De iustitia*, tractatus II, disp. 364, n. 11.

This framework illustrates how economic facts emerge from action, crystallise into shared social realities, and acquire moral significance. Section 5 will examine why later authors rarely continued to use these analytical tools, whereas Section 6 reconstructs the ontological foundations.

Molina typically approaches price formation from what he calls a natural standpoint, referring to the price established by common estimation as the natural price. If this price is violated—for instance, through the influence of public authority or dominant commercial actors—distortion occurs, often with significant moral and social consequences. In situations of this kind, Molina seeks to describe every circumstance in detail.[30] Do we have any knowledge of the natural price or can we determine its amount? What are the effects of violating the just price? What are the motives in doing so? What effects can we expect if the natural price would be implemented?

In most of the reasons Molina gives for price formation, one can discern the assessment that pricing is primarily based on human valuation of goods.[31] That a gemstone may be considered more valuable, for example, than a large quantity of grain or wine, even though, by its nature, grain is more useful than a gemstone, is solely due to human valuation. When Molina points out that different individuals may indeed have differing assessments of value, this anticipates the theory of subjective value. He argues, that:

> There is a certain value that a thing has in itself, apart from any human law or public decree. This is what Aristotle [...] and others call the natural price—not because it does not depend heavily on human valuation, by which people may choose to value a gem more highly than twenty thousand gold coins, and more than many other things that are, by their nature, more excellent and more useful for human needs. Nor is it called natural because such a price is not highly variable and unstable, as will become clear. Rather, but it is called "natural" because it arises from the things themselves — that is, from the goods in light of their real circumstances and properties, apart from any human law or decree. By [those circumstances] it is varied, either regarding human desire and valuation, the comparison of various uses, or sometimes purely by human preference and will.[32]

[30] See all the different case studies discussed by Molina, for example those in Molina, *De iustitia*, tractatus II, disp. 345-359.
[31] Molina, *De iustitia*, tractatus II, disp. 348, n. 3.
[32] Molina, *De iustitia*, tractatus II, disp. 347, n. 3: "Quoddam aliud est, quod res ipsa, seclusa quacunque lege humana ac publico decreto, habet. Atque hoc ab Aristoteles [...] ab aliis pretium naturale nuncupatur; non quod non multum ab hominum aestimatione pendeat, qua res plus, vel minus, aestimare volunt, ut gemmam plus interdum quem viginti millia aureorum, & quam multas res alia ex sua natura excellentiores, atque at usus humanos utiliores; non item quod ejusmodi pretium valde inconstans non sit ac varium, ut patebit; sed naturale dicitur, quoniam ex ipsismet rebus, seclusa quacunque humana lege, ac decreto consurgit, dependentur tamen amultis circumstantiis, quibus variatur, atque ab hominum affectu, ac aestimatione, comparatione diversorum usuum, interdum pro solo hominum beneplacito & arbitrio."

With regard to moral evaluation, Molina adds that such valuation, taken in itself and without considering possible further effects, is neither good nor bad:

> All these things, in fact, and many others like them, have come about solely through valuation, through the fact that people in various places have wished to value one thing or another highly. The exchanges that take place among them, according to the common valuation of things in those regions, should not be considered blameworthy, even if some of them might be laughable on account of the simplicity of mind or the customs of the people among whom they occur.[33]

The natural price, that is the effect of a valuation of this kind, is not to be conceived as an exact point, but can justly be of a certain range.[34] It is interesting to see which reasons are given by Molina to determine just prices. Are there any circumstances that influence the common estimation and can thus be understood as causes of the just price? One of the first things that Molina mentions is value in use.[35] If a certain thing is of higher use than another or if goods that were originally of no or very little use become useful, for example due to new technological possibilities, this will surely effect the natural price. Besides that, the scarcity or abundance of goods is one of the main reasons for variations in the natural price.[36]

Molina provides a rule that has gained acceptance: when the good seeks the buyer, the price is one third lower than under normal circumstances and vice versa.[37] But not only the level of supply and demand determines the price, also the interaction between buyers or sellers has likewise effects. Interestingly, Molina uses the word *concurrentium* for the side of the market made up of buyers, which can drive up prices if competing for scarce goods.[38] Molina here gives an interesting example of a Spanish colonial fleet loading fresh provisions on the Island of the Azores on their way between Europe and the Americas. One could observe that, if the ships were numerous and needed a large supply of goods, prices would quickly rise. This, however, affected only the purchasing ships, not the indigenous population, because the local goods are sufficient for everyone and the locals are not willing to trade among themselves if they do not meet the customary price.[39] But doesn't the fact that the prices for the local population are not rising imply that the sailors, that are in need of supplies, are treated unjust? If the price would be to rise for everyone, then a common scarcity could justify the rising prices, but in this case,

[33] Molina, *De iustitia*, tractatus II, disp. 348, n. 3: "Haec vero omnia et multa alia eis similia effecit sola aestimatio, qua homines variis in locis hoc vel illud aestimare multum voluerunt, nec videntur damnandae commutationes, quae inter illos, iuxta communem inibi rerum aestimationem eis in regionibus fiunt; tametsi quaedam sint ridendae ob ingenii ruditatem, atque hominum mores, apud quos fiunt."
[34] Molina, *De iustitia*, tractatus II, disp. 347, n. 2-5.
[35] Molina, *De iustitia*, tractatus II, disp. 348, n. 2.
[36] Molina, *De iustitia*, tractatus II, disp. 348, n. 4.
[37] Molina, *De iustitia*, tractatus II, disp. 348, n. 5.
[38] Molina, *De iustitia*, tractatus II, disp. 348, n. 4.
[39] Molina, *De iustitia*, tractatus II, disp. 346, n. 2.

it seems like the vendors act unjust and usurious. Molina also points at this but argues that he does not dare to condemn this circumstance as sinful. The sailors, he writes, ultimately travel to the New World in pursuit of great profit, and the food supplies, which serve as a necessary means for carrying out the journey, thus have a higher subjective value for them than for the locals. Moreover, the sailors were already aware before the voyage that the food would likely be sold to them at higher prices than to the locals. They therefore entered into the trade voluntarily, so that one cannot speak of the exploitation of a situation of necessity.[40] Besides those reasons also future expectations might be of effect on prices. If one must expect that a good will become scarce in the future, this leads to a rise in its price already today, even if in the present state neither the supply nor the valuation of the good has changed. Molina gives the example of horses, which become more expensive in times of impending war or even when war is merely a likely outcome.[41]

After addressing the general demand for goods, Molina begins to turn his attention to the role of money supply. In doing so, he particularly builds on the insights of Martín de Azpilcueta, when he notes that:

> A lack of money in a certain place causes the prices of other goods to decrease, and an abundance of money causes them to increase. For the smaller the supply of money in a given place, the greater its value becomes, and therefore, with the same amount of money, many more things are purchased there, all else being equal. For example, if the yields of the land are proportionally equal in two provinces, but one has more money than the other, then the produce is sold at a lower price in the province with less money, and workers there are hired at lower wages than in the other.[42]

What Molina adds besides this is, that also loans and credits can increase the amount of money and in consequence, prices.[43] Molina is aware of the commonly discussed influence that the import of precious metals from the Americas had on prices.[44] Additionally Molina seems to have observed on different occasions how large fleets of ships brought in far more goods than the local market, given the existing money supply, could possibly absorb. In such cases the market price ought to fall sharply, since the goods are now "seeking the seller". However, in the case of desirable goods this might not occur. Here, demand may even increase, causing prices to rise despite limited monetary supply. Molina attributes this to credit, for credit gives rise to buyers where previously there were

[40] Molina, *De iustitia*, tractatus II, disp. 346, n. 2 – n. 3.

[41] Molina, *De iustitia*, tractatus II, disp. 348, n. 4.

[42] Molina, *De iustitia*, tractatus II, disp 348, n. 4: "Defectus item pecuniae in aliquo loco, facit pretium aliarum rerum, decrescere, & abundantia accrescere. Quo enim minor est pecuniae copia aliquo in loco, eo valor illius plus accrescit aequalique proinde copia pecuniae multo plura, caeteris paribus, emuntur. Ut, si terrae fructus aequales in sua proportiones sunt in duabus provincias, & una majorem pecuniae habeat, quam alia, monori pretio venduntur fructus illi in ea provincia, quae minorum copiam precuniae habet, minorique pretio locantur operarii, quam in alia."

[43] Molina, *De iustitia*, tractatus II, disp. 357.

[44] Molina, *De iustitia*, tractatus II, disp. 83, n. 13.

none.[45] Credit, Molina continues, indeed leads to a rise in prices that would not have been expected without it. But, as Molina concludes, loans and credits are not per se usurious or unjust, but can be justly granted in order to allow all participants to take part in the trade.[46] After discussing money supply, Molina also points to the role of money demand. For where there is no demand for money—that is, where a sufficiently large amount of money is available but not being spent—there is no observable inflationary effect of increasing money supply.[47]

Under this perspective, what role does government or public authority play for just prices? Molina acknowledges that public authority has the right to intervene in price formation, including through the setting of prices. This follows from the simple principle that every citizen, including his property, is subject to the state insofar as the common good requires it. For Molina, however, a fixed price is only just if it falls within the range of the just natural price:[48]

> The price set by law is, by nature, secondary to the natural price, and in a certain sense presupposes it. For human law, based on the authority that resides in the prince or ruler to establish what is judged to be in the interest of the commonwealth, and to compel citizens accordingly, determines a fixed price within the range of the just natural price, which sellers must not exceed, so that the good of the commonwealth may be served and other evils are avoided.[49]

Let us take a look at a quite common example, that is frequently used among the Salamancan authors: the taxation of the price for grain. Molina discusses this question at length in the disputation named "On the legitimate price, that is, the price fixed by law or public authority, especially with regard to grain".[50] As Molina often does, he begins by describing a historical situation. He tells us, that in Portugal, following a failed harvest, a price cap was imposed that made grain cheaper than it would have normally been. It was observed that local merchants tried by all means to circumvent this price regulation, and that foreign traders were able to sell their goods at almost twice the price.[51] Such laws come about because the government's advisors are either too ignorant about the market situation or because parts of the administration are corrupt.[52] Molina recognises the positive motive of the government in setting prices low to help the poor, but he describes

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[45] Molina, *De iustitia*, tractatus II, disp. 357, no. 1-5.
[46] Molina, *De iustitia*, tractatus II, disp. 357, n. 2 – n. 3.
[47] Molina, *De iustitia*, tractatus II, disp. 406, n. 3.
[48] Molina, *De iustitia*, tractatus II, disp. 341, n. 1.
[49] Molina, *De iustitia*, tractatus II, disp. 347, n. 6: "Legitimum pretium ex natura rei posterius est naturali, illudque quodammodo praesupponit. Lex quippe humana, pro protestate, quae in Principe aut Rectore, est, statuendi, quod Reipublicae expedire judicaverit, ad idque cogendi cives, determinat certum pretium intra latitudinem justi naturalis, quod vendentes non excedant, ut es ratione Reipublicae bono consulatur, vitenturque alia mala."
[50] Molina, *De iustitia*, tractatus II, disp. 364.
[51] Molina, *De iustitia*, tractatus II, disp. 364, n. 1.
[52] Molina, *De iustitia*, tractatus II, disp. 364, n. 5.

that these rules would have no significant effect. For even if the state enforces low prices that the poor could afford, sales at such prices would only happen very reluctantly.[53] Such price controls consequently harmed the farmers and at the same time worsened the situation of the poor.[54]

Moreover, Molina observed at the large markets of Lisbon that foreign merchants could exploit the shortage of goods by selling their grain stocks at excessive prices and then leaving Spain with the illicit profits. Even more reprehensible, however, were the local officials who would forcibly take grain from the farmers at the low fixed prices, sell it themselves at the usual market prices, and finally charge additional fees for their services. Molina rarely speaks as passionate, as when he comments on that problem. He writes that he knows these most serious forms of abuse from his own work as a confessor, and points out that, since all this is happening under the disguise of aid for the poor, those public agents are in the state of mortal sin and are obliged to fully restitute the damage they have done.[55] Therefore, Molina suggests to help the needy in other ways than through price controls. The poor should rather be helped through grants from taxes or general welfare, instead of enforcing unjust prices in their name.[56]

In addition to the reasons pointed out, fixing prices for grain might be unjust, because prices of related goods are not fixed: "It is doubtful whether the law of taxing grain is unjust on the grounds that it does not tax other things which farmers need, such as shoes, wine, oil, wages for workers, and so forth."[57]

The points above mentioned have given us just a short glimpse on how the Salamancan authors approached economic questions. What in regard of the theory of prices in Molina should have become clear by now is, that he is addressing economic causalities in order to later judge them morally. The requirement to facilitate and enrich moral analysis by economic insights thus leads to the creation of an early form of economics.

5. Was There a Lasting Influence of Salamancan Economics?

As shown in the previous sections, the authors of the School of Salamanca developed a remarkably modern understanding of economic problems. Yet even if, as in the case of subjective valuation, Salamancan thinkers reached conclusions shared by economists today, does this necessarily imply influence on later generations or make them forerunners of modern economic science? Such an interpretation is often encouraged, as

[53] Molina, *De iustitia*, tractatus II, disp. 364, n. 3.
[54] Molina, *De iustitia*, tractatus II, disp. 365, n. 9.
[55] Molina, *De iustitia*, tractatus II, disp. 365, n. 16.
[56] Molina, *De iustitia*, tractatus II, disp. 364, n. 3.
[57] Molina, *De iustitia*, tractatus II, disp. 364, n. 6: "Dubium est, utrum lex taxationis frumentii injusta ex eo sit, quid relinqua non taxentur, quib. agricolae indigent, ut calcei, vinum, oleum, stipendia operariorum, &c."

the quotations from Huerta de Soto illustrate. But this elevated assessment prompts crucial historiographical questions: can we substantiate the claim that Salamancan economics exerted a lasting influence on subsequent thought?

Authors like Grice-Hutchinson or Rothbard suggested two channels for the spreading and the continuation of Salamancan economics: Firstly, via Italian authors like Pietro Catalano, Martíno Bonacina, Antonino Diana, Giambattista de Luca, Clemente Piselli and from those authors to Ferdinando Galliani[58] or the French A. R. J. Turgot, Étienne Bonnot de Condillac or Jean Baptiste Say. Secondly via Germany and the Netherlands, especially by the very influential philosophers Hugo Grotius[59] and Samuel Pufendorf[60], which in turn influenced John Locke and Gershom Carmichael, the latter bringing the writings of Pufendorf to the philosophers of the Scottish Enlightenment via translating his works into English.[61] Since the Italian authors tend to quote the Salamancans and since the Italians are later quoted by the French authors, it is safe to say that at least some connections exists. Grice-Hutchinson even states that the value-theory of Condillac and Turgot "is strongly reminiscent of the teachings of the School of Salamanca".[62]

Considering the fact that the scholars of the Austrian school, as mentioned above, speak of the Salamancans as their forerunners, it is interesting to take a look if they made use of those Italian or French authors in their writings. As for Menger, who is considered the founder of the Austrian school, they are almost not present in his works, as Huber has clearly shown.[63] The same holds for Menger's contemporaries. What, on the other hand, is present in abundance, are references to German and British economists. Since about eighty percent of Menger's library was sold in bloc to Japan and is now kept at the Hitotsubashi-University, we have a good idea what books Menger actually used.[64] He owned two works form the Salamancans, one from Molina and one from Covarrubias, with the work from Molina not being a monograph but a compilation from some of his text. Menger only cites Covarrubias once and he cites him disapprovingly.[65] On the other hand, he possessed 20 editions of Smith's *Wealth of Nations* alone and he quotes them frequently. Besides that, he owned a huge collection of German and British economists. As Huber pointed out, we might justly assume that Menger (and, following him, the whole tradition of the Austrian School) is much more influenced by Classical British economists

[58] Grice-Hutchinson, *Economic thought*, 107-108; Murray Newton Rothbard, *Economic Thought Before Adam Smith* (Auburn: Edward Elgar, 1995), 131-133.
[59] Rothbard, *Economic Thought*, 110.
[60] Grice-Hutchinson, *Economic thought*, 112.
[61] Rothbard, *Economic Thought*, 418.
[62] Grice-Hutchinson, *Economic thought*, S. 110.
[63] Huber, *Carl Menger*, 125-132.
[64] Huber, *Carl Menger*, 102-103.
[65] Huber, *Carl Menger*, 100.

than by Italian or Spanish ones, even if Menger disagrees with the British authors quite often.[66]

So, it seems that the second channel of transmission of Salamancan ideas via Grotius and Pufendorf might be more promising. Despite the growing rejection of Scholasticism by Protestant thinkers after the sixteenth century, Scholastic economic thought—particularly the emphasis on utility and subjective value—continued to exert significant influence, albeit often without proper attribution. Whereas Grotius is at times citing the Salamancan authors, Pufendorf almost drops citations entirely. The Importance of Pufendorf for the British Enlightenment is well known,[67] especially his influence that was exerted through the translations of his writings into English by Gershom Carmichael. Carmichael, who was a professor for moral philosophy in Glasgow and the teacher of Francis Hutcheson, not only brought Pufendorf to the Scottish Philosophy, but also tried to use his teachings as a basis to argue against Hobbes. When Francis Hutcheson succeeded his teacher in the chair of moral philosophy in Glasgow, Pufendorf's teachings already were quite well integrated into British philosophy. As Grice-Hutchinson has pointed out, we can still find traces of the scholastic theory of value in Hutchesons writings.[68] But what Hutcheson added was a new theory of productive costs, meaning that the theory, that derives the value of a good from utility, was mixed with the idea that the costs of production determines value and thus prices.[69] Finally, when Hutcheson's pupil Smith wrote his *Wealth of Nations*, Smith argued that the value of every good can be derived from the amount of labour that has been used to create it. In this way, Smith argues, labour can be considered the most basic way to measure value.[70] Even if Smith is still aware of the differences between value-in-exchange and value-in-use, he thus paved the way for the economics of Ricardo and Marx, who exclusively refer to labour as the determinant of value.

As for the Salamancan doctrine of value and prices, it obviously did not find its way to modern economics via the Scottish authors. But is that true for the whole framework of philosophy, that the Spanish scholars developed to treat economic questions?

6. The Metaphysical Framework for Social Sciences and the Salamancan Heritage

How the economic achievements of the Salamancan authors are embedded into moral philosophy has been discussed throughout this article in various respects. What we have not touched upon is the question of why the authors of the School of Salamanca granted economic and sociological problems such an, compared to their predecessors,

[66] Huber, *Carl Menger*, 132-136.
[67] Arild Sæther, "Pufendorf and His Importance for the European Enlightenment in General", in *Samuel Pufendorf and the Emergence of Economics as a Social Science*, edited by J. G. Backhaus, G. Chaloupek and H. A. Frambach (Cham: Springer, 2021), 7-60.
[68] Grice-Hutchinson, *Economic thought*, 114-115.
[69] Rothbard, *New Light*, 65-66.
[70] Smith, *Wealth of Nations*, 48-49.

unusually broad analytical space, and why they treated them as contingent phenomena through casuistic reasoning. Economic questions had, of course, already been discussed extensively in the Middle Ages,[71] but typically in a generalizing manner rather than through concrete case-based analysis. Scholars have rightly pointed to the unique historical circumstances of Spain's Siglo de Oro, which intensified concern with such issues. Yet for such inquiry to bear fruit, it presupposes a theoretical framework capable of addressing these questions in a methodologically productive way, i.e. in a way, that can show how categories like prices, that arise out of individual human actions can be conceived as stabilized social entities in an ontological way.

At this point one may draw upon a longer intellectual trajectory that originates in the theory of the will and in Scotus' characterization of theology as a practical science.[72] The development of a theory of contingent causes made it possible to treat social phenomena not as necessary givens, but as effects of free human action. Within the School of Salamanca, this framework becomes especially visible in debates on free will, theories of volition, causality, and the treatment of contingent effects, most prominently in the doctrine of grace, which constituted one of the most contested topics in the early modern theological world. The conceptual apparatus elaborated here proved particularly apt for establishing historically contingent social realities as objects of scientific inquiry and for integrating them systematically as a subfield of moral theology.

From this emerges a methodological approach that would become constitutive of early modern legal and social philosophy, as well as of the Enlightenment thought of the seventeenth and eighteenth centuries. Once these developments are properly recognized, it is hardly surprising that we may observe the emergence of the social sciences, at the latest, in the context of the Scottish Enlightenment.

We may start with the question of what the objects of social sciences are in a metaphysical and ontological perspective. What are things like prices? What is it that gives a coin value? What are things like society or moral obligations, laws, customs and so forth? Obviously, those things are more than a mere fancy of imagination, more than what medieval philosophy called an *ens rationis*, because they actively govern and structure human behaviour. As for prices, the Salamancans conceived of them as results of either positive legislation or as something brought forth by a common estimation. But since a common estimation presupposes past experiences in buying or selling, it follows that both kinds of prices are a result of past actions. Either someone having the political authority defines and commands a certain price, or the actions of many people trading and exchanging lead to natural market prices. But those prices also act themselves as a

[71] See for example: Diana Wood, *Medieval Economic Thought* (Cambridge: Cambridge University Press, 2002); Odd Langholm, *Economics in the Medieval Schools. Wealth, Exchange, Value, Money and Usury According to the Paris Theological Tradition, 1200-1350* (Leiden, Boston: Brill, 1992), Karl Pribram, *Geschichte des ökonomischen Denkens* (Frankfurt am Main: Suhrkamp, 1998).
[72] Ioannes Duns Scotus, *Ordinatio* (*Opera Omnia*, studio et cura Commissionis Scotisticae. Civitas Vaticana: Typis Polyglottis Vaticanis, 1950), Prol., pars. III, q. 1, a. 1.

cause, because they influence and govern human behaviour, for example the choice to buy or not to buy certain goods. Since prices, then, are an effect of human actions and since they can be a partial cause of respective human behaviour, they must have a certain kind of reality. But what kind of reality is this?

Medieval philosophy distinguished between physical being (*ens physica*) and a being of reason (*ens rationis*), the latter being what we nowadays call a "mental state", like a thought or a wish. While physical beings have a real existence outside the mind, the same does not hold for beings of reason. They are only real as long as we are thinking about them. They may even be of counterfactual content like imagining a unicorn. As for prices, they obviously are not real in a physical sense. A certain change in price does not change the physical properties of a good. To get a grasp on what things like prices are, the medieval writers introduced something they called a being of reason which is founded in physical things (*ens rationis cum fundamento in re*). This basis in physical things serves to guarantee a certain level stability within mental things, so that they exclude arbitrariness and can claim intersubjective validity. But there also was a different approach to things like prices, an approach mostly found in the Franciscan tradition, to which also Scotus belonged.[73] This approach added a third category besides physical beings and beings of reason, the so called moral beings (*ens morale*).

In the School of Salamanca, it is especially Francisco Suárez who is introducing the notion of moral beings.[74] An initial idea of what those beings are is conveyed by examples Suárez uses, such as the worthiness of an act for praise or blame,[75] the guilt of an agent, reward or punishment, the obligation arising from a promise, the bond of marriage, sin, or the value of a thing.[76] All these can produce real effects[77] and may be described with the adjective "moral" because they come into existence through moral human actions.[78] Human actions as moral actions always refers back to the capacity to bear a moral quality and thus to the freedom under which the action is brought forth. None of the mentioned examples can be conceived with respect to creatures that lack free will. And considering free will is precisely the reason why the notion of beings of reason with a basis in physical things should be abandoned in favour of moral beings. The reason is this: If it is argued that the basis in the physical things is needed for the beings of reason not to become arbitrary entities, this implies a kind of determinism. Because for the beings of reason not be arbitrary, we must agree that they can be derived out of their physical basis. Should we refuse this kind of derivation, the whole notion of a basis in the things would lose its function and we could as well just talk of beings of reason without any basis whatsoever. But this, in turn, is precisely not what we want to say when talking about things like prices

[73] Theo Kobusch, *Die Entdeckung der Person. Metaphysik der Freiheit und modernes Menschenbild* (Darmstadt: Wissenschaftliche Buchgesellschaft, 1997), 37-43.
[74] Francisco Suárez, *De bonitate et malitia humanorum actuum* (Lyon: Iacobi Cardon, 1628).
[75] Suárez, *De bonitate*, disp. 1, sect. 3, no. 2.
[76] Suárez, *De bonitate*, disp. 1, sect. 3, no. 4.
[77] Suárez, *De bonitate*, disp. 1, sect. 2, no. 1.
[78] Suárez, *De bonitate*, disp. 1, 3, 1.

(or morals, laws, and obligations), because they serve to coordinate markets and thus obviously have to be intersubjectively valid.

From an economic point of view, moral beings thus serve as a possibility to describe and define the objects of economics. Those objects, like prices, have no physical being, but a moral one. This third kind of beings also allows for a third category of causation. While physical things are considered to be natural in the sense that they have not been caused by human action, things that have been deliberately designed by man and brought forth by human action are called artificial. But what about all those entities that are the result of human action, but not the execution of any human design?[79] The demand of a certain good, for instance, might rise because of a new trend or fashion, but it is certainly not the consumer's wish to drive up the price. Nevertheless, this is an effect of their aggregated actions. In this sense, the metaphysical framework that Suárez suggests serves as ontology of economics and implies certain consequences. One of it results can be seen in the rejection of what Hayek later on called the "false dichotomy of 'natural' and 'artificial'",[80] a dichotomy that denies the existence of those things that are unplanned but are yet the results of human action. Those philosophers, who adhere to this dichotomy, as Hayek puts it, believe in the possibility of "constructivist rationalism",[81] a believe that leads to the flawed assumption that man is able to plan the whole nexus of moral beings.

The foundation of moral beings lies in the theory of free causes, developed in continuity with Scotus. Scotus had already asked how contingent and non-necessary causation is possible at all:[82] if the First Cause acts necessarily, then secondary causes would, by implication, produce their effects with equal necessity, leaving no room for freedom.[83] Suárez responds by locating contingency in a specifically rational faculty, i.e. one capable of choosing firstly if to act at all and secondly which act to bring about. This faculty as such is the free will.[84] Because free causes operate through choice, Suárez argues, their effects are always produced in the mode of freedom, that is, in a moral way.[85] This does not mean that their effects cannot also be physical; rather, it means that such acts are necessarily accompanied by a moral modality that vanishes if freedom is abstracted away. Just as necessary causes generate only necessary effects, free causes generate effects that can, in turn, result in further free acts.

[79] This is the expression used first Adam Fergueson and that later on, folowing the Austrian Economists, gained popularity. See: Adam Fergueson, *An Essay on the History of Civil Society* (London: T. Cadell, 1782), 90.
[80] Hayek, *Law*, 20.
[81] Hayek, *Law*, 24-26.
[82] Ionnes Duns Scotus, "Reportatio parisiensis examinata", in *Reportatio Parisiensis examinata I 38-44. Pariser Vorlseungen über Wissen und Kontingenz*, edited and translated by Joachim R. Söder (Freiburg, Basel, Wien: Herder, 2005), 74-114 (dist. 39-40).
[83] Francisco Suárez, *Disputationes metaphysicae* (Salamanca: J. & A. Renaut, 1597), disp. 19, sect. 2, n. 1-2.
[84] Suárez, *Disputationes metaphysicae*, disp. 19, sect. 2, n. 12-20.
[85] Suárez, *Disputationes metaphysicae*, disp. 17, sect. 2, n. 6.

A given promise illustrates this structure. From the act of promising arises an obligation; this obligation may be fulfilled or violated. Violation may produce guilt, which may evoke resentment in the one whom the promise was given. But it likewise might give rise to forgiveness. Forgiveness may then produce gratitude or remorse, and so forth. Concepts such as promise, obligation, guilt, forgiveness are all results of free actions and possess intelligible meaning only within the framework of free causation. What emerges is a network of moral beings, acting both as causes and succeeding effects. In economic reflection, this yields an theoretical model centered in an analysis of human action, in which fundamental economic concepts must be interpreted as free caused moral beings, rather than as deterministic outcomes like objects of the natural sciences.

The theory of moral beings thus forms the metaphysical framework of the practical moral economy that the Salamancans developed. Especially Samuel Pufendorf makes extensive use of that framework.[86] Unlike the Salamancan authors, he begins his major work *De jure naturae et gentium* with the concept of moral beings[87] and puts forward that his whole system is derived from this basis. When talking about prices, he describes them as moral entities.[88] Since, as mentioned above, Pufendorf was brought to Scotland by Carmichael, it is of no wonder that Hutcheson, Hume or Smith have shown so much interest in questions that nowadays belong genuinely to social sciences.

7. Conclusion: The School of Salamanca and the Origin of Social Sciences

Was there anything like scholastic economics? There was, of course. And it was more modern than one would expect it to be. But has it influenced modern economics? When talking about economic insights themselves, one has to be careful. As has been argued, a thin line, that clings to few citations, can be constructed between the Salamancan authors and French economists like Turgot. But a completely different story can be told about Metaphysics and the philosophy of natural law. The *Disputationes Metaphysicae* of Francisco Suárez, for instance, went through 17 editions. For over half a century it was used for metaphysical instructions both at Catholic as well as at Protestant universities.[89] If we take a look at the table of contents of Hutchesons work *A System of Moral Philosophy*, we can still see the dominant role that both the philosophy of the Iberian scholar as well as that of Pufendorf has played.[90] If we compare this work to those of Molina, Suárez or Pufendorf it cannot be denied that they emerge on common ground. But the economic insights themselves seem to have had much less influence. This is partly due to the

[86] Thomas Ahnert, "The Metaphysics of Moral Entities", in *The Cambridge Companion to Pufendorf*, edited by K. Haakonsen and I. Hunter (Cambridge: Cambridge University Press, 2022), 90-93.
[87] Samuel Pufendorf, *De jure naturae et gentium*, edited by F. Böhling (Berlin: Akademie Verlag, 1998), lib 1, cap. 1.
[88] Pufendorf, *De jure*, lib. 5, cap. 1.
[89] José Pereira, *Suárez. Between Scholasticism & Modernity* (Milwaukee: Marquette University Press, 2006), 11.
[90] Francis Hutcheson, *A System of Moral Philosophy* (London: R.e and A. Foulis, 1755).

crippling of the scholastic method, by blaming it to be an antiquated and sterile method that was too closely related to theology and that one had to be overcome. In consequence many authors stopped citing their sources so that later authors often have been unable to trace the origin of certain aspects. But in addition, another shift occurred: While the Salamancan authors addressed economic questions inside their moral theology and legal philosophy, the authors of the Scottish Enlightenment are doing this less and less. In the Austrian School of the 19th century, embedding economic issues into a moral framework has basically vanished. In consequence, the economic theory of the Salamancans seemed to these authors to be of no big interest, because the Scholastics asked what can be done in order to act justly and to avoid sin, while the Austrians asked how economic phenomena could be explained for their own sake. In doing so, they might have missed many of the achievements the Salamancan arrived at.

But what has to be kept in mind is that the framework used in the School of Salamanca, and what found its expression especially in the concept of moral beings, was highly influential and is one of the main factors that ultimately lead to the emergence of the Classical School of economics. This continuity is less due to the transmission of specific economic content but more to the fact that the conceptual framework was preserved—a framework, which almost necessitates to direct one's attention toward problems of the social sciences. The simple fact that the philosophy of moral beings points to economic categories seems to have influenced Pufendorf as much as Smith[91] or Menger. As for Smith, it is his goal to show how such entities work and how they come to be, and he attempts to solve a structural similar problem when discussing the origin of languages[92] or the origin of morals.[93] And also Menger argues across those lines, when he points out that the most startling problem of the social sciences consists in the seemingly paradox situation that institutions, that are of the greatest importance to the public good, can emerge without anyone consciously planning or constructing them.[94]

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Date of submission: 01/06/2025
Date of acceptance: 30/01/2026

[91] Frits van Holthoon "Pufendorf, Hume and Adam Smith: A Question of Influence", in *Samuel Pufendorf and the Emergence of Economics as a Social Science*, edited by J. G. Backhaus, G. Chaloupek and Hans A. Frambach (Cham: Springer, 2021), 67-69.

[92] Smith, *Wealth of Nations*, 47-82.

[93] Adam Smith, *The Theory of Moral Sentiments*, edited by D. D. Raphael and A. L. Macfie (Indianapolis: Liberty Fund, 1982).

94 Carl Menger, *Untersuchungen über die Methode der Socialwissenschaften und der Politischen Oekonomie insbesondere* (Leipzig: Duncker & Humblot, 1883), 163.