

## The Economic Thought of Thomas Aquinas: From Theological Issues and a Philosophical Framework to an Economic Understanding

Pierre Januard

Thomas Aquinas's writing on economics represents only a very small part of his works, but remains the most important economic contribution in the Middle Ages in terms of both size and posterity. His economic texts can be grouped into two main stages, the early works and the mature works. Like any young theologian, Aquinas wrote a *Commentary on the Sentences* (1254–1256) of Peter Lombard. This commentary includes an article on the activity of merchants and an article on interest-bearing loans. Aquinas then wrote *De emptione et venditione ad tempus* (1262), a short letter on forward buying and selling, at the request of a friar who sought advice on what to do about Italian merchants who came to sell fabrics at the fair in Lagny, in France near Paris—i.e. he wanted to know whether forward sale is a form of usury. Then there is an economic passage on local supplies and the arrival of merchants in *De Regno* (1267?), Aquinas's political treatise. Finally, in the last years of Aquinas's life we find several economic texts, in particular his commentaries on Aristotle's *Ethics* and *Politics* (1269–1272) and the questions 77 and 78 of the *secunda secundae* and the *Summa theologiae* (1272), question 77 being on commercial fraud and question 78 on usury. To this we must add three texts which are spiritual and theological but in which Aquinas introduces the notion of “just price” before using the expression in dealing with economic questions. It is interesting to note that of the nineteen uses of the phrase “just price”, the first three do not concern economic texts. The expression appears first in the commentary on the book of Isaiah (1252), then in the *Commentary on the Sentences* on the sacraments, and it is not until *De emptione* that the expression appears in relation to economic questions and is used only in this area.

In Aquinas's works, economic issues are mainly dealt with under the virtue of justice. His aim is moral since it is a question of determining whether a man is in a state of sin. His references are

Aristotle, and also the Bible and the Church Fathers. In addressing moral issues relating to the virtue of justice from the perspective of philosophy and theology, Aquinas is led to make a step beside. In order to know if the economic agent is in a situation of sin, he needs to understand in a positive way the economic transactions of buying, selling, lending and borrowing. However, this understanding is underpinned by Aquinas's philosophical and theological roots, which enabled him to deepen his knowledge of the economics of his time. In order to highlight this mutual cross-fertilisation between philosophy, theology and economics, I will focus on two aspects of Thomasian economic thought: the epistemological dimension of his treatment of economic issues, and on the notion of the ‘just price’, which is often seen as the emblematic notion of Thomasian economic thought.

### 1. An Epistemological Framework

#### 1.1 The Initial Gesture: Introducing the Risk of Misunderstanding

In the first economics-related text, the text of the *Commentary on the Sentences* on usury (*In III Sent.*, d. 37, a. 6, resp.), Aquinas departs from the social arguments of the Fathers, according to which the interest-bearing loan is forbidden because it is an exploitation of the poor. Aquinas prefers to study economic arguments: what is a loan and what is money? Aquinas thus reviews the arguments of the authorities and, distancing himself from them, introduces the possibility of an error in the analysis and understanding of the economic activity. To do so he uses different means: since he gives three authorities' arguments, we may surmise that none of them is considered crucial. The authors remain anonymous and are introduced in a general way—“it is said that”—whereas when he gives credit to an authority, he does

so by name. Moreover, the most common argument is said to be *satis probabilis* (quite probable). ‘*Satis*’ has an ambivalent meaning; moreover, probability, before the emergence of the probability calculus, is not a “degree of certainty” as it is in Bernoulli's *Ars conjectandi* (1713).<sup>1</sup> Aristotle and Aquinas make a distinction of nature between the certain (apodictic knowledge, by demonstrative means) and the probable (persuasive knowledge, by a set of arguments).<sup>2</sup> Lexicon analysis thus shows that ‘*satis probabilis*’ means that the common argument against usury is not certain. Aquinas's first economic text therefore introduces, on the most important economic subject of the time, a doubt about our understanding of what this operation is.

#### 1.2 Economic Activity as “Voluntary Exchanges”

The second epistemological point is the delimitation of what corresponds to what we today call economics. In his *Summa theologiae*, written at the end of his life, Aquinas broke new ground. In his early works there is no unified view of economic activities, and questions of trade and lending are scattered throughout these writings. The common distinction is between *oconomia*, natural exchanges, and chrematistics, the activity of merchants, done for gain. His approach in this period is still focused on the social reputation of the agents. In the *Summa theologiae*, however, he makes an epistemological unification, focusing on the transaction and seeing points in common between exchange and loan, and between natural exchange and merchant's trade. He unifies all these activities as “voluntary exchanges” when he introduces the two economic questions:

We must now turn to the sins which concern voluntary exchanges. Firstly, fraud in buying and selling, and

secondly usury in lending. In the case of voluntary exchanges, we do not find another kind of sin that is distinguished from rapine and theft. (S. T., IIa IIae, q. 77, prol.)

We thus obtain an epistemological delimitation of economics: it gathers together activities of exchange that are voluntary activities, i.e. those that count neither as gifts, nor as theft or robbery. This leads us to two observations: first, Aquinas's economic framework is that of exchange, which is ruled by the virtue of justice, not that of gift, ruled by charity. Surprisingly, Aquinas is quite close to the anthropologists' approach according to which every gift calls for a counter-gift—so for an economist it is an exchange, not a free gift. The second point concerns the scope of the will in the idea of an exchange being voluntary. Aquinas sets internal and external boundaries to economic activities understood as voluntary exchanges: the internal boundaries are fraud and usury, the external ones theft and robbery.

### 1.3 An 'Ecological' Economic Epistemology

Economic activity is restricted to exchange. Aquinas addresses the different forms of exchange, but seems not to address production. The economic part of Aquinas's political work *De regno* sheds light on this through the issue of supply. Here he discusses the two sources of supply, namely local production and the arrival of foreign merchants. He points out the need for trade to provide supplies because a region cannot produce everything, but he prefers local production because of the transport risks such as "wars and the various difficulties of the road", and the social and cultural risks engendered by the presence of foreign merchants "brought up according to different laws and custom" and because of which "in the city, everything becomes venal". He has a negative view of merchants who "lead a life of pleasure", and trade, moreover, gives rise to gatherings and sedition (*De regno*, II, 7 (II, 3)).

Thus, although not for the ecological reasons pertinent for us today, Aquinas promotes short supply chains. In addition, though, he raises another and perhaps more fundamental question

regarding ecology and environmental issues. At issue here is not simply the preference between local supply and the dependence on merchants: more deeply, he leads us to ask *who*, or rather *what*, actually "produces". Although the economic sense of "production" and "producing" does not appear until the modern era, the verb "*producere*" appears twice in Aquinas's economic writings: once concerning alchemy (and not really in the economic sense), and once on trade and supply, in *De regno*: but here it is not the man but the *region* that is the subject of the verb "*producere*". Aquinas says: "But there are two ways of ensuring that a city has an abundance of things. The first, the one we have been talking about, comes from the fertility of a region producing [*producentis*] in abundance everything required for human life [...]" (*De regno*, II, 7 (II, 3)). As in the Bible (Genesis 1), it is the earth (or God) that produces. Man has to adapt to the fertility and abundance of the region. Receiving what the earth produces, man's work is then to transform, transport and exchange in order to satisfy his needs. This is consistent with the fact that in his various writings Aquinas always insists on exchange, and the work of craftsmen is always presented for the exchange that it enables (S. T., IIa IIae, q. 77, a. 3; *Ethicorum*, V, 8–9).

This leads to a kind of 'ecological' economic epistemology by reducing the scope of human activity to exchange. The justice of exchange insures that the fruit of the earth is to be shared among people in line with God's work of creation. Human beings acknowledge that production depends on the land and receive it with gratitude, not believing themselves to be all-powerful, all-possessing and all-creative.

## 2. Just Price : The Virtue of Justice Incorporated Into Economics

### 2.1 A Criterion for Justice Including Licit Expenses and Based on an Ontological Approach

Aquinas has a moral goal, but it has to be pursued in the absence of knowledge of the intention of the agent, which remains hidden. The price, then, allows him to circumvent the intention, as it constitutes a visible and objective

criterion of the justice of the exchange. Price corresponds to an equality of values: "the price of a purchase is given as a measure equivalent to what is purchased" (In IV Sent., d. 25, q. 3, a. 2, qc 1, resp).

Readers of Aquinas often seek to understand what a just price is and to establish its level, but it is first necessary to determine what can or cannot be priced. The justice of exchange is part of an ontological approach to the good exchanged. Paradoxically, one of the most important keys to understanding Thomasian economic thought is his treatment of simony, the sin of selling a sacred thing or power. In the *Commentary on the Sentences*, Aquinas says:

If it is with respect to quantity [*in quantum*], then there is injustice [*injustitia*], as [*sicut cum*] when someone does not buy or sell at a just price [*non justo pretio*]; but if it is with respect to the object [*in quid*], as [*cum*] when he sells or buys what is not the object of a price [*quid non cadit sub pretio*], then it is the sin of the simoniac. (In IV Sent., d. 25, q. 3, a. 1, qc. 1, resp.)

The "*quid*", the nature of the good exchanged, governs the exchangeability of the good and the conditions of exchange, depending on whether the good is tradable according to a price, or to another kind of exchange ratio. Aquinas adopts an ontological approach to exchange, not an anthropological one: it is not the social reputation or the job of the agents, or even their intention, that determines the justice of the exchange, but the "*quid*". We note that there is a progressive lexical commodification, because thirteen years later, in the *Summa theologiae*, impossibility of pricing is expressed in terms of price level: "A spiritual thing cannot be compensated for by an earthly price [...] it is more precious than all riches" (S. T., IIa IIae, q. 100, a. 1, resp.; see also a. 3, ad 2). We find the same thing about the free man: "The person of a free man surpasses all pecuniary estimation" (S. T., IIa IIae, q. 189, a. 6, ad 3). The possibility of having a price becomes the possibility of having a fair level of price.

Another point of transition from philosophy to economics can be found on the subject of price treated through

the virtue of prudence. *De emptione et venditione ad tempus*, in a little-read passage, distinguishes between licit expenses, which the merchant can pass on in the sale price, and illicit expenses, which he cannot pass on. The cost of transport is licit: it is the merchant's own activity. Here, Aquinas says "*expensas [...] in portatione pannorum*" (*De emptione*, III), but ten years later in the *Summa theologiae* says "*periculum [...] transferendo rem de loco ad locum*" (*S. T.*, IIa IIae, q. 77, a. 4, ad 2), showing an improvement in his understanding of merchants' services: he goes from a cost (*expensas*) to a

risk (*periculum*) of shipwreck or robbery), and from a physical activity of carrying (*in portatione*) to an economic activity of moving goods (*transferendo*). Aquinas points out two kinds of illicit expenses (*De emptione*, III): expenditure on illicit activities, such as the cost of a loan to develop a business, and expenditure due to imprudence (prudence being understood as a virtue). He distinguishes two kinds of imprudence: expenses made by negligence (*incaute*), and mismanagement (*imprudenter*). This highlights two types of carelessness in management: lack of attention, and incompetence

leading to poor anticipation and forecasting. Although virtue-based and statistical approaches remain irreducible, prudence as a virtue is consistent with its contemporary approach in terms of probabilities. Indeed, imprudence here is behaviour that increases the risk of loss by a leftward extension of the curve (negative skewness) representing the probability density function.<sup>3</sup>

## 2.2 Understanding Just Price Through Sign and Analogy

It is possible to go yet further in the economic understanding of the just price from Thomasian philosophy and



theology. In *De emptione*, there is usury when fabrics are sold “more expensively than they are worth on the common market” (*De emptione*, II). The challenge is to articulate the price of justice that pre-exists, the price on the market and the price in the singular exchange.

First, the way that Aquinas uses the category of the sign in his theology concerning sacraments provides a new perspective: the sign (*sacramentum tantum*) is a visible sign of a sacred reality (*sacrementum et res*), itself a sign of an ultimate sacred reality (*res tantum*). For example, in the Eucharist the bread and wine are the sign of a sacred reality, the body and blood of Christ, which is itself the sign of an invisible reality, the gift of grace (e.g. *S. T.*, III, q. 73, ad 3). According to this pattern, the just price in the singular exchange is a sign of the just price on the market, which is the reality, but also a sign of the price of justice, which is unseen but which governs the whole chain.

As well as the sign, we can rely also on the category of *analogy*, developed in Aquinas’s philosophy of language for divine names (*S. T.*, Ia, q. 13, a.5). The just price is the price of justice, and by analogy the just price on the market and the just price in exchange. This allows the same name to be used for the three levels, without there being any identity, but rather conformity. In particular, we might envisage that, depending on the conditions of the exchange, there might be a set of acceptable prices<sup>4</sup> that might all be just and conform to the price of justice. And we can add a juridical aspect. In the *Commentary on the Sentences*, concerning merchants, Aquinas says that trade must be “according a licit contact” (*In IV Sent.*, d. 16, q. 4, a. 2, qc. 3, resp.). So the just price is the just price in the singular contract and exchange, which is a sign and an analogy of the price according the positive law and contract rules and according to market, which is the sign and the analogy of the price of justice.

### 2.3 A Plurality of Exchange Ratios

We have seen that, according to their “*quid*”, their nature, some goods do not have a price. Although price—i.e. an exchange ratio between equal

values—is the common exchange ratio, there is room for other kinds of exchange as well. Commutative justice is *principaliter aequalitas rei* (*S. T.*, IIa IIae, q. 77, a. 1, ad 3), where the adverb “*principaliter*” may be understood as allowing limit cases with different exchange ratios. The very first occurrence of “just price” in Aquinas’s work shows the path of this plurality. This comes not in an economic but in a biblical and spiritual text. Aquinas comments on Isaiah 55, 1; and this is paradoxical because it is the biblical verse that seems most paradigmatic of giving: “buy and eat: come, buy without money” (Isaiah 55:1). Until the 13th century, this text was understood as referring to a gift, but Aquinas now comments: “‘Come, buy’, take as if you were buying, ‘even without money’, which is less than the just price” (*Super Isaiam*, 55, 1). He thus introduces a quantitative dimension, and when he comments on this verse again in his later commentaries on Matthew and John, he clearly understands Isaiah 55:1 as an exchange involving a counterpart, as we owe study and eloquence to God (*Super Matthaem*, c. 25, *In Ioannem*, c. 6), which for a Dominican like Aquinas seems quite relevant. As human beings cannot pay an equal value to the grace of god, the exchange ratio is “less than the just price”. But God cannot be unjust and practice a price that is not just, and therefore the just exchange ratio is not a price in the sense of an exchange of equal values. There is another exchange ratio according to other criteria of justice: the currency must be available (study and eloquence) and the amount of the counterpart must be affordable.

Aquinas’s biblical and theological work on *Super Isaiam*, 55:1 is very useful in economics, because it allows us to address many limit cases of exchange, introducing the possibility of different kinds of exchange (not gift), with different ratios, calculated according to other criteria. The remuneration of the lawyer (*advocatus*) and of the medical doctor (*medicus*) must be moderate, “taking into account the personal condition of their clients, the cases handled, the work, and the customs of the country” (*S. T.*, IIae IIae, q. 71, a. 4, resp.). Although interest-bearing loans are forbidden, there are some kinds of

compensation available for the lender, called “*recompensatio*” or “*interesse*” in case of late repayment (*S. T.*, IIa IIae, q. 78, a. 2, ad 1; *De malo*, q. 13, a. 4, ad 14). This is also the case of the income of the merchant, which is not a wage, a price for work, but “like of stipend for his work [*quasi stipendium laboris*]” (*S. T.*, IIa IIae, q. 77, a. 4, resp.), and of the income of the priest, who doesn’t receive the “price of mass [*pretium missae*]”, but a living allowance called *quasi sustentamentum vitae or stipendium necessitatis* (*In IV Sent.*, d. 25, q. 3, a. 2, qc. 1, ad 4; *S. T.*, IIa IIae q. 100, a. 2, resp.). This possibility of a diversity of exchange ratios depending on the *quid*—the nature of the good or service exchanged—deserves to be explored in greater depth, because the contemporary economy is full of pricing conflicts which stem in reality from a lack of clarification about the nature of the thing exchanged and the kind of exchange ratio that would justly be applicable.

In conclusion, Aquinas’s thought led to major advances in our understanding of economic transactions. His moral quest led him to deepen his positive analysis of key economic situations. While his approach is part of moral theology, his thinking is fully relevant to economics. However, this properly economic contribution was only made possible thanks to a philosophical and theological foundation that provided Aquinas with the appropriate analytical tools.

### NOTES

1. Jacob Bernoulli, *Ars conjectandi*, Basiliae Impensis Thurnisiorum fratrum, 1714, IV, 1, p. 211 and IV, 4, p. 225.
2. See for instance Aristotle, *Rhetoric*, I, 1357a24–35; II, 1402b20–21; Thomas Aquinas, *In Post.*, I, 1
3. Miles S. Kimball, “Precautionary Saving in the Small and in the Large”, *Econometrica*, 58 (1), 1990, pp. 53-73.
4. André Lapidus, “Norm, Virtue and Information: Individual Behaviour and the Just Price in Thomas Aquinas’ *Summa theologica*”, *The European Journal of the History of Economic Thought*, 1 (3), 1994, pp. 435-473.