

Executive summary – Notes on Salamanca **The Birthplace of Economic Theory**

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*“Promote freedom is the best, and only way, to
promote growth and help the poor.”*
“Freedom is an essential part of ethics.”
(Juan de Mariana)

1. Fr. Angel Roncero (I/II)

professor at UFM “Liberalism and Capitalism at the School of Salamanca”

El padre **Ángel Roncero** contextualiza en la primera charla que ha significado la escuela de Salamanca para el liberalismo, y enfatiza el hecho de que muchas de las bases del liberalismo, se formularon por primera vez en Salamanca. Entre otras:

- democracia
- libertad de oferta y demanda
- libertad de precios
- teoría subjetiva del valor
- bases para el derecho internacional (Francisco de Vitoria)
- separación de poderes
- *rule of law and limited government*
- derechos individuales
- propiedad privada
- teoría de la inflación con subproducto de la manipulación monetaria por parte del rey



1. Fr. Angel RoncerO (II / II)

También hace la crítica a **Lutero** y **Calvino** que ambos denegaron la libertad del individuo en sus obras seminales.

Por el contrario, por ejemplo **Luis de Molina** y otros escolásticos siempre hablaron *De facto et libero arbitrio*.

De esta forma, **Max Webber** ignora toda una tradición de pensamiento que se remonta como mínimo a los primeros juristas romanos y a la tradición aristotélica, cuando escribe sus tesis sobre la cultura protestante y el espíritu del capitalismo.

De alguna manera, comete el mismo "pecado de omisión" que **Adam Smith** en *La riqueza de las naciones* cuando ignora todos los avances con respecto al subjetivismo, por ejemplo, de los escolásticos españoles.

Se explica anécdota sobre **Juan de Mariana**:

Su obra *Historia general de España* (la primera historia de España que existe) era de recomendada lectura para Thomas Jefferson, quién decía que era una obra fundamental para comprender el significado de la libertad.



2. Peter Klein

“Oliver Williamson and the Austrian Connection”

Peter Klein expuso los puntos de encuentro entre la escuela Austríaca y las teorías de Oliver Williamson, premio Nobel de economía de 2009.

Se incide en la importancia que tiene el estudio de la Historia del Pensamiento y las importantes diferencias existentes entre neoclásicos y la escuela Austríaca.

En este sentido, la exposición se centra en la *Theory of the Firm*.

- Planteamiento Austríaco

Primeros escolásticos: sientan las bases de lo que es el riesgo y un entorno incierto

Cantillon (1730): rol del emprendedor

Menger (1871): diagrama de la propiedad y titularidad de activos (asset-owning)

Knight (1921): beneficio y pérdida empresarial

Mises (1922): tratamiento del riesgo moral

Coase (1937): costes de transacción (The Nature of the Firm)

- Planteamiento clásico

Teoría clásica de la firma (1950s): ignora completamente el riesgo y la incertidumbre del entorno, modelo neoclásico de maximización, modelos de competencia perfecta, fallos de mercado, regulaciones anti-monopolio, etc.

Oliver Williamson y sus aportaciones en el campo de la teoría de la firma no ignoran el riesgo y la incertidumbre y siguen más la tradición Austríaca que la teoría clásica academicista actual. Oliver Williamson, *The Economic Institutions of Capitalism*



3. Gabriel Calzada (I/III)

“What Bernanke can learn from Juan de Mariana?”

Gabriel Calzada efectuó una charla brillante sobre Juan de Mariana, su tiempo y la problemática con respecto a la inflación haciendo un paralelismo con la situación actual.

- Juan de Mariana sienta las bases de la teoría monetaria moderna de los austriacos.
Inflación = robo masivo
- Contexto histórico:
Imperio Español del Siglo de Oro. Felipe II es el Rey y el Duque de Lerma su principal asesor en temas económicos y financieros. El imperio esta librando una cara guerra en sus fronteras, y para financiar esta guerra, el monarca envilece la moneda: bien añadiendo cobre a las mismas, o bien subiendo el nominal de las monedas (poner 4 en la cara de la moneda en vez de 2).
- Juan de Mariana es el pensador más influyente y brillante de su tiempo. Es famoso en todo el imperio y ha dado clases en Roma, Paris, Toledo, Salamanca.
- Libro esencial de Mariana: *The Education of the Prince*, libro encargo de Felipe II, para la educación de su hijo, Felipe III (libro de texto).
 - Explica el surgimiento espontáneo de las sociedades modernas a partir de la división del trabajo, origen de la sociedad, nos dice Juan de Mariana.
 - Sienta las bases del gobierno limitado, el equilibrio de las finanzas públicas, el origen de la inflación y como evitarla, que el gobierno no tiene derecho a subir impuestos, etc.



3. Gabriel Calzada (II / III)

- En la actualidad, nuestro **Duque de Lerma** es **Ben Bernanke**. Ahora también hay que financiar guerras y abultados presupuestos públicos y para eso el Estado acude a la vieja treta de envilecer la moneda, sólo que ahora - nos dice Calzada -, no hace falta cambiar el número de las monedas sino imprimir más billetes
- Obra esencial: *De monetae mutatione* (1609 – *De la alteración del dinero*).
 - En esta obra se pregunta de quién es el dinero: del Rey o del pueblo? Para Mariana, la alteración del dinero de forma arbitraria por parte del rey es una nueva forma de esclavitud. Además, el envilecimiento del dinero tiene unas nefastas consecuencias para la economía que sufre graves distorsiones en su funcionamiento: hiperinflación (el dinero deja de poder cumplir su importante función de medio de intercambio y reserva de valor para posibles imprevistos; ya no se puede ahorrar).
 - La solución para Juan de Mariana es: parar el gasto público, parar la guerra, parar los procesos de creación de dinero.
- **Juan de Mariana** pasa año y medio en prisión, a la edad de 73 años, por explicar en su libro que es la inflación (y además de forma tan clara!). Pese a que **Adam Smith** ignora la tradición escolástica sentando las bases de la teoría económica anglosajona neoclásica, **Juan de Mariana** influyó en muchos pensadores hasta ser rescatado y reimpulsado de nuevo por **Carl Menger**
- Juan de Mariana es el último de los escolásticos españoles y por eso sus obras se benefician del trabajo previo de muchos otros escolásticos españoles siendo su obra probablemente la más completa.



3. Gabriel Calzada (III / III)

- Influencia de Juan de Mariana:
 - Leonardo Lessio (Holanda),
 - Jacques Turgot, Condillac (1776),
 - John Locke (no cita a Juan de Mariana pero en su biblioteca están la obras del padre jesuita),
 - Adam Smith (aunque ignora a los escolásticos en la teoría del valor, su influencia también es notable),
 - J-B Say (1803),
 - Rosher (1854; profesor de economía de Carl Menger y a quién dedica sus famosos Principios de Economía),
 - Carl Menger (1871).
- También Cantillon o el pensador catalán Jaime Balmes (*El Criterio*) no ignorarán la tradición escolástica, aunque se tendrá que esperar a Carl Menger para que esta vuelva a cristalizar con toda su fuerza (*Huerta de Soto*)
- El libro del congresista Ron Paul, *End the Fed* (Título bastante ilustrativo) describe y analiza como la batalla por un sistema monetario libre de ingerencias del Estado empezó hace mucho tiempo)



4. Llewellyn H. Rockwell (I/XII)

This speech was given on October 24, 2009, at the Birthplace of Economic Theory conference in Salamanca, Spain.

The subject of the medieval period highlights the vast gulf that separates scholarly opinion from popular opinion. This is a grave frustration for scholars who have been working to change popular opinion for a hundred years. For most people, the medieval period brings to mind populations living by myths and crazy superstitions such as we might see in a Monty Python skit. Scholarly opinion, however, knows otherwise. The age between the 8th and 16th centuries was a time of amazing advance in every area of knowledge, such as architecture, music, biology, mathematics, astronomy, industry, and — yes — economics.

One might think it would be enough to look at the Burgos Cathedral of St. Mary, begun in 1221 and completed nine years later, to know there is something gravely wrong with the popular wisdom.

The popular wisdom comes through in the convention among nonspecialists to trace the origins of promarket thinking to Adam Smith (1723–1790). The tendency to see Smith as the fountainhead of economics is reinforced among Americans, because his famed book *An Inquiry into the Nature and the Causes of the Wealth of Nations* was published in the year America seceded from Britain.

There is much this view of intellectual history overlooks. The real founders of economic science actually wrote hundreds of years before Smith. They were not economists as such, but moral theologians, trained in the tradition of St. Thomas Aquinas, and they came to be known as the Late Scholastics. These men, most of whom taught in Spain, were at least as pro-free market as the much-later Scottish tradition. Plus, their theoretical foundation was even more solid: they anticipated the theories of value and price of the "marginalists" of late 19th-century Austria.

The scholar who rediscovered the Late Scholastics for the English-speaking world was Raymond de Roover (1904–1972). For years, they had been ridiculed and sloughed off, and even called presocialists in their thought. Karl Marx was the "last of the Schoolmen," wrote R. H. Tawney. But de Roover demonstrated that nearly all the conventional wisdom was wrong (Julius Kirchner ed., *Business, Banking, and Economic Thought* [Chicago: University of Chicago Press, 1974]).

Joseph Schumpeter gave the Late Scholastics a huge boost with his posthumously published 1954 book, *History of Economic Analysis* (New York: Oxford University Press). "It is they," he wrote, "who come nearer than does any other group to having been the 'founders' of scientific economics."

About the same time, there appeared a book of readings put together by Marjorie Grice-Hutchinson ([*The School of Salamanca*](#) [Oxford: Clarendon Press, 1952]), recently republished by the Mises Institute. A full-scale interpretive work appeared later (*Early Economic Thought in Spain, 1177–1740* [London: Allen & Unwin, 1975]).

4. Llewellyn H. Rockwell (II/XII)

In our own time, Alejandro Chafuen (*Christians for Freedom* [San Francisco: Ignatius Press, 1986]) linked the Late Scholastics closely with the Austrian School. In the fullest and most important treatment to date, Murray N. Rothbard's *An Austrian Perspective on the History of Economic Thought* (London: Edward Elgar, 1995) presents the extraordinarily wide range of Late Scholastic thought. Rothbard offers an explanation for the widespread misinterpretation of the School of Salamanca, along with an overarching framework of the intersection between economics and religion from St. Thomas through to the mid-19th century.

What emerges from this growing literature is an awareness that the medieval period was the founding period of economics.

One must recall the opening words of Mises's own *Human Action* here. "Economics is the youngest of all sciences," he announces. "Economics opened to human science a domain previously inaccessible and never thought of."

And what did economics contribute? Mises explains that economics discovered "a regularity in the sequence and interdependence of market phenomena." In so doing, "it conveyed knowledge which could be regarded neither as logic, mathematics, psychology, physics, nor biology."

Let me pause here with some comments on those who reject outright economics as a science. This tendency is not limited to the Left who embrace the fantasy called socialism, nor the environmentalists who think that society should revert to the status of a hunting and gathering tribe. I'm thinking in particular of a group that we might call conservatives. People who believe that all they need to know about reality and truth is contained in the writings of the ancient philosophers, the Church fathers, or some other time-tested source, whereas anything modern — defined as anything written in the latter half of the 2nd millennium of Christianity — is generally seen as suspect.

This tendency is widespread on the American Right, and extends to the Straussians, the communitarians, the paleoconservatives, and the religious conservatives. There are examples among them all. To seek economic wisdom, they brush aside everything of the last 500 years, and return again and again to the writings of early saints, of Plato and Aristotle, and to words of wisdom from many other revered non-moderns.

Now, in these writings one can discover great truths. However, it is simply not the case that one can find rigorous economic logic. The writings of this period tend to be imbued with a bias against the merchant, a fallacy about the equality of value in exchange, and a general lack of conviction that there exists a persistent logic for understanding the development of the market.



4. Llewellyn H. Rockwell (III/XII)

Mises was right: the development of economics began much later, and the reason for this is rather straightforward. The appearance of widespread economic opportunity, social mobility driven by material status, the dramatic expansion of the division of labor across many borders, and the building of complex capital structures, only began to be observed in the late Middle Ages. It was the appearance of the rudimentary structures of modern capitalism that gave rise to the curiosity about economic science. To put it quite simply, it was in the late Middle Ages that there appeared to be something to study at all.

It was in this period on the Continent that we began to see what was previously unheard of: large swaths of the population began to grow rich. Wealth was no longer limited to kings and princes. It was not available only to merchants and bankers. Workers and peasants too could increase their standard of living, make choices about where to live, and acquire clothing and food once reserved for the nobility. In addition, monetary institutions were increasingly complex, with a variety of exchange rates, pressures to permit the paying and charging of interest, and complex investment transactions making their way into daily life.

It was particularly interesting to see wealth being generated in financial services. People who were doing nothing other than arbitraging exchange rates were growing enormously rich and influential. These were people who, in the words of Saravia de la Calle, were "traveling from fair to fair and from place to place with [their] table and boxes and books." And yet their wealth grew and grew. This gave rise to the scientific question of how this was happening. And it also gave rise to the broadest forms of moral questions.

What exactly is the status of the merchant in moral theology? How should this form of moneymaking be regarded by society and the Church? These sorts of questions cried out for answers.

Now let us understand a bit more about the Scholastic mind as shaped in the tradition of St. Thomas. At the root of the Thomist worldview was a conviction that all truth was unified into a single body of thought, and that this truth ultimately pointed to the Author of all truth. Insofar as science was seeking truth, the truth that they found was necessarily reconcilable with other existing truth.

In this way, they saw the idea of truth as operating very much like mathematics. It was integrated from the lowest and most fundamental form to the highest and more elaborate form. If there was a contradiction or a failure to link a higher truth to a lower truth, one could know with certainty that there was something going wrong.

So knowledge was not parceled out and segmented the way it is today. Today, students go to classes on math, literature, economics, and building design, and don't expect to find any links among the disciplines. I'm quite certain that it would never occur to them to try. It is just an accepted aspect of the positivist program that knowledge need not be integrated.



4. Llewellyn H. Rockwell (IV/XII)

We must all exist in a state of suspended skepticism about everything, and be buffeted about randomly by the latest ideological fad that seems to have some scientific support. The conviction that small truth is related to large truth has been eviscerated.

It is sometimes said that the Scholastic's attitude toward truth made them skeptical toward scientific inquiry. Indeed, the very opposite is true. Their convictions concerning integral truth made them utterly fearless. There was no aspect of life that should escape serious scholarship investigation and exploration.

No matter the findings, if they were true, the investigation could be seen as part of the larger mission of discovering more about God's own creation. There could be no such thing as a dichotomy between science and religion, so one need not hesitate to discover more about either or both.

It is not precisely correct to say that the Late Scholastic thinkers who discovered economics were exploring theological territory and stumbled inadvertently upon economics. They were in fact intensely curious about the logic that governs relations among choices and people in the marketplace, and they looked at this subject without feeling the need to point constantly to the theological truth. The relationship between economics and theology was assumed to be a part of the scholarly enterprise itself, and this is why the Late Scholastics could write with such precision on economic subjects.

As Spain, Portugal, and Italy emerged as centers of commerce and enterprise in the 15th and 16th centuries, the universities under the control of the late Thomists spawned a great project of investigating the regular patterns that governed economic life. I would like to present some of these thinkers and their work.

Vitoria, Navarrus, Covarrubias, de Soto, and Molina were five of the most important among more than a dozen extraordinary thinkers who had solved difficult economic problems long before the classical period of economics.

Trained in the Thomist tradition, they used logic to understand the world around them, and looked for institutions that would promote prosperity and the common good. It is hardly surprising, then, that many of the Late Scholastics were passionate defenders of the free market and liberty.

Follows a synthesis of the following thinkers:

- Francisco de Vitoria (1485–1546)
- Domingo de Soto (1494–1560)
- Martin Azpilicueta (1493–1586)
- Diego de Covarrubias (1512–1577)
- Luis de Molina (1535–1601)



4. Llewellyn H. Rockwell (V/XII)

Francisco de Vitoria

- The first of the moral theologians to research, write, and teach at the University of Salamanca was Francisco de Vitoria (1485–1546). Under his guidance, the university offered an extraordinary 70 professorial chairs. As with other great mentors in history, most of Vitoria's published work comes to us in the form of notes taken by his students.
- In Vitoria's work on economics, he argued that the just price is the price that has been arrived at by common agreement among producers and consumers. That is, when a price is set by the interplay of supply and demand, it is a just price.
- So it is with international trade. Governments should not interfere with the prices and relations established between traders across borders. Vitoria's lectures on Spanish-Indian trade — originally published in 1542 and again in 1917 by the Carnegie Endowment — argued that government intervention with trade violates the Golden Rule.
- He also contributed to liberalizing the rule against charging and paying interest. This discussion helped sow a great deal of confusion among theologians of precisely what constituted usury, and this confusion was highly welcome to entrepreneurs. Vitoria was also very careful to take supply and demand into account when analyzing currency exchange.
- Yet Vitoria's greatest contribution was producing gifted and prolific students. They went on to explore almost all aspects, moral and theoretical, of economic science. For a century, these thinkers formed a mighty force for free enterprise and economic logic.
- They regarded the price of goods and services as an outcome of the actions of traders. Prices vary depending on the circumstance, and depending on the value that individuals place on goods. That value in turn depends on two factors: the goods' availability and their use. The price of goods and services are a result of the operation of these forces. Prices are not fixed by nature, or determined by the costs of production; prices are a result of the common estimation of men.



4. Llewellyn H. Rockwell (VI/XII)

Domingo de Soto

- Domingo de Soto (1494–1560) was a Dominican priest who became a professor of philosophy at Salamanca. He held powerful positions with the emperor, but chose the academic life. He made important advances in the theory of interest, arguing for a general liberalization.
- He was also the architect of the purchasing-parity theory of exchange. He wrote as follows:
- The more plentiful money is in Medina the more unfavorable are the terms of exchange, and the higher the price that must be paid by whoever wishes to send money from Spain to Flanders, since the demand for money is smaller in Spain than in
- Flanders. And the scarcer money is in Medina the less he need pay there, because more people want money in Medina than are sending it to Flanders.
- With these words, he had taken large steps toward justifying the profit that comes from currency arbitrage. It was not by chance that currency valuations come to be; they reflect certain facts on the ground, and the choices of people in light of real scarcities.
- He continues:
- It is lawful to exchange money in one place for money in another having regard to its scarcity in the one and abundance in the other, and to receive a smaller sum in a place where money is scarce in exchange for a larger where it is abundant.



4. Llewellyn H. Rockwell (VII/XII)

Martin Azpilicueta

- Another student was Martin de Azpilcueta Navarrus (1493–1586), a Dominican friar, the most prominent canon lawyer of his day, and eventually the adviser to three successive popes. Using reasoning, Navarrus was the first economic thinker to state clearly and unequivocally that government price-fixing is a mistake. When goods are plentiful, there is no need for a set maximum price; when they are not, price control does more harm than good.
- In a 1556 manual on moral theology, Navarrus pointed out that it is not a sin to sell goods at higher than the official price when it is agreed to among all parties. Navarrus was also the first to fully state that the quantity of money is a main influence in determining its purchasing power.
- "Other things being equal," he wrote in his Commentary on Usury, "in countries where there is a great scarcity of money, all other saleable goods, and even the hands and labor of men, are given for less money than where it is abundant." He is generally regarded as the first thinker to observe that the high cost of living is related to the quantity of money.
- For a currency to settle at its correct price in terms of other currencies, it is traded at a profit — an activity which was controversial among some theorists on moral grounds. But Navarrus argued that it was not against natural law to trade currencies. This was not the primary purpose of money, but "it is nonetheless an important secondary use."
- He used another market good for an analogy. The purpose of shoes, he said, is to protect our feet, but that doesn't mean they shouldn't be traded at a profit. In his view, it would be a terrible mistake to shut down foreign exchange markets, as some people were urging. The result "would be to plunge the realm into poverty."



4. Llewellyn H. Rockwell (VIII/XII)

Diego de Covarrubias

- The greatest student of Navarrus was Diego de Covarrubias y Leiva (1512–1577), considered the best jurist in Spain since Vitoria. The emperor made him chancellor of Castile, and he eventually became the bishop of Segovia. His book *Variarum* (1554) was then the clearest explanation on the source of economic value. "The value of an article," he said, "does not depend on its essential nature but on the estimation of men, even if that estimation is foolish."
- For this reason, the justness of a price is not dictated by how much the item costs or how much labor went into acquiring it. All that matters is what the common market value is in the place and at the time it is sold.
- Prices fall when buyers are few and rise when buyers are many. It seems like such a simple point, but it was missed by economists for centuries until the Austrian School rediscovered this "subjective theory of value" and incorporated it into microeconomics.
- Like all of these Spanish theorists, Covarrubias believed that individual owners of property had inviolable rights to that property. One of many controversies of the time was whether plants that produce medicines ought to belong to the community. Those who said they should pointed out that the medicine is not a result of any human labor or skill. But Covarrubias said everything that grows on a plot of land should belong to the owner of the land. That owner is even entitled to withhold valuable medicines from the market, and it is a violation of the natural law to force him to sell.



4. Llewellyn H. Rockwell (IX/XII)

Luis de Molina

I / III

- Another great economist in the Vitoria line of thinkers was Luis de Molina (1535–1601), who was among the first of the Jesuits to think about theoretical economic topics. Though devoted to the Salamancan School and its achievement, Molina taught in Portugal at the University of Coimbra. He was the author of a five-volume treatise *De Justitia et Jure* (1593 and following). His contributions to law, economics, and sociology were enormous, and his treatise went through several editions.
- Among all the pro-free market thinkers of his generation, Molina was most consistent in his view of economic value. Like the other Late Scholastics, he agreed that goods are valued not "according to their nobility or perfection" but according "to their ability to serve human utility." But he provided this compelling example: Rats, according to their nature, are more "noble" (higher up the hierarchy of Creation) than wheat. But rats "are not esteemed or appreciated by men" because "they are of no utility whatsoever."
- The use value of a particular good is not fixed between people or over the passage of time. It changes according to individual valuations and availability.
- This theory also explains peculiar aspects of luxury goods. For example, why would a pearl, "which can only be used to decorate," be more expensive than grain, wine, meat, or horses? It appears that all these things are more useful than a pearl, and they are certainly more "noble." As Molina explained, valuation is done by individuals, and "we can conclude that the just price for a pearl depends on the fact that some men wanted to grant it value as an object of decoration."



4. Llewellyn H. Rockwell (X/XII)

Luis de Molina

II / III

- A similar paradox that befuddled the classical economists was the diamond-water paradox. Why should water, which is more useful, be lower in price than diamonds? Following Scholastic logic, it is due to individual valuations and their interplay with scarcity. The failure to understand this point led Adam Smith, among others, off in the wrong direction.
- But Molina understood the crucial importance of free-floating prices and their relationship to enterprise. Partly, this was due to Molina's extensive travels and interviews with merchants of all sorts.
- "When a good is sold in a certain region or place at a certain price," he observed, so long as it is "without fraud or monopoly or any foul play," then "that price should be held as a rule and measure to judge the just price of said good in that region or place." If the government tries to set a price that is higher or lower, then it would be unjust. Molina was also the first to show why it is that retail prices are higher than wholesale prices: consumers buy in smaller quantities and are willing to pay more for incremental units.
- The most sophisticated writings of Molina concerned money and credit. Like Navarrus before him, he understood the relationship of money to prices, and knew that inflation resulted from a higher money supply.
- "Just as the abundance of goods causes prices to fall," he wrote (specifying that this assumes the quantity of money and number of merchants remain the same), so too does an "abundance of money" cause prices to rise (again, *ceteris paribus*). He even went further to point out how wages, income, and even dowries eventually rise in the same proportion to which the money supply increases.



4. Llewellyn H. Rockwell (XI/XII)

Luis de Molina

III / III

- He used this framework to push out the accepted bounds of charging interest, or "usury," a major sticking point for most economists of this period. He argued that it should be permissible to charge interest on any loan involving an investment of capital, even when the return doesn't materialize.
- Molina's defense of private property rested on the belief that property is secured in the commandment, "thou shalt not steal." But he went beyond his contemporaries by making strong practical arguments as well. When property is held in common, he said, it won't be taken care of and people will fight to consume it. Far from promoting the public good, when property is not divided, the strong people in the group will take advantage of the weak by monopolizing and consuming the most resources.
- Like Aristotle, Molina also thought that common ownership of property would guarantee the end of liberality and charity. But he went further to argue that "alms should be given from private goods and not from the common ones."
- In most writings on ethics and sin today, different standards apply to government than to individuals. But not in the writings of Molina. He argued that the king can, as king, commit a variety of mortal sins. For example, if the king grants a monopoly privilege to some, he violates the consumers' right to buy from the cheapest seller. Molina concluded that those who benefit are required by moral law to offset the damages they cause.



4. Llewellyn H. Rockwell (XII/XII)

The Austrian Tradition

- Ideas are like capital in the following sense: we take them for granted, but in fact they are the work of many generations. In the case of economic logic, it was the work of hundreds of years. Once understood, economics becomes part of the way we think about the world. If we don't understand it, many aspects of the way the world works continues to elude our vision and grasp.
- It is striking how much of the knowledge of the Late Scholastics was lost over the centuries. Britain had remained something of an outpost in this area, due to language and geography, but the Continental tradition developed apace, in particular in France in the 18th and 19th centuries.
- But it is especially striking that the major resurgence of Scholastic ideas came out of Austria in the late 19th century, a country that had avoided a revolutionary political or theological upheaval. If we look at Menger's own teachers, we find successors to the Scholastic tradition.
- Mises wrote that economics is a new science and he was right about that, but the discipline is no less true for being so. Those who obstinately avoid its teaching are not only denying themselves a pipeline to truth, they are in active denial of reality, and this is no basis for recommending any way forward.
- As for those modern economists who are stuck in the positivist-planning mode, they too have much to learn from the School of Salamanca, whose members would not have been fooled by the fallacies that dominate modern economic theory and policy today. If only our modern understanding could once again arrive at the high road paved for us more than 400 years ago. Just as the cathedrals of old retain their integrity, beauty, and stability, the Austrian School, as a descendent of the ideas of Salamanca, remains with us to speak an integrated truth, regardless of the intellectual fashions of our day.

