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## Chapter 5

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# FROM ORGANIC HIERARCHY TO INDIVIDUAL RIGHTS

**T**he evolution of the scholastic just price into the modern concern for a living wage is a reflection of a much larger shift toward addressing the systemic, rather than merely personal, injustices in socioeconomic life. Note, for example, the prevailing preference for rights language, the new appreciation for the exercise of private initiative for economic gain, and the change from the scholastic antipathy toward guilds to the contemporary defense of unions. Moreover, the scholastic silence on social justice contrasts vividly with a vigorous critique of sinful societal structures in recent economic ethics. It is puzzling that concern over unjust social institutions and the advocacy of unions do not arise earlier because glaring income and wealth disparities, state encroachment on private economic freedoms, and poor working conditions are not only already prevalent but probably even worse during the medieval era. Just like the metamorphosis of the scholastic just price, these changes in normative thought correspond to the shifting economic terrain as feudalism is transformed into the modern industrial economy. Economic history can shed much light on the evolution of economic ethics.

### **CALL TO ACTION: TRANSFORMING SINFUL STRUCTURES OF SOCIETY**

#### **From Personal Morality to Institutional Justice**

The medieval doctors are interested primarily in the moral quality of individual economic behavior rather than the justness of economic institutions and processes. Scholastic economic ethics deals largely with

interpersonal relations and personal moral accountability. Langholm, Jacob Viner, and Joseph A. Schumpeter all observe that hardly any thought is given to the interaction between individuals and economic institutions, or to the ways either can leave a lasting mark on the other. Even more rare is the topic of reforming existing social institutions.<sup>1</sup> After all, the medieval writers see themselves as confessors and spiritual directors, not as social activists.

Primarily, however, and so far as their practical task was concerned, *it was not the merits or demerits of institutions that mattered to them*, but the merits or demerits of individual behavior within the frame of given institutions and conditions. More than anything else, they were directors of individual consciences or rather, teachers of directors of individual consciences. They wrote for many purposes but principally for the instruction of confessors (Schumpeter 1954, 102, emphasis added).

In contrast to the scholastics' nearly exclusive focus on personal economic behavior related to the honest exchange of goods and services (e.g., just price and usury), modern Catholic social documents examine economic processes together with their auxiliary institutions and instruments: labor-management arrangements (*Rerum Novarum*, 1891), industry-level vocational groupings (*Quadragesimo Anno*, 1931), government import-substitution development strategies (*Mater et Magistra*, 1961), and international political economy (*Populorum Progressio*, 1967, and *Sollicitudo Rei Socialis*, 1987). The term "social justice" is of recent vintage (Pius XI 1931; Muench 1948, 3327). Nowhere is this contrast more glaring than in these social documents' entreaties for individuals to take personal responsibility in shaping social institutions:

It is up to the Christian communities to analyze with objectivity the situation which is proper to their own country, to shed on it the light of the Gospel's unalterable words and to draw principles of reflection, norms of judgment and directives for action . . . to discern the options and commitments which are called for in order to bring about the social, political and economic changes seen in many cases to be urgently needed (OA #4).

This shift in attention from personal to institutional sinfulness can be partly traced to the altered role of price in economic life. The repercussions of such a change go beyond the labor market (as examined in the preceding chapter) to encompass most, if not all, economic behavior.

### **Revisiting Scholastic Just Price**

The scholastic notion of just price is often described as the value prevailing in the market, a formulation that implies that market operations determine medieval pricing. If we invoke "market operations" at all in

reference to the feudal economy, we must do so only in the most carefully qualified way, for medieval markets do not exhibit today's broad private economic freedoms. As argued in the preceding chapter, the scholastic "market estimate" is ultimately founded on the social roles of the parties involved in the trade. Custom, law, and usage, not unfettered demand and supply, form the basis for the common estimation represented by the market price. These traditional mechanisms are manifested in various ways, such as the uniform pricing-production-sales standards of the craft guilds, the practice of passing on trades and craft membership from father to son, and the "customs of the manor" that govern the terms of exchange between the serfs' services and the manorial lord's protection (see North 1981; Postal et al. 1963; Vinogradoff 1957; and Renard 1918). This pricing by convention causes a convergence of commutative and distributive justice.

In a feudal world of isolated communities, animal husbandry is the main economic activity; production is consumed on the spot. The little trade that transpires between villages is predominantly an exchange for consumption, that is, a transaction between the final user and the producer.<sup>2</sup> The English economic historian William Ashley describes the thirteenth century as a time when "the great majority of articles in the daily use of the mass of the people are bought by the consumer from the actual maker" (Ashley 1925, I:138). Defrauding buyers and profiteering from the extreme needs of others are the principal concerns of the period. This is apparent in the two teachings that together take up most of the scholastics' and their commentators' attention—just price and usury.<sup>3</sup> Regardless of whether medieval just price is defined as the usual or the joint estimate of exchange value, Langholm (1987, 125) observes that its end is still the same: preventing the exploitation of any party to the transaction. Safeguarding the welfare of all requires equivalence in the value of goods or services traded (Baldwin 1959, part 4). For this reason, teachings on the just price are associated with the satisfaction of commutative justice, but this is only part of the story.

In addition to ensuring that nobody is victimized, scholastic just price has a second function: *just income formation*. The price at which goods and services are traded is the outcome of the community's collective estimation. The community believes that "the maker should receive what would fairly recompense him for his labour" and "what would permit him to live a decent life according to the standard of comfort which public opinion recognized as appropriate to his class" (Ashley 1925, I:138).<sup>4</sup> Consequently, equivalence in exchange is a function of the social roles of the parties engaged in the trade. While the proximate objective of scholastic teachings on just price is to prevent fraud or undue profits from others' needs, their deeper concern is distributive in nature: providing people with access to the goods or services essential to their social

roles. The scholastics give preeminence to the distributive dimension of price: Equity in the allotment of societal resources is treated derivatively as the predictable result of just income formation achieved when people secure a just price for the work effort or output they bring to the market. This means that commutative and distributive justice are simultaneously satisfied in the medieval notion of just price. After all, equivalence in the exchange of goods and services between people is ultimately founded on what is owed to the person by the rest of the community. Commutative justice is a function of distributive justice.

### **Economic Metamorphosis: Price in the Modern Marketplace**

As feudal society is transformed into the modern market economy, the economic and political spheres are separated from each other. In the medieval world, economic and political powers are exercised by the same institution. Thus, manorial administration is charged with governing its self-contained economic life, even as it dispenses justice within its own realm. The guilds in the urban areas prescribe standards of production and terms of sale (including price) within their crafts, even as they operate as vehicles for the sociopolitical participation of their membership in the larger community.

The emergence of an economic sphere autonomous from the political structure unleashes the private initiative that gives birth to the modern industrial economy. This new order is characterized by scale in operations and division of labor, in contrast to the autarky of medieval economic units. Population increase, the growth of urban areas, the emergence of technologies and institutions conducive to commerce, and the shift to the factory system break down the isolation of communities from each other and pave the way for greater economic interdependence. In other words, exchanging goods or services with others is no longer merely an option (as in the feudal manor); it becomes a necessity with exchange permeating every facet of life. The breathtaking expansion in the scale and the scope of economic activity in the past three centuries is evident in the intense trading of goods and services not only for consumption (end use), but also for production (intermediate goods, labor, capital, and land) and for distribution (wholesale and retail activities).

In contrast to the simple decisions undertaken by medieval economic agents who produce for consumption on the spot, their modern counterparts are besieged by the perennial need for calculation as an ever greater part of economic activity. Unlike their autarkic feudal cousins, modern economic actors have to answer the basic economic questions (what to produce, when, where, and with what) even while engaged in a long requisite chain of exchanges and interaction with others.

Economic decision making has to satisfy simultaneously the demands of product, place, and time utility with minimum expenditure. In other words, modern economic agents have to make the right calls with respect to specializing in the appropriate goods or services, producing them in the exact quantities required while employing least-cost methods and inputs, and then, exchanging them at the proper time and in the right place. The role of punctual, accurate, and useful data for such involved decisions takes on greater importance, and providing such can be adequately met by only one medium—the market price. Only price can convey information quickly, efficiently, and effectively over widely dispersed geographic areas to a large number of interested parties in a timely way. This is a service rendered by the modern market that no other institution or mechanism could yet replace.

Increasingly operating on the basis of exchange in all stages from production to distribution to consumption within an ever burgeoning menu of new and ever more sophisticated goods and services, the modern economic order's major task has been to ensure that scarce resources are put to their best competing uses. Langholm observes that in contrast to medieval just price, modern price “serves to *allocate joint social resources optimally*” (Langholm 1987, 125, emphasis in the original). This should not come as a surprise at all, considering that custom, law, and usage are simply unable to keep up with the dynamic and complex requirements of industrial economic decision making. This paves the groundwork for a major alteration in the function accorded to price. The feudal practice of setting exchange value by convention shifts to the modern reliance on the unfettered operation of demand and supply. Medieval pricing is set with an eye toward the equitable distribution of societal goods and roles. In contrast, modern pricing is concerned with matching demand and supply to achieve the most productive disposition of scarce resources to their optimum uses, that is, allocative efficiency.

An incongruity should be noted in this transformation. As we move away from self-contained communities and as exchange begins to encroach into many aspects of social life, one would think that an even greater emphasis would be placed on the distributive role of price since questions of equity become even more apparent and more contentious as markets expand. It is ironic that it is the allocative function that has taken precedence.

This comes with a cost—the loss of custom, law, and usage that have been instrumental and effective in defining the boundaries that ensure just processes and outcomes in economic life. Replacing them are suprapersonal economic institutions that are better suited for the pursuit of efficiency to the exclusion of other worthwhile societal goals. Why, then, do normative teachings such as modern Catholic social documents

acquiesce to this shift in practice? They have no choice. They have to accommodate a radically transformed economy imbued with a breathtaking dynamism that produces more good, on the whole, than harm.

### **Shifting Terrain for Ethical Reflection**

Even if the authors of modern Catholic social documents were to cling to the scholastic use of price for distributive (rather than allocative) ends, there is no way to reverse, much less to stop, the process that has been unleashed by the Industrial Revolution. Empirical evidence from the past two centuries attests to the tremendous improvement in the human condition brought about by the modern market economy. Even after taking the human cost of modernization into account, the industrial order has, on the whole, led to striking advances in the standards of living whether measured by economic or social indicators. Not only has the Malthusian specter been dissipated, but there has even been a sustained increase in per capita incomes; the economy can support more people, and richer people at that.<sup>5</sup> By providing the necessary economic incentives and releasing private ambitions, the economy has benefitted enormously from the technological advances and new organizational techniques that have, in turn, continuously advanced people's standards of living. Even in the face of pockets of extreme poverty that still exist today, ethical reflection cannot ignore the signal accomplishments in improving economic life most especially in the period since World War II (World Bank 1991).

Which function of price should take precedence—its allocative or distributive role? At the heart of this choice between the workings of demand and supply or the continued reliance on custom, law, and usage is the classic tradeoff between growth and equity. Should we concentrate our efforts on dividing the pie properly or should we rather expend our energies on making the pie grow bigger? The opportunity cost of adhering to the scholastic preference for the distributive over the allocative facet of price would simply be too prohibitive and counterproductive, indeed inappropriate, given the changed historical circumstances.<sup>6</sup> Not only have we seen the gains that industry can bring in its wake, but we have also witnessed the market prove itself as an incomparably effective vehicle for attaining allocative efficiency.

The problem of enforcement constitutes a second practical reason for accommodating this shift in the function of price. Even though there are difficulties with maintaining distributive justice in the medieval marketplace, people generally observe the doctrine of just price in practice. It is not easy to regulate price setting because private transactions can neither be fully nor constantly monitored. This difficulty is especially true in the isolated communities and fragmented markets of the feudal economy. Langholm (1982, 278) observes that “in the unruly societies of

the Middle Ages exchangers were mostly left to their own devices, and moralists had to rely on precepts about just pricing enforceable only in the internal forum.”

In spite of the inherent difficulty of ensuring compliance with moral teachings on private economic life, the scholastic just price has surprisingly effective enforcement mechanisms provided by the medieval ecclesiastical institutions. In his exposition on the economic doctrines of the scholastics, Viner observes that not only is the Roman Catholic Church able to assert its right to be involved in secular affairs with moral ramifications, but it also has within its means a vast array of formal and informal enforcement mechanisms for these moral teachings: the pulpit, the large number of clerics discharging various civil functions, papal governance of its states, ecclesial principalities and estates, the jurisdiction of ecclesiastical courts over many conflicts<sup>7</sup> of an economic nature, and sanctions of a social and spiritual nature that range from economic boycotts to excommunication and exclusion from the sacraments. And even if these are not enough, given the inability to oversee most economic transactions, there is recourse to yet another enforcement mechanism, this one in the internal forum: the confessional or deathbed absolution where restitution could be made a condition for pardon (Viner 1978, 46–47). W. Ashley (1925, 1:132) comments on the depth and pervasiveness of clerical influence:

They enforced them [referring to the criterion of just price and the prohibition against charging interest] from the pulpit, in the confessional, in the ecclesiastical courts; and we shall find that by the time that the period begins of legislative activity on the part of the secular power, these two rules had been so impressed on the consciences of men that Parliament, municipality, and gild endeavoured of their own motion to secure obedience to them.

Given the myriad channels through which religious teachings influence, indeed mold, societal values and practices, there is neither need nor urgency to reform unjust economic structures. The Roman Catholic Church is efficacious in influencing individual economic behavior because it is very much a part of the social structure. It wields effective moral suasion in both internal and external fora and could, consequently, monitor social life from the corridors of power. The loss of traditional ecclesiastical enforcement mechanisms in the modern period necessitates a more formal, separate, and vocal articulation of the theological vision of the right order in social structures. Religion now plays its role of guardian-protector of individual well-being from a much more circumscribed position in society. This is made particularly acute in economic ethics because the premier institution of modern economic life, the market, is principally concerned with optimality and efficiency rather than equity.

In summary, medieval thought and practice give preeminence to the distributive over the allocative function of exchange value. This can be deduced from numerous scholastic references to just income formation founded on social roles, from scholars' judgment that medieval just price is based on the cost of production rather than on consumer utility (Baldwin 1959), from the premodern practice of setting prices by convention, and from the simple observation that allocative efficiency is a modern concern. The scholastic notion of just price is a convenient vehicle for satisfying simultaneously the requirements of commutative and distributive justice. However, as the feudal economy gives way to the modern industrial economy, there is a reversal in the importance of the allocative and distributive dimensions; the former overshadows the latter and breaks the convenient confluence of commutative and distributive justice achieved in medieval ethics. Thus, unlike scholastic economic teachings, modern thought has had to look for nonprice, nonmarket mechanisms for securing distributive justice and has focused on the justness of social structures. This search has led to changes in the language of ethical discourse and to numerous teachings on alternative work arrangements.

### **FROM PRECARIOUS SURVIVAL TO ABUNDANT GROWTH: DEMISE OF ORGANIC HIERARCHY**

The language employed by modern Catholic social thought has shifted from one of obligations to that of individual rights (Hollenbach 1979; Byers 1985; Hebblethwaite 1985, 264–84; Petrella 1972, 352–65). This is in part a reflection of the much larger epochal “turn to the individual” inaugurated by the Enlightenment. However, one can also make a case for the claim that the contemporary preference for individual liberties over the scholastic doctors' organic hierarchy is a necessary accommodation to the sea change from feudalism to the industrial market economy. The move from precarious survival to self-sustaining growth removes the economic justification for a rigidly structured society and provides greater freedoms to both individuals and communities. Rights become a way of retrieving the safeguards previously provided by custom, law, and usage that have now been rendered inoperable.

#### **Medieval Caution**

The hard conditions of feudal life provide a rational basis for the perceived need for a tightly regimented social life. Economic activity is predominantly agricultural based on animal husbandry, that is, production for consumption on the spot. The isolation of communities is not conducive to commerce that could have spawned a division of labor so essential for increased productivity. Output is low, tools are rudimentary,

and little surplus could be accumulated. Not surprisingly, very little is left available for capital investments to improve crop yields. Small surpluses also deter the refinement of agricultural methods because experimentation in an agrarian setting requires sufficient reserves of basic necessities to cushion expected occasional failures that come with trying unfamiliar methods. Thus, manors set rules on what crops to plant, when to plant, and how to divide up the land into strips. Household activity is shaped by community decisions. After all, the manor is the basic economic unit with the overriding goal of achieving self-sufficiency for all its needs.

This reasonable aversion toward innovation is, unfortunately, compounded further by the weak incentives coming from the social structure itself. The era's ill-defined property rights give rise to the *problem of the commons* (Hardin 1968) where shared properties deteriorate from neglect as individuals see no reason to expend personal effort and care without reaping the full benefits from such improvements. Moreover, peasants have little protection from arbitrary exactions by the lords. Besides, there is little immediate use for monetary savings since trade is minimal, and travel is hard and dangerous.

The paucity of surplus, of much-needed innovative ventures, and of requisite incentives all converge to relegate the economy to long-term secular stagnation. The consequent deficiency in technological creativity leads to low output and a dismal productivity that, in turn, engender conservatism in the next rounds of economic activity.

The sensible response to such tenuous subsistence is to work toward the preservation of the status quo—that which has been handed down and has been proven to work for generations. Production does not, indeed could not, revolve around private economic gain as it is besieged with the urgency of cobbling together a viable cooperative effort to procure the material prerequisites of existence. It is the group that secures the most feasible opportunities for the individual. Tradition assigns people to their places and sets the expectations from such roles. People, in turn, assume their designated station in the community and contribute to the collective enterprise, with their private economic lives largely governed by the group. Occupations are, for the most part, predetermined; crafts and skills are passed down from parent to child. And as seen previously, scholastic just price is not based on satisfaction in consumption but is derived instead from the common estimation of the income required to sustain sellers in a lifestyle befitting their roles in community (Baldwin 1959). Medieval economic ethics is founded on an organic hierarchy model (Heilbroner 1975).

### **Modern Economic Individualism**

Industrialization brings human experience from the edges of destitution to unbounded prosperity. This transformation precipitates significant changes that remove the need for strict regimentation.

*Why no longer necessary?*

Survival is the pragmatic end of medieval conventions that provide the means for coping with the insecurities and uncertainties of feudal economic life (Rosenberg and Birdzell 1986). In contrast, the modern age has witnessed breathtaking advances on a broad front: the adoption of the factory system as the primary mode of production, the introduction of market exchange in many spheres of life, and, of course, the lead taken by science and technology in pushing the frontiers of human capabilities in mastering the material world.

These remarkable strides overshadow the utility of an inflexible stratified economic life. Greater output opens new possibilities for experimentation and innovation in both production and organizational techniques. Better capital formation generates even more surplus, thereby leading to ever bolder initiatives in technical creativity. This secures greater predictability in the satisfaction of basic needs; the proximate collective economic goal is no longer the pressing end of subsistence but continued bounty.

Commerce serves as a cushion against unexpected natural or man-made disruptions. The expansion of markets across wider geographic areas creates an ever tightening web of interdependence both within communities and across borders brought about by advances in transportation and communications, growth in population, and a greater appreciation for the benefits of exchange. Trade enhances the ability of populations to weather and recover from unforeseen misfortunes. No longer isolated from each other, communities can recoup more readily from setbacks with relatively greater ease and speed than their medieval counterparts.

The improved capacity to produce, keep, and productively use surplus and the group's strengthened durability in the face of unexpected reversals are two key factors that allow a greater measure of freedom in the way the community is organized. Relieved of the exigencies and difficulties of securing the requisite material conditions for life, society no longer has an economic need for unbending established arrangements.

*Why not even tenable?*

The medieval organic hierarchy has been rendered an unviable option even had the modern era wanted to preserve it. First, the emergence of a commercial sphere independent of political institutions unleashes expansive private freedoms. In contrast to the feudal rigidities and constraints to movement across communities, across crafts and skills, and up (or down) the social ladder, the current economy provides a multidimensional geographic, social, and professional mobility. Economic agents select their occupation and can improve their social station and prestige through wealth accumulation. They have, for the most part, the liberty of choosing their place of domicile and their degree of participation in social life. These are

taken for granted as fundamental human rights in the modern era; it would be unthinkable for the community to predetermine for individuals what trade they may or may not enter (cf. craft guilds) and what income they are to receive given their social standing (cf. medieval just price).

Related to this is a second reason for why a fixed social order is no longer defensible as an organizing principle. Faced with medieval uncertainties, the individual's best chances of thriving are to be part of an extended community. People have to depend on each other for protection against unforeseen dangers, from the vagaries of the weather to the predations of roving bandits. By necessity, individuals have to rely on and be party to a wide web of religious, family, and communal ties.

In contrast, contemporary economic agents can strike out on their own, survive, and even prosper outside of traditional domestic circles. Compared to the feudal home-based producers, today's economic participants can sustain themselves by joining the contractual wage-labor market. Moreover, the modern welfare state undergirds this with a social safety net independent of customary support systems based on kinship. The means to social, professional, and geographic mobility are available to the individual who no longer has to be wedded to an extended network of familial and communal bonds for economic sustenance and advancement. Citizenship has provided viable alternatives to blood ties.

The inherent dynamism of the industrial economy is a third reason for why the fixed social paradigm is no longer workable. In a setting where change is slow and manageable, tradition lends itself very well as a convenient avenue for regulating the common productive effort and for dispensing roles and responsibilities. Unfortunately, this breeds an inertia and rigidity that could not supply the agility required by the new economic conditions.

Market pricing has proven itself to be much better than convention in responding to changes. Moreover, the industrial economy creates an unceasing stream of new demands and uses for society's limited means, thereby heightening even further the importance of flexibility in optimizing the use of common resources. The market has proven itself to be an efficient mechanism for this task.

A fourth reason has to do with the shift in attitudes on the immutability of public institutions. An economy of great uncertainty and low technological development that severely restricts human mastery over the environment readily spawns a sense of fatalism. Individuals and communities are easily conditioned to a resignation of working within, rather than changing, the social life that has been received.<sup>8</sup> The inauguration of a more expansive sphere of personal freedoms has provided the means, confidence, opportunities, and stimulus for the community, through private initiative, to recast and reshape social structures. Common life itself is no longer taken as unchangeable but is viewed as the

object of legitimate individual and collective choices. Moreover, the incessant flux of contemporary economy provides innumerable occasions to reengineer social practices.

### **Economic Institutions**

Modernity has given rise to the need for mechanisms that ensure the justness of social structures. Both the medieval and modern economies are self-reinforcing in their own way: a winding spiral of low-level output in the former and accelerating growth in the latter. The moral issues under these two regimes are vastly different.

Self-reinforcing growth provides more urgency and matter for moral reflection because its unceasing changes can create new instances of injustice or possibly even worsen existing unjust social conditions. In contrast to a static setting, more is at stake in a rapidly evolving environment where new competing claims clash given the ceaseless shifting of burdens and benefits across society. Moreover, there is need for even greater vigilance in the modern setting of abundance where appropriate accumulation can quickly turn into an inordinate acquisitive ethos characteristic of a Faustian ethics of greed. Given the surfeit of goods and services and the rapid increase in incomes, recent moral teachings consistently warn of a materialist consumerism that is just as, if not more, deleterious as destitution is to integral human development.

*Materialist  
Consumerism*

On a positive note, the vibrancy of the economy is also a matter of great interest to moral ethicists because of the unique opportunities it presents in alleviating poverty and rectifying injustices. For example, Pius XI and Paul VI see much promise in reforms that are gradually implemented so as not to disrupt the stability of community life, while laying at the same time the groundwork for a more equitable distribution of future streams of income (QA #61; PP #61, #29). There is a pragmatic acknowledgment that it is far easier to redistribute that which is yet to come compared to that which people already possess. Growth in the economy makes this approach a relatively more palatable and politically feasible avenue of amelioration.

In all these cases, the vigor and flux of the modern economy present theological ethics with a new challenge of delineating the continually changing boundaries between proper personal economic gain and rightful social obligations. This is by no means easy. Langholm (1992, 594) describes this tension well:

[T]here is a development in economic thought, by which the focus gradually shifts from the individual to society, the size of the social product justifying inequalities and imperfections in distribution, pacifying and eventually perverting the sense of personal duty, until the economy comes to be viewed as a system of suprapersonal mechanisms. . . . [A]n element of utilitarian reasoning was reluctantly admitted but vigorously

circumscribed by a deontological element . . . and this incompatibility is the source of a dilemma which always troubled Christian social thought. It is a compromise. It grants the social benefits of man's avarice to a certain extent, while appealing, insistently and consistently, to his benevolence. It looses the reins on forces which it nevertheless desires to control. It admits that property ought to be private in ownership (because this furthers productivity), but insists that it should be common in use (for it is a Christian duty to share).

Given the major changes of the last two centuries, Christian economic ethics confronts a dilemma that is especially acute in the modern period: how to achieve simultaneously the protection of individual well-being while availing of the enormous benefits of a spirited market-driven economy that can improve the lives of people, but only at the expense of traditional institutions. A delicate balance has to be struck between private economic gains and larger community goals, even as we operate within both the promise and the liabilities of the market, the preeminent modern economic institution.<sup>9</sup> The limitations of the market are of particular moral concern given that it is unable to replace the safeguards previously provided by organic hierarchy.

Custom, law, and usage function not only to preserve society but also to protect individuals within the community, as in the case of scholastic just price and the prohibition of usury. In the evolution of the feudal to the industrial economy, the market replaces these protective channels that had so heavily regulated private pecuniary behavior (Polanyi 1944). This presents ethicists with a different set of problems.

The market—formal, institutionalized, and impersonal—cannot replicate the reciprocity and the wide berth that the personal, informal arrangements of conventions are able to make based on the familiarity nurtured by religious, family, and communal bonds. The limitations of the market are fairly well known: it allocates societal resources on the basis of consumer purchasing power without regard for other fundamental criteria such as need, merit, promise, and contribution; it ignores equity and does not make judgments on the propriety and morality of exchange in certain goods and services (such as child pornography and prostitution); it does not provide public and merit goods in sufficient quantities and cannot deal with market failures such as pollution; and it can exclude and marginalize people (Buchanan 1985). Economic institutions, the market in particular, can take a life of their own and crush, rather than ennoble, individuals. Abuses in the early phases of the Industrial Revolution provide vivid examples. Left to its own laws and momentum, the market is unable to weigh larger societal goals outside of maximizing growth. It is also incapable of making exceptions or of incorporating subtleties called for by particular human circumstances.

There is need to continue reaping the fruits of progress through the market economy, while affording, at the same time, avenues through

which larger moral ends can be achieved. The dilemma confronting modern economic ethicists is how to avail of the promise of the market while mitigating its limitations. Put in another way, how does one continue to operate in a market setting while retrieving historic safeguards? The task is to find substitute mechanisms because the demise of organic hierarchy disallows the employment of custom, law, and usage *from within* the regular workings of the market. There has to be recourse to extra-market avenues and the articulation of clearly defined rules that set boundaries on what is acceptable in the processes and outcomes of the political economy. The shift (described in preceding sections) from the scholastic focus on the moral quality of individual exchanges to the modern preoccupation with the justness of social structures<sup>10</sup> is a response of theological economic ethics to this dilemma.

### **Normative Responses**

Economic institutions ought to be evaluated according to how well they serve the person. This means having to deliberate on two issues: (1) the obligations owed by the community to the individual, and (2) the limits on what the community may ask of its members. The former is more difficult to implement as it entails the acknowledgment of positive rights; the latter merely requires negative rights (Berlin 1969).

#### *From obligations to rights*

The employment of a language of entitlements is necessary in a market economy. In particular, there is need to state explicitly economic rights such as the rights to gainful employment, food, clothing, and other basic necessities (John XXIII, 1963). In the feudal setting, these claims are accepted, indeed expected, because of the unspoken (but understood) informal, customary obligations of extended social ties that make the mutual provision of basic needs the norm of what it is to belong to an extended family and the local community. This is in striking contrast to the modern welfare state where the social safety network is underwritten formally by the government.<sup>11</sup> Thus, it becomes essential to specify precisely the basis, the nature, and the scope of entitlements.

Finally, one must remember that the medieval economy does not produce much of a surplus that would be the object of competing claims. Not so in an era that has been relieved of the Malthusian peril. Agreement on how to apportion superfluity is now a necessity.<sup>12</sup>

#### *Principle of participation*

In addition to a greater sensitivity to rights, a new appreciation for the principle of participation is evident.<sup>13</sup> There is less need for such a norm in the feudal community because “to belong” means just to be where you

are supposed to be in the “nature of things” through membership in the extended household or the local village. Participation is taken as a *given*. Not so in the modern economy where the degree and quality of people’s interpersonal engagement are determined by their ownership of socially valued assets. The greater latitude for personal action afforded by the new economic liberties of the market comes at the expense of a greater risk of isolation.

Shorn of the security provided by established religious, familial, and communal ties, individuals in a modern economy can find themselves completely bereft of any succor. Thus, there is need to specify minimum standards for what constitutes meaningful participation in economic life: gainful employment that provides opportunities for improving one’s professional and social standing. The focus is on the person.

### *Relative equality*

The equitable distribution of burdens and benefits across members of the community is another concern. In a feudal setting, inequalities are not only tolerated but are also expected as part of the “nature of things.” Each person has a distinct role to fill and is remunerated accordingly through the scholastic just price.

In contrast to this fixed hierarchical division within the community, modern economic ethics views individuals as free moral agents, each sharing in a fundamental longing for a better life and deserving of the opportunity to satisfy such yearning. Inequalities are still deemed to be a normal part of social life, but there is a lower threshold for such legitimate disparities. This shift is best illustrated in the alteration of the understanding of superfluous income. Following the medieval formulation of St. Thomas Aquinas, Leo XIII describes superfluous income as that part of earnings not needed to maintain one’s social standing in the community. In contrast, John XXIII defines superfluous income on the basis of others’ relative needs (RN #36; GS footnote #10, chapter 3, part II; see also Christiansen 1984).

## **FROM ANTIPATHY TO ADVOCACY: UNIONS**

### **Normative Shift**

Scholars agree that the medieval ethicists are not enthused about unions, guilds, or other alternative work arrangements. On the few occasions these are mentioned at all, the treatment is either one of censure or wary accommodation. As de Roover observes:

[T]he Doctors rarely mention the guilds and then only to reprove them for their monopolistic practices. I do not find evidence in their treatises

that they favored the guild system, which is so often pictured as an ideal organization for Christian society or is recommended as a panacea against the evils of modern industrialism (de Roover [1955] 1974c, 186; see also de Roover 1974b, 336–45 and Friedman 1980, 238–39).

This aversion is born out of a longstanding condemnation of monopolies (and by extension, of oligopolistic and monopsonistic practices) that dates as far back as Greek and Roman economic thought.<sup>14</sup> This is not to say that there are few instances of abused workers at that time. Nor could it be said that scholastics are unaware of these; they are (Kirshner 1974a, 26; de Roover 1974b, 340). But even in cases where there is a clear need for worker protection, forming worker associations as a defensive measure is not encouraged. Instead, the scholastics seek to redress these injustices by simply appealing to the moral sensibilities of employers.

Employers were warned by Bernardine against exploiting workers by paying them less than the going rate; conversely, workers were warned against organizing in order to seek benefits and higher wages. . . . [T]he worker was so often eager for a job that he would accept a starvation wage (*Hungerlohn*) just barely adequate to support himself and his family. Antonine [St. Antoninus] pleaded with employers to pay a fair wage, but he was adamantly opposed, as were all the Schoolmen, to unionization (Kirshner 1974a, 26).

Even guilds themselves threaten to blacklist workers and artificers under their jurisdiction who attempt to organize labor unions.<sup>15</sup> There is a suspicion, if not outright disapproval, of anything that approaches rings or conspiracies that could disadvantage buyers, whom the scholastics view as the more vulnerable party in the medieval marketplace.

In contrast to the scholastic aversion toward organized labor, modern Catholic social documents have not only consistently championed the cause of unions but have also proposed alternative work arrangements. This 180-degree turn is most plainly illustrated by *Quadragesimo Anno*'s (Pius XI, 1931) call for a reconstituted social order with some features borrowed from medieval guilds (QA #88–98). How do we account for this shift from antipathy to advocacy? The change in economic arrangements dislodges the formal and informal safeguards for worker welfare embedded in the medieval economic order. In the modern economy, these lost protective structures have had to be replaced by nonmarket mechanisms.

### **Economic Explanations**

Several factors account for this shift in attitudes toward organized labor. First, there is very little thought given to production in economic theory prior to the Industrial Revolution (Langholm 1987, 117; Schumpeter 1954, 101). Little is said about work arrangements and other labor issues. This

lack of interest is understandable since production up to that point is primarily home-based and, therefore, traditionally organized and managed according to household customs. Economic thought and ethics concentrate primarily on exchange (and mostly on exchange for consumption) as this is the principal avenue for moral conflicts in economic life.

Second, in the little exchange for production that does occur, there is adequate labor protection through the guilds, the scholastic just price, and the more informal channels of moral suasion that minimize the abusive treatment of workers. There is no need to deal formally with work arrangements as a separate issue.

The shift from a feudal to a modern market economy leads to changes in these social conditions such that questions pertaining to production management and organization have to be directly and separately addressed. Traditional channels of safeguarding worker or producer well-being are lost and have to be replaced. The specialization and division of labor spawned by industrialization expand exchange for production (intermediate goods and services) and widen the distance between economic agents, with the consequent loss of informal channels (religious, familial, and communal ties) that have previously set boundaries for private economic behavior.

### *Loss of Formal Channels*

The convergence of commutative and distributive justice in scholastic economic ethics means that fairness is simultaneously achieved in both the product and the input markets through the same instrument—the price. After all, the just price paid in the medieval product market is based on the common estimation of the income needed by producers (the labor market) to live up to their social role. The shift toward allocative efficiency in the modern market economy breaks this automatic link between factor and product market pricing. As a consequence, laborers now have to fend for a living wage for themselves separate from the product market even as the economy's objective moves away from equity toward efficiency. Achieving a living wage for workers while satisfying the requirements of growth and efficiency is a rare accomplishment in the modern economy. Unlike medieval workers, modern laborers cannot depend on the workings of product market pricing alone to assure them of such a wage.

In contrast to modern Catholic social ethicists, the scholastic doctors are not compelled by economic conditions to support the cause of unions or alternative work arrangements. After all, in spite of the moralists' misgivings about the legitimate role of organized labor in the social order, guilds do, in fact, relieve the scholastics of the need to address worker safeguards. These medieval associations fend quite well for their affiliates. Organized in terms of skills, crafts, and trades (analogous to modern-day labor unions), guilds are effective in protecting the common

interests and promoting the economic well-being of their members (as are unions). Furthermore, they serve as self-help, mutual-aid alliances and as channels for sociopolitical participation and public service within the larger community (which are other ideal functions of unions). Finally, guild members are working for themselves (thereby addressing some of the modern proposals for co-management, co-ownership, and profit sharing in work arrangements). Guilds, even as they are viewed with great suspicion, paradoxically provide many of the features greatly sought today by social reformers. The demise of guilds as part of the evolution into the modern economy creates a gap in worker safeguards that modern economic ethics must fill. In discussing the value, functions, and rights of unions, *Rerum Novarum* and *Quadragesimo Anno* articulate a desire to gain back some of the positive attributes of medieval work organizations that have been lost with the change from feudalism to the factory system.

### *Loss of Informal Channels*

Despite the modern reliance on demand and supply (instead of custom, law, and usage), it is still possible to preserve the end of scholastic just price theory (equitable income distribution) without recourse to formal methods of overriding the market. Mutual goodwill on the part of economic agents could lead to an adequate income for everyone. After all, the market price is merely indicative, not imperative; one may choose to pay more for goods and services out of one's sense of fairness, honor, or charity.

The nature and dynamics of exchange in the modern economy work against retrieving even these informal channels. The specialization and division of labor as part of industrial organization have put an ever greater distance between the producer and the end user. Unlike economic agents in the preindustrial economy, the consumer and the manufacturer in the modern era are separated from each other by multiple tiers of transactions with intermediate producers and distributors in between.

The medieval proximity between the end user and the producer works toward internalizing compliance with the principle of just price.<sup>16</sup> Where buyers and sellers deal with their own neighbors, friends, or relatives, the commercial transaction is merely a small (and most likely relatively insignificant) part of a much larger multidimensional relationship among people who depend on each other for support in many other spheres. Mutual dependence in medieval relationships most likely engenders a strong moral incentive to pay a fair price out of a sense of empathy or to avoid fracturing relationships or maybe just to save face. These incentives lend weight and efficacy to custom, law, and usage even when formal enforcement mechanisms are inadequate or absent. People

know what is expected of them and what to expect of others.<sup>17</sup> This natural check is lost in a modern economy where exchange has become not only impersonal but also purely commercial. In the current global economy's cornucopia of goods, most consumers cannot empathize with, much less think about, the remote Third World workers who produce the shoes or the clothes they wear. Paul VI (1967, #47) expresses the crux of the matter well in asking First World consumers whether they would be willing to pay higher prices for imports to afford better pay for overseas workers. Formal nonmarket mechanisms of price supports have become necessary in the face of anonymous exchanges in modern economic life.<sup>18</sup>

The medieval treatment of employees, more as members of the master's extended household<sup>19</sup> than as strangers, is a second valuable informal channel of moral suasion that is lost with the shift of economic production from country cottages to urban factories. The medieval extended household is the basic unit of production, even in the proto-industrialization that precedes the modern economy. Home-based production means the unity of the household and the workplace. Whether in rural cottage industries or in the guilds, it is common for the master, the apprentices, and the journeymen to live in the same household, which doubles as the workplace. The move to factory-based production spells the demise of this household-workplace nexus; it also means that workers set up their own independent households (Rosenberg and Birdzell 1986, 152–53). The familiarity and the ties that come with living under the same roof are lost. This distancing between workers and employers accelerates the depersonalization of labor market relations. The association between workers and employers becomes a purely business transaction, thereby diminishing the chances of a greater solicitude of employers for their workers.

The loss of this informal channel is made worse by the regimen that the modern market imposes on the employer in rationalizing production for efficiency, a discipline that makes the workers' position even more uncertain and vulnerable. In medieval agrarian life, where land and labor are the two key factors of production, the role of labor is secure; its contribution is readily apparent. The treatment of workers may not have been always fair when it comes to dividing the produce between rent (landowner) and wages (workers), but all parties recognize that the land's bounty is clearly a function of labor. This changes.

In the modern economy, the factors of production are land, labor, and capital. Labor may not always be necessarily perceived as the crucial or the most productive factor. This role has often been ascribed to capital, with unfavorable consequences in the short term for the share of labor in social output. The standing of workers becomes more precarious in proportion to their diminished power in an economy where labor now faces competition from capital for the role of the most significant factor of production. In fact, capital has been pivotal in raising the productivity

of workers in the modern economy. While there may be competition in the short run when it comes to the division of output, in the long run, capital is beneficial in improving standards of living. This is a key explanation to the industrial economy's ability to support more people and at a higher standard of living.

### *Consequences*

These shifts in economic life require greater vigilance in ensuring gainful employment and decent working conditions for workers within the unfettered operations of the industrial economy. The atomization of the economic agent in the industrial era and the modern pursuit of private economic gain make it difficult for individuals to retrieve and internalize for themselves an ethos that values relationships in economic behavior. The personal touch is lost as interactions among economic actors become anonymous, institutionalized, and impersonal. This makes it easy to treat other economic agents as means (as factors of production), rather than as ends and as the subject of work (John Paul II 1981). Consequently, modern Catholic social documents have had to call repeatedly for a wide array of nonmarket measures to ameliorate the plight of workers that include minimum wage legislation, a living wage, government assistance, unionization and mutual self-help associations, industry-level vocational groupings of employers and workers as partners in decision making, and alternative work arrangements (profit sharing, co-ownership, and co-management of the means of production). Economic ethicists have had to find substitutes for the safeguards that had been provided previously by formal and informal mechanisms of the medieval economic order.

## **A TRANSFORMED TERRAIN FOR PRIVATE ECONOMIC GAIN**

Earlier thinking on the place of private economic enrichment in moral life has been reformulated. It is understandable to see why patristic and scholastic writers frown on the pursuit of personal economic gain as this would mean leaving that much less for others in a subsistence economy. A logical extension of this is their antipathy toward trade which they deem to have no real contribution to society and is, therefore, undeserving of any remuneration.<sup>20</sup>

To seek to enrich one's-self [*sic*] was . . . in itself unjust, since it aimed at appropriating an unfair share of what God had intended for the common use of men. . . . "If covetousness is removed," argues Tertullian, "there is no reason for gain, and, if there is no reason for gain, there is no need of trade." Moreover, as the trader did not seem himself to add to the value of his wares, if he gained more for them than he had paid, his gain, said S. Jerome, must be another's loss (Ashley 1925, I:128–29).

The end of economic activity is the sustenance of people in their station in life. Anything over and above this is immoral hoarding that deprives others of what is rightfully theirs.

To the medieval theologian an “eagerness for gain,” beyond that necessary to maintain a man in his rank in life, was in itself avarice. . . . But if the pursuit of wealth for its own sake was sinful, how were the ordinary activities of life to be justified? The answer to this question was given by another dominant idea of medieval thinkers—the ideal of status or class. Men . . . had been placed by God in ranks or orders, each with its own work to do, and each with own appropriate mode of life. That gain was justified, and that only which was sought in order that a man might provide for himself a fit sustenance in his own rank. . . . With the canonists, this idea of class duties and class standard of comfort is either explicitly or implicitly referred to as the final test in every question of distribution or exchange. . . . [T]heir only just claim to their [referring to the lords of land] rents is founded on their fulfilling the duties of their class, and rightly governing and protecting those subject to them (Ashley 1925, II:388–93).<sup>21</sup>

The economic root of this moral teaching is obvious: severe scarcity in the medieval world. This is an example of how economics can shape ethical thinking. However, the reverse is also true where moral norms modify economic processes and outcomes. In particular, the patristic-medieval teaching of restricting economic gain according to one’s station in life exacerbates the languid state of the premodern economy by circumscribing the scope of private initiative. This holds back even further a frail economic life that is already hampered by the lack of tools, innovation, and mobility.

The central importance of private initiative today has altered normative thinking on the limits and the ends of personal gain. In the first place, the scholastic standard of “what is needed to maintain one’s station in life” has been replaced by choice in career selection and social status. The individual’s place in society is no longer taken as a given but is itself the subject of personal decision that flows from the natural right of self-determination.

Second, an increase in one’s consumption in the modern economy need not inevitably come at the expense of others’ unmet needs. An expanding societal output can provide enough for all as seen in the greater numbers of people supported by the economy at a higher standard of living (Rosenberg and Birdzell 1986).

Third, in contrast to the rudimentary capital markets of the premodern era, the contemporary economy has many legitimate uses to which privately owned surplus can be used to benefit others in creating employment opportunities (QA #50–51; CA #36d). The growth in the productive uses of such funds, the availability of new instruments, and the continued integration of financial markets have established fresh

avenues for living up to the *just-use* obligations of property ownership by making it easier to put privately generated surplus at the disposal and use of others. This shift is reflected in the new appreciation for the value and legitimacy of pursuing personal economic gain:

*[T]he right of economic initiative . . . is a right which is important not only for the individual but also for the common good. Experience shows us that the denial of this right, or its limitation in the name of an alleged “equality” of everyone in society, diminishes, or in practice absolutely destroys the spirit of initiative, that is to say the creative subjectivity of the citizen* (SRS #15b, emphasis in the original).

It is precisely the ability to foresee both the needs of others and the combinations of productive factors most adapted to satisfying those needs that constitutes another important source of wealth in modern society. . . . Organizing such a productive effort, planning its duration in time, making sure that it corresponds in a positive way to the demands which it must satisfy and taking the necessary risks—all this too is a source of wealth in today’s society. In this way the role of disciplined and creative human work and, as an essential part of that work, initiative and entrepreneurial ability becomes increasingly evident and decisive (CA #32b).

The wide availability of economic opportunities in the wake of industrialization has turned the pursuit of personal gain and advancement into a real service for the rest of the community. In contrast to the earlier disapproval of trade and entrepreneurship, investment is now viewed as a moral decision that can produce much good.

[I]t is not a matter of the duty of charity alone, that is, the duty to give from one’s “abundance,” and sometimes even out of one’s needs, in order to provide what is essential for the life of a poor person. I am referring to the fact that even the decision to invest in one place rather than another, in one productive sector rather than another, is always *a moral and cultural choice*. . . . [T]he decision to invest, that is, to offer people an opportunity to make good use of their own labor, is also determined by an attitude of human sympathy and trust in Providence, which reveal the human quality of the person making such decisions (CA #36d, emphasis in the original).

## SUMMARY AND CONCLUSIONS

Viner (1978, 49) has described the state of Catholic economic ethics at the time of the Industrial Revolution as “largely frozen in its medieval shell” with little movement in economic morality from the end of scholasticism to 1891.<sup>22</sup> *Rerum Novarum* and the legacy of the social documents it spawned articulate a new vision of a just Christian society

attuned to the needs of the modern economy. In fact, Langholm's (1992, 565) description of the scholastic doctors' efforts may also be a fitting characterization of modern Catholic social documents: "By a common denominator we may perhaps describe the economic doctrines of the medieval theologians as a set of compromises, codes of economic conduct which must be operational while abandoning as little as possible of the Christian vision of society." This chapter has examined some of these adaptations, together with the causes that may have given rise to them.

The transformation of feudalism into the modern industrial economy is both a cause and an effect of custom, law, and usage relinquishing to suprapersonal economic institutions the role of setting prices. Price has a dual function, namely: (1) It provides timely information essential to the efficient allocation of scarce resources to their competing uses (its allocative dimension), and (2) It influences the distribution of factor incomes through the revenues that goods and services can generate (its distributive dimension). The medieval subsistence economy is more concerned with the distributional nature of pricing, evident in the social-status approach in scholastic literature. In contrast, the modern economy of growth has been preoccupied with the informational-allocative function of price both in theory and in practice. Thus, the convergence of commutative and distributive justice in the scholastic formulation of just price has, in effect, been broken.

In the circumstances of industrial modernity, distributive justice has had to find an avenue of its own outside of market processes. This search for nonmarket, nonprice mechanisms to safeguard distributive justice is one difference between scholastic economic teachings and the economic ethics advanced in modern Catholic social documents. Besides, medieval ecclesiastical enforcement mechanisms have had to be replaced by regulative strategies that ensure the justness of contemporary economic structures. While just price and usury are the leading concerns of scholastic normative economics, recent ethical thought has focused primarily on the morality of social processes and outcomes in the face of the Smithian *invisible hand*.

Joseph Finkelstein and Alfred Thimm (1973, 11) claim that it is not technological progress that precipitates the most radical modification of economic life from feudalism to modern industry. It is rather the transformation of our self-understanding of what it is to live as a community that has been the more decisive factor behind change: "the alteration of the view of society—from a world of harmonies within a harmonious universe to a world of Faustian competition." This chapter suggests otherwise. It is a radically transformed market-driven economic life that induces a shift away from the organic hierarchical vision of society.

Theological social ethics has had to keep pace and respond to the transformation of economic life by shifting its conception of social life from that rooted in an organic hierarchy to one that is steeped in rights

language. In scholastic thought, everyone has an appointed, fixed function to discharge, and the emphasis is on the obligations attendant to fulfilling one's designated station in life. In contrast, modern social ethics employs a human rights model in according a great premium to purposeful participation, relative equality, and the protection of the individual from unjust social structures.

The medieval organic hierarchy is rooted in the experience of an economy of precarious subsistence. It is a static existence with little to spare; the overriding concern is survival where all are expected to do their share toward providing for the material needs of the community. The extraordinary growth and vibrancy of modern industry recast the fundamental economic problem with wide-ranging implications for moral reflection. The market economy of self-sustaining growth spells the death knell for the organic hierarchy paradigm. In a world of low-level stagnation and a precarious economic balance with not much cushion or surplus against unforeseen setbacks, the medieval economy is principally concerned with achieving a modicum of stability and predictability within the given social order. Hence, the stress and focus are on ensuring a distribution of income that preserves the cohesion of the hierarchical order. In contrast, efficiency is the principal object of the modern economy of growth.

Changed economic conditions remove the need for such an inflexible conception of social life. The modern market is founded on individual freedoms, especially the liberty of pursuing private gain and improvement. It is rooted in an individual autonomy characterized by mobility—social, geographic, and occupational. Equally important, the means have now been furnished to nurture and sustain such individual autonomy. Surplus means relief from the pressing need to ensure personal and communal preservation; it paves the way for moving further toward measures that improve the quality of life including changing social structures and institutions. Economic history can go a long way in helping us better understand and appreciate the demise of the medieval hierarchical vision of the social order and its replacement by individual rights as an organizing principle of theological economic ethics.

Economic history cannot be taken out of its larger epochal context. In particular, one must note that the Enlightenment's "turn to the subject" fosters the modern confidence in the autonomy and power of human reason and radically changes attitudes regarding the mutability of social institutions. Consequently, the changes in economic terrain just examined cannot be viewed as the sole nor necessarily the most decisive factors behind the observed shifts in economic ethics. However, what this exposition on the transformation of the economy does accomplish is to present an analysis of why the scholastic just price is untenable in the industrial era. Moreover, it argues the case for why there are economic reasons for contemporary ethicists to be genuinely concerned about the

ability of current socioeconomic institutions to fulfill the requirements of distributive justice. Economic history and theory can be employed fruitfully to enhance our understanding of the specific mechanisms by which ethical reflection evolves in its continuing accommodation of the rapid changes in economic life.

## Notes

1. Viner (1978, 50) writes: "The Scholastics . . . recognized in some measure that virtue has social implications, but in the main they confined their discussion . . . [to] questions of commutative justice arising from transactions between individuals in the ordinary course of their worldly life. *They said almost nothing about the impact of individual behavior on social institutions, or the impact of social institutions on individual behavior, or the possibilities of deliberate or spontaneous remoulding of existing institutions*" (emphasis added). Langholm (1982, 271) observes that this is also true of patristic literature: "The idea that terms of exchange are determined by suprapersonal forces which extenuate moral blame on the individual level was essentially foreign to ethical thinking at least until well into the sixteenth century. The patristic focus, even in the case of issues carrying broad social implications, was on immediate personal relations." For further discussion of this stress on personal behavior rather than on social institutions, see Langholm (1992, 566), Tawney (1926), and Worland (1967).

2. I am treating the manor as the basic productive economic unit. One could, of course, view manorial life as a series of exchanges: the serfs rendering their labor (work week) and tithes to the lord of the manor in exchange for protection. Furthermore, there are also merchants who are engaged in the buying and selling of goods for commercial profit. Such trades are, however, a relatively small part of the predominantly subsistence nature of the medieval economy.

3. Even usury itself may be considered a subset of teachings on the just price. Since money is deemed to produce no value on its own, its price is set at zero. The shift and nuances in the teachings on usury are not addressed in this analysis since these have already been the subject of extensive analysis and debate in the literature. See, for example, Dempsey (1943) and Noonan (1957).

4. See also Baldwin (1959) and Worland (1967, 289, note 10 and chapter 8).

5. To avoid falling for the fallacy of division, one must qualify this generalization by acknowledging that aggregated statistics do not always present the complete picture. Parts of sub-Saharan Africa, for example, have descended into even deeper poverty in the past two decades (World Bank 1991).

6. In fact, Barone (1935), von Mises (1935) and Lange (1936/37) present theoretical arguments on the necessity of the allocative function of price even in a command economy.

7. A sample of such cases and an extensive bibliography on the role of such courts in economic life can be found in Viner (1978, 46).

8. Langholm (1987, 118) observes, "[T]here was a tendency in scholastic thought to accept the social order and invite poor and rich alike to view their God-given roles as opportunities to exercise Christian virtues: humility and self-denial on the part of the former, charity and compassion on the part of the latter." See also Hollenbach (1979, 54–55, 92–93).

9. Whether one can achieve this balance while holding on to an organic model is an issue that needs further examination. For example, Waterman (1999) notes the tension between the underlying organic vision of community within the tradition and the implicit assumption of spontaneous order undergirding markets.

10. See Langholm (1982, 271; 1992, 566), Schumpeter (1954, 102), and Viner (1978, 50).

11. This is not to downplay the significant role of private philanthropy today. The critical point being made here is the formalization of a substantial part of these traditional income transfers. Cipolla (1976, 20–23) estimates that transfers to the poor may have amounted to more than one percent of GNP in preindustrial Europe, a figure far higher than current levels.

12. Wealthier countries, on the whole, have well-developed, clearly defined and well-articulated entitlements in their welfare programs compared to struggling poor countries. After all, there is not much to distribute in the latter.

13. This is seen in *Rerum Novarum's* fight for unions as venues of collective action for workers, in *Quadragesimo Anno's* call for industry-level vocational groupings, in *Mater et Magistra's* concern for farmers left out of the process of development, in the repeated calls for alternative work arrangements that give workers some say in the decisions that most affect them, and in the repeated appeals of *Populorum Progressio*, *Sollicitudo Rei Socialis*, and *Centesimus Annus* for overseas assistance that allows poor nations to be the agents of their own development.

14. The scholastics' wariness of monopolies is said to have carried over all the way to Adam Smith through the influence of Samuel von Pufendorf and Hugo Grotius. See Kirshner (1974a, 21–22).

15. Sometimes the punishment is even death. See de Roover ([1951] 1974a, 284–85).

16. Recall W. Ashley's (1925, I:138) observation that the bulk of medieval exchanges is between the consumer and the actual producer.

17. This is not to claim that such self-imposed restraints are always operative in the medieval economy. Numerous examples of local government regulation of prices, especially of necessities, suggest a problem of profiteering. Voluntary compliance obviously operates better in closely knit, smaller communities where economic actors could not disappear into the anonymity of the larger urban concentrations.

18. For example, there are agricultural subsidies and international commodity stabilization funds for some key Third World exports.

19. This, of course, is by no means always the case for the period. In fact, the increasingly severe subjection of workers ultimately leads to the decay and demise of the guilds (Renard 1918, 109–10).

20. St. Thomas Aquinas acknowledges that there are instances when merchants do provide valuable service for the preservation of the commonweal. See de Roover (1974b, 336–45).

21. See also Archibald (1949–50) and Viner (1978, 62–66). Viner questions this characterization of scholastic disapproval for individuals striving to raise their social status. He notes that there are few citations that directly support this interpretation of medieval teaching. According to de Roover (1974b, 340–41), Cajetan believes that individuals are not confined to their social status by birth. It

would not have been greed to advance to a rank in society commensurate with their virtues or achievements.

22. Schumpeter (1954, 73–106) describes scholastic economics as spanning from the ninth century to the seventeenth century, the eve of the Industrial Revolution.