



XIX ESHET ANNUAL CONFERENCE ROME, 14-16 MAY 2015

RM Nureev

Financial university the Government of RF, NRU HSE

PK Petrakov

NRU HSE

DOCTRINE OF "FAIR PRICE" BY THOMAS AQUINAS: BACKGROUND, LAWS OF DEVELOPMENT AND SPECIFIC INTERPRETATION



- 1. Historical background of the "fair price" doctrine**
- 2. The characteristic features of European scholasticism**
- 3. The concept of "fair price"**
- 4. The concept of percent**

1. Historical background of the “fair price” doctrine

1.1. Separation of town and country

1.1.1. Roman cities

Milan, Naples, Florence, Bologna, Paris, Lyon, Arles, Cologne, Mainz, Strasbourg, Trier, Vienna, London and others.

1.1.2. Foundation of new towns:

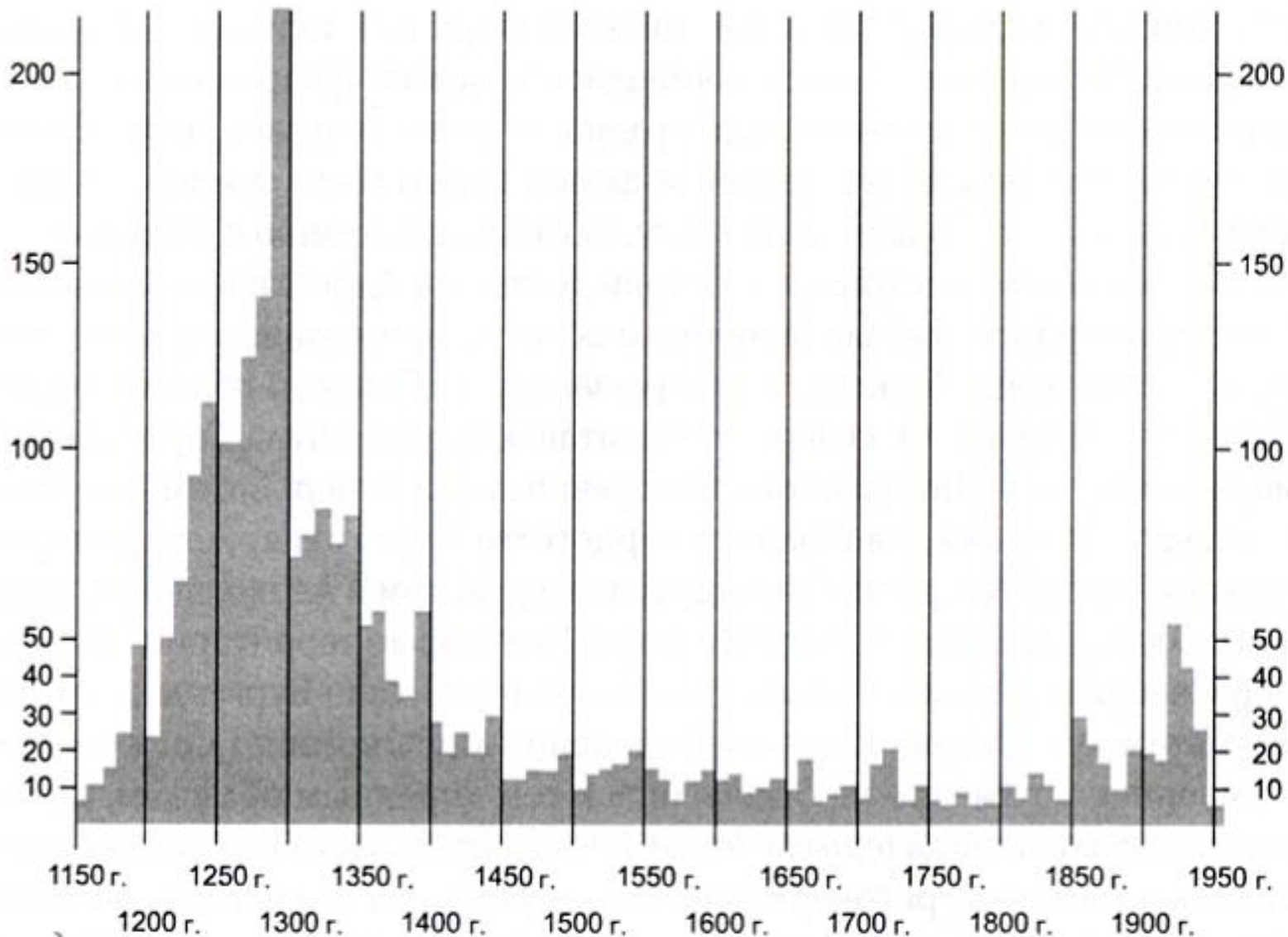
- ◆ In Italy (in the XI century)
 - *Venice, Genoa, Pisa*
- ◆ In the south of France (in the X century)
 - *Marseille, Toulouse*
- ◆ In the north of France, the Netherlands, England and Germany (X - XI centuries)
 - *Bruges, Ghent, Lille, Douai*
- ◆ In Scandinavia, Finland, Hungary (with the XII - XIII centuries)

1.1.3. The dimensions of the medieval city (XIV - XVI centuries)

Average	1 - 5 thousand inhabitants
Large	20 - 30 thousand inhabitants
The largest	80 - 100 thousand inhabitants

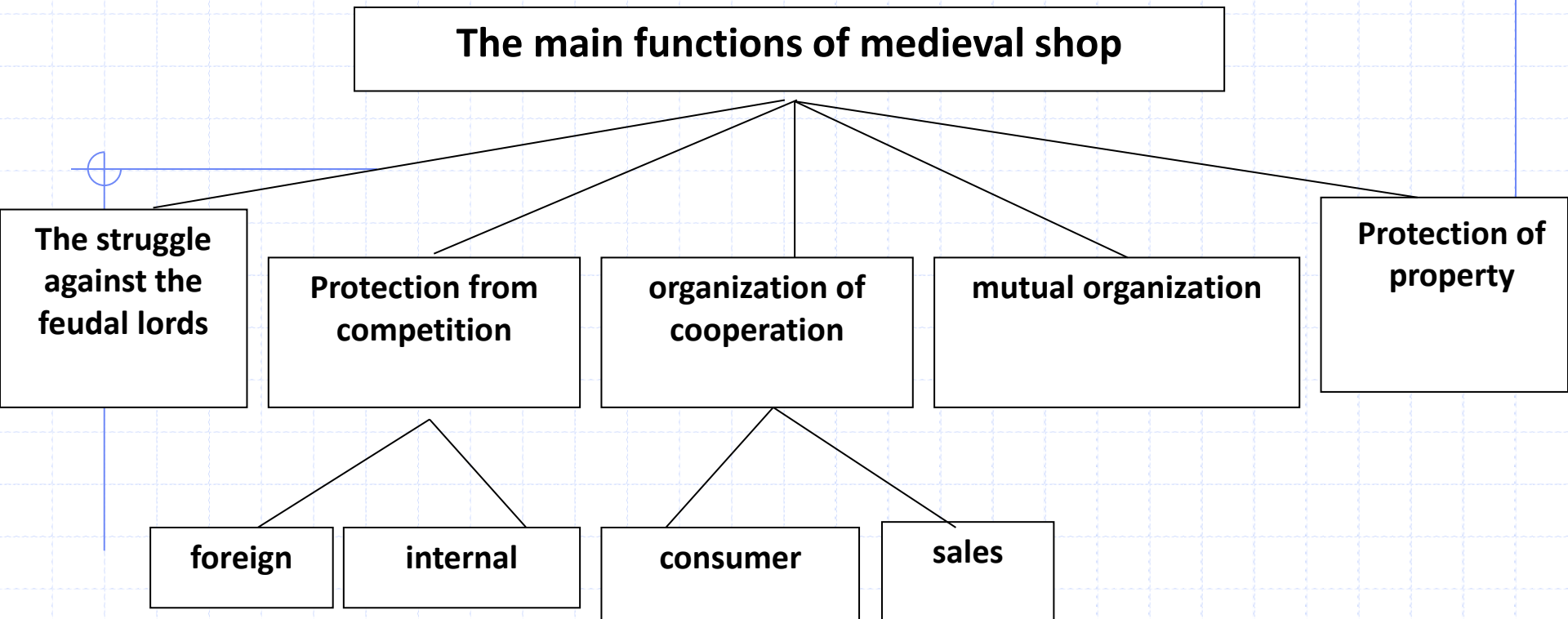
(Paris, Venice, Florence, Cordoba, Seville)

Foundation of towns in Central Europe



* Source: Abel W. Geschichte der deutschen Landwirtschaft von fruhen Mittelalter bis zum 19. Jahrhundert Stuttgart, 1962. S. 46.

1.2. Guild system



In Italy
In France, England, Germany

from the X century
from the XI - н. XII в. centuries

Main objective of the workshop - the creation of monopolistic conditions of production and sale of its products (within the local market)

Handicraft workshop :

Craftsman (guild master)

+ 1-2 apprentices

+ 2-3 students

1.3. Features medieval business

1.3.1. Safety, risk and calculations in medieval life

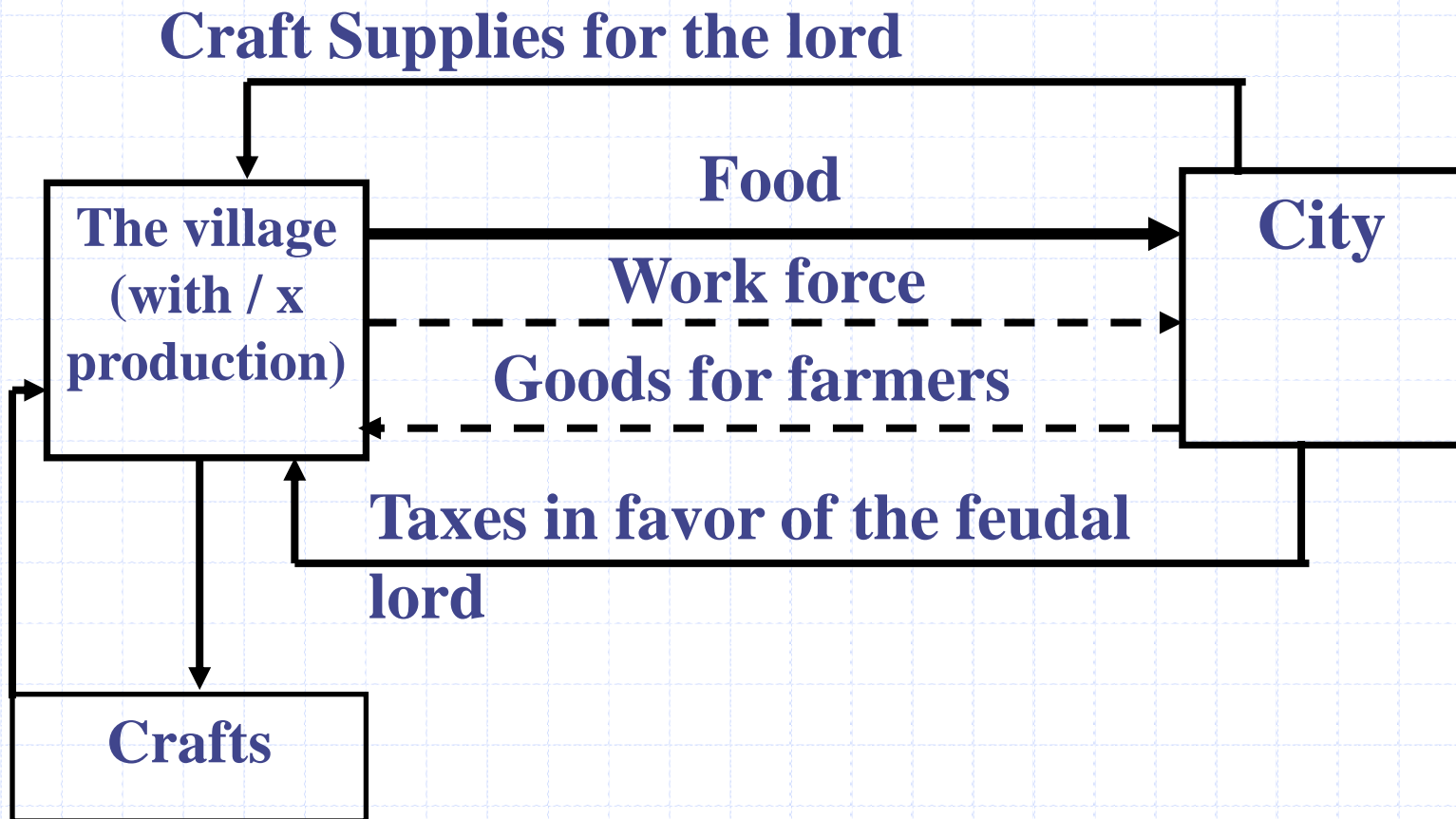
- ◆ Feudal taxes - a source of risk and uncertainty
- ◆ The risk of expropriation lawless :
 1. systematic
 2. random
- ◆ Market uncertainty :
 1. The reaction of customers and competitors
 2. The value of the future income of the peasant or artisan
 3. Demand and supply
 4. Prices
- ◆ Under these conditions, a precise calculation was not possible
- ◆ The problem of "fair price"
- ◆ Condemnation of usury

1.3.2. Political rights

- ◆ Instead of feudal lords came centralized monarchy
- ◆ The struggle between the king and parliament for the right:
 - impose taxes
 - Give monopoly power

Economic rotation in terms of developed feudalism **(by E. Kleer)**

Western Europe - XIII - XV centuries.



2. Scholasticism

**TELEOLOGICAL CHARACTER
ECONOMIC THOUGHT FEUDAL SOCIETY**

The Catholic Church acted "as the most common and the most common synthesis sanctions existing feudal system" (F. Engels)

Clergy - the most organized class of feudal society.

Open class.

Dualism feudal culture: Latin - national languages

Social Sciences - simple branch of theology, interpreted from the standpoint of scripture.

2.1. The main sources of the teachings of the scholastics

◆ Ancient philosophy - works

- Plato,
- Aristotle,
- Seneca,
- Cicero and etc.

◆ Patriotic works

- St. Augustine,
- Dionysius the Areopagite, etc..

◆ Roman law

Since the end of the eleventh century Western Europe begins reception of Roman law.

2.2. CHARACTERISTIC FEATURES OF MEDIEVAL SCHOLASTICISM (1)

1. Devotion to the great teachers.

In the role of authority was not only the Scriptures, but also the creation of the Church Fathers, the works of Plato and Aristotle.

The predominance of borrowing, submission to authority.

Quotes - the main argument in the dispute.

2. A major role of tradition.

Traditional bases occupy much more space than non-traditional.

Even large scientists scholastic differ mainly conventional method of synthesizing the material.

New born as a synthesis of parallel or related unconventional.

Hence not only continuity, but also an amazing uniformity of scholastic works.

In these circumstances, a lot of creative energy is going to study traditions.

Mainly becomes the creation of new concepts and painstaking development of parts of the old.

2.2. CHARACTERISTIC FEATURES OF MEDIEVAL SCHOLASTICS (2)

3. Goal - not to study and generalization of the practice, and on the accumulation of amounts objective "eternal" truths.

4. School in nature.

In the Middle Ages, when the individual is absorbed by the corporation, and the person is obscured by society, the school is of paramount importance.

With the rise of the universities and the formation of the medieval orders (Franciscans, Dominicans, Augustinians, etc.) corporate element increases.

There are schools closed followers

Thomas Aquinas (1225 or 1226- 1274)

John Duns Scotus (c. 1266 - 1308)

and later William of Ockham (c. 1300-1349 or 1350).

Meeting of University Teachers decide what should and what should not be taught.

Belonging to the school determines the research topics of their ideological orientation and the method of proof.

2.3. CHARACTERISTIC FEATURES OF MEDIEVAL SCHOLASTICISM (3)

5. Creating a flexible terminology.

Development of definitions and concepts and methods for their separation and connection.

Of medieval scholasticism in our everyday life entered terms such as

- objective and subjective,*
- a priori u a posteriori and many others.*

6. Deductive formal-logical method of research.

The proof takes the form of a variety of syllogisms.

7. The quest for harmony.

Scientists are trying to agree on the truth, consecrated authority of the Church, with their own ideas, to find arguments in support of these truths.

The first experience of such agreement - P. Abelard (1079-1142)

2.4. Medieval anthology - "Sum"

- ◆ These collections, notes usually contain not only the most important excerpts from books, but also comments of the originator.
- ◆ In the "Summa Theologiae" of Thomas Aquinas problem is usually formulated in the form of a question,
- ◆ Then given the objections and arguments in support of it.
- ◆ Refutation consists of three parts:
 - As the main argument commonly quoted from Scripture or writings of the Church Fathers,
 - This is followed by the presentation of the author's own opinion and reasons why it gave rise,
 - And finally, a refutation of the arguments made in the original objection.

2.5. The objectives of knowledge

- ◆ At this time, **knowledge** was put to **the service of faith**, is an additional argument in support of the Scriptures.
- ◆ **Medieval scholasticism seeks to** solve primarily theological problem, **show the world order as a result of the earth's unearthly.**
- ◆ **Mainly** in these conditions **becomes** a study of external nature and human life in its historical development, and **the knowledge of God as the root cause and development of society.**
- ◆ **Medieval thinking is transcendental, speculative.** A wide flight of metaphysics is not constrained by anything.
- ◆ **The reasoning being, as a rule, apart from the specific empirical research:** how in the field of natural and human sciences.

Out of historicism scholasticism

- ◆ Medieval world alien genuinely historical understanding of the facts.
- ◆ It is not critical, it likes to measure all the concepts absolute yardstick, not noticing that they bear the imprint of the modern era scientists.
- ◆ This does not mean that scientists did not write about the past and the future, however, this approach had nothing to do with the historical review of the subject.
- ◆ Past obtained by back projection of the present, the future is derived by logical deduction.
- ◆ The main role is played by formal logic. It was my method of investigation of real problems of the real economy, and the only way to synthesize concepts.

3. THOMAS AQUINAS 1225/26 – 1274

- ◆ **From 1239** –studied at the University of Naples
- ◆ **1244** – became a monk of the Dominican Order
- ◆ **1245-1248** – Study at the University of Paris Albert the Great (1193 or 1206/07 - 1280)
- ◆ **1248-1252** – University of Cologne (together with Albert the Great)
- ◆ **1252-1259** – teaching at the University of Paris
- ◆ **1259** – Pope Urban IV called him to Rome
- ◆ **1259-1269** - teaching in the Italian city of Anagni, Orvieto, Rome, Viterbo
- ◆ **1269-1272-** teaching at the University of Paris. The fight against Averroists headed by Siger of Brabant
- ◆ **1272-1274** – teaching at the University of Naples
- ◆ **In 1274** - at the call of Pope Gregory X left the cathedral in Lyon. He died on the way
- ◆ **1323** –canonized
- ◆ **1567** – recognized as the 5th "Doctor of the Church"
- ◆ **1879** – Encyclical of Leo XIII "Aeterni Patris" doctrine of Thomas Aquinas recognized as the official philosophy of Catholicism.



THOMAS AQUINAS 1225/26 – 1274

3.1. DOCTRINE OF LAW: 4 SPECIES

ETERNAL — the human mind

NATURAL — WELCOME

HUMAN :

- *fair*
- *Unfair*

DIVINE :

- *Old Testament*
- *New Testament*

CONFLICTS

- a) common good*
- b) divine law*

3.2. THE DOCTRINE OF FAIR PRICE



OBJECTIVE

Production and
distribution costs



SUBJECTIVE

Installed by
trusted people

3.3. DOCTRINE OF PERCENT

3.2. THE CONCEPT OF "FAIR PRICE" (1)

- **Understanding of justice as a proportionality (equivalence) goes back to Aristotle** (Nicomachean Ethics, V , 1133b),
 - **To the original Christianity**(" Whatever measure you measure, it will be measured to you " — Mark., 4:24; Matthew., 7:2; Luke., 6:38).
- **The concept of "fair price" was produced as opposed to Roman law.**
 - According to a recent price determined by the free contract.
 - Canon law meant by "fair price" typical market price evolving under normal production conditions.
- **This meant that the "fair price" does not depend on the will of accidental involved in trade transaction counterparties - the buyer and seller.**
 - For the first time such an idea has already found in St. Augustine in his treatise "On the Trinity"(De Trinitate, 13, 3).
 - Further justification for the idea of "fair price" was in the works of the canonists.

3.2. THE CONCEPT OF "FAIR PRICE" (2)

- ❑ In the "Summa Theologiae" Thomas Aquinas "fair price" is seen as a particular case of justice in general.
- ❑ Based on the fact that justice is defined as "permanent strong desire to give everyone something to which he is entitled," Thomas Aquinas condemns attempts to sell expensive things they value. Based on the Gospel, he explicitly argues against Roman law (Summa Theologiae, Secunda Secundae, quaestio LXXVII, articulus I).
- ❑ However, it allows for the exclusion, involving a sale for the price higher than its value.
 - The price will be fair, he said, and in the case where the buyer things in her great need, and the seller will suffer, losing her.
 - Higher price in this case, compensation for any damage suffered by the former owner of things.

3.2. THE CONCEPT OF "FAIR PRICE" (3)

- ❑ This approach to "fair price" increases the subjective aspect of her understanding.
- ❑ The development of this idea leads to the fact that the "fair price" consider not only the price that reflects the cost of production and transportation of the product, but also provides corresponding to each estate there.
- ❑ Therefore definite shape by the end of the XV century. canon law means by "fair price" is not just a typical market price, but the price, which was appointed with the participation of trusted people define it in accordance with the principle of universal justice.
- ❑ It is obvious that such a definition of "fair price" to justify the percentage is only one step.

3.2. THE CONCEPT OF "FAIR PRICE" (4)

- ◆ In comments to "ethics" Thomas Aquinas followed his teacher Albertus Magnus tries to justify the difference in the value of things time and labor that was required for their manufacture (*Thomas Aquinas. Sententia libri Politicorum. Lib. V. Lect. 5. 4.*).
- ◆ But later, while working on the "Summa Theologiae" of his views have undergone some changes.
- ◆ In his major works he does not focus on the cost of labor, and moral aspects of the relationship to the price, which make it "fair".
- ◆ A necessary condition for what would be the deed of sale was fair, Aquinas calls the quality of the goods, and the use of correct weights and measures, the observance of which the responsible authorities of the city (*Thomas Aquinas: Summa Theologiae, II-a – II-ae. Q. 77. Art. II. ad. 2).*

3.3. Especially the interpretation of the teachings of St. Thomas Aquinas

3.3.1 Thomas Aquinas – a forerunner of labor theory of value

Such an ambiguous approach to a "fair price" led to the fact that some researchers considered Thomas Aquinas to be a forerunner of labor theory of value:

- *Kulisher I.M. Evolution of capital profit connected with the development of industry and trade in Western Europe. Spb., 1906.S. 378-379 (in Russian);*
- *Tawney R. H. Religion and te Rise of Capitalism 1963 (1 ed. – 1926) P. 36-39;*
- *Kraus J.-B. Scholastik, Puritanismus and Kapitalismus. Leipzig, 1930;*
- *Hagenauer, S., Das «justum pretium» bei Thomas von Aquin, Ein Beitrag zur Geschichte der objektiven Werttheorie, Stuttgart 1931. S. 36-38,56;*
- *Fanfani A. Catholicism, Protestantism and Kapitalism. N. Y. 1935. P. 158-159;*
- *Trachtenberg B. Essays on the history of Western medieval philosophy. M., 1957, P. 109-111 (in Russian);*
- *Mayka Y. Social doctrine of the Catholic Church, Rome Lublin, 1994 P. 148-150 (in Russian).*

Criticism of the interpretation of the teaching of Thomas Aquinas in the spirit of the labor theory of value

The attempt to see foundations of the labor theory of value in the works of Thomas Aquinas is the apparent modernization.

- ◆ There were no (and could not be) any categories of labor in the Middle Ages as a general reliable basis for cost determining.
- ◆ Work considered not as an abstract, but as a quite specific. Each activity was assessed according to its time and place, and what is more important, depending on the position in the social hierarchy, based on belonging to a particular class.
- ◆ Even in towns where the large part of production was made in order not an abstract mark, was the imprint of the master's personality.

3.3.2 Interpretation of "fair price" of Thomas Aquinas as the current market price.

In the second half of the XX century, many researchers have refused to consider a "fair price" as the basis of cost, and identified it as a current market price:

- *Sapori A. Il giusto prezzo nella dottrina di San Tommaso e nella pratica del suo tempo //Sapori A. Studi di storia economica. Secoli XIII-XIV-XV. Firenze, 1955. Vol. 1. P. 265-303;*
- *Noonan J. T. The Scholastic Analysis of Usury. Cambridge (Mass.), 1957;*
- *Baldwin L. W. The Medieval Theories of the Just Price. Romanists, Canonists and Theologians in the Twelfth and Thirteenth Centuries // Transactions of the American Philosophical Society. Philadelphia, 1959. Vol. 49.*

Exclusions

- ◆ **One of the few exceptions is the approach de Ruwer and Layonel Robins, however, in their works the "fair price" acts as a center market fluctuations, not as an objective basis for determining of market prices.**
 - **De Roover R. The Concept of the Just Price: Theory and Economic Policy // The Journal of Economic History. Vol. 18, No. 4. (1958)**
 - **Robbins L. History of Economic Thought. Lecture at the London School of Economics. M.: Publishment of Gaydar Institut. P. 2013 (in Russian).**
- ◆ **L. Robbins, in particular says that "except for the cases when St. Thomas discusses the isolated exchange, term "fair price" is such a price that would be established on a more or less competitive market." (P. 65).**

3.3.3 Thomas Aquinas as a forerunner of utility theory

◆ The other researchers have tried to fit his views with utility theory (since the utility was the purpose of trade according to Aquinas) trying to fit two origins: consumer and labor :

- *Contzen H. Geschichte der volkswirtschaftlichen Literatur. Leipzig, 1869. 1S. 21;*
- *Schreiber E. Die volkswirtschaftlichen Anschauungen der Scholastik seit Thomas von Aquin. Jena, 1913. 3, VIII, 246 I S. 14,43,63-64,73;*
- *Scbilling O. Die Staats-und Soziallehre des hl. Thomas von Aquin. Paderborn, 1923. S. 255-256,*
- *De Roover R. The Concept of the Just Price: Theory and Economic Policy // The Journal of Economic History. Vol. 18, No. 4. (1958)*

Σ *There is consumer and labor elements in Thomas Aquinas fair price theory, but the main thing for him is not a positive but normative aspect.*

4. THE CONCEPT OF PERCENT (1)

- ◆ **The doctrine of interest, as you know, more closely than the doctrine of "fair price," associated with the scriptures.**
 - "Lend, - said in the Gospel of Luke - expecting nothing" (Luke., 6:35) .
 - First, however, this rule applies only clergy, but later (from the time of Charlemagne), it was extended to the entire population.
- ◆ **Medieval Roman law has shown, however, that it is with him in flagrant contradiction.**
 - So, in the Code of Justinian, who began to study intensively in the XII century. in medieval Europe were established certain rate of interest for a variety of loans: 12% - under the ship's cargo, 8% - for trading and 4 - 6% - for other (Codex. IV. XXXII. 26. § 2).
 - **Canonists, formally based on Roman law, trying to justify positions that directly contradict him.**

4. THE CONCEPT OF PERCENT (2)

- ◆ **Their "evidence" is based on the distinction between intake (bread, beer, wine) and non-consumable (house) things.** Money they belong to the first type of benefits.
- ◆ **Therefore, the requirement is equivalent to the percentage of selling things and demand payment for its use, ie essentially means a double sale, contrary to Roman law.**
 - Considering the loan as a sale on credit, they did not take into account the argument that this is required to pay for the loss of time.
 - Time, they reasoned, - God's property, which can not be traded.
- ◆ **However, these metaphysical constructions were far from management practices.**
 - The domination of subsistence farming in medieval Europe had its reverse side of the development of usury.
 - It is not surprising that over time within the scholastic doctrine was a place to justify percent.

4.1 JUSTIFICATION PERCENT

- ◆ **To this end, the medieval scholastics distinguish two types of transactions in damage from default in the loan term liabilities:**
 - Incurred losses (damnum emergens) and
 - Undrawn profits (lucrum cessans).
- ◆ **The first case was seen as a legitimate basis for charging interest.**
- ◆ **However, this case wide open "legitimate" grounds to obtain percent,**
 - It was enough to establish a "free" loan for a very short period of time (eg 3 months) to get at the end of its very high interest rates.
 - In Western Europe, they have reached in the XII - XIV centuries. $43 \frac{1}{3}$, and even 60%.

4.2. MODES OF JUSTIFICATION PERCENT

- ◆ **The doctrine of rent**, usury concealer purchase annuity;
- ◆ **The doctrine of the right of association** (when justified by the risk of profit of joint trading);
- ◆ **Mortgage vessel** (Bodmer contract);
- ◆ **Triple contract**;
- ◆ **Justification for government loans**;
- ◆ Justification scientists Franciscans "fairness" issue for a small percentage of loan funds **for charitable needs**.

Definition of usury, this Lateran :

"Under the name of usury to be understood is the case when the lender wants to extract profit from the use with such a thing, which in itself does not bear fruit (as opposed to things like herd field) without incurring though neither labor nor expense and without risk ".

Thank you for your attention!



RM Nureev, nureev50@gmail.com
PK Petrakov, petrakovpk@gmail.com