THE DEVELOPMENT OF THE THEORY OF ECONOMIC LAW PRIOR TO CLASSICAL ECONOMICS

THEESIS

Presented to the Graduate Council of the North Texas State Teachers College in Partial Fulfillment of the Requirements

For the Degree of

MASTER OF SCIENCE

By

John E. Pearson, B. S.
158553
Wichita Falls, Texas
August, 1948
# Table of Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>The Problem</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Purpose</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Method of Procedure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Data</td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>THE RISE OF THE THEORY OF ECONOMIC LAW IN</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>GREECE AND ROME</td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>THE THEORY OF ECONOMIC LAW DURING THE</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>MEDIEVAL AGES</td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>THE PHYSIOCRATS</td>
<td>41</td>
</tr>
<tr>
<td>V</td>
<td>CONCLUSION</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>BIBLIOGRAPHY</td>
<td>52</td>
</tr>
</tbody>
</table>
CHAPTER I

INTRODUCTION

The Problem

The problem of this thesis is to show the rise and early development of the conception of economic law. For a long time men have procured and distributed goods legitimately and illegitimately. This procurement and distribution of goods as well as all of their activities are influenced greatly by what men believe. These beliefs evolve from philosophical systems revolving around certain key ideas. In this thesis an attempt was made to present the continuity of these key ideas, from the ancient Greeks up to classical economics, showing their relation to the theory of economic law.

The Purpose

The purpose of this thesis is to investigate the origin and development of the theory of economic law. In doing this we may better determine whether our present theory of economic law is an element of scientific data or whether it merely leads to confusion and inconsistency. The purpose of this thesis is to see from where our ideas came, in the belief that confusion in a society is the result of the failure of ideas to correspond with reality. We trace certain key ideas to see how much they have been affected or infected by their origin.
Pointing out the infections or loose ideas concerning the origin and continuity of the theory of economic law may help us to see the confusion and inconsistency of our present conception of economic law, thus striving to rid all of our ideas from fallacies and mythology.

The Procedure

A study has been made of the history of the theory of economic law, centering mostly around the Mediterranean countries and Western Europe. It is sometimes hard to distinguish exactly where one name of an idea stops and another name is applied to the same idea. However, by taking the Greek and Roman civilizations in ancient times, the canonists during medieval times, and the Physiocrats in the seventeenth and early eighteenth centuries, it is possible to exhibit the continuity of the theory of economic law. Throughout the thesis the purpose of such law is explained, and the central ideas of the age that affected or caused such law are discussed. The conclusion suggests to mankind the need of re-examining our present conception of economic law.

The Data

The reading matter for this thesis, for the most part, was found in the library at North Texas State College in Denton, Texas. Materials from modern critics and writers were obtained from current periodicals.
CHAPTER II

THE RISE OF THE THEORY OF ECONOMIC LAW

IN GREECE AND ROME

We possess limited source materials dealing with the ideas of primitive man. This material contains controversy over what ideas primitive man held. However, many students accept the proposition expressed by Emory S. Bogardus.

... man has given considerable attention to his relation to the universe. Primitive man conceived of a personal universe peopled with spirits. Throughout human history man has been a religious being, trying to solve the problems of a universe ruled by spirits or gods or by one Supreme God. This type of thinking has produced polytheism, monotheisms, and theocracies.¹

Thus man, in his earliest form, lived in a world where all of his ideas were controlled by his belief in the "societies of spirits or gods." "The behavior of a person was regulated by his ideas concerning the ways in which he had pleased or offended the spirits or gods."² The beginning of many of men's ideas were entangled in the beliefs of the earliest religions. One of the spirits or gods in the group was supposedly the goddess of justice and law. Her name was Themis, and all kings or wise men were supposed to have on hand ready to give

¹Emory S. Bogardus, The Development of Social Thought, p. 5.
²Ibid., pp. 10-11.
out "Themistes," or bits of wise legal knowledge. The first
gods were indispensable because man knew so little and feared
so much. The flame of intelligence burned so feebly that man
welcomed the gods and gave them supreme power and wisdom and
goodness; and he called upon them when in need. Unusual and
startling happenings were beyond his power of understanding.
No human could conceivably cause these things to happen;
therefore, it must be a superhuman that caused it to rain,
storm, and snow. In the Greek civilization these gods were
brought more into view, but their presence was doubted by
some.

Probably the first school of ancient Greek thinkers
was that group at Miletus headed by Thales. At this period
of thought development the early Greek thinkers were in
search of a first cause. Thales conceived of a unity in the
world: a unity from which all things came but itself re-
mained the same. Thales originated this kind of philosophy
and declared that the first cause was water. Possibly he
was led to this opinion by observing that the nourishment
of all things is moist, and that heat itself is generated
and kept alive by moisture. Thales based all his conclu-
sions around this first cause of unity. Thus, the early
Greek thinkers conceived of the whole world in harmony,

---

3 Henry Sumner Maine, Ancient Law, pp. 4-5.
4 Charles M. Bakewell, Source Book in Ancient Philosophy, pp. 1-3.
working toward a definite end. Another member of the school from Miletus was Anazeimanes, who held that "... the substance of nature was one and boundless but held the 'first cause' to be air." Different members of the school argued differently as to what constituted the "first cause," but all held the world to be in harmony because of this "first cause."

Following the school at Miletus came the so-called Pythagoreans or the followers of Pythagoras. He inspired a society whereby "habitual silence, implicit obedience to the authority of the master, fidelity to friends, obstinence, and self-scrutiny... were required of all its members. Physical, as well as intellectual, moral, and religious culture was aimed at." Pythagoras appeared as the understanding man of the universe, and his was the word of authority. He held the universe to be "based on mathematical harmony." The number ten was held to be perfect. The leaders were the interpreters of the universe and, therefore, set the laws of the universe to their best advantage. Leon Robin has analyzed this school of philosophy very effectively.

... Pythagoreanism was at once a religious sect, giving its followers a creed and a rule of life by which to obtain purification and salvation, and a

5 Ibid., p. 7.
6 P. C. Burt, A Brief History of Greek Philosophy, pp. 4-8.
7 Ibid., pp. 6-7.
philosophic school, to which thought owes its first successes in its attempt to come at the abstract essence of things and to assign simple and intelligible laws to phenomena. They were physicists, there is no doubt. But in the manner in which they were physicists, by taking number as the principle of things and seeking the supreme law in a harmony of rational oppositions, they went far beyond the physics of the School of Miletus and laid the foundation of a metaphysical philosophy.  

The next philosophic school of ancient Greece was the Eleatics, made up of Xenophanes, Parmenides, and Zeno. This school raised the question: Is the universe a unity? The group held that there was possibly a single God of Gods with many born gods but all of the same nature. The greatest of the Eleatics was Parmenides, born in the latter part of the sixth century B.C. "Like the Pythagoreans, he engaged actively in public affairs; and is said to have drafted for his native city, Elea, a code of laws to which the citizens, annually, for a considerable period of years, swore fidelity." Another thinker of Greece who was in agreement with the thought of Parmenides was Anazagoras, who was born in Asia Minor about 500 B.C.

/Anazagoras was . . . struck by the apparent design, order, beauty, and harmony of the universe. These things he thought could not be accounted for by blind forces. The world is apparently a rationally governed world. It moves toward definite ends.


Nature shows plentiful examples of the adoption of means to ends. There appears to be plan and purpose in the world.\textsuperscript{11}

Almost immediately following the era of the Eleatics there was a man born in Sicily by the name of Empedocles. He laid out a principle which Aristotle adopted. This principle maintains that there are some basic truths that never change, and then there are changing truths. The world, according to Empedocles, was made up of elements which were basic truths. This was the Aristotelian influence which dominated the minds of intellectuals for many centuries. There existed a school of Atomist philosophy about the same time Empedocles lived. This philosophy was headed by Leucippus and Democritus, who held that if matter were divided far enough we would find an indivisible unit called the atom. "Everything therefore was made up of the same atoms or empty space."\textsuperscript{12}

Out of the idea of the world or universe being one of harmony and rationally governed forces came the idea of one supreme truth or one Supreme God. Later came the idea of a "divine law." This law was supposed to have been given to man by the first causes or the Supreme God. This idea was first expressed formally by Heracleitus, who lived approximately during the fourth century B.C. He expressed God as omnipotent.

\textsuperscript{11}W. T. Stage, \textit{A Critical History of Greek Philosophy}, p. 97.

\textsuperscript{12}\textit{Ibid.}, pp. 86-89.
... God is 'day and night, winter and summer, war and peace, satiety and hunger.' He is 'the invisible Harmony, superior to visible Harmony.' For according to Heraclitus, there is 'one single divine law' which feeds all human laws, but appears to be something other than the unwritten law as opposed to arbitrary decisions, since it is in it that individual thought must 'find strength, as the city in the law' it is 'something common to everything, as much as it pleases, is sufficient in everything, and surpasses everything.' In short it is the universal law of real identical, it seems, with the 'common thought which Heraclitus says we must follow, yet which remains blind to what is always before their eyes.13

The universal law, described by Heraclitus, as said before, had its roots in the assumptions of earlier thinkers who conceived of a universal harmony. The appeal to this universal law was mostly from an oppressed group in an attempt to gain recognition by society, since this law has implications of being equal among all men. This universal law was accepted without scientific investigation, and thinkers of the time sought it, while political leaders interpreted it to justify their status and actions. While searching for such a universal law, the thinkers tried to distinguish between the god's divine law and man-made law, not realizing them as the same. The thinkers of Athens in 400 B.C., of which Collicles and Thrasymachus are examples, argued that the true laws are found in nature.

... Men, it is urged, in their rise from savagery have built up an elaborate framework of customs which they call morality and to which they attribute an absolute value. But most of it is purely

13 Robin, op. cit., p. 75.
conventional, and we must go behind it to reality, to the laws and methods of nature herself.\(^\text{14}\)

Thus by associating the universal law observed in the phenomena of physical nature, social phenomena was closely connected with the "laws of nature," which were supposed to reveal all the "rational harmony laws" by which man could live most perfectly.

The morality of the Greek state was jolted about 350 B.C. by a group of learned men referred to as the Sophists. The Sophists were not a school. Some of the men didn't know the other members, and they never met to discuss current problems. They were a group of professors and officials with the same view of life, who lectured for a fee throughout Greece. "The teaching of the Sophists was merely a translation into theoretical propositions of these practical tendencies of the period."\(^\text{15}\)

It was thus that the distinction arose between positive law and natural law. Reflecting upon the differences among the constitutions of the Greek states and upon the constant alterations in these constitutions, the Sophists concluded that the greater part of them were of human invention. They were positive laws and were to be contrasted with natural law, which was such law as is binding on all men equally. Natural law is therefore of greater worth than positive law, and is set in antithesis to it.\(^\text{16}\)

Through the use of the natural law and positive law distinction,


\(^{15}\)Stage, *op. cit.*, p. 108.

the Sophists blasted away at the constitutions of the Greek states. They carried heavy influence upon the Greeks, and thus chaos developed in opposing the positive laws of the constitutions. "The more the theory of the Sophists limited "nature" to human nature and to human nature in its capricious and individual aspects, so much the more did statute laws appear antagonistic to natural law and seem to be detrimental to it."¹⁷ Leaders, thinkers, and philosophers following the Sophists tried to re-establish the morality of the people on ethical laws, which were primarily religious laws. "Amid the destruction of truth and morality, which was brought about by the Sophists, there appeared in Athens the figure of Socrates, who was destined to restore order out of chaos, and to introduce sanity into the disordered intellectual life of the time."¹⁸

Although his efforts were not appreciated, Socrates tried to restore the Grecian authoritarian state, not on the old constitutions, but on ethical and moral laws. The Greeks were already breaking away from confidence in the constitutions of the state, exposed by the Sophists as being man-made and against the "natural" or god-made. Socrates was a very earnest and willing philosopher. He was put to death for talking against the state, yet he was really trying to restore order. He believed "that he was guided in all his actions by a supernatural voice,

¹⁸*Stage*, op. cit., p. 127.
which he called his 'daeman.' This voice, he thought, gave him premonitions of the good or evil consequences of his proposed actions, and nothing would induce him to disobey its injunctions."19 Socrates built no system for government as his predecessors and students did, but would be at the market each day to talk to whoever might pass on whatever subject his audience chose.

Socrates's prize student and most ardent admirer was Plato. Plato was the first to construct a complete system.

..., None of the predecessors of Plato had constructed a complete system of philosophy. What they had produced, and in great abundance were isolated philosophical ideas, theories, hints, and suggestions. Plato was the first person in the history of the world to produce a great all-embracing system of philosophy, which has its ramifications in all departments of thought and reality. In doing this, Plato laid all previous thought under contribution. He gathered the entire harvest of Greek philosophy. All that was best in the Pythagoreans, the Eleatics, Heraclitus, and Socrates reappears, transfigured in the system of Plato.20

Plato agrees that we should look through convention and find the true nature of man. Plato further says that our task is to ascertain what man is by nature. We should take man as we would any natural or artificial object and "determine his qualities, capacities, and uses"; then we can see what life is appropriate to his nature. "That life will be his natural life, the life which he ought to lead."21 However, when Plato

19 Stage, op. cit., p. 128.
20 Stage, op. cit., p. 164.
21 Livingstone, op. cit., p. 140.
takes man up as a natural and artificial article to determine his capacities, qualities and uses, he finds that there is a variety of capacities, qualities, and uses among men. Finding no uniformity there, he says that our ideals should be uniform and the same. We should all seek knowledge, since all knowledge is virtue. The idea of Heraclitus that the world was one of harmony and rational ends is carried on by Plato. Plato believed the gods controlled everything and asked that the people might have aid from the gods in finding the true nature of the universe. He explained that the earth, which is matter tangible, and with the sensation of feeling, was created. Being created, it was so with a cause. The cause then of the creator sets a life by which the world must of necessity of creation be followed. "Now everything that is created must of necessity be created by some cause, for without a cause nothing can be created."²² Plato made a distinction of two kinds of economic law. One was man-made economic law, which was man's efforts to explain the other economic law, that one being the "natural economic law" which is given by the gods and remains constant and unchanging even in the attempt of man to change it. This is seen when Plato puts forth his formula for living. In this he proposed "that we must wait patiently until someone, either a god or some inspired man, teaches us our moral and religious duties, and as Pallas, in Homer, did to Diomed,

remove the darkness from our eyes." Plato did not think himself too uninspired to take this role; however, only in his Republic did he attempt to give man the gods' word on how man should live. His "two deep-seated convictions were that whatever the real way be, it must be that which is eternal, unchanging, and perfect and that reality could not be found in the physical world." Plato could not find the eternal and perfect. Therefore, he claimed, perfection did not exist on earth. This is not unreasonable to believe, for "the 'Laws' . . . are pervaded by a tone of pessimism and bitterness, which seems to have grown upon Plato during his later years."

We can see this when Plato is talking about the gods and says, "May we not regard every living being as a puppet of the gods, which may be their plaything only, or may be created with a purpose. . . ." The ideas of Plato are in general passed on to his student Aristotle, who is the last of the great thinkers.

Aristotle's works exerted very heavy influence over succeeding generations, and Aristotelian logic is still used today. The background of Aristotle was different from that of most thinkers. The son of the royal physician, he differed

---

23 Plato, Plato Against the Atheists, translated by Taylor Lewis, p. 357.


from his tutor in several ways.

Aristotle considered Plato's solution of the metaphysical problems by his theory of ideas a hindrance rather than an aid to explanation. He felt that Plato had made a mistake in not recognizing 'the substantiality of particular things in favor of a realm of transcendent essences only.' Aristotle was a great systemizer and has been called the father of inductive logic. In his solution to the problem of reality, he hoped to avoid anything transcendental. He sought intuitive first principles and rejected Plato's theory that all things must be interpreted as replicas of the eternal or perfect ideas.26

Aristotle does agree with Plato, however, on his idea that man was created with a definite function to perform, which was assigned to him by nature. He continues to say that man, in order to perform his function, is "to exercise his vital faculties," which means that he is to do what by nature he is best suited for.27 This seems to be pure justification of status. For when put to the task of determining what is natural, he says for "fire actually to rise, as distinct from having the tendency to rise, neither is nature nor has nature; but it comes about 'by nature' and is 'natural.'"28 Aristotle made the distinction that his predecessors made when he spoke of two kinds of law. When he defined law as a "measure of what is by nature just" and also an "image of what is by nature noble

26Baker, op. cit., p. 28.
and just, "29 he implied that the people have made their laws from the basic "natural law" or "law of nature," which is eternal truth. However, Aristotle agrees with Collicles that "the standard of nature was the truth, while that of the law was the opinion held by the majority." He also says that law is for the majority, "whereas philosophers speak according to the standard of nature and truth."30 Therefore, there is strong implication that the leaders of society should be the philosophers, because they speak according to the standard of nature and truth. To explain the nature of a scientist, Aristotle, in several places, lays stress on the difference between those whom he calls the "theologians," who treat science under the form of myth, and the philosophers or "physiologists," who set forth their reasons "in a demonstrative form," whose wisdom, being a more human kind, does not, like that of the others, "affect an air of lordly solemnity, and seeks less to satisfy itself than to communicate itself to others."31 Aristotle held that there were certain fundamental truths (known by the philosophers) that were constant and unchanging. These truths were set by the gods and were only available to gods and philosophers.

30Ibid., p. 173a.
31Robin, op. cit., p. 35.
Soon after Aristotle's death, Greece was overthrown by Alexander of Rome. Before this, however, there were many events which added to the downfall of Greece. The disintegration of religion was one of the many causes.

... The collapse of religion was due to that advance of science and philosophy. ... The universal tendency of that philosophy was to find natural causes for what had hitherto been ascribed to the action of the divine powers, and this could not but have an undermining effect upon the popular belief. Nearly all the philosophers had been secretly, and many of them openly, antagonistic to the people's religion. The attack was begun by Xenophanes; Heraclitus carried it on; and lastly Democritus had attempted to explain belief in the gods as being caused by fear of gigantic terrestrial and astronomical phenomena. No educated man any longer believed in divination, auguries, and miracles. A wave of rationalism and scepticism passed over the Greek people.32

The beginnings of the law state of Rome were seen during the life of Aristotle.

After Aristotle, Epicurus (around 33 A. D.) and Marcus Aurelius (120 A. D.—180 A. D.) followed with the gaining school of Stoic thinking. This thinking was that the world is conceived as a harmonious and constant society based on a universal law of benevolence. "Everything in nature works according to laws. Rational beings alone have the faculty of acting according to the conception of laws, that is, according to the principles ..."33 The Greek philosophers reached the same conclusion about the same time. When Athens lost her

liberty and became Macedonia, her Stoic philosophers for the first time discovered "that all men ought to be brothers, that it was unjust for one people to hold dominion over another, that there was a natural law of equity to which all human laws should conform."34 This was an attempt to repeal the existing laws that exploited some classes of society. This natural law from which all human law was derived was nature. The Stoics reached the peak of their reign from 1 to 200 A.D. Cushman has given us their conception of nature.

Nature is an all-compelling law. Nature is an inviolable necessity, and inevitable destiny, that holds all phenomena in complete causal connection. Yet this destiny only proves the complete purpose of the whole.35

To the Grecian there was a set pattern of life for him given by the gods. This destiny of life has been referred to as "Moira." "Moira" was the harmony of everything in the universe, and thus every law or action in the universe had to be according to it. The Stoics were perhaps the ablest students of this philosophy, although signs of it can be seen from Thales through Aristotle.

The same Mediterranean culture held by the Greeks was also held by the Romans. When Greece fell as an intellectual center, attention was taken up by the Romans. Cicero of Rome accepted the Stoic theory and philosophy.

34Tenny Frank, Aspects of Social Behavior in Ancient Rome, p. 108.
... true law is right reason consonant with nature, world-wide in scope, unchanging and everlasting. ... We may not oppose or alter that law, we cannot abolish it, we cannot be freed from its obligations by any legislature, and we need not look outside ourselves for an expounder of it. This law does not differ for Rome and for Athens, for the present and for the future, but one eternal and unchanging law will be valid for all nations and all times. ... He who disobeys it denies himself and his own nature. 38

There is no doubt that the actions of the Romans were curbed and influenced by this "natural law." Emperor Marcus Aurelius of Rome says, "I now know what the universal nature wills me to have; and I do what my nature now wills me to do." 37 This not only justifies his status and actions, but he further justifies the actions of his fellow man by saying, "And he remembers also that every rational animal is his kinsman, and that to care for all men is according to man's nature; and a man should hold on to the opinion not of all, but of those only who confessedly live according to nature." 38 If a thing were not done according to the theories of Emperor Marcus Aurelius, the doer would probably have been executed for an act not "according to nature." All laws were founded on the "natural laws," including laws concerning foreign trade.

In 243 B.C., therefore in order to attract foreign trade, Rome instituted a special court for foreigners the duty of which was to settle disputes, not according to Roman law, but according to the customary practices of the


38 Ibid., p. 22.
foreign traders, the practices of other nations, that is, the jus gentium. Through the rulings of this court the Romans soon inferred that Civil law was not final, that equity should be the aim of all law and in fact stood over and above statute. As a result, the Roman courts not only began to revise the code by the substitution of customs learned in this court, but also to attempt to find a basis in equity for all their court rulings. This process continued till the assumption was made that the instinct for justice was universal, that in fact there was a "natural law" universally applicable based upon human nature, and that all local codes must somehow find a foundation, not in local needs and desires, but in the laws of nature. 39

Thus we can see the rise and early continuity of the theory of law. From this conception of "natural law" founded on "Moira," nature, and ethics, comes the conception of economic law of Greece and Rome. The nearest approach made by Greek and Roman philosophies toward developing a distinct theory of economics lies in their discussion of the elements of the household. Here a distinction was drawn between economics (oikonomik) and chrematistics (chrematistik). The former is concerned with wants, and the provision of those necessary and useful commodities which can be stored to meet those wants, while the latter is principally concerned with the procurement of wealth, money making and exchange. 40 Corresponding to their philosophy, the Greeks argued that there were two kinds of chrematistics.

... There are two kinds of chrematistics; the natural and the unnatural. Thus the first simple


barter by which things are given in exchange for what are wants "is not contrary to nature, but is needed for the satisfaction of men's natural wants"; but "retail trade is not a natural part of the art of money-making."\textsuperscript{41}

The most specific economic laws of this era, both natural and unnatural, are found in the writings of Plato and Aristotle. Plato's conception of value is not a distinct economic concept.

The idea of value received little attention, and that little was from the point of view of ethics or justice. Plato says that according to how a man 'should not attempt to raise the price, but simply ask the value' implying that value is an absolute quality inherent in the thing.\textsuperscript{42}

Aristotle went further into the explanation of value than Plato.

\textsuperscript{41} Ibid., pp. 58-59.
\textsuperscript{42} Ibid., p. 60.
\textsuperscript{43} Ibid.
lasting effects. The obvious conclusion was that interest is unjust.\textsuperscript{44}

The influence of the ideas of Aristotle on money can be seen clearly during the Medieval Ages. Also the favored occupations of Aristotle were favored by the canonists.

\textit{Aristotle}... favored some branches of industry and regarded others with disapprobation. Agriculture was considered most desirable. 'But strictly speaking,' writes Aristotle, '... the means of life must be provided beforehand by nature; for the business of nature is to furnish food to that which is born, and the food of the offspring always remains over in the parent. Therefore, the art of making money out of fruits and animals is always natural.' Husbandry and stock-raising were the natural or proper arts. Exchange, including commerce, usury, and service for hire, were not natural. Mining and lumbering lay midway between.\textsuperscript{45}

All of the economic laws of Greece and Rome were supposedly based on the "natural laws." The economic laws were considered invalid when not in agreement with such "natural laws." The conception of the "natural laws" then held by the Greeks and Romans arose from their conception of "Moira." In "Moira" all things were supposedly guided to a rational end. Thus the "natural laws" and economic laws functioned in order to attain this rational end. Since the "natural" and economic laws were set by "Moira," it was believed that man was not capable of making such laws; he was capable only of discovering them already functioning in nature.

From the Greek and Roman conceptions of economic law and

\textsuperscript{44}\textit{Ibid.}, p. 61.
\textsuperscript{45}\textit{Ibid.}, p. 62.
their philosophy came the factors which heavily influenced the philosophy of the canonists.
CHAPTER III

THEORY OF ECONOMIC LAW DURING THE MEDIEVAL AGES

The culture of the Greeks and Romans was inherited by all Mediterranean states. There was a process of accepting the useful philosophy and rejecting the useless. A new era of thought began, or at least measurably so, with the dawning of the new Christian era. The ethical laws of the "Greek heroes" were being accepted with a strong mixture of theology and lordly sanction. A new source of authority was being born which was to become the dominating influence of medieval thought. The authority is occasionally disguised but is the same influence that dominated the Greeks and Romans.

Apart from their theories, or in spite of them, the Greeks were possessed by a lively curiosity, and their practice was better than their logic. In the medieval Christian period the logic was taken literally. Revelation, Scriptures, church fathers and other authentic sources increased the number of given universal truths and also of given particular facts and events. The master-teacher was God, who taught not through the dim instrumentality of rational thought alone, but directly through official representatives.1

These official representatives were the new dominating group—the new class of aristocrats. With a strong religious doctrine sold to the people, believing salvation was through

the priests, it was easy to see why the priests were socially dominant.

In the adoption of ancient customs of thought, the new "divine" group passed on the conception of natural ends and "Moira." This change was not abrupt but was an evolutionary process. The ethical laws of the Greeks and Romans were gradually, by centuries, changed into religious dogmas. Some of the deeper thinkers saw that the mistake of the past generations was in not setting deep the use of binding law in a postulate form. In the canonists era we see systems built with basic laws as the foundation. Law as a basic postulate was used as a convenient tool in social control as well as in the expansion of inquiry. This use for law was a new one.

... in the earlier centuries, before the birth of Science, Phenomena were studied alone. The world then was in chaos, a collection of single, isolated, and independent facts. Deeper thinkers saw, indeed, that relation must subsist between these facts, but the Reign of Law was never more to the ancients than a far-off vision.²

A law was accepted by the Romans as basic timber for a society only when it was in agreement with the "laws of nature." The laws of the Romans and the laws of the canonists were used as means of social control. One of the first writers of the spiritual law which man should observe was Aurelius Augustine.

St. Augustine (354-430 A.D.) brought religion into the

²Henry Drummond, Natural Law in the Spiritual World, p. 3.
philosophical field. His aim was to elevate God by debasing man. His concept of man was as a receptive puppet of God's will.

... Man as such is the personification of impotence and nothingness. Whatever he possesses, he has received from others. The human soul is passive, receptive, contemplative, and nothing more. It receives its knowledge of sensible things through the senses; it receives its moral and religious notions through the instrumentality of the Spirit.3

Augustine, as seen in this passage, holds to the teachings of Plato in part, but Plato even in his later years of pessimism did not debase man as much as Augustine. Augustine continues to say "that only 'knowledge and action make man happy . . . . ' This conception preserves the dignity of man, who alone of all visible creatures is capable of knowing and evaluating the world in a philosophy that also prescribes for him the laws of living (ethics); laws which he must obey to be really free, since this is our freedom, to subject ourselves to the truth and will of God."4 Augustine had theological answers for all of man's actions. While man once was in a perfect state he was thrown out because of Adam and Eve's error. He thus lost his knowledge of the natural way of life and had to rely on living according to positive law. The age of positive law was man's futile attempt to regain the "natural law." The peak of his success


in making positive laws would entitle him to live in the age of the law of reason. In the law of reason if he served God well and gave the church all his possessions, he might again get salvation and be admitted to live in the age of natural law.

Man's true dignity resides in his reason and the intentions of his will in so far as reason and will co-operate to render an enlightened service to God. Left to his own defective will which has been vitiated by Adam's original error, man has no plenary power through virtue of which he can work out his own salvation and create a perfected nature through his curtailed will.5

Augustine admitted man's error and planned his only way to freedom and salvation. He set no laws or rules by which man had to live, but included him in a general rule of behavior. He held that "inherent in man is a law of truth which holds him fast with the holy band of truth and constitutes the norms for his entire cogitation. It is the 'law of nature,' the 'law of reason' which resides in everyone's inner being, and can be ignored by no one; as soon as man deviates in a single point from this inner law, he lapses into error."6 The era of theological social control received an impetus from the writings of St. Augustine.

It is no surprise that there were five hundred years of lapse in the development of philosophical conceptions following Augustine. During the "Dark Ages" (476-600) the


barbarians invaded constantly. The only education was in the hands of the Monks of Benedictine and was at a universal standstill. From 800 to 1000 A.D. small amounts of theological philosophies seeped out of the hands of Scotus Erigena.  

Scotus Erigena (810-880) followed closely the teachings of Augustine and developed even further the stronghold of theology. His teachings of God are in negative terms.  

God is an incomprehensible being and can be described only in negative terms (negative theology). God is the same as Being or Nature. . . . In the types of things God is creating Himself, and they are graded from God down to concrete objects. But all will finally return to God, and Erigena thought he found analogies of this return everywhere in nature.  

Erigena did not differ basically from Augustine, but he merely expressed God in negative terms. The terms of both, however, are an effort to place everything concerning authority in the concepts of God which gradually took the place of Greek hero authoritarianism.

The century following Erigena was one of demoralization. All learning declined with the renewed invasions from the North, East, and West. The empire of Charlemagne was broken up and the papacy temporarily disappeared. There is a persistent tradition that the Christians at this time believed the end of the world to be near. This has been proven to be a legend, but back of it lies the truth that there was a fresh
rise of piety which lasted until 1300. The Transitional period (1000-1200) marks the early beginnings of Scholasticism.

The philosophies and teachings of Anselm, Roscellinus, and Abelard were the most universally recognized ones of the Transitional period. The underlying thought of this period was "the more universal a thing is, the more real it is—the more it exists and the more perfect it is." According to scholasticism a person should look to reason for the attainment of truths of the natural order, and to faith under the guidance and infallible authority of the church for the attainment of revealed truth or truths of the supernatural order. In all matters affecting faith and morals, the teaching authority of the church was supreme: "Philosophy is the handmaid of theology and reason is the foundation of faith." Scholasticism, developing during four centuries, reached its highest expression in the teachings of Thomas Aquinas.

During the time of Aquinas (1225-1274), there were signs of a rising merchant class. The church had not heretofore faced this problem, and Aquinas felt the duty of placing the merchant class under the heavy influence of religious doctrines. To understand the prevailing influences of authoritarian control, we must turn to influences dominant until the

---

9 Ibid., p. 253.
10 Ibid., pp. 255-261.
11 Bogardus, op. cit., p. 175.
time of Aquinas. In turning to the exponents of the philosophy, Alexander Gray summed up the dominant influences.

... we find above all two dominant influences. The one is the authority of Aristotle; the other is seen in the transformation of values, effected by Christianity, as found expounded not only in the original sources of the Christian religion, but also in the writings of early Christian Fathers. The Bible, Aristotle, and the Christian Fathers are the authorities to whom St. Thomas turns with equal reverence, and there is much to be said for the view that what the angelic Doctor aimed at was a synthesis of Christianity and Aristotelian doctrine. Aristotle is chiefly influential in moulding the view of the Medieval Ages with regard to the nature and functions of money, the iniquity of usury, the principles which should govern exchange and the nature of justice. On much of these, indeed, St. Thomas merely repeats Aristotle, with an added buttress drawn from Christian source.¹²

And even before "... with the waning century before the dawn of the Christian era, religious interests were steadily mingled with philosophy. Christianity offered a rival series of introductory convictions."¹³ Aquinas, a landowner for the church, gives justification for the possession of private property. Every justification of the church's actions are in direct authority with God or God's "natural law."

But having regard to the use of external things, St. Thomas holds following Aristotle, that possession is "natural to man." The argument that seeks in natural law a sanction for community of possessions he counters by contending that natural law does not indeed require that all things should be held in common; all that can be derived from the argument is negative

¹² Alexander Gray, The Development of Economic Doctrine, p. 43.

in its nature, namely, that under natural law there can be no justification for distinction of possessions. This, however, rests on human agreements, which is a matter of positive law. Thus private property is not contrary to natural law; rather is it added to natural law of a further creation of human reason.\footnote{Gray, \textit{op. cit.}, p. 43.}

Another justification by Aquinas was made on the same grounds. It was a matter of saying things were or were not according to the "natural law"; and an addition to man's power or reason, positive law, was permitted by the "natural law." The position of the merchant was justified or rationalized by Aquinas.

Originally the view had been that a merchant could hardly be pleasing to God. In St. Thomas Aquinas we have advanced to the view that trading is not necessarily sinful, but he clearly regards the calling of the trader as so beset with the opportunities of sin that a man mindful of his immortal soul will shun it.\footnote{Ibid.}

He held that "... to sell dearer or buy cheaper than a thing is worth is in itself unjust and unlawful" though he admitted that since the "just price" of things is not absolutely definite but depends rather upon a kind of estimate; slight variations from the just price could be permitted.\footnote{S. B. Clough and C. W. Cole, \textit{Economic History of Europe}, p. 68.} He showed how strongly ethics influenced his views on trade when he insisted that a person knowingly selling an article with a defect in it was committing a sin and was morally bound to make restitution. It was a sin not to tell a buyer of a concealed...
defect in the goods. It was even a sin, according to St. Thomas, "to trade with gain as the primary object, though it was legitimate for the merchant to seek moderate gains with which to support his family or to aid charity." 17 This again is on the matter of "just price" or the "just gain" of an individual, as it took more profit for a feudal lord or member of the Church hierarchy to support themselves according to their station in life than it did a serf.

The idea underlying the just price was that it was wrong to sell a thing for more than it was worth. What it was worth could be determined roughly in several ways. First, it was worth just enough to give to each person who helped produce it a sum sufficient to reward him for his labor and keep him in his station in life. Second, it was worth what "common estimation" held it to be worth—that is, what well-informed people would say it was worth if they were consulted. Finally, it might be worth what the city, or state, or church said it was worth in an ordinance or law issued to protect the consumer. 18

In actual practice the "just price" was an effective tool used by the church to keep its position in finances and status. The poor man could never attain wealth or position, for he was not supposed to rise above the class in which he was born. This was God's law according to the church interpreters. Medieval man was born in a certain station of life. It was wrong for a man to try to earn more than was necessary to keep him in the station of life to which he was born. In

17 Ibid., p. 68.
18 Ibid., p. 68.
every transaction, therefore, the trader risked his immortal soul, for he was tempted to cheat and to seek profits. "Any profits from pure trade was wrong." Aquinas' thought is centered in his doctrine of law. He held that there were essentially four kinds of law. First, there is eternal law, which is divine reason in control of the universe. Second, there is natural law, which is increasing rationalization of eternal law by human beings. Third, there is human law, which is eternal law expressed in the social order. Fourth, there is divine law, revealed in the Bible and supplementing the incompleteness of human law. In qualifying these laws and telling how there could be the one supreme divine law, he says the following:

... It would seem that there is but one divine law. For, where there is one king in one kingdom, there is but one law. Now the whole of mankind is compared to God as to one king, according to Ps. xlvi:8: 'God is the king, of all the earth': Therefore, there is but one divine law.

He further weaves his net of myth about the "natural law":

... Consequently, we must say that the natural law as to the first common principles is the same for all, both as to rectitude and as to knowledge. But as to certain more particular aspects, which are conclusions as it were, of those common principles, it is the same for all in the majority of cases, both as to rectitude and as to knowledge; and yet in some few cases, both as to rectitude, by reason of certain obstacles (just as nature, subject to generation and corruption, fails in some few cases because of some obstacle) and as to

19 Ibid., pp. 66-67.
21 Thomas Aquinas, Basic Writings of St. Thomas Aquinas, edited by A. C. Pegis, p. 754.
knowledge, since in some the reason is prevented by passion or evil habit, or an evil disposition of nature.\textsuperscript{22}

Bringing out the Aristotelian in him, Aquinas says further that the "natural law dates from the creation of the rational creature. It does not vary according to time, but remains unchangeable."\textsuperscript{23} Later, he writes that there is a variation of divine law and a law of sin. The summum bonum of St. Thomas' system is the beatific vision of God. This was a goal which combines Aristotelian and Christian thought. He takes the meager suggestions of the conception of the beatific vision set down by Aristotle, but these he mostly enriches with a wealth of content from the experience of the Christian mystics before him and from his religious experiences, for St. Thomas himself was a mystic. By the beatific vision he means "... the direct contemplation of God, that immediate and perfect knowledge of Him which is vouchsafed to only a few of the very special saints in this life, but will be enjoyed by all the blessed in the afterlife of heaven."\textsuperscript{24} Most absolute authoritarian systems are the ones which hold society, in general, in a close control. The net of St. Thomas Aquinas served this purpose well.

After the era of Scholasticism came individualistic

\textsuperscript{22}Ibid., p. 778.
\textsuperscript{23}Ibid., pp. 745-757.
\textsuperscript{24}Louise Saxe Hby, The Quest for Moral Law, p. 96.
social thought. This thought ranged from 1400 to 1800, with Machiavelli leading the way. The corrupt church finally was driven toward the background. Man had been under the suppression of the strong authority of the theologists long enough. The priests, keeping concubines and selling indulgencies, finally aroused the restlessness of the people. They made exceptional allowances, unusual commitments, and losing arbitrations in an effort to retain their status. As trade began to revive, a new monetary class became prominent, and the church, making fast changes, could not keep its prestige. Characteristic of individualistic thought, Machiavelli "cut loose from customary ways of thinking of his time and assented that it was not necessary to take all things on fiat or divine decree."25 Machiavelli wrote a book entitled The Prince, in which he set down certain principles by which a prince could rule a state. He proposes that the prince fool the people and lead them to believe myths and magic so that the prince can exploit them and gain most and still retain his power or social control.

Machiavelli (1469-1527) in The Prince, with an admirable air of detachment and a scientific aloofness from moral considerations, discussed how in the Italy of his day a "principality" could be established and maintained. A book written with a specific purpose, its lessons were found applicable far beyond Italy.26

26 Gray, op. cit., p. 68.
Machiavelli says that laws concerning man's natural state were exploited by the religious concepts of the canonists. Also he saw that the dominating power of each state made its own laws of morality. He condemned the canonists in saying that a prince should not be fooled also about the laws man makes on divine decree.

About the same time of the individualist rise, the Protestant Reformation came with definite economic influences.

... Protestantism promoted profound economic transformations. In the first place, the Protestants wiped out all financial obligations to the church of Rome and freed themselves from this colossal financial burden of a thousand years' standing. 27

Gradually, but certainly, they broke down the medieval Catholic economic doctrines that had stressed social consideration and limitations in the acquisition and use of wealth. Protestantism, especially Calvinism, decisively encouraged individualism in economics as well as in religion. It promoted the spirit of thrift and economic ambition, the acquisition of wealth through shrewd dealings, and increased freedom in all forms of economic thought and operations.

There was a period of transition, too, between the climax of the canonists in the thirteenth century and the beginning of classical economic systems of the seventeenth century. This period was quite an eventful era, and it shaped the conceptions of the classical school. The Protestant Reformation,

27Harry Elmer Barnes, *An Economic History of the Western World*, p. 139.
the industrial revolution, individualistic thought, and transitional writers all had their influence in the changing of attitudes and beliefs. Freedom became the ideal of the time.

One of the influential writers of the late sixteenth and early seventeenth centuries was Francis Bacon (1561-1626). Bacon was an English philosopher, statesman, and essayist, noted as the joint founder along with Descartes of modern scientific methods. His *Novum Organum* marks a turning point in human thought; and his *New Atlantis* stands in the forefront of Utopian literature. His life was bound up with the court intrigue prevailing during the reigns of Elizabeth and James I.\textsuperscript{28} One of Bacon's followers describes him as an economist.

Economics is the noblest and grandest creation of the human intellect. It is the crown and the glory of the Baconian Philosophy. No one can thoroughly realize the awful sublimity of the genius of Bacon until he studies economics, because it is the literal realization of his matchless discovery that the same principles of Mathematical and Physical Science which govern the phenomena of nature equally govern the practical business of life.\textsuperscript{29}

Although Bacon adopts Aristotle's classification of causes as material, formal, efficient, and final, he uses the term "form" as "... the condition or ground of the 'natures' of things, and takes exception to the quest for final causes. Thus, in a way he prepares for the modern conception of a 'law' of nature."\textsuperscript{30} Dresser would probably have been more correct in saying


\textsuperscript{30}Dresser, *op. cit.* pp. 17-18.
that in a way Bacon prepares for the modern misconception of the "law" of nature. Another factor influencing the conception of law was the scientific method of collecting statistical law. In 1617 George Obrecht proposed a "... continuous statistics of population based, to be sure, on very extended inquisitorical privileges of the government organs. Lists of legitimate and illegitimate births, marriages, deaths, and guardianships, as well as the ages of the people in groups of three years, could be obtained by a permanent combination with the collection of taxes." 31 Several thinkers who had remarkable insight could see the use of statistics and the need of statistical law to replace the old magical concept of law. Together with the other elements of this transitional period, the age of direct authority was being pushed into the background.

Theology is no doubt the mode of medieval thought, and the history of the middle ages is the history of the Latin church. The overwhelming strength of the functions of a literary class gave its shape to every mode of thought it came into contact with. "Society was treated as though it were actually a theocracy: politics, philosophy, education were brought under its control and adjusted to a technical theological terminology." 32 The medieval view of life was


32 R. L. Poole, Medieval Thought and Learning, reprinted second edition, p. 6.
essentially religious, and religion shaped people's ideas of economics as well as all their ideas. The church was set up as a means of salvation. Man should so spend his days as to achieve salvation, as this earthly life was merely a prelude to the great life hereafter. To attain salvation in the medieval era meant that man must live in the bosom of the Catholic church, participating in its services, upholding its dogmas, working for its welfare, and helping others understand the way of salvation. If a person believed in Christian teachings and manifested them in his life, and if, through the medium of the church and its priests he received the essential sacraments, he could feel reasonably sure of going to heaven. The church held a comfortable position and used many tools, such as "natural law," "divine law," "universal law," and "just price," to justify and keep this position. Thus the insistence of certain of the medieval theologians that the definition and the interpretation of natural law were the exclusive privilege of the church was basically an attempt to establish the supremacy of the positive law of the first estate. The revival of trade, the restlessness of the people, and a new philosophy helped cause the downfall of this authoritarian control, but many of its ideas and devices are used as justification of position and status even in our advanced, scientific age.


The economists, as was true of the Greeks and Romans, did not develop a distinct theory of economics in their philosophy. However, they did set rules to guide economic activities. These rules were described and set forth most clearly in the writings of St. Thomas Aquinas. St. Thomas recognized "fair exchange" as the basic principle of trade. He did not believe that profit should be the primary object of trade. A merchant was constantly tempted to take profits, thus endangering his immortal soul. St. Thomas did not believe in the usury of money nor in the productivity of money. He favored the same occupations that were favored by the Greeks; farming and stock-raising. The "just price" of the medieval ages assumed "just gain" for everyone, thus keeping the people in the same station of life as they were born. The theory of economic law of the canonists revolved around their absolute authority, and was secondary to it. Exchange was regarded as a necessary element in gaining full utility of production and distribution, but it was secondary to salvation through the church.

As trade moved to Western Europe new schools of economic thought sprang up. These schools sought to put forth a new theory and conception of economic law. Such law was supposedly free from the absolute authoritarianism of the canonists. However, in spite of their claims to new theories, one finds the same confusion and inconsistency that prevailed before. In Greece and Rome it was destiny, natural ends, or "Moira." Among the canonists, the same idea was expressed as
absolute authority of God through the church. We now will examine the most important of new schools for evidence of the methods of justification that have been shown to exist for so long before. The new schools claimed new ideas on a scientific level, although they appear to be the same mythical theories that had been the methods of justification of the Greeks and canonists. To be sure, the emphasis was changed, but the change of emphasis is the only difference. The term "natural law" had long been known, but it had never reached so great a peak of influence before.

The new school which is examined in the next chapter is the French school of Physiocrats. The influence of the preceding cultures can be clearly seen in all the new schools. However, for our purpose the conceptions of only one new school are presented. The same confusion and justification concerning economic law that were practiced by the Greeks and canonists appear to be continued by the Physiocrats.
CHAPTER IV

THE PHYSICOCRATS

In the seventeenth and eighteenth centuries there was a rapid rise of the Mercantilists and Physicocrats. These groups tried to rise as the new aristocrats. In Northern Europe the Mercantile theory justified the money and prestige of the mobile capital group. This group became wealthy through trading but still was partly resented because of the teachings of the Christian Fathers. The merchants who claimed they were really the ones who increased a nation's wealth through shrewd trading and reinvestment of their profits were given status and respect. This was justification and sanction for their being in society. It was not merely a scheme of a single person, but was the result of the many influencing factors.

Mercantilism ... was not deliberately thought out and artificially created by any individual; it was a creation of the time spirit, or a spontaneous growth of the time. Guizer aptly termed it a 'system of sovereign welfare policy'; it was a system of political absolutism and centralization in favor of the burgherdom and mobile capital, to the detriment of the nobility and lords of the soil.¹

This new class set up its own economic and political laws to justify its position in regard to the other positions in

society. The "natural law" to them was the one tool they could conveniently call upon to qualify them for aristocracy. To them the "jus gentium," the body of law common to different nations, readily passes into the idea of natural law. Thus the idea of a body which is common to all people is "natural" to them, and can claim a higher sanction than that of any earthly legislature. It is an idea which, over many centuries, had varying shades of meaning. The latter centuries are colored with the doctrine that certain things are natural. This was an important part of Adam Smith's thinking, and was even more emphatically the foundation-stone of the Physiocrats.\(^2\) While the mercantile theory was gaining strength in England, a new class was also rising in France but was of a different origin than the rising mobile capitalists of Mercantilism. This class was to be later known as the Physiocrats.

"The Physiocrats were not professional economists but officials of various sorts emerging from the French bureaucracy and climbing into the land-owning and even into the noble classes."\(^3\) The Physiocrats were originally land owners before their period of bureaucracy. In order to elevate their position, they accepted as a postulate

\(^2\)Gray, op. cit., p. 38.

that land was the only means of creating wealth. That the
land brought surplus and profit was the "natural law" of eco-
nomics. The leader and most influential member of the Physics-
crats was perhaps Quesnay. He held labor on the land to be
the only creative labor.

... The only productive, the only creative labour
is, then, labour on the land. It is true that work
which transforms materials derived from the land,
or moves them from one place to another, can en-
hance the value of these things but the cost of the
supplementary labor is defrayed by the agriculturists,
who must feed the workers that perform it; and the
increase in value thus produced is, therefore, ac-
cordant to the cost of the labour, is equal to the
expense of maintaining the workers who do it--and
is, consequently, once more covered and made good
by labour on the land.4

Quesnay distinguishes between two laws: the positive law and
natural law. He says that the positive law is of human ori-
gin, and the natural law was originated by God. The latter,
originated by God, is the one he utilized as the basis of his
theory.

... We come then to human society, which is subject
to two kinds of laws, the lois naturelles and the lois
positives, the former, despite their high authority
and the praises bestowed upon them--are they not 'im-
muables, et irrefragables et les meilleures lois pos-
sibles'--remaining somewhat nebulous, the latter being
of human origin, and therefore strictly subordinate.
Indeed, the primary function of the positive laws is
to 'declare' the natural laws. The first positive
law, underlying all other positive laws, consists in
the institution of public and private instruction in
the laws of the natural order, although, regrettably,
the syllabus of the course is not provided. Posi-
tive laws are merely deductions from, or comments on,
the primitive natural laws. The fundamental laws of

4Spann, op. cit., p. 79.
society are imprinted on the hearts of man; they form the light which illumines his conscience. In relation thereto, the sphere of positive law is little more than that of interpretation. Positive laws are thus essentially subordinate, and should only be introduced in so far as they are in conformity with, and vigorously subject to, these other essential laws. They are therefore not of arbitrary institution, and the legislator cannot render them just by his authority, except so far as they are just in their essence. 5

This idea concerning universal law has been held by every generation since Aristotle.

The Physiocrats were interested in the profit of the land and, therefore, they urged higher prices for land products (especially grain). They also fought taxes and restrictions on agricultural products that limited their profits. In urging a higher price for their products, they argued, "Given an economy whose agriculture is receiving less than a bon prix (a competitive equilibrium price) for their products, an increase in the level of prices received by farmers for agriculture produce will result in increased investments in agriculture and in an augmentation of annual reproduction and net product." 6 The grain export tax was considered "unnatural" and an obstacle in the way of the functioning of the "natural laws" of economics. As soon as the Physiocrats


gained enough influence in the government and the king's court, they had most restrictions on grain removed. Although the landowner did not labor on the land, he was entitled to the profit. J. J. Spengler shows how the doctrines of the Physiocrats entitled the landowner to the profit of the land.

... Indeed the function of the landowner in preparing the land and in making it available for productive use was worthy of the highest honor, and, in the plan of distribution outlined by Quesnay, the landlord received abundant compensation though he actually lived in idleness. The claim which the landlords had to income was justified on the ground that if they had not cleared the land, prepared the soil by cutting trees, removing roots, and setting drains, and had not constructed buildings, the one source of wealth would never have been available for use.

The Physiocrats as bureaucrats prospered. They bought out the bankrupt nobility, married when they could into nobility, and remained the most loyal supporters of the king.

The troop of devoted adherents that soon collected around Quesnay styled themselves "economistes" (The name "Physiocrats" did not arise until later, and was invented by Dupont de Nemours, one of Quesnay's disciples). At first, the government had looked askance on the school; but soon it acquired great influence, and in a measure political power, for its most notable member, Turgot, was appointed comptroller-general of the finances in 1774. The members of the Physiocrats had begun asking if land were the only source of wealth,

---


8 Spann, op. cit., pp. 94-96.
and the position of the Physiocrats, with all their system of myths and justifications, began to crumble. Adam Smith finished breaking the physiocracy school soon after the *Wealth of Nations* was published in 1776. The school could not have stood long, for they had devised for their instinctive preferences a theoretical basis which led to inextricable entanglements. "For they sought to prove that agriculture alone produced the wealth of the community, and that in contrast to this 'productive' activity, all other occupations, however laudable and necessary, were unproductive and 'steril.'"9 This distinction of what is sterile and what is productive has been the problem child of economists, but to the Physiocrats it had a simple answer. The Physiocrats answered the question by saying that land was the only productive thing. There is no doubt that if the Physiocrats had owned or received profit from the cigar industry instead of land, the way to increase the wealth would have been the consumption of cigars, for that would have been according to the "natural law." Alexander Gray criticizes the productive labor theory of the Physiocrats.

... The distinction between productive and unproductive labour was the most tiresome of the legacies which the Physiocrats bequeathed to the economic world. For at least two generations every writer on these matters felt it incumbent upon him to return to the point and to attempt to give some sense to a distinction which in truth had none.10

Giving sense to their justification of status by natural law as an authority is even more confusing. The Physiocrats only followed the philosophical pattern of their preceding cultures. They changed their authority from a combination of theology, Aristotle, and "Moira" of the canonists to "natural law." Their conception of "natural law" and the use of it as the basis of their theory has cluttered the minds of economists for generations and has had much influence upon our present culture.

The Physiocrats drew a distinct theory of economics from their philosophy. This economic theory was pure justification. The Physiocrats taught that money was "sterile" and the soil was the only creative source of wealth. All economic laws of the Physiocrats evolved from this general economic principle. Taxes on products of the soil were considered detrimental to the functioning of the "natural laws" of economics. The products of the soil should demand high prices according to the Physiocrats. If the price were high, the landowner supposedly would have more profits to invest in the clearing of more land. These principles which elevated the landowner were accepted as economic laws. As if by magic, these laws would supposedly increase the wealth of the whole society.

The economic laws of the Physiocrats were the same justification used by the Greeks and canonists. They were neither scientific principles nor observed facts. They did
not correspond to reality. They were no more than methods used by the Physiocrats to elevate and justify the position of the landowner. Their economic laws were "natural laws" when they benefited the landowner and were "unnatural laws" when they did not benefit the landowner. Such laws cannot be used as scientific data. They can only be used to divert attention from reality.
CHAPTER V

CONCLUSION

The conception of economic law held in Greece and Rome evolved from their idea of "Meira." The world was believed to be rationally governed and worked toward a rational end. The laws of money and exchange, developed by the Greeks, were a part of this philosophy. Money was held to be unproductive. No profit could be made other than enough for subsistence in the station of life a person was born. It was believed that the gods purposely put people in the station of life they were born. Therefore, it was against the will of the gods or spirits and "Meira" for man to try to change his position in life through exchange.

The same justification of status was used by the canonists. It was believed during the medieval ages that man should remain in the same station of life that the Supreme God had put him. Certain occupations were regarded as "natural," while others were regarded as "unnatural." Money was held to be "sterile"; therefore, usury was prohibited. Exchange for pure profit was held as dangerous to man's immortal soul. The "just price" theory held each man in the station of life he was born.

The Physiocrats claimed a new economic system, but it is seen to be only a new name for an old system. The Physiocrats argued that money was "sterile." It was believed by
the Physiocrats that the only source of wealth was through the cultivation of the soil. The Physiocrats were large landowners, and their economic "laws" were only justification for landowners receiving a large proportion of the national income. Taxes on grain and agrarian products were regarded as against the "natural laws" of economics. The economic laws devised by the Physiocrats were supposedly to be "guided by an unseen hand," as Adam Smith expressed it at a later date. They functioned by magic force and contained supernatural qualities.

The conception of economic law held by the Greeks and Romans was found in the culture and beliefs of the canonists. Also the conception of economic law held by the canonists was passed on to the Physiocrats. The name of the idea in each era was sometimes changed, but there can be recognized a continuity of the same basic concept. This idea was that economic laws are superhuman forces. These forces have been considered to be spirits, gods, "Moira," or one Supreme God, but the influence exerted on the conception of economic laws has been uniformly the same.

The economic laws of the Physiocrats were inherited by classical economics. From classical economics our present culture obtained these magical laws. They came to our culture not as scientific laws, but rather as magic forces moving toward a rational end. They are not scientific laws based on reality. In face of the evidence shown, we can
only conclude that the conceptions of economic law in our present society, which originated out of justification, rationalization, and confusion, cannot be put on the level of scientific data. Such laws can only lead to confusion and inconsistency.
BIBLIOGRAPHY

Books

Antoninus, Marcus Aurelius, The Thought of the Emperor Marcus
Aurelius Antoninus, translated by George Long, New York,
Brentan’s, Incorporated, 1923.

Aquinas, Thomas, Basic Writings of Saint Thomas Aquinas, edited

Aristotle, The Works of Aristotle, translated by W. D. Ross,

Augustine, Aurelius, Concerning the Teacher and on the Immor-
tality of the Soul, translated by George C. Leckie,

Augustine, Aurelius, The Happy Life, translated by Ludwig
Schopp, London, St. Louis, Missouri, B. Herder Book
Company, 1939.

Bakewell, Charles M., Source Book in Ancient Philosophy,
New York, Charles Scribner’s Sons, 1907.

Barnes, Harry Elmer, An Economic History of the Western World,

Becker, Carl L., The Heavenly City of the Eighteenth-Century
Philosophers, New Haven, Connecticut, Yale University
Press, 1938.

Bogardus, Emory S., The Development of Social Thought, London,

Burt, Benjamin Chapman, A Brief History of Greek Philosophy,
Boston, Ginn and Company, 1889.

Clough, S. B. and Cole, C. W., Economic History of Europe,
Boston, Massachusetts, D. C. Heath and Company, 1941.

Cushman, Herbert Ernest, A Beginner’s History of Philosophy,
revised edition, Vol. I, Boston, Massachusetts, New


### Magazine Articles


Book Articles


Unpublished Material