

Scholars' interpretations of the just price doctrine that Saint Thomas Aquinas delivered during the medieval period have created endless controversy. The central issue of the debate is value theory. Since just price represents the value of a good, the burden of explaining the theory has focused on an understanding of the ultimate component of value. On one hand, some scholars believe that Aquinas held an objective cost theory of value. On the other hand, others deem his notion of value to be blatantly subjective in emphasizing the theory of utility and linking the just price to the prevailing market price that was derived from demand and supply. However, some writings suggest that there is a correlation between these opposing views because just price is based on both cost theory and utility theory. The purpose of this paper is to examine scholars' conflicting interpretations on the idea of just price within the social context of the middle ages.

In "On the Interpretation of the Just Price", Samuel Hollander argues that the just price was indeed related to costs in the medieval period, which was defined by social stratification. Hollander argues that Aquinas makes a claim in his *Commentary* on Aristotle's *Nicomachean Ethics* that refers explicitly to production costs: "In order then to have just exchange, as many sandals must be exchanged for one house...as the builder...exceeds the shoemaker in his labor and costs. If this is not observed, there will be no exchange..."(Hollander 619). Therefore,

Hollander suggests that Aquinas held the opinion that the just price reflects costs incurred in production.

However, Hollander is emphatic in pointing out that Aquinas implicitly equates the just price with the market price in his *Summa Theologica*. He asks himself “whether a seller is bound to declare a defect in a thing sold”, and answers that the value of a thing is likely to decrease when new merchants who carry the same goods arrive. If a seller offers the goods at the prevailing price it does not necessarily violate justice, because the buyer does not expect the price to drop. Therefore, the seller does not have to inform the buyer of an impending change in price (Hollander 624). Hence Hollander suggests that by justifying the prevailing price (market price), Aquinas admits that it is the just price. Even so, Hollander acknowledges that this example applies exclusively to the merchant or trader in a situation where competition exists. Within the social context of the medieval period, the market economy does not seem applicable. Therefore, it is irrelevant to presume that the market price was equivalent to the just price at this time.

On the other hand, Raymond de Roover argues that the just price does in fact correspond to the current market price, rather than to the production cost—which is related to the producer’s social status. In his article “The Concept of the Just Price: Theory and Economic Policy”, De Roover proposes that interpretations of Aquinas’ doctrine of the just price vary because the passages relating to the issue

are strewn throughout the text, and thus appear to conflict. He believes that by choosing the passages that suit their argument, some writers go so far as to conclude that Aquinas had a labor theory of value. For example, Aquinas' *Commentary* on Aristotle's *Nicomachean Ethics* is often used to support their thesis, "commutative or contractual justice requires strict equivalence between what is received and what is given...meaning that price, to be just, should always correspond to cost..."(De Roover 421). Hollander in fact took such an approach to justify his position.

De Roover argues that other comments Aquinas makes on Aristotle suggest that in a situation where a producer that can't cover his initial outlays by selling the product, the product would not exist. Implicitly, the market price (the just price) should always exceed the production cost. Furthermore, De Roover suggests that Cardinal Cajetan - a respected commentator of the *Summa Theologica*, interprets Aquinas' thoughts on the just price as "the one, which at a given time, can be gotten from the buyer, assuming common knowledge and in the absence of all fraud and coercion" (De Roover 423). De Roover indirectly argues that Cajetan agrees that the market price is just because he then persists in explaining how changes in demand and supply affect the price level.

Moreover, De Roover refers to the issue of "Whether a seller is bound to declare a defect in a thing sold?"--from Aquinas' *Summa Theologica*--in

concluding that Aquinas has equated the market price with the just price. In other words, should a merchant who carries wheat to a place where the price for wheat is high, knowing that more wheat will be available, sell the wheat at current price? Aquinas answers that he should maintain the current price, which provides unquestionable evidence that he regarded the market price as just. However, Hollander challenges this argument because he believes that the “market price” is not appropriate in the non-competitive environment of the medieval period, during which status and rank were clearly defined.

In addition, Hollander disagrees with De Roover’s interpretation of a comment that Aquinas made on Aristotle: “Arts and crafts would be doomed to destruction if the producer did not recover his outlays in the sale of his product. In other words, the market price could not fall permanently below cost. If so, there is no contradiction, since the market price would then tend to coincide with cost or to oscillate around this point like the swing of a pendulum”(De Roover 422). Hence, De Roover interprets Aquinas’s comment as evidence that the just price lies between cost and the market price.

However, Hollander discredits this view. He suggests that there is no need to resolve the contradiction, because Aquinas did not specialize in the field of economic phenomena analysis; nor was he was expected to comprehend the Marshallian theory of price determination. Furthermore, Hollander argues that

“price would...tend to...oscillate around [cost]...” is not valid. He claims that what Aquinas really meant is that within a social structure where jobs are particularly specialized, the exchange rate (price) should reflect costs of production comparatively. Otherwise, the social structure would disintegrate. He then states that Aquinas fails to explain how costs of production relate to current prices in his *Commentary*. Instead, he discusses how the just price is already determined before the exchange takes place; no bargaining is involved. Hence, there is no evidence in Aquinas’ work of the relationship between current price and production cost, or of how the price reflects the cost. Therefore, De Roover’s statement that “...the market price would tend to...oscillate around [cost] like the swing of a pendulum” is questionable.

In his article “The economics of the just price”, George W. Wilson takes a more objective stance in interpreting the just price doctrine in relation to the economic conditions, social structure and the objectives of medieval society. He is inclined to believe that cost was the dominant element embodied in the ‘just price’ during the medieval period. Wilson describes the economic conditions of the medieval system as “low-level chronic stagnation”(Wilson 62). Economic growth was not observed, technological improvements were not expected, and having few wants could result in more satisfaction.

Wilson adds that maintaining the status quo was a central concern for Aquinas when he delivered his doctrine. Therefore, any exchange should be conducted so as to maintain the status of both buyer and seller and ensure that they perform within their station. There must be equality within each distinct class so that each person receives the same as other members in the same group. However, inequality between classes must be maintained. For this reason, Wilson supposes that the just price is that which is deemed appropriate for a class.

Wilson believes that in determining the just price, Aquinas is status quo and cost oriented. Wilson is in agreement with Spengler about Aquinas' belief that people of the same class should be paid the same amount if they work for the same amount of time, while people in other classes should be paid a different amount. Hence, the just price should yield a figure that enables an individual to produce the same volume as others in the same class. Also, it must cover his costs of production such as materials, transports and other overheads, as well as wages that allows his family to maintain its status.

Wilson argues that since the just price is concerned with the status quo, in the long run the market price is unquestionably not the just price. Both technological change and changes in demand would affect the price, but they are not relevant to the middle ages. Wilson summarizes his claim by stating that "Aquinas' theory of justice in exchange involves prices which cover the 'cost' of production which are

weighted by the social estimate of the ‘worth’ of the laborer in a particular class” (Wilson 69).

In addition, Wilson disagrees with scholars who view the theory of subjective utility as suitable for the social context of the middle age. He argues that the subjective utility approach in evaluating production is inappropriate in a “functional society” wherein the ultimate goal is to maintain the status quo, not utility maximization. Finally, Wilson defines the just price of the medieval period as “socially weighted costs of production” +/- “excessive loss or gain in any individual transaction” + “a risk payment under certain circumstances”(Wilson 72); the risk premium is to compensate for the seller’s disadvantaged situation in a particular circumstance, but Wilson does not explain the rationale for this part of the equation.

At times, some scholars have interpreted the just price to be determined by a combination of both cost and utility theories of value. According to Spiegel, in Aquinas’ *Commentary* on Aristotle’s *Ethics*, goods have different values because the amount of labor used in the production of the good and the good’s ability to satisfy needs are different. The first proposition can be attributed to objective factors, the second to subjective factors. Spiegel attempts to link the two together by stating that Aquinas “envisage[s] values emerging from the subjective valuation of the individual marketers which become objective as a ‘common estimate,’

reflecting the objective qualities of the goods...”(Spiegel 62). Raymond de Roover’s also conveys a sense that both subjective utility theory and objective cost theory account for the just price. As disputed by Hollander, he argues that “...the market price...tend to coincide with cost or to oscillate around this point [cost] like the swing of a pendulum.”(De Roover 422) Finally, Wilson suggests that “if the utility view is interpreted as relating to individual ‘needs’ within the context of status quo, then the ‘needs’ reflect ‘costs’ (socially weighted production costs) and the two versions coalesce...”(Wilson 72) Again, he integrated both ‘cost’ and ‘utility’ in one framework.

As shown, it has been very difficult for scholars to reach an agreement regarding Aquinas’ just price doctrine. They disagree as to the extent in which the just price reflects objective cost theory and subjective utility theory. Much of the disagreement stems from ambiguity in Aquinas’ writing. It is quite challenging for students today to apply Aquinas’ doctrine of just price to our economic system, especially since the marketplace was so simplified in medieval times. The principle of utility maximization is completely at odds with maintaining the status quo. Reading Aquinas’ is as difficult as swimming in molasses, but it does offer a fascinating glimpse of thought in the history of political economy.