

Leonard Lessius: The Oracle of the Low Countries

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Introduction:

The publication of *Economic Thought Before Adam Smith: An Austrian Perspective on the History of Economic Thought* in 1995 by Murray N. Rothbard was a milestone event for the Austrian School. Buttressed by the path-breaking revisionist work of Joseph A. Schumpeter, Raymond de Roover, Marjorie Grice-Hutchinson, John T. Noonan, Jr., and especially Emil Kauder, Rothbard's exacting research has changed the landscape of early modern economic thought forever.

As Rothbard noted in his closing remarks in June of 1974 at a conference at Royalton College in Vermont on Austrian economics:

... We see emerging a long and mighty tradition of proto-Austrian Scholastic economics, founded on Aristotle, continuing through the Middle Ages and the later Italian and Spanish Scholastics, and then influencing the French and Italian economists before and up till the day of Adam Smith. The achievement of Carl Menger and the Austrians was not so much to found a totally new system on the framework of British classical political economy as to revive and elaborate upon the older tradition that had been shunted aside by the classical school.¹

It was the purpose of his *Economic Thought Before Adam Smith* to revive many of the once-influential continental thinkers of their day and elaborate on their doctrines. In short, the Austrian School now has its history by one of the foremost economic historians of our age. And, undoubtedly, one of his most important contributions was to accurately uncover and address the pre-Austrian ideas and concepts of the medieval and late scholastic thinkers.

Leonard Lessius as pre-Austrian thinker:

It is the purpose of this study, then, to expand upon the work of Rothbard and others in highlighting one of the most influential and yet one of the least studied of the late scholastic thinkers, Leonard Lessius, the “Oracle of the Low Countries.”

Biographical sketch:

Leonard Lessius was born in the town of Brecht near Antwerp on October 1, 1554. At the time of his birth, Antwerp and the surrounding area was experiencing a commercial revolution. As J. M. Roberts writes in *The New History of the World*:

The great commercial success story of the sixteenth century was Antwerp's.... In the seventeenth century Amsterdam and London surpassed it. In each case an important trade based on a well-populated hinterland provided profits for diversification into manufacturing industry, services, and banking. The old banking supremacy of the medieval Italian cities passed first to Flanders and the German bankers of the sixteenth century and then, finally, to Holland and London.²

His parents died early and producing in him “a sobriety and profound introversion that were to last through his life and to give impetus to his personality toward prayer and

serious study.”³ Raised by an uncle and destined for a career in business, Lessius won a scholarship at thirteen to the University of Louvain, studying the classics and philosophy. It was at the tender age of seventeen that he received his doctorate in philosophy. In 1572, he entered the Society of Jesus and soon found himself teaching philosophy two years later at the English College at Douai in France. He taught philosophy there from 1574 to 1581, having been ordained to the priesthood in 1580. He was then given an opportunity by his superiors to study for two years in Rome under the great Jesuit theologians, Francisco Suarez and Robert Bellarmine. Returning to Louvain in 1585, he held the position of professor of theology in the Jesuit College for the next fifteen years. At this great Jesuit seat of learning he

... took up the great Molinist cause of free will against a pro-determinist wing of theologians at Louvain.... Lessius also advanced the Suarezian view that original political power was conferred by God on the people, and hence he attacked the growing adherence to the divine right of kings, especially put forth by King James I of England.⁴

It was at Louvain that many of his ideas began to take definite shape. Lessius resigned his teaching post at the age of forty-six because of poor health. The remaining twenty-three years of his life were spent in consulting, writing, and research until his death on the fifteenth of January, 1623. According to Joseph de Ghellinck,

He was consulted from all quarters, and corresponded on theological matters with the most learned doctors of the day, such as Bellarmine, Suarez, Vasquez, Molina, etc. But he longed to have done with studying and writing books, that he might turn to prayer and contemplation towards the end of his life.⁵

It was Justus Lipsius, the famous classical philologist and humanist who accorded Lessius the sobriquet of the “Oracle of the Low Countries.”⁶ Lipsius was just one of many of Lessius’s contemporaries that furthered his intellectual reputation on the continent.

Publication of *De Iustitia et Iure*:

Lessius’s most important work was his *De Iustitia et Iure*, published in 1605. This work circulated throughout seventeenth century Europe with the cities of Antwerp, Louvain, Lyons, Paris, and Venice publishing most of his editions. His work is divided into four books that constitute the four cardinal virtues: *De Prudentia* (Of Prudence), *De Iustitia* (Of Justice), *De Fortitudine* (Of Fortitude), and *De Temperentia* (Of Temperence). Not surprisingly, of the 808 pages of text in the Antwerp seventh edition of 1632, 683 pages of text is dedicated to an examination of justice. And Lessius devotes nine chapters of Book II to economics, finance, banking, and international trade. As Barry Gordon has noted:

Combining a full command of earlier scholastic authorities with a hitherto unprecedented grasp of market phenomena, Lessius provided fresh insights that challenged traditional economic doctrine in authoritative fashion. Lessius is, certainly, the foremost continuator of the Spanish school of economic thought. Further, he has claims for consideration as a major original contributor to the development of economic analysis.⁷

Following in the footsteps of Francisco de Vitoria, Domingo de Soto, Martin de Azpilcueta or Navarrus, Tomas de Mercado, Juan de Medina, and Luis de Molina, Lessius continued his investigations in the tradition of the School of Salamanca. And as Rothbard notes, “not only was Lessius’s knowledge of his predecessors encyclopedic, but

he was renowned for his knowledge and analysis of contemporary commercial practices and contracts and for his applications of moral principles to such practices.”⁸

The “just price” concept:

Lessius begins his economic analysis with an explanation of the “just price.”

Following the natural law tradition of Thomas Aquinas and the Spanish Scholastics, Lessius describes the just price as “that price which is determined by the public authority for the common good, or the price determined by one’s general estimation.”⁹ The first price quoted by Lessius is understood to be the legal or fixed price and the second price was viewed as the natural or market price. In either case, the “prices of things work as a communal matter, not out of feelings or advantages of individuals. The reason is that private judgment is fallible and easily swayed by the desire for gain. Common judgment is less liable to err.”¹⁰ The traditional scholastic view was to have the legal or fixed price take precedence over the natural or market price in most exchanges. But it was here that Lessius, with his understanding of the inner workings of the Antwerp Bourse, qualifies the just price doctrine in two unique ways. First, when the legal or fixed price is above the market rate, Lessius concludes that the market should decide. And secondly, in circumstances in which the public authorities failed to adjust the legal price, Lessius again concludes that the market should be allowed to decide. The natural price should override the legal price in those situations in which “in change of circumstances of increasing or diminishing supply and similar factors, the authorities were obviously

negligent in charging the legal price...”¹¹ Lessius also lists the many factors that influence the price or value of a good. These include

... the goods themselves, and their abundance and scarcity; the need for them and their usefulness; the sellers, and their labor, expenses, risks suffered in obtaining the goods, in transporting and storing them; the manner of their sales, whether offered freely, or on demand; the consumers, and whether there are few or many, and whether money is plentiful or scarce.¹²

Antwerp and flexible markets:

As Antwerp’s population continued to grow throughout the early seventeenth century, estimated at somewhere between 100,000 and 150,000 inhabitants,¹³ consumer demand becomes an important determinant of the price for Lessius:

... But if the merchant’s expenses have been greater, that is his hard luck, and the common price may not be increased for that reason, just as it need not be decreased even if he had no expenses at all. This is the merchant’s situation; just as he can make a profit if he has small expenses, so he can lose if his expenses are very large or extraordinary.¹⁴

Not only did Lessius uncover and expose the inefficiencies and injustice of the legal price system, but he more forcefully advanced the role and importance of flexible markets and prices. As Gordon noted, “With Lessius, it is clear, the logic of the marketplace has a powerful bearing on the just ordering of social relationships.”¹⁵

Wages and the labor market:

Lessius also made important contributions in the area of wages. With the continued growth of a wage-earning mercantile class, supply and demand analysis relative to wages

and the labor market became essential to understanding the changing financial and consumer markets. “Lessius engaged in the most sophisticated analysis yet achieved of the workings of wages and the labor market,”¹⁶ wrote Rothbard. With wages tied to the traditional scholastic notion of their relation to the payments for goods and services, Lessius gave his readers an updated version of the “just wage” doctrine, clearly advocating a flexible market for wages. “In asking what is the ‘minimum justifiable wage’ for any given occupation,” says Rothbard, “Lessius said that the mere existence of other people willing and able to work at any given wages, shows that it was not too low, nor was it unjust.”¹⁷ Lessius describes the competitive labor market in the following manner:

It can be established that if (i.e., the wage payment) is not below the minimum from the fact that there are others who are willing to perform such work or office or service for the remuneration in question. That is a clear indication that such a remuneration, all circumstances considered, is not below the right value for that occupation.¹⁸

Another discovery by Lessius, writes Rothbard, was “the concept of psychic income as part of the money wage.”¹⁹ In the view of Lessius, “... if the work brings with it social status and emoluments, the pay can be low because status and associated advantages are, so to say, a part of the salary.”²⁰

Austrian productivity theory:

Rothbard also uncovered in the work of Lessius an early version of the Austrian productivity theory of the demand for labor. In other words, the employer hires the

laborer in order to gain benefits and with those benefits will be determined the worker's productivity. Again, in the words of Lessius:

If however his work brings an advantage to the employer far outweighing the value to him of the employee's sustenance he would be bound to compensation, at least at the level of the minimum just wage.... when the work is of notably more value to the employer than what it costs him to provide sustenance for life, he must pay something more for it.²¹

Entrepreneurship:

Traders, businessmen, and individuals of exceptional ability all command a higher wage or income. Why was this so? Lessius would argue that the higher income or wage was partially the result of *industria* or entrepreneurship. "To be able to combine several people's business expeditiously," writes Lessius, "depends on human industry, because cases are rare when it can be done with ease. It is not surprising if an industrious agent does make a good income in a short time."²² This enterprising function is inextricably linked to the speculation that he observed on the European bourses, most especially in Antwerp. In referring to the trader as monopolist, Lessius described them as persons who "by their industry (entrepreneurship) succeed in buying up all goods and holding them until the price rises."²³

Money and credit:

Lessius also engaged in a sophisticated analysis of money, not only analyzing the demand for money but the "recognition of the existence of a market in money loans."²⁴

In the words of Lessius,

... the practice of the Bourse or Peristyle of Antwerp where the merchants gather every day and take account of the abundance or shortage of money, of the number of exchanges, of the amount of merchandise and all other sources of gain in which there is need of present money. Then either by themselves or their agents they establish the price for the privation of money. Merchants who lend may demand this price for the reason that they are deprived of their money for such and such a time and may not call it back before the time agreed. This price is sometimes 6% per year and sometimes 7%, 8%, 9%, 10%, 11%, or 12%;...²⁵

Usury and *carentia pecuniae*:

Finally, under Lessius, the medieval usury doctrine was subjected to critical analysis. Although he formally continued to state in part the traditional prohibition, Lessius was at the same time a major contributor to its demise. As Rothbard writes, "Lessius provided the most sweeping defense of the guaranteed investment contract and he treated benignly even high rates of return on capital. He also removed all the remaining restrictions on *lucrum cessans*."²⁶

This *lucrum cessans* was traditionally thought of as a just compensation for the delay in the repayment of a loan contract. Lessius expanded *lucrum cessans* to include any set of funds that potentially might have been invested at a specific point in time. Therefore, all loans, Lessius would demonstrate, "involve the lender in the sacrifice of a degree of liquidity."²⁷ With this new understanding of loan contracts and lending, mirrored in the work-a-day world of commercial Antwerp, a new title to interest was developed by Lessius. This new concept was called *carentia pecuniae*, i.e., charging for the lack of money.

It is this “preference for liquidity,” says Lessius, that gives the businessman a particular advantage. Any loss of his liquidity must be made up through a payment of interest. In his discussion of the purchase of various financial notes, he writes:

Such rights, as long as they are proposed as saleable objects in the commercial sense, are held to be of less value in the general estimation of men than actual money in the hand. This is a matter of common experience in that money provides the means to a multitude of things which those rights do not provide. Therefore, they may be bought at a lower price.²⁸

These rights, explains Rothbard, to future money, are always discounted in comparison to cash.²⁹ And of course, this discount is viewed and understood as the rate of interest.

The result of the application of *caerentia pecuniae* is a “just price” found on the loan market for the loss of liquidity of the trader. Lessius explains this concept in the following manner:

Moreover, a merchant seems able to demand this price in that same place even though there is no gain of his that stops because of his loan. This is the just price for the privation of money among merchants; for the just price of an article or obligation in any commodity is that which is put upon it by that community in good faith for the sake of the common good in view of all the circumstances. . . . Therefore, even if through the privation of money for a year there is no gain of mine that stops and no risk of capital, because such a price for just causes has been put upon this privation, I may demand it just as the rest do.³⁰

This newly developed title to interest, *caerentia pecuniae*, was Lessius’s masterstroke.

Capital markets, although still hindered by the thin veneer of the medieval usury doctrine, would continue to grow and prosper because of the intellectual work of Lessius.

As John T. Noonan, Jr. stated so forcefully in his classic work, *The Scholastic Analysis of Usury*, Lessius was “the theologian whose views on usury most decidedly

mark the arrival of a new era. More than any predecessor he would probably have felt completely at ease in the modern financial world.”³¹ In a sense, Lessius was the most fortunate scholar of the early seventeenth century. With Antwerp and Amsterdam as his laboratory, he was able to expand the scholastic notion of justice into the ever-expanding realm of commerce. According to Noonan, Lessius was “careful, perceptive, boldly logical, modest, and sure of himself.”³²

It is to Murray Rothbard’s credit that Leonard Lessius was given his due along with many other scholastic thinkers presented in his *Economic Thought Before Adam Smith*. In fact, says Rothbard in his introduction, “the scholastics may be considered ‘proto-Austrians,’ with a sophisticated subjective utility theory of value and price.”³³

Conclusion:

The “Oracle of the Low Countries” was a significant thinker whose ideas and concepts found their way into the natural law thinking of Hugo Grotius and Samuel von Pufendorf and the Scottish Enlightenment thinkers of the eighteenth century.

So to ignore Lessius is to ignore the commercial revolution of the seventeenth century. To ignore Lessius is to ignore the early beginnings of subjective value and final consumer demand. To ignore Lessius is to ignore the emerging wage class and the emerging labor market. To ignore Lessius is to ignore interest as a reward for waiting and the lack of liquidity, as traders on the Antwerp Bourse understood all too well.

In short, one cannot ignore Lessius. Instead, one should embrace him and his contributions to the early history of the Austrian School.

Endnotes

1. Murray N. Rothbard, "New Light on the Prehistory of the Austrian School," from *The Foundations of Modern Austrian Economics* (Kansas City: Sheed and Ward, 1976), 71.
2. J. M. Roberts, *The New History of the World* (Oxford: Oxford University Press, 2003), 556.
3. C. Meyer, "Leonard Lessius," from the *New Catholic Encyclopedia*, vol. viii., (New York: McGraw Hill Book Company, 1967), 678.
4. Murray N. Rothbard, *Economic Thought Before Adam Smith: An Austrian Perspective on the History of Economic Thought* (Cheltenham: Edward Elgar Publishing Limited, 1995), 122.
5. Joseph De Ghellinck, "Leonard Lessius," from *The Catholic Encyclopedia*, vol. ix, (New York: Robert Appleton Company, 1910), 192.
6. T. J. Campbell, introduction to L. Lessius, *The Names of God and Meditative Summaries on the Divine Perfections* (New York: The America Press, 1912), xiii.
7. Barry Gordon, *Economic Analysis Before Adam Smith* (New York: Harper and Row Publishers, 1975), 246.
8. Rothbard, *Economic Thought*, 123.
9. Leonard Lessius, *De Iustitia et Iure (Of Justice and the Law)*, Seventh Edition, (Antwerp, 1632), II:21:2:7.
10. Ibid., II:21:2:9.
11. Ibid., II:21:2:14.
12. Ibid., II:21:2:8.
13. Roger Mols, S.J., "Population in Europe 1500-1700: Two Centuries of Demographic Evolution," from *The Sixteenth and Seventeenth Centuries* (New York: Harper and Row Publishers, 1972), 42.
14. Lessius, *De Iustitia*, II:21:4:29.

15. Gordon, *Economic Analysis*, 259.
16. Rothbard, *Economic Thought*, 123.
17. Ibid.
18. Lessius, *De Iustitia*, II:24:4:24.
19. Rothbard, *Economic Thought*, 123.
20. Lessius, *De Iustitia*, II:24:4:24.
21. Ibid., II:24:4:25.
22. Ibid., II:24:5:29.
23. Ibid., II:21:21:144.
24. Gordon, *Economic Analysis*, 257.
25. Lessius, *De Iustitia*, II:20:14:124.
26. Rothbard, *Economic Thought*, 124.
27. Gordon, *Economic Analysis*, 250.
28. Lessius, *De Iustitia*, II:21:8:66.
29. Rothbard, *Economic Thought*, 125.
30. Lessius, *De Iustitia*, II:20:14:125.
31. John T. Noonan, Jr., *The Scholastic Analysis of Usury* (Cambridge: Harvard University Press, 1957), 222.
32. Ibid.
33. Rothbard, *Economic Thought*, x-xi.

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