

Alfredo Santiago Culleton\*

## The Origin and Autonomy of Money in Martín de Azpilcueta's *Comentario resolutorio de cambios* (1556)

**Abstract:** This article attempts to look at how the basic concepts of the philosophy of economics were dealt during the Second Scholasticism, particularly by Martín de Azpilcueta (1492-1586). For this purpose it discusses the use of the concepts of money and currency by Aristotle and Thomas Aquinas and then analyzes how Azpilcueta adapts these concepts to his times.

**Keywords:** Second Scholasticism, *Scholastica colonialis*, economy, Martín de Azpilcueta, money.

**Resumo:** Pretendemos neste artigo resgatar a maneira como os conceitos fundamentais da filosofia da economia eram tratados durante a segunda escolástica, mais especificamente por Martín de Azpilcueta. Para tanto, faremos uma recuperação do uso dos conceitos de dinheiro e moeda em Aristóteles e Tomás de Aquino, para depois analisarmos a adaptação que Azpilcueta faz dos mesmos para o seu tempo.

**Palavras chave:** Segunda Escolástica, *Scholastica colonialis*, economia, Martín de Azpilcueta, dinheiro.

### Introduction

Before discussing the ideas and arguments developed by Martín de Azpilcueta about the origin and autonomy of money, I will offer a brief overview of the concepts of money and currency present among thinkers of that time. Behind

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\* Professor do PPG em Filosofia da Universidade do Vale dos Sinos (UNISINOS), Av. Unisinos 950, CEP 93022-000, São Leopoldo / RS, Brasil, culleton@unisinos.br

most theories about the nature and origin of money during the First and Second Scholasticism there are two classical texts of practical philosophy by Aristotle, viz. *Nicomachean Ethics* and *Politics*, where he laid the foundations of the basic ways of understanding money, i.e. as an artificial measure of the value of things and as something that has value in itself. What was not very clear to the commentators is the fact that in these two works the Stagirite discusses money in different argumentative contexts. In the *Ethics*, he discusses it in an attempt of defining justice by the principle of the mean, while in *Politics* he does so when expounding the prerogatives of the household as a stage in the evolution of political society.

In *Nicomachean Ethics* just action is defined as an action that is «intermediate between acting unjustly and being unjustly treated; for the one is to have too much and the other to have too little. Justice is a kind of mean [...] because it relates to an intermediate amount, while injustice relates to the extremes»<sup>1</sup>. When applying this mean to economic exchange, Aristotle tries to establish equity between exchangeable things. He locates exchange at the foundation of human economic relations: «neither would there have been association if there were not exchange, nor exchange if there were not equality»<sup>2</sup>. This need for equalizing things led to the introduction of money, which is just a measure on the basis of which each thing can be assigned a value to so that people can exchange things as different as houses and shoes, for instance.

The question to be raised is this: How can one, in order to evaluate different and objective things, have a measure that is artificial in itself and dependent on demand and need, as it is the case of money and the value of each thing. In fact, the way in which things are valued depends on need, i.e. on the demand for things, and the value of such demand is measured by money. «All goods must therefore be measured by some one thing [...]. Now this unit is in truth demand, which holds all things together [...] but money has become by convention a sort of representative of demand»<sup>3</sup>. As a measure of value money is completely artificial. «Money [*nomisma*] [...] exists not by nature but by law [*nomos*] and it is in our power to change it and make it useless»<sup>4</sup>.

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<sup>1</sup> Cfr. Aristotle, *The Nicomachean Ethics*, ed. by Richard McKEON, Random House, New York, 1941, 1133b30-32, p. 1012.

<sup>2</sup> Ibid., 1133b1-5, p. 1011.

<sup>3</sup> Ibid., 1133a20-25, p. 1011.

<sup>4</sup> Ibid., 1133a30-32, p. 1011.

Whereas Aristotle in the *Nicomachean Ethics* highlights the artificial nature of money, in the *Politics* he stresses its natural aspect. Here exchange surfaces in the context of the household, as Aristotle tries to demonstrate the evolution of political society from the head of the household and the family community to the *polis*. Although this is a natural process, its construction entails a measure of deliberation, so that some states are different from others. The real transition in the state's evolution takes place at the stage of the community, which is designed to meet more than just everyday needs. This is where exchange appears, i.e. in the movement of leaving one's household, and where human beings are no longer economically self-sufficient. At the stage of bartering one essential good for another, exchange is seen as something natural and morally neutral. From this mode of exchange there emerges another—which Aristotle refers to as *the art of acquisition*—that can be considered unnatural and morally reprehensible. Thus people began to import what they lacked and to export their surplus. Now, as it was difficult to transport these goods, «and hence men agreed to employ in their dealings with each other something which was intrinsically useful and easily applicable to the purposes of life, for example, iron, silver, and the like»<sup>5</sup>.

The question raised by medieval scholastics was whether money is just an artificial measure of value whose validity was established by the state or whether it has some inherent value because of the material (metal) from which it is made<sup>6</sup>. In other words, they asked whether money was a value in itself. These two ways of viewing money are respectively known as the theory of «sign»—or as «feudal theory» since it was predominant among scholastics—and the mentalist theory<sup>7</sup>. Aristotle himself was aware of the two dimensions of money as a good in itself and as pure convention<sup>8</sup>.

<sup>5</sup> Cfr. Aristotle, *Politics*, in *The Basic Works of Aristotle*, ed. by R. MCKEON, Random House, New York 1941, I, ix, 8, 1257a, p. 1138.

<sup>6</sup> Cfr. O. LANGHOLM, *Economics in the Medieval Schools: Wealth, Exchange, Value, Money and Usury According to the Paris Theological Tradition, 1200-1350*, E. J. Brill, Leiden 1992, p. 26. Cfr. also D. WOOD, *Medieval Economic Thought*, Cambridge University Press, Cambridge 2002, p. 69.

<sup>7</sup> For a better understanding of this nomenclature in the history of economy cfr. O. LANGHOLM, *Economics in the Medieval Schools...*, cit., pp. 191-193; B. GORDON, *Economic Analysis before Adam Smith: Hesiod to Lessius*, Macmillan, London 1975, pp. 162-166; D. WOOD, *Medieval Economic Thought*, cit., pp. 72-73. Cfr. also R. DE ROOVER, *La pensée économique des scolastiques: doctrines et méthodes*, Inst. d'Études Médiévales, Montréal 1971, p. 45.

<sup>8</sup> Cfr. Aristotle, *Politics*, I, ix, 10-11, 1258a, 1258b, pp. 1140-1141.

This is the framework of reference that the theologians-jurists of the Second Scholasticism had in mind in a historical context that was extremely troubled from the economic point of view and urged them to think about money on the basis of a different theoretical reference that would enable them to move beyond the crossroads where they stood.

In the mid-16<sup>th</sup> century an inflationary process known as «the revolution of prices» developed in Spain and extended throughout Europe<sup>9</sup>. It led many scholastics to think about it very seriously and as scientifically as possible in that period<sup>10</sup>. The monetary and financial reality of that time was characterized by a significant increase in prices and by constant trouble in the Treasury Department. If we include major foreign trade activities (with American and European markets) as well as important domestic trade activities (for example, the fairs of Medina del Campo, Villalón and Medina de Rioseco), the result is a dynamic and complex reality in terms of trade, credit and finances. This was expressed in a continuous domestic and foreign flow of money, as well as an increase of debt claims and paper currency. Grice-Hutchison thus describes the dynamic historical and economic context.

«The opening of the American market brought a new prosperity to the motherland. With the arrival and settlement of the Spaniards in the new world, there arose a growing demand for the products of the metropolis. In compensation for the Spanish exports to the colonies, American gold and silver began to reach Spain from the beginning of the 16<sup>th</sup> century onwards. Seville, the home port of the treasure fleet, attracted businessmen from every part of Europe. A trade boom set in»<sup>11</sup>.

The negative aspect of these transformations in the methods of making a fortune is that they only enriched foreigners, since the Spaniards did not have sufficient vision to benefit from the huge possibilities on the other side of the ocean.

«For a little time fortunes could still be made in the New World by the old traditional method of conquest, the acquirement of land and booty, and the virtual enslavement of the conquered peoples. But in Spain itself things had changed. Accounting skills, quickness of

<sup>9</sup> Cfr. M. GRICE-HUTCHINSON, *The School of Salamanca: Readings in Spanish Monetary Theory, 1544-160*, Clarendon University Press, Oxford 2009, p. 2.

<sup>10</sup> Cfr. J. A. SCHUMPETER, *History of Economic Analysis*, Oxford University Press, Oxford, 1996, pp. 70-139.

<sup>11</sup> Cfr. M. GRICE-HUTCHINSON, *The School of Salamanca: Readings in Spanish Monetary Theory, 1544-160*, cit., pp. 9-10.

intellect and knowledge of commercial practice were now the keys to prosperity. And of such training the hidalgo had but little, contenting himself with consolidating the territorial gains he had achieved in the Reconquest. The dynamic role in the economic leadership of society was assumed by the merchant families, many of Jewish or foreign origin, who knew how to exploit the changed economic situation created by the discovery of America»<sup>12</sup>.

The particular historical reality in each context required fresh considerations about economy and its morality<sup>13</sup>. The inflation rate in Castile, which was higher than in Rome, had a direct bearing on the exchange relationships between the ducats of these two monetary areas as it caused a growth in the demand for Roman ducats as well as an increase in their relative value, since the latter were a currency that lost less purchasing power than the Castilian ducats. Therefore, both merchants and international financial organizations preferred to do business with currencies that had a higher purchasing power. As a result, they internationalized the use of those currencies and thereby reduced the monetary supply of less inflationary countries<sup>14</sup>.

One of the plagues of that time was inflation, which in a strict sense means a generalized deterioration of money's purchasing power. In the context of a morality in which any demand for extra payment in a loan operation was seen as usury, that encouraged the use of coercion and stimulated unscrupulous speculation and the development of mechanisms designed to conceal the payment of interest by the borrower<sup>15</sup>. It became necessary to update the view of money and its origin<sup>16</sup>.

The ideal pursued was that a person who recovers an amount of lent money and demands a compensation that equalizes the purchasing power of the amount that is collected and the amount that was lent would be acting in an equitable and therefore just, non-usurious manner. That is, taking a nominal interest equal to the inflation rate did not imply usury and the so-called actual interest would be zero. In other words, in terms of strict justice, this is a case of usurious loan when the kind of nominal interest charged is higher than the inflation rate. It is precisely this

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<sup>12</sup> Ibid.

<sup>13</sup> Cfr. F. GÓMEZ CAMACHO, *Economía y filosofía moral: la formación del pensamiento económico europeo de la escolástica española*, Síntesis, Madrid 1998, pp. 96-101.

<sup>14</sup> Cfr. B. GORDON, *Economic Analysis before Adam Smith...*, cit., 1975, p. 204.

<sup>15</sup> Cfr. B. DEMPSEY, *Interest and Usury*, D. Dobson, London 1948, p. 73; J. NOOMAN, *The Scholastic Analysis of Usury*, Harvard University Press, Cambridge 1957, pp. 291-297.

<sup>16</sup> Cfr. A. CHAFUEN, *Faith and Liberty: The Economic Thought of the Late Scholastics*, Lexington, Maryland 2003, p. 15.

kind of distinction that Martín de Azpilcueta elaborates on and that make him one of the most significant economic theorists of that period, which is demonstrated by countless editions of his treatises and the economic influence he exerted to establish compatibility between justice and morality<sup>17</sup>.

### 1. Some Notes on Martín de Azpilcueta's Life and Work

Martín de Azpilcueta was a genuinely academic intellectual who had an excellent education and exerted great political influence. He studied and taught at universities in various countries, particularly in Toulouse, Salamanca and Coimbra. He was a consultant to popes and kings and advocated controversial political positions that led to accusations against him and required huge efforts to defend himself, such as his *Carta apologética* [Apologetic Letter] (1570). But they also enabled him to constantly refine his ideas and republish them and brought him the admiration of his contemporaries in academia and politics because of his involvement in the most pertinent and pressing problems of his time<sup>18</sup>.

All this explains the success of Azpilcueta's works, both the *Manual de confesores y penitentes*, (Manual of Confessors and Penitents) which had 81 editions between 1549 and 1625, and the *Comentario resolutorio de cambios* (Resolatory Commentary on Exchange), which in the same year when it appeared (1556-1557) had four editions in the vernacular—two in Salamanca, one in Antwerp and one in Medina del Campo—and was later translated into Portuguese (1560), Italian (1568), Latin (1573) and French (1601), totaling 38 editions by 1626<sup>19</sup>. It would not have been necessary to write and publish these works if, besides the confusion caused by the above mentioned economic and financial disorder, this were not a period in which the cloak of morality that covered a Catholic society concealed usurious practices among the citizens—among the vassals, to be more precise—and unorthodox monetary and fiscal practices implemented by political institutions.

The economic aspect of interpersonal and communal life was one of Azpilcueta's main concerns, and he developed it systematically at several

<sup>17</sup> Cfr. J. DE LA IGLESIA, «Martín de Azpilcueta y su 'Comentario Resolutorio de Cambios'», *Historia y Pensamiento Económico* Número 789 (2001) 77-84.

<sup>18</sup> Cfr. R. MUÑOZ DE JUANA, «Valor económico y precio justo en los escritos de Martín de Azpilcueta», *Cuadernos de CC.EE. y EE.* 37 (2000) 73-85.

<sup>19</sup> Cfr. L. PEREÑA, «El Comentario de Cambios», in Martín de Azpilcueta, *Comentario resolutorio de cambios*, introducción y texto crítico por A. ULLASTRE, J. M. PEREZ PRENDES y L. PEREÑA, Consejo Superior de Investigaciones Científicas, Madrid 1965, p. xxv.

opportunities throughout his life, including adjustments and revisions of the first editions of his publications on the topic. His theory of money as the foundation for a moral regulation of economic relations among citizens of one country and of different nations is concretely expressed in his *Comentario resolutorio de cambios*, which appeared at the end of 1556.

The practical reason for this treatise, which is dedicated to Don Carlos, the Prince of Castile and son of Phillip II, was «to help disentangle his kingdoms from the bonds of usury and it is offered with the strong purpose of making an utmost effort to defend his faithful subjects and their honor and goods»<sup>20</sup>. The treatise has a practical and casuistic character, rather than a theoretical one, and its genesis is constituted by science and experience.

The treatise's internal structure is very simple: After a long introduction (Chapter 1), where the author interprets and analyzes the several meanings allowed by the text of the *Decretales* of Gregory IX, three perfectly different parts can be distinguished. The first one discusses the concept and the kinds of exchange, i.e. the norms that regulate its justice and morality (Chapters 2, 4-11), the second part deals with the value of money, i.e. money's functions and the exchange of currency (Chapters 3, 12 and 13), and the third one examines the issues of credit and international exchanges (Chapter 14).

From an economic point of view, our main interest in Azpilcueta's work lies in the set of ideas about currency developed particularly in the three chapters mentioned, viz. Chapter 3 on the origins and functions of money, Chapter 12 on the value of money and Chapter 13 on present and absent money. Here he proposes a theory of money that is far ahead of his contemporaries, especially concerning the value of money.

The scholars who study the history of economics tend to classify the theorists as *nominalists* or *mentalists*, in the sense that the former classification identifies those who view money as the result of arbitrariness and the latter one sees money as having an objective value<sup>21</sup>. Since a general and detailed discussion of this classification that the historians of economics make is not important for my work, I restrict myself to an account of nominalist and mentalist aspects in Martín de Azpilcueta's own thinking.

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<sup>20</sup> Ibid., p. xxvi.

<sup>21</sup> Cfr. note 6 above.

## 2. On the Origins and Functions of Money

Right at the beginning the author defines the origin of money by saying that «the first use and main purpose of its invention was to establish a buying price with it and to sell with it the things that are necessary for human life, and to be a public measure of marketable things»<sup>22</sup>. Whereas the first sentence takes up a concept that had been established since Aristotle, the second part of this statement can be understood as a turning point, since it considers money as a *public* measure of marketable things. Azpilcueta substitutes «public» for «the common measure of marketable things» (Aristotle, *NE* V, 8), which can be seen as an inclination toward nominalism in the sense that the value of money depends on the authority issuing it. In fact, in his view currency or coinage is at the same time an abstract measure of comparison and a merchandise. For this reason he claims that

«although the republic may have appreciated that currency for its main use, which is to be a price [...] but for other uses and for other particular cases, which law calls private interests, it may well take from the one who has it or gives it something more or something less»<sup>23</sup>.

This apparent casuistry merely shows the untenable character of the actual system that the author was trying to make explicit, i.e. that it is not possible to have a nominally current and effective currency without material support nor to have a material currency without political support.

Azpilcueta identifies two original functions of money that give rise to controversy. One is what he calls the exchange of a metal-coin of one value for a metal-coin of another value, i.e. the exchange of high values for low values and the other way around. But there is another more complex function which consists of exchanging money that had a certain value in a particular place for another one that is more valued somewhere else.

«Then, because the coin of one land was worth less there than in another land [...] the art of exchanging began, which is the art of dealing with money, giving and taking one kind of money for another, and this is how the movement of money from where it was less valued to where it was more valued began»<sup>24</sup>.

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<sup>22</sup> Cfr. Martín de AZPILCUETA, *Comentario resolutorio de cambios*, introducción y texto crítico por A. ULLASTRES, J. M. PÉREZ PRENDES y L. PEREÑA, Consejo Superior de Investigaciones Científicas, Madrid 1965, III, p. 22.

<sup>23</sup> *Ibid.*, XII, p. 76.



The author identifies this practice as a common one and as detrimental to the republic. He reminds the reader that Aristotle<sup>25</sup> disapproves of this art of exchange and of dealing by exchanging money because it seemed to be an unnatural use to him and because it brought no benefit to the republic, as it has no other end except profit, which is considered an «end without end». Thomas Aquinas follows Aristotle in a sense claiming that any art of dealing whose main end is to absolutely gain is illicit<sup>26</sup>. But Azpilcueta finds an exception in Aquinas<sup>27</sup> himself when the latter claims that such an activity is licit if its end is a moderate gain, for the sustenance of oneself or one's household, and if it brings benefit to the republic. Thus Navarrus concludes,

«When it [sc. exchange of money] is exercised as it should and the end of the profit intended through it is honest and moderate, for oneself and one's household, it is licit. Thus it is not true that the use of money for its exchange for money is unnatural»<sup>28</sup>.

He justifies this view by separating the first and principal use for which something was made from a less important and secondary use for which something can be employed and illustrates it with the example of the shoemaker who manufactures shoes to earn his livelihood rather than for its use as a footwear and does not put it to an unnatural use by doing this.

So much for the origin of money. According to Azpilcueta, money has eight functions. The first one consists of buying, selling and being a *public measure of marketable things*. In this sense it is an instrument to intermediate exchanges and ascribe value to things; a measure of exchange and of value<sup>29</sup>. The second and the third functions refer to the two ways of making use of money as such, rather than as equivalent of another good: a domestic function and an international one. The first, in which one value is exchanged for another one, refers to nominal values, i.e. to a coin which, whether being of the same metal or not, has a different weight or denomination; it refers to the exchange of small amounts, between coins or currencies with the same buying power, where the issue is not one of profit, but of convenience or need to pay in a particular kind of coinage. The international ex-

<sup>24</sup> Ibid., III, p. 22.

<sup>25</sup> Cfr. Aristotle, *Politics*, I, iii, 8, 1253b, p. 1130.

<sup>26</sup> Cfr. Thomas Aquinas, *Summa theologiae*, IIaIIae, q. 77, a. 1, Respondeo, p. 385.

<sup>27</sup> Ibid., ad 1, p. 385.

<sup>28</sup> Cfr. Martín de Azpilcueta, *Comentario resolutorio de cambios*, cit., III, p. 23.

<sup>29</sup> Cfr. Thomas Aquinas, *De regimine principum*, edited by P. MANDONNET, O. P. Poblet, Buenos Aires 1947, II, cap. 14, pp. 623sqq.

change, on the other hand, refers to values and means the purchasing power or value vis-à-vis goods. He shows how one takes money from one country to another because it has more value—in the sense of more buying power—in the latter.

The other five functions of money might be called auxiliary functions or uses. They refer to accidental uses of money, but show Azpilcueta's effort to conduct an exhaustive study of the matter, without omitting any aspect, and to offer a broader spectrum than the one offered by medieval classics. Thus he turns out to be less dogmatic than his predecessors.

The remaining auxiliary uses of money are: (4) to display riches, (5) to adorn garments; (6) to make joyful by its sight, (7) for therapeutic purposes (the broth from fine gold was seen as having such a property)<sup>30</sup>, (8) to be given as pawn for a debt. From these five functions the author draws the conclusion that money can not only be lent and exchanged, but also leased. That is, money can be exchanged for some other thing, or exchanged for a higher or lower amount of money, as well as pawned, borrowed and even leased. In his words, «it can be taken in the same ways as it can be given. And since the nature of such contracts [sc. to give and take money] is diverse, it is through the same diversity of law that one has to judge whether this is licit or not [...]»<sup>31</sup>. By broadening the range of uses and functions of money and by classifying money as simply another merchandise, Azpilcueta broadens the range of licit uses and restricts the range of usury.

### 3. On the Value of Money

From the point of view of medieval moralists and Second Scholasticism, buying and selling money must comply with the rules of commutative justice to be licit, i.e. provide the due equality of benefits for the parties involved. In the case of exchange of money for merchandise, it can be easily understood that even objectively the value given by the parties is equal, and the exchange is made possible and can be explained because of the different or opposite usefulness

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<sup>30</sup> Cfr. A. ULLASTRES, «Ideas económicas de Azpilcueta», in Martín de Azpilcueta, *Comentario resolutorio de cambios*, introducción y texto crítico por A. ULLASTRES, J. M. PEREZ PRENDES y L. PEREÑA, Consejo Superior de Investigaciones Científicas, Madrid 1965, p. lxxxvii, note 19: «el caldo de oro fino utilizado como medicina no es invención de nuestro autor, ni siquiera una invención vulgar, mas que respondía a una creencia científica aplicada por los médicos de aquella época [...]». Cfr. Jean BAUDIN, *Histoire des Doctrines Economiques*, Editions Domat Montchrestien, Paris 1935-1936, p. 31.

<sup>31</sup> Cfr. Martín de Azpilcueta, *Comentario resolutorio de cambios*, cit., III, 12, p. 24.

or subjective, marginal and momentary evaluation of the goods exchanged by the parties. The question for them is this: What interest can both parties have in exchanging amounts of money of the same value?

The solution, according to Azpilcueta, lies in knowing *how* and *why* a particular coin or currency, which is equal to the other one according to the common price established by the law or custom at the time of its coining, ends up having greater value than another. *There is no way we can know* whether an exchange transaction is just unless we know what is the value of both coins, since money must be exchanged for its own value for the operation to be equitable and just.

Azpilcueta does not ask about the absolute value of money, but about its relative value and establishes a nominalist starting point, i.e. he admits that in principle the Prince fixes the value of money in countable units according to his will, that is, without taking into account the equivalence of value between the fixed monetary coin and the price of other goods. But he soon recognizes that the play of exchanges tends to reestablish equivalence and that the main factor for the reestablishment of a balance is the rise and fall of prices. And it is precisely that process of reestablishment of equivalence that the author takes as a foundation for the study of the changes of the value of money which seeks the appropriate level and balance not only vis-à-vis the other goods, but also internally, i.e. in the leveling of values among various monetary sectors. His study reveals several aspects of the problem of money, such as quantitativism, acquisitive parity, the surplus and premium of one kind of money over another, currency exchange speculation, usefulness of monetary stocks, expectations, etc.

All these concepts are contained mainly in the listing and study developed by Azpilcueta in relation to the reasons why the value of money established by political power can change. There are eight such causes:

- (1) Because the coins are not of the same metal;
- (2) Because the metal does not have the same degree of purity;
- (3) Because the shape and weight are different;
- (4) Because of the diversity of the land where they are;
- (5) Because one of them can be rejected, increased or decreased;
- (6) Because of the diversity of time;
- (7) Because of the lack or need for money;
- (8) Because of the presence of one of them and the absence of the other<sup>32</sup>.

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<sup>32</sup> Ibid., XI, 43, p. 66.

Regarding the first he says that “a golden ducat may be of greater value for its owner than another silver or metallic ducat because it is more practical to keep or carry, or sometimes a silver or metallic ducat may be of greater value than a golden one because of the lack of small coins for spending.” This is an explanation for the premium or discount that one monetary system may have over another and the consequent different relationship to the goods, and its basis is the existence and circulation of each kind of money and the relative demand due to the special needs specifically covered by each sector<sup>33</sup>.

«Regarding the second [...] it may be that the two coins do not have the same degree of purity, although according to law they are coined with the same value [...] one of them may be worth more than the other even if they are in the same land»<sup>34</sup>. According to the author, although they are of the same denomination, their metal content may be of different weights, which can cause the price to vary. This points to a purely mentalist appreciation.

«Regarding the third [...] sometimes one ducat is more valuable than another of the same issue, if it weighs one gram more or is well shaped or is worn out or disfigured [...]»<sup>35</sup>, which applies to the material quality of the respective coin.

«For the fourth reason one and the same coin may be of greater value in one land than in another either because its metal is more valuable in one of them than in the other or because the King or that land’s custom fixes a higher price for one than for the other»<sup>36</sup>. This reason supports the notion that what makes money more or less valuable than the price established by law is that another law or custom may change it.

«Regarding the fifth, related to rejection, rise or debt on it [...] at other times we saw that its [sc. money’s] price is lowered, and after its circulation is prohibited, it is exchanged for less value than before [...]»<sup>37</sup>. The author discusses the possibility of manipulating values when positive or negative expectations as to the value of a coin or currency in a particular land are artificially created. A coin will have greater value and receive more esteem, the greater the territory in which its power of commercial circulation is recognized.

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<sup>33</sup> Cfr. Thomas Aquinas, *De regimini principum*, cit., II, p. 15.

<sup>34</sup> Cfr. Martín de Azpilcueta, *Comentario resolutorio de cambios*, cit., XI, 43, p. 66.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid., XI, 43, p. 67.

<sup>37</sup> Ibid.

«The sixth reason refers to the diversity in time that causes the value of money to rise or fall, so that sometimes it is worth more and sometimes less»<sup>38</sup>. Azpilcueta relativizes this idea and looks for some objectivity by claiming that in normal times there is no reason for a change in the value of money because of time. There must be some variable over time that causes its value to change, such as a war or a poor harvest. Thus he ultimately identifies supply and demand as the real regulators of the value of money rather than the passing of time itself. The idea of more or less quantity of money available to an economic community involves comparing different dates, but it is not time itself that produces this variation.

Azpilcueta draws two consequences from the above: «The first is that exchange brokers or merchants who think that it is licit to take more than they lent because of the passage of time are wrong. The second one is that the person who lends one hundred pieces of gold to someone else and then raises the price should licitly ask them back at their current value»<sup>39</sup>. But this cannot be known in advance and is applicable only to cases in which the loan would be paid back in another species. With this explanation, the author seeks to attack the common sense of interest where pure time produces income, and not its productive capacity.

#### 4. Quantitative Theory

The seventh reason why one currency may be worth more than another is the most interesting one, and the author devotes a whole chapter to deal with it: Chapter 12, titled «El valor del dinero» (The Value of Money). The most important thing in this regard is the influence of supply (*copiousness* or scarcity) and demand (*need*) on the value of money. This is what will later be called «quantitative theory». In Azpilcueta's view, a currency has more value where and when it is scarce than where and when it is abundant: «Everything else being equal, in the countries where there is a great scarcity of money, less money is exchanged for marketable goods and even for the work of men than where there is an abundance of it»<sup>40</sup>. The valuation of coinage by people has an influence on its exchange value. But usefulness in and of itself is not the source of economic value: usefulness and scarcity together determine economic value.

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<sup>38</sup> Ibid.

<sup>39</sup> Ibid., XI, 43, p. 68.

<sup>40</sup> Ibid., XI, 43, p. 74.

Azpilcueta was basically in agreement with the tradition of the measures that restrict usury, but experienced a peculiar period of price hikes, premium on exchange speculation and a movement of money that, thanks to his efforts, led him to recognize new needs for new times. The main point of his ideas about money, viz. its value, identifies its most important causal factor, its abundance or scarcity in relation to merchandise, as well as the other reasons which, according to him, determine it at each time. He constructs a theory of the value of money in which he presents ideas that were already circulating at the time, refining and improving them, and offering others that he applies to concrete cases.

This seventh reason, i.e. the one according to which «what makes money rise or fall is that it is more valuable when or where there is a great scarcity of it than when or where it is abundant», entails several important conclusions: The first one is that this concept is so evident that, in his words, «it seems like the voice of God and of nature»<sup>41</sup>. The second conclusion is that just as all goods become more expensive because there is a great need and a small supply of them, money as something that can be sold is also a good and becomes more expensive when there is a great need and a small supply of it. The third one is that «in the countries where there is a great scarcity of money, less money is given for marketable goods and even for the work of men than where there is an abundance of it»<sup>42</sup>.

Another consequence—among the many that he lists— that I would like to highlight is that «the value of money can not only rise or fall as a piece of metal, but even as it is money and the price of something [...] and sometimes it is worth more in one land than in another and even in the same land it is worth more at one time than at another»<sup>43</sup>. The same applies to the large fairs, where money may be more valuable at one fair than at another, and there can be a difference in its value at the beginning and at the end according to the variation of the supply and demand of currency.

In Azpilcueta's opinion all these reasons and consequences are economic factors that must be allowed to maneuver within certain limits, as he is well aware of how human beings can manipulate facts in order to use them for their private interests and makes some interesting suggestions about this. Thus, for example, he thinks that it is good to accept supply and demand as objective determinants of the price of money; he limits the demand to the one involving licit ends; i.e.

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<sup>41</sup> Ibid.

<sup>42</sup> Ibid., XI, 43, p. 82.

<sup>43</sup> Ibid.

that it cannot be tolerated that the price of money rises because there is a demand of money for illicit exchanges, although he recognizes that those who do not participate in those forbidden operations may licitly profit from the higher value that money reaches through demand. One should also not accept that there is a lack of money due to an abusive restriction of its supply, such as when it is the result of a monopoly or of hoarding by those who make money available at the fairs and whom everybody is obliged to go to when they need money for exchange.

The last reason highlighted by Azpilcueta as influencing the value of money is its presence or absence, so that absent money is worth more than present money. It is important to clarify that Navarrus refers to spatial rather than temporal absence, i.e., he does not accept that future money may be more valuable than present money, which could be used to justify the payment of interest due to the time lapse.

In his view, the main explanation for the difference between the value of present and absent money is the analogy with other kinds of merchandise, which, when they are bought elsewhere, involve costs and work—which can be estimated in monetary terms—to be offered to the buyer and thus have a higher value. The dangers incurred in transporting goods also make them more expensive, whether those goods are some kind of merchandise or money.

### **Conclusion**

Besides his ideas and conceptual contributions to the urgencies of the period in which he lived, Azpilcueta's work is also interesting because of the wealth of economic information it contains; as such it is a veritable compilation of the history of economics, particularly concerning the system of credit in 16<sup>th</sup> century Spain. It also contains numerous references to philosophers, particularly to Aristotle, Thomas Aquinas, Medina, Soto and Caietanus, and to jurists—also referred to in the *Digest* and the *Decretals*—such as Laurentius de Rodulphis, Annanias, Antoninus, Petrus Ravena and Bartolus, among others. There are also abundant references to the leonine contracts of Portuguese masters with their tenants, to the various kinds of exchange between Spanish marketplaces and between the latter and foreign ones, to the usual kind of interest on the money that is allowed to circulate, to contracts with the State, to the frauds and the means employed to bypass the prohibition of taking and lending money at interest, to the mercantile operations of Spanish and Portuguese banks and mercantile companies, to the guarantee of income for the cities, to the growth of the volume of exchange and to the price of certain goods, among other things.

Azpilcueta's original theoretical contributions can be grouped as those regarding the problem of interest on money and those that give us a more concrete notion of his position on the concept, the functions and the value of money. As far as the first contribution is concerned, one can see his tendency to approach modern concepts as he recognizes in practice the productivity of money and indicates the objective factors that determine the interest rate of loans, such as their amount and their temporal duration. This does not mean that they actually determine the interest. What does determine the interest rate is the loss that the owner might suffer due to the lack of money in case of ill-health or missed business opportunities. Equally interesting is his meticulous study and classification of kinds of exchange and his interventionist concepts of economic life, which are characterized by his knowledge of the matter and the need to consider economic laws and requirements when putting them into practice.

As to money, Azpilcueta's contributions to the understanding of its concept and functions are valuable. His position on nominalism was ambiguous and in practice proves to be mentalist. At the same time he struggled with the problems of mentalist nominalism, as did many of his contemporaries. As to the value of money, he developed a theory whose highlight is the exposition on quantitative theory, which he formulated before Jean Bodin. Although it is less clear than Jean Bodin's view, it is broader as regards the other reasons for the value of money.