

The Loss of a Scholar: Marjorie Grice-Hutchinson

by Norman Barry

On April 12 the free-market tradition lost an important scholar with the death, in Málaga, Spain, of Marjorie Grice-Hutchinson. She was 93.

Although English-born she spent much of her life in Spain and made the study of that country's history and intellectual tradition her life's work. Her reconstruction of its liberal past was unparalleled.

Murray Rothbard often said that theorizing about freedom and the market began with the School of Salamanca in late-sixteenth and early seventeenth-century Spain. It was then taken up by the French laissez-faire school of Jean Baptiste Say and Frédéric Bastiat, and reached its apogee with the Austrian School beginning in 1871. Rothbard regarded the more famous British classical tradition of Adam Smith and David Ricardo (especially) as an unfortunate aberration. Did not their obsession with the labor theory of value, neglect of subjective utility, and almost complete ignorance of entrepreneurship lead ultimately to Marxism and the eclipse of real liberalism in the tragedy of the twentieth century? As Grice-Hutchinson pointed out, with brilliant scholarship, almost all the features of the theory of the market and the limited state were pre-

sent in Salamanca.

Although Joseph Schumpeter, in his *History of Economic Analysis*, paid some attention to Salamanca economists, it was Grice-Hutchinson who subjected them to thorough analysis.¹ She was a talented woman: not only was she fluent in Spanish, French, and German, but she also had the competence in Latin essential for an understanding of the medieval documents of the Catholic Church, through which the economics of Salamanca were expressed. Originally a graduate student of Spanish literature, she became a lecturer in Spanish at Birkbeck College, London University, and came across the School of Salamanca. In the late 1940s she got to know F. A. Hayek, who was familiar with Salamanca in the history of liberal thought. He supervised her Ph.D. on the monetary theory of the School.

We have to be aware of the significance of religion in the emergence of classical-liberal ideas, for many of its main features seem, superficially, to be antithetical to religious belief. One obvious example is the prohibition of usury, the charging of interest on purely monetary loans, which was a feature, in some form, of almost all creeds. Spain is important here, for Christians, Jews, and Muslims (Moors) lived side by side in the Middle Ages under their respective religious and legal codes. This lasted until 1492, when the Jews were expelled, as eventually were the Moors. All three codes prohibited usury in various ways (Jews, for example, were not

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forbidden from charging monetary interest to Gentiles).

But as Grice-Hutchinson showed in her masterly *Early Economic Thought in Spain, 1177–1740*, business life went on and the restrictions were overcome by a certain amount of casuistry.² As she said, this hypocrisy ensured that Spain was the leading economy in Europe. Successive Catholic kings, despite protestations of their virtue and adherence to strict canon law, were not overzealous in its enforcement for this would have meant a considerable loss in revenue.

The later scholastics of Salamanca were all priests (either Jesuit or Dominican), but had no difficulty accommodating market economics to Catholicism. Their major, but not only, contributions were to the theories of value and money (where a subtle overcoming of the prohibition of usury was imperative). These theories were especially important because their incorporation of the theory of money into a general theory of value was unmatched until the neoclassical synthesis of Carl Menger, Léon Walras, and William Stanley Jevons in the 1870s. What the men of Salamanca demonstrated was the relationship of value to price. This was significant because at the time Catholic orthodoxy was not prepared to grant legitimacy to the whims of the market. There was developed, then, the theory of the “just price,” which gave a patina of morality to the otherwise “sordid” results of exchange governed by self-interest.

Market Price Is Just

The School of Salamanca managed to show that the market price *is* the just price, an evaluation of goods and services untainted by lying, cheating, or theft. Price was described, not euphemistically, as the outcome of the “common estimation” of the people. And here demand was crucial, for as Domingo de Soto said, “want is the basis of price.”³ It is true that at the time there were elements of a cost-of-production theory of value (based on labor inputs) and a lingering belief that certain things were too important to be left to the market. But this was not the

way of the priests of Salamanca, who, when it came to morality, were correctly concerned only with human conduct in exchange. Indeed, as Grice-Hutchinson acutely observed, the School of Salamanca was particularly hostile to the cost-of-production theory because it allowed producers and merchants to raise the prices of goods above market-clearing levels. The market was moral, and entrepreneurship was both just and essential for human progress.

Her only omission was any discussion of why the School never discovered the concept of the margin. Its members felt that there was a distinction between value in use and value in exchange—a glass of water is very useful but it costs virtually nothing, while a diamond ring is useless but is worth a fortune. If only they had understood the margin (the value to a person of the next unit of a good, not the entire supply) they would have realized why that same glass of water is worth a lot in the desert and the ring nothing. There is no distinction between value in use and value in exchange.

The school’s monetary theory was undoubtedly influenced by events. Spain had colonized large parts of the New World and transmitted vast amounts of gold and silver to the mother country in the sixteenth and seventeenth centuries. The increase in money dramatically drove up prices. In a superb piece of economic history, Grice-Hutchinson describes the devastating effect this had on the Spanish economy. Productivity plummeted, capital took flight, treasure was wasted on pointless wars, and Spain began a long-term decline.⁴

But Grice-Hutchinson goes beyond history. She shows how the School of Salamanca pioneered the quantity theory of money and the purchasing-power theory, and explained credit creation by banks. It demonstrated how foreign exchange oper-



Marjorie Grice-Hutchinson, in a rare online photo.

ated to expand trade and taught that monetary loans were not usurious. Departing from the medieval tradition, Salamanca demonstrated that ultimately the value of money was determined by supply and demand, and that currency could be bought and sold like any other good. People would not buy one that had been debased.

Marjorie Grice-Hutchinson did not enjoy the fame that some in the classical-liberal tradition have lately achieved, but she was tremendously respected. She was awarded the Order of Civil Merit by her adopted country and made a Member of the British Empire by her own. She married a landowner and farmer, and was prominent in the community at Málaga. A generous

donor, she funded an agricultural scientific-research unit at the University of Málaga. One of her many publications was a history of the (private) English Protestant Cemetery in Málaga, which was threatened with closure.

We will remember her for her quiet but formidable scholarship, the diligence of her research, and her unfailing gift for understanding what is important in economic and social thought. □

1. Marjorie Grice-Hutchinson, *The School of Salamanca: Readings in Spanish Monetary Theory* (London: Oxford University Press, 1952).

2. Marjorie Grice-Hutchinson, *Early Economic Thought in Spain, 1177–1740* (London, Allen and Unwin, 1978).

3. *The School of Salamanca*, p. 83.

4. *Early Economic Thought in Spain*, ch. 4.

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