Markets and taxation: modern taxation principles and the school of Salamanca


Abstract
Tax systems influence the decisions of private agents. Because of that their evolution and the principles that govern them determine to some extent economic development. Modern tax systems existing in the developed countries follow broadly the principles enunciated by the German economist Fritz Neumark. In this article we will analyze how the evolution of these principles can be traced back to the School of Salamanca, in the XVI\textsuperscript{th} century. To do this we carried out a comparative analysis with the aim of determining what modern taxation principles were developed by theologians-jurists of the School of Salamanca. The results show that at least half of Neumark’s eighteen principles were already known by the scholastics of the School of Salamanca.

Key words: School of Salamanca, history of economic thought, Neumark, tax principles.

JEL codes: B11, H20, N43.

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1. Introduction
This article stems from the convergence of two notable issues that have occupied historians and economists independently: on the one hand, the guiding principles of modern systems of taxation, and on the other, the School of Salamanca. Regarding the first question, no economist can ignore the importance, past and present, that tax systems have for agents, both private and public, their decisions and the effects they produce in the market. Throughout history, all Treasuries have needed revenues to meet their needs. The way to extract these resources from private agents has been a key factor in the development of an economy that can favour the development of a country or, on the contrary, its decline, thereby affecting the decisions of companies and of households. Hence any historical reflection on this matter will help to correct deficiencies in current systems\(^2\).

As for the School of Salamanca, there is an extensive historiography which has not always been taken into account by economists. They may not be aware of the contributions made by the members of the School of Salamanca, but instead, they become familiar with some of their ideas, which ended up becoming an integral part of the knowledge base of various schools of thought to the present day. Although since the nineteen-fifties many studies have acknowledged the contributions to economics of Francisco de Vitoria, Domingo de Soto, Martín de Azpilcueta and Juan de Mariana, among others, there are historians who maintain that the School of Salamanca did not exist or, having done so, that its work can never be considered to be within the field of economics. Precisely, one of the purposes of this study will be to contribute another grain of sand towards the recognition of the role of the School of Salamanca in the creation of economics, and in the analysis of markets, which developed more fully from the eighteenth century. In addition, we will do this looking at their fiscal doctrine, which is one of the least studied areas of the School.

Therefore, if we pool both issues we will be able to answer the question that motivates this research: was a significant contribution made by the School of Salamanca, in its time and to the present day, in the field of taxation and its relationship with the market? We hope that after reading this paper this can be answered affirmatively, as the following pages will pres-
ent the fiscal doctrine of these late scholastics, remembering the historical and institutional context in which they lived, very different from today, and seeking to make comparisons with taxation principles that support current tax systems.

This paper has two main sections, in addition to this introduction and the conclusions. In the second section we provide an overview of the School of Salamanca and in the third we undertake a comparative analysis between modern taxation principles and doctrine of the School of Salamanca. Finally, in the conclusions, seeking to respond to the question that motivates this article, we present the main contributions of the School.

We would not want to end this introduction without recognizing the pioneering work in the study of ideas on taxation of the School of Salamanca, and their impact on the economic decisions of agents, carried out by Gonzalo Higuera in 1963, and in more depth, by Javier Gorosquieta in 1971. Their research has helped us to see a little further like dwarfs astride the shoulders of a giant.

2. A general overview of the School of Salamanca

2.1. The roots of the School of Salamanca

The late Spanish scholastics grouped around University of Salamanca and their central figure Francisco de Vitoria were inspired by various sources: the ancient Greek philosophers, Roman law and canon law, and finally the three major monotheistic religions, in particular Christianity.

The Greek philosophers who influenced the thinking of the School of Salamanca include Xenophon, Plato and, above all, Aristotle. The reflections of these great Greek philosopher reached Vitoria through Islam, to be picked up by Thomas Aquinas. The main contribution of Plato to late scholastic thought was the definition of fair price. However Aristotle was more influential, conveying the distinction between the concepts of economy and chrematistic, defining the legal price and natural price, considering need as the result of the exchange (making a subjective approach to value), as well as the ownership of the goods separating their domain and tenure, and finally defining the origin and functions of money.
With regards to the Law, canonic or Roman, it is likely to have influenced the thinking of the School of Salamanca, since its members, or those who came under its influence, had devoted themselves to the study of theology and law. This line of thought is also found in St. Thomas, undoubtedly the main influence on Vitoria, and his followers. But it would be unfair to forget other scholastics, such as Raimundo de Peñafort, who contributed to increase the influence of law in the minds of the Salamanca Doctors.

As already noted, the three main monotheistic religions played a vital role in the development of economic ideas of the late Spanish scholastics. They were theologians. The Bible, the Talmud and the Koran (this last book may have had less influence) acted as guides to thought, reinforced by the writings of the philosophical and ecclesiastical authorities.

It is easy to see that all the sources so far mentioned are interrelated. We cannot understand the School of Salamanca by isolating them and trying to identify the weight to attribute to each. The evolution of ideas over time was an amalgamation of all that came before through the scholastic tradition inherited by Spanish theologians. At this point, it is necessary to point out that the scholastics did not present a unified point of view. On the contrary, while on many ideas they agree, which is perfectly logical, since they use the same sources and have the same goal, in many other cases they present opposing views, as we will go on to see.

Before Thomas Aquinas other scholastics had taken up these sources of thought (this is the case of Peter Lombard, Raimundo de Peñafort, Albertus Magnus and Henry of Ghent⁹, among others), but it was the Summa Theologica, the foundation of Thomism¹⁰, the synthesis that made the most of these sources and exerted the most influence on medieval scholasticism and the Modern Age and, therefore, also on the School of Salamanca. Through this work, St. Thomas established the distinction between use and exchange value in goods, that is to say, subjective value, the concept of fair price, and the condemnation of usury¹¹. After him, many other scholastic thinkers left their mark on the School of Salamanca; Jean Buridan, Bernardino of Siena, Juan Fenario, Peter Crockaert, Juan de Celaya and Tomás de Vio all deserve special mention.
2.2. The Salamanca School of Economics

The scholastic approach was focused on “should be”, not on “be”\textsuperscript{12}. This is logical if one takes into account that it was implemented by theologians whose main role was to advise confessors. Therefore, they were not economists but moralists\textsuperscript{13} interested in whether the actions of individuals were permissible or not. Although the goal was common to all, we cannot expect a uniform doctrine; on the contrary, over time they added new points of view creating different streams of thought that struggled for supremacy. An example of this struggle is to be found in the confrontation between Thomism and Nominalism. In the sixteenth century in Spain the former dominated in the University of Salamanca, as we will see later, while the latter held sway in Alcalá de Henares. Precisely in that century, at the height of late scholasticism, Spain became the centre of the scholastic thought\textsuperscript{14}. There are other streams of thought, as we have seen, that do not belong to Salamanca; therefore, we should not make the mistake of completely identifying Spanish late scholastics with the School of Salamanca\textsuperscript{15}, because the latter is only part of the former.

Focusing on the School of Salamanca, Marjorie Grice-Hutchinson notes that its modern discoverer is Wilhelm Endemann. However, she stresses that was Jose Larraz who made it known to a wider audience\textsuperscript{16}. For his part, Pedro Schwartz states that Alberto Ullastres anticipated Larraz\textsuperscript{17}. In any case, more important than who rediscovered the School for the modern world, is the controversy over the School. There seem to be two doubts with respect to this. Did it really exist as such? And can we say that it was a school of economics? With the first, there seems to be consensus on a positive response, despite opinions such as those of Blaug, who practically denied its existence\textsuperscript{18}. But this view is a minority one, and today it is considered that the beginning of the school can be traced to when Francisco de Vitoria became established in Salamanca. The more controversial point is the answer to the second question. Schwartz, Luciano Pereña, and Francisco Gómez Camacho deny that it is a school of economics. The first is more moderate in his statements, despite believing that we should speak of a school of law, not economics, concludes in favour of calling it Salamanca School of Economics\textsuperscript{19}. For his part, Pereña denies
that the different disciplinary components of the School must be separated\textsuperscript{20}. The views of Gómez Camacho run along the same critical lines. For him, to ignore the philosophical environment in which they developed their economic ideas is a mistake\textsuperscript{21}. As a counterweight, the main defender of the School of Salamanca is Grice-Hutchinson. In our opinion, also, it is possible to think of it as a real school of economics. However, that assertion must be qualified. The economic ideas of the scholastics of the School of Salamanca should be analyzed by themselves, keeping in mind in what context these ideas appeared, because if we ignored this we would commit the error indicated by Pereña and Gómez Camacho. We can state that, although there are some issues on which different members of the School hold opposing views, there is a common substratum which acts as a cohesive element. Therefore, to consider the School of Salamanca as a school of economics, we must abandon a totally purist stance and adopt a less rigid approach.

One important question to address, when we speak of a school\textsuperscript{22}, is the identification of its members. The School of Salamanca, as indicated by Grice-Hutchinson\textsuperscript{23}, has not yet been studied sufficiently to establish its limits\textsuperscript{24}. In the following lines we present a brief outline\textsuperscript{25} of the parts of the School. To do this we will divide it into the following components: the central figure, inner, middle and outer circles.

Regarding the central figure, studies agree that it was Francisco de Vitoria who, replacing the teaching of Peter Lombard by St. Thomas during his professorship in Salamanca, founded the School\textsuperscript{26}. The inner circle is defined by the relationship forged between the central figure and his disciples in the classroom. The first generation, which learned directly from the central figure, is composed of Domingo de Soto, Martín de Azpilcueta, Diego de Covarrubias, Melchor Cano, Juan Gil de la Nava, Diego de Chaves, Vicente Barrón, Mancio de Corpus Christi and Martín de Ledesma. This group did not keep to themselves what they learned but rather they transferred it directly to, among others, Juan de Matienzo, Manuel de Acosta, Arias Pinelo, Juan de Orozco, Antonio de Padilla, Francisco Sarmiento de Mendoza, Diego Pérez de Salamanca, Bartolomé de Albornoz, Domingo Báñez, Pedro de Pravia, Tomás de Mercado, Bartolomé de
Medina, Juan de Ribera, Luis de León, Pedro de Sotomayor, Juan de la Peña, Francisco Suárez, Leonard Lessius and Gregorio de Valencia. If we study the names carefully, we can see that the influence of the School reached Valencia and also America and the founding of the Jesuits has its origin in this inner circle. Bartolomé de Albornoz was able to serve as a link between Salamanca and Valencia. The same role was played by Juan de Matienzo, Pedro de Pravia, Tomás de Mercado and, again, Bartolomé de Albornoz in the American case. For their part, Francisco Suárez and Leonard Lessius were Jesuits who were trained directly in Salamanca.

The members of the middle circle are related to Salamanca, they studied or they were professors there, but did not receive instruction directly from the central figure or the members of the inner circle. This is the case of Fernando Vázquez de Menchaca, Cristóbal de Villalón, Luis de Molina, Juan de Lugo, Pedro de Aragón, Juan de Salas, Pedro de Valencia, Alonso de Veracruz, Fernán Pérez de Oliva and Francisco Cervantes de Salazar.

Finally, the outer circle is composed of those who were influenced, at least partially, by the ideas developed by the School, although they did not receive their education from the central figure or his disciples and they did not have a direct link with the University of Salamanca. In this category, we can identify Juan de Medina, Bartolomé Carranza, Bartolomé de las Casas, Luis de Alcalá, Luis Sarabia de la Calle, Pedro de Fonseca, Juan de Mariana, Miguel Salón, Juan Blas Navarro, Cristóbal de Fonseca, Gabriel del Toro, Francisco García, Pedro de Oñate, Domingo Muriel, Pedro de Ortigosa, José de Herrera, Pedro de Arguto, Luis López, Domingo de Santo Tomás, Esteban de Ávila, Juan Pérez Menacho, Miguel de Agia, Antonio de Hervias, Sebastián de Santa María, Juan de Lorenzana, Juan Ramírez, Juan Contreras, Domingo de Salazar and Andrés de Tordehumos.

The previous classification should be understood, like the concept of a School of Salamanca of Economics, abandoning the purist view and adopting a less rigid approach. With the outline of the components of the School already established, the next step is to briefly note the main economic ideas of the same. First we must point out that this description corresponds to core economic principles, which does not exclude the possibility that some
members may disagree with the others. First, they consider the value of goods to be subjective, given by the utility they provide. They also developed a primitive quantitative theory of money, stating that an increase in the amount of money will lead to a general increase in prices. They defined the functions of money, and related exchange rates to inflation in various countries, outlining a theory of purchasing power parity. They seem to have foreseen the theory of portfolio choice. In addition, they distinguished between legal price and natural price, in addition to establishing what was the fair price (applicable to the two previous cases), and they established legal cases for what was fair interest to be charged on loans and when the exchange was acceptable, condemning all other cases. They declared themselves in favor of private property, if this did not contradict natural law. Finally, they left interesting reflections on the tax system, but we will deal with these in more detail later. However, as Schwartz shows, we can attribute a certain anti-capitalist spirit to the School of Salamanca on issues such as usury or property and public intervention.

These ideas which were taken to other parts of the Iberian Peninsula and America, and also spread to Italy, because of the influence of the Jesuits in Rome, and Portugal, particularly through the University of Coimbra. Later they reached the Protestant thinkers and, through them, the Physiocrats and the Scottish liberals, even reaching Adam Smith. Moreover, his ideas passed, through Italy, to Menger, the influence of the School of Salamanca on the Austrian School being recognized today.

3. Comparative analysis of fiscal doctrine of the School of Salamanca

In this section we hope to achieve two objectives. First, we put forward the main ideas concerning taxes expressed by some prominent members of the School of Salamanca. To do this, the authors we are going to analyze are Francisco de Vitoria (1483-1546), Bartolomé de las Casas (1484-1566), Martín de Azpilcueta (1492-1586), Domingo de Soto (1494-1570), Fernando Vázquez de Menchaca (1512-1569), Diego de Covarrubias (1512-1577), Juan Blas Navarro (1526-1595), Luis de Molina (1535-1600), Juan de Mariana (1536-1624), Pedro de Aragón (1546-1592), Francisco Suárez...
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(1548-1617), Pedro de Valencia (1555-1620) and Juan de Lugo (1583-1669). None of these thirteen authors made a specific study of the tax system. As we shall see they had other objectives in dealing with taxes. However each of them made their contribution and together they left a coherent and cohesive outline of a tax system. The second, and more important, of our goals is the comparison between the ideas on taxation of these scholastics and modern taxation principles, taking care not to be anachronistic. It is important to emphasize this aspect in order to avoid an unhistorical analysis. We must remember that the scholastics of the School of Salamanca lived in the sixteenth and seventeenth centuries in a society with very different institutions from today. One example is the contrast between an absolutist, stratified and feudal society and a modern one governed by democratic, parliamentarian and capitalist principles.

Before discussing the vision held by the scholastics on taxes, we will make a brief statement of the comparative framework. Classical economic thought, whose main figure is Adam Smith, established, throughout its history, several requirements in order to qualify tax systems as “good”. These were to enable sufficient collection, provide equity in the distribution of the burden, minimize the effect on market efficiency, promote stability and growth of the system, to be a fair and understandable system, and present cost efficiency in tax administration. The German contribution to the analysis of these principles, in the second half of the nineteenth century, increased their number. Specifically, Adolph Wagner set out nine principles: sufficiency, flexibility, choice of sources on which the tax is applied, choice of kind of tax, generality, fairness, certainty, comfort and cost efficiency. Incorporating and expanding all previous contributions, Fritz Neumark published his *Grundsätze gerechter und ökonomisch rationale Steuerpolitik* in 1970. In this work, based on the most developed countries in the nineteen-seventies, namely, the United States and much of Western Europe, sets out which guidelines should govern a tax system. He bases his principles on five basic criteria: justice, allocative efficiency, stability, economic development and the efficiency of tax collecting techniques. To achieve these objectives a tax system should be developed from the eighteen principles proposed by Neumark:
1. Budgetary and fiscal principles: Sufficiency; Adaptability.
2. Socio-political and ethical principles: Generality; Horizontal equity; Ability to pay; Redistribution.
3. Political and economic principles: Avoidance of fiscal interventionism; Minimum impact on the decisions of agents; Minimum impact on market efficiency; Active flexibility, Passive flexibility; Promotion of economic growth.
4. Legal and technical principles: Congruence and systematization; Transparency; Feasibility; Continuity; Cost efficiency; Comfort.

The comparative framework we use for the tax ideas of the School of Salamanca is that set out by Neumark, because since his work the literature has focused on discussion of the relative importance of the different principles, but no alternative scheme has been proposed.

The members of the School of Salamanca did not have as a goal for their observations the study of economics, or the Treasury in this particular case. But even with the purpose of giving advice to the faithful and confessors on their behaviour, they made valuable contributions to the field in question. As a prelude to the comparison between the taxation principles of Neumark and the reflections of the School, we consider three basic and interrelated ideas which will enable us to properly understand their tax doctrine.

The first is the obligation in conscience to pay taxes. The general opinion is that the individual is obliged in conscience to pay a tax if it is fair. Vitoria said that not to satisfy the obligation is a mortal sin\(^{42}\). Blas Navarro\(^{43}\) and Covarrubias\(^{44}\) are of the same opinion. The notion of obligation in conscience, also shared by Soto, Azpilcueta, Molina, Valencia, Suárez\(^{45}\) and Lugo, is based on natural law as stated by Molina\(^{46}\) and Suárez\(^{47}\). The fact that it is a moral obligation does not prevent the possibility of a sanction in the case of not fulfilling the obligation. This was noted by Covarrubias\(^{48}\) and Suárez\(^{49}\), who clarified that the penalty does not mean exemption from the obligation of payment. Knowing this, he who defrauds is obliged to pay the defrauded\(^{50}\). However, if the tax were to be unfair, one would not be obliged to pay it, as indicated by Azpilcueta\(^{51}\), Covarrubias\(^{52}\).
and Suárez. In this situation, payment should be returned. The last possible case is that of doubt about the fairness of the tax. In this case no one is obliged to pay, if the doubt is well founded, except in the case of doubts concerning an increase in a former tax, in which case one would have to pay what was usual, obviating the increase.

The second idea is the chain of reasoning that deals with life in society, public power and property. On this point, there is less cohesion between the components of the School, but there is no doubt that they start from the same base. They believe that man is a social being, who shows a natural inclination to live in a community. Also, they agree when they state that every society needs a government to govern it, with the objective of the common good. This power is given by the people. However, on this issue there are some differences of interpretation with Vitoria, Aragón, Covarrubias and Suárez stating that the civil power comes from natural law, while Vázquez de Menchaca denies this. Moreover, although all recognize that society transfers the power, but not the domain, there are authors such as Mariana, Vázquez de Menchaca or Aragón who contemplate the cessation of government by the people if it becomes a tyranny. We also find different positions concerning the capacity of the civil power to expropriate private property. They agree that the natural rights of the individual mark the frontiers of the intervention of public power, while again it is Mariana who most limits the authority of the monarch. However, most of them consider that the common good is a justification for expropriation.

The third and final idea focuses on the conditions that a tax must be fair. There are four cases: that the tax is set by the authority with power to do it (efficient cause), that its purpose is the common good (final or fair cause), that it is general and proportional (formal cause), and that it respects the exemptions of the nobility and clergy, when they are legitimate, and of the poor, in any case. These four principles are universally recognized by the School of Salamanca. However, some authors, a minority, also consider necessary the consent of the people and that people should not be taxed indirectly on common staple goods and those for agricultural use. It seems to be agreed that the authority with power to estab-
lish taxes is the highest in the nation. This would depend on the type of political regime operating in each territory. It is accepted that emperors, kings, princes, popes, councils, free cities or ancient customs have this authority. In relation to the common good, this must be based on defence, justice and the search for prosperity. Finally, they recognize the generality and proportionality of taxes to be fair. However, if the exemption of the clergy and nobility is fair, what should be added is that the exemption of the poor, which is always fair, is not proportional if they are forced to pay. But their exemption should never force others to pay more.

Bearing in mind these three ideas, we can undertake the comparative analysis between the tax ideas of the School of Salamanca and Neumark’s modern taxation principles, avoiding an anachronistic approach. To do this, we consider the principles that coincide with Neumark, wholly or partially, in the same order that he listed them.

The first principle of the German economist, sufficiency, was already recognized by members of the School of Salamanca as necessary for the support of government and for society. For his part, Mariana complemented and stated it, when he proposed a balanced budget, reducing government spending to a minimum for the fulfilment of public functions, and imposing minimum taxes to cover these expenditures.

With respect to the generality of the tax system, in principle they seem to say that all must contribute to support the burden. Specifically, this is true of Molina, Valencia and Casas. But we must not forget that they then qualify this universality with several exemptions. The first affects the poor, blind and elderly. The second affects the clergy, though this estate is not completely freed from paying taxes as they were forced to pay extraordinary taxes and for undertaking any commercial act. The third exemption was for the nobility, who also had to pay for doing business. It should be remembered that both the nobility and clergy were exempt if they fulfilled their duties, that is to say, if they contributed to the defence of the kingdom and to spiritual salvation, respectively. So, taking into account all these exemptions, what at first was presented as a universal contribution loses this characteristic, and thus cannot be considered to fulfil the principle of generality expressed by Neumark.
The principle of ability to pay is described in the same sense as Neumark by Blas Navarro, Soto, Molina and Suárez. In general, all the members of the School of Salamanca agree on this point, understanding that distributive justice is lacking if the poor pay more than the rich, or indeed the same as them. In line with this, they argue that indirect tax on staples does not maintain proportionality, because it hurts the poor more than the rich, so they recommend that funds are not collected in this way.

The School’s position concerning the redistribution in the tax system is clearly reflected in the writings of Aragón, Mariana and Valencia. The first bases this principle on the idea that natural law forces the distribution of wealth. It was the Jesuit, Mariana who most developed the redistributive power of the tax system. Specifically, he asked for lower taxes to be charged on staples and, instead, for an increase of the fiscal burden on luxury goods. However, Neumark does not make reference to redistribution through indirect taxation, virtually impossible to achieve, but rather through rather direct taxes. So in this case the School of Salamanca does not concord with the current sense of the principle. Finally, Valencia, expounding on taxes on agricultural products, pointed out that it was not a good idea to tax these, as this too hurts the poor most.

The same Valencia, analyzing certain taxes, such as the previous one, on wine and oil, or on flour, seems to precede Neumark in seeking that the taxes change production as little as possible, as they distort costs and discourage supply. In practical terms, he is defending minimum interference in those prices that make up the incentive structure, the basis of economic relations in every human society. So we may consider the principles of minimal impact on market efficiency and on the decision of agents to be linked to each other.

The members of the School of Salamanca also coincide with the German economist in believing that the tax system must promote economic growth or, in his words, temporal prosperity. So, despite not using Keynesian fiscal policy, they saw the complementarity between a fair tax system and a certain degree of growth.

Regarding the continuity as the system principle, theologians and jurists of the School of Salamanca were in favour, if the circumstances that make
fair taxes do not change, the system should remain, stable. However, at the moment that the cause that gives rise to a decrease or increase in taxation arises, the system should respond in the same direction. However, the cause must be known and the reasons must be sufficient to maintain justice. Therefore, this guideline is quite similar to the principle of continuity, but also relates to the adaptability and active flexibility principles.

Finally, in relation to cost efficiency, collection was the subject of much attention from the followers of Vitoria. They focused on the people responsible for collection of taxes. This time, Mariana is the strictest. He demands that we watch out for he who takes public revenues for his private use and that the right to collect taxes should not be sold off to the rich (because they will abuse their position even more), with the aim of not increasing the burden on taxpayers.

It would be inappropriate to finish our analysis of the contributions of the School of Salamanca to fiscal doctrine without showing that there are other issues, of great importance, on which it left its mark and that for reasons of space will be the focus of another paper. In particular, we should emphasize the detailed analysis of certain taxes such as alcabalas, millones or tithes, to mention some of the most relevant. They also studied tariffs, a subject in which Mariana again stands out. This author, along with Valencia and Covarrubias, defined and studied inflation as a tax not voted on in the Parliament (Las Cortes) within the economic situation that Spain was then living through at the beginning of the seventeenth century.

4. Conclusions
This article has studied the fiscal doctrine of the members of the School of Salamanca comparing it with the modern fiscal principles proposed by Neumark. The main contribution made is to identify and to explain the similarities and differences between the two views, keeping in mind the difference of four centuries between them, in order to avoid anachronistic mistakes.

The importance that tax systems have on the market and private agents that operate in them, conditioning decisions such as investment or consumption, makes this comparative historical study interesting, from both a
business and economic perspective. To shed light on the determining of fiscal doctrine and its evolution may assist in understanding the evolution and development of markets and companies.

After the analysis shown in the previous section, we can state that at least nine of the eighteen principles that a modern tax system must fulfil, as set out by Neumark, were put forward during the sixteenth and early seventeenth centuries by the theologians and jurists of the School of Salamanca. These principles are sufficiency, adaptability, ability to pay, minimum impact on the decisions of agents, minimal impact on market efficiency, active flexibility, promotion of economic growth, continuity and cost efficiency. Those of generality and redistribution were mentioned but when looked at in detail they seem to differ from the meaning of the term used by the German economist. These scholastics were not concerned or, either held a different view with respect to the other principles: horizontal equity, avoidance of fiscal interventionism, passive flexibility, congruence and systematization, transparency, feasibility and comfort. It is easy to see that of the four groups of taxation principles proposed by Neumark, the School of Salamanca paid attention to all but less so to the legal and technical principles. These are arguably those most related to more modern societies, so it is reasonable to suppose that they would be the least considered four centuries ago.

These conclusions may lead us to a reflection on the validity of the teachings of the scholastics. Their words are perhaps not as distant as we might think if we go by the dates; maybe ideas on these issues have not progressed much, although practice has done so, and today we are not as advanced as we think. In any case, we have shown that many of the main ingredients of modern tax systems, which determine the decisions taken by individuals and companies in the markets, were already in the minds of certain men in the sixteenth and seventeenth centuries, but not in the practice of the Treasuries of the time. The fiscal doctrine developed by the School of Salamanca would have modernized the Treasury and possibly encouraged the development of markets, if it had been implemented, but the lack of political will meant that these ideas were never put into practice. We find here a good example of the difficulty of implementing tax
principles, a problem that has been encountered throughout history, causing the history of Treasuries to move at a stately pace. However, to try to dwell further on how their implementation might have affected the Spanish economy in the sixteenth century is closer to fiction than to the work of economists, which does not stop us recognizing that, at least, one of the seeds from which our current tax system has grown was sown in its time by the School of Salamanca which, moreover, was a school of economics in the full sense.

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Notes

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(2) Always keeping in mind, to avoid being anachronistic, that in the sixteenth century one cannot speak of states, treasuries and tax systems as in the twentieth century. This does not alter the fact that elements of both are comparable. The works of Bilbao (1990), Carande (1987), Domínguez Ortiz (1983 and 1999), García Sanz (1991 and 1999), Garzón (1984), Pulido (1996), Sureda (1999), Ulloa (1986) and Yun (2004) are especially useful for a better understanding of the historical context that accompanied the School of Salamanca.

(3) Grice-Hutchinson (1982) and Sierra Bravo (1975), pp. 47-56.

(4) Also thanks to the Toledo School of Translators.


(9) Larraz (1943), p. 110.

(10) This presents marked differences with respect to nominalism (in this line of thought we can include Duns Scotus and William of Ockham). In particular, in economics, Thomism is much more restrictive than nominalism.


(12) This does not mean that they forgot the “be”: we should clarify that they analyzed real phenomena around them, to pronounce their moral view of the various issues discussed.


(15) We should not believe that all reflections on economics that were made in Spain at that time were work of the scholastics. The arbitristas sought to solve the economic problems affecting the country, among which we can emphasize fiscal problems. The arbitristas differed from the scholastics in the form of focus on issues rather than on the issues. Some of the most prominent among them are Lope de Deza, Pedro Fernández de Navarrete, Martín de González de Cellorigo, Francisco Martínez de Mata, Sancho de Moncada, Luis Ortiz, Gaspar and Luis Valle de la Cerda. Interesting references on these and other arbitristas can be found in Larraz (1943), Eheberg (1944), Iparraguirre (1963), Vilar (1976), Beltrán and Calle (1978), Abellán (1979), Grice-Hutchinson (1982), Garzón, M. (1984), Baek, L. (1988), Beltrán, L. (1993), Perdices de Blas, L. (1996), Perdices de Blas and Reeder (1998), Fuentes Quintana (1999), Perdices de Blas and Reeder (2003) and Perdices de Blas and Sánchez Molledo (2007).


(22) Schumpeter (1971), p. 529, when he defines a school of thought emphasizes the following features: “(it) had a central figure, a doctrine and personal coherence, had a nucleus and areas of influence, and other marginals”. He also considers several authors of the School of Salamanca as Azpilcueta, Lugo, Medina, Mercado, Molina and Soto, Schumpeter (1971), pp. 133-145.
(24) Belda Plans (2000), pp. 162-182, performed an extensive explanation about the members of the School of Salamanca, but his work does not focus on the economics of it, that’s what we try to explain in this article, but is focused from theology.
(28) Nowadays there is an unresolved controversy on this issue. The authors closer to the Austrian School state that members of the School of Salamanca adopted the subjective theory of value, while other economists argue the opposite. The difficulty of solving this debate lies in the fact that members of the School of Salamanca did not hold the same ideas in all respects. So, correspondingly, we can find authors who defend several different points of view.
(29) In no case is explicit reference made to marginal utility.
(31) The arrival of large quantities of precious metals from America and its effect on prices in Spain was the key behind this vision.
(37) This is the position taken by Huerta de Soto (2000), pp. 52-60, among others. However, it is possible that the link between the two schools is not as clear as proposed by this author.
(38) Coherent with the absolutist monarchical regime and the stratified society in which they lived and cohesive among members of the School of Salamanca.
(39) The four canons of taxation according to Smith are cost efficiency, certainty, comfort and fairness, Smith (2005), pp. 746-748.
(42) Higuera (1963), p. 12, in Vitöria’s words: “the contribution of taxes that are necessary to defend the republic and other public functions... if anyone does not pay that tribute they would be committing a mortal sin”.
(44) Covarrubias (1957), p. 5.
(47) Suárez (1967), p. 544, “tax is an obligation of justice, an obligation not based on a new and generous donation but in natural law, by which those who work are obliged to give and those who govern receive their pay to help bear the burdens of their position”.
(48) Covarrubias (1957), pp. 10-11, “human law, although it is civil law, may oblige the offender under mortal sin while condemning him to a penalty, so that the offender be subject both to guilt and punishment, because the penalty does not counter the guilt and there is no antagonism between the two”.
(49) Suárez (1967), p. 527.
(51) Azpilcueta (1554), p. 182 and 390.
(52) Covarrubias (1957), pp. 22-23, “if taxes are unfair, or their imposition comes from someone who is not entitled to, or they are imposed by the prince beyond what is necessary for the demands of government, there is no obligation in conscience of pay them and it will be possible not to pay without guilt”.
(54) Suárez (1967), p. 548, “Princes, that issue such laws and receive such tributes, and government employees, that charge them aware of the injustice, commit a grave sin and are obliged to repay them.”
(55) According to Martín (2002), pp. 88-89 and 112-114, this was the position of Vitoria and Vázquez de Menchaca. Mariana (1981) devotes the first chapter to developing this idea. Also Suárez (1967), p. 198, support it stating that “man is a social animal in a natural and straight way and tends to live in community.”
(56) Covarrubias (1957), p. 251, argues that “in every civil society a governor is necessary to take care of it and keep all citizens fulfilling their duties”.
(60) Vázquez de Menchaca (1931), p. l: 71, “the monarchy is acknowledged as origin the law of nations, in order to avoid injustice, theft, violence, assaults, deaths, sedition and battles, fruits of the disastrous wars”.
(64) Barrientos (1978), p. 270.
(65) Limits found in Mariana (1987), p. 31, 36 and 40, “the king is not owner of the goods of each” “if the king is not the owner of particular goods, he cannot take all or part of them but by the will of their owners” and “the prince is not owner, but manager of the particular goods”. Mariana (1981), p. 77, argues that “new taxes can only be established and laws enacted with the will of the people”.
(67) Mariana (1987), p. 36, “according to law and justice this should be done, namely to receive the approval of the people to impose new taxes in the kingdom”. Contrary to the view of Mariana, Suárez (1967), p. 543, believes that “the consent of the kingdom is not necessary for the taxes”.


(70) This statement is similar to that made by Smith in The Wealth of Nations, when he determines that public sector functions are to ensure defence and justice and important public building works which are not assumed by private initiative. But it is not surprising that the School of Salamanca and the Scottish economist agree on this and other matters. In the doctoral thesis of Gómez Rivas (2004) and Gómez Rivas (2005) we find details of the ways by which the ideas of the School of Salamanca reached Smith.

(71) Understood in a double sense. First, there must be proportion between income and public spending. Second, proportionality in the burden on the population.


(73) Vázquez de Mencaca (1931), p. III: 22, “if the prince was not sufficiently equipped with proportionate income, it certainly would be lawful to demand from citizens what lacks for his adequate support, for the high expenditure of wars, for the fortification of cities, for the leaders’ wages and payments of the soldiers and for other such things”.

(74) Mariana (1981), pp. 332-333, “our main care should be, as we mentioned, what the levels of revenue and expenditure are”.

(75) Mariana (1981), p. 64, “tries that taxes are only those necessary to preserve peace and support the war”.

(76) Gorosquieta (1972), p. 141.

(77) Valencia (1994), p. 132, “that the public burdens are distributed generally”.


(82) Mariana (1981), pp. 337-338, and Soto (1967), pp. 275-277. There were two positions on inheritance of the exemption of nobility within the School of Salamanca. On the one hand, Molina and Mariana defended its hereditary nature. The others considered it a personal privilege which ended with the death of the carrier.


(84) Soto (1967), p. 276, “taxes must be imposed on wealth, possessions and businesses, not on people, that is: everyone must pay more if they are richer and produce more earnings and not when they are in more need”.


(86) Gorosquieta (1972), p. 147.

(87) Barrientos (1978), p. 240, “the authority or the judges, as custodians and administrators of justice, have the obligation to compel the distribution of such goods, against the will of the rich who, by natural law, are obliged to distribute”.

(88) Mariana (1987), p. 94, and Mariana (1981), p. 336, “may impose reasonable taxes on staples such as wine, wheat, meat, wool and linen clothes, when they are ordinary and not a luxury, and to replace the poor return of these taxes, should be taxing articles of pure pleasure and luxury”. In Fernandez (2006) we find an overview of this topic.
(89) Valencia (1994), p. 20. On the issue of taxation on agricultural products it could be asked whether scholastics did not act as an interested party, given that they belonged to the clergy, a land owning group particularly affected by this type of taxation.


(91) In Lessius’ words (1621), p. 41, collected by Gómez Camacho (1998), p. 300, and Gorosquieta (1972), p. 143, “it is the right and duty of the prince to govern the people, give justice, distance enemies, and finally seek with all his forces the peace and temporal prosperity”. Therefore, as the same Gorosquieta (1972) shows, p. 144 members of the School of Salamanca “consider advisable government intervention through fiscal policy to maintain a healthy economy and achieve economic prosperity”.

(92) Suárez (1967), p. 537, “the cause is necessary so the tax is fair, as said; then stopping it, justice stops, and consequently the tribute must stop”.

(93) Suárez (1967), p. 535, “the second necessary condition for the tax being fair is the final reason or cause” as it says in the Decretals. These also indicate that it is necessary that the cause is known”.

(94) The School of Salamanca maybe not study this principle in as much depth as Neumark, however the concern about the cost in the collection of taxes was not unthought-of by them.


(96) Apart from the School of Salamanca, this was a tax studied by other Spanish economists. For example Uztáriz, as quoted by it in The Wealth of Nations, Smith (2005), p. 776, “hence Uztáriz imputes to alcabala the ruin of the Spanish industry”.

MARKETS AND TAXATION: MODERN TAXATION PRINCIPLES AND THE SCHOOL OF SALAMANCA