

HUERTA DE SOTO'S HYPOSTASIS

AN EXPLORATION OF THE ROLE OF THEOLOGY IN ECONOMICS

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Resumen: La afirmación central de este artículo es que ni el fenómeno macro-económico de la coordinación de precios ni el fenómeno microeconómico de la creatividad pueden ser explicados mediante el análisis de la mera acción humana, sino que necesitamos una noción trascendental, una que no puede ser probada científicamente, pero que debe ser asumida, al menos si no queremos caer en el nihilismo. Esa noción es Dios. En primer lugar, se discuten algunas observaciones valiosas del Dr. Huerta de Soto sobre la similitud entre la función empresarial y la creatividad divina. En segundo lugar, se comparan las metafísicas católica y calvinista, junto con sus implicaciones para la economía. Y finalmente, se muestra que la hipótesis de Huerta de Soto no es en realidad una hipótesis, sino una hipóstasis: una suposición necesaria para todo análisis, económico o de otro tipo.

Palabras clave: Huerta de Soto; Hierotheos; epistemología; hipóstasis; teología.

Clasificación JEL: A12; B19; B25; B49; B59; D83; Z12.

Abstract: The central claim of this paper is that neither the macro-economic phenomenon of price coordination nor the micro-economic phenomenon of creativity can be explained by analyzing mere human action, but that we are in need of a transcendental notion — one that cannot be proven scientifically, yet must be assumed, at least if we do not want to fall prey to nihilism. That notion is God. First, some valuable observations by Dr. Huerta de Soto on the

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similarity between the entrepreneurial function and divine creativity are discussed. Secondly, Catholic and Calvinist metaphysics are compared, together with their implications for economics. And finally, it is shown that Huerta de Soto's hypothesis is actually not a hypothesis, but a hypo-stasis: a *necessary* assumption for all analysis, economic or otherwise.

Keywords: Huerta de Soto, Hierotheos, epistemology, hypostasis, theology.

JEL Classification: A12, B19, B25, B49, B59, D83, Z12.

1. Introduction

In an earlier contribution (Arnaert, 2024) about Jungian psychology, we have concluded our review with Jung's most adamant claim: that human action cannot be fully understood without assuming the existence of some kind of "superconscious" subject, guiding man towards his higher self (Jung, 1916, p. 261). It obliged us to rethink our naïve model of the psyche as being a structure with a conscious and an unconscious part, into a more developed model with three parts: the unconscious, which has historically been called the "Soul", the conscious, which is generally called the "mind", and the super-conscious, which Jung called "Spirit"¹. This notion of the super-conscious, however, is not new. It has been acknowledged as a real entity by all the major religions of the world.

Modern minds might object to the introduction of religious notions into economics. But in the past, many economists have made reference to the divine when it comes to understanding the workings of the free market. We could mention Mohammad, who stated that "It is but Allah who makes the prices low and high." (Sunan Abi Dawud, Book 23, Hadith 3443) Such exotic references, however, are hardly necessary: in our tradition too, lots of authors make the connection between free markets and the divine. One

¹ Please note that I consistently write both Soul and Spirit with a capital letter S, so as to indicate its transcendental nature. Our mind, on the other hand, is of this world, and is as such not transcendental. Therefore, it is written with a small letter.

of the most prolific present-day authors in that vein is Dr. Huerta de Soto, who sees parallels between the creative powers of the entrepreneur and the creative powers of God, so strongly, that he even goes as far as to claim: "God is a libertarian" (Huerta de Soto, 2017, p. 2)

Huerta De Soto basis his thesis on the notion, put forward by Pope John Paul II, that man "reflects the very action of the Creator of the universe" (Pope John Paul II, 1981, section 4, § 2) and argues that the creative acts of God and those of the entrepreneur bear a striking resemblance: "[I]f we accept for the sake of argument that a Supreme Being exists, one who created all things from nothing, then when we suppose entrepreneurship to be an *ex nihilo* creation of pure entrepreneurial profits, it seems clear that man resembles God precisely when man exercises pure entrepreneurship!" (Huerta de Soto, 2010, p. 34) Indeed, entrepreneurship is distinctly creative, and to Huerta de Soto, this is the essence of the debate: creativity has divine origins.

To explain this, Huerta de Soto goes on to quote Saint Thomas Aquinas, who stated that "*creare est aliquid ex nihilo facere*" (Aquinas, 1948, p. 740) or, in English: "to create is to make something out of nothing". Aquinas, though, attributed this capacity exclusively to God, a notion which Huerta de Soto challenges: "We cannot agree with the Thomist thesis that only God is capable of creating, since human beings also create constantly whenever they exercise entrepreneurship." (Huerta de Soto, 2010, p. 33) He also finds that "Aquinas uses the term *ex nihilo* in an excessively materialistic sense, whereas we consider that *ex nihilo* creation takes place each time someone perceives or realizes something he had not even conceived of before" (Ibid)

As such, Huerta de Soto considers the realization of a new idea, first mentally in our mind, and later on physically in the world, as the essential human act. When man labors to make an idea come true, he is merely human, but when he conceives and discovers new ends and means — in other words: when he is creative — "man (...) resembles God" (Huerta de Soto, 2010, p. 34). These are the genuinely divine moments where a new, universal idea is downloaded into our individual psyche, which permits us to see something of the grandeur of the divine in our limited, material world.

Or, as Dr. Hamer put it: "one feels really small and fallible when one is only occasionally allowed by mother nature to take a quick peek through the keyhole into her workshop." (Hamer, 1999, p. 54)

To say that man resembles God, however, is not the same as saying that man *is* God. Huerta de Soto warns against this fallacy, and even suggests that it is this very misconception which lies at the basis of the socialist conviction: "Perhaps within the very foundations of socialism lies a hidden, atavistic desire of man to be like God, or to put it more accurately, to believe he is God, and thus free to tap a much greater store of knowledge and information than would be humanly possible." (Huerta de Soto, 2010, p 66) As such, he clearly warns against hubris: while man may experience the divine in the act of being creative, he can never reach that status of omniscience. Stronger even: if man gets infected with the illusion of omniscience, he paradoxically prevents the growth of new knowledge.

Huerta de Soto's definition of socialism, then, should be considered as nothing short of brilliant: in stead of formulating it in a static way, as a system where the means of production should be owned or regulated by the state, he formulates it in a dynamic way: "any system of institutional aggression on the free exercise of entrepreneurship" (Huerta de Soto, 2010, p. 49) By that token, most of today's political parties, if not all of them, are to some extent socialist. That is why the logical conclusion for Huerta de Soto is not simply to reject the ideas of some political parties, but to reject the idea of the state itself. Since the state is what all of those parties would use to commit their institutional aggression, it must be rejected, lock, stock and barrel.

He calls this position "anarcho-capitalism" and in a 2009 contribution he elaborates in detail why the state is (1) unnecessary, (2) theoretically impossible and (3) lethal for creativity. While it would be interesting to explore all of these arguments, the third one is exceptionally interesting, because, by using it, he explicitly makes reference to a religious phenomenon: that of worshipping idols. "the state is an enormously powerful false idol which is worshipped by all and which will not countenance anyone's freeing himself from its control nor having moral or religious loyalties outside its own sphere of dominance." (Huerta de Soto, 2009, p. 169) In other words:

DIAGRAM 1.
THE DIFFERENCE BETWEEN CLASSICAL
LIBERALISM AND LIBERTARIANISM



it is not just that the state is an economic actor — it demands an unquestioning, dogmatic, quasi-religious devotion to its being.

This phenomenon has been described by Voegelin, who had no qualms in calling ideologies “political religions” (Voegelin, 1952, p. 23). His analysis is that the religious promise of salvation, which in classical times could normally only be achieved after a life of individual moral discipline, is promised by the state, yet in this life. Voegelin calls this “the immanentization of the eschaton²” (Voegelin, 1952, p. 19) The basic message is that if we all follow this particular road, then utopia, here on earth, is within our practical reach. And as a consequence, anyone who does not follow that road, is considered as an enemy. This only goes to show just how important metaphysics is to economics: if society does not uphold an explicit theory of the divine, ideology will implicitly fill that gap.

² I must thank Dr. Alfonso Diaz Vera for pointing out to me that ideology is in fact an imitation of the true religious experience, and to the important parallels between the work of Hilaire Belloc and the Austrian School of Economics (Diaz Vera, 2023).

As such, I consider the point validated that we should look further than economics, and pay respects to the Hayekian adage that “nobody can be a great economist who is only an economist — and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger.” (Hayek, 1956, p. 463) As far as the work of Huerta de Soto is concerned, it is safe to say that he passes the Hayekian test, so brilliantly even, that he has been called “the synthesizer of the Austrian School” (Wang, 2017, p. 173). He involves not only law and ethics into his analysis, but also psychology, history and even theology, leading to a fully integrated vision on man, or, to say it in terms that Misesians abhor: a holistic view.

Moreover, he does this with a clear goal in mind: “The law is contained in human nature (and) [...] it is discovered and consolidated in an evolutionary manner.” (Huerta de Soto, 2009, p. 165) In other words: if we want to discover those laws, we have to venture deep into our psyche, and precisely that is why the work of Jung is so important for economics: it breaks new ground. Mere reflection on our actions will not suffice. The real deal is to investigate why we take those actions in the first place — what our deeper motives are. While doing that, we inevitably end up with what Huerta de Soto calls a “theological digression” (Huerta de Soto, 2010, p. 34). It is here that I most fundamentally disagree with my master: these are not digressions from the debate, but contemplations about its essence.

How else can we explain creativity if we do *not* see it as something divine? The hallmark of creativity is precisely that it *cannot* be reduced to what we already know. It creates new categories, or, to say it with Shackle: it is “injecting something essentially new into the world” (Shackle, 1958, p. 33). Please note that there is no way to define novelty, in the sense that the concept “novelty” could be explained as an instance of a more fundamental conceptual category. That turns it into a transcendental notion: a manifestation of the metaphysical, which, for all analytical purposes may be equated with Spirit itself. To the authors of the School of Salamanca for instance, it is that divine Spirit, called “The Holy Spirit”, which is responsible for entrepreneurial creativity and the market order that arises from it.

As such, any explanation of economics that does not involve Spirit as a real, active and intelligent entity, should be considered as deficient in the sense that such an explanation can never account for the most essential phenomenon in all of economics. Without the insight the entrepreneurial act indeed creates “something out of nothing” and is in that sense divine, no sensible debate is possible. This does not mean that we would suddenly be at liberty to engage in “vague speculations on fruitless metaphysical concepts.” (Mises, 1933, p. 210). It merely means that if the spiritual dimension of man is not seen as essential, we are engaging in the exact obverse: precise statements on sterile material concepts. Those have their merits. But they do not explain the essential human action: to create.

2. Rehabilitating Theology

Huerta’s hypothesis, in other words, is that God wants us to be free and creative, because he himself is free and creative, a condition which takes away any lust for power. For instance: he is powerful enough to install a system of “organized, systematic coercion of those monopolistic agencies of violence we know as states” (Huerta de Soto, 2017, p. 2) but he doesn’t: “God, the Lord of all the universe, who has created his laws from nothing, and who therefore has absolute power over the Earth and the rest of the universe, nevertheless does not use force, but always leaves his creatures free. He gives them the freedom even to rebel against him.” (Huerta de Soto, 2017, p. 2) Here lies the essence of the Huertian discourse: man is by default free, because God created him so.

Of course, such theological statements are totally unacceptable for modern theorists. They are clearly metaphysical, and since science only concerns itself with questions that are provable (the positivist strand — Comte) or falsifiable (the negativist strand — Popper), the contention is that they can be discarded *prima facie* — without deeper investigation. Ever since Hayek’s exposé on the scientifically unanswerable questions about certain psychic phenomena, however, we should be weary of such a radical attitude. When it came to explaining why the lower animals see the whole before they see the

parts (Hayek, 1969, p. 316) for instance, no logical, deterministic explanation was possible other than that there is something a priori in their psyche that can recognize the whole.

Could he prove this? No. Could he falsify this? No. And yet, merely by assuming that it must exist (if our observations want to make sense) he was able to explain the behavior of these animals. As such: if modern science wants to be rational, it should allow for a form of knowledge that is wholly independent of experience, and falls outside of the dialectical province of either proof (positivism) or falsification (negativism). As such, Hayek came to accept “the primacy of the abstract” (Hayek, 1969, p. 314), not because he could prove it, or disprove another theory, but merely because it was a highly *profitable* act to accept such a hypothesis. Without it, the observations would make no sense. With it, everything made sense. In that specific way, the hypothesis was “necessary”.

In metaphysics, there is a specific term for that sort of necessary hypotheses: “hypo-stasis”. (Pearson, 1987, p. 542) That term sounds very similar but is fundamentally different. While a hypo-thesis is a proposition about reality that one ventures before one conducts an experiment, a hypo-stasis is a proposition about a reality one must assume, if one wants to be able to explain the results³. The term “necessary”, then, should be understood in a paradoxical sense: the reality that one is hypostatizing is not necessary in the sense that one would engage in contradiction if one would not accept it⁴. It is only necessary in the sense that without it, an ever-larger body of scientific data cannot be explained. The more one waits to accept this hypostasis, the emptier “scientific” discourse becomes.

Applied to economics, this can easily be illustrated when analyzing the mainstream economic theory, which is entirely “evidence-based” and yet fails miserably. Huerta de Soto: “Alan

³ This is yet again an instance of the Principle of Inversion that we identified through analyzing the work of Hayek. To say it with a quip: hypothesis stands to hypostasis as causality stands to teleology. The quotient of both is synchronicity (Jung).

⁴ This is not entirely accurate. The unwillingness to accept the hypostasis that truth is a person, leads to a non-specific contradiction: that of not being in tune with life. We could call this a transcendental contradiction, whereas the lower-level contradictions are “only real”.

Greenspan, the great architect of the severe crisis we have all suffered from 2008 (...) recognizes that none of the pretentious models to which millions and millions of euros and dollars have been devoted has been successful; they have all failed. He states that even the most sophisticated mathematical model, which received the largest investment of resources, and to which hundreds and hundreds of the world's most brilliant scientific minds were devoted (the model of the Federal Reserve, and that of the European Central Bank was quite similar) failed miserably." (Huerta de Soto, 2020, p. 8)

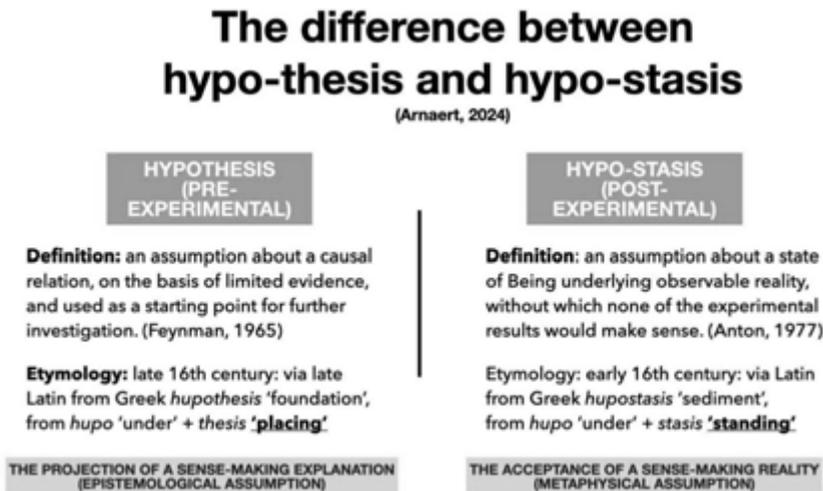
In and of itself, this is a mundane analysis of a failing government policy. But Huerta de Soto goes further and shows how it is eventually necessarily a lack of metaphysical understanding that leads to these results: "Greenspan concludes that he cannot comprehend what caused the crisis. [Or, as he famously declared before the US Congress, "I still do not fully understand why it happened."] Poor Alan Greenspan! He would not have such doubts if he had read Juan de Salas, who asked back in 1647 whether it is possible for us to obtain the information ordinary human beings constantly generate in the market. And he concluded that the volume of this information is so large, so vast that "quas exacte comprehendere et ponderare Dei est non hominum" (Ibid, p. 8-9)

Please note that Huerta de Soto does not use "pure" economic theory to rebuke Greenspan. He does not engage in a detailed critique of his mathematical model, in the hope of improving it for the future. He simply points out that the premise is wrong. It does not matter how many variables one adds to the model, or what weight each variable gets. The number of variables that would have to go into that model to make it realistic, is infinite, and is as such of a transcendental nature: "In other words, God alone, and not man, can accurately comprehend and manage this huge volume of information, this vast knowledge." (Ibid, p. 9) Any attempt to do achieve the perfect model, in large mathematical models, with thousands of variables, is tantamount to committing the first sin: hubris.

What Huerta de Soto calls for, is to heed the wisdom of the pre-modern times, in which economics was not separated from the rest of reality: "In short, we are indebted to the Spanish scholastics

for a lesson in humility” (Ibid, p. 9) In essence, this is an implicit critique on modern thinking: it is not by invoking all kinds of technicalities within our mathematical models that we will solve the economic problem, but precisely by allowing reality to play out its own poetic nature. It is reminiscent of the meeting Colbert had with a group of businessmen in 1681, when he was the French Controller-General of Finances. When he asked them what he could do for them, their answer was simple: “Laissez-nous faire” (Rothbard, 1995, p. 261) — let us go about our own business.

DIAGRAM 2.
THE DIFFERENCE BETWEEN (EPISTEMOLOGICAL) HYPO-THESIS
AND (METAPHYSICAL) HYPO-STASIS



The kind of laissez-faire that Huerta de Soto advocates, then, is not a free pass into plain anarchism, in the sense that he would advocate a society without any moral limits in which everything goes. Quite the contrary: what he advocates as the alternative is a retracement of our steps to a time before the modern state came into being. He advocates its replacement by a “spontaneous market order in which all services, including those of defining law, justice,

and public order, are provided through an exclusively voluntary process of social cooperation" (Huerta de Soto, 2009, p. 168) Stronger even: he holds that the discovery of the principles by which this can be achieved as "the focal point of research in modern economic science." (Ibid)

As such, he does advocate a central value: voluntarism, a stance which is not only completely in line with his theological views — a free God has created us in his image — but also with the long-standing tradition of Scholasticism, even predating the Spanish tradition. Among others, the Franciscan friars Duns Scotus (1265 — 1308) and William of Ockham (1287 — 1347) held that in all affairs, the combination of divine will and human freedom, which have a dialectical relation, have primacy over the products of the intellect, which stands alone. Their motto, then, was "voluntas superior intellectu", which translates as "the will is higher than the intellect". Or, in Jungian terms: the (intuitive) Self has primacy over the (rationalistic) ego.

In that vein, it is no coincidence that Huerta de Soto critiques Aquinas for holding the view that only God would be capable of creating. It is an instance of what specialized observers in the debate about the nature of Scholasticism (see for instance Lee, 1985) name "the intellectualism" of Aquinas, in contrast to the voluntarism of Scotus and Ockham. It is neither a coincidence that the latter two were Franciscans, and Aquinas was a Dominican. The latter focus more on developing the intellect to its highest possible brilliance, with Saint Dominic being the patron of the natural scientists, while the former follow Saint Francis, who above all celebrated modesty, and is the patron of no profession in particular, but of nature as a whole.

This has a poetic tinge to it, since this difference displays exactly the difference between the modern and the classical view on reality. On the one hand, modernity narrows its view to (logical) knowledge, a limited form which the classics described as "tekne" (τέχνη): the cold, hard application of stringent logic, especially to isolated material things, dropping the broader context. Classicism, on the other, takes the holistic view, in which material things are always placed, not merely in relation to each other, but especially in relation to the whole, an attitude they called "poiesis" (ποίησις).

It was believed that when *tekné* (the specialized art of manufacturing) got separated from its *poiesis* (the general art of living), it would not take long before chaos ensued.

It is not hard to see, then, how the Franciscan attitude squares with the poetic attitude. It considers, not only the minds of men and their possible brilliance, but also the environment in which these men roam, and the will of God as working through nature and the animals. If man forgets that his mind is but a tool to execute the will of God, then indeed chaos is the result. In that vein, it is interesting to note that it were precisely the Dominicans who were sent to France in the early 13th Century, to try and “rationally” convince the Cathars that they were “wrong”. (Hinnebusch 1975, p. 23) While there is no record of the Cathars ever having inflicted harm on their fellow men, Rome nevertheless had them all killed, of course only after “rational” argumentation failed (Butler, 1911, p. 401).

While this may seem like a digression from our subject at hand — economics — I can assure the reader that it isn’t, for it illustrates an important point: when *tekné* (that is: the “rational” mind) indeed starts separating itself from *poiesis* (that is: the intuitive mind), a particular phenomenon ensues, long before chaos is materially visible as riots in the streets: the creation of a virtual world. This phenomenon, which I described as “policy psychosis” (Arnaert, 2024, p. 225), ties into the metaphysics behind socialism: it is the temptation of man, to say it with the words of Huerta de Soto, “to believe he is God” (Huerta de Soto, 2010, p. 66). As such, our purported digression into theology is not a digression at all, but goes into the very essence of the debate: if *poiesis* is ignored, psychosis ensues.

3. Moral Theology

The consequence of giving primacy to *poiesis*, and seeing *tekné* as only a part of it, is that ones view on man cannot start from the isolated individual (liberalism) nor from the state (socialism), but only from the “whole whole”: the integration of (1) all matter in the universe (2) all space in which that matter is to be found and (3) all the

relations between both. Any analysis that starts from a less holistic perspective, then, should not merely be considered as a wanting theory, but even as ideology: the mistake of seeing ones limited, theoretical reality as the whole, metaphysical reality. Such theories are indeed wanting, and mainly because they do not factor in the influence that can come from aspects not yet incorporated, but even totalitarian, in the sense that they do not allow any criticism.

Going from the general, unpersonal field of metaphysics, whose object (if we may even call it that) is often merely referred to as "the whole", to theology, which is the study of the conscious, personal will of God is a big step to take. It does not suffice to remark that the whole may be presumed to be infinite, and that since infinity is seen as an attribute of God, God and infinity would be synonyms. For all we know they are, but then again, even if that is so, we are still left with the conundrum that if God is indeed infinite, He (or "She", or "It") cannot be a subject, for the very notion of "subject" necessarily implies division with an object. As such, to claim that God and infinity are synonyms can only be a didactic step towards a full understanding of His (or "Her", or "Its") being.⁵

A further elaboration on this matter need not concern us now. It would require us to delve more deeply into the nature of God, but for present purposes, this would bring us too far afield. There is another observation, however, that should speak to us when it comes to theology: that it was the mother of what we, since modernity, have come to call "the social sciences". That mother, however, which we could see as the Holy Mother, seems to have been led astray by the devil disguising as Reason, with the dire effect that her children (hermeneutics, morality, law and economics) began to fight amongst eachother. Thus, theology degraded into metaphysics, hermeneutics into epistemology, morality into psychology, and law into politics. And economics? That became nihilist.

In the days of Salamanca, then, there was much more peace in the scientific house, if only because nobody saw the need to see

⁵ If God is infinite, a notion which implies unity, but at the same time presumed to be a subject, a notion which implies division, then at first sight, this is a contradiction. In my view, however, it is only a seeming contradiction, or paradox: if object and subject infinitely regress, they are one.

economics as a separate science. Whether it was Martín de Azpilcueta (1492-1588), Luis Saravia de la Calle (1501-1600), Diego de Covarrubias y Leyva (1512-1577), Juan De Salas (1525-1585), Tomás de Mercado (1525-1575), Luis de Molina (1535-1600), Juan de Mariana (1536-1624), Jerónimo Castillo de Bovadilla (1547-1605), or Juan De Lugo (1583-1660), all of them were theologians, and all warned for the first mortal sin: that of hubris. Only by a long study of painstaking theological analysis and rightful moral conduct could one hope to one day understand the essence of God, and in that process, the discovery of new science is just a phase.

That requires, however, that we see God as real — as hypostatic. In our times, there is probably nobody who formulated better just how important this belief is for science than Metropolitan Hierotheos of the Greek-Orthodox Church. His conception of hypostasis, to wit, is not just one that pertains to the theological side of things. Spectacularly (from a Western, Catholic point of view) he even argues that the essence of man too, is just as hypostatic. Just like God, we can neither prove the existence of our core, but we have to assume that it exists, at least if we want to be able to make sense of it all. Or, in plain English: if we do not believe that we have a core, even though we cannot prove this assumption, there is no center from which to explain, and as such we are at a loss to explain anything⁶.

The acceptance of the transcendental as the real, then, and consequently the positioning of our world as merely a material, lower-level reflection of that higher world, is merely one side of the equation — the theological one. The other side is the human one, which is, according to Hierotheos, just as hypo-static: “[M]an is (...) [a] hypostasis-person, (...) in the sense that the person is the inner core of his existence”, and as he further adds, “is connected with his impulse towards God and his union with Him.” (Hierotheos, 1999, p. 81). In other words: the hypo-stasis is not just out outside of us, but also an inner reality, and that reality is the very reason why man becomes entrepreneurial in the first

⁶ This is reminiscent of Jung, who argued that man is in fact a set of two personalities, one conscious (the ego) and one unconscious (the Self), with the latter being transcendental — in itself unprovable, yet the precondition for any proof.

place: the divine “within” him seeks to communicate with the divine “outside” of him.

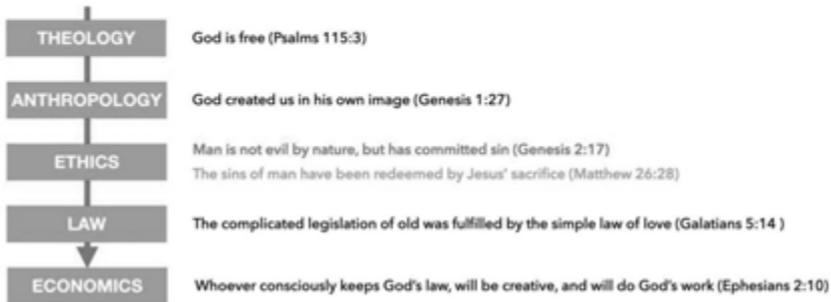
This process, of becoming akin to God, Orthodox theology calls “theosis” (Nellas, 1987, p. 39) To put it in the terms of Joseph Campbell (1944), man has to embark on a Hero’s Journey. Or, as Hierotheos puts it: “In general, all of us should travel the hypostatic way.” (Ibid, p. 80) The beauty of this position, furthermore, is that it reflects the journey from the First Person of the Holy Trinity, which is causal-deterministic in character (The Father), to the Third Person (The Holy Spirit), which is entirely teleological-inspirational in character, this journey itself being a metaphor for the death of our initial, immature, constructivist reason, followed by its resurrection into a more mature, organic capacity. This is the role of The Son. Theosis, then, as another name for spiritual entrepreneurship.

Replace “hypostatic” with “entrepreneurial”, and one understands why Dr. Huerta de Soto is adamant about the fact that when man exercises pure entrepreneurship, he “resembles God precisely” (Huerta de Soto, 2010, p. 34) and that when it comes to understanding the miracle of the market, we must just the same acknowledge the divine: “it is God alone, and not man, who can

DIAGRAM 3.
CATHOLIC THEOLOGY AS A CONTAINER
FOR ALL MODERN SCIENCES

**The transcendental source of
all the modern “social sciences”**

(Arnaert, 2024)



properly understand and ponder the information and knowledge economic agents handle in the market process.” (Ibid, p. 43) To him, even the most basic market process — that of price integration — could not be done without the hypostasis of an intelligent, transcendental being. For taking this stance, Dr. Huerta de Soto should be lauded, if only because in our times the idea that God exists is considered antithetical to science.

In short: if we do not hypostatize — that is: to treat as real — the existence of some supernatural force, guiding the whole of reality, a lot of empirical data do not make sense. To illustrate this, we do not even have to venture in the realm of quantum physics, where the remarkable results of the double slit experiment cannot be explained by modern (that is: logical) reasoning. In our own field as well, we can only refer to the transcendental, especially when we consider the central Mengerian question: “[H]ow can it be that institutions which serve the common welfare (...) come into being without a common will directed toward establishing them?” (Menger, 1883, p. 146) The transcendental answer is that there *is* a common will directed toward establishing them: the will of God.

To pre-modern theorists, like the theologians of the School of Salamanca, the convergence of market prices into an ever-renewing equilibrium was not a miracle, but caused by His will. The most pressing issue, then, was not to rebuild “economics from the ground up” (Rothbard, 2012) as if it merited its own scientific axioms, but to simply recognize that economics was an ethical science, with ethics defined as: doing what God wants us to do. Thus, any unethical action — for instance any aggression on the free exercise of our natural human creativity — was also immediately an action directed against God. As such, the definition of Huerta de Soto for socialism, is spot on: “any system of institutional aggression on the free exercise of entrepreneurship” (Huerta de Soto, 2010, p. 49)

As such, we should seriously consider a return to theology, for it contained everything, in one fell swoop. It was a “general theory of human action” (Mises, 1949, p. 880), starting from the implicit premise that any theorist who did not hypostatize the existence of a supernatural, intelligent subject was to be considered as an immature person, or, in Jungian terms: a person that had not

managed to transcend his initial, naïve, immature self-image or ego. To do economics, let alone science, without God, if only in the role of the hypostasis needed to explain many otherwise inexplicable empirical phenomena, was simply not contemplated. Or, as Einstein put it: "Science without religion is lame, religion without science is blind" (Einstein, 1940, p. 605)

As such, it would appear that most of the modern innovations that we think of as original, like that of trying to put economics on a new, separate, axiomatic basis, simply betrays a lack of knowledge about the older, pre-modern tradition, which is arguably richer in perspective, and deeper in scope. On this matter, Huerta de Soto does not spare the rod, and even attacks Adam Smith, head on: "Traditionally, Adam Smith has been viewed as the father of economic science. However, Adam Smith was simply a Scottish thinker who was influenced by Protestantism and Calvinism and who published *The Wealth of Nations* in 1776, thus largely making a clean sweep of the contributions of the Spanish Golden-Age scholastics." (Huerta de Soto, 2020, p. 3)

He continues: "Adam Smith's fundamental error was that he introduced the virus of the objective theory of value, according to which the value of things is supposed to be intrinsic to them. Smith's successors of the so-called English Classical School delved even deeper into this error and asserted that value depended on the labor involved in producing each good. And although these theorists of the English Classical School are seen as favoring a *laissez-faire* approach and a market economy, they actually served on a silver platter to Karl Marx and socialist theorists the foundation for exploitation theory, which later provided the ideological background for the major social conflicts, wars, and genocides that have ravaged humanity since the time of Karl Marx." (Ibid)

Nothing can be added to this analysis, except for a fatherly reprimand: "If Adam Smith had read the contributions of the Spanish scholastics, he would not have committed this first grave error. For instance, in 1555, the great Bishop of Segovia, Diego de Covarrubias, had already been the first to set forth the subjective theory of value. He articulates it better than anyone else when he indicates (on p. 131 of volume 2 of his collected works, *Omnia Opera*) that "the value of an article does not depend on its essential nature, but

on the subjective estimation of men.” (Ibid.) As such, what Huerta de Soto points out is that it is perhaps wise to embed economics into a larger, theological tradition, and that if he could choose, it would be that of the Spanish Scholastics.

4. Calvinist Metaphysics

It is not hard to demonstrate that Huerta de Soto’s critique of Smith is not gratuitous. While the latter is generally considered to be the father of economics, there indeed is a fatal error in his theory that had already been eradicated centuries before. Smith held that in a primitive society, the amount of labor put into producing a good determined its exchange value, meaning, in this case, the amount of labor that a good can purchase. In other words: both in terms of production and in terms of exchange, labor is the yardstick by which value can be measured. For instance: if the production of a fishing boat takes a thousand hours, the value of that boat is of that order that it should be able to purchase a thousand hours of other labor, or products expressed in it.

Although this line of reasoning may have an intuitive ring to it, it surely must be the intuition of an uneducated mind, for by believing this, it is implicitly assumed that all hours of labor are equal. It would mean that the labor of the boatmaker is qualitatively equal to that of the toolmaker producing the tools needed to make the boat. While this is of course possible, it becomes harder to maintain that idea when we consider the labor of the surgeon operating on the hand of the boatmaker after injury, or the labor of the cleaner of the boat after a night of fishing. Stronger even: to assume that the quality of the labor of all these people is equal, so that it can be used as an objective measuring rod, is nothing less than the wholesale eradication of the unique, subjective value of each persons contribution.

For some reason, however, Smith enjoys an unparalleled reputation when it comes to advocating the free market. What he is quoted mostly for is his notion of the “invisible hand” (Smith, 1776, Book IV, Chapter I, Part II) by which he merely indicated the miracle of market coordination, described centuries earlier by the

Spanish Scholastics. As Huerta de Soto notes: "In 1615, the great Juan de Lugo asked whether human beings were capable of discovering the equilibrium price of a thing. He reached the conclusion that the equilibrium or just price of a thing depends on such a huge quantity of circumstances that God alone can know it. *Pretium iustum mathematicum licet soli Deo notum.*" (Huerta De Soto, 2020, p. 7.)

It is not clear whether we should attribute Smith's ignorance to not knowing the Spanish language, or to his Calvinist leanings. Since most treatises in the 17th century were still written in Latin, and Smith did read Latin (Vivenza, 2001, p. 3) the latter explanation is more likely. The famous "Scottish Enlightenment" for instance, was clearly anti-Catholic. During the Reformation of 1560, headed by Knox, Scottish Catholics split from the Holy Roman Church and established itself as a church in the new Calvinist tradition. This changed its metaphysics completely, since Calvinists believe that man is pre-destined by God, and basically has no free will⁷. Many complexities aside (Calvin, 1996), man is either born reprobate and will always sin, or born elected, and can't do much wrong.

As a consequence, liberty, including the individual liberty to express one's own subjective preference, is met with a hostile metaphysical environment. For if humanity can be divided in those two classes (the reprobate and the elected) it does not follow automatically that the elected know that they are elected, nor that the reprobate know that they are reprobate. In this theory, only God knows this, and it is for the believer to find out. As such, what is installed is a deep, existential anxiety concerning one's own anthropological status: it might be that one will be saved, but until the Day of Judgement comes, one is never really sure. Only by studying the Bible, and trying to find out what God meant, can one have a chance to be conform to His will, in fearful awaitment of His judgement.

The social implications of this theological divergence from Catholic tradition are vast. At times, the fear of being reprobate

⁷ The truth is more complex. Calvin says that humanity possesses free will, but it is in bondage to sin, unless it is "transformed" (Calvin, 1536, II.3.5) That transformation cannot be acquired, but is purely given by the grace of God.

can take such a hold over the imagination, that one seeks assurance, not in the Word of God, explicated by centuries of detailed exegesis — called “magisterium” (Catechism, 2000, § 100) — but in the opinions of other fallible human beings who share the same fear. In stead of allowing an ordained priest — appointed, not by election, but by selection — to take away the fear by explaining the faith according to received wisdom, they form their own collective and in many cases even elect their preacher democratically. With that, a political logic is installed: the more adamant the candidates for that position defend the faith, the more followers they will get.

To fund these churches, a voluntary contribution is asked (Luidens & Nemeth, 1994, p. 207), which, concerning how important it is to belong to the elect, cannot really be called voluntary, in the sense that one would feel total moral freedom to contribute. This contribution usually amounts to 10 % (Ibid, p. 213) of the income of the followers, which means that the position of preacher, responsible for managing the church’s finances, is often a very lucrative one, especially in the bigger churches. The consequence is the installation of what we could call a diabolical market, in the sense that it is in the direct economic interest of the ministers of this faith to not only have as many followers, but even to convince followers of other churches that they are part of a church of reprobates.

The consequence of that logic is that society disintegrates. To avoid losing followers, it shall easily be understood, the best strategy is to project as much evil upon other congregations as possible. After a while the initially loose groups harden into factions, and the tone changes from friendly exchange into bitter competition, in which all factions constantly project total malevolence upon each other. This battle goes on until the “right” faction has overcome all other factions, and a “pensée unique” is installed, doing away with all other forms of interpretation. To achieve this goal, a strict obedience is required, in which individual liberty is reduced to a minimum. Consequently, the distinction between religion and ideology fades, and in the most extreme cases, there is no longer any difference.

Rothbard, for instance, in his monumental work on the history of economic thought, discusses the case of the Anabaptists, a

DIAGRAM 4.
CALVINIST THEOLOGY INSERTS
AN INERADICABLE DUALISM IN SOCIETY

The innovation of Calvinist theology, and how it leads to collectivism

(Arnaert, 2024)



Protestant faction in 16th Century Lutheran Germany: “The Anabaptists believed in predestination of the elect, but they also believed, in contrast to Luther, that they knew infallibly who the elect were: i.e. themselves.” (Rothbard, 1995, p. 146) He goes on to show how this metaphysics almost inevitably leads to totalitarianism, because after a while the group was “enforcing the rigorism of its morals with every available machinery of discipline; by excommunication, or, if that failed, by secular punishment. Under such discipline sin became a crime, to be punished by the elect with an intolerable self-righteousness ...” (Knox, quoted in: Rothbard, 1995, p. 146)

Rothbard calls the Anabaptists “communist zealots” (Rothbard, 1995 p. 146) and discusses how, after failing to find support with the aristocracy of Saxony, Müntzer, the great Anabaptist leader, decided that the elect were simply the poor, and that the established aristocratic order was evil. Rothbard: “[T]he elect (...) would establish a rule of compulsory egalitarian communism, a world where all things would be owned in common by all, where

everyone would be equal in everything and each person would receive according to his need." (Ibid) This example alone serves to illustrate how metaphysics has a direct bearing on politics, and the economics that follow from it. After a long and winding road, Müntzer managed to establish a communist society in the city of Mulhausen.

The theory was that the elect (the poor) were being exploited by the reprobate (the aristocracy) and that from now on, each man would receive, not according to his merit, but according to his need. This was legitimized by interpreting the bible in a selective way. For instance: both in Acts 2:44-45 and Acts 4:32-35 there is a reference to "omnia sunt communia", which means that "all things are held in common". But the context of this passage is totally ignored. It comes in the wake of Peter's first trial before the Sanhedrin, in which the attitude of the Christians awaiting the verdict is indeed described as "one in heart and mind" (Acts 4:32). If Peter's trial would go wrong, they would be persecuted too, and in that context — in the face of death — they indeed shared their possessions.

That this case is a special one, and certainly not the basic doctrine of the Catholic Church concerning private property, is evidenced by the fact that in canon law, this biblical phrase has been adapted to "tempore necessitate omnia sunt communia", which translates as "in a time of necessity all things are common". (de Wilde, 2015, p. 29), stressing the exceptionality of this arrangement. In his treatise on justice in the *Summa Theologica*, (Aquinas 1948, *Summa*, 2nd Part of the 2nd Part, Q 66) Aquinas used the same phrase, as well as the broader concept, and even went so far to argue that it was not a sin for a person to steal if they were motivated by genuine need. This, then, also clearly refers to acting in a situation of dire need, not to any elaborated system of proto-communist economics.

Müntzer, however, presented this specific passage in Acts of the Apostles as being the essence of the gospel (Boer, 2019, p. 64) and turned it into a permanent, systematic doctrine: that property was to be held in communality. The direct consequence was that nobody was ever sure of being able to keep the products of his or her labor, "and the consequence, as a contemporary observer noted, was that 'he so affected the folk that no one wanted to work.'" (Rothbard,

1995, p. 149) Very quickly, all those that opposed this thinly veiled theft were branded as reprobates and excommunicated, or even worse: persecuted unto death (Ibid, p. 152). In this way, the proto-communist regime of the Anabaptists was on a self-destructive course, but before it finally succumbed, many had suffered its irrationality.

The Anabaptists were not an isolated case. Rothbard details many more examples of how Calvinist metaphysics directly leads to communism, and even though the original, Lutheran protestantism had no doctrine of predestination in its metaphysics, it “preached the doctrine of absolute obedience and non-resistance to duly constituted government, regardless of how evil that government may be.” (Ibid, p. 168) This only goes to show how metaphysics, through the politics that is legitimized by it, directly influences economics, and how Catholic metaphysics, taking as its central anthropological premise that God created us in his image (Genesis 1:27), cannot but yield peaceful economic policies, in the sense that it has really only one criterion: does it foster (divinely inspired) creativity?

5. Catholic Economics

Menger, for one, was certainly not a Calvinist. In Schulak and Unterköfler (2011, p. 29) we find that “*Carl was raised in a strict Catholic family*” and even though it is true that Menger later distanced himself from the faith, this does not automatically have to mean that he was suddenly “un-Catholic”. Attitudes are formed in one’s youth, and although the general atmosphere of Vienna was indeed liberal, this movement still took place in a Catholic frame of reference. It is therefore no surprise to see that Menger calls the literature of the 16th Century “extremely fertile” (Menger, 1871, p. 316). That literature, to wit, is not economical, but theological. It is the literature of what is known as “The School of Salamanca” (Huerta de Soto, 2020, p. 1)

The most direct reference Menger makes to the Spanish Scholastics is to a work written in 1556 by Diego de Covarrubias y Leyva (1512-1577), the bishop of the city of Segovia and minister to King

Philip II for several years. In his “*Veterum Numismatum Collatio — de re monetaria*”, of which we can be sure that Menger has read it, Covarrubias details the evolution of the maravedi’s decrease in purchasing power and suggests that this has much to do with an unwise management of the quantity of money by the powers that be. This work is highly significant, not only because the Davanzati later praised it in his “*Lezione delle Monete*” (Davanzati, 1588), as well as Galiani in his “*Della Moneta*” (1750), but because it already contains the essence of the subjectivist perspective.

Huerta de Soto: “In 1555, Covarrubias expressed better than anyone before him the essence of the subjective theory of value, the pivot of the entire structure of Austrian economic analysis, when he stated: “The value of an article does not depend on its objective nature but on the subjective estimate of men, even when this estimate is foolish.” (Huerta de Soto, 2020, p 40). In other words, the analysis that Menger would be the founder of a completely new school may serve polemic goals but perhaps it is more realistic to see him as merely following in the footsteps of the great tradition of the Spanish Scholastics. They, to wit, were by no means “pure” economists, but who saw the field of commerce as part and parcel of moral theology, regulated by the will of God.

Covarrubias is not the only theologian who had something to say about economics. The reason that the School of Salamanca is really a school, is because many of its authors have made priceless contributions to what Menger would later only rediscover. The crucial insight that cost is subjective, for instance, with price being merely the inter-subjective result of many individual cost estimates, that are then reinterpreted by another set of market participants, may already be found in the writings of another Scholastic, Luis Saravia de la Calle (1501 — 1600). In his “*Instrucción de mercaderes*”, published in Spanish, he writes that price is by no means determined by objectively accountable cost, the labor put into the production of a good, or the risk that is being taken in producing it.

In his own words: “Those who gauge the just price of an article by the labor, costs, and risks borne by the person who deals in or produces the merchandise are seriously mistaken; for the just price springs from the abundance or lack of goods, merchants, and money, and not from costs, labor, and risks” (Saravia de la Calle,

1544, p. 53). This is highly important, since all exploitation theories, and especially that of Marx, depend wholly on the idea that cost is objective. In that line of reasoning, the entrepreneur hires the labor force, which has an objective cost, to work with resources, which have an objective cost, yielding a product that he then sells for more than the combined objective cost. The exploitation, then, lies in the fact that he is only paying out part of the gains he later makes.

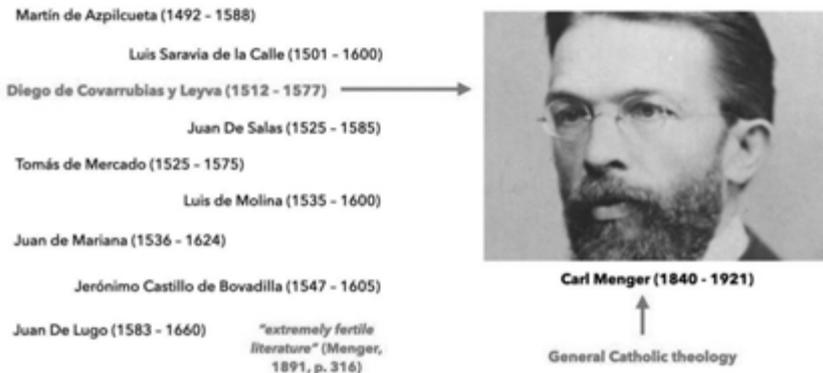
That these gains lie precisely in the fact that cost is not objective, but subjective, escapes the Marxist analysis completely. In their anthropology, man is reduced to a creature that basically always wants the same thing: security, food, shelter. Though that may be true in the basis, it is precisely in the later development of a human being — what Jung would call “individuation” (Jung, 2009, p. 208) — that individual preferences come to the fore, and by that time, each individual has a very specific threshold beyond which he will not pay the intersubjective price for a good or service. That threshold, however, is entirely personal, in the sense that depends on a unique value scale, which one can only discover

DIAGRAM 5.

INFLUENCE OF THE SPANISH SCHOLASTICS ON CARL MENGER

The influence of the Spanish Scholastics on Carl Menger

(Arnaert, 2024)



through exercising one's (divine) powers of creativity, or, in other words: by being entrepreneurial.

Closely tied to Saravia de la Calle's insight that costs are subjective — or more specific: that prices broadcast the same signal in the market but will be interpreted differently by all participants — is Juan de Lugo's (1583-1660) insight that for that reason, there is never a "final", "just" or "equilibrium" price of things, as the modern (neo-classical) theorists would have it. The market is not a static place but a dynamic process, in which people interpret the prices that they encounter, which incites them to act in a unique, personal, subjective way. But more importantly: by doing so, they create new info that is then absorbed by the integrating mechanism we call "the market", which constantly spews out new prices. The process does not stop there: prices are again interpreted, make people act, and so on.

In a very deep sense, the theologians of the School of Salamanca realized that this "ad infinitum" was not merely a manner of speech. They contemplated God daily, and knew that all processes that had to do with infinity, in the end had to do with God. As such, they had a deep reverence for the miracle of the market and saw it as a manifestation of the divine. As a consequence, they thought it was hubris to think that one man, or even a committee of men (i.e. central planners) could ever emulate, let alone master this natural integration process. De Lugo therefore concluded that determining the "just" or "equilibrium" price depends on so many specific information that only God can perform this kind of integration: "Pretium iustum mathematicum licet soli Deo notum" (de Lugo, 1642, 2:312).

Noteworthy is the use of the term "mathematicum", especially in the context of the divine. Note that by saying "The just mathematical value is known only to God", Juan de Lugo does not deny the existence of equilibrium. He believes that the equilibrium state can exist. He merely indicates that this state it is not of this world, and that man should not be so foolish to even attempt it. This, however, does not mean that we cannot or should not strive to reach it. De Lugo was a Jesuit, which means that he must have studied the Spiritual Exercises of Saint Ignatius. In those writings, it is stated that God wants each one of us to take part in God's labor in the

world. The God of Ignatian spirituality, in other words, is the God who “acts in the manner of one who is laboring” (Loyola, 1548, p. 236)

This harkens back to an even older tradition. Russell notes: “In the early church the creation tradition was articulated in two distinct models: *creatio ex nihilo* (creation out of nothing) and *creatio continua* (continuing creation)”. (Russell, 1989, p. 180) He says: “the *ex-nihilo* argument first of all affirms that God alone is the source of all that is, and God’s creative activity is free and unconditioned”. On the other hand, “The notion of *creatio continua* stands for God’s continuing involvement with the world. Not only does God relate to creation as a whole but also to every moment, and God’s fundamental relation is as creator.” St Ignatius’s image of a laboring God squarely roots in that last tradition. A favorite name and image of God that Ignatius gave to God, for instance, was “*Deus Operatius*”, God the worker. God is at work in the world, through the creativity of man.

As such, though equilibrium is unattainable in this world — this would come down to what Voegelin called “the immanentization of the eschaton” (Voegelin, 1952, p. 19) — it is not something that would be prohibited for man to strive for. The only requirement is that man does not put himself in the place of God by trying to centrally master the price system. He can strive for this better state of affairs, but only in accordance with how God created him: in his own image (Genesis 1:27), which implies: as a free being, which further implies: respecting the freedom of others. The result of this peaceful, but at times perhaps tense social interaction, is what we could call “spirited collaboration”: a natural rivalry between lively people, for which Juan de Molina uses the term “competition”.

In short: the Spanish Scholastics were strongly opposed to any utopian scheme because they believed that heaven was not of this world. All man could do was to better his earthly situation, and the way to do it was by entrepreneurial, creative action. As each human being is connected to the Holy Spirit in a very personal, subjective way, all men, upon sufficient contemplation, will discover their unique role in the grand scheme of things, and will consequently contribute their unique vision on things. As Huerta

de Soto notes: “[The word] entrepreneur derive[s] etymologically from the Latin verb *inprehendo-endi-ensum*, which means to discover, to see, to perceive, to realize, to capture; and the Latin term *inprehensa* (...) implies action and means to take, to seize.” (Huerta de Soto, 2010, p. 21)

In short, if man contemplates the nature of God deep enough, he will receive the inspiration that is needed to be creative, which will also allow him to earn his keep. No central planning is needed. Stronger even: to be entrepreneurial and make enough money to live an independent life, one does not even have to be very creative at the outset. One merely has to emulate one’s competitor, and somewhere along the way, one will add one’s own personal, inspired touch. The Salamanca author that stresses this most, is Jerónimo Castillo de Bovadilla, who, in his 1585 book, “*Política para corregidores*”, states that “prices of products will decrease as a result of the abundance, mutual emulation, and concurrence of sellers” (Castillo de Bovadilla 1985, 2, chap. 4, no. 49).

We could go on *ad libitum* about the incredible richness of the Salamanca view on economics, but for that, there is specialized literature (see Grice-Hutchinson 1952). The key point to take away from this short overview is that the Austrian view, rediscovered in Vienna, is actually nothing more than the Catholic view, elaborated in Salamanca. In this light, the Misesian Mission, to rebuild “economics from the ground up” (Rothbard, 1957, p. 1) may be seen as well-intended, but in reality not even necessary. If Mises had even only cursorily waded the literature which the founder of our School told his readers was “extremely fertile” (Menger, 1871, p. 316) he would have discovered that all principles that he advocated already had their basis in Catholic theology.

6. Theoretical Decadence

Considering the tremendous influence Adam Smith had on economics, not merely in the utilitarianism of Jeremy Bentham, who defined as the fundamental axiom of his philosophy the principle that “it is the greatest happiness of the greatest number that is the measure of right and wrong” (Bentham, 1789, p. 393) but also, and

perhaps especially on Marx, who merely amplified the objectivist elements already present in Smith, we can only wonder what caused this theoretical decline. To Huerta de Soto, it is because Smith “flooded economic science with Calvinism” (Huerta de Soto, 2010, p. 48) and with that, I can only agree. Stronger even: it is no exaggeration to say that political modernity and all the economic troubles that it entails, starts with a theological fall from grace.

If we look at the basic anthropological premise of Catholicism — namely: that God created man in his own image (Genesis 1:27) — there is practically nothing that can be brought against this thesis, at least not in ideological terms. If one would use Catholicism in a political way, to oppress the individual, it is very easy to refer to that basic premise: as God is free, and has created us in his image, we are born equally free. The function of government, then, is to preserve that liberty, which by no means implies that this government should be a state. In medieval times, the functions of government were observed by a class of men and women that were thought of as noble, and this precisely because they were considered as people who had been able to embrace the Grace of God (MacGregor, 2015, p. 26).

Such a definitive choice to do good, however, could only be made after having overcome one’s vices. The theory was that man suffered from original sin, but that the moral guilt that was its consequence had been paid of by Christ’s sacrifice at the cross. While man was still inclined to sin, even after that sacrifice, baptism and then a strict moral education could prevent him from giving in to these urges. Moreover, the belief that God allowed his only Son to be executed, so as to show mankind how far love can go in conquering the evil that is invited by sin, helped medieval man to inspire a life of moral rectitude. If families maintained this faith, then through the generations, God, working through the populace, would reward such behavior with tokens of gratitude and titles of social distinguishment.

It is interesting to see how the genesis of such titles is directly related to one’s most basic economic ability: to simply manage one’s own property. In Anglo-Saxon England, for instance, the lowest, but therefore also most basic title, was that of “Lord of the

Manor" (Jones, 1986, p. 17). The word "lord" can be traced back to the Old English word *hlāford* which originated from *hlāfweard*, meaning "loaf-ward" or "bread-keeper", reflecting the Germanic tribal custom of a chieftain providing food for his followers. (Oxford English Dictionary, 2010, p. 1036) The word "manor", then, is the Middle-English word for the Latin word "manere", which means to remain, to stay in a certain place. "Lord of the Manor", then, simply means "keeper of the dwelling", or even simpler: manager of the property.

This may seem trivial, but it may just harbor the core of why the aristocracy played an essential part in upholding, not necessarily the reign of the King, but the moral code that eventually led to what we now call the Rule of Law. More research on this topic would be needed, but it doesn't seem all too far-fetched to assume that they got their first titles because of their ability, apparently better than others — the term aristocrat comes from Greek *aristos*, which means "best" — to upkeep a dwelling, manage an estate, in short: to mind their own affairs. Under this hypothesis, a true aristocrat would not be someone who wants political power over others, but someone primarily worried about not letting his property rights be encroached upon by people with lesser intentions.

If this hypothesis is correct, the aristocracy would be the first group to be interested in preserving the Rule of Law, which basically comes down to the Rule of Property: that one is entitled to fully keep what one has produced through one's own creativity, labor and perseverance. Under that hypothesis, a true aristocrat — an individual that has not forgotten the principle on the basis of which his family gained nobility in the first place — is also the first person people would go to when someone infringes upon their own property rights. In practice, one would go to the Lord of a nearby Manor to ask for his judgement. If the conflict was solved in a profitable manner for all parties, his status would grow, and the honorific titles that accompanied that status, emerged spontaneously.

As such, through trial and error, and with many suboptimal solutions along the way, a body of socially accepted solutions may be assumed to have emerged. Some Lords could still differ in opinion on more difficult matters, but as some conflicts were

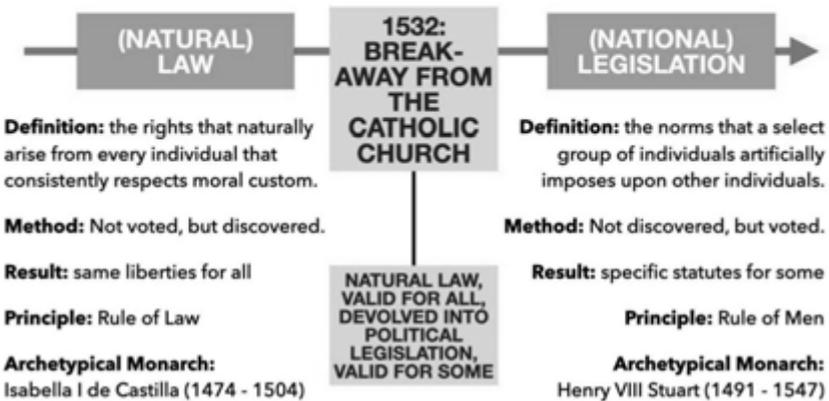
so common, their solution was also quite common, and required practically no further jurisprudence. They simply became part of regional custom, which for that reason came to be known as “customary law”, based on the history of local conflicts (Benson, 2011, p. 352). Mainly through marriage politics over the generations, these local bodies of customary law integrated with various other zones of jurisprudence, and finally evolved into the general, quasi-fixed, but still unwritten law of the land, otherwise known as “Common Law”.

Important in all this, lest we forget, is the moral rectitude of those governing their own lands, and, by virtue of the fact that people keep turning to them to solve their conflicts, also of the men and women inhabiting it. That rectitude is where the aristocracy gets its authority from, and if they would show any signs of having veered of the straight and narrow path, people had the right to no longer see the decisions of that aristocrat as inspiring. He or she no longer received the same amount of tributes, and the

DIAGRAM 6.
WHEN HUBRIS KICKS IN, NATURAL LAW DEGRADES INTO
ARTIFICIAL LEGISLATION

The degeneration of Natural Law into artificial legislation

(Arnaert, 2024)



authority behind their honorary titles became hollow. To say it in Jesus's words: "[S]mall is the gate and narrow the road that leads to life, and only a few find it." (Matthew 7:14) To assure the protection of their moral integrity, then, many aristocrats had their private confessor.

A good example would be Francisco Jiménez de Cisneros (1436-1517), who was the confessor of Isabella I of Castille (Hunt, 2001, p. 20). It is by no means a coincidence that this clergyman, before serving at the court, had studied law: in premodern times, that was just as much part of moral theology as was economics. Cisneros' task as a confessor, was not merely to hear and absolve her of the sins she might have committed — Isabella I, in particular, was always very worried about that (Pulgar, 2003, p. 242) — but also to make sure that she took her political decisions in line with the will of God. The term "political", however, should not be understood in a modern sense. It is not that she had need to garner votes to stay in power. She was the monarch, which means that she reigned alone.

This does not mean, however, that there was no authority above her. There clearly was, and she most explicitly submitted to it. That authority was the will of God. In stead of being led by the multitude Le Bon aptly called "the crowd" (Le Bon, 1895, p. 1) she let herself be led, not by a multitude, but by a single entity which she considered to be a truly existing person: the Spirit of God, which was speaking through Cisneros, "in persona christi". The idea, then, that king- or queenship is by nature absolutist, in the sense that the monarch does not have to give any explanation about how he or she uses his or her power, is by no means a characteristic of classical times. That is a distinctly modern conception, which came about during the years of the (protestant) Reformation.

Schumpeter is right on the mark when he says: "The divine right of monarchs, in particular, and the concept of the omnipotent state are creations of the Protestant sponsors of the absolutist tendencies that were to assert themselves in the national states." (Schumpeter, 1954, p. 88) The clearest example of this truth would be the reign of Henry VIII, who was actually married to the youngest daughter of Isabella of Castilla, the much beloved Queen Catharine of Aragon. Under the influence of her mother, she was

brought up in the strictest application of Catholic moral theology, and the result was that she was respected for her intelligence, rectitude, and good taste. Even Erasmus later said that Catherine "loved good literature which she had studied with success since childhood". (Dowling, 1986, p. 17)

Henry VIII, however, was of a totally different moral character. Henry VII, his father, had not been walking the straight and narrow path Christ was talking about, but had seized the throne of England by force, after having lived in exile for 14 years in Brittany, France. He attained the throne when his forces, supported by France, Scotland, and Wales, defeated Richard III at the Battle of Bosworth Field, the culmination of the Wars of the Roses, and then cemented his dubious claim by marrying Elizabeth of York, daughter of Edward IV, the central figure in that war. It is in this context of chaos, war, and lawlessness that Henry VIII was born, which makes it understandable why he was not prone to respecting the Rule of Law, usually inspired by Catholic theology.

And so it happened: in stead of respecting the Catholic sacrament of Holy Matrimony, he was a man of strong desires, and did not see the kingship as a holy task to be performed in the service of God. He had children out of wedlock (Cruz & Suzuki 2009, p. 132) and wanted to divorce from Catharina, purportedly because their marriage was barren. But already in 1516, no more than four years into the marriage, and after an unfortunate miscarriage, Queen Catharina had given him a heir, the later Queen Mary. As such, after making the request for the annulment of the marriage, Pope Clement VII had no other option than to deny it. The result, however, was not that Henry VIII abode by the Rule of Law. Instead, he decided to create nothing less than his own legislation.

The first thing he did was to make radical changes, singlehandedly, in the body of Common Law. Through the Act of Supremacy 1534, he asserted his divine right over the Catholic Church in Rome, which meant that all the sudden, Common Law was cut off from its theological source and therefore also from its Catholic anthropological basis. The idea that man was politically free because he was created in the image of God was replaced with the Calvinist dualism of the elect versus the reprobate. The consequence was that the common law courts, under loud protest of the

aristocracy (Plucknett, 2004, p. 155) were robbed of their judicial function, which then was given to the newly installed “Court of Chancery”, a highly politicized body, filled with appointees of the King.

7. Acknowledging God

From all this, one could conclude that when the social sciences are divorced from theology, they also seem to be divorced from reality. In that sense, the case of Henry VIII and Queen Catharina can be considered as symbolic. It is much more than a divorce in the personal sense. It is above all a symbolic divorce with the long-standing tradition of Common Law, which is itself based on the fundamental theological precept that God has created us in his own image. No medieval monarch in his right mind would ever have claimed to be above the rule that can arguably be considered as the very source of his own nobility: that of showing a fundamental respect for property rights. If anything, the authority of a King comes from his ability to keep the moral peace — to speak truth in the face of wrongdoing.

The King’s Peace, then, is really God’s peace (Dubber, 2005, p. 15) and any transgression against the moral precepts undergirding the Common Law — that store of social solutions we call rights, which developed over a period of more than a thousand years — would be seen as sacrilege, just as much against the institution of kingship, as against the institution of the Church. As a matter of fact, the institution of Common Law was so holy, that for example in the Duchy of Brabant (present-day Flanders, Belgium) a newly appointed duke could not be confirmed unless going through a particular civic ritual called “The Joyous Entry”. This official entry of the duke into the main city of the Duchy (Leuven) is a confirmation of the fundamental rights of each individual, at par with the Magna Carta.

At this point, one could argue that the theological argument for liberty is not the strongest one, as on a purely quantitative basis, the number of believers in the Catholic faith has dropped. Luckily, as Seneca the Younger held, “it is quality rather than quantity that

matters"⁸ (Seneca, 1925, Letter XLV, Line 1). In other words: it is not because certain convictions have become unpopular that they must, by necessity, be untrue. Consciousness waxes and wanes like the tides on the shores of truth. Yet, there is no need to become lyrical. There is a far more prosaic reason why metaphysics and economics are closely connected: no matter how rational an ideology may be, it can easily be observed that, for some reason, people always need a story about the origins of their own existence.

Nowhere is that more obvious than in the case of the intellectual graveyard of modernity: positivism. The jump from the 16th Century, in which Henry VIII broke with a central theological precept, to the 19th Century of Auguste Comte might seem like a stretch at first, but on closer scrutiny it really isn't. The epistemological positivism of the latter is merely a consequence of the theological positivism of the first, with a few steps in between. Let us not forget that Common Law, in essence, is a historical grown body of solutions for social conflicts, which, by its mere implicit existence, through respected, time-honored, traditional ways of acting, guides people on what *not* to do. It does not prescribe what man should in every situation. It merely keeps men free from each other.

In that sense, we could call the law "negativist". If you break it, it is because you have not followed established custom, and though the law is not airtight in the sense that it always permits some leeway in its application, the theological center of it is the inalienable right of every individual to be treated as a creation of God, and what is most importantly: created in His own image. By breaking the law, then, Henry VIII did not just break with this thousand-year-old institution, but also broke with that theological core, and had as such no other option but to (positively) proclaim the foundation of a new Church, and the theology — that of his own State Church. All who did not follow his positivist edict — and many faithful Catholics refused — were persecuted as enemies of the state.

⁸ In this regard, it is striking that the obverse of this quote — Quantity has a quality all its own — is attributed to no less than Joseph Stalin (Callaghan, 1979). One involuntarily thinks of his slave army, consisting of millions: while badly trained, their sheer quantity did secure victories.

In that sense, the positivism of Henry VIII, proclaiming a new foundation of faith in 1534, does not differ in principle from the positivism of Comte, proclaiming a new foundation of science in 1865. Both had a clear anti-metaphysical bias, in the sense that the 13th Century adage of “*voluntas superior intellectu*” (the will of God is higher than the intellect of man) was deemed archaic and was replaced by a manic belief in the opposite: the power of reason over faith. Henry VIII, for instance, had the Holy Bible translated from Latin to English, so that clergy and laity alike could start analyzing the bible “rationally”, and no longer had to follow the traditional exegesis (“*magisterium*”) of the Roman Catholic Church. Reason, in short, was liberated from the fetters of faith.

Those fetters, however, had been put in place by no one else than God himself: by prohibiting Adam, the allegorical man, to eat from the Tree of Knowledge of Good and Evil (Genesis 2:17) and this, quite importantly, without saying why⁹. To the “rational” mind, this unbearable: it must know why. It needs a reason for everything. In that sense, God’s prohibition, without any reason, seems irrational, and if one would seek to understand the course of history as the interplay between two basic attitudes, one could say that it would be between those people that are able to “obey principles which we cannot hope fully to understand yet on which the advance and even the preservation of civilization depends.” (Hayek, 1952, p. 92) and those people who just cannot bring themselves to that point.

The difference is trust, or, to put it in transcendental verbiage: faith. One either has faith in the market, which, at least to the Spanish Scholastics, is ultimately coordinated by God, or one has faith in the state, which is ultimately coordinated by those who cannot bring themselves to believe in the market. Instead of believing in the efficacy of the social institutions that God has provided — Common Law would certainly be one of them — man starts writing his own legislation, in restricted, “rational” terms, totally

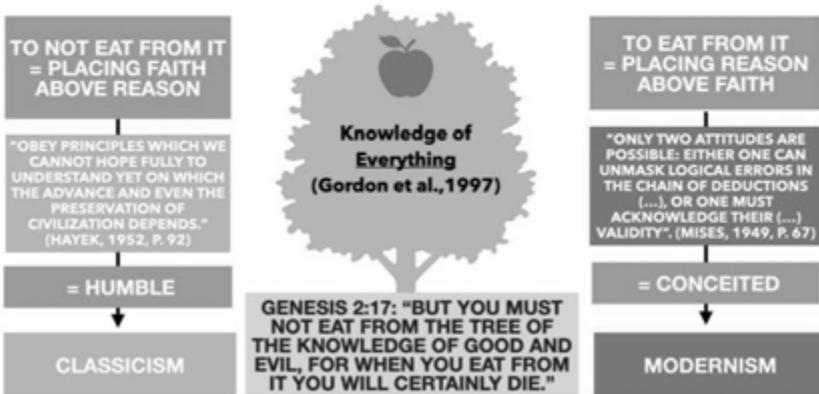
⁹ Recent linguistic scholarship (Gordon and Rendsburg, 1997) revealed that “Good and Evil” is a merism, which should be translated as “Everything”, which only heightens the meaning of the story: through His prohibition, God protects man from the illusion that he is capable of knowing everything.

devoid of the divine guidance that comes with discovering more aspects of the Rule of Law. Instead, man becomes a social engineer, trying to construct paradise on earth, and installs the "Rule of Men". (Gowder, 2018, p. 336)

DIAGRAM 7.
THE STORY OF THE FORBIDDEN FRUIT AS AN ALLEGORY
EXPLAINING WHY HUMANITY DIES WHEN FAITH DIES

The continuing relevance of the parable of the forbidden fruit

(Arnaert, 2024)



The parable of the forbidden fruit, then, is really a parable about the dangers of thinking that man can create his own laws, and thereby form social institutions at his own will. God forbids it, because such a belief, sooner or later, leads to a totalitarian state. It is based on the mistaken idea that the redemption of man — that is: the delivery from all his earthly, material troubles — is something that can be reached in this world. If only man can legislate social reality clever enough, then paradise is at hand. The only thing that is needed to reach this utopian state of affairs, is the willingness to sacrifice for the greater good. It is what Voegelin

called “the immanentization of the eschaton” (Voegelin, 1952, p. 19), and in forbidding us from even entertaining this illusion, God is actually protecting us from ourselves.

For indeed: historically, all utopian regimes, whether they are based on the utopia of Thomas More, or that of Auguste Comte or that of Karl Marx, in the end all led to the same political result: the total loss of human liberty and dignity. They are a clear negation of the wisdom of Ferguson, who observed that social structures of all kinds were “the result of human action, but not the execution of any human design” (Ferguson, 1782, p. 1) Only human arrogance — or, in Christian terms: hubris, the first of the seven deadly sins — can turn a naturally functioning society, based on the divinely inspired discovery of the natural, inherent law, common to all human beings, into a totalitarian society in which law no longer matters, but merely the latest legislation, which is not the same.

Hayek, in other words, was spot on when he made a clear distinction between the two. On the nature of law, he says: “It is no accident that we still use the same word ‘law’ for the invariable rules which govern nature and for the rules which govern men’s conduct. They were both conceived at first as something existing independently of human will. (...) [T]hey were regarded as eternal truths that man could try to discover but which he could not alter.” (Hayek, 1973, p. 72) This concept of law is to be clearly contrasted with the concept of legislation: “To modern man, on the other hand, the belief that all law governing human action is the product of legislation appears so obvious that the contention that law is older than law-making has almost the character of a paradox.” (Ibid, p. 73)

Hayek only makes one mistake in this passage, and that is that we are not dealing with a paradox, which would be the case if we would be dealing with a *seeming* contradiction. On the contrary: we are dealing with a true contradiction, in the sense that the whole idea of legislation — the idea that man can vote his own laws, apart from natural law — runs directly contrary to the whole idea behind law. That latter idea, to repeat, is that law is not invented by anyone, but is inherent to the very nature of man as a free and creative being. The true paradox, then, is not that legislation would run against law. It does so by nature of its modern

hubris of thinking that reason has primacy over faith. The true paradox is that law can only be *natural* if we respect its *supernatural* source: God.

In conclusion: the hypothesis of Huerta de Soto, to “accept for the sake of argument that a Supreme Being exists” (Huerta de Soto, 2010, p. 34, fn. 32) deserves more than a footnote in one of his works. It neither is a “theological digression”, as he humbly put it. It is the essence of the debate: do we see ourselves as modern theorists, living in the constructivist illusion that reason can explain everything? Or do we accept that reason has its limits, and that in trying to discover the laws of social reality, it is at some given point wiser to see the divine as real? I venture that the latter is the more productive approach, and not even because I am a believer myself¹⁰. I simply observe that without the hypostasis of God — assuming God, for the sake of argument — a lot less phenomena can be explained.

Our take on theology, then, should not be per se a dogmatic one, assuming that everyone must believe in the God of the Catholic Bible. But being economists, we would do well in asking how much we can profit from presupposing that God does exist, especially when it comes to explaining social phenomena that cannot be reduced to logical action alone. How, for instance, do we explain creativity in a purely logical manner, when the essence of creative action is precisely that it upsets all known configurations? How do we explain the emergence of Common Law, if it were not inspired by men wanting to rise above the standards of their time? In that sense, the hypothesis of Huerta de Soto is not a hypothesis at all: it is a hypo-stasis — an assumed reality without which nothing makes sense.

Conflict of interest

The author declares it has no conflict of interest.

¹⁰ At present, I would not dare to call myself a Catholic. Together with Brentano, I take issue with the 19th Century insertions of new dogma, and personally, with the linear conception of the time between creation and apocalypse. See (Arnaert, 2019) for further elaboration.

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