



# **Central America: A Quest for the Progression of Economic Value. Season III.**

**Bourbon Bells without Industrial  
Development**

EPISODE 2. The School of Salamanca. Part II

**As of May 23<sup>rd</sup>, 2025**

[www.eleonoraescalantestrategy.com](http://www.eleonoraescalantestrategy.com)

# Central America: A Quest for the Progression of Economic Value.

A piece of the economic puzzle of Spanish Central America in Three Seasons



Big Picture of our Content.

Season III goes from May 23<sup>rd</sup> to December 12<sup>th</sup>, 2025.

Season	Start Date	Finish Date	Number of episodes	Historical Timeline to Analyze	Main General themes
One (I) Autumn -Winter 2024	October 4 <sup>th</sup> , 2024	December 27 <sup>th</sup> , 2024	13 episodes	1492-1558	<ul style="list-style-type: none"><li>Historical foundations</li><li>Castile &amp; Aragon: Discovery of Spanish America, the Holy Roman Empire</li><li>Charles V-Holy Roman Emperor: his local, personal, regional, religious, and international agenda</li><li>The Spanish Inquisition</li></ul>
Two (II) Winter-Spring 2025	January 24 <sup>th</sup> , 2025	May 2 <sup>nd</sup> , 2025	13 episodes	1492-1700	<ul style="list-style-type: none"><li>Spanish America with a Medieval Allure: Conquest and Colonization</li><li>Understanding the economics philosophy of the Habsburgs Rulers in Central America: Philip II, Philip III, Philip IV, and Charles II.</li><li>Commodities: Mining extraction of precious metal reserves</li></ul>
Three (III) Spring-Summer 2025	May 23 <sup>rd</sup> , 2025	December 12 <sup>th</sup> , 2025.	29 episodes	1700-1900	<ul style="list-style-type: none"><li>School of Salamanca II</li><li>Bourbon Era</li><li>Bells of Independence</li><li>Mining + Agricultural Commodities</li><li>Chartered Urban vs Forgotten Rural</li><li>Derailment of violence and inner conflicts</li><li>Agricultural Commodities + Products + Services</li><li>Where is our industrial development?</li><li>Where is the transformational experience?</li><li>Agricultural Commodities + Products + Services + The Tech Palatine</li></ul>

Past saga: done

This saga: done

Next saga:  
as of May 23<sup>rd</sup>

# Central America: A Quest for the Progression of Economic Value. Season III

## From 1700-1900: Bourbon Bells without Industrial Development



 **Outline Calendar (1/2) SPANISH PENINSULA**      **Season III goes from May 23 to December 12th, 2025.**

<b>23-May-2025</b> Episode 1 	<b>30-May-2025</b> Episode 2 	<b>6-June-2025</b> Episode 3	<b>13-June-2025</b> Episode 4	<b>20-June-2025</b> Episode 5
Introduction	The School of Salamanca Part II. 	Economics and Foreign Policy of the Spanish Empire 18 <sup>th</sup> century 	The role of the Bourbons and the War of Succession (1700-1714) 	The Bourbon Era in Spanish America 
<b>27-June-2025</b> Episode 6	<b>04-July-2025</b> Episode 7	<b>11-July-2025</b> Episode 8	<b>18-July-2025</b> Episode 9	<b>25-July-2025</b> Episode 10
Philip V (1683 - 1746): the Frenchification of Imperial Spain 	Charles III (1715-1788) 	Charles IV (1748 - 1819) and Fernando VII (1784 - 1833) 	The impact of the French Revolution in Central America 	The Why of Napoleón Bonaparte (1768-1844) 
<b>1-August-2025</b> Episode 11	<b>8-August-2025</b> No Publication	<b>15-August-2025</b> Episode 12	<b>22-August-2025</b> Episode 13	<b>29-August-2025</b> Episode 14
Bourbon Dynasty restored: Fernando VII (1784-1833) Isabel II (1830-1904) 	 <b>Vacations Holy Savior of the World San Salvador (2-11 Aug)</b>	Amadeo I (1845-1890) Alfonso XII (1857-1885) 	Alfonso XIII (1886-1941) 	The consolidation of the Hacienda Model in New Spain 

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*This outline is subject to change if the author considers it appropriate for your learning experience.*

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State of the Art Corporate Strategy  
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# Central America: A Quest for the Progression of Economic Value. Season III

## From 1700-1900: Bourbon Bells without Industrial Development

 **Outline Calendar (2/2). CENTRAL AMERICA**      **Season III goes from May 23 to December 12<sup>th</sup>, 2025.**

<p>05-Sept-2025 Episode 15</p> <p>Charted Urban vs. Forgotten Indian Rural in Central America </p>	<p>12-Sept-2025 Episode 16</p> <p>When there is no precious metals?. Agricultural commodities in Central America </p>	<p>19-Sept-2025 Episode 17</p> <p>Derailment of violence and inner conflicts between Spaniards and Indians </p>	<p>26-Sept-2025 Episode 18</p> <p>The Cacao Industry in Central America </p>	<p>3-October-2025 Episode 19</p> <p>The Indigo Courage in Central America. </p>
<p>10-October-2025 Episode 20</p> <p>The Golden Bean of Coffee in Central America. </p>	<p>17-October-2025 Episode 21</p> <p>Sugar Industry in Central America </p>	<p>24-October-2025 Episode 22</p> <p>Livestock and other agricultural subsistence products </p>	<p>31-October-2025 Episode 23</p> <p>Mexican Influence in Central America </p>	<p>07-Nov-2025 Episode 24</p> <p>Independence Bells (1800-1823) </p>
<p>14-Nov-2025 Episode 25</p> <p>United Provinces of Central America (1823-1840) </p>	<p>21-Nov-2025 Episode 26</p> <p>A voyage to the Republics Separation (1840-1870) </p>	<p>28-Nov-2025 Episode 27</p> <p>Bananas joining the Plateau of Central America 19th century </p>	<p>22-August-2025 Episode 28</p> <p>Industrial Development in CA: Never a priority for the Bourbons. </p>	<p>05-Dec-2025 Episode 29</p> <p>Summary and Conclusions (if needed Episode 30 Epilogue on 12-Dec-25). </p>

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# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The School of Salamanca Economics and Commodities Fundamentals of Trade and Commerce

*Our agenda for today's master class:  
The Continuation of the Analysis of the School of Salamanca*

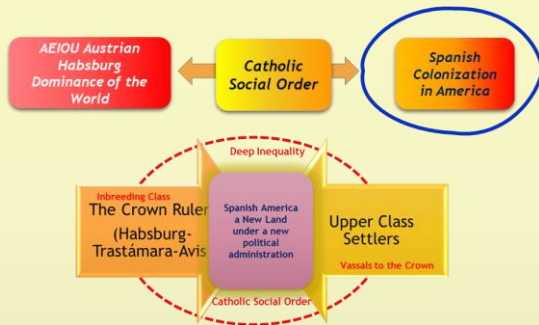
### *The School of Salamanca II*

#### 1. The School of Salamanca views about:

- The Problem of Value & the Theory of Value
- Money, Banking and Foreign Exchange
- Contributions to Political Thought
- Ethical & Juridical Framework
- Political-Economy continuation of the School of Salamanca

#### 2. The Salamanca School and the West Indies (Spanish America)

- Commodities (fungibles) fundamentals of Spanish America Trade and Commerce



*NOTE: Please remember that the term Corporate Strategy in times of the Conquest and Colonization of America is equivalent to military strategy to gain competitive advantage under the terms of the Early Modern Europe 16th-18th centuries (previous to the first Industrial revolution which started in England and Germany).*



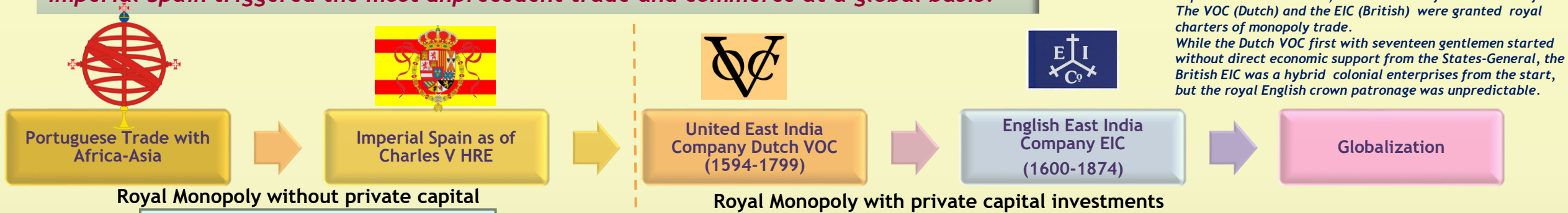
# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

The emergence of capitalism is here

*Imperial Spain triggered the most unprecedented trade and commerce at a global basis.*

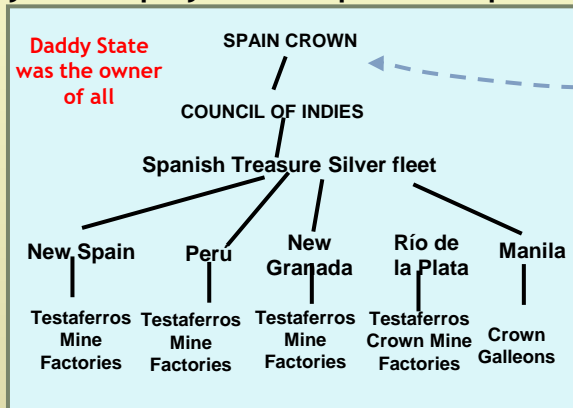


*In East Indies:*

*The Dutch were the first Europeans to have a significant impact on Eastern trade, and the British followed soon after. The VOC (Dutch) and the EIC (British) were granted royal charters of monopoly trade.*

*While the Dutch VOC first with seventeen gentlemen started without direct economic support from the States-General, the British EIC was a hybrid colonial enterprises from the start, but the royal English crown patronage was unpredictable.*

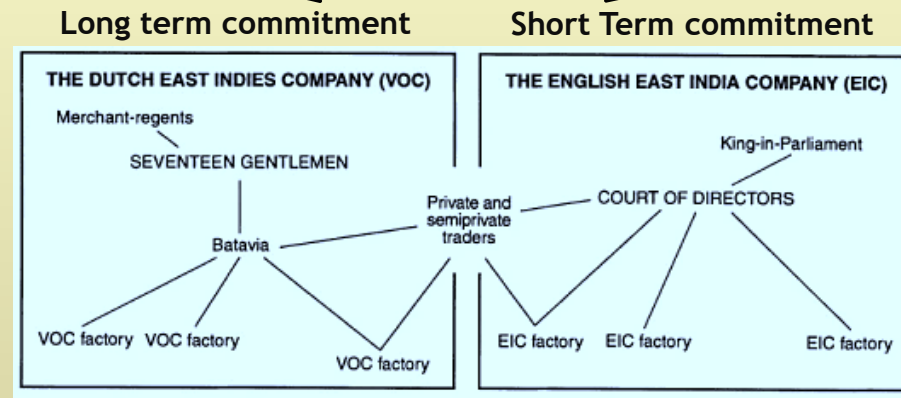
Most of the extraction of precious metals from the mines was done by feudal *testaferros* appointed by the King. The flow of gold, silver and precious stones from Spanish America was a Spanish Royal Monopoly from the West Indies to Europe and Manila for Asia.



Colonial Private Logistics

Testaferros Colonial Merchants

*Meaning of Testaferro: In English, "testaferro" translates to "front man, figurehead, or straw man. It refers to a person who is used to hold assets or perform actions on behalf of another, usually to hide the true owner or controller". Our hypothesis is that most of the Merchants and Owners of the metals factories were testaferros to the Spanish Crown. Don't forget that we suggest that Spanish Royal members came to America to supervise the silver & gold production and logistics under concealed terms.*



*Schematic Representations of Dutch and English Companies in Trading: Lines indicate any type of structural connection between organizational nodes.*

*Source: Julia Adams, Principals and Agents, Colonialists and Company Men: The Decay of Colonial Control in the Dutch East Indies, American Sociological Review, Vol. 61, No. 1 (Feb., 1996), pp. 12-28*  
<https://www.jstor.org/stable/2096404>

# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The emergence of capitalism

*Imperial Spain triggered the most unprecedented trade and commerce at a global basis.*



- Under the Bourbons, at the “corporate strategy level of its time”, France and Spain were “one” state. Despite that externally both nations were seen as separated.
- This occurred at the period of Louis XIV (1638 - 1715)
- After the death of Charles II King of Spain, the Bourbon Habsburg dynasty organized their European territories (Spain, France, Spanish-Netherlands, Austria, and some of the German Principates, Savoy, etc.) to apparently be seen as dispersed kingdoms with distinct governance and institutions. It was a network of kingdoms that required a leadership.
- Spanish America was influenced by the Bourbon-Habsburg dynasty in a different way. By 1700, there were different scholars all over Europe that were starting to understand how the VOC, the

EIC, Imperial Spain silver fleet and Portugal were affecting the savoir faire of trade and power. Things were changing in Europe because of the impact of these merchants. However, the silver from Spanish America changed everything way decades before.

- This main change was at the times of Philip II of Spain, with the bullion (gold and silver inflows to Europe), a monopoly in the hands of Spain. The presence of silver “pieces of eight” caused economic inquiry between scholars.
- It is in this context, 150 years before the arrival of the Bourbons into Power, that the Spanish Academia started its analysis. These scholars of the School of Salamanca made its entrance, as a pioneer school of monetary analysis, accumulation of wealth from Spanish America bullions, the role of precious metals as a medium of circulation and exchange, store value, etc.

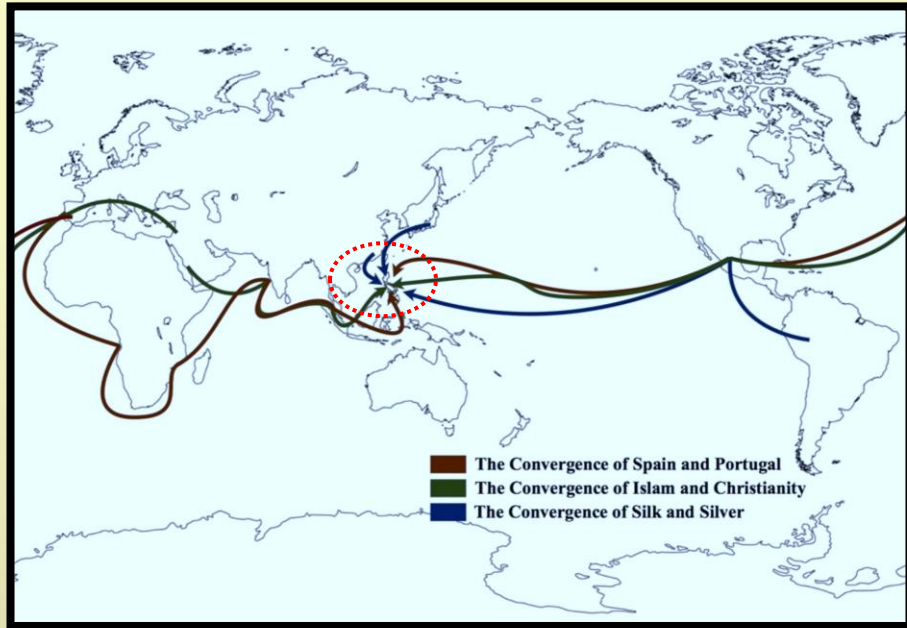
# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

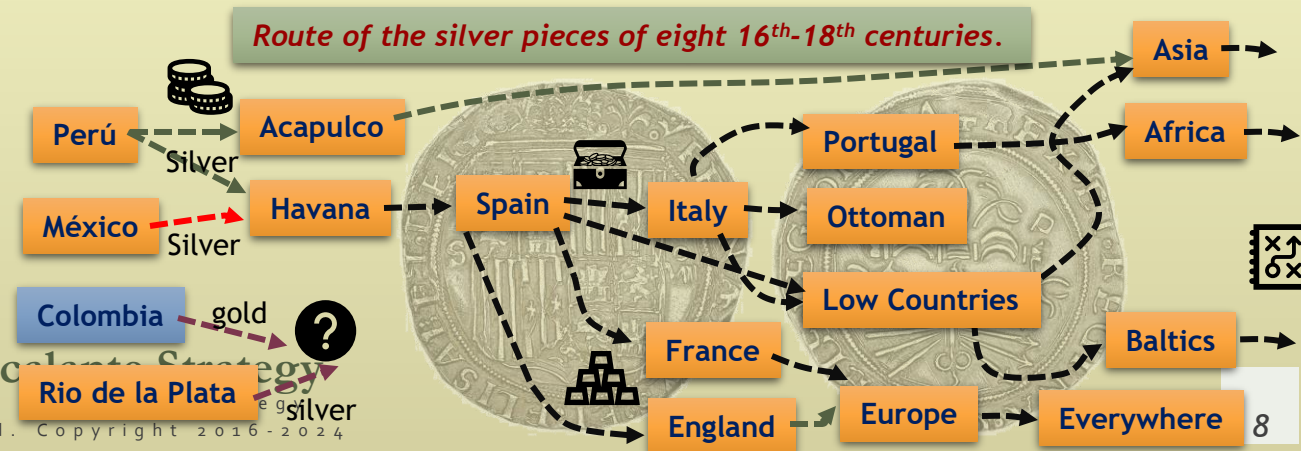
### The Salamanca School doctors of the Church

*How the Salamanca School explained the rise of prices in Spain and Europe.*



From: Hawley, E. *The Birth of Globalization: the world and the beginnings of Philippine sovereignty, 1565-1610*  
[https://www.academia.edu/66219852/The\\_Birth\\_of\\_Globalization\\_the\\_world\\_and\\_the\\_beginnings\\_of\\_Philippine\\_sovereignty\\_1565\\_1610](https://www.academia.edu/66219852/The_Birth_of_Globalization_the_world_and_the_beginnings_of_Philippine_sovereignty_1565_1610)

- The Salamanca church doctors tried to explain within the framework of St. Thomas of Aquinas, what was happening when Imperial Spain began to trade silver money into Europe and Asia.
- Silver was extracted and converted in bullions. Most of it was minted in coins. These manufactured coins were called 'real de a ocho', meaning eight-real coin, or "peso de ocho" or pesos.
- Silver extracted from Potosí and México traveled all over the world. The silver values of the pesos or "pieces of eight" was determined by supply-demand, and the place where the convergence of trade was occurring the most, guess where? China.
- During the 16<sup>th</sup> century: Spain core business was silver. Most of the silver went to Europe, and from there it was distributed all over. It is in this century when the Salamanca School underwrote its theoretical contributions.
- During the 17<sup>th</sup> century: The Spaniards discovered that they could go directly to China without intermediaries.
- As of the 18<sup>th</sup> century: With the Bourbons arrival, we don't know exactly how much of the silver remained in Europe (including Spain) and how much silver was sent to Asia. The Bourbons hide this information. The viceroyalty of Granada opened because of gold extraction, while the Río de la Plata was opened for a new logistics route of Silver. The Bourbons changed the silver trade strategy with new strategic alliances, not registered by historians. Yet.





# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The Salamanca School doctors of the Church

*How the Salamanca School solved the issue of the value of money: An intuitively observation the equation of exchange.*

It was in Salamanca, that the equation of exchange:  $MV = PT$  was originated.

$$MV = PT$$

*M: Money Supply*

*P: Price level*

*V: Velocity of circulation*

*T: Amount of Transactions*

**In the words of Azpilcueta: "On Exchange (1556)"**

- All merchandise becomes more expensive when there is a great need and small amount of it.
- Money is also a good that is sold, bartered and commuted. So, money is more expensive when there is great need of it and not very much to satisfy this need.
- According to Azpilcueta it is licit to pay a larger sum in a country where the purchasing power of money is small in exchange for a smaller sum payable in another country where the purchasing power of money is greater.

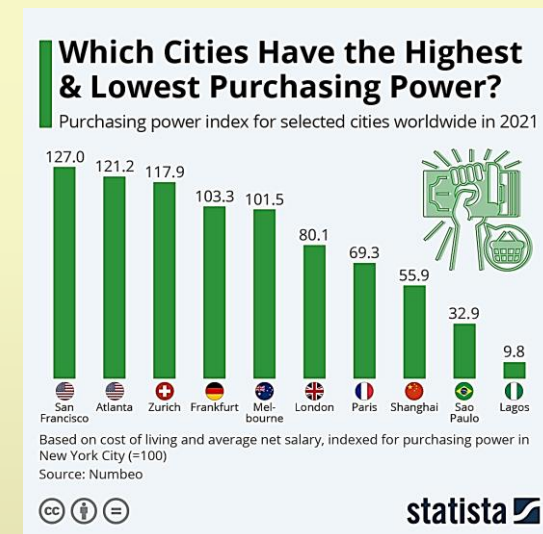
- The first formulation of the Quantity theory of money is often attributed to the jurist Martin de Azpilcueta.
- Intuitively, he saw the equation of exchange and connected the variables of exchange, supply, demand and the amount of money.
- Azpilcueta tried to explain the inflation of the 16<sup>th</sup> century, linking it with the new large-scale of silver pesos coming from México and Perú.
- Azpilcueta made it clear: Money is worth more when and when it is scarce, than where and when it is abundant

Value of Money

Abundance or Scarcity

Purchasing Power

Source of reference:  
<https://oll.libertyfund.org/titles/early-economic-thought-in-spain-1177-1740>



In the 16<sup>th</sup> Century, Azpilcueta explained the value of money of the graph above.

From: <https://www.statista.com/chart/14044/cities-worldwide-with-the-most-purchasing-power/>

# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The Salamanca School doctors of the Church

#### How the Salamanca School viewed the theory of value

##### Francisco de Vitoria

- Vitoria's value principles were: The value or price of a thing is assessed according to its abundance or scarcity and its suitability for serving man's needs.
- The value is not to be measured by the demand of a single individual but by that of the community or the marketplace as a whole.
- The market assessment of value is the chief determinant of the **just price**.
- Labor and costs play some part in the determination of the value.
- Vitoria considers two main classes of goods: Those with price fixed by the State, and those whose price is not fixed, or with a variable price.
- Fixed price things by the State are mentioned as the legal price, which is the "**just price**".
- Variable prices not fixed by the State: Vitoria differentiates between things that are necessary for human and luxuries (not needed).
- Vitoria accepts the law of supply and demand as the main determinant of price but only in conditions of perfect competition.

##### Luis Saravia de la Calle

- Saravia de la Calle wrote "Instrucción de mercaderes" in 1544. He argues that to determine the "**just price**", there are three things to consider (found also in Aristotle):
  1. Abundance or scarcity of goods
  2. Merchants
  3. Money
- Saravia denies the cost of production as a determinant of any part in the determination of price. He is against the measure of "just price" as the sum of labor, costs of production, risks incurred, cost of transport, marketing, fairs attendance, profit margin, etc.

##### Diego de Covarrubias y Leyva

- For Covarrubias: The value (price) of an article doesn't depend on its essential nature, but on the estimation of men.
- "**Just Price**" doesn't consider how much the article originally cost, nor the labor its acquisition cost the vendor, but only its common market value in the place where it is sold.
- Covarrubias observed: Prices fall when buyers are few and goods and vendors are many. Prices rise when the contrary conditions prevail.

##### Bartolomé de Albornoz

- Albornoz illustrates that the principle of price as the expression of "estimation", increases with rarity or scarcity.

##### Domingo de Soto

- DeSoto wrote: The price of goods is not determined by their nature, but by the measure in which they serve the needs of humans.
- "want" is the basis of price: it is the cause and measure of human commerce. If no one needs products or labor of others, men will cease to exchange their products and offerings.
- DeSoto stated that in determining the price; demand should exist for the product, its abundance or scarcity, but it is important to bear in mind the "labor, trouble and risk" that the transaction involves.

##### Juan Salas

- Salas remarked that the price of goods depends on its utility.
- For Salas the price varies according to the abundance or scarcity of the goods and money, the newness or antiquity of the goods, the common utility of the article and the need felt for it, the manner of sales (wholesale, retail, bulk or by auction).

##### Francisco Garcia

- García elaborated a subjective theory of the "**just price**".
- He analyzed the concept of "**utility**": A product is usable in a way that is necessary for different causes: preservation of human life, pleasure, adornment, delight our curiosity, etc.
- Products may have different values if:
  1. If the product holds many uses and serve more purposes than another one.
  2. If the product renders a more important service than another
  3. If the product performs a given service better than another.

##### Juan de Lugo

- De Lugo observed that prices fluctuate on account of their utility in respect of human need, on account of its estimation, on account of the culture of who estimates the price (prudent men or imprudent).
- Community of men estimation might be foolish but can raise the natural price of goods.
- Price is raised by abundance of buyers and money and lowered by the contrary factors.

Source of reference:

<https://oll.libertyfund.org/titles/early-economic-thought-in-spain-1177-1740> and <https://www.bloomsbury.com/us/salamanca-school-9781623561857/>

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## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The Salamanca School doctors of the Church

#### *How the Salamanca School viewed the theory of value*

##### • In summary:

###### Just Price

Just  
Price



Common  
Estimation

- Price of Goods depends on its utility:
  1. Abundance or scarcity
  2. Money supply
  3. Supply and demand
  4. Labor, cost productions and risks (may or may not be considered)

Current market valuation (or estimation) considering the context of when and where the transaction occurred (all relevant local circumstances)

###### Subjective Value

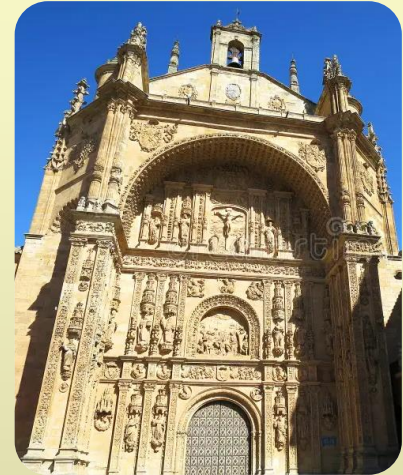
Human  
preferences

- It is subjective references that ultimately determine the value of products. Even if these preferences are “foolish”. Imprudent men (without knowledge/education) may value wrongly.
- Examples: This explained why glass trinkets in Ethiopia were exchanged for gold, because Ethiopians considered them more esteemed. Or Japanese valued old objects made of iron and pottery with high price because of their antiquity.

###### Natural Price vs. Legal Price

Price regulation or  
not?

- Natural Price was defined by Aristotle as the value of things have by themselves, independently of any human law or public degree or government intervention.
- However, the Salamanca doctors cognized that the natural price depends on the context and circumstances of the community and on the affection/esteem of people for the utility of the product (in the absence of fraud, force, monopoly or monopsony).
- Legal Price: set by a legitimate authority and aligned with the pursuit of common good.
- The Salamanca School doctors were highly skeptical or suspicious of legal price, opposing political price controls that distorted economic conditions, with long-term harmful effects.



Source of reference:

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### The School of Salamanca Part II.

### The Salamanca School doctors of the Church

*How the Salamanca School viewed the influx of money, banking and foreign exchange*

#### Domingo de Soto

- DeSoto validated the role of banking given the differential value of money: He considered lawful to exchange money in one place for money in another, given its scarcity in the one and abundance in the other.
- De Soto, applied the teachings of Dominican St. Antonino of Florence, Tommaso de Vio Cajetan: For Example: The more plentiful money is in Spain, the more unfavorable are the terms of foreign exchange, and the higher the price that must be paid by whoever wishes to send money from Flanders to Spain. The scarcer money is in Spain, the less he needs to pay there, because more people want money in Spain than are sending it to Flanders.
- DeSoto endorsed the credit creation of banks: if a merchant deposits cash with a bank, the bank guarantees to repay a larger sum. For example, if I deliver 10K to a banker, he must repay me 12K or more, because it is very profitable for a banker to have cash available. There is no evil in this.

#### Martin Azpilcueta

- Azpilcueta advanced Cajetan and DeSoto by explaining the value of money not merely on its abundance or scarcity, but on its purchasing power. As explained in slide 9, the value of money varies according to supply and demand: Money is worth more where and when it is scarce than where and when it is abundant.
- Azpilcueta treated money as any other merchandise contradicting Aristotle and other previous Scholastics.
- Azpilcueta explains: In France where money is scarcer than in Spain, bread, wine, cloth and labor are worth much less. The same happened in Spain, before the discovery of the Indies, when money was scarcer, saleable goods and labor were cheaper and less than when the country was flooded with gold and silver from the Americas.

#### Tomas de Mercado

- For Mercado, exchange transactions are different because of the diversity in the estimation of money.
- On top of demand and supply of money, Mercado's acknowledged the diversity that exists in the estimation of money.
- For Mercado, the value and price of money is not the same as its estimation (subjective assessment) depending on the place.
- Example: A real is worth 34 maravedis in Spain and the Indies. A peso was worth 13 reales, and its price is the same in all Spain. But the estimation is very different in the Indies than in Spain, because money is esteemed much less in the Indies than in Spain.

#### Luis de Molina

- Molina explained there are two ways in which money may be worth more in one place than in another:
  1. Law or custom attributes different value to the money.
  2. Money is more abundant in one place than in another.
- If all else is equal, wherever money is more abundant, there will it be worth less in comparison with other things.
- Abundance of products causes their price to fall. The same with money: abundance of money causes money to fall in value, causing inflation.

#### Juan de Lugo

- In a place where there is scarcity of money, if more money is sent there (or more people may require it or there may be better opportunities for doing business with it and making a profit), then money will be more useful for satisfying human needs, more goods will be bought than elsewhere with the same sum of money, and therefore money will be regarded as more valuable in that place.

- The Salamanca doctors validated the Aristotle's functions of money: Money is a medium of exchange, a measure of value, and store of value (guaranteeing against future need).
- Money in consequence may be bought and sold like any other good. **The "just price"** of money emerged as the solution to assess the value of money in different places, and in consequence to remove the taboo of usury thrown to bankers who made profits with money value differentials.

Source of reference:

<https://oll.libertyfund.org/titles/early-economic-thought-in-spain-1177-1740> and

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# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The Salamanca School doctors of the Church

#### How the Salamanca School contributed to applied political thought



Individual Rights and the Common Good

See slide 15



The state and the limits of political power

See slide 16



Legitimate resistance and tyrannicide

These issues were two of the most controversial issues of the 16<sup>th</sup> - 18<sup>th</sup> centuries. The School of Salamanca positions against these problems: Rulers abusing their power in a tyrannical way, and only “**rulers who practice EXTREME CRUEL/BRUTAL/MERCILESS ABUSIVE CIRCUMSTANCES towards people**” could be deposed and even killed only if the offences against the common good were sufficiently severe or grave. Vitoria, Suarez, & Mariana provided elements of understanding the conditions of legitimate resistance against princes or kings with specific characteristics: usurper, imprudent, tyrant, abusive of political power, with fallen illegal conditions, without virtuous conduct, oppressor of the people, installers of terror and/or putting reins on madness.



Church and State

Unity of Faith is important to keep, because political stability and common good are fostered by it: not only in terms of faith but its link with religious observance and civic virtues. The Salamanca Doctors endorsed the papal power against the perceived heresies. They were against the baptism of pagan children without parental consent. Finally, they separated civil power from spiritual power and stated that the political civil power shouldn't be related to spiritual power. These premises helped to validate how European colonization happened in America.



International law and developments in Just War Theory

See slide 17

- **Meaning of Prudence in the context of Salamanca Doctors:** Prudence dictates that the ruler (king) should foster by his own example respect for the law and virtuous conduct among the general population. This prudence is ultimately determined by the fear of the direct and personal consequences that may result from the undermining of his prince's legitimacy.
- For Juan de Mariana: the prince should be persuaded to act well, because the authority of the commonwealth is greater than that of one man alone.
- If princes or ruler kings are imprudent, oppress the state, or their actions are unbearable on account of their vices and foulness, install deeply corruption, etc... their position is such that they should be deposed and annihilated.
- When facing Imprudent monarchs (rulers) under extreme circumstances and when no other workable options were available, people could legitimately resist, overthrow and destroy tyrannical political rulers.

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## From 1700-1900: Bourbon Bells without Industrial Development

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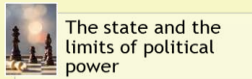
### The Salamanca School doctors of the Church

*How the Salamanca School contributed to applied political thought*

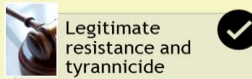
#### Individual Rights and the Common Good



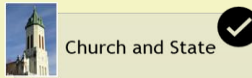
Individual Rights and the Common Good



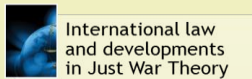
The state and the limits of political power



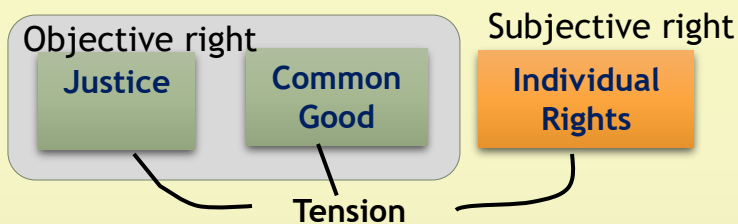
Legitimate resistance and tyrannicide



Church and State



International law and developments in Just War Theory



This tension between the objective and the subject right of the individuals created different lines of thought of the Salamanca scholastics in relation to the view of a political society.

Vitoria states that rulers can't limit the personal sphere of liberty of individuals, without neglecting the right of the state for objective right and political obligation.

Vitoria

Ruler  
Promotion of  
order &  
common good

Local  
individual &  
family rights

Vitoria sees individual rights as indispensable components of a well-ordered society. It includes the notion of a personal sphere of liberty that relies in the responsibility of the individual to use reason and decide his course of action under natural law (consciously perception of good applies)

Suarez, Molina and Mariana

Late Salamanca Scholastics created an organic view of political society where the common good was the main goal.

People set the limits to the secular and spiritual power of the rulers

Ruler  
Promotion of  
order &  
common good

Local  
individual &  
family rights

Priority

The ruler (state) is above the people and promotes justice, order and balances the community with human law

Covarrubias

For Covarrubias, the ruler and the state and the legitimate exercise of political power should be subordinated to the universal rights and the promotion of the common good. Political power must not into absolutist or tyrannical forms.

Ruler  
Promotion of  
order &  
common good

Local  
individual &  
family rights

For Covarrubias: Individual rights to all mankind, universally valid and inseparable from the common good: right to life, liberty, religion option, property, peace and emigration. Individual liberty is bound by natural law and must not lead arbitrary acts.

Domingo de Soto

Ruler  
Promotion of  
order &  
common good

Local  
individual &  
family rights

For DeSoto there was a conceptual relationship between natural law and natural right (a right that allowed a significant degree of individual liberty). He defended simultaneously the right of the city and the right of the individual within it.

Source of reference:  
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# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The Salamanca School doctors of the Church

#### How the Salamanca School contributed to applied political thought

#### The State and the Limits of Political Thought



##### Sovereignty of the ruler

The Salamanca Doctors opposed firm to absolutist positions but held different views on how to set up necessary limits or boundaries of political power. For them, the exercise of political power is legitimate only if it respects the terms of contractual relationship between the citizens and the ruler.

##### Late Salamancans: Molina and Suarez

##### Ruler

##### Commonwealth

- Molina and Suarez justified the establishment of political power from the recognition of the risks of injustice and uncertainty associated with man's fallen nature.
- Molina-Suarez shared a pessimistic view of human conduct in the absence of coercive enforcement of positive laws. Natural liberty of men is traded for the added security and stability that the establishment of the public ruler authority can provide.
- For Molina-Suarez the key for legitimacy of the ruler endowed with coercive power is the popular consent.
- For Suarez, the commonwealth might legitimately institute a particular regime, because political authority emanates from a choice on the part of the people, in which the people make a pact with the political ruler.
- Suarez was against royal absolutism. And he showed strong arguments of self-defense against the abuses of political power.
- Governments should have limits to avoid abuse of power.

##### Vitoria

##### Ruler

##### Commonwealth

- Vitoria affirmed that the power of legitimate kings proceeds from God (natural law), but simultaneously points out that the original authority to legislate positive human law lies within the commonwealth, not the ruler
- Power (potestas) was defined as the royal capability to rule; an innate endowment derive from God. Authority (Auctoritas) can only be exercised by the ruler, because the commonwealth delegates it to him. So, the ruler (prince or king) is an agent of the Commonwealth who delegates the executive power to frame laws, propose policies, judge disputes punish transgressors or impose laws to the individuals, etc.
- For Vitoria, the political ruler doesn't become the "Owner" of the commonwealth: he merely receives the authority from the commons to administrate collective affairs in accordance with the promotion of the common good.
- For Vitoria, the prince is the nation's minister and caretaker. The prince is the caregiver for the people fulfills the obligations implicit in the commonwealth's trust.
- Vitoria validated the coercive apparatus of testate as necessary to preserve human society in the "present" historical circumstances of his time.
- Vitoria was in favor of the monarchy in comparison to democracy. For him there is no less liberty under a monarchy than under an aristocracy or timocracy.
- Political power is necessary in actual history because the State and positive human law are only justified in so far as they contribute to the fulfilment of natural law.

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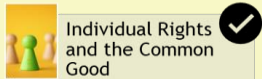
# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

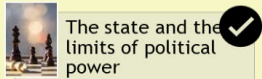
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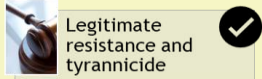
#### How the Salamanca School contributed to applied political thought



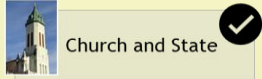
Individual Rights and the Common Good



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International law and developments in Just War Theory



**Ius gentium:** Set of general principles and rules derived from natural reason (not from national legislators), common to all peoples, and applied equally to all mankind.

### International Law



International law in the context of the Salamanca's doctors:

This was the time in which the consolidation of national states in Europe occurred, and the discovery of other nations in the East and America happened.

Vitoria, Soto, Molina and Suarez

#### International Law

- Vitoria was inclined to accept freedom of commerce and free migration-settlement as part of **Ius Gentium** with refusal of access as a "just cause for war".
- Molina was critical to Vitoria, arguing that a state may impose restrictions in the use of the country's resources and positions.

- Ius gentium** was accepted by Vitoria, Soto, Molina and Suarez as common to all mankind.
- All Salamanca's scholars agreed of the need of a new law of nations that must include universal provisions for basic rights of:
  - self-preservation
  - institution of private property
  - diplomatic immunities
  - slavery as a form of safeguarding human lives in times of war.
- Suarez divided **Ius gentium** in 2 categories:
  - Ius Gentium** for domestic purposes
  - International law applied to international interactions.
- Suarez suggested a law of nations is convenient to all men, and those who break it, no matter peace of war, are committing mortal crimes and need to be sanctioned.

### Developments in "Just War Theory"

#### Covarrubias

*"Just War" can only be justified if it aims to safeguard the "ius gentium" in the international law of nations universal basic rights.*

- Covarrubias concept of "Just War" is inseparable from the notion of a just international order, that respects the principles of international law inscribed in the "**ius gentium**".
- Only when there is a violation of the "**ius gentium** for the principles of international law", there is a cause for "Just War". A "**just war**" is legitimate as a coercive method to pursue justice.
- Injuries resulting from a violation of the "**ius gentium**" are:
  - Violation of natural law
  - Harm of State-Specific rights
  - Hurt of the basic rights of the universal community of peoples
- Covarrubias distinguishes **three forms** of legitimate "just war" armed conflict:

#### Self-Defensive War

#### Avenging of wrongs suffered

#### Punitive war

- Late Salamanca's Scholastics pronounced that a religion different to the Catholic is not enough cause for "just war". Even idolatry or unnatural sins were not regarded as sufficient cause for war.
- If non-Christian rulers engaged in human sacrifice, persecution of converted citizens or violent actions against missionaries, war might be justified to stop these crimes only in terms of the protection of the innocent than on purely religious causes.
- Power personal ambitions of rulers or the desire to expand the empire were also categorized as illegitimate causes for war.
- The legitimacy of a "just war" depends on extending a peaceful alternative course of action to solve it: voluntary third-party arbitration must be tried to avoid war.
- A "just war" must be waged justly to remain legitimate.
- It is inadmissible to deliberately target and kill the innocent, or peaceful non-combatants. Every reasonable effort and care should be made to avoid endangering the lives of the civil.

Vitoria recognizes a right and duty of individuals that if a war is unjust to the subject he must not fight even if he is ordered by the prince.

Finally, every reasonable effort should be made to avoid war, given the huge and terrible human costs it involved.



# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The Salamanca School doctors of the Church

*How the Salamanca School framed the ethical and juridical framework of the market.*

#### Private Property and Trade

#### Just Price and the Subjective Theory of Value

#### Usury and Interest

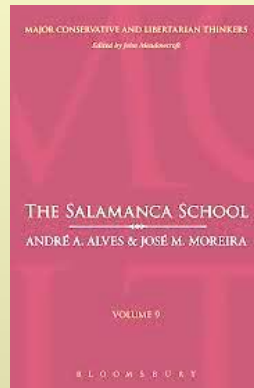
#### Banking Reserves

#### Monetary theory and Inflation

#### Taxation and Public Finance

- The School of Salamanca employed logic and reasoning in their defense of private property.
- Poverty is voluntary but not mandatory, and private property is needed to transform goods into products to obtain means for survival and contribute to the common good.
- Private property procures individual incentives to work it, in favor of social peace and better use of resources.
- Private Property was included by DeSoto in the “ius Gentium” as property rights aligned with the natural law. Denying private property constitutes heresy.
- Private property fosters a just social order, is necessary for social peace, is appropriate in conditions of scarcity, provides incentives for better administration of material goods and facilitates trade and social cooperation.
- In case of extreme need, the rich is obliged to provide on charity, not on justice.

- Explained on slides 10 and 11. Please revisit this material for details.



- Usury was condemned as the action of charging interest on money loans. Originally charging of interest was considered illegitimate. This caused multiple contracts to evade charges of usury. While allowing lenders to ask for payment on compensation on the use of money.
- However, the Salamanca's doctors justified and tolerated the payment of compensation (gratitude) for loans, despite that the condemnation of usury was maintained.
- This position of “hypocrisy” towards usury, put the Salamanca's in trouble.

- With the huge influx of silver into Spain, the Salamanca's doctors, were forced to consider how to raise money and finance government expenditures. Charles V searched to the existing bankers to fund wars and public spending.
- There were two position in relation to theories of banking:
- DeSoto and Molina: accepted and legitimized the fractional reserve banking (maintain only a fraction of demand deposits in liquid reserves and using the rest to provide loans, used to pay interests on deposits. Molina warned that imprudent bankers commit mortal sin if they are not able to return deposited funds.
- Azpilcueta and Saravia de la Calle, denounced fractional reserve practices and stood for full reserve requirements in banking.

- Monetary theory and inflation are explained on slide 12. Revisit it for details.
- We will only add the position of debasement of money from Juan de Mariana: He argued that even when currency debasement could be permissible in times of great crisis, it generates an obligation on the part of the king to compensate his people once the crisis was over.
- Mariana explicitly equated that currency debasement is unlawful theft, robbery and disgraceful speculation.
- Mariana denounced the evil effects of inflation, and he held a clear understanding of how inflation policies can threaten the entire economic order of the kingdom.

- The contribution of the Late Salamanca Doctors was clear and bold in terms of taxes and public spending finance:
- Taxes are acceptable means of legitimate governments to finance their necessary expenses, if the cause of the expenses was just.
- They advised moderation on public expenditure and issued numerous warnings about reckless management of country's finance and the accumulation of public debt.
- If rulers were oppressive of their people with taxes not demanded for a legitimate cause, but for their benefits or favors, these rulers must be reprehended.
- They were in favor of proportional taxation.
- Excessive taxation is unjust and detrimental to the common good.
- Mariana condemned debasement of money to pay for public expenses. He encouraged moderation.

30/5/2025

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## From 1700-1900: Bourbon Bells without Industrial Development

### The School of Salamanca Part II.

### The Salamanca School doctors of the Church

*How the Salamanca School continued being considered by political economists*

The Salamanca's Doctors teachings were transferred to the domains of the Habsburgs (Europe and Spanish America). Their ideas and theories about political-economy were sustained and advanced over time.

Italy

- Salamanca's contributions continued till 18<sup>th</sup> century
- Salamanca's influence on Pietro Catalano, Martino Bonacina, Antonino Diana, Giambattista de Luca, Clemente Piselli.
- Abbe Galiani, Cesare Bonesana, Marchese de Beccaria advanced on the basis of the Salamanca's doctrines, particularly on the theory of value, where labor is the crucial element that gives value to things.

France

- In 1546, Charles du Moulin impugned the prohibition of usury.
- Jesuit Antonio de Escobar reproduced de scholastic theory of value in the 17<sup>th</sup> century
- As of the 18<sup>th</sup> century: The value theory of Condillac and Turgot is based on the School of Salamanca, as much as the value theory of Quesnay
- A more sophisticated utility theory of Jean Baptiste Say was based on Condillac principles, which derived from the Salamanca's doctors.

Belgium and Holland

- The leading exponent of the Salamancan theories in Belgium was Leonard Lessius.
- Lessius was propagator of them to Antwerp, Louvain, Lyons, Paris, and Venice.
- In the Low-Countries, Hugo Grotius advanced his theories over the basis of the Salamanca's.

England

- In England, the utility theory of value took an erratic course: William Petty regarded labor as the chief source and measure of value.
- John Locke was fierce critic of the Salamanca scholastic method
- Hobbes attacked the school men of Salamanca; despite that he reflected on them.
- Francis Hutcheson supervised Adam Smith. And he sat apart from the Salamanca's.
- Adam Smith, thought that he also broke with scholastic tradition in several views, but the influence of Grotius and Pufendorf on Adam Smith was important in formative years.

Germany and Baltics

- Pufendorf (Lutheran) retook the Salamanca's by following Grotius during the 17<sup>th</sup> century.
- Pufendorf preserved the subjective or utility theory of values inherited from the Salamanca doctors.

Austria

- The Salamanca's doctors theories were the foundation of the Austrian School of Economy.

- In the Middle ages, the term economy was linked to the government of the household.
- Later, "Moral philosophy" was mandatory to be studied by princes, kings and his advisors, as part of teaching them the art of government.
- The branch of "moral philosophy" that dealt with the wealth or prosperity of a kingdom began to be called "political economy" as of 1550 onwards.
- Salamanca's scholastics were theorists grounded on facts. And Political economists were fact finders that took account of the theory of the Scholastics.
- When Salamanca Doctors wrote about the problems of political economy, they did it as applying the economic theory into the practice, in their quest to establish the kingdom of God and the reign of justice upon earth.
- As of the 17<sup>th</sup> century, political economists' unique role was to save Spain from the ruin that was threatening her.

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### The School of Salamanca Part II.

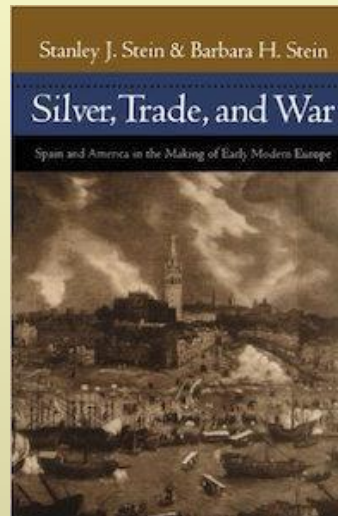
### The Salamanca School doctors of the Church

#### *How the Salamanca School impacted Spanish America (West Indies)*

The Salamanca's Doctors teachings were academically transferred to all the domains of the Habsburgs (Europe), but were applied in Spanish America. Spain core business in America was the extraction and manufacturing of silver as a commodity for global trade. The School of Salamanca theories and premises were first analyzed by the Dominicans of Bartolomé de las Casas, and later by the Jesuits. They authenticated the corporate strategy framework of how the silver (money) was established as the key foundational fungible commodity in the new international world of trade and commerce.

Money was the new commodity in the world at the times of Charles V Emperor. The abundance of it, required a strategy to sell it globally, and it compelled the executive power of the king to take good decisions on how to manage it.

The theories of the Salamanca Doctors were auto-prophetic and so correct, that 200 years later, the French revolution was the proof of evidence of all what we have explained today: The Bourbons of the 18<sup>th</sup> century embraced absolutism, neglecting the promotion of justice and common good. Their monopoly of silver converted them in excessive luxurious opulence tyrants' rulers who suffered the consequences of the Spanish silver abundance in the world.



- Between the 16<sup>th</sup> and the 18<sup>th</sup> centuries, Spain rulers' main responsibility was to supply money (silver supply) to the world.
- The Agricultural commodities were not part of the equation. These came into reality when the silver exploitation, extraction and mining, came to an end with the Independence movements during the first decades of the 19<sup>th</sup> century.

*Next week we will continue analyzing this situation under the topic of "Economics and Foreign Policy of the Spanish Empire during the 18th century"*

*See you then.*

# Central America: A Quest for the Progression of Economic Value. Season II.

## From 1700-1900: Bourbon Bells without Industrial Development

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"THERE are TWO HISTORIES :  
OFFICIAL HISTORY OR LYING; and  
THEN SECRET HISTORY, WHERE  
YOU FIND THE real CAUSES OF  
events."

– HONORÉ DE BALZAC

*Thank you.*

Eleonora Escalante MBA-MEng.

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The palace of Coudenberg. <https://coudenberg.brussels/en/history/history-of-the-palace>