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The School of Salamanca's Reconciliation of Economics and Religion

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Abstract:
Many years before Adam Smith, numerous theologians associated with the School of Salamanca, such as Domingo de Soto, Juan de Lugo, Juan de Mariana, Luís Saravia de la Calle, Martin de Azpilcueta, Luis de Molina, Leonard Lessius, Thomas Cajetan, and Francisco Garcia had made great strides in the development of economics. Specifically, these theologians, otherwise known as the "Scholastics," analyzed and argued against price and wage controls by explaining that the only "just" prices and wages are those that are set by the market, examined and pushed back against prohibitions on usury, understood the concept of time preference, and helped develop monetary theory in multiple ways. They also demonstrated that all of this was consistent with the Catholic religion. This paper analyzes the ways in which these early theologians contributed to the development of economics and reconciled it with their Catholicism.
Keywords: economics, economic history, the School of Salamanca, scholastics, catholicism.

Although Adam Smith is widely considered to be the founder of modern economics, economic thought had already been in development many years prior to Smith. Most notably, a massive amount of economic thought, specifically regarding price and wage controls, usury, time preference, and monetary theory, had been developed in Spain starting in the 16th century by a group of theologians from the School of Salamanca, who based their reasoning on Aristotle as well as St. Thomas Aquinas and were known as the "Scholastics" [10, pp. 99-100].

One of the main economic ideas associated with the theologians from the School of Salamanca is their view about what constitutes a "just" price [10, p. x]. Domingo de Soto [12], for instance, pushed back against the idea that there is a "just" price that is different from the market price and argued instead that the only just price is the market price. For a long time prior to the Scholastics, "it was assumed that the so-called just price was a price distinct from the price reached on the free market, and reflected either the cost of production or the good's alleged intrinsic value" [13, p. 44]. Contrary to this view, however, Soto explained that

> in examining the problem of the just price...we must first take into account the demand which exists for the article, and its abundance or scarcity. Next we must bear in mind the labour, trouble, and risk which the transaction involves. Finally, we must consider whether...buyers are scarce or numerous [3, pp. 84-85].

Soto reinforced this point by adding that prices should be set by the merchants themselves and not anyone else. Specifically, the theologian made three arguments in favor of letting merchants set the prices of their goods themselves. First, he pointed out that among juris-consultants, something is worth whatever someone can sell it for, so merchants should be free to set the prices as they see fit because if it's worth that price it will sell and if it won't, then it won't sell. Second, he highlighted the importance of taking the word of experts and noted that merchants are experts in merchandise so their opinion on the price of their goods is what should be deferred to. Third, he argued that people are allowed to do what they wish with their own property, which means that they are allowed to ask for whatever price they want since it's their property.

Despite this Soto also believed that prices should be controlled. Specifically, he stated,

> to see why it is necessary for prices to be controlled, we must realize that the matter is a primary concern of the republic and its governors, who, in spite of the arguments repeated above, ought really to fix the price of every article. But since they cannot possibly do so in all cases, the task is left to the discretion of buyers and sellers [3, p. 85].[1]

Additionally, Soto claimed that the natural price set by the market is not determined by an individual merchant, but by "prudent and fair-minded men" [3, p. 86]. Soto stated that much like how a merchant who buys something at a higher price than what it is currently selling for cannot expect people to compensate him for his loss, the same goes for someone who buys something at a lower price than it is currently selling for. The price someone should sell things for is the price that fair-minded people will accept rather than whatever price anyone is willing to pay.

In contrast to this, Rothbard noted that other Scholastics, such as Cardinal Juan de Lugo, properly acknowledged that "the 'estimation' or valuation is going to be conducted by 'imprudent' as well as 'prudent' men" [10, p. 127]. He added, "if the consumers are foolish or judge differently than we do, then so be it. The market price is a just price all the same" [10, p. 127].

In summary of de Soto's views on price controls, Rothbard concluded [10, p. 103],

> De Soto was not content to concede the propriety of government fixing the price of goods and letting it go at that. Instead, he declared flatly that a fixed price is always superior to the market price, and that ideally all prices should be fixed by the state. And even lacking such control, prices, for de Soto, should be set 'by the opinion of prudent and fair-minded men' (whoever they might be!) who have nothing to do with any transactions. They should not be determined by the free bargaining of the buyers and sellers involved. Thus de Soto, more than any other scholastic thinker, called for statism rather than market determination of price.

Soto's views on the just price being the market price were further developed by Juan de Mariana, who stated [10, p. 120],

> Only a fool would try to separate these values in such a way that the legal price should differ from the natural. Foolish, nay, wicked the ruler who orders that a thing the common people value, let us say, at five should be sold for ten. Men are guided in this matter by common estimation founded on considerations of the quality of things, and their abundance or scarcity. It would be vain for a Prince to seek to undermine these principles of commerce. 'This best to leave them intact instead of assailing them by force to the public detriment.'

By saying this, the theologian appears to be highlighting that even if someone, such as Soto, supported price controls, the price control should be set at whatever the market price is, rendering it effectively useless. This is because the market price is based on people's estimations about the quality of goods as well as their scarcity or abundance and diverging from these estimations will leave the public worse off than they otherwise would be.

Luís Saravia de la Calle likewise argued that the just price is the market price. According to Saravia de la Calle [3, p. 79],

> The just price of a thing is the price which it commonly fetches at the time and place of the deal, in cash, and bearing in mind the particular circumstances and manner of the sale, the abundance of goods and money, the number of buyers and sellers, the difficulty of procuring the goods, and the benefit to be enjoyed by their use, according to the judgement of an honest man.

He also reasoned that the just price "arises from the abundance or scarcity of goods, merchants, and money...and not from costs, labor and risk. If we had to consider labor and risk in order to assess the just price, no merchant would ever suffer loss, nor would abundance or scarcity of goods and money enter into the question" [3, p. 82].

Similarly, Martin de Azpilcueta pointed out that price controls are "imprudent and unwise" because "when goods are abundant...there is no need for maximum price control, and when goods are scarce, controls would do the community more harm than good" [10, p. 105]. This is due to the fact that market activity is largely based around incentives that are ultimately sent by prices. Prices influence both the supply of products as well as the demand for those products. High prices not only discourage consumption of a particular product, they also encourage others to produce more of the product. Prices that are low, on the other hand, not only fail to discourage consumption, they also fail to stimulate production. When a price of a product is kept low through the enforcement of just price legislation, then, all things being equal, the demand for that product will be high but the supply of that product will be low, resulting in a shortage that leaves the community worse off than its members otherwise would be.

Consider a situation where the prices of umbrellas are sharply increased during a sudden unexpected storm. According to Woods [13, p. 47], "the higher prices...serve a salutary purpose: they encourage people to economize on those items that are in greatest demand at the time." Underscoring this, he added [13, p. 47],

> Had the umbrella price been forced by law to remain fixed, a household of six may have purchased six umbrellas. But if the price is allowed to rise-even dramatically – in the wake of these sudden and unexpected circumstances, the family is much more likely to economize: to purchase, say, three umbrellas, covering two heads each. The three they end up not purchasing are now available for another household to acquire. This is how a market economy encourages sharing and cooperation during crises: not by central planning,

> reeducation camps, and slavery, but by a price system that is free to fluctuate in response to changing conditions.

When prices, and ultimately profits, are allowed to rise beyond what is considered “just” in response to an increase in demand for a particular good, signals are simultaneously sent to consumers and suppliers encouraging the consumers to consume less and encouraging the suppliers to supply more. When these signals fail to be sent due to the enforcement of a just price, all other things being equal, the increase in demand doesn’t get met with a similar increase in supply. This not only results in a shortage but also a misallocation of resources.[2]

The enforcement of just prices through price controls not only fails to encourage an increase in supply, it also tends to prevent products in a shortage from being allocated to those who value them the most. Instead, the products have a tendency to end up being misallocated, on a first come first serve basis, to those who are the closest and quickest. Reinforcing this point, Woods explained [13, p. 47],

> The fact is, scarce resources must be rationed somehow. A market economy with freely fluctuating prices constitutes one form of rationing. Those who condemn the ‘greed’ of those who charge what the market will bear appear to believe that the rationing that price controls bring is somehow morally superior. But price controls simply reward those who, in effect, can run fast. Put that way, how can such a system be considered morally superior to its market alternative? Why, from a moral point of view, should the limber and sprightly win out over the slow or handicapped? Price controls not only decrease the quantity of a good that producers are willing to sell, but without the discipline imposed by higher prices, the limited supply of goods will be acquired only by those who arrive first – and these buyers will have no incentive to economize on them.[3]

In addition to the just price, the theologians associated with the School of Salamanca likewise argued that the only “just” wage is the wage that is agreed upon by the employer and employee [3]. For example, Soto argued that “if they freely accepted this salary for their job, it must be just” [13, p. 51]. To clarify, he wrote that “no injury is done to those who gave their consent” and mentioned that if the workers “do not want to serve for that salary, leave!” [13, p. 51]. To put it differently, Soto opposed the idea of a minimum wage since he believed that any wage, including very low wages, is just as long as it was agreed to voluntarily.

This was contrary to the idea, which Pope Leo XIII later articulated quite clearly [4, para. 46], that the wages people earn should be “sufficient to enable [the laborer] comfortably to support himself, his wife, and his children.” Specifically, he stated [4, par. 45],

> There underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-earner. If through necessity or fear of a worse evil the workman accept harder conditions because an employer or contractor will afford him no better, he is made the victim of force and injustice.

Luis de Molina pushed back against the belief that employers must pay a living wage as well. Specifically, he claimed that employers are “only obliged to pay [the laborer] the just wage for his services considering all the attendant circumstances, not what is sufficient for his sustenance and much less for the maintenance of his children and family” [13, pp. 50-51].

Although some people may mistakenly consider this view on wages to be "a case of callous disregard for the well-being of workers," their views actually demonstrate a profound care for workers [13, p. 51]. In the words of Chafuen [1, pp. 130-131],

> Their condemnation of monopolies, frauds, force and high taxes are all directed toward the protection and benefit of the working people. Nonetheless, they never proposed the determination of a minimum wage sufficient to maintain the laborer and his family. In the belief that fixing a wage above the common estimation level would only cause unemployment, they recommended other means.

Reason allows us to distinguish between goals and means. One of the goals of the Schoolmen's economic policy recommendations, as of any other school of thought, is the betterment of the worker's condition. Nonetheless, they understood that tampering with the market would be inconsistent with their goals. These reasons, and not a lack of charity, were the basis of their proposals. Those who criticize Late Scholastic wage theory for a so-called 'lack of compassion' demonstrate their lack of understanding of the market.

This means that the Scholastics opposed a minimum wage not because they hated the workers, but because such a minimum wage would actually make the workers worse off than they otherwise would be. Such a situation is due to the fact that the minimum wage acts as an obstacle that must be jumped over rather than a tide that raises all boats.

The wages that workers earn tend to be based around the discounted marginal revenue product, otherwise known as discounted marginal value product, that they will add to the company [9]. For example, if a worker will only add an additional $5,000 to the company each year for two years, then their marginal revenue product is $10,000. However, if the interest rate is 10%, then that means that the present value of the $10,000 gets discounted to $9,000. Consequently, if there is a minimum wage above $4,5000, which is the workers' discounted marginal revenue product per year, then the employer would ultimately be losing money if they hired them. This means that they will tend to not hire that person. Instead, a prospective employer would be better off loaning that money out to someone at 10% and getting a greater return. As a result, the worker is left off in a worse position than they otherwise would be without the minimum wage law because they could have been hired on for at most $4,500 per year, but instead they weren't hired at all and aren't making any money.[4]

Leonard Lessius likewise "advanced the view that workers are hired by the employer because of the benefits gained by the latter, and those benefits will be gauged by the worker's productivity" [10, p. 124]. Additionally, the theologian also highlighted that low wages may also be a result of the worker receiving some other form of non-monetary compensation, such as "psychic income" [10, p. 123]. To clarify, he noted that the psychic income, which is included as part of the pay, may be things like "social status and emoluments" [2, p. 264].

In addition to opposing the idea that just prices and wages are different from market prices and wages, the Scholastics also largely defended the practice of usury, which has to do with charging high, or unjust, interest rates on loans. Cardinal Thomas Cajetan made one of the first great strides in defending usury by using the idea of *lucrum cessans*, which has to do with paying interest to someone for profits that were lost due to not being able to use a piece of property.[5] To clarify, he argued that, at least when it comes to businessmen, all loans were justified.

According to Rothbard, Cajetan was one of the first people to ever justify money lending as a business. Specifically, Rothbard noted [10, p. 101],

> [Cajetan] vindicate[d], not indeed all of *lucrum cessans*, but any loan to businessmen. Thus a lender may charge interest on any loan as payment for profit foregone on other

> investments, provided that loan be to a businessman. This untenable split between loans to businessmen and to consumers was made for the first time - as a means of justifying all business loans. The rationale was that money retained its high profit-foregone value in the hands of business, but not of consumer borrowers. Thus for the very first time in the Christian era, Cardinal Cajetan justified the business of money lending, provided they were loans to business.

Soto also helped to undermine the prohibition against usury even though he technically spoke out against *lucrum cessans* and usury in general.[6] While discussing a quote from the Bible about lending freely, he claimed that the statement actually has no relevance to lending at interest and that usury is not against natural law. This means that, at least on a theological level, usury is not a problem.

Lessius also argued in defense of usury. According to the theologian [10, pp. 124-125],

> Although no particular loan, separately considered, be the cause, all, however, collectively considered, are the cause of the whole lucrum cessans: for in order to lend indiscriminately to those coming by, you abstain from business and you undergo the loss of the profit which would come from this. Therefore, since all collectively are the cause, the burden of compensation for this profit can be distributed to single loans, according to the proportion of each.

Furthermore, the Scholastics also helped to develop the theory of time preference. Azpilcueta, for instance, pointed out that "a claim on something is worth less than the thing itself, and...it is plain that that which is not usable for a year is less valuable than something of the same quality which is usable at once" [2, p. 215]. This means that present goods are worth more than future goods. A house which will not be ready for a year, for example, is worth less than a house that is available at once.[7]

Another economic issue that the Scholastics largely focused on was the monetary theory. For instance, Cajetan "can be considered the founder of expectations theory in economics" due to the fact that he "pointed out that the value of money depends not only on existing demand and supply conditions, but also on present expectations of the future state of the market" [10, pp. 100-101]. In other words, Cajetan noted the expectations of future changes in the supply of money as well things like wars and famines will have an effect on the current value of money.[8]

Additionally, Cajetan explained that there's two kinds of "value of money" [10, p. 101]. He made a distinction between the value that money has regarding "its purchasing power in terms of goods...and the value of one coin or currency in terms of another on the foreign exchange market" [10, p. 101]. Money not only has value when it comes to exchanging it with particular goods such as wheat or rice, it also has value when it comes to exchanging it with money from other countries.

Another scholastic who spoke extensively about monetary theory was Azpilcueta, who reasoned, "all merchandise becomes dearer when it is in great demand and short supply, and...money, in so far as it may be sold, bartered, or exchanged by some other form of contract, is merchandise and therefore also becomes dearer when it is in great demand and short supply" [3, p. 94].[9]

To clarify, Azpilcueta pointed out that "in countries where there is a great scarcity of money, all other saleable goods, and even the hands and labour of men, are given for less money than where it is abundant" [3, p. 95]. As a caveat, Azpilcueta made sure to add, "other things being equal" to underscore the fact that there could potentially be other variables that cause goods in a particular country to cost more in a country where there is a great scarcity of money [3, p. 95].[10] When money in a country becomes scarce, the purchasing power of that money increases, *ceteris paribus*, due to the fact that people would be willing to accept less money in exchange for their goods.[11]

To better illustrate this, Azpilcueta used Spain and France as an example, stating, ”we see by experience that in France, where money is scarcer than in Spain, bread, wine, cloth, and labour are worth much less” [3, p. 95]. Furthermore, he added, “what some men say, that a scarcity of money brings down other things, arises from the fact that its excessive rise makes other things seem lower, just as a short man standing beside a very tall one looks shorter than when he is beside a man of his own height” [3, p. 95]. This means that the greater the amount of money, the lower the purchasing power since a greater quantity of money will be necessary to buy the same kinds of goods.

Moreover, Azpilcueta also ardently defended the exchange market for money, which has to do with trading currency from one country for a currency from another country rather than trading currency for other goods or services. Specifically, he stated [3, pp. 90-91],

> Aristotle disapproved of this art of exchange and of trading in money: it seemed to him both unnatural and unprofitable to the republic, and to have no end other than gain, which is an end without end. St. Thomas, too, condemned all business whose main object is gain for gain's sake. But even St. Thomas allows that the merchant's trade is lawful so long as he undertakes it for a moderate profit in order to maintain himself and his family. After all, the art of exchange benefits the republic to some extent. I myself hold it to be lawful, provided it is conducted as it should be, in order to earn a moderate living. Nor is it true that to use money by changing it at a profit is against nature. Although this is not the first and principal use for which money was invented, it is none the less an important secondary use. To deal in shoes for profit is not the chief use for which they were invented, which is to protect our feet: but this is not to say that to trade in shoes is against nature.

In other words, Azpilcueta defended the exchange market for money by comparing it to trading other goods like shoes and arguing that trading money should be allowed as long as long as a moderate profit is earned just like with shoes or any other good.[12]

In addition to Cajetan and Azpilcueta, Francisco Garcia also discussed the value of money, which he claimed usually comes from three causes. “The first and most important” cause is “whether money is scarce or abundant” [3, p. 105]. To clarify, Garcia added, “just as merchandise is little esteemed when it is plentiful, and highly valued and esteemed when it is scarce” [3, p. 105]. Much like how goods are highly valued when there is not a lot of them and not highly valued when there is a lot of them, money is valued more when there is less of it and less when there is more of it.

Regarding the second cause, Garcia explained that it has to do with “whether there are many or few who wish to give or take money in exchange, just as in the sale or purchase of goods the price of the merchandise rises or falls according to whether there are many or few buyers and sellers” [3, p. 105]. By saying this, Garcia appears to be pointing out that the value of money is no different from other commodities, and consequently, it rises and falls depending on how many people are willing to offer or accept the money.

Regarding the third cause, Garcia noted that it involves whether or not it is in a safe place or a risky place. “If in Flanders a city is in danger of being sacked (as Antwerp was sacked a few years ago),” he reasoned [3, p. 105], “then money would be worth less in that city, quite apart from other considerations.”[13]

Molina likewise wrote in depth about monetary theory. Much like Garcia, Molina pointed out that “just as an abundance of goods causes prices to fall (the quantity of money and number of merchants being equal), so does an abundance of money cause them to rise (the quantity of goods and number of merchants being equal)” due to the fact that “the money itself becomes less valuable for the purpose of buying and comparing goods” [3, p. 113]. Additionally, he explained that “wherever the demand for money is greatest, whether for buying or carrying goods, conducting other business, waging war, holding the royal court, or for any other reason, there will its value be [the] highest" [3, p. 113]. By saying this, the theologian is making it clear that the supply and demand for money is similar to the supply and demand for other commodities.

Furthermore, Mariana also discussed monetary theory. For instance, he asserted that the king may not "take away arbitrarily any part of [the people's] possessions for this or any other reason or any ploy. Such seizure occurs whenever money is debased: For what is declared to be more is worth less" [5, p. 544]. To clarify, he added,

> if a prince is not empowered to levy taxes on unwilling subjects and cannot set up monopolies for merchandise, he is not empowered to make fresh profit from debased money. These strategies aim at the same thing: cleaning out the pockets of the people and piling up money in the provincial treasury [5, p. 544].

When a money is debased and the amount of money in circulation increases as a consequence, the resulting inflation is ultimately similar to theft due to the increase in the supply of money lowering its value.[14]

In conclusion, although some, like Schumpeter, may claim that the Scholastics "hardly went at all into the specifically economic problems of public finance" and "produced nothing that qualifies as economic analysis" on the topic, it's clear that the Scholastics made great strides in the general development of economics [11, pp. 92-93]. Not only did they analyze and argue against price and wage controls, they also examined and pushed back against prohibitions on usury, understood the concept of time preference, helped develop monetary theory, and demonstrated that all of this was consistent with Catholicsm. In other words, the Scholastics had begun laying the foundation of modern economics long before Adam Smith, the so-called "father of economics," had explored the topic [8].

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Notes

1. Soto appears to be suggesting that if the government could fix the price of products in every case, then the government should actually do so rather than letting the prices be left to market forces.
2. This is especially important in times of crisis, such as a hurricane, which is something that Woods has likewise pointed out. Specifically, he stated [13, p. 48], "Suppose a hurricane does serious damage to homes in Florida. The price of lumber rises immediately, to reflect the scarcities brought into effect by the sudden, overwhelming rise in demand. Seizing upon this opportunity for profit, lumber suppliers from across the country rush to make their products available to Floridians in need. This pressure on lumber supplies in the rest of the country raises lumber prices there as well (although not as severely). These price increases encourage all Americans to economize on lumber, thereby releasing additional supplies for use in Florida. A man in Cincinnati intending to build a doghouse, finding the price of lumber unexpectedly high, may well decide not to build one at all, or at least to forego the project for now. The unfettered ability to bid up prices thus allows Floridians to draw lumber supplies away from less urgent uses throughout the country and toward the more urgent uses of those who have lost their homes in the disaster."
3. In summarizing the case against the just price being something different than the market price, Woods explained that since people are left worse off by shortages that result and perpetuate as a consequence of enforcing "just price" laws and other price controls due to failing to discourage consumption and encourage production, such legislation cannot be considered moral according to Catholicism. Specifically, Woods stated [13, p. 50], "It would be to stretch the idea of morality beyond all recognition to claim that a measure that creates ill will between buyers and sellers, provides no incentive to economize on the rationed good (or to subordinate less urgent uses to more urgent ones), and actively prevents the alleviation of a shortage could in any way be described as morally superior to the free market, whose price system possesses none of these disadvantages. To the contrary, the foregoing analysis points to one conclusion only: that the demands of morality can be satisfied only by means of the price that is reached through the voluntary agreements between buyer and seller. The market price, therefore, may with good reason be viewed as the only just price."
4. By requiring employers to pay whatever wage is legislated rather than pay wages based on discounted marginal revenue product, minimum wage legislation results in disemployment effects for uneducated and unskilled workers since the employers will tend to reduce the hours of employees whose discounted marginal revenue product is below the minimum wage and they could even end up replacing workers with more affordable machines. For an extensive review on the economic effects of minimum wage, see [7].
5. *Lucrum cessans* is Latin for "ceasing gain."
6. Soto went so far "as to declare the standard guaranteed or insured investment contract as sinful and usurious, on the old discredited medieval ground that risk and ownership must never be separated" [10, p. 104].
7. Rothbard has also pointed out, quite thoughtfully, that "if a future good is naturally less valuable than a present good on the market, then this insight should automatically justify 'usury' as the charging of interest not on 'time' but on the exchange of present goods (money) for a future claim on that money (an IOU)" [10, p. 106]. Azpilcueta, however, did not make this connection.
8. If a country is in danger of being attacked or likely to get into a war in the near future, then the value of that country's money will be less than a country that isn't likely to get in a war or be attacked. The same applies to countries where an increase in the supply of currency is expected.
9. Rothbard has called this analysis of the purchasing power of money "splendid and concise" and pointed out that Azpilcueta "does not make the mistake of later 'quantity theorists' in stressing the

quantity or supply of money while ignoring the demand. On the contrary, demand and supply analysis was applied correctly to the monetary sphere” [10, pp. 105-106].

10. “Holding other things equal” is also commonly referred to in Latin as *ceteris paribus*.

11. This idea was further developed by Mises, who stated [6, pp. 398-399], “Media of exchange are economic goods. They are scarce; there is a demand for them. There are on the market people who desire to acquire them and are ready to exchange goods and services against them. Media of exchange have value in exchange. People make sacrifices for their acquisition; they pay “prices” for them. The peculiarity of these prices lies merely in the fact that they cannot be expressed in terms of money. In reference to the vendible goods and services we speak of prices or of money prices. In reference to money we speak of its purchasing power with regard to various vendible goods.”

12. By making this comparison, Azpilcueta highlighted that the money market is similar to the market for any other good or service.

13. Interestingly, this was the first time that someone attempted to apply marginalism to the value of money. Specifically, Rothbard mentioned [10, p. 112], “Garcia, for the first time, rested his ‘macro’ analysis on a ‘micro’ insight: that a very rich man, a man with an abundant personal supply of money, will tend to evaluate each unit of currency less than when he was poor, or than another poor man. Here Garcia actually grasped, though sketchily, the concept of the diminishing marginal utility of money. Marginalism, in this area at least, was actually reached rather than simply approached.”

14. In addition to debasing coins, this would also apply to causing inflation by increasing the amount of fiat money in circulation.