

AN INSTITUTIONAL VIEW OF THE MEDIEVAL USURY LAWS

[Roberto de Oliveira Campos]

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The controversy centering on the "Weber problem" has led to a fruitful re-examination of the relationship between medieval ethics and economic growth, or more directly of the role played by the Reformation in the emergence of the capitalistic ethos. Much ingenuity and erudition has been displayed on both sides of the controversy.^{1/}

As is well known, Weber supported by Troeltsch and, with important qualifications by Tawney, contended that Calvinism and Puritanism provided the necessary vehicle and climate for the eclosion of the Capitalist spirit, which was defined as a symbiosis of economic individualism, exact calculatingness and rational economic behavior.

Brentano, Rachfall, Robertson, and to a smaller extent Pirenne, visualized the emergence of the capitalistic spirit as a more continuous process, ushered in, independently from the Reformation, by social and economic pressures resulting from multiple factors such as the Crusades, the Renaissance, the Great Discoveries and the ensuing Price Revolution. As regards the influence of religious ideas as such, Brentano and Robertson contended further that the medieval Catholic teachings, particularly the usury doctrine of the Canonists, may have

^{1/} An excellent appraisal of the controversy can be found in an article by Gordon Walker, "Capitalism and the Reformation" *Economic History Review*, December 1937, cf. Also Henri See, *Dans quelle mesure Puritains et Juifs ont - ils contribué au progrès du capitalisme moderne*, article in *Revue Historique* CLV, 1947

actively promoted rather than inhibited capitalist growth.^{2/}

Despite the fact that Weber himself, in answer to his critics, repeatedly stated that the capitalist energy of Calvinists and Puritans derived less from their treatment of the usury problem than from the notion of a providential "calling" to hard labor, coupled with the canonization of thrift - it remains true that the religious contribution to the formation of the capitalist "spirit" cannot be evaluated aside from the attitude toward money and profit.^{3/}

The question generally asked is whether or not the religious radicalism and its attitude toward usury and wealth has released creative capitalist energies previously stifled by the medieval depreciation of earthly possessions and interest taking.

^{2/}Similar inferences are drawn by Keller and Sombart. Analyzing the doctrines of Saint Antonino and Bernhard de Siena, Sombart detects in them the desire and intention of fostering the spirit of enterprise. This interpretation is, however, bitterly disparaged by Weber, to whom the Canonists doctrine, while attempting a compromise with the practical realities of money market lending, did not in any way affect the church's basic aversion to capitalist entrepreneurship. In drawing an arbitrary line between what he calls the "unscrupulous adventurers" of the era of commercial capitalism and the possessors of the true capitalist spirit, Weber is only defining away the problem. Sombart's contention can in fact be documented by resort to no less an authority than Innocence V who as early as the middle of the thirteenth century had argued that, were it not for the restrictions on usury "men would not give thought to the cultivation of their land...and the rich both for the sake of profit and security would put their money into usury rather than into smaller and more risky investment." (Innocence V, Apparatus in quinque libros decretalium, lib. V, De Usures. apud R.H. Towner, Religion and the Rise of Capitalism, N.Y. 1926, p.44). This point will be discussed in more detail in page 21 above.

^{3/}Prof. See among others regards the emphasis on loans at interest as of the very essence of capitalism. cf. Les Origines du Capitalisme Moderne, Paris 1926, p.26, 193

In the following pages an attempt will be made to approach the problem under a somewhat different light. The immediate question we propose to investigate is not the positive or negative contribution of the usury laws to economic growth, but the extent to which they should be regarded simply as an institutional response to social conditions and needs. As happens in the life of all institutions, changes in underlying conditions, stimuli, and needs, may result in institutional adaption, institutional tension, or if the rate of change is sufficiently intense, in institutional reform or breakdown. It shall thus be our task to survey in brief compass the early medieval pronouncements and the later refined teachings of the Canonists on usury and interest, regarded not as ethical categories, but rather as forms of institutional response to changing material and social forces. This view of the problem will lead us to conclusions that in many respects are diametrically opposed to that of Weber. The Calvinist and Puritan Revolutions will thus be seen not as "cause or factors" in the deliverance of the capitalist spirit but rather as a process of institutional reform rendered necessary by the growing pressure of a changing economic and social environment. This will in no sense be a vindication of the Marxian economic interpretation of history as against a psychological or spiritualistic view which is supposed to underly Weber and Sombart's interpretation of the capitalist phenomenon. Rather it will be a return to Weber's own "societal" approach.

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An analysis of early medieval economic and social conditions will reveal no appreciable tension between the teachings of the Church on money and usury and the actual motives and needs of the society. For the early Middle Ages were a period of limited

exchange and trade. Even the modest commercial life that lingered around the Mediterranean during and after the Barbarian invasion (roughly between the V and VIII centuries) was suddenly brought to a halt by the Islamic invasion. The asphyxiation of the Mediterranean trade from the VIII to the XI century brought stagnation and a slow death to the Mediterranean shore towns. Although some commerce survived during the Carolingian Empire along the Scheldt, Meuse, Rhine and the Northern Sea, there was, in fact, a growing "agrarianization" of European life. "Medieval wealth," says Pirenne, "no longer played any part in economic life. All social existence was founded on property and the possession of land...In fact the appearance of feudalism in Western Europe in the course of the IX century was nothing but the repercussion in the political sphere of the return of society to a purely rural civilization."^{4/}

Agrarianization, in turn, led to fragmentation of markets and to the decay of the merchant class. In fact, from the IX century onwards most of the European life could be described as an "economy without a market."^{5/} To this another trait must be added. It is the increasing personalism of economic relations. For the depersonalization of economic relations is essentially a by-product of the market place.

^{4/} Cf. Henri Pirenne, Economic and Social History of Medieval Europe, Harcourt Brace, N.Y.p. 7. In Chapters 1 & 4, Pirenne gives a detailed description of the aftermath of the Islamic invasion, and of the later revival of commerce and trade in the Mediterranean shores.

^{5/} The existence of fairs since the Merovingian era does not disprove this contention. For at least until the XII century, when the fairs of Champagne and Flanders came into prominence, there was not much difference between the early fairs such as that of Saint Denis in Paris and the local markets or *nundinae*, of limited importance as centers of exchange.

It is against this background - an agrarian economy based on a mass of individual barter dealings, money occurring only at the fringe of the transactions - that the early teachings on usury must be appreciated. The era of great investments in maritime trade had not yet arisen. Most of the transactions took the form of consumption loans made under stress of subsistence needs.

Fortified by what now appears to be a mistranslation of Luke VI, 35 "matuum date nihil inde sperantes" the Church banned usury as an abomination not only for the clergy but also, from the IX century on, for the laity. The sin of usury was subject to the jurisdiction of the ecclesiastic courts, and at least until the XIV century no voice arose against this moral adjudication of material interests. This hostility was also extended to the trader "Homo mercator vix aut nunque deo placere potest." ^{5(a)/} For this was essentially an heirarchic age, in which material pursuits were ancillary to ethical aims and religious endeavors. Trade and wealth were regarded as necessary evils or at best as instrumental values; it remained for the later capitalist age to install money making as a terminal value.

Under the circumstances, the prohibition of usury and the regulation of transactions by standards of personal morality is easy to understand. There was in fact at the time no question of institutional tension between motives validated by the Church and actual social needs.

^{5(a)/} C.f., See, Dans quelle mesure protestants et juifs contribuèrent au progrès du capitalisme moderne, Revue Historique, Mai-Juin, 1927, p.63. "Si l'Eglise Médiévale s'élève contre le prêt à l'intérêt, contre la recherche acharnée du gain, si elle se prononce pour le juste prix, c'est que la vie économique du Moyen Age est surtout rurale, que les métiers représentent à peu près toute l'organisation industrielle, que les relations internationales sont encore peu de chose."

In fact, writes ~~Pirenne~~, "when it prohibited usury for religious reasons the Church rendered a signal service to the agrarian society of the Early Middle Ages. It saved it from the affliction of consumption debts from which the ancient world suffered so severely...The precept "mutum date nihil inde sperantes" was perfectly attuned to a period in which, money not yet being a means of wealth, any remuneration from it would appear only as an exaction."^{6/}

The Crusades ushered in a new era. With the re-opening of the Mediterranean, there was a revival of maritime trade, which during the period of Moslem supremacy, had been confined to the Baltic and Northern Seas and to the river estuaries of the Scheldt and Meuse. It is true that even before the Crusades, under the undisputed Islamic domination of the Mediterranean sea, Venice had developed into an important commercial center for trading between Constantinople and the Christian ports of the East. The Genoese and Pisans had already taken the offensive to wrest from the Saracens the mastery of the Mediterranean Sea. Sardinia was conquered in

^{6/} In this respect, moreover there is little difference between the pronouncements of the school men and canonists, and the early reformers. Luther's traditionalist attitude to wealth and usury is well known and, from the viewpoint of the capitalist ethos, compares unfavorably with the teachings of St. Anthony of Florence. Even among the Puritans, the Ebionitic attitude towards wealth is all pervasive in Baxter's and Bullinger's writings. The first clear endorsement of money making as a terminal value is to be found in the famous passage by Benjamin Franklin so brilliantly analysed by Weber. It is, incidentally, interesting to note that most of the pronouncements cited by Weber to evidence the Puritan contribution to development of the capitalist ethos refer to the XVII century rather than to the formative stage of the Protestant Revolution. This amounts in fact to a serious flaw in the Weberian argument. Tawney in fact remarked that it is only after the Revolution of 1688, that capitalist tendencies were strengthened among the Puritans. Op. cit. cf. also Gordon Walker "Capitalism and the Reformation", in Economic History Review, Nov. 1937.

1022 and Sicily in a long struggle between 1058 and 1096. But the launching of the first Crusade in 1096 was the really decisive factor in the re-opening of the Mediterranean for trade. By 1097, the Genoese were moving supplies for the Crusaders besieging Antioch. The first fondaco endowing them with commercial privileges was obtained in 1097. By 1204, when Constantinople was taken by the Crusaders under the leadership of Venice, the trading towns of Italy and Provence had attained a high degree of prosperity.^{2/}

The raw materials of the East imported into Italy and the war-induced demand for supplies caused the prosperity, which spread from the merchant towns to the inland centers in the Lombard plains and Tuscany, such as Lucca and Florence, whence it spread to Provence and Catalonia. Regular commercial contacts were soon established between the commercial centers of Italy and the emerging cloth manufacturing centers of Ghent, Bruges, Lille, and Arras. The fabrication of woolen cloth shifted from the manors to the towns, particularly in the industrial region of the Scheldt and Meuse. There was a brisk trade between the Italian ports, exporting spices, silk and jewelry in exchange for the "panni francesi" of Northern Europe.

^{2/} In the first edition of the "Der Moderne Kapitalismus" (1902) Sombart dates the capitalist age from 1204, the year in which Constantinople fell to the Crusaders. In the revised edition, the early Middle Ages are regarded as the pre-capitalist era; the period from the 1500 to 1760 is described as the period of early capitalism; the period of ~~Hoch~~-kapitalismus lasts from 1760 to the First World War. cf. Frank Knight, Historical and Theoretical Issues in the problem of Modern Capitalism, Journal of Economic and Business History, Vol. I, 1928-29, p. 1-7. The importance of the Crusades in the emergence of capitalism is also emphasized by Brentano, who, in his controversy with Weber, traces the origin of capitalism back to the IV ~~century~~ Crusade.

Paradoxically enough, the Crusades which started out as a major effort for spiritual regeneration and failed to attain that objective, succeeded in establishing the basis for an unprecedented commercial expansion, which later threatened the rural basis of the society and the scheme of personalist ethics which permeated the Church's teachings.

By creating regular demand for means of transport and for export supplies, the Crusades fostered the development of large scale shipping and investment in commercial ventures. By the XII century the institution of the commenda, which had first appeared in Europe during the tenth century, was flourishing, while the nautic loans (*caenus nauticum, dare ad proficuum mare*) were generally in practice by the thirteenth century in the maritime towns. ^{8/}

On the other hand, the revival of urban commerce prompted the emergence of a merchant class and financiers - the "deracinés" (to use Fierenne's expression) - unconnected with land and manorial activities. There arose a considerable emigration from manors to towns, where the serfs sought to settle themselves

^{8/} The commenda and the sea loans were not of course medieval inventions. Weber, in fact, finds vestiges of the commenda in the Babylonian and Arabic law. The sea loans were also known in Greece, as evidenced by the court pleas of Attic orators. cf. Weber, General Economic History, p. 204

as artisans and employees of the merchant group. 2/ By the fourteenth century, commercial capitalism was booming in Italy, particularly in Florence, and also in Flanders.

The crucial fact of the age, from our view-point, is the growing separation of commercial credit - needed to finance export and industrial ventures - from consumption loans. This entailed a growing process of "depersonalization of credit" evidenced in the emergence of the commercial contract, bills of exchange, etc. These two phenomena are at the very root of the institutional tension that shortly developed between the economic behavior institutionally validated by the Church, and the changing needs of the society, awakened from its rural peace by the gales of trade. Before that there was, as we have seen above, little evidence of institutional tension. In fact, the Church teaching on usury seemed admirably adapted to a rural environment in which loans were resorted to in order to finance not production but consumption, and where transactions were not yet conducted through an impersonal market unamenable to direct ethical sanction.

2/ An interesting question, the examination of which cannot be undertaken at this juncture, is the relative role of rent and trade profits as sources of primitive accumulation. Pirenne, on the one hand, seems to overstress the role and contribution of the merchant in the creation of the medieval town and the development of the early capitalist accumulation. The production of large fortunes and accumulation of large capital is attributed by him predominantly, if not exclusively, to the development of the export trade, as exemplified by the case of Godrick of Finchale, the prototype of early capitalist entrepreneur. (cf. Economic and Social History of Modern Europe, Harcourt Brace, N.Y., p.47, and again 165. cf. also See, Modern Capitalism, English translation, N.Y., 1928, p.27). Sombart, on the other hand, developed a "rent theory of accumulation"; he held accumulation to have been stimulated not so much by trading profits as by the surplus wealth of aristocratic landlords. Later, under the influence of Jacques Strieder's studies on the Fuggers banking house and primitive forms of commercial association, Sombart stressed profits derived from the collection of princely revenues as one basic factor in capital accumulation. Weber, in turn, seems to have reconciled the two views, by tracing the original accumulation to the "commenda contracts", funds for which were supplied by the land-owning nobility and reinforced subsequently by profits in trade. cf. Knight, op. cit.

Parallel to the development of commercial credit, there was the emergence of the Papacy itself as an important financial institution. Receiving remittances from all countries and collecting revenues from the Chardhes in treasure, at a time when most of the princely taxes were farmed out in kind, the Papacy was compelled to utilize the banking houses of the day and became to some extent an impersonal financial market much earlier than the material kingdoms of the Middle Ages.

Under the influence of the changing economic environment, swayed by forces economic and spiritual, the Church was faced with the problem of adaptation, lest the gulf between religiously validated motives and current practice became unbearable. The process of adaptation was, in fact, slow and irregular. It was, of course, much less visible in the dogmatic pronouncements of the Councils, committed to the preservation of traditional morality and basic institutional tenets, than in the teachings of the Canonists who had to cope with the problem of applying personalist ethics to impersonal market forces.

The first line of adaptation was the sharpening of the distinction between consumption loans (in which case usury continued to be severely prohibited) and commercial loans. Interest taking was recognized as legitimate when associated

with risk. By the early XIII century the distinction between mutuum and usury was well established, as exemplified by the popularity of the commenda or sea loans and of commercial contracts and partnerships. This was not, of course, an easy transition. In fact, in the face of a growing threat to institutional tenets, the first reaction of the Councils was the strengthening of the laws against usury as evidenced by the rigorous prescriptions on usury of the third Lutheran Council (1175) and the Councils of Lyon (1274) and Vienna (1214). Gregory IX went as far as prohibiting usury on sea loans. But the Council of Lyon itself recognized the increasing difficulty of coercing usury and, to a certain extent, shifted the emphasis from the prevention of usury to the correction of the damage caused by the "usuraria praeuitas". Hence the elaborate provisions on the obligation of restitution. It is also worth noting that the interpreters of the "Canon Usurarius" of the Second Council of Lyons emphasized that the prohibition was directed against the "manifest" or public usurers, particularly the foreign practitioners such as prestatores in Italy and the cahorsins in France. 10/

10/ For a good exposé of the medieval practices on restrictions of usury cf. Benjamin Nelson, The Usurer and the Merchant Prince, article in "Economic Growth", Supplement to the "Journal of Economic History", 1947, pp. 104-122. Benjamin Nelson notes that the Church and the State worked often at cross purposes in the enforcement of the ban on usury and of the obligation of restitution, the civil authority concentrating paradoxically on combatting occult usury, while the Church directed its indictment chiefly against "manifest usury". As regards the cahorsins, it is interesting to note that Innocent IV in 1248 had given them the title of "Romanae Ecclesiae filii speciales".

In the teachings of Canonists and school men, the distinction between consumption loans and risk loans was progressively sharpened and refined. Their views are, of course, still deeply embedded in the notion of pre-eminence and supremacy of ethical ends and values; and their qualified acceptance of trade as a necessary but spiritually dangerous pursuit reflects the basic beliefs and needs of a predominantly agricultural society. Trade, says St. Thomas, is justified only "propter publicam utilitatem"; the trader should pursue profit ^{11/} "non quasi finem, sed quasi stipendium laboris."

It has generally been recognized that by the time of San Antonino of Florence, when financial capitalism was at its climax in Italy, a synthesis had been effected between traditional or institutional motivation regarding usury and price, and the current economic motives. The growing impersonalism of the market had increased the difficulty of applying rules of personal ethics. It is not always realized, however, that in the teachings of the earlier Canonists there are elements more various and "realistic" than is usually recognized. St. Thomas Aquinas, for instance, while adhering to the Aristotelian doctrine on the sterility of money and developing ~~the~~ ^{the} concept of

11/ It would be wrong, however, to infer that the school men regarded the possession or the pursuit of wealth as an intrinsic evil. In fact, for St. Thomas the pursuit of wealth is only forbidden in three cases, namely: If it is undertaken "tanquam finem" or "Propter Superfluum studium" or "ex parte timoris superflui", (Summa Teologica II, 2 q. 55, Art. 6). In other cases a moderate quest for earthly possessions is even commendable; "solicitude ejus qui corporali labore panem acquirit non est superflua sed moderata." In the Summa Contra gentiles, St. Thomas further explains that neither wealth nor poverty are good or evil per se, all depending on the use to which they are put. "Neque divities nec pauperitas neque aliud exterius est secundum se hominis bonum sed solum secundum ordinantur ad bonum rationis" Summa Contra Gentiles, I.3, c.135, Apud Panfani, le origini dello spirito capitalistico in Italia, Milano, 1933, p.3.

money as a consumptible category (as opposed to the fungible goods of the Roman law) recognizes the legitimacy of interest-taking as protection against losses: "The lender may without sin contract with the borrower for compensation to cover a loss arising from the fact that he gives up something that belongs to him; for this is not the selling of money, but avoiding loss; and it may be that the borrower avoids greater loss than the lender incurs; so that the borrower makes good the other's loss with advantage to himself." Subsequently, referring specifically to contractual partnerships, he says; "He who extends money to a merchant or craftsman, by means of a partnership, does not transfer the ownership of his money to the latter, but it remains his; so that the merchant trades with it or the craftsman uses it at the owner's risk; hence he may lawfully claim a part of the gain arising therefrom as being from his own property ("et ideo sic licite potest partem lucri unde provenientis expetere tamquam de re sua"). Duns Scotus, whose tolerance toward trade is even more marked than that of Thomas Aquinas, held similar views. His disciple, Francis de Mayronis, went further to state, in a view revolutionary for his epoch, that "De jure naturali non apparet quod usura sit illicita."^{12/}

While St. Thomas had developed a risk-theory-of-interest by propounding the concept of "damnum emergens", other justifications for interest-taking were found in the concept of "lucrum

^{12/} Francis de Mayronis, Script super IV Lib. Sent. dist. 16, q.4. apud Fanfani, Le Origini deli spirito Capitalistico in Italia, Milano, 1933, p.16

cessans" and "mora", the latter being a penalty imposed for delay in payment.^{13/} It is interesting to note that Aegidius Lessinus, writing in the fourteenth century, propounded what could be called a time-preference theory of interest, surprisingly modern in tone: "Etiam res futurae per tempora non sunt tantae aestimationis, sicut eaedem collectae in instanti, nec tantam utilitatem inferunt possidentibus, propter quod, quod sint minoris aestimationis secundum justitiam."^{14/}

The second line of adaptation was in the practical field. The increased demand for commercial credit led not only to the separate treatment of productive credit vis-a-vis consumption credit, but decreased the availability of consumption loans. The rigorous civil and religious prohibition of interest on the mutuum^{15/} caused an extra premium to be exacted for such loans by the manifest or occult usurers. The distressing situation of consumers credit led eventually to greater tolerance towards the admittance into the towns of Jewish money-lenders, and eventually to the establishment of the "Montes Pietatis" during the fourteenth century, on which a bitter religious controversy was fought until they won approval of the Papacy in 1512. The "Montes Pietatis" were designed to attend to the need for consumption loans without payment

13/ For practical instances of interest taking see Pirenne, p.128-30. The usury on the "Mora" fluctuated between 5% and 24%, cf. also Fanfani, op.cit. p.35-45

14/ Apud Tawney, op.cit. p.296

15/ In Venice, not only interest on the mutuum was forbidden, but the capital of the usurer was confiscated. Only after 1374 Jewish money lenders were admitted in the town. As late as 1425 usurers were excluded with confiscation of capital and loss of civil rights. In 1315 in Florence and in 1450 in Perugia fines equal to the interest charges taken were exacted from individual money lenders as well as from usurious bankers. cf. Fanfani, op.cit. p.100

of interest and against only a small charge to meet administrative expenses.

While St. Thomas and Scotus elaborated practical rules of morals for a society in which commercial capitalism was only beginning to emerge, St. Anthony of Florence (1388-1455) and St. Bernadino had before their eyes a highly developed credit economy. Impersonal instruments of credit (letters of exchange, bills of lading, insurance titles, etc.) had already been perfected and systems of rational accountancy developed.

St. Antonino further clarifies Thomas Aquinas' views on the essentially neutral character of wealth or poverty; they are neither good nor evil per se all depending on the use which is made thereof. "Patet quod absum divitiarum et paupertatis sapiens fugiendum docit, non ipsas divitiam et paupertatem." To the usury problem St. Antonino brings an important contribution. While he fully accepts the Aristotelian-thomastic view on the "barrenness" of money as such, he implies that capital is productive; therefore, while interest cannot be taken, ratione mutui, it can legitimately accrue modum capitalis. Not only partnership contracts are legitimate if there is risk (periculum capitalis) but it is permissible to enter into labor-capital associations, in which one partner supplies the money and the other the labor of the enterprise. Saint Bernadino pari-passu with a rigorous treatment of interest taking in the case of loans to the needy - in which case not only the imposition upon the debtor of an obligation of re-payment but even the simple intention to achieve gains are sinful - enumerates various causes which may render interest taking legitimate such as "ratione damni emergentis, lucri cessantis, debiti postulantis." Cardinal Gaetano went still further and enlarged the concept of

"actual cessation of profits", as a justification of interest-taking, to cover the case of "expected cessation of profits."

The evolution of the idea of just price and the flexible interpretation given to it by St. Antonino is well known and need not detain us here. Attention might perhaps be called to two other developments that further distanced the theologians of the "Quattrocento" from the earlier Thomistic doctrine. The first is the attitude toward saving. Saving was traditionally looked upon with distrust by the early School as a dangerous concession to the accumulative instinct.

Paradoxically enough, it was Savonarola, the rigorous reformer, who regarded wealth as a "medicina avara", who first explicitly admitted the legitimacy of saving and accumulation beyond the needs of maintenance of one's status, subject to the condition that accumulation be not pursued per se but result from individual activities that yielded more than the individual could use for his own consumption needs or for what appeared to be the needs of the Church or of his fellows. Savings could then be justified by the saver's expectation to be useful in the future to the community, to the Church, and to the poor. "E se per questo uno diventa più ricco, teme Dio e non inclini il cor suo ad esse ricchezze, ma serbale però a quello tempo audo bisognasse spenderle a onore di Dio e utilità de'prossimi, e creda che Dio gliel'ha date, e moltiplicandole fattolo più ricco, acciò che lui possa per loavvenire^{16/} essere ancora più utile alla sua comunità, alla chiesa, a'poveri."

16/ Apud Fanfani, *Le Origin dello spirito capitalistico in Italia*, p.125. In this interesting work, Fanfani minimizes the importance of the deviations of the Gausuits of the "Quattrocento" from Aquinas' teachings and concludes that they do not contribute appreciably to the eclosion of capitalism in a modern sense. This view is debatable. But more of it later.

The second development, to which attention was first called by Sombart, is the doctrine of Cardinal Gaetano on the legitimacy of direct search for wealth in the case of persons with special qualities, who want riches to attain a status compatible with their qualities: "Singulares autem personis multum ab instinsicis donatas...idcirco si isti appetunt dominium, si ad hoc commulant pecunia ut dominium temporale emant, ut cuiusque decet sapientiam, a rationis rectae tramite non recedunt."^{17/} The importance of this development is considerable. For here the labor effort can be channelled to the pursuit of wealth for the purpose of transfer of social status, while the entire emphasis of the early schoolmen was on labor for the maintenance of status,^{as} was indeed appropriate for an agrarian feudal society deeply impregnated by a functional view of class organization, which postulated equality within a class and inequality between classes as a condition of economic and social stability.

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After having reviewed in brief compass, the evolution of religious teachings on usury in response to a changing economic environment, the problem we now confront is to evaluate the bearings of the usury laws on economic growth and indirectly on

17/ G. Sombart, The Quintessence of Capitalism, Eng. translat., New York, 1915, p.246. The theologians and Casuists of the era of commercial capitalism did in no sense break with religious tradition. In many ways they only developed strains of thought already contained in Aquinas' teachings, who wrote at a time when the money market was still in its infancy. But their teachings showed more and more the impact of great economic and social changes. By attempting to bridge the gap between theory and practice, in problems of money and wealth, they were in fact coping with the problem of institutional tension. The Church was still an overpowering institution, powerful both in the spiritual and the material world. But forces were afoot which would eventually replace the hierardic and organic concept of medieval society by a departmental view, which would set material and spiritual interests side by side and submit the latter exclusively to the secular rule.

the genesis of capitalism. Have the teachings of the Church on usury inhibited economic growth and the eclosion of the capitalist spirit? Was the Reformation the major solvent of traditional restraints? Was the Reformation itself but one of the manifestations of a changing economic environment that, after having induced institutional adaptations, finally became sufficiently strong so as to generate a process of institutional reform?

One question must be cleared at the outset. The bearing of the usury laws of economic growth and accumulation is in itself a matter for historical determination. It is quite distinct from the general question whether in its essence ~~the~~ Catholic spirit is conducive to or in-consistent with the development of the capitalist spirit. Even though one holds that Catholicism in a broader context is essentially spiritualistic, anti-competitive, and therefore, inconsistent with the all absorbing rationalization of economic pursuits as an end in itself, it still remains true that in its practical and theoretical responses to economic needs, medieval Catholicism may have unwillingly created conditions favorable to capitalistic development.

Before we enter into more detailed investigation, it may be well to deal with the contention that the partnership, commendae and other institutions of commercial credit that we have found in the Middle Ages are but disguises devised to evade the prohibition of usury. In fact, though they may have been consciously or unconsciously used to escape the rigors of the usury laws, it is safe to assume that they emerged primarily as responses to needs of trade and industry developing in the midst of a predominantly agrarian society with only primitive sources of accumulation. In fact, the commendae and the sea loans were known, as noted by Weber, even in societies where the prohibition of usury was non-

existent or much less rigorous, such as in Greece and Babylonia.

Let us now resume the main thread of the argument. The interpretation of the economic effect of the medieval usury laws led to conflicting views. Brentano, Keller, Robertson, and Sombart in particular regard the teachings of usury of the Canonists, especially of St. Antonino and Bernhard of Sienna, as permeated by the intention and desire to foster the spirit of enterprise (which - it may be recalled - Sombart regards as the essential ingredient of the pre-bourgeois capitalism). Sombart, in fact, states that the "medieval prohibition of interest was a blessing in disguise for the capitalist spirit."^{18/} A similar view has been recently advanced by Benjamin Nelson. He attributes to the usury laws an important role in creating the necessary divorce between the usurer pawn-broker (severely repressed) and the merchant prince, who was nearly exempted from the stigma of usury and from prosecution by ecclesiastical and secular courts. "Economic growth in the latter Middle Ages and Renaissance, writes Prof. Nelson, was less inhibited by the Church than many imagine. It was the Church's willing assistance to an unwilling compromise with merchants and financiers that helped convert the merchant usurers of the twelfth and thirteenth centuries into the merchant princes of the Renaissance."^{19/}

^{19/} Cf. Benjamin Nelson, "The Usurer and the Merchant Prince", Article in Economic Growth, supplement No.7, to the Journal of Economic History, 1947, p.121

^{18/} "The opinion of the Schoolmen, especially of the latter ones, concerning wealth and its acquisition and more particularly their views on usury far from being a hindrance to the growth of the capitalist spirit, was in reality an impetus of no small weight." Sombart, The Quintessence of Capitalism, Eng. trans., New York, 1915, p.243

Weber, on the other hand, criticizes Sombart's interpretation. To him the Canonist doctrine, while recognizing practical realities, did not in any way represent a stimulus to the spirit of enterprise.^{20/} He contends that the Church came to reconsider the prohibition of interest comparatively late and that the Canonists' tolerance toward usury referred only to "loans for business investment where the profits were graduated according to risk, but not to the loans at fixed interest. When the latter became customary together with the practice of 'discounting' they encountered troublesome difficulties and opposition."^{21/}

Weber's argument seems, however, to miss the point, leaving Sombart's conclusions untouched. Whether the stimulus given to capitalism by the medieval laws derives or not from any recognition by the Church of the legitimacy of profit on consumption loans or fixed interest loans is not an essential part of Sombart's argument; rather it was precisely the intolerance of the Church regarding interest-taking in general, except when associated with risk in commercial enterprises, that in the end contributed to foster the spirit of enterprise. It is true that Sombart goes further to state that "those pious men (the Canonists) were anxious to spur on enterprise", thereby implying that the usury doctrines of St. Antonine and St. Bernardine were consciously motivated by the intention of fostering industry and profit making. This contention is debatable indeed, but

^{20/} "Equally false", says Weber, "is the assertion that the Church pursued an opportunistic policy in connection with interest and actually favored the development of capitalism." *General History of Economic History*, p.269-270

^{21/} Cf. Weber, *The Protestant Ethic*, Chapter II, footnote 29, p.202

is not in itself essential for an appraisal of the objective economic effects of the "usury laws". 22/

It seems inescapable that the usury laws, by the indictment of interest taking on consumption loans, threw the bulk of savings into enterprises associated with trading and risk, and favored the merchant prince at the expense of the usurious lender. It is, in fact, illuminating to see that much before St. Antonino, Innocent IV, a master of Realpolitik, had argued that, were it not for the restriction on usury, "men would not give thought to the cultivation of their land, except when they could do naught else and so there would be so great a famine that all the poor would die of famine, for even if they could get land to cultivate, they would not be able to get the beasts and implements for cultivating it, since the poor themselves would not have them, and the rich, for the sake both of profit and of security, would put their money into usury rather than into smaller and more risky investments."

Thus the Canonists and Schoolmen may have unconsciously and unwittingly laid the ground work for capitalist entrepreneurship; just as later the early Reformers would, in Weber's theory, unchain acquisitive appetites and a rational seeking seeking of wealth to an extent undreamt of in their stern search for the Kingdom of God.

When the Reformation set in, Europe had, for at least a century, witnessed intense capitalist activity. There was in fact, as noted by Tawney, plenty of capitalist spirit in the fifteenth century Venice, Florence, and in South Germany and Flanders. Nor could it be otherwise. For

22/ On this see Fanfani ~~expressed~~ who, for different reasons endorses Weber's views that the Canonist doctrine, despite its evolution to meet practical needs, remained pre-capitalistic since it retained throughout the instrumental concept of wealth; material possessions being regarded not as valuable in themselves for gratification of wants but rather as a means for attainment of extra-earthly salvation (Cf. *Le Origini dello spirito capitalistico in Italia*, P. 160). The distinction that exists is not between St. Thomas and St. Antonino but between the theocentric spirit of both and the naturalist spirit of the Renaissance humanists like Alberti. Fanfani also confutes Sombart's contention that the eulogy of "Industry" and "Vasceria" by the Canonists

was akin to the "bourgeois" capitalist virtues.

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despite Weber's definitional refinements, modern capitalism cannot be regarded as a sudden qualitative change. It is rather a cumulation of economic tendencies. There was no lack of acquisitiveness or rationality among the Bardi, the Peruzzi, the Fuggers or, going back in history, the Godric of Finchale.^{23/} "Between Medieval and modern capitalism", says Pirenne, "il n'y a qu'une difference quantitative, non une difference qualitative, une difference d'intensité, non une difference de nature".^{24/}

Divers factors of economic and social nature had impinged upon the organic medieval structure, in which a scheme of religious ethics permeated the entire social fabric, relegating material possession to the subordinate role of instrumental values. Nor were those changes purely economic. The originating factor in the trade revival was paradoxically enough a religious movement - the Crusades - which however brought in their wake profound economic changes, fostering the development of commercial credit and the depersonalization

^{23/} Gordon Walker in "Capitalism and the Reformation" (article in the *Economic History Review*, Nov. 1937) justly criticized Weber and Sombart's splendid isolation of the "capitalist spirit" as an "eternally valid quality of mind abstracted from, and independent of, any particular period or place of history". He argues cogently that qualitative changes in society can only result from preceding changes in quantity; in other words, changes in quality are nothing but a certain stage of intensity of preceding changes in quantity. Cf. pp. cit., p.5.

^{24/} There is a certain paradox in the fact that Weber denies the existence of rational capitalism among the Italian and German financiers, who were precisely the ones who developed instruments of rational accounting and who certainly had a clearer idea of rational calculation of pecuniary gain and loss than the Puritans in the backwoods of Pennsylvania. Cf. Henri See, *Dans quelle mesure Puritains et Juifs ont-ils contribué au progrès du Capitalisme*, *Revue Historique*, Mai-Aout 1927, p.63. Illustrative also is Pirenne's description of the early capitalist St. Godric of Finchale, who reasoned, bartered, and calculated with the sole aim of accumulation of profits; "De quibus singulis negotiando plurima profecerat et maximas opum divitias in sudore vultus sui perquisierat, quia hic multo venundabat quod alibi parvi pretii sumptibus congregaverat". Pirenne, *Economic and Social History of Medieval Europe*, P. 163-4.

of market relations. The Church's interest in protecting the agrarian feudal structure soon had to be weighed against the needs and pressures of the vigorous upsurge of commercial capitalism in Northern Italy; this was the institutional tension with which the Canonist doctrines had to cope.

But while there is a significant evolution from St. Thomas Aquinas to the Archbishop of Florence, the theocentric interpretation of economic and social life remained substantially unscathed. The Canonists of the "Quattrocento" rendered possible the development of financial markets within the traditional framework; but they did not sanction the acquisitive instinct as such.

The first major solvent of traditional restraints was not the Reformation but a cultural movement, the Renaissance, the importance of which for the development of the capitalist spirit has been emphasized by Brentano. It is in the writings of humanists like Leon Battista Alberti that one can first sense the replacement of the theocentric concept by a naturalistic and secular approach, which would ultimately divorce money making from the mechanism of ethical sanction. Machiavelli, in turn, played in the political and social field as important a role as Calvin in solving traditional restraints. ^{25/} But other economic changes were afoot which had a much more important role to play in the emergence of modern capitalism than religious motivation. They are the Discoveries and the ensuing Price Revolution. The Discoveries entailed an immense dilation of the horizon of economic opportunity. The price inflation that followed the inflow of precious metals in Europe, in turn, altered the entire structure of creditor-debtor relationships and played havoc with the traditional doctrine of "just price". ^{26/}

^{25/} Cf. H. K. Robertson, op. cit., p. 58.

^{26/} Id. ib. pp. 177-181.

The economic and social consequences of those factors were portentous. As observed by Gordon Walker, they posed with fresh vigor two problems with which the institutional framework had increasing difficulty to cope: that of expanding the rate of primary accumulation and that of acclimatizing the new bourgeois class to the leading role left vacant by the decay of the feudal lords. 27/

It is against this background that the emergence of the Reformation must be appreciated. It did not cause the capitalist ethos to merge. It was rather the result of an increasing institutional tension which was rooted precisely in the growing strength of the capitalist advance. In fact, paradoxically enough, its first effect was not the release of traditional restraints on usury and acquisitiveness, as it might be expected had the Reformation played a causal role in the emergence of the capitalist spirit. Except perhaps for Calvin, the attitude of the early reformers on money and wealth was not, as we shall see below, an improvement on the synthesis effected by Saint Antonino between the omnipresent Church and the requirements of the money market. 28/

Of the early Reformers, Luther, as is well known, held profoundly anti-capitalist views on wealth and usury. This is traceable in part to his devotion to the traditional economic environment of craftsmen and peasants but represents also a reaction against the scandalous alliance between the Papacy and the Fuggere for the sale of indulgences. Not until Johan Gerhard

27/ Gordon Walker, "Capitalism and the Reformation," Economic History Review, Nov. 1937.

28/ This is, incidentally, fully recognized by Weber. He does not, in fact, rest his thesis concerning the causal role of the Reformation on the attitude towards usury, but rather on their contribution towards "the rational organization of free labor" and on the concept of a "calling". The enthronement of gain as a terminal value was not consummated until a much later stage in the Protestant evolution. Neither of the Weberian claims can be examined here. For a refutation of the interpretation given by Weber to the concept of "calling" and its relationship to Catholic teaching cf. Fanfani, Catholicism, Protestantism, and Capitalism, pp. 200-2.

in 1639 would the Lutheran Church show leniency towards usury. ^{29/}

Calvinism presents us with a somewhat different phenomenon. For it was born in an urban environment of traders and merchants among whom financial transactions were part and parcel of the institutional background. In departing from the doctrine of sterility of money - that lingered in form if not in reality throughout the canonist age - and placing the profits of the trader on the same level of respectability as ^{the} earnings of the laborer and the rent of the landlord, Calvin was the agent (though not the herald) of a new capitalist ethos: "Quid si igitur ex negotiatione plus lucri percipi possit quam ex fundi cuiusvis proventu? Unde vero mercatoris lucrum? Ex ipsius inquires, diligentia et industria."

Credit and interest are taken for granted by Calvin; moderate interest is permitted in loans to the rich although it is morally wrong to extract interest from the poor; in any event, the interest taken should not exceed the maximum permitted by the civil law.

The indulgence of Calvin's outlook should not however be exaggerated; some of the qualifications introduced by him, for interest taking - e.g. the requirement that the gain of the borrower should be equal to or exceed that of the lender -- are in fact more stringent qualifications than those applied by the Canonists to the partnership contracts. ^{30/}

Moreover, Calvin's tolerance regarding usury had comparatively few followers and was not consolidated until Claudius Salmasius in 1638 wrote his famous tract "De Usuris". The Huguenots and Dutch Reformers, as noted by Weber himself, maintained the prohibition of usury throughout the 16th and 17th century.

^{29/} Cf. Sombart, The Quintessence of Capitalism, p.251.
Robertson, op. cit., p.112.
Weber, op.cit., p.82

^{30/} Cf. A. H. Tawney, op. cit., pp. 152-160.

In England all the Churches adopted an intolerant attitude towards interest taking. If Henry VIII in 1545 enacted legislation permitting the taking of a 10% interest on loans, he was certainly moved by the needs of the Exchequer rather than by the tolerance of the Anglican Church. Thomas Wilson in his "A discourse upon usury", written in 1572 as well as the writings of Jewell and Sandys, Anglican divines, bear witness to the strictness of the views of the Anglican Church.

In the Scottish Church and even among the American early Reformers it is easy to find evidences of a generally critical attitude towards capitalist acquisitiveness. Only among the Wesleyan and the Quakers, ordinances are to be found that in a sense glorified economic virtues by the sanction of success. Even among them, however, severe and strict moral regulations of economic life ^{were} ~~are~~ extant which are akin to traditional thinking. 31/

The triumph of economic virtues which would eventually make Puritanism a powerful solvent of restrictions on economic enterprise and the breeder of the remorseless individualism necessary for the consolidation of the "impersonal market" did not come until much later, in the wake of a changing environment. As Tawney has well put it, "The tendencies in Puritanism which were to make it a potent ally of the movement against the control of economic relations in the name either of social morality or of the public interest, did not reveal themselves till political and economic changes had prepared a congenial environment for their growth."

. . .

Although the uneasy synthesis arrived at by the later Canonists between the need to protect the agrarian consumer and the requirements of the money market was moderately successful in meeting the immediate claims of the capitalist evolution (so much so in fact that even after the great capitalist upsurge of the Discoveries and the Price Revolution, the early Reformers had little to add to it), the institutional tension continued unabated.

for the issue was now graver and more ample.

31/ Cf. A. Panfani, Catholicism, Protestantism and Capitalism, pp. 192-201.

It involved the whole question of survival of the theocentric societal structure against the emerging forces of the impersonal market. Various forces had posed the issue. The Renaissance humanists favoured a naturalistic concept of life; the capitalist advance itself pressured against moral and ethical regulation of economic forces; both worked towards dissolution of the monolithic medieval structure based on the omnipresent ethical regulation of all endeavours through the discipline of the Church. In this process of gradual secularization, the Reformation played no small part by substituting the individual link with God for the external regulation of moral life through the mechanism of the Church. Though they were strict disciplinarians and envisaged, no less than the Catholic Church a regimented theocentric society, the teachings of the Reformers did contain the germ of secularization^{32/} Luther, by making salvation dependent only on faith, and Calvin, by linking salvation to arbitrary predestination, in fact "denied the relation between earthly action and eternal recompense"^{32/}; this paved the ground for the replacement of the criterion of salvation as the measure of human effort by the yardstick of earthly success and rendered possible at a later stage "a providential interpretation of pecuniary gain", to quote Weber's apt expression.

Thus, even though the Reformation was more of a result than a cause of the emergence of a capitalist ethos -- and in this sense Weber's thesis is wrong and unilateral -- it remains unquestionable that, after reaching maturity it acted as an economic stimulant by bringing a religious sanction to the concentration on pecuniary gain.

^{32/} Robertson has demonstrated that the concept of "calling" was not a significant determinant of the origin of capitalism. Protestant leaders such as Latimer and Lever used it in an anti-capitalistic sense. Even Baxter's writings, to which great importance is attached by Weber, lend themselves to interpretations not dissimilar from those of Catholic writers of the 14th century. Not until the 18th century was the Puritan idea of vocation firmly integrated with the concept of earthly success. Cf. Robertson, op. cit., pp. 25-26.

The Protestant contribution to the spirit of capitalism does not lie in the concept of a "calling" or even in the Puritan attitude towards labor and thrift, but rather in the fact that its doctrine, containing the seeds of religious individualism led also to political and economic individualism and ^{hastened} the process of separation of wealth from the mechanism of ethical sanction which was inherent in the organic approach of the Catholic Church to the problem of salvation.

It is now time for us to look back with more fatigue than satisfaction on the proceeds of our inquiry.

In the preceding pages the evolution of the usury laws was examined as a continuous process of institutional change. They rose at first in response to the needs of an agrarian society where credit was primarily needed for consumption rather than for production, and where economic transactions were carried on on an individual and personal basis.

After the revival of trade in the eleventh century, the need for commercial credit and accumulation posed itself, as the feudal structure, based on self sufficiency, lost ground to the town-market economy based on exchange. This led to a gradual separation of consumption loans from commercial credit.

On the formal or regulatory side, the institutional adaptation to a changing economic environment took the form of recognition of interest as a reward for risk, compensation for loss or penalty for delay in repayment. In so doing, the Canonist casuistry came to abandon in practice, though not in theory, the doctrine of sterility of money. On the practical side, an attempt was made by the Church to protect the consumer against the mounting encroachment of commercialized credit by the establishment of the "monts de piété". In many respects it may be said that this institutional adaptations favored rather than inhibited economic growth.

At the climax of commercial capitalism in Northern Italy a flexible synthesis had been arrived at, particularly in the teachings of St. Antonino, which acknowledged the problems posed by the emergence of an impersonal money market while at the same time retaining economic activities as a subordinate and ethically-regulated value within a theocentric framework of society. However, the socio-cultural impact of the Renaissance and the portentous economic changes brought about by the Discoveries and the Price Revolution generated new pressures which could not be met within the institutional framework of the Church. It is as a result of these pressures that the Reformation emerged. Its initial attitude towards money and profit was in many ways traditionalist and far removed from the single-minded rational acquisitiveness that became the mainspring of modern capitalism, but the seeds of religious individualism contained in the Reform hastened the divorce of economic motives from their moral setting and the decay of the theocentric society.