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SOME HISTORY OF ECONOMIC THOUGHT ON USURY: ARISTOTLE, AQUINAS, AND CALVIN

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HISTORY OF ECONOMIC THOUGHT WITH DR. JOHN HENRY

ABSTRACT:

What is usury? This historical, evolutionary inquiry into usury shows that usury is like a villain, a shifty, adaptable, and mysterious villain. Although usury is actually an idea and not a person, personifying usury provides a greater appreciation for the idea of usury and how it has changed in thought and definition through time. This inquiry features thoughts on usury from a few key historical figures including Aristotle, Thomas Aquinas, and John Calvin.

If at a dinner party one were to run into a man by the name of Murder, one should be wary of his behavior. If also at this party one were to see a man by the name of Usury, one should tell him that we miss him since he departed from historical relevance. Most are under the impression that he was not the choicest fellow, though it is strange that scarcely two can agree on what makes him such a poor soul. It is hard to get to know him. He rises to the surface like a sea monster and then is gone. Sea monsters have been depicted differently by different societies throughout time. Some saw them as seven-headed dragons, or some as giant squids; likewise, as it relates to the beast of usury, there has not been unanimous consent either on its manifest form or nature. He has been an elusive serpent, adapting to the times with different incarnations; he might as easily have been mistaken for the devil.

Despite their differences, all come to agreement on one point: Usury is a villain. I will argue that he is one of the most savvy, crafty, and adaptive villains. He is continually reinventing himself, and, like the best of villains, Usury is complicated and messy. But his most admirable quality has been, if one could admire a villain, his ability to keep us confused, concealing his mysterious character even to the present day. If

one is not at least a little bit confused at the end of this reading, then shame on me. The purpose here is not to get rid of confusion; it is to show the evolution of an idea: usury. But ideas do not evolve with voluntary spontaneity. The minds of people change and these changes are expressed through people's opinions. This is why we will look at people's opinions in this paper. I am treating this idea as though it were a person at times in order to help breathe it to life.

The villainous evolution of Usury can be traced through history by studying the scholars and theologians who have battled with him. Aristotle, Thomas Aquinas, and John Calvin are three such individuals who have commented on usury in their respective times. Neither of these three is primarily known as an economic thinker, but that's okay because usury is not solely an economic issue. Aristotle was a philosopher, and Aquinas and Calvin were both theologians. Before the special treatment of usury should be granted to our representative gladiators, a more general introduction to the idea of usury will prove valuable.

Usury is villainous, and tied to the idea of evil. It is a word that describes a particular type of evil relationship between a creditor and debtor in which money is loaned at interest. This is a working, basic (and I would argue, commonly agreed upon) definition. Because the inquiry here is largely into the evolution of what usury means and why some have categorized it as evil, the contention will revolve around its definition to a significant degree. Aristotle, Aquinas, and Calvin will differ on what qualifies as "usury." However, among these three it will be unanimously accepted that usury is an evil kind of debt relationship. David Graeber, in his book *Debt: The First 5,000 Years*, explains how the conversation on debt as it relates to morality is muddled. According to Graeber, the anthropological record shows mankind's tradition to widely hold that any party to a loan is involved in something sinful, regardless whether one is taking the loan or giving the loan.¹ Whether any particular debt relationship is sinful or not, calling debt relationships "usury" is an implicit way people indicate that they are evil; that is, "usury" has a negative connotation. Intellectual leaders largely agree upon the idea that usury is evil or sinful, but they do not agree on its definition.

Defining usury is not a simple problem. It involves multiple spheres of society that are variable to change, simultaneously involving theological, legal, and economic aspects of life.² Gunnar Myrdal, in his paper "Institutional Economics," understands that problems are not confined to one sphere of society.³ Instead, circular causation exists

between interdependent spheres of society. For instance, what the philosophical and theological leaders say in educational and religious spheres of society concerning usury has an effect on what laws jurists determine in the political sphere. For example, in the political sphere, laws could be made that would inhibit or prohibit the charging of interest on loans. This could have the effect of reducing or multiplying the availability of loans for philosophical and theological leaders in the economic and religious spheres. Also, conflicts of interest existing between people within these interdependent spheres of society have played large roles in the process of defining usury. If in the economic sphere of life merchants and traders say that usury is necessary for society to function, while in the religious sphere the Church simultaneously denounces usury as meriting excommunication and keeping one from receiving a Christian burial, there arises a need for intellectual leaders to rectify, or at least clarify, what usury is and how it relates to theology, business, and law. As foreshadowed earlier, we will now allow our intellectual leaders Aristotle, Thomas Aquinas, and John Calvin, to battle gladiatorially over the definition of this villain. This will help to provide a historical evolution of opinions about the definition of usury, which will address these concerns about the stakes at hand in defining usury.

Aristotle is one of the earliest figures in the historical analysis of usury. Scott Meikle notes in his book *Aristotle's Economic Thought* that “the object of Aristotle’s inquiry is to discover the nature of a property, [and its] exchange value, and an inquiry with that kind of aim is a metaphysical inquiry.”⁴ Aristotle was not making an economic inquiry but rather an inquiry into the nature of things. Before Aristotle gets to usury, he introduces a few foundational assumptions about money. Let us remember that money is what is loaned in the evil credit/debt relationship in which usury is believed to be committed. Aristotle believes that money is legally determined and “has been instituted as the measure by which the values of diverse real goods may be equated with each other.”⁵ Aristotle lays another foundational idea about money by saying that there are two types of commercial actions: the economic and the acquisitive. “The economic is part of the management of a household” (46). It is undertaken out of the need to survive and different from the “acquisitive,” which is a behavior that arose once money was introduced. Instead of using money as a means of exchange to meet the needs of life, people began to engage in exchanges for the purpose of making money (46). In other words, money began to be used for something other than its natural purpose as a means of exchange.

For Aristotle, money was a means to an end, but in commercialized societies, money is an end in itself.⁶ To Aristotle this would not have been natural. Aristotle's treatment on usury came out of a general sort of natural law argument against commercial society and trade as a whole. Usury was therefore the most unnatural type of trade because it "not only [sought] an unnatural end, but [misused] money itself."⁷ Money was supposed to be used as a means of exchange, but Aristotle said that when usury happened there was an "unnatural breeding of money from money."⁶ For Aristotle, Usury became a villain because he was unnatural. He was the nine-headed monster that originated from the unnatural inbreeding of money. The unnaturalness of usury was also an important characterization that Thomas Aquinas, despite living in a radically different time and place, also built upon in his discussions of usury. For Aquinas, however, usury was more than a monster. As we will see, he was an unholy bookie too.

Major historical events that effected societal change took place between the time of Aristotle and the time of Aquinas, including the fall of Rome and the controversial life of the god-man, Jesus Christ. Power structures undoubtedly changed as the Catholic Church increased its great influence on society. It comes as no surprise that Aquinas, an intellectual of the Catholic tradition, should have been the one to address the problem of usury in his time. To note, there had been other intellectuals who battled with usury during the time between Aristotle and Aquinas, but they were lesser in prominence. The perspectives of Aristotle, Aquinas, and Calvin will give us a mere outline of the history of economic thought on usury; a book-length treatise would be necessary for the full story of the history of economic thought on usury. However, we will briefly discuss some of the other significant players that took stands and provided thoughts on usury, as will be seen interspersed throughout this paper.

By the time Aquinas enters the stage, there had formed a strong tradition against usury. St. Augustine, the famous Catholic theologian, argued that usury should be considered a sin against justice, like stealing.⁹ Other Church Fathers and Councils attacked usury with biblical texts, such as Christ's statement, "Lend freely, hoping nothing thereby,"¹⁰ and King David's verse of psalm, "Lord, who shall abide in thy tabernacle? He that hath putteth not out his money to usury."¹¹ The tradition preceeding Aquinas had well established that usury was a deathly, serious sin. Pope Alexander III would not see it fit for the Church to commit usury even if it was in order to ransom a Christian's life from a Saracen.¹² The thrust of the arguments suggesting that usury was evil, espoused leading up to the

time period of Aquinas, were—it should be apparent—dominated by theology. Aristotle’s natural law argument had been replaced with scriptural arguments.

Thomas Aquinas, aka Thomas of Aquino, writing in the medieval period, made a full attack on usury that at once kept the tradition against usury set before him in the work of Aristotle and in the decisions of the Church Fathers, and used his own new forceful arguments. Aristotle was of the opinion that money had a particular natural purpose of being a means of exchange. Usury was wrong because money, as a means of exchange between goods with utility value, was used to get more money. Money thence became, unnaturally, the end itself. Although Aquinas seemed to believe that he was in concurrence with Aristotle, he actually formed an argument that was foundationally different than Aristotle’s.

Aquinas argued that money was a measure. Noonan elaborates on Aquinas’ position: “Like other measures, money [was] considered independently from the things it [measured], and as fixed and stable in its measurement” (52). He explains, “If money is a measure, with a fixed value, deliberately to value it differently at different times is to distort unnaturally its formal character” (52). This argument for why usury was evil was different than Aristotle’s. Aristotle argued against usury from the standpoint of money’s purpose. Aquinas argued against usury from the standpoint of what money was formally: usury was wrong because it was the selling of money, which as a measurement, cannot be sold. “To sell money would be to give simultaneously two different evaluations to the same measure” (53). Besides arguing that money was a fixed legal standard of measurement that could not be sold, Aquinas made another argument. He thought, since money was consumed in its use (one cannot use money without spending it), it could not be allowed to charge two prices—for its use and for its substance—since its substance and use were one. Meaning, when a person committed usury as a lender charging interest, he or she essentially charged for the same thing twice, which was an infraction of justice (54). Aquinas was in agreement with Aristotle that usury could be objectively understood as anything collected beyond the initial loaned principal. For Aquinas, Usury was not the unnatural monster that Aristotle portrayed; he was instead, a two-timing bookie.

Though he did make a significant contribution, it is clear that Aquinas did not finish the discussion on usury with his arguments. Scholars after him took exception that Aquinas’s arguments were only valid in rare circumstances because of his assumptions¹³. As the subsequent

scholars were also Catholic, they did not throw out Aquinas's arguments. They aligned themselves in the same tradition of Aquinas though they had a list of exceptions that effectively undid his general prohibition. They argued that certain circumstances make the value of present money more valuable than its value in the future because creditors who loan forgo their security against emergencies, their opportunity to invest in other businesses, etc., in order to loan. Usury changed from being "whatever [was] added to the principal" to a more friendly concession that usury only happened when interest was collected as profit and no "just title" to this profit existed.¹⁴ There were so many "just titles" to profit from a loan that by the year 1750, "it would be perhaps impossible to think of a transaction involving the extension of credit at a moderate profit which could not have been justified in terms of the revised scholastic analysis".¹⁵

By 1750, Usury was not a "big time" villain anymore. Though his operations were once rampant and he had many agents, most of his activities by this time had become allowable exceptions endorsed by the legal, theological, and economic world; he mostly was regarded as a good guy. Usury, that is the collecting of interest as profit on a loan, became, for the most part, allowable in the Catholic tradition after many exceptions to the general prohibition were permitted. John Calvin, in the Protestant tradition, took a different route but came to the same effectual conclusion that collecting interest as profit on loans was mostly acceptable.

John Calvin of France, a Protestant Reformer, was an outlier in the discussion on usury, a sort of crack in the homogeneity of Catholic tradition against usury, which started to take form way back when Thomas Aquinas attempted to explain what the nature of usury was in its essence. To situate Calvin's contribution to the historical evolution and definitional dispute about usury, let us consider some contextual information.

Though Aquinas's successors built on what Aquinas had set out about usury, albeit taking occasional exception to his ideas, Calvin did not follow the Catholic tradition that dominated the usury discussion leading up to his time. In Calvin's time the power structures of society were beginning to change. The Church had had a monopoly on scholarship up to this point because they had been one of the few institutions that could protect and provide the supporting infrastructure needed by the profession. Moreover, in the wake of the fall of the Roman Empire, the medieval world was too dangerous to possibly have the need or means to accommodate a large scholarly class. Therefore, the Church took the role of the great preserver of scholarly work and tradition.

This became less the case as the blasphemous Protestant Reformation took hold. The Catholic Church, while having its earthly throne of power usurped by Protestantism, was also losing headway in the battle for ideas. This new Protestant movement tended to throw away the historical scholarly tradition because this tradition was deeply biased in the Catholic persuasion—most of the scholars had been exclusively Catholic. For the Catholic Church to have been dead wrong about something so fundamental to the faith—about the idea of salvation—established Catholic credibility issues for the Protestants. It spoiled their appetites to hear any other theological points put forth by the Catholic Church, not to mention such a non-essential position as usury.

A Protestant at this time would probably guess that if the Catholic Church had an official position on usury, it was wrong or at least misguided, or perhaps overly complicated with a hundred needless legalistic rules associated with it that had no basis in scripture. “Salvation is not complicated,” thought the Protestants. “It does not require works. It requires one thing: faith.” Now that we have reviewed some of the historical, cultural, and theological context, the position of John Calvin on usury can be examined in a qualified light.

John Calvin’s position on usury was not complicated. There was only one governing rule in Calvin’s argument on usury: charity.¹⁶ If a loan hurt someone then it was uncharitable and therefore usurious. Conscience, for Calvin, was what determined the charitability of a contract. Usury was not emphasized as a sin against justice but rather as a sin against conscience. For Calvin, profit on a loan was not a sin as long as one intended to act charitably and with a clear conscience. For Aquinas, if one intended to profit from a loan, he or she had already sinned, because it was a sin of injustice, though also probably of conscience. This was different from other earlier views expressed, in that usury was subjectively determined, not objectively determined. This view, taken with the others, lends support to the characterization of Usury as a shape-shifting or chameleon-type villain capable of reinventing himself over time with the changing environment. It would seem that this villain has not only been capable of changing in order to suit a given historical era or economic system, but that he has even been capable of appearing differently to two people at the same time, that is if Calvin’s understanding that usury was subjective and determined by conscience was correct.

The one consensus on Usury, the singularly held opinion, is that he is a villain. In terms of the gladiatorial bouts over the definition of usury,

it turns out that the actual bouts were always between Usury and his next opponent, be him Aristotle, Thomas Aquinas and the Catholic scholars, John Calvin, or someone else. And Usury always gets back up as the undefeated champ. Although he was not an option for the judges—the winner was supposed to be Aristotle, Aquinas, or Calvin—Usury is the clear choice. His historical evolution is proof of his craftiness. Aristotle tried to pin him down as an unnatural monster. Aquinas painted him as a two-timing bookie of injustice. Later, Catholic scholars took exception to him as mostly a nice guy, and Calvin, with his charitable conscience rule, ultimately left it up to the people to decide, allowing Usury to exist in different forms at different places simultaneously, a shape-shifter that can bend space and time.

Usury is a notorious villain. He has managed to draw the attention of multiple spheres of society including the religious, political, and economic. He is also a complicated villain, an intricate mess that humankind cannot disentangle. If villains can be admired, I admire Usury for his ability to confuse mankind, for he seems to have been able to preserve an aura of mystery about him. I doubt that I will find even ten people in my entire life who have a good understanding of Usury's villainous, nebulous, and shape-shifting character. That is why, in my book, I am putting Usury on the A-list of villains .

ENDNOTES

¹Graeber, David. *Debt: The First 5,000 Years*. Brooklyn: Melville House, 2011. Print.

²Noonan, John Thomas. *The Scholastic Analysis of Usury*. Cambridge: Harvard UP, 1957. Print

³Myrdal, Gunnar. "Institutional Economics." *Journal of Economic Issues* 12.4 (1978): 771-83. Print.

⁴Meikle, Scott. *Aristotle's Economic Thought*. Oxford: Clarendon, 1995. Print.

⁵Noonan, John Thomas.

⁶Trever, Albert Augustus. *A History of Greek Economic Thought*. Philadelphia: Porcupine, 1978. Print. Pg 105.

⁷Noonan. Pg 47.

⁸Noonan. Pg 47.

⁹Noonan. Pg 18.

¹⁰Holy Bible King James Version. Luke: 6.35.

Nashville, TN: Thomas Nelson, 1984. Print.

¹¹Holy Bible King James Version. Psalm 15.1,5.

¹²Noonan. Pg 19.

¹³Noonan. Pg 360.

¹⁴Noonan. Pg 365.

¹⁵Noonan. Pg 362.

¹⁶Noonan. Pg 366.