

Interest in the Catholic Tradition: Then and Now¹
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Like all its teachings, the Catholic Church's treatment of lending at interest must be situated in its broader context to be properly understood. In the Catholic tradition, reason and revelation are compatible, faith and philosophy are friends. In the words of John Paul II at the beginning of his letter *Fides et Ratio*: "Faith and reason are like two wings on which the human spirit rises to the contemplation of truth; and God has placed in the human heart a desire to know the truth—in a word, to know himself—so that, by knowing and loving God, men and women may also come to the fullness of truth about themselves (cf. Ex 33:18; Ps 27:8-9; 63:2-3; Jn 14:8; 1 Jn 3:2)."

We find this complimentarily at work in the Catholic tradition's treatment of money and related matters. Jesus said, "For it is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God." (Luke 18:25). In the thirteenth century, Thomas Aquinas made the same point in a less poetic fashion, when he argued that the perfect happiness we all seek as a final end cannot consist in wealth because money is only a means to acquiring other things, it cannot satisfy all human desire, and it is easily lost. Money, though a good, is not the greatest good, and so the pursuit of money must always be subordinate to the good of the human family and the greater glory of God.

Within this context, one should understand the teaching of the Catholic tradition. Understanding this teaching, and understanding the relationship of its past articulation to its present formulation, is no easy task. Professor John Goldingay has made my task considerably easier by already addressing various passages throughout both Testaments of Scripture treating lending at interest and usury. Let me continue where he left off with the writings of the early leaders of the Christian community, commonly called the "Fathers of the Church."

Usury is condemned by St. Ambrose (d.397), St. Jerome (d.420), St. Augustine (d.430), and Pope St. Leo the Great (d.461) characteristically in connection with taking advantage of the poor. Bishops condemned usury at the Council of Elivira (305 or 306), the council of Arles (314), and the First Council of Nicea (325). Canon 13 of the Second Lateran Council (A. D. 1139) reads:

Furthermore, we condemn that practice accounted despicable and blameworthy by divine and human laws, denounced by Scripture in the old and new Testaments, namely, the ferocious greed of usurers; and we sever

¹ I make no claim to original historical research in this article, but have drawn upon many sources in coming to a deeper understanding of the issues at hand. I have especially drawn upon, A. Vermeersche, "Usury" in *The Catholic Encyclopedia*, Volume XV, 1912, on line at: <http://www.newadvent.org/cathen/15235c.htm> and downloaded on March 5, 2002; A. Vermeersche, "Interest" in *The Catholic Encyclopedia*, Volume VIII, 1912, on line at: <http://www.newadvent.org/cathen/08077a.htm> and downloaded on March 5, 2002; David J. Palm, "Usury" *Encyclopedia of Catholic Apologetics* (San Francisco: Ignatius Press, 2002); and most particularly John Noonan, *The Scholastic Analysis of Usury* (Cambridge: Harvard University Press, 1957).

them from every comfort of the church, forbidding any archbishop or bishop, or an abbot of any order whatever or anyone in clerical orders, to dare to receive usurers, unless they do so with extreme caution; but let them be held infamous throughout their whole lives and, unless they repent, be deprived of a Christian burial.²

Several popes also condemned usury including Alexander III, Gregory IX, Urban III, Innocent III, and Clement V.

These views were not taken to be anything unique to the Catholic tradition. Thomas Aquinas writes in his most famous work, the Summa theologiae, that: “Moreover the Philosopher, led by natural reason, says (Polit. i, 3) that ‘to make money by usury is exceedingly unnatural.’”³ Developing brief remarks made by Aristotle on the topic, Thomas offered what came to be the standard argument against usury.

Usury was not held to be wrong simply on account of motivation, though characteristically usury was linked with vices such as avarice. John Finnis in his magisterial book Aquinas notes that St. Thomas Aquinas did not view money making as inherently wrong. It would be wrong to make money simply for the sake of making money, as if money were the final end, but Thomas held that there was nothing objectionable with making money for the sake of sustaining a household, helping the poor, or for public benefit.⁴ Nor is trading wrong in itself. The price of an item is fixed by the market demand for the product so long as both buyer and seller are aware of the product’s merits and defects. A seller may not, however, take advantage of the need of a buyer. A just price is, according to Finnis’s understanding of Aquinas: “when all parties in the transaction are, so far as possible, compensated proportionately for what they are giving up.”⁵

However, according to Aquinas, usury contradicts justice, and therefore is incompatible with the happiness of the virtuous person in this life and with the rectitude of will required to enjoy perfect happiness in the life to come:

To take usury for money lent is unjust in itself, because this is to sell what does not exist, and this evidently leads to inequality which is contrary to justice. On order to make this evident, we must observe that there are certain things the use of which consists in their consumption: thus we consume wine when we use it for drink and we consume wheat when we use it for food. Wherefore in such like things the use of the thing must not be reckoned apart from the thing itself, and whoever is granted the use of the thing, is granted the thing itself and for this reason, to lend things of this kind is to transfer the ownership. Accordingly if a man wanted to sell wine separately from the use of the wine, he would be selling the same thing

² N. P. Tanner, S.J. ed. Decrees of the Ecumenical Councils, vol. 1, p. 200.

³ Thomas Aquinas, Summa theologiae, II-II, question 78, article one, ad 3.

⁴ I am guided here by John Finnis, Aquinas (Oxford: Oxford University Press, 1998) 200 and following.

⁵ John Finnis, Aquinas (Oxford: Oxford University Press, 1998) 203. Arguably, there is some tension between a just price as proportionate exchange and just price as the market price. The demand for an item may in unusual circumstances lead to seemingly disproportionate exchanges. A starving woman may trade her diamond wedding ring for a loaf of bread. Medieval economic theory did not always differentiate the varying senses of “just price” nor related these senses to one another.

twice, or he would be selling what does not exist, wherefore he would evidently commit a sin of injustice. On like manner he commits an injustice who lends wine or wheat, and asks for double payment, viz. one, the return of the thing in equal measure, the other, the price of the use, which is called usury.⁶

What is Aquinas getting at in this passage? Thomas draws a distinction between the use of a thing and the thing in itself. Some items one can use without the item being destroyed in its very use, for instance a house can be rented out and returned in good condition. On the other hand, the use of other things, like say the eating of an apple, destroys the very thing used. Thus, you could not rent the eating of an apple, but only sell it, and in selling it the transaction would be complete. Since money, on this model, is a thing consumed in its use, to charge a person interest on a loan is to demand payment for selling the money (principal) and another payment for renting the money (interest). As Finnis notes: “To make any further charge in respect of the loan of money is unjust, and the name for this sort of charge—this sort of wrong—is usury. . . . For (as we saw) in making a loan of this sort I willy-nilly transfer ownership (and thus the risks of loss) along with use. The two cannot be separated; to transfer the one is to transfer the other, and to use a thing of this sort is to ‘consume’ it, i.e. to lose both possession and ownership of it, either by transfer to someone else (in the case of money as such) or by destruction of the thing ‘lent’ (as in the case of bread or wine).”⁷ Justice in exchange can be understood as an equality between what is given on both sides of the exchange. So if someone lends amount X, then in justice the borrower must repay amount X, no more and no less. To demand more is to be unjust.

Of course, the contemporary Catholic Church does not abide by this teaching. As Noonan notes: “By 1750, then, the scholastic theory and the countertheory, approaching the same problem from different theoretical viewpoints, agree in approving the common practice [of demanding interest on loans].”⁸ As time went on, the majority of respected theologians approved of taking interest on loans, the Holy Office did not condemn these opinions and confessors were not obliged to disturb those involved in the practice. In 1917 Canon law actually required Catholic institutions, such as hospitals, schools, or universities to invest their assets profitably. There has undoubtedly been a change between the ancient teachings of the Fathers and the contemporary Catholic tradition. Is this change a simple contradiction and repudiation of past belief? Perhaps. However, there is another way of characterizing the change, namely as a development of doctrine.

Development of Doctrine

As a study of the history of theology makes clear, the understanding of revealed truth deepens in the course of time. Fidelity to the Gospel does not mean a static or inflexible restatement of past expressions. This is true of all areas of theology. Scripture speaks of the Father, Son, and Holy Spirit, but a more precise understanding of God as a Trinity of three divine persons sharing one divine nature arose in the post-apostolic

⁶ Thomas Aquinas, *Summa theologiae*, II-II, question 78, article one.

⁷ John Finnis, *Aquinas* (Oxford: Oxford University Press, 1998) 205-06.

⁸ John Noonan, *The Scholastic Analysis of Usury* (Cambridge: Harvard University Press, 1957) 377.

Church. Likewise, Scripture portrays Jesus as being born of a woman, growing in wisdom, shedding blood, sweat, and tears, and finally dying on a cross. However, Scripture also shows Jesus forgiving sins in his own name, declaring himself to exist before Abraham, declaring “I and the Father are one” (Jn 10:30), and rising from the dead and ascending to sit at the right hand of God. Is Jesus man or God? Half god and half man? Is he like Hercules, born of a woman but with a divine father, and therefore a semi-deity who grasps at fullness of Divinity? An understanding of Jesus Christ as fully God and fully man, with two complete natures, one human and another divine, develops from various passages in the New Testament but is not explicitly contained therein. We have in the two most central dogmas of Christian belief, accepted in both East and West, by Catholics as well as Protestants, examples of doctrinal development. The Catholic understanding and appreciation of the role of the Virgin Mary, her Immaculate Conception, and her Assumption body and soul into heaven likewise took time to develop from the seeds of a divine Son fulfilling in a most perfect way the commandment of honoring his Mother. Nor is development restricted to matters of dogma alone. For, developments may also be seen in the Church’s moral teaching, for example, in the issues of slavery and religious liberty. Why is there development of doctrine? What distinguishes true developments from corruptions? Great minds including Thomas Aquinas, Karl Rahner, Bernard Lonergan, John Paul II and most especially John Henry Cardinal Newman have wrestled with these questions. I imagine they could all appreciate these words of Emily Dickenson:

Tell all the truth but tell it slant-
Success in circuit lies
Too bright for our infirm delight
The Truth’s superb surprise
As Lightning to the Children eased
With explanation kind
The Truth must dazzle gradually
Or every man be blind

The Church’s teaching on lending at interest likewise developed over time. We might examine this development by taking another look at the teaching of Aquinas on this matter.

Although charging interest on a loan is understood as wrong on the Thomistic account, Thomas did not believe that in all circumstances the lender must extend a loan and receive only exactly the same amount in return. On Thomas’s account, one may require, over and above the amount of the loan, indemnity protection or insurance against loss or damage. Aquinas also says that the lender may be repaid not just for the principal but also for expenses incurred in making the transaction, including what was “lost” in the transaction. For instance, if the borrow pays back the principle late, the lender may ask for an additional return, since he was deprived of the use of the money during a time when he could have made use of it. As Finnis notes, what is “lost” could therefore include money that could have generated had the loan not been made.

Aquinas apparently considered this possibility and rejected it: “But the lender cannot enter an agreement for compensation, through the fact that he makes no profit out

of his money: because he must not sell that which he has not yet *and may be prevented in many ways from having.*”⁹ However, the truth of this last phrase would seem to depend greatly upon existing market conditions. In some markets, like the ones existing in Aquinas’s day, the growth of an investment would be highly speculative; in other markets, like the ones existing today, the growth of an investment would be virtually assured. With the rise of such secure ways of investing money, the person who loans money loses what with reasonable assurance he could have made. In other words, Aquinas assumes that money is a sterile, non-fungible commodity, but in contemporary markets money may be quite productive indeed.

Finnis concludes: “Aquinas’s account of usury, taken with his general theory of compensation, thus identifies principles (not rules made up by moralists or ecclesiastics) which enable us to see why in his era it was unjust for lenders to make a charge (however described) in the nature of profit, but with the development of capital market for both equities and bonds it was to become fair and reasonable to make precisely such a charge, correlated with (which is not to say identical to) the general rate of return on equities.”¹⁰ Aquinas’s conclusions about lending at interest were adequate given the financial assumptions and market conditions of his time, but must be adjusted to account for contemporary circumstances. In a similar way, in medieval times, to remove the heart of someone just the same as to kill him; but today to remove someone’s heart may be part of heart transplant operation. For us today, to cut off someone’s head is nothing other than an act of killing; but it is at least possible that someday such separation would not be always fatal. Murder is always wrong, but which kinds of acts are actually the same as killing an innocent person varies with circumstances. Similarly usury is always wrong, but what counts as usury depends upon circumstances, and contemporary developments indicate that not all lending at interest counts as usury.

Although there has been development in determining what constitutes usury, there has been no contradiction or radical rejection of previous teachings on the subject in the Catholic tradition. As John T. Noonan, Jr. points out:

[A]s far as dogma in the technical Catholic sense is concerned, there is only one dogma at stake. Dogma is not to be loosely used as synonymous with every papal rule or theological verdict. Dogma is a defined, revealed doctrine taught by the Church at all times and places. Nothing here meets the test of dogma except this assertion, that usury, the act of taking profit on a loan without a just title, is sinful. Even this dogma is not specifically, formally defined by any pope or council. It is, however, taught by the tradition of the Church, as witnessed by papal bulls and briefs, conciliar acts, and theological opinion. This dogmatic teaching remains unchanged. What is a just title, what is technically to be treated as a loan, are matters of debate, positive law, and changing evolution. The development of these points is great. But the pure and narrow dogma is the same today as in 1200.¹¹

⁹ ST II-II, 78, article two, ad 1, emphasis added.

¹⁰ John Finnis, *Aquinas* (Oxford: Oxford University Press, 1998) 210.

¹¹ John Noonan, *The Scholastic Analysis of Usury* (Cambridge: Harvard University Press, 1957) 399-400.

Put another way, the Church maintains that usury is wrong; but does not hold and never did hold that all charging whatsoever of amounts beyond the principal is wrong. This continuity in condemning usury is reflected in the first universal compendium of Catholic teaching in over 400 years, the Catechism of the Catholic Church written with the input of all the bishops of the Catholic Church and published by the authority of John Paul II. The Catechism mentions usury in a condemnatory way: “The acceptance by human society of murderous famines, without efforts to remedy them, is a scandalous injustice and a grave offense. Those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family indirectly commit homicide, which is imputable to them.”¹² The Church retains the ancient patristic emphasis seeking money only in such a way as is compatible with virtue and charity to the poor. Usury remains condemned in the Catholic tradition, but as Germain Grisez points out: “The Church never taught that all charging of interest is wrong, but only that it is wrong to charge interest on a loan in virtue of the very making of the loan, rather than in virtue of some factor related to the loan which provides a basis for fair compensation.”¹³ In other words, there is development but not contradiction in the tradition.

What rate of interest should be charged on a loan? To whom should one loan? Should individuals in need be offered special opportunities or, as some would call it, a preferential option? These questions can be answered only in the particular, and such questions are only answered correctly by persons with acquired prudence and infused charity. The responsibilities of the wealthy for the poor are great in the Catholic tradition, indeed the Christian tradition as a whole. As Jesus said:

When the Son of man comes in his glory, and all the angels with him, then he will sit on his glorious throne. Before him will be gathered all the nations, and he will separate them one from another as a shepherd separates the sheep from the goats, and he will place the sheep at his right hand, but the goats at the left. Then the King will say to those at his right hand, 'Come, O blessed of my Father, inherit the kingdom prepared for you from the foundation of the world; for I was hungry and you gave me food, I was thirsty and you gave me drink, I was a stranger and you welcomed me, I was naked and you clothed me, I was sick and you visited me, I was in prison and you came to me.' Then the righteous will answer him, 'Lord, when did we see thee hungry and feed thee, or thirsty and give thee drink? And when did we see thee a stranger and welcome thee, or naked and clothe thee? And when did we see thee sick or in prison and visit thee?' And the King will answer them, 'Truly, I say to you, as you did it to one of the least of these my brethren, you did it to me.' (Matthew 25: 30-42)

¹² Catechism of the Catholic Church, 2nd edition, 1997, #2269.

¹³ Germain Grisez, The Way of the Lord Jesus: vol. II Living a Christian Life (Quincy, Illinois: Franciscan Press, 1993) 834.