

**Sermon 33**, On commercial transactions and the vices of merchants

/pp. 157-158/ [Point no. 5] But what if one asks: what is the just price of a thing to be sold or bought? One must reply that just price is something that reflects /p. 157/ current market prices, that is, how highly a thing that is for sale is commonly valued at that time and in that place. Indeed, according to [Henry of Segusio] Hostiensis and Ramon [Llull], “just price is estimated at the time of the contract; one should pay no attention to the fact that it was bought at a higher price and is sold at a lower price, and vice versa, or that more is offered for it.” <...> One can conclude from the aforesaid statements that one can lawfully profit by moving the merchandise from one location to another and selling it for the price for which it commonly goes in that place. And if no such goods are found there,<sup>2</sup> one must gain moderate profit from this transaction by calculating in expenses, effort, risk, danger, and labor.

Sixth, some unjustly bad-mouth other people’s merchandise in order to sell their own at a higher price; but this is a dangerous deception and a mortal [sin].... Such people must compensate for the damages....

Seventh, there are people who, in order to deceive [the buyer], make their merchandise—such as pepper, spices, wool, and similar goods that are measured in weight—damp. Such people also must compensate for the damages.

/p. 159/ Third, there are some merchants that betray ‘their neighbor.’<sup>3</sup> For there are plenty of bona fide owners who have such confidence and trust in the merchant, as sometimes he enjoys a good reputation, that they rely on his judgment and opinion in estimating the price of the merchandise and in weighing and measuring it, while the merchant is not afraid of wickedly deceiving them. Therefore it is reasonable to say as follows: if a merchant is of such esteem among the people, or has such an immaculate reputation, that his word amounts to more, or at least not less than someone else’s sworn testimony, then it is hard to deny that he sins mortally when he deceptively alters the price of things for sale or says deceptively as follows: “It cost me that amount,” or “I could earn this much from it.” For this is the same as if the buyer made a [sworn] contract with the seller, and the seller agreed to abide [by this contract], but ultimately sold the buyer his merchandise deceitfully against the contract that was agreed upon by both parties. And in such cases the seller must make a restitution for the deception, and in addition to that he commits a mortal sin, as someone who acts against a sworn contract.

**Sermon 39**, On usurious contracts; when the precarious or dangerous nature of a contract removes the accusation of usury; on [credit] unions; and on a variety of exchanges and securities.

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<sup>1</sup> Latin text according to the edition: S. Bernardinus Senensis, *Sermones 27-53*, in *Opera omnia*, vol. 4, edited by Collegium S. Bonaventurae (Quaracchi/Florence: Collegium S. Bonaventurae, 1956).

<sup>2</sup> Which means no currently going price is available.

<sup>3</sup> Gratian’s *Decretum*, Dist. 1, Chapter 1, specifically legislates against breaking someone’s trust. The term *fides* is used both in the sense of “trust” and in the sense of “agreement based on mutual trust.”

**Sermon 41**, On lending institutions (*impraestita*, *mons*, or *loca*) that are frequently used by the Venetians, Genoans, and Florentines.

/pp. 308-309/ Very similar contracts are frequently used in Genoa and Venice. One must add that in Venice, because the status of this contract is more secure, /p. 309/ many rich lords and magnates, who are uncertain about the stability of their own [financial] situation, voluntarily place large amounts of money in banks (*impraestita*), wishing to provide both for themselves and their heirs in case they are ruined [financially] or experience similar adversities. Also, some people, although they seem to be coerced [by the city-state] to deposit money [in banks], nevertheless make deposits not out of love for their city-state but sometimes out of greed, because sometime an interest of 8% to 10% is paid [on their deposits]. However, the names of these contracts are varied in the aforesaid cities: in Florence [banks] are called *mons*, in Genoa *loca*, and in Venice *impraestita*. Now in our experience there are three types of people who typically use these kinds of contracts: the first type is coerced [by the city-state] to make deposits; the second makes deposits of their own free will; the third type borrows of their own free will. And we add three conclusions about those three types of bank clients, in the following order.

Article 1. Which shows why someone who is coerced to loan money can lawfully collect interest [on the loan] for the damages resulting from the loss of likely gains.

First of all one must discuss those who are coerced to make loans. The conclusion about this situation is as follows. Someone who is coerced to make a deposit can lawfully collect interest [on the loan] for the damages resulting from the loss of likely gains. Based on this conclusion, one can make the following true statement or corollary to the thesis: persons who are coerced by the Venetians, Genoans, and Florentines to lend their money to the community [i.e., to the city-state] can lawfully collect interest [on their loans] over and above their shares. There are three reasons for that: first, because they were compelled by the authority; second, they incurred damages; third, they lost profits. Fourth, additionally we will discuss the cases when the rights to those coerced loans or deposits can be lawfully transferred [to others].

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Chapter 2. Many arguments prove that he who deposits money in a bank of his own free will with the intention to satisfy his greed cannot receive any gains from this transaction

/p. 318/ For every profit derived from a loan that is made mainly with this intention [of deriving profit] is usury....

/p. 319/ Fourth argument. Fourth, this is proved by reason of absence of fruitfulness. Indeed, money [of itself] by nature is not designed to bear fruit. Therefore the person [who derives interest from lending money] seeks fruits from something that is not designed by nature to bear fruit, as Innocent IV states [in *Decretals* V, tit. 19, c. 19] in the chapter *On usury*. This means that he who deposits money freely, while not being coerced, is a usurer.

**Sermon 42**, On interest; and when it is lawful to accept [interest] in excess of one's share; contains the discussion of many cases which look like usury but are not.

/p. 347/ **The Lord gave us the following precept, saying, in Luke 6:35: *lend, hoping for nothing from the transaction.* This is why, to save someone from unduly committing a mortal sin, one must discuss the cases when one is allowed to receive [interest] in excess of one's share, in order to clarify some cases where it looks like there is usury, but there isn't.**

/p. 348/ The third, and most appropriate, meaning of the term 'share' (*sors*), is the amount that is loaned, explicitly or implicitly; or 'share' is the overt or covert creditor's capital; now one can commit usury only as regards things that can be loaned in the form of a share or capital. "Therefore, defining 'share' in this way, what determines whether a contract is usurious or not, is whether something is part of the share or is added to the share; for if something is added to the share, it is usury. For example: if someone owns an estate or a field, the fruits derived from this property are part of the share, not an addition to the share. Therefore, if someone buys something for a just price, the share is included in this thing, and if there is some growth from this property, it is still part of the share. It is the same thing with loans. However, if the thing that is loaned has not changed in its nature, the share does not increase..." [a quote from Sermon 37]

**Sermon 43**. To what extent usury is against God and turns the usurer into an idolater, and what grave blasphemy against God and faith it is, to give usurers the freedom of loaning at interest.

Article 1. That the practice of usury makes the usurer to abandon God in his entire soul

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Chapter 2. That the usurer, who puts his trust in worldly things, puts no trust in God

/p. 373/ **First of all, they have faith and put trust in their evil deeds, for they think of how to accumulate many possessions through cunning schemes, tricks, and finding loopholes. They are delighted in their actions, rejoice at their deeds, and believe that they can accomplish similar or even greater deeds. At the same time, the Prophet [Psalms 51:3] sternly rebukes this, saying: *Why do you rejoice at your wickedness, you who are so steeped in iniquity?* <...>**

Second, they have trust in their riches. Considering this, illumined and God-fearing minds are astounded, wondering at them compassionately and mocking them intellectually, that their entire faith is in short-lived and uncertain riches. On this account, the Prophet [Psalms 51:8-9] says: *The just will see and fear, and mock him and say: Behold, a man who has not taken God as his helper, but who put trust in the multitude of his riches and let his vanity take over.*

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Article 3. That usury generates in the soul severe blasphemy against everything divine. Also, the error of those is refuted who claim that no city-state can survive without openly practicing usurers.

Chapter 1. Three things that lead to the erroneous claim that no city-state can survive without openly practicing [i.e., public] usurers.

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/p. 379/ Second, the very idea of [public usury] being beneficial leads people to believe that [it is necessary]. For they say that the ease with which one can instantly obtain a loan from a public usurer helps take care of their needs and shortages. One can reply to them that if one carefully examines the true situation, three types of people obtain loans at interest: some due to their need, some with sinful intent, and some out of greed. The first kind of people obtain loans out of need, namely because they are compelled by some need to do this, for they are not able to relieve their situation in any other way. **One must say to this that one should not pursue benefit and satisfy needs in a public economy when greater damages are commonly incurred from such practices than the benefit itself.** Indeed, this is the case [with public usury], as will become amply clear from what follows, when the common good sustains damages from such utility, and when such benefits turn pernicious. **In addition to that, if the person who obtains such a loan<sup>4</sup> is poor, and needs to be helped and relieved in his poverty, these practices, instead, make him only poorer, and therefore what seems to give him relief, in fact, oppresses him and aggravates his situation even more.** Therefore, it is clear from this discussion that the needs of one's neighbor, which some heed without paying attention [to what really happens], in reality do not excuse the position of public usurer, but rather more broadly condemn it. <...>

/p. 380/ **The third kind of people are those who obtain loans at interest on account of greed. For example, some shysters and tricksters commonly do that,** most commonly by obtaining dowries of widows as loans with interest;<sup>5</sup> they certainly do not try to relieve their needs, but accumulate riches by catering to their insatiable greed. In addition, there are some who seek loans from a public usurer at lower interest rates, in order to lend that money to others at higher rates.

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Chapter 2. There are three reasons against this false opinion [that a city-state needs a public usurer]

/p. 381/ Second, let us consider the reasons against this false opinion that a city-state needs a public usurer. And these reasons are the three types of benefits [that would follow from not having a public usurer]: the first is general benefit; the second is secular benefit; the third is spiritual benefit.

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<sup>4</sup> That is, at interest, or usurious.

<sup>5</sup> That is, prey on clueless widows to swindle them into accepting questionable deals, e.g., into lending their dowries at lower interest rates than they could obtain elsewhere, in order to loan the money at higher interest rates to someone else, see below.

The first reason is general benefit. Indeed, when no openly practicing usurer is available, those people who are in need of money but cannot not find anyone who would assist them would put up their goods for sale. What would result is some communal activity, such as [an increase in] commerce in a community, and the circulation of merchandise and useful things. It is clear that three types of people can take part in this useful [activity]: the poor, the rich, and those of modest means. —First, the poor, because they would sell their things in order to pay for what they need. And even though they will not always sell their things for a fair price, nevertheless, having considered all the pros and cons, generally to sell things in such a way would cause less damage to the poor than to pawn them at interest, as will become more clear later. —Second, it would benefit the rich or buyers, ones who would buy those things that are sold [by the poor] for their own benefit or to resell them, for then they can gain profits from practicing their trade. — Third, it would benefit common people and those of modest means, who would buy back [things] from the original buyers when and where they need them, as they can instantly find what they are looking for, most likely at a better price.

The second benefit derived from this is called secular or civic, for three sorts of things are safeguarded as a result of [not having a public usurer]: first, the citizens' property; second, [money in the form of] coins; third, countries and city-states. —First, the citizens' property will be safeguarded, because the citizens' possessions will remain in the community. Alternatively, if these possessions end up in the hands of usurers, pawned items that are forfeited [due to not repaying the loan] are usually shipped to other areas, where they can be sold at higher prices.<sup>6</sup> /p. 382/ —Second, coins are safeguarded. Indeed, whether these things are sold or bought, coins always remain in the community, instead of being collected, accumulated, and locked up in one insatiable and bottomless purse by the usurers.<sup>7</sup> —Third, countries and city-states are safeguarded. Indeed, having safeguarded its wealth through the aforesaid means, a city-state or a country will have a better ability, through its citizens, to withstand the pressures of imminent perils and wars. <...>

The third benefit that is derived from this is spiritual. For there are three spiritual benefits that follow from that: first, fewer sins; second, the birth of love; third, the augmentation and preservation of charity. —The first benefit is fewer sins. Indeed, the presence of an openly practicing usurer results in an endless multiplication of sins, which leads to an incredibly intricate and unbearable scenario of trying to atone for those sins through excommunications and satisfaction.... <...> —The second benefit is the birth of love. Indeed, mutual love, which has become extinct among citizens through the absence of the habit of helping each other, is revived through many services rendered and accepted; hardened hearts mellow and become more sensitive; and [ultimately] true socialization is born, which is the union of hearts. —The third benefit is the augmentation and preservation of charity. Indeed, just as the absence of the habit of serving each other generates the hardening of hearts among citizens and easily leads to injustices, which foment and cause fights, dissent, division, sectarianism, and wars, in the same way many [mutual] services generate, grow, strengthen, and wonderfully preserve charitable behavior between citizens.

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<sup>6</sup> In other words, goods flow out of the community, instead of remaining local.

<sup>7</sup> Money either accumulated without being productive and circulating in the community, or taken out of the community to other locations.

Chapter 3. Three types of evil that usually result from the open practice of usury should convince one not to hold the aforesaid false opinion [that a city-state needs a public usurer]

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/p. 383/ The third evil is the disappearance of monetary wealth. Indeed, little by little the monetary wealth of the people is diminished when usury, night and day, continuously and constantly, creeps in as a cancer, and, as it were, imperceptibly grinds down and consumes people's wealth. If someone wants to understand this clearly, let him calculate the profit [in the following scenario.] Suppose a usurer lends someone one florin<sup>8</sup> for fifty years at the premium of one bolognino<sup>9</sup> per month, with the contract specifying that the interest is not to be paid before the end of the fifty-year term, with interest being multiplied from year to year. Now if this person knows the art of multiplication well, he would learn that the interest will grow to such an amount and to such a number of florins that no city-state in Italy, and perhaps not even in the entire world, would be able to repay such a loan.

The fourth type of damage is that monetary funds and riches are being concentrated in one place. As a rule, the fact that riches and monetary funds are accumulated by fewer individuals and in fewer purses is a sign that a city-state or a country is doing poorly, and the greater the concentration of wealth is in the hands of the few, the worst situation obtains for the state of affairs of a city-state or a country. In the same way, if one observes in a human being that natural heat is withdrawn from extremities and goes only to the heart and core organs, this is the clearest sign that the organism is failing and death is imminent. Nay,<sup>10</sup> the concentration of riches in the hands of the few is even more dangerous to a city-state, <...> because then the city's "natural heat," which is what one may call its wealth, does not even flow to the heart to assist it, but flows to a festering abscess [of the rich] via a morbid flux.

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<sup>8</sup> A Florentine gold coin, worth about \$150 at present-day prices.

<sup>9</sup> A small silver coin minted in Bologna, not worth very much.

<sup>10</sup> The last sentence has been modified to mitigate the strong anti-Jewish sentiment among medieval Christians.