47, The Cistercian reform in the 12th century under St. Bernard: immobilized money in the form of hoarded gold, art objects, and lavish architecture in monasteries attracts many believers, but does not produce anything useful and becomes a “ruinous immobilization of wealth”; the Cistercian poverty trend manifested in a systematic reinvestment in productive lands and in business; 48, the reform was a “happy union of an ascetic and industrious ideal with an economically profitable style.”

Chapter 2. Francis and the Franciscans.

66, Originally, the friars stressed the value of things that are not reducible to an exchange value, such as necessities of life (water, air, fire, the body, etc.), but also friendly and charitable relationships between people. 67-68, Friars worked in exchange for things that were useful (such as food and clothing), not for money. So poverty for early Franciscans meant “the ability to see the usefulness of things that a monetary rationality ... declared to be without value.”

70-71, Early Franciscans distinguished between ownership or jurisdiction and use. Their solution to the economy of highest poverty was “in making use of movable or non-movable goods that no one actually owns.” 73, Francis’s heritage was “to deny the social value of the accumulation of wealth.” Money, physically represented by coins, is the “primary configuration of hoarding as opposed to the common welfare, which is understood as the perpetual redistribution of resources or, rather, as a continuous and reciprocal exchange of favors, donations, and alms.” At the time, hoarding of wealth could be at the family (patrimony), civic, or ecclesiastical (buildings, wealthy monasteries) level. “In this perspective, every automatic patrimonial holding on to goods, starting with monetary hoarding, appeared illegal, sinful and, at the same time, senseless” (90). 76, This way of Franciscan thinking about “frozen” wealth vs. distributed or circulating wealth got people to think that, thanks to poverty, it could be easier to use wealth and to circulate it, managing the reality without taking possession of it.”

80, In the papal bull Quo elongati (1230) “poverty appeared as a door leading to a way of using goods and coins that continuously questioned their meaning in relation to the friars’ needs. At the same time this dispossession made friendly sociability and belonging to a united civic environment the inalienable conditions of the satisfaction of needs.” The question of how the friars are supposed to use money and things led to an analysis and understanding of economic needs of people. Franciscans had to think about daily economic management more than other people, as they tried to minimize their use of things. This allowed Franciscans “to be poor within a civic market society.” 81, The friars learned to understand the difference between real and false necessity, real and superfluous needs, etc.; they learned to use only what was necessary to live and carry out their tasks.
84. A practical example of the social and economic usefulness of practicing poverty and “poor use”: as the friars used the goods, such as wool, sparingly, they would lower the demand, and the involuntary poor will enjoy lower prices; thus the “poor use” practice could be integrated into the economy.

92. Peter of John Olivi grew up in Languedoc, and for some time lived in Montpellier, the most important market city in the area; thus he was sensitive to mercantile matters. 94. He paid attention to the way the market functioned, and how the value and price of marketable things were established. He thought about what makes defining prices morally acceptable while he studied the idea poverty in the Franciscan Rule and the “poor use” of things. He collaborated on the writing of the papal bull *Exiit qui seminat* (1279) that address the issue of “poor use.”

95. In his work *Questions on Evangelical Perfection* he examined relative values of movable and immovable goods, what is necessary and superfluous, and defined voluntary poverty as using things based on the knowledge of their specific usefulness. (At this point see *Question 9 on Evangelical Perfection* attached to this class section of the website.)

99. According to Olivi, the value of goods is determined by one’s need; this need is the result of the choice someone makes; the poverty of friars is a model of evaluation: “self-deprivation becomes a school that teaches how to measure need and necessity, while on the other hand objects reveal an economic nature totally summed up by their identifiable utility.”

An important question for Franciscans was the use of money, as it was banned in the Rule. If the price of things depends on carefully verified subjective need, how can money adequately represent this price? 100, The solution, Olivi thinks, is in separating the use of money from its possession. Money should not be anybody’s property. For example, when Christ and the Apostles redistributed the money they received as donations, it stopped having an owner. In another example, when a servant or a manager spend money, they use it but do not own it. So if money is not hoarded and is not treated as an object that has value in itself, but as a price or token of value, or as a useful tool (and Francis allowed the use of tools of the trade, in this case “financial trade”!), it stops belonging to anybody (no one has the rights to it) and just circulates (people use it). So the idea is to use money without owning it. Basically money takes the place of a fulfillment of needs: when people can’t satisfy those needs and obtain necessary things otherwise safely, they can use money as a tool. 101, Money becomes useful as a symbolic good for obtaining necessary things.

103, “The socially positive sense of money, from a Franciscan point of view, depended on the mercantile ability to make it circulate without freezing it,” when it is a unit of measure and a tool, and not a precious object. 102, Thus Olivi and successors “discovered the possibility for the rich who stayed rich to be like the poor of Christ”—as long as they used their money as a tool and allowed its circulation for the benefit of the community.
Chapter 3. The Use of the World: From Narbonne to Genoa

Subject: work

107, In the 1280’s-1300’s Olivi, Duns Scotus (see texts linked to the website), and the Franciscan school are engaged in discussing the value of work and the measure of compensation for the work of people. 120, People’s work, including the work of the merchants, is a marketable object, even though it is not as tangible; so work can be analyzed as a marketable object.

117, Olivi presents the merchant as an expert on the relationship between values and prices of goods that are relative, variable, and hard to set accurately, so it requires a certain “art” of being a financial expert. The merchant’s (or the banker’s, or the financial adviser’s etc.) work is marketable and is worth something. 118, Therefore the merchant’s profit is the compensation acknowledged as owing to him by the market society for his expert ability to evaluate things that makes prices comprehensible. 119, mercantile profit is the “price paid by the community to one of its professionals in exchange for his competence” in teaching them how to set prices.

[Oleg’s commentary: This means that profits are gained and interest is collected to pay for the necessary things of life for the professionals involved in regulating the market, managing our money, buying and selling, etc. This determines the policy of acceptable or “poor use” profit and interest: if the profit and collected interest are a lot higher than what is necessary to pay for the living costs of the financial expert, and enough to pay for pleasure and other unnecessary expenses, then this is not right.]

Subject: money and wealth

113, Olivi and others distinguished between publicly useful money and money totally directed at individual selfishness. Money that was considered to be socially and economically superior to individual hoarding was the one that was in circulation.

123, According to Olivi, if merchants are making money circulate and help the community, they are allowed to make a profit with their money even by lending it (which was earlier condemned as “usury”). “The trust merchants enjoy will make their money into productive capital. Therefore, the merchant’s habit of investing will make his wealth fertile.”

120-121, So if being wealthy as merchants is a way to make the market and society operate properly, then “being wealthy is also useful for preparing the salvation of the world”; “the wealth of those who did business could be worth almost as much as the friars’ poverty.” 125, According to Olivi: “commerce and trade are the forms of lay life closest to evangelical perfection, because it is evident that wealth appears more strikingly transitory in commerce.”

128, So in the tradition of Olivi and his followers, this vision of handling wealth in society does not contradict ethics and religion, as long as merchants favor public welfare as opposed to usurers and speculators who destroy it, and as long as they favor “transitory wealth” by means of investment and circulation.
Chapter 4. The Market as a Form of Society: from Barcelona to Siena

160. The Franciscan Bernardino of Siena is one of the most important economists of the 15th century. His work *On Contracts and Usury* (see linked to the website) has remained influential for centuries.

161. Bernardino and his followers raised the question: who favors the growth of the market and who blocks it? Those who block are the people who use luxury goods, hoarders, businessmen who resell goods without importing, transforming, or improving them (speculators); idlers and parasites who do not work. This view creates a basis for acceptable business practices for merchants. 162. The responsibility of every true merchant is not to exploit others, but to fight “false merchants by refusing to do business with known speculators, usurers, and swindlers. “The ethical nature of the economic game requires a continuous verification of the intentions and behaviors of economic operators.” 163, it is important to dismiss from the market those who do not contribute to the development of the economic community, do not invest, but hoard, etc.

166. Thus there is a close relationship between private behavior and economic ethics: for example the habit of buying and hoarding expensive things, or being personally honest. Private interest becomes indistinguishable from common or public interest.

167. Economic choices of individuals are linked to belonging to a particular social group and are made in the interest of this group: for example, investment is good because it makes one’s wealth circulate through the community.

171, “This civic treasure built by merchants, bankers and money-brokers appears to them as the engine of an economy in itself identical to the life of the community of believers.” 172. In fact diverging from a market with prices established by professionals is a sin; “The capital of merchants and bankers ... is now presented as a ‘tool’ at the service of the common welfare.”

[Oleg’s commentary: and this is important, because Francis and his Rule allowed one to have tools! So if “money” in the Rule is understood as “immobilized money” as having value in itself, then this is what needs to be rejected, while circulating and invested money (as well as the entire financial system) is viewed as a “tool” that we are allowed to have an use. The same goes for the understanding of lending at interest (“usury”) in Jewish and Christian law and in the Franciscan Rule: if profit and interest is understood as compensation for work and something necessary to sustain one’s life under the new economic conditions, then it is certainly allowed!]

**Monti di Pietà (charitable banks and pawnshops)**

In mid-fifteenth century Franciscans started to found Monti di Pietà, Christian charitable pawnshops and banks which extended no- or low-interest credit loans on the collateral of pawned items.

173. The strategy of non squandering one’s capital but investing it wisely to keep your capital socially useful for the economic and spiritual safety of people. The capital must circulate. One’s
profession allows one to practice one’s principal art, that of doing good things for the community. Financial or business professions (for example, that of a merchant or a banker) are no exception.

174. Doing your business in ways that help your community allow you to “earn credit” for heaven. The market can be the center of a system of civic virtues. Creating a network of friendships and trusts, in a way, makes a Christian community (city or state) into a lay form of the religious order.

Monti di Pietà lended on pledge at the price of a small interest, 5-15% per annum, and sometimes no interest at all, to help the poor and economically depressed population. These institutions exemplified this ideal of economic productivity and constant circulation of wealth for moral as well as economic reasons. They represented a public treasure invested in the service of the less fortunate. The capital used this way can represent charity and be equivalent to “loving one’s neighbor.”

175. Donating or lending to the Monte in order to lend to the poor amounts to investing into the community and making a spiritual gain. Public authorities started to support such policies in the 1400-1500’s. Legislation appeared against luxury (especially feminine luxury) and squandering, which allowed people to have surplus wealth to contribute to the Monte.

176. The Monte’s task is to collect the surplus of civic wealth (provided by laws against luxury, which reduced the number of people who didn’t have surplus wealth) to build a capital in order to eliminate or limit poverty by financing small impoverished businessmen.

178. In the 15-16th centuries the Monti consolidate themselves in Italy and later in Europe and become the origine of the modern bank. Papacy in the 1500’s authorizes interest, interest-bearing deposits, opening accounts, and other banking operations. The Monti help take care of needs of poor people by providing low-interest loans.

179. The Monti also generate moderate interest for those who make deposits (8-10%, according to Bernardino). The banking system sees the appearance of credit titles that can be exchanged for money. Charging interest becomes lawful if it compensated for public utility, for example if the investment was in public interests. The Monti also lowered interest rates by making them fluctuate. They promoted the idea that the value of money depended on its social role.

180. Generally, the very idea that money itself can have lower or higher value is important (cf. the financial crisis of 2008 which was caused by “bad money” contained in bad investments!). Money that is circulated by an institution derives its value form the quality of business it produces. “Money, like goods, had the value and price that the market recognized in it,” and this price can fluctuate depending on the social situation.