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# Echoes From Geneva: Finding John Calvin's Socio-Economic Interests in the Modern World

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**Echoes From Geneva:  
Finding John Calvin's Socio-Economic Interests in  
the Modern World**

*A Project Submitted in Partial Fulfillment  
of the Requirements for the Degree of  
Master of Liberal Studies*

*By*

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## **Part One**

### **Foundations**

## Introduction

*“Someone has said that it requires less mental effort to condemn than to think.”<sup>1</sup>  
Emma Goldman, 1911*

In her book, *Interest and Inflation Free Money*, Dr. Margit Kennedy makes the observation, “Many of the great political and religious leaders such as Moses, Jesus Christ, Mohammed, Luther, Zwingli, and Gandhi have tried to reduce social injustices by prohibiting interest payments.”<sup>2</sup> Absent from the list is the notable Protestant Reformer, John Calvin. This is an understandable slight, given that, aside from Calvin scholars, the knowledge held by the general public about Calvin is limited and narrow. He is often simply categorized in the theological arena as the rigid Reformer who put forth the theory of predestination and attempted to establish a biblical theocracy in Geneva, Switzerland, and any economic consideration of his teachings centers on what is perceived to be his concession in permitting the charging of interest and formally eliminating the ban on usury that had spanned the centuries preceding him.

Calvin stands accused by many of opening the floodgate for the abusive practices of capitalism to sweep across the continent of Europe and then to the outlying world by his arguments dismissing the ban on usury that dated back to the ancient world. Further, due to his position as a leading and influential voice in Western Christendom, he is condemned because abusive economic practices have often been directly connected with those nations in which Christianity dominated for centuries. Perhaps, for this simple reason, the name of John Calvin does not readily spring to mind when one considers those who have tried to

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<sup>1</sup> Emma Goldman, “Anarchism: What it Really Stands For,” in *Fin de Siècle*, ed. Sally Ledger and Roger Luckhurst (Oxford: Oxford University, 2000), 216.

<sup>2</sup> Margrit Kennedy, *Interest and Inflation Free Money* (Okemos, MI: Seva, 1995), 75.

reduce injustices through their socio-economic teachings and practices, particularly in the area of usury. This does not, however, make such an oversight correct, and the intent of this paper is to help to right that wrong. One must do as Goldman suggests: the mental effort must be made to not simply condemn Calvin and dismiss him out of hand, for if one truly considers Calvin's teachings and actions, one will find that such an accusation is unjust and unfounded, thereby obscuring his potential relevancy to a global world weighed down by usurious practices. Through an examination of John Calvin's intentions in ending the prohibition on usury and the practical application of his teachings in sixteenth-century Geneva, and a consideration of the elements of poverty, social outcasts, and exploitation common to both Geneva and the modern world, it can be argued that the Reformer has much to offer of continued relevancy for those seeking to engage their contemporary world by finding alternatives that can help the financially disenfranchised.

Economics for John Calvin included his teachings on the role of interest, manufacturing, distribution, aid to the poor, help for refugees, and the existence of a social safety net, as well as the practical decisions made in Geneva under his guidance from 1541-1564.<sup>3</sup> These are the general areas that will be explored in this paper, with the heaviest focus on his dealings with usurious practices and the abuse of the poor. A transition will then be made to the modern world, exploring three themes common to Calvin's Geneva and the contemporary, global society; those themes include poverty, social outcasts, and usurious practices. It will be shown that the continued presence of these three attributes in human society anchors the continued relevance of Calvin's socio-economic teachings in the twenty-first century. While his themes may not be applied with absolute precision on a situational basis, the spirit behind

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<sup>3</sup> Ronald H. Stone, "The Reformed Economic Ethics of John Calvin," *Reformed Faith and Economics*, ed. Ronald Stivers (Lanham, MD: University, 1989), 33.

them as well as their practical application in Geneva are certainly useful considerations in a world that some would contend is searching for and in desperate need of a code of ethics in its economic and political realms.<sup>4</sup> Due to the proliferation of usurious and exploitative economic practices in the modern world, “real and unique human persons... suffering under the intolerable burden of poverty...[are] deprived of hope due to the fact that... their situation has noticeably worsened” in recent decades, and thus, if Calvin has offered truths that might serve in some manner to ease the suffering of even a small portion of the immense number of people who are destitute and economically disenfranchised, then it is required that we search for them.<sup>5</sup>

The modern society is one in which we find “...different worlds within our one world: the First World, the Second World, the Third World and at times the Fourth World,” serving as a “sign of a widespread sense that the unity of the world, that is, the unity of the human race, is seriously compromised.”<sup>6</sup> The World Alliance of Reformed Churches, an organization that continues to abide by the principles set forth by John Calvin, made this observation in 1997:

The modern world has developed a culture of consumerism and competition. This culture exploits those who lack financial capital, and it results in the exclusion for those regions and peoples who have nothing to use as leverage to compete in the global economy. Even cheap labor has become an overused commodity.<sup>7</sup>

Many of these problems are rooted in the practice of lending at interest and compound interest at the local, national, and international levels. Despite their destructive potential,

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<sup>4</sup> Ibid., 34.

<sup>5</sup> John Paul II, *Sollicitudo Rei Socialis*, Encyclical letter on social justice, Vatican web site, December 30, 1987, [http://www.vatican.va/holy\\_father/john\\_paul\\_ii/encyclicals/documents/hf\\_jp-ii\\_enc\\_30121987\\_sollicitudo-rei-socialis\\_en.html](http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis_en.html), sec.13.

<sup>6</sup> Ibid., sec. 14.

<sup>7</sup> World Alliance of Reformed Churches, “Reformed Faith and Economic Justice,” (Subsection 2.1, presented at Debrecen, 1997).

however, the “issues of usury and...the borrower-lender relationship have yet to be major concerns for contemporary religious financial ethicists,” and, as Lewison notes, “[t]oday, with few exceptions, usury is met with moral indifference.”<sup>8</sup> This is not to say, however, that it should be so; on the contrary, moral indifference has arguably allowed the numbers of those who are economically destitute to markedly escalate in the recent past. It is very likely that, in an attempt to reverse such apathy, if given a forum to do so, the world’s greatest religious voices can still make significant contributions to the discussion of usurious and abusive economic practices prolific in the modern world, and this work will find that Calvin is no exception.<sup>9</sup>

It is important to note at the onset that this is not a paper about religion. Although Calvin assumes in his sermons that he is addressing Protestant believers, this expectation in no way limits the audience to whom his thoughts are applicable or excludes those who do not adhere to the tenets of Christianity. It does not require saving faith nor an identical worldview to grasp that many of Calvin’s socio-economic teachings as well as their practical application in sixteenth-century Geneva remain extant today, as the recognition of their value requires only that a person be as humane as Calvin was. Even though some scholars might argue that as Calvin’s writings assume a Christian audience, they have little to contribute to a secular or multi-religious globalized society, McKee makes the valid point that “...much social and economic truth can be and is known without saving faith,” and, therefore, “it is possible to adapt what Calvin says on socio-economic matters to address a non-Christian

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<sup>8</sup> Constant J. Mews and Ibrahim Abraham, “Usury and Just Compensation: Religious and Financial Ethics in Historical Perspective,” *Journal of Business Ethics* 72 (2007): 1, 10; Martin Lewison, “Conflicts of Interest? The Ethics of Usury,” *Journal of Business Ethics* 22.4 (Dec 1999): 327.

<sup>9</sup> Mews and Abraham, “Usury and Just Compensation,” 1.

audience.”<sup>10</sup> The majority of people can find something of value in Calvin’s socioeconomic teachings and practices because commitment to a particular set of religious beliefs is not required to find the transcendent truths that emerge from it. Douthwaite rightly observes, “Indeed many thoughtful people of all faiths and of none continue to have serious reservations [about charging interest].”<sup>11</sup> Therefore, it is not vital that each reader begins at the identical premise upon which Calvin rested his teachings, because, regardless of religion or secularity, many people generally share a common concern regarding the ethical foundation of financial relationships.<sup>12</sup> Protestant, Catholic, Jewish, Muslim, and secular voices will thus be heard throughout this paper to not only contribute to a basic understanding of the current economic situation, but also to help support the idea of Calvin’s continuing relevancy and essentially demonstrate the ability of his socio-economic teachings and practices to eclipse religious boundaries.

For most people, usury and the charging of interest are no longer viewed as topics for moral debate or discussion; however, this paper will attempt to demonstrate that Calvin’s thoughts on the issue do still carry relevance in the modern world. David Jones notes, in his work *Reforming the Morality of Usury*, that Christians in the Western world enjoy “unparalleled wealth” while in many other parts of the world, people do not have even the most basic necessities for survival.<sup>13</sup> Though such criticism is leveled at Christians in particular, it is also applicable in general to the societies of Western nations as well as the more affluent nations of the South where ruling parties have a personal grip on the wealth of

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<sup>10</sup> Elsie Anne McKee, “Character and Significance of John Calvin’s Teachings on Social and Economic Issues,” in *John Calvin Rediscovered: The Impact of His Social and Economic Thought*, ed. Edward Dommen and James D. Bratt (Louisville: Westminster John Knox, 2007), 4-5.

<sup>11</sup> Richard Douthwaite, *Short Circuit* (Dublin, Ireland: Lilliput Press, 1996), 155.

<sup>12</sup> Mews and Abraham, “Usury and Just Compensation,” 10-11.

<sup>13</sup> David Jones, *Reforming the Morality of Usury* (Lanham, MD: University Press, 2004), 7-8.

the country. It is a safe assumption that there are adherents to multiple religions and creeds, as well as secularism, who enjoy vast material benefits, holding capital while others, of either similar or different belief systems, struggle to find adequate food and housing.

Thus, Calvin's religious background, while not ignored entirely by this paper, will be used only to explain his views on usury and his reasoning in ending the prohibition against it. The emphasis beyond the first chapter will be on Calvin's views of how people should interact, focusing on his argument that one should make decisions and choose to cooperate with others in such a manner as to benefit the community and increase solidarity and brotherhood; his, therefore, are views which translate across time as well as religious and national borders, for the human quality is an inherent one, and wherever there are humans, there is the possibility of interaction. This ongoing opportunity for interaction, increased exponentially by the technologically connected global network, can result in need and exploitation for many while generating wealth and excess for others, or it can be channeled in a manner that is better suited to financially enfranchise the billions of humans who inhabit the world today. Calvin was well aware of the potentials, both negative and positive, inherent in human interaction; he recognized exploitation as well as solidarity, believing that the first could be minimized if the second was maximized; thus, his teachings and practices in Geneva carry in them truths that are still applicable. Calvin, therefore, though his views do emanate from the foundational tenets of his religious faith, has much to offer a person who, religion or creed aside, is troubled by the state of affairs in the modern world that has simultaneously produced great wealth and great destitution.

This is also not explicitly a paper on economics. The starting point of this discussion must be usury and interest; however, the reader should not expect an in depth study of this

very complicated topic. There are many other thinkers and economists who can be consulted for a deeper discussion of the practice of taking interest; that is not the purpose here. This work is not intended to be a final judgment on the rights or wrongs of interest and capitalist practices in the modern economic systems; such is far beyond the scope of this paper. The intention here is to recognize that the symptoms of societal sickness in the area of economics, those caused in large part by interest and exploitation, have persisted from Calvin's Geneva to the present day. Based on this recognition, it would be beneficial then to consider what answers Calvin might have to offer and identify what alternatives he might support in order to help the world's needy, with the aim of incorporating into today's systems the values found in his approach to the ills of his own society. Calvin's views on human solidarity color his interpretation of usury and the practice of taking interest on loans, and therefore, interest here provides the common thread that connects the paper and guides the discussion of his relevancy today. For Calvin, usury, poverty, exploitation, wealth, and the quest for the common good are all intertwined, and because usurious interest continues to be an element prevalent in modern society, so does poverty, exploitation, and wealth. Therefore, if one begins at Calvin's views on usury, it is possible to extrapolate his relevancy for contemporary times and the continued pursuit of the common good, not a leveling down, but instead an increasing trend upward in the economic standards of society which is beneficial for a much larger number of earth's inhabitants through the implementation of unconventional alternatives.

It is thus established that this is not a paper about religion, nor is it a paper about economics; instead, it is a paper about how a person, in this case, John Calvin, interacts with the world in which he lives, attempting to make a positive difference for those barely hanging

onto the lower rungs of society's ladder. The input of economists, various religious belief systems, secular historians, sociologists, and social activists will be woven together in this attempt to find Calvin's echoes in the modern world as well as suggest where his voice might appear next. This is a discussion aimed at finding Calvin's relevance for the modern world in general socio-economic terms, with the starting point his allowance of usury, without which there would be arguably little need to discuss him in this context. This is an attempt to observe the inequities within society and find what Calvin has to offer about how such disparities can be minimized. Tony Judt observes, "As citizens of a free society, we have a duty to look critically at our world...[and] if we think we know what is wrong, we must *act* upon that knowledge."<sup>14</sup> Calvin himself looked critically at the rapidly commercializing world around him and worked relentlessly and pragmatically to meet the needs of all members of society, not just the privileged upper echelons. He did not simply condemn and then walk away, accepting the status quo; instead, he thought of and enacted ways in which to make positive change. Because he did so, he has something to add to the ongoing discussion of how to help the financially disenfranchised. Thus, this paper will attempt to look at the world, not through the eyes of an economist or the eyes of a theologian, but simply through the eyes of a person fully aware of his world, realizing its ills, and continually seeking alternatives and solutions to address them.

The opening chapter of this paper will address the argument that Calvin is "The Father of Modern Interest." It will examine his teachings about usury against the historic backdrop of sixteenth-century Geneva. Definitions of usury and interest will open the discussion, and the attempt will be made to adhere to those definitions, as Calvin would have understood them, through out the entire paper. Calvin's challenge to the long-standing religious ban on

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<sup>14</sup> Tony Judt, *Ill Fares the Land* (New York: Penguin, 2010), 236-237.

usury will be explored as will the reasoning behind his ultimate rejection of the ban. The restrictions he placed on the taking of interest will be examined in order to establish the spirit behind his allowance of it. This chapter will establish Calvin's desire to develop solidarity among men, as well as enumerate practical ways in which his desire manifested itself in policy and practice in Geneva. The chapter will serve to reveal that in a rapidly commercializing world, Calvin's justification of the charging of interest was hijacked over time by a society "eager to adopt Calvin's theory of interest, but without his limitations."<sup>15</sup>

The purpose of the second and third chapters is to highlight certain elements that persist in societies, irrespective of time, culture, or nationality in order to demonstrate the congruous nature of Calvin's socio-economic teachings, finding them applicable not just in Geneva in the 1500s, but also for the modern world of the twentieth and twenty-first centuries. Three aspects will be considered. The first is the existence of poverty and the poor. The second is the incessant presence of refugees and migrants, existing as society's outcasts. The final component to scrutinize is the uninterrupted ubiquity of exploitation and usurious practices. The existence of poverty, refugees and migrants, and usurious practices in both Calvin's Geneva and the modern world will be explored. The examination of these three societal features will allow for a clearer understanding of Calvin's teachings, particularly their practicality in his day as well as their germaneness for today.

In the fourth, fifth, and sixth chapters, modern alternative approaches to the present global economic situation will be explored in order to assess whether or not Calvin would have found them valuable additions were he to visit the modern world. These chapters will seek to present the alternatives and then assess them in light of Calvin's teachings, thereby

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<sup>15</sup> James G. Frierson, "Changing Concepts on Usury: Ancient Times through the Time of John Calvin," *American Business Law Journal (pre-1986)* 7.2 (1969): 124.

answering the question, “What would Calvin do if he were alive today?” It is vital to consider alternatives, because, as Harrod argues, “...it is valuable to acclimatize one’s mind to the atmosphere of bold plans,” for only then can positive change occur.<sup>16</sup> The fourth chapter will briefly defend the probability of Calvin’s engagement with the economic world were he alive today and consider the role of the government in such affairs. Also, an examination of charity and stewardship, bank reform, and role of the local community will conclude the section. A discussion of modern issues regarding the taking of interest will follow in the fifth chapter, focusing specifically on interest caps, interest-free loans, and interest free money experiments. It is certainly worth considering whether or not “The Father of Modern Interest” might undo his allowance of interest were he to witness the negative outcomes traceable in large part to his relaxation of the ban on usury and the rejection of his strict limitations on the use of interest by the commercial world. The final chapter will present the contemporary alternatives for the disproportionately large percentage of the world’s population that is excluded from mainstream economic or banking systems, focusing on ethical investment, microfinance, and Third World Debt relief. Each alternative or movement will be described and evaluated in light of Calvin’s teachings, attempting to draw tentative conclusions as to what Calvin would embrace or engage in were he to live in today’s society. While a note of speculation is inherent in such an endeavor, Calvin’s socio-economic ideals, which were clearly taught and applied in sixteenth-century Geneva, lend enough support to allow a viable projection of his thought onto the modern world.

This paper is, consequently, an attempt to clearly establish that Calvin’s teachings provide a message that is timely and relevant. In particular, it presents topics for consideration by those who have the assets to be comfortable in life and do not have to be

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<sup>16</sup> R.F. Harrod, *Towards A Dynamic Economics* (New York: St. Martin’s, 1966), 129.

concerned with regards to food, clothing, and shelter. It appeals to those who are willing to look critically at the contemporary socio-economic situation, desiring to exhort readers to engage their world by thinking through alternatives and finding practical solutions to rectify its present difficulties. Calvin's voice calls through the centuries to the ears of those who will listen, and modern voices would do well to echo his teachings and sentiments in order to bring positive change based in fairness and solidarity to the world. Calvin was not just relevant for Protestants in Geneva; he is relevant for humanity today, particularly the humanity that is relegated to the fringes of society and then ignored while they fall further, blending into the horde of the hungry and powerless, the faceless masses in all corners of the globe who are desperate for a new system, one with the design of preserving their lives as opposed to eradicating them through exploitation and neglect.

## Chapter One

### Calvin's Interest in Allowing Interest

*“Calvin deals with usurie as the apothecarie with poyson”<sup>1</sup>*  
*R. Fenton, 1611*

Economic crisis. Ponzi schemes. Poverty. These terms have dominated both national and global news over the past year. On March 27, 2009, Brazilian President Luiz Inácio Lula da Silva blamed the global economic crisis on “white people with blue eyes”.<sup>2</sup> While it is tempting to dismiss this statement because of its racist overtones, upon closer examination, the Brazilian president was not far from the truth in his insinuation that abusive capitalism, a trait particular to the Western world, is largely to blame for the world’s current economic situation. The irony is that another trait particular to the Western world, Christianity, is premised on the tenet of loving one’s neighbor as oneself. How then could white Christendom facilitate and grow an economic system that permits a disproportionate distribution of wealth in which a small percentage of rich can become richer at the expense of the majority? This question is multifaceted and open to endless discussion. Given the opportunity to answer, however, some scholars would impugn the Protestant reformer, John Calvin, arguing that his relaxation of the ban on usury was a defining moment in the development of predacious attitudes in Western economics.<sup>3</sup>

Peter Maurin, who co-founded the Catholic Worker movement with Dorothy Day to counter the social ills of the 1930s, is among the many through the ages who have

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<sup>1</sup> Roger Fenton, *A Treatise on Usury*, qtd. in Eric Kerridge, *Usury, Interest, and the Reformation* (England: Ashgate, 2002), 32.

<sup>2</sup> Gary Duffy, "Brazil's Lula Raps 'White' Crisis," *BBC News*, accessed 11 April 2009, <http://news.bbc.co.uk/2/hi/business/7967546.stm>.

<sup>3</sup> Mark Zwick and Louise Zwick, *The Catholic Worker Movement: Intellectual and Spiritual Origins* (Mahwah, NJ: Paulist Press, 2005), 146.

expressed harsh condemnation of Calvin's allowance of usury:

When John Calvin legalized money-lending at interest,  
 he made the bank account the standard of values.  
 When the bank account became the standard of values,  
 people ceased to produce for use and began to produce for profits.  
 When people began to produce for profits they became  
 wealth-producing maniacs.  
 When people became wealth-producing maniacs  
 they produced too much wealth.  
 When people found out that they had produced too much wealth  
 they went on an orgy of wealth-destruction  
 and destroyed ten million lives besides.<sup>4</sup>

Accusations such as Maurin's have been formed around a belief that the economic woes of the global society can be traced back to John Calvin's allowance of usury, proposing that he promoted the accumulation of individual wealth by removing the ban, allowing people to lawfully make money on money, thereby generating "wealth-producing maniacs" who have destroyed millions of lives. However, this is an example of Goldman's suggestion that men find it easier to condemn than to do the work of truly examining a concept. Maurin, as well as many others, missed a key point in their haste to lay blame: if the taking of interest had been universally employed in the manner Calvin put forward, no life would ever have been devastated, intentionally or unintentionally, to facilitate someone else's personal gain.

Through an examination of Calvin's rejection of the traditional ban on usury, his reinterpretation of the role of interest in society, and the application of his teachings in Geneva, Switzerland, it can be made evident that Calvin's intention in cautiously allowing for the taking of interest was not to promote individual advancement at the expense of someone else. Calvin instead envisioned a society in which individuals embraced their social responsibility in promoting the common good through the utilization of interest in a spirit of

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<sup>4</sup> Peter Maurin, "Peter Maurin's Easy Essays," accessed 11 April 2009, <http://www.catholicworker.org/roundtable/easyessays.cfm>.

equity. This is evidenced by both the rationale he proposed for the charging of interest as well as the limitations he set on the practice with the overarching intention of promoting the good of society as a whole.

In Calvin's day, the accepted definition of usury was "the fact or practice of lending money at interest."<sup>5</sup> A market economy was developing in Europe, and the first capitalists, those "who accumulated capital or who had capital available for employment in financial or industrial enterprises" had emerged from the fading shadow of feudalism.<sup>6</sup> Though the term "capitalism" had not yet come into use, a clearly delineated capitalistic class had emerged by the time of Calvin's first appearance in Geneva in 1536 when he was invited by Guillaume Farel to participate in the initiation of the Reformation in the city.<sup>7</sup> Braudel writes in great detail of the growth of capitalism in cities such as Florence, Genoa, and Venice in the 1200s through the 1400s, and he highlights a specific exchange in the 1420s in Venice in which investors made a forty percent return on ten million dollars of capital, earning two million dollars in interest and two million dollars in trading profits.<sup>8</sup> By the sixteenth-century practices such as loaning at interest to monarchs, utilizing capital to achieve profit, long distance trade, and investing in industry were well-established and typical aspects of commercial cities such as the aforementioned Italian cities, as well as Amsterdam and Antwerp.<sup>9</sup> Geneva too was impacted by the growth of trade commerce and industry, becoming a commercial city due in large part to its strategic location at the intersection of

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<sup>5</sup> Oxford English Dictionary, "Usury," <http://dictionary.oed.com.exproxy.rollins.edu:2048>.

<sup>6</sup> OED, "Capitalist."

<sup>7</sup> OED, "Capitalism."; W. Stanford Reid, "John Calvin, Early Critic of Capitalism," in *Calvin's Thought on Economic and Social Issues and the Relationship of Church and State*, ed. Richard C. Gamble (New York: Garland, 1992), 160.; W. Stanford Reid, "The Transmission of Calvinism in the Sixteenth Century," in *Calvinism in Switzerland, Germany, and Hungary*, ed. Richard C. Gamble (New York: Garland, 1992), 160.

<sup>8</sup> Fernand Braudel, *The Perspective of the World: Civilization and Capitalism, 15<sup>th</sup> -18<sup>th</sup> Century*, Volume III (London: Phoenix Press, 2002) 120-21, 127-29. Note also the map on p. 28, used by Braudel to demonstrate the "world economy" in 1500, showing the city of Venice at its center.

<sup>9</sup> Reid, "John Calvin, Early Critic of Capitalism," 160-161.

several trade routes, and this would create the economic framework in which Calvin would feel compelled to consider the concept of usury as well as the role of the economy in the human community.<sup>10</sup> Calvin shifts from labeling all cases of interest as “usury,” to using the term instead to signify excessive or exploitative interest. “Interest” for Calvin, became that which is lawful and beneficial for borrower and lender, while “usury,” identified the abusive practice the medieval ban had intended to prevent. While Calvin will indeed make an allowance for “interest,” he will continue to clearly condemn “usury.”

John Calvin approached the issue of usury, not as an economist, but as a theologian and a lawyer living in the mid 1500s; surrounded by traders, craftsmen, shopkeepers, clerics, and academics, he was generally freed from the medieval suspicion of money and commerce, viewing it more so as a gift from God for the benefit of humanity.<sup>11</sup> He did not attempt to build a “bibliocracy;” instead, he focused on clarifying the social and economic responsibilities of the church and the state in regards to such topics.<sup>12</sup> Economic writings formulate a very small percentage of Calvin's works, but in that genre, usury received the most attention, signifying his awareness of its impact on society, and the fact that he dealt directly with the ban on usury demonstrates its importance during that time.<sup>13</sup> Calvin's biblical commentaries, and his personal answer in 1545 to an enquiry by Claude de Sachins, (entitled *Letter to Claude Sachinus* and referred to as *De Usuris*) contain the majority of his

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<sup>10</sup> André Biéler, *Calvin's Economic and Social Thought*, trans. James Greig (Geneva: WARC, 2005), 122. Scholars consider Biéler's text, published in French in 1961, as the foremost work on John Calvin.

<sup>11</sup> Ronald H. Stone, “The Reformed Economic Ethics of John Calvin,” in *Reformed Faith and Economics*, ed. Robert L. Stivers (Lanham, MD: University, 1989), 41-42; Biéler, *Calvin's Economic and Social Thought*, 61; Biéler discusses Calvin's training in both philosophy and law, noting that Calvin abandoned ecclesiastical subjects to study law in Orleans due to the encouragement of his father who had been excommunicated, 60-61.

<sup>12</sup> Eberhard Busch, “A General Overview of the Reception of Calvin's Social and Economic Thought,” in *John Calvin Rediscovered: The Impact of His Social and Economic Thought*, ed. Edward Dommen and James D. Bratt (Louisville: Westminster John Knox, 2007), 70-71.

<sup>13</sup> David W. Jones, *Reforming the Morality of Usury*, 71-73.

references to usury.<sup>14</sup> The lending of money was a key component in blossoming European commercial cities such as Geneva and, as it stood, the ban on usury was becoming increasingly impractical, and thus Calvin develops his usury doctrine with an understanding and sensitivity to the economic realities of his time.<sup>15</sup>

It is important to acknowledge that Calvin analyzed usury from his theological worldview and the freedom he applied in his interpretation of Scripture, focusing on the spirit of fairness and equity behind the biblical law concerning usury as opposed to the more literal letter of the law.<sup>16</sup> Usury was not solely a secular matter for Calvin, for his interpretation of its legitimacy rested on his analysis of Scripture and his shift away from “seemly unequivocal Old Testament texts [used by scholastics and other reformers to reject the taking of interest] and toward the golden rule.”<sup>17</sup> While Calvin’s religious beliefs are not the primary focus here, they are an important consideration as one cannot separate Calvin entirely from his theological foundation or the historical surroundings in which he found himself; the two serve to lead Calvin to what he saw firsthand as the necessity of reevaluating usury, prompting him to seek a contemporary and practical approach to lending at interest contained within a theological framework of moral behavior.<sup>18</sup> His rational approach to theology as well as economics would lead him to a rejection of the church's prohibition of usury, but not to a wholehearted approval of the taking of interest.

As a Protestant Reformer, John Calvin was no longer bound by Catholic canon law, yet he still had to reckon with the traditional religious ban on usury by challenging the long-

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<sup>14</sup> James B. Sauer, *Faithful Ethics According to John Calvin: The Teachability of the Heart* (Lewiston, NY: Edwin Mellen Press, 1997), 175.

<sup>15</sup> Guenther H. Haas, *Concept of Equity in Calvin's Ethics* (UK: Paternoster Press, 1997), Google Books edition, 120.

<sup>16</sup> Michael Wykes, “Devaluing the Scholastics: Calvin’s Ethics of Usury,” *Calvin Theological Journal* 38 (2003):43; Haas, *Concept of Equity in Calvin's Ethics*, 120.

<sup>17</sup> Wykes, “Devaluing the Scholastics,” 48.

<sup>18</sup> Biéler, *Calvin's Economic and Social Thought*, xxxv.

standing canon law based in classical philosophy and scripture.<sup>19</sup> He dealt with each aspect individually and dismissed the arguments of the past in light of his more pragmatic approach to what had formerly been considered a philosophical issue. Aristotle had taught that money was barren and sterile and could not grow more money, thus making interest illegitimate; this teaching was a vital pillar of the ban on usury, reinforced by the teachings of medieval scholars such as Saint Ambrose and Chrysostom.<sup>20</sup> Calvin countered this teaching, arguing that people who purchase a home and then receive rent payments are making money from money, and it was both permitted and expected. He stated, "No one borrows money from others with the intention of hiding it or not making a profit...Consequently, the gain is not from the money, but from profit."<sup>21</sup> Money is therefore as fruitful as property or other goods when it is utilized in a commercial manner.<sup>22</sup> Calvin found further reason to reject the philosophical claims because the philosophers had not acknowledged that the prohibition of interest on productive loans could be considered unjust as it kept money out of the hands of those who really needed it. Calvin argued that a poorer man with a little capital could lend to a man whose wealth was tied up in investments and therefore benefit from the interest, just as the borrower would gain from the loan.<sup>23</sup> If one wished to increase wealth in a society in order to increase the overall common good, then locking money away was counterproductive and irrational. Calvin thus summarily dismissed the philosophical claims regarding usury before turning his attention to the scriptural basis for the ban.

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<sup>19</sup> Susan L. Buckley, *Teachings on Usury in Judaism, Christianity, and Islam* (UK: Edwin Mellen Press, 2000), 152.

<sup>20</sup> Jones, *Reforming the Morality of Usury*, 83.

<sup>21</sup> John Calvin, *Calvin's Ecclesiastical Advice*, trans. Mary Beatty and Benjamin W. Farley (Louisville: Westminster/Knox, 1991), 141.

<sup>22</sup> Haas, *Concept of Equity in Calvin's Ethics*, 119.

<sup>23</sup> Jones, *Reforming the Morality of Usury*, 83.

The most important aspect of Calvin's relaxation of the ban on usury was his challenge to the scriptural pillar erected by the Church against usury. The church found the keystone for its ban in Deuteronomy 23:19: "Do not charge your brother interest, whether on money or food or anything else that may earn interest." John Calvin was the first major religious voice to teach that the verse in Deuteronomy did not absolutely prohibit the taking of usury because he considered the context of the verse. Deuteronomy 23:20 states that a Jew could charge a foreigner interest, but not a fellow Jew. Calvin taught that if the ban on usury was a universal spiritual law, God would have forbidden it altogether with no exceptions.<sup>24</sup> He saw the Old Testament as provincial, meaning it only applied literally to a particular people, the Jews, in a specific time and context.<sup>25</sup> Calvin explained the circumstances behind the Old Testament ban, stating that Gentiles charged interest in their transactions with Jews, so in the spirit of equity, the Jews had been permitted to charge the Gentiles interest as well. Internal commerce among the Jews was different; and therefore, the law prohibiting usury prevented them from taking advantage of each other.<sup>26</sup> With the advent of Christianity, however, Calvin believed that all men became brothers, with no differentiation between Jew and Gentile. This created what Nelson terms a "universal otherhood," which replaced the "tribal brotherhood" among the Jewish people and thus, the tribal prohibition that prevented Jews from taking interest from other Jews, which was for a particular place and time, no longer carried weight in a world in which all men were brothers, regardless of race or tribe.<sup>27</sup> Because the distinction of Jew and Gentile was to be eliminated for those who converted to Christianity according to the teachings of the New Testament, the Old Testament law

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<sup>24</sup> Benjamin Nelson, *The Idea of Usury: From Tribal Brotherhood to Universal Otherhood* (Chicago: University of Chicago, 1969), 73-6.

<sup>25</sup> Sauer, *Faithful Ethics According to John Calvin*, 205.

<sup>26</sup> John Calvin, *Calvin's Bible Commentaries: Ezekiel, Part II* (USA: Forgotten Books, 2007), 197.

<sup>27</sup> Nelson, *The Idea of Usury: From Tribal Brotherhood to Universal Otherhood*, 73.

prohibiting the taking of interest was no longer valid. This was a central aspect of his dismissal of the Old Testament ban. Also, Calvin noted that though usury was prohibited in regards to the poor, the Old Testament did not say that the rich could not lend among themselves at interest. Believing that such a double standard was an affront to justice and charity in exchange Calvin concluded that such passages could not mandate a universal prohibition.<sup>28</sup> He made a “clear distinction between the political circumstances of the Jews and those of sixteenth-century Geneva,” and since the situations were markedly different, the Old Testament usury laws were no longer applicable literally.<sup>29</sup> Only the spirit of the law of equity remained intact.

Calvin’s dismantling of the scriptural pillar did not stop at the Old Testament; he also challenged the interpretation by church fathers of Jesus’ words in Luke 6:35 exhorting men to “lend...without expecting to get anything back”. The verse had been interpreted as a condemnation of lenders expecting interest with repayment; however, Calvin taught that the words of Christ were actually calling for “authentic love in financial transactions.”<sup>30</sup> Jesus was urging the lending of money to those could not repay, thereby challenging the custom of lending only to the rich, as well as the habitual expectation of repayment.<sup>31</sup> It was an admonition to end the abuses of lending and a call for the faithful to exhibit equitable lending practices and generosity to the poor beyond that performed by the impious.<sup>32</sup> These would be the tenets employed by Calvin when he redefined usury and the limitations it should have.

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<sup>28</sup> Wykes, “Devaluing the Scholastics,” 47; Haas, *Concept of Equity in Calvin’s Ethics*, 119.

<sup>29</sup> Wykes, “Devaluing the Scholastics,” 47.

<sup>30</sup> Jones, *Reforming the Morality of Usury*, 81-2.

<sup>31</sup> Calvin, *Calvin’s Ecclesiastical Advice*, 139-40.

<sup>32</sup> Jones, *Reforming the Morality of Usury*, 82.

He encouraged the judgment of every occasion of usury against standards of equity, following the principles in the sixth chapter of the book of Luke.<sup>33</sup>

Calvin's exegesis of biblical passages strove to uncover the intent of the scriptures and not simply the literal content; he sought to find the "pure and authentic" meaning behind the written word.<sup>34</sup> Scripture was to be interpreted rationally; therefore, the Law of Moses should not be construed to obligate men beyond what is both equitable and reasonable. For Calvin, the key outcome of all interpretation of scripture should be the prevention of oppression.<sup>35</sup> Therefore, Calvin concludes, in the absence of a total ban to be found in scripture, to reject the taking of interest altogether was to "impose tighter fetters on the conscience than God himself."<sup>36</sup> Furthermore, not all gain from interest could be deemed inappropriate, as occasionally the borrower could emerge from a loan in a better financial situation. In such a case, a total prohibition of usury would ignore the good that could emanate from lending at interest; if it provided social benefit, it was permissible. Therefore, in evaluating any scriptures seemingly opposed to usurious practices, one must judge the truth of the deeds higher than the letter of the law.<sup>37</sup> Calvin ultimately appeals to Matthew 7:12, realizing that if all men abided by the golden rule, "to do as we would be done by...soon lengthy disputations about usuries would serve very little purpose;" therefore, usury should not be condemned unless it is contrary to "equity or charity."<sup>38</sup>

After considering the philosophical and scriptural foundation of the ban on usury, Calvin confronted the teachings of the scholastics that had defended this ban through the rebirth of

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<sup>33</sup> Rodney Wilson, *Economics, Ethics, and Religion: Jewish, Christian, and Muslim Economic Thought* (London: Macmillan Press, 1997), 88.

<sup>34</sup> Jones, *Reforming the Morality of Usury*, 8.

<sup>35</sup> Herbert Darling Foster, "Calvin's Programme for a Puritan State in Geneva, 1536-1541," *The Harvard Theological Review* 1.4 (1908): 426.

<sup>36</sup> Calvin, *Calvin's Ecclesiastical Advice*, 139.

<sup>37</sup> Calvin, *Calvin's Bible Commentaries: Ezekiel, Part II*, 198.

<sup>38</sup> John Calvin quoted in Kerridge, *Usury, Interest, and the Reformation*, 52

towns and the rise of a merchant class.<sup>39</sup> The church was involved in the economic developments of the time and was therein attempting to maintain ethical behavior.<sup>40</sup>

Thomas Aquinas, in *Summa Theologica*, taught that usury was a violation of divine law, arguing that to receive any interest was "intrinsically evil."<sup>41</sup> Any involvement in commerce was viewed as dangerous because it increased the opportunity for the sin of usury.<sup>42</sup>

However, this argument was more theoretical than practical as there were permissible exceptions, and the church itself was involved in business dealings that hinted at usury.<sup>43</sup>

The scholastics taught that "the divine and natural prohibition of usury is only on profit taken with just title on a loan contract," thus allowing other titles under which profit could be increased. Thus, the scholastics began with a general prohibition and allowed many exceptions, just as the Roman Catholic Church did, calling usury by other names, such as "interest titles," if necessary.<sup>44</sup>

Calvin found the allowance of usurious practices through deceptive labeling to be disgraceful, and his approach was therefore a reversal; he began with a general permission and narrowed it using multiple restrictions.<sup>45</sup> In his assessment of the economic situation rapidly commercializing around him, he felt it necessary and prudent to allow interest on loans that were for productive use, realizing that commercial life might well be impossible

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<sup>39</sup> John Thomas Noonan, *The Scholastic Analysis of Usury* (Cambridge, MA: Harvard University Press, 1957), 365.

<sup>40</sup> Max Weber, *Economy and Society: An Outline of Interpretive Sociology* (Berkeley: University of California Press, 1978), 2.

<sup>41</sup> Thomas Aquinas, *On Politics and Ethics* (New York: W.W. Norton, 1988), 74-5.

<sup>42</sup> Buckley, *Teachings on Usury in Judaism, Christianity, and Islam*, 156.

<sup>43</sup> Sauer, *Faithful Ethics According to John Calvin*, 10.

<sup>44</sup> Buckley, *Teachings on Usury in Judaism, Christianity, and Islam*, 160; Kerridge, *Usury, Interest, and the Reformation*, 9-10. Such extrinsic titles for loans included: *Periculum sortis* (lender shares risks of business w/ borrower), *poena conventionalis* (compensation for forbearance in not having bond forfeited when repayment is delayed), *lucrum cessans* (profits cease because owner does not hold his money), and *damnum emergens* (losses from the loan, travel, fees, accounting costs, insurance premiums, or commissions).

<sup>45</sup> Buckley, *Teachings on Usury in Judaism, Christianity, and Islam*, 160.

without some sanctioned forms of interest.<sup>46</sup> Calvin recognized that two types of loans exist, loans for consumption and loans for production. Loans for consumption are sparked by immediate need, often required by a person who borrows out of poverty; it would meet a substantive need, such as hunger or health. Only those who were poor and desperate for the basic means of survival would need a consumptive loan, and therefore, Calvin believed there should be no interest charged on such loans. Calvin, like the scholastics before him and his Protestant contemporaries, believed that the charging of interest on a loan for consumption was illicit, as it would be taking advantage of a person who had limited means coupled with great need; such loans should instead be regarded as an act of mutual responsibility.

Loans for production are those in which an amount is borrowed with the express purpose of investment, using the money in a fruitful and constructive manner; such loans can generate income on capital, such as a start-up loan for a small business. A productive loan, on the other hand, could be charged interest because it was used to generate capital, and the lender had a just entitlement to gain from another's profitable use of his capital. In such a circumstance, Calvin found the return of interest to be legitimate as long as the "rule of equity" was respected.<sup>47</sup> Calvin was then able to deem the taking of interest on productive loans to be both beneficial and allowable within a framework of equity and brotherhood. In his clear delineation of the two different types of loans, Calvin deemed money received from loans to be "capital," useful for aiding society as a whole, whereas the scholastics had termed such gain as "money," thereby placing it under the usury ban.<sup>48</sup> Calvin's evaluation

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<sup>46</sup> Sauer, *Faithful Ethics According to John Calvin*, 178; L.F. Schulze, "Calvin on Interest and Property—Some Aspects of His Socio-Economic View," in *Calvin's Thought on Economic and Social Issues and the Relationship of Church and State*, ed. Richard C. Gamble (New York: Garland, 1992), 190.

<sup>47</sup> Schulze, "Calvin on Interest and Property," 190; Jane Dempsey Douglass, "Calvin's Relation to Social and Economic Change," in *Calvin's Thought on Economic and Social Issues and the Relationship of Church and State*, ed. Richard C. Gamble (New York: Garland, 1992), 131.

<sup>48</sup> Noonan, *The Scholastic Analysis of Usury*, 375.

of usury reveals his engagement with a world in which commerce was already a dominant factor; in his development of a practical method of dealing with usury, he made the clearest break with scholastic teaching on the issue by recognizing the difference between a consumptive loan and a productive loan and clearly distinguishing between the two.<sup>49</sup>

Calvin thus reinterpreted usury, creating a new definition through his teachings. In 1754, Erskine noted this new definition of usury in his *Principles of the Law of Scotland*: "The crime of usury, before the Reformation, consisted in the taking of *any* interest for the use of money; and now in taking a higher rate of interest than is authorised [*sic*] by law."<sup>50</sup> No longer was usury the taking of specific interest on loans; instead, Calvin labeled usury as sinful if it hurt someone by taking an advantage.<sup>51</sup> He protested fraudulence and deception in transactions.<sup>52</sup> The abuses were the evil, not the interest; usury was now *lucrum damno alieno* (not *lucrum ex mutuo*), sinful only if it hurt another by treating him with inequity.<sup>53</sup> Due to the application of Calvin's teachings, the new definition of usury in Europe became "the practice of charging, taking, or contracting to receive, excessive or illegal rates of interest for money on loan."<sup>54</sup> Whereas usury had been often termed as a "bad" by both Catholics and other Protestant Reformers, Calvin looked at interest as potentially beneficial for the whole community. He sought to employ the practical "good" that was lost in the dogma of the traditional ban, and it was in this light that he made narrow allowances for the taking of interest.<sup>55</sup> Calvin's practical approach allowed the legalization of a small amount of

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<sup>49</sup> Sauer, *Faithful Ethics*, 173-4; Noonan, *The Scholastic Analysis of Usury*, 367.

<sup>50</sup> *OED*, "Usury."

<sup>51</sup> Noonan, *The Scholastic Analysis of Usury*, 365.

<sup>52</sup> Mark Valeri, "Religious Discipline and the Market: Puritans and the Issue of Usury," *The William and Mary Quarterly* 54.4 (1997): 753.

<sup>53</sup> Sauer, *Faithful Ethics According to John Calvin*, 184.

<sup>54</sup> *OED*, "Usury."

<sup>55</sup> Sauer, *Faithful Ethics According to John Calvin*, 6-8.

interest so that men could be merchants without having to be dishonest.<sup>56</sup> Credit was an important development in the growth of commerce; therefore, Calvin recognized the need to provide conditions that would maintain usury's lawfulness. The relaxation of the ban on usury was perhaps an attempt by Calvin, in light of his awareness of the potential benefits inherent in such an economy, to moralize the commercialization that had already become a part of European life.<sup>57</sup>

Calvin saw interest as a prospective "good" for society, but he was concerned with the potential abuses inherent in the taking of interest; therefore, he proscribed extensive limitations regarding the allowance of usury.<sup>58</sup> Two types of transactions were always sinful. First, Calvin rejected loans involving professional moneylenders. His issue was with the occupation itself. "I do not approve of those who propose making money-lending their vocation," Calvin stated in *De Usuris*.<sup>59</sup> He viewed professional money lending as a violation of brotherly love because those who took interest as an occupation were often dishonest tricksters making their living from the money of others. Self-benefit and self-interest prevented promotion of the common good.<sup>60</sup> As such, Calvin argued, "in a well-regulated state, no usurer is tolerated...whoever, therefore professedly adopts this occupation, he ought to be expelled from intercourse with his fellow men."<sup>61</sup> Second, Calvin taught, "...it is always wrong to exact usury from a poor man."<sup>62</sup> Such loans are sinful because they are a breach of the communal love that should exist between men. This is a teaching common to all Calvin's commentaries concerning usury. He taught that men should

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<sup>56</sup> Mark Valeri, "Religion, Discipline, and the Economy in Calvin's Geneva," *Sixteenth Century Journal* 28.1 (1997): 138.

<sup>57</sup> R.H. Tawney, *Religion and the Rise of Capitalism* (New York: New American, 1954), 93-5.

<sup>58</sup> Sauer, *Faithful Ethics According to John Calvin*, 195.

<sup>59</sup> Calvin, *Calvin's Ecclesiastical Advice*, 142.

<sup>60</sup> Jones, *Reforming the Morality of Usury*, 80.

<sup>61</sup> Calvin, *Calvin's Bible Commentaries: Ezekiel, Part II*, 198.

<sup>62</sup> *Ibid.*, 199.

not be cruel or oppressive toward the poor, instead sympathy and help should be extended to them. To abuse the poor is to neglect social responsibility, for no one should be subjected to financial destruction by the hand of another.<sup>63</sup> Calvin felt that a usury law should be framed to positively assist those in need, as interest could be used to improve their condition, while also protecting society from abusive economic practices.<sup>64</sup>

Besides the prohibitions against professional money lending and usurious loans to the poor, Calvin sought to curb the potential abuses of usury by laying out narrow parameters for the taking of interest. Consistent usury was to lead to expulsion from the church. Usury rates were to be within legal limits, preferably lower. Ministers who lent to merchants were not to do so with expectation of a certain level of profit.<sup>65</sup> Scripture and natural equity were to be the guiding factors in all cases of interest taking; the golden rule provided the best basis for judgment. The lender was to be willing to lend to the poor without interest. Lenders were not to profit from loans more than the borrowers; they must consider the common good and never take the advantage.<sup>66</sup> Calvin stated, "Scarcely ever can it happen that he who takes usury does not hurt his brother" therefore "the general rule is that usury is licit 'not everywhere, nor always, nor in all goods, nor from all.'"<sup>67</sup> He argued that since even heathens recognize the disgraceful nature of usury, the faithful ought to be even less tolerant of the practice; therefore, whenever interest is allowed, it must be measured by the rule of equity.<sup>68</sup> His call for restraint was evident in *De Usuris*: "If we allow usury at all, there will be some who will use this license as a pretext to take an unbridled liberty to lend at

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<sup>63</sup> Jones, *Reforming the Morality of Usury*, 80.

<sup>64</sup> Calvin, *Calvin's Ecclesiastical Advice*, 141.

<sup>65</sup> Buckley, *Teachings on Usury in Judaism, Christianity, and Islam*, 153-4.

<sup>66</sup> Calvin, *Calvin's Ecclesiastical Advice*, 142.

<sup>67</sup> Calvin, *Calvin's Bible Commentaries: Ezekiel, Part II*, 199.

<sup>68</sup> Nelson, *The Idea of Usury: From Tribal Brotherhood to Universal Otherhood*, 79.

interest...I fear that [they] might permit [themselves] more than I would prefer.”<sup>69</sup> Calvin did not intend for his allowance of usury to be taken as a *carte blanche* approval for the practice.<sup>70</sup>

Despite his relaxation of the ban against usury, Calvin did continue to hold the essence of the practice in disdain. He adamantly stated, “...it is to be wished that the very names of usury and interest were buried and blotted from the memory of men.”<sup>71</sup> He believed it was difficult to find a good man who took interest without any trace of deception.<sup>72</sup> While recognizing its possibilities, he found the market to be often dishonorable because it facilitated individual profiteering resulting in the oppression of the poor. He decried the dishonesty from which deceit and extortion resulted, finding those who committed usury to be concurrently engaged in falsehood and misusing words to obfuscate the true nature of their actions. For Calvin, the problem with usurious practices was rooted in dishonesty, as men taught each other tricks to circumvent regulations, thereby disseminating fraudulent activities that abused society overall. Truth was the “very bond of society,” leading to trust between its members; usurious fabrications, conversely, broke down the community as a whole, with some members taking advantage of others for personal profit.<sup>73</sup> While Calvin did clarify that interest could legitimately be practiced in some business arrangements, he clearly delineated between such situations and those circumstances that instead demanded charity.<sup>74</sup> His concerns regarding the taking of interest led him to expound highly restrictive

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<sup>69</sup> Calvin, *Calvin's Ecclesiastical Advice*, 139.

<sup>70</sup> Jones, *Reforming the Morality of Usury*, 79.

<sup>71</sup> Calvin, *Calvin's Bible Commentaries: Ezekiel, Part II*, 199.

<sup>72</sup> Calvin, *Calvin's Ecclesiastical Advice*, 140.

<sup>73</sup> Valeri, “Religion, Discipline, and the Economy in Calvin's Geneva,” 133-8.

<sup>74</sup> Wykes, “Devaluing the Scholastics,” 50.

prohibitions designed to minimize usury's potential for the destruction of the brotherly bonds of society and the trust necessary for a community of humans to positively grow together.

By examining Calvin's application of his socio-economic teachings in Geneva, one finds further evidence that he cautiously permitted the taking of usury only to enhance the common good; it was never his intention that individuals be allowed to be predacious in their financial transactions. In the 1500s, Geneva was en route to becoming an important financial center, but it was subjected to internal difficulties that caused Calvin grave concern and affected his evaluation of the morality of a commercial economy. Calvin came to Geneva in 1536, but his radical attempts to transform the morals of the city prompted the city leaders to ask him to leave. Calvin complied with their request, just as he accommodated their new request in 1540 that he return to Geneva because the city was in the throes of anarchy as well as other difficulties. Calvin would remain in Geneva from 1541 until his death in 1564, experiencing first hand the struggles of a city caught up in European religious and economic power struggles.<sup>75</sup> Geneva was directly impacted by conflicts between the Duke of Savoy, Francis I, who was the King of France, and the Holy Roman Emperor, Charles V; in fact, after Geneva had driven their Catholic bishop out of the city, the Duke of Savoy tried to force the surrender of Geneva by imposing a harsh blockade that would have destroyed the city in 1535, had its neighbor Bern not intervened on its behalf.<sup>76</sup> Much of this conflict was rooted in the Catholic desire to suppress the social revolution being perpetuated by the growth of Protestantism, as well as the desire to control Geneva as a strategic location for trade. The Reformation had originally come to Geneva as a religious movement, but as the political events raged around them, the lower and middle classes successfully launched a more radical

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<sup>75</sup> Reid, "Transmission of Calvinism," 68.

<sup>76</sup> Biéler, *Calvin's Economic and Social Thought*, 56, 122-23.

reform in the church as well as the political institutions of the city to implement both social and religious change.<sup>77</sup>

Calvin, at the invitation of the city council, became a central figure in building the Reformation structure in Geneva, and due to the turmoil of the time, his theology reflected a very pragmatic approach to the ever-changing context in which he lived. Though he never held public office, the social and economic legislation written during his tenure in Geneva bore his imprint and registered his influence.<sup>78</sup> Having completed his *Institutes of the Christian Religion* in 1535, systematically laying out principles for Christian living, Calvin was prepared to apply them in Geneva with the aim of creating a religiously and morally responsible state.<sup>79</sup> Calvin's program, which included parameters for commerce, was established as the basis of life in Geneva, and he sought to incorporate moral behavior, particularly with regard to usury, into the commercial nature of the city.<sup>80</sup>

During Calvin's leadership, Geneva experienced a 75% rise in population due to a large influx of immigrants, largely Protestant, from France seeking to escape religious persecution, causing the city to be known as "the most famous place to which religious refugees fled."<sup>81</sup> This rapid increase led to a strain on resources, a shortage of money, and an increased demand for credit, thereby generating intensity in the temptation for those with money to extend loans at usurious rates.<sup>82</sup> Since 1387, usury had been legalized in Geneva at a rate of 5%, but by the time of Calvin's arrival, many had begun to disregard this limitation.<sup>83</sup> Such

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<sup>77</sup> Ibid., 56-58, 122-23.

<sup>78</sup> C. Gregg Singer, "Calvin and the Social Order," in *Calvin's Thought on Economic and Social Issues and the Relationship of Church and State*, ed. Richard C. Gamble (New York: Garland, 1992), 147.

<sup>79</sup> Foster, "Calvin's Programme," 392-3.

<sup>80</sup> Ibid., 434.

<sup>81</sup> Richard C. Gamble, "Switzerland: Triumph and Decline," in *Calvin's Thought on Economic and Social Issues and the Relationship of Church and State*, ed. Richard C. Gamble (New York: Garland, 1992), 83.

<sup>82</sup> Valeri, "Calvin's Geneva," 127-8.

<sup>83</sup> Foster, "Calvin's Programme," 425.

injustices challenged Calvin's hopes of creating a morally responsible society in which the individual undertook the common good as a duty, as he witnessed many being oppressed and destroyed financially by the abuses taking place.<sup>84</sup> The Geneva of Calvin's day experienced social tensions resulting from a shortage of housing and ready money as well as a heightened amount of debt and inflation, which, coupled with the difficulties of integration, set the stage for an increasing gap between the rich and the poor, as those with means seized opportunity to capitalize on those with limited or no means.<sup>85</sup> Calvin witnessed the two miseries that "put social solidarity to a severe test," the relationship between native residents and foreign refugees and the disproportional allotment of wealth between the poor and the rich.<sup>86</sup> Hence, the exploitation that was threatening the economic survival of many poor refugees as well as natives in Geneva demanded his attention, as he believed that those in need must be provided with material means and possibilities for employment.<sup>87</sup>

Calvin recognized that successful commerce was advantageous for Geneva, and despite his recognition of the abuses inherently possible in such an economy, he supported the centrality of business in the life of the city.<sup>88</sup> He encouraged public funding for the development of manufacturing as well as the establishment of a public bank to help entrepreneurs. Bankers in Geneva were to remain honest in their practices and lenders were to abide by the legal limit for interest rates.<sup>89</sup> Calvin agreed to the state's decision in 1543 to raise the legal limit on interest to 6.67%, in the expectation that the higher rate might

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<sup>84</sup> Valeri, "Calvin's Geneva," 132.

<sup>85</sup> Matthias Freudenberg, "Economic and Social Ethics in the Work of John Calvin," *HTS Theologesie Studies/Theological Studies* 65(1), Art#268, (2009): 7 pages.

<sup>86</sup> Busch, "A General Overview of the Reception of Calvin's Social and Economic Thought," 74.

<sup>87</sup> Elsie Anne McKee, "Character and Significance of John Calvin's Teachings on Social and Economic Issues," in *John Calvin Rediscovered: The Impact of His Social and Economic Thought*, ed. Edward Dommen and James D. Bratt (Louisville: Westminster John Knox, 2007), 20.

<sup>88</sup> Tawney, *Religion and the Rise of Capitalism*, 105.

<sup>89</sup> Wilson, *Economics, Ethics, and Religion*, 88.

encourage more honest people to lend money. Secured loans were made available for immigrants, and speculative investments were permitted between friends.<sup>90</sup> Calvin preferred the return on an investment in commodities to a direct gain on a loan of money, and he encouraged the charging of interest only when rich men sought to increase their profits and were borrowing capital to do so.<sup>91</sup>

Calvin saw the need for each person to contribute, according to one's vocation and means, to the good of their neighbors and human solidarity.<sup>92</sup> People were even encouraged to select an occupation based on its usefulness to the society. The goal was to create a class of contributing workers who had sufficient means to live a self-sustaining and modest existence.<sup>93</sup> Success in commerce for the city meant that the prosperous could help the poor without expectation of profit or repayment leading Calvin to encourage immediacy in charitable giving; one should meet a need as soon as it appears.<sup>94</sup> Economic standards were established to promote civic order and social benefit.<sup>95</sup> Calvin's view of usury mirrored his overarching desire for society to exist in equity. Men's hearts were to guide them in treating others with fairness and exercising moderation.<sup>96</sup> Economic decisions based on the golden rule could not be wrong, and those not so-rooted could not be right and should not be permitted.<sup>97</sup>

Though the focus of this particular chapter is specifically Calvin's theory on usury, it is important also to realize Calvin's approach to the economic well-being of the society by briefly highlighting aspects of his applied theology based on the "recognition of human

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<sup>90</sup> Valeri, "Calvin's Geneva," 131, 136.

<sup>91</sup> Valeri, "Religious Discipline and the Market: Puritans and the Issue of Usury," 753.

<sup>92</sup> Stone, "The Reformed Economic Ethics of John Calvin," 38.

<sup>93</sup> *Ibid.*, 39.

<sup>94</sup> Valeri, "Calvin's Geneva," 136.

<sup>95</sup> Sauer, *Faithful Ethics According to John Calvin*, 191.

<sup>96</sup> Calvin, *Calvin's Ecclesiastical Advice*, 139, 143.

<sup>97</sup> Noonan, *The Scholastic Analysis of Usury*, 365.

solidarity,” the belief that all humans are to share in the goods God has provided in creation. While some of the following socio-economic aspects did exist in other towns and cities besides Geneva, the intention here is to follow Calvin and find the continued relevancy of his sermons and his work in particular; therefore, only Geneva will receive the attention here. Even if other cities had poor laws and threads of a safety net for its citizens, Geneva stood apart in the literature of the day as a place of refuge and care, a notably more humane city than the others of the area.<sup>98</sup>

Under Calvin’s leadership, much was done to promote care for the inhabitants, both native and refugee, of Geneva. A public bank was established to assist new entrepreneurs, public funds were provided to promote manufacturing, and miserliness in lending to the needy was strongly scolded.<sup>99</sup> Hospitals were established to provide not just medical care, but also food and housing for the needy, orphans, and the aged, as well as travelers passing through the city. A cloth-making industry was incorporated into a hospital to provide jobs for the unemployed.<sup>100</sup> Price controls were established on bread, meat, and wine to prevent price gouging, and weights and measures were regulated in the name of public interest. Calvin advocated vigorously for just wages, and the length of daily working hours was established and monitored due to his influence.<sup>101</sup> This regulation of industry was unique at the time for its attention to the needs of the workers, not just the owners, and was best exemplified by the printing industry, Geneva’s cutting edge technology, which was monitored through collective bargaining regarding issues of wages and hours.<sup>102</sup> The

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<sup>98</sup> Douglass, “Calvin’s Reaction to Social and Economic Change,” 130.

<sup>99</sup> Valeri, “John Calvin in American Public Life.”

<sup>100</sup> Douglass, “Calvin’s Reaction to Social and Economic Change,” 130.

<sup>101</sup> Schulze, “Calvin on Interest and Property,” 193; Stone, “The Reformed Economic Ethics of John Calvin,” 42-43.

<sup>102</sup> Stone, “The Reformed Economic Ethics of John Calvin,” 43.

relationship between the worker and the employer was to be one of equity based on proper remuneration and proper return.<sup>103</sup> Calvin also emphasized education, particularly for the poor, believing it fundamental to sustained economic growth.<sup>104</sup> Free and compulsory education was provided for both sexes, and Geneva's first university was established; the unemployed were provided with "re-education" so that they were better able to fill available job posts. Regulations were put into effect regarding fire safety, chimneys, as well as railings for stairs and balconies to protect children. Street repair, sanitation, and the building of public industries were also undertaken by the city.<sup>105</sup> Relief systems for the poor were to be executed by laymen, and Calvin demanded that church leaders supplement the welfare system implemented by the municipal offices.<sup>106</sup> Thus in Geneva, under Calvin's leadership, a large safety net was established for those in the lower echelons of society, providing not only needed goods and services, but also educational opportunities and assistance in finding meaningful employment, as well as tending to the safety of their person. Care was given to the "economically infirm and socially uprooted," and Calvin condemned any practice that could harm or oppress the poorest element in society as spiritually and politically illegitimate.<sup>107</sup>

Prosecution of those who exploited the common good in order to secure economic gain was a vital aspect of community life in Geneva; the perpetration of usurious injustice warranted corporate punishment in Geneva. Calvin worked with the civil government to enact price ceilings, fund local banks, enforce limits on interest rates, and to punish those

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<sup>103</sup> Reid, "John Calvin, Early Critic of Capitalism," 163.

<sup>104</sup> Henry G. Brinton, "Calvin Saw This Coming," *USA Today*, May 4, 2009, 13A.

<sup>105</sup> Schulze, "Calvin on Interest and Property," 193; Stone, "The Reformed Economic Ethics of John Calvin," 42-43.

<sup>106</sup> Busch, "A General Overview," 72.

<sup>107</sup> Freudenberg, "Economic and Social Ethics in Calvin," 5.

who engaged in oppressive practices, including usury, either in taking excessive amounts of interest or in charging interest to the poor.<sup>108</sup> Corporate discipline often focused on usury, as it became an acute problem for the city due to an influx of bankers and financiers who came as refugees from Italy.<sup>109</sup> Usury was often found to be linked to other harmful acts, including deception, and fraud. Speculation, usury over the legal limit, and hoarding were all considered as usurious interest or undue profits from the market. Transactions were considered abusive if they were not used to meet the needs of the society as a whole, and usurious merchants were found guilty of corrupting the social body and violating public trust through their self-seeking interests.

Due to the combination of increased French immigration into Geneva and poor harvests, the number of cases involving usury and deceitful business practices tripled during Calvin's tenure. By 1557, the average loan rate in usury cases was found to be 14.5%, almost three times the legal limit.<sup>110</sup> Calvin was a pragmatist, and he assumed that the market would continue to generate abuses unless it was strictly limited. He therefore focused on strengthening the religious and civil ruling bodies in Geneva to enable them to closely monitor economic behavior. As Valeri states, "Calvin placed corporate discipline at the center of religious life in the conviction that the church could counteract the centrifugal effects of the market."<sup>111</sup> Those who stood on charges of usury were often found guilty, not only of usury, but also of lying, slander, resisting authority, and disorder. Also, wealthy lenders were warned not to pursue impoverished debtors in civil court to obtain interest

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<sup>108</sup> Mark Valeri, "John Calvin in American Public Life," (Paper presented at Union Theological Seminary, Reformed Institute of Metropolitan Washington 2009 Convocation).

<sup>109</sup> Reid, "John Calvin, Early Critic of Capitalism," 164.

<sup>110</sup> Valeri, "Religion, Discipline, and the Economy in Calvin's Geneva," 128-130.

<sup>111</sup> *Ibid.*, 139-40.

payments on top of loans.<sup>112</sup> It was clear that Calvin believed usury to be an integral part of unsociable and deviant behavior, detrimental to the social body; therefore, inequitable commercial activities had to be subjected to corporate moral discipline in order to curb such attacks on the spirit of community and equity essential to human solidarity.

In an attempt to curb usurious practices in Geneva, the Consistory, a court of ecclesiastical discipline designed to scrutinize monetary practices, conferred with the Small Council, a civil body. As Calvin believed that the church and state should be separate, neither Calvin nor the church ruled the civil government; however, they worked together quite closely in legislating and executing economic and social policy.<sup>113</sup> While laws of morality, particularly targeting greed and excessive or unlawful gain were established in most cities, Geneva was unusual in its persistent enforcement of hers.<sup>114</sup> Calvin insisted that the Small Council assist the Consistory to create a two-pronged attack, civil and religious, against economic abuses.<sup>115</sup> The Small Council had executive, legislative, and judicial powers; it also could legislate concerning religious matters.<sup>116</sup> Those accused of usury were prosecuted and subject to punishments ranging from retribution to exclusion from the Eucharist.

Business trickery and exploitation that increased the poverty of the poor were considered equal to brigandage and chicanery and were targeted by the Small Council and the Consistory.<sup>117</sup> The convicted were to pay back usurious gain in an attempt to mend relationships in which they had taken the advantage. They were required to confess publicly,

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<sup>112</sup> Valeri, "John Calvin in American Public Life."

<sup>113</sup> Gamble, "Switzerland: Triumph and Decline," 81-82.

<sup>114</sup> Ibid.

<sup>115</sup> Valeri, "Religion, Discipline, and the Economy in Calvin's Geneva," 131.

<sup>116</sup> Foster, "Calvin's Programme for a Puritan State in Geneva, 1536-1541," 402.

<sup>117</sup> Stone, "The Reformed Economic Ethics of John Calvin," 37-38.

accept admonitions, and submit to the community in order to be restored to fellowship.

Calvin believed that individuals needed such punishments to assist them in amending their economic behavior so that they could be restored to a proper standing in society. For those who refused to take the path to restoration, excommunication and banishment awaited.<sup>118</sup>

Calvin felt there was no place in society for those who brought others to financial ruin through fraud and extortion, for they had acted with neither equity nor love. Corporate discipline was therefore necessary for those who had taken advantage of their fellow man because their crimes had been against not just an individual, but society as a whole.

It is definitely possible through a consideration of Calvin's intentions and teachings to propose that the condemnation of Calvin for promoting predacious individualism by his relaxation of the ban on usury is therefore unjustified. His reassessment of usury as permissible must be contextualized by his teachings with regard to social responsibility.

While some might argue correctly that by his actions he did open the floodgate for abusive capitalism, this clearly was not his intention; had the interest been utilized in the manner he prescribed, the negatives associated with capitalism might have been limited. The common good, equity, and brotherly love are of overwhelming importance in his teachings concerning usury and other economic behavior. The implementation and enforcement of his teachings in Geneva make this clear. Calvin's view of the market centered on the good it could provide for the whole community. Ideally, the market would promote accord and respect between men. Business and economics were tied to social life and could virtuously contribute to fellowship by providing interaction that would help meet the needs of each member of society. Calvin believed that humankind was created by God to have a communal existence,

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<sup>118</sup> Valeri, "Religion, Discipline, and the Economy in Calvin's Geneva," 133-4.

so men must be held accountable to do virtuous works that promote the common good.<sup>119</sup>

An individual's calling or occupation was for the increase of corporate good; one is to work for his neighbor's benefit, not his own, and God would take great pleasure in a society in which every member sought to work with diligence in order to contribute to the social benefit.<sup>120</sup> Self-seeking behavior and the accumulation and hoarding of wealth were rejected out of hand as contrary to the common good. Calvin was aware of the danger of a detachment created by usurious practices between individuals and the community, and he held as imperative that people should first grasp social duties and responsibility above personal ambition. One should "tend the sheep" instead of "fleecing" them, for if such fleecing were allowed, it would bring an end to proper civil order.<sup>121</sup>

Authentic love amongst brothers and mutual responsibility were, therefore, the dominant tenets in Calvin's view of economic practices, particularly that of usury. He saw "authentic love [as] a desirable duty" essential to the "right order" of society.<sup>122</sup> Brotherly love would lead to justice and equity amongst men, and this would work to restore a holistic order in the world that had existed at the Creation, reducing the chaos that had permeated human society.<sup>123</sup> This belief directly impacted Calvin's views on the ethics of usury. If the duty to love was neglected, *then interest must be prohibited*, for it could not help but become abusive usury. If brotherly love was maintained in society, then some interest could be permitted, because love would restrain man's self-seeking tendencies.

For Calvin, anything that was odious for the members of a society could not be considered lawful, while mutual responsibility for the common good would promote equity;

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<sup>119</sup> Ibid.

<sup>120</sup> Wilson, *Economics, Ethics, and Religion*, 87.

<sup>121</sup> Valeri, "Religion, Discipline, and the Economy in Calvin's Geneva," 126, 139.

<sup>122</sup> John Calvin qtd. in Jones, *Reforming the Morality of Usury*, 77.

<sup>123</sup> Jones, *Reforming the Morality of Usury*, 74-7.

this was the light in which he interpreted and set down his teachings on usury.<sup>124</sup> He taught and acted on the premise that society must care for its poor, sick and elderly, and establish a program of social welfare to meet public needs and promote common good.<sup>125</sup> He encouraged those who were rich to be good stewards of their wealth and to take responsibility for those who were impoverished.<sup>126</sup> Calvin's interpretation of usury was thus relational in nature; embracing "an idea of cooperative mutuality in social relations that stands in stark contrast to the competitive individualism of later market capitalism."<sup>127</sup> He believed that usury held the devious potential to break down social interaction and rapport between men. Calvin saw every human as dependent on God and on each other; therefore, economic exchange should be utilized to equally distribute wealth and God-given bounty.<sup>128</sup> Man should, therefore, conduct himself in business dealings with religious seriousness, using any profit for the good of society in the service of God. Usury had to fit into this framework, being allowed only so far as it was able to contribute to the creation of Christian character in society.<sup>129</sup> Usury was permitted in Calvin's theology if and only if it was employed in such a manner as to be *in majorem gloriam dei*, "for the greater glory of God," and for the common good.<sup>130</sup>

Unfortunately, Calvin's limitations were conveniently swept aside as a world on the verge of a commercial revolution found it expedient to embrace his allowance of interest while ignoring the restrictions he placed on its role in society. No other reformer had as great an impact on the topic of usury, and through the blatant disregard of his restrictive framework

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<sup>124</sup> Ibid., 78-9.

<sup>125</sup> Noonan, *The Scholastic Analysis of Usury*, 426-7.

<sup>126</sup> W. Stanford Reid, "John Calvin: The Father of Capitalism?" *Themelios* 8.2 (1983): 23.

<sup>127</sup> Sauer, *Faithful Ethics According to John Calvin*, 181.

<sup>128</sup> Ibid., 184, 221.

<sup>129</sup> R.H. Tawney, *Religion and the Rise of Capitalism*, 96-9.

<sup>130</sup> Max Weber, *The Protestant Ethic and the Spirit of Capitalism, with Other Writings on the Rise of the West*, trans. Stephen Kalberg (New York: Oxford University Press, 2009), 109.

and corporate discipline for abusers, the Western world was able to find a broad road where Calvin had carved out a narrow footpath; as Buckley observes, "It was left to Calvin...to open the flood gate, and that without any such intention on his part."<sup>131</sup> Max Weber considered Calvin to be the greatest influence on the rise of capitalism, and R.H. Tawney, supporting Weber's thesis, believed that Calvin "...opened up the way for the taking of interest which in turn led to the development of finance capitalism."<sup>132</sup> William Ashley labeled Calvin's views on money as "...the turning point in the history of European thought."<sup>133</sup> Benjamin Nelson saw in Calvin a religious leader who "...had dealt a resounding blow against the burdensome medieval doctrine of usury...;" he noted that others rushed in to ensure its downfall.<sup>134</sup>

These writers, among many others, while properly giving Calvin the credit for his rationally systematic approach to theology and economics, which was clearly reflected in his allowance of the taking of interest on productive loans, may be accused of misrepresenting Calvin as the headwater for the flood of capitalism throughout Europe, particularly in the seventeenth and eighteenth centuries. First, capitalism, as previously noted, had been around for at least two centuries prior to Calvin's arrival in Geneva. Second, when considered as an entity, Calvin's teachings about usury are markedly similar to those of the scholastics, the Catholic Church, and his contemporaries such as Luther who generally argued against usury with the desire to combat man's greed. Calvin, on the other hand, expanded the question, transforming it "into an extensive welfare issue."<sup>135</sup> While Calvin did rationally identify

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<sup>131</sup> Buckley, *Teachings on Usury in Judaism, Christianity, and Islam*, 152.

<sup>132</sup> R.H. Tawney qtd. in Reid, "John Calvin: The Father of Capitalism?" 20; Wilson, *Economics, Ethics, and Religion*, 85.

<sup>133</sup> William Ashley qtd. in Nelson, *The Idea of Usury*, 73.

<sup>134</sup> Nelson, *The Idea of Usury*, 82.

<sup>135</sup> Wykes, "Devaluing the Scholastics," 48.

reasons why the charging of interest could be allowed, recognizing those instances in which it might be mutually beneficial, his limitations are as strict, if not even stricter, than those that have been imposed by other religious writers through the ages.

Based on his writings about economic practices and, in particular, usury, Calvin is perhaps most accurately represented as “a critic of an existing system, rather than an advocate or founder of a new one,” as he saw how a commercial economic system based on capital and interest could lead to an increase in disparities between the rich and the poor as well as abusive practices at the expense of the have-nots.<sup>136</sup> Olsen correctly notes that, “Calvinism [meaning, the teachings of Calvin] is characterised more by a struggle against poverty than by a justification of lending money at interest or of keeping one’s profits to oneself.”<sup>137</sup> What Calvin reluctantly permitted, much of the European world grasped excitedly, and in ignoring the qualifications he had placed on usurious practices, finance capitalism came to incorporate the abuses Calvin had foreseen, feared and tried to prevent. The Western world disconnected Calvin’s actions from his intentions, and unfortunately, in doing so, they completely lost sight of the common “good” that he envisaged in permitting the taking of interest, leading many in the modern world to condemn him, thereby unintentionally suppressing the relevancy his socio-economic ideals could offer the global society today.

After examining Calvin's intentions in reinterpreting usury for the newly emerging commercialism, the highly restrictive limitations he placed on the taking of interest, and his application of corporate discipline in Geneva to punish those who abused their fellow men through greed and deception, it is necessary to conclude that he was strongly opposed to any

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<sup>136</sup> Reid, “John Calvin, Early Critic of Capitalism,” 161.

<sup>137</sup> Olsen qtd. in Wykes, “Devaluing the Scholastics,” 48.

economic behavior that was oppressive and contrary to social benefit. Maurin criticized the Reformer through statements such as, “When John Calvin legalized money at interest, he made *the bank account* the standard of values;” sadly, through accusations such as this, men have interpreted Calvin’s culpability for the development of abusive capitalism incorrectly, condemning him without logical justification.<sup>138</sup> It is more accurate to assert instead, “he made *brotherly love* the standard of values,” as Calvin was keenly aware that under no other standard could the allowance of interest be permissible.

Western capitalism did indeed develop a particularism, ultimately unchecked by Christianity, which has regrettably failed millions; however, “...a direct line between Calvin and modern capitalism still remains to be proved;” the form of capitalism which emerged in Europe and then developed on a global scale, runs counter to that holistic order of justice and equity Calvin desired to see develop amongst men and for which he worked tirelessly.<sup>139</sup> Society will have to establish guilt elsewhere for its economic woes, for John Calvin is vindicated. Perhaps the blame should be placed upon those who have ignored, and continue to ignore, the framework for usury that Calvin so carefully established. If “white people with blue eyes,” as well as those of every other race and creed, would do as Calvin advocated and carve the rule of equity upon their hearts in regards to the taking of interest, perhaps common good could become the central tenet of Western economics.<sup>140</sup> Unfortunately, maybe the Brazilian president was right in his observation; however, Peter Maurin and all those who hold John Calvin culpable for the ills usury has wrought in society certainly are wrong.

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<sup>138</sup> Maurin, “Peter Maurin’s Easy Essays,” (italics added).

<sup>139</sup> Schultze “Calvin on Interest and Property,” 191.

<sup>140</sup> John Calvin, *Calvin’s Bible Commentaries: Psalms, Part I* (USA: Forgotten Books, 2007), 201-2.

## **Part Two**

### **Connecting Calvin's Geneva to the Modern World**

## Chapter 2

### Poverty and Outcasts

*“When any one disturbs the whole world by his ambition and avarice, or everywhere commits plunder, or oppresses miserable nations—when he distresses the innocent, all cry out, How long?”<sup>1</sup>*  
*John Calvin on Habakkuk 2:6*

En route to considering Calvin’s relevance for today in regards to interest and usurious practices, an attempt must be made to bring him forward into today’s society. Having previously considered the economic aspects of the Genevan society in which Calvin lived, it is possible to find some links that permit the introduction of Calvin into the twenty-first century in order to render his socio-economic teachings as still applicable. This procedure may be difficult to prove given all the contingencies, for, as Singer notes, “The world in which [Calvin] lived...was much less complex...and he was not called upon to face many of the problems which are commonplace today.”<sup>2</sup> It can certainly be argued, however, that it is indeed not only possible, but highly germane to bring Calvin forward five hundred years because certain elements persist in society irrespective of time, religion, culture, or nationality. The enduring presence of two components, first, poverty and the poor and, second, outcasts in the form of refugees and migrants, will be revealed in this chapter by demonstrating their existence in Calvin’s Geneva as well as modern society. It can be shown that the difficulties and issues facing today’s world, while not identical, are markedly similar to those experienced by Calvin in the mid-1500s, thereby giving credibility and plausibility to the continuing relevancy of his teachings. The third element, usurious and exploitative practices, will be discussed in a similar vein in the following chapter.

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<sup>1</sup> John Calvin qtd. in Nicholas Wolterstorff, "The Wounds of God: Calvin's Theology of Social Injustice," *Reformed Journal* 37.6 (1987): 17. Original text of Calvin’s *Commentaries on the Twelve Minor Prophets* can be found at <http://www.iclnet.org/pub/resources/text/m.sion/cvhab-06.htm>.

<sup>2</sup> Singer, “Calvin and the Social Order,” 151.

The starting point for such a discussion must be found in the establishment of parameters regarding the geographic areas subject to comparison. It is relatively simple to ground such a framework in the sixteenth-century Geneva in which Calvin lived. It is more difficult to construct the criterion for consideration of the modern world. While it is arguably prudent to limit the “modern world” to a specific country such as the United States or a distinct group of nations such as the European Union so as to make relevant more particulars, this section will address its consideration of the modern world in more globalized terms. ‘Modern’ will thus include the twentieth century and beyond, incorporating different countries, different types of economies, and different levels of development as needed to supplement the discussion.

This approach may necessitate a more generalized discussion, but it is preferable on this occasion as it takes into consideration the ever-increasing globalized nature of the world—particularly the impact and reverberation that a simple action in the Western world by a single consumer can have on a person on the other side of the world. Rowbotham correctly states, “...a fluctuating financial digit on a single computer system in a single street in a single country [has] the ability to dominate the economies of an entire planet.”<sup>3</sup> If Calvin’s teachings regarding economic justice cannot be shown to be applicable to a globalized society, then his relevance to the modern world will be paltry at best, and this paper can only be extraneous and inconsequential. Conversely, if Calvin’s concerns regarding the impact of capitalist practices on social solidarity still carry some significance today, even if for only one group of people in one locale, then, due to the web of globalization, an impact by Calvin on this single group will, quite possibly, reverberate down the strands of the web, ultimately affecting areas near and far, serving to prove the ongoing relevance of his teachings in the modern world.

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<sup>3</sup> Michael Rowbotham, *The Grip of Death* (Charlbury, Oxfordshire: Carpenter Publishing, 2007), 7.

It is important to remember that Calvin was a man fully immersed in and aware of the world in which he lived, enabling him to develop his socio-economic teachings and practices so that they readily adapted to best meet the evolving and overarching needs of society. During his lifetime, he witnessed changes that caused him to continually reassess and grapple with the prohibitions on usury and the impact of budding capitalism in society; he was "...a man who was very much alive to the events taking place in his world."<sup>4</sup> His times included the rise of the modern state, the birth of international trade, the development of a bourgeois class, and the expansion of the money market.<sup>5</sup> Such vast changes required a theology and understanding of economics that would flex; biblical literalism was inappropriate for Calvin because he believed that the Scriptures were written for the specific context of a particular place and time. Therefore, Calvin, as previously stated, instead chose to embrace the spirit behind the biblical commands. As McKee accurately notes, "The Genevan reformer is always practical, and he works to make it clear to his hearers that what he is saying is *immediately relevant* to them."<sup>6</sup>

In regards to economics, Calvin believed that the concept of equity and justice, as well as the golden rule, would serve in any time or situation to limit exploitation and increase human solidarity and community. One would be in error to argue that Calvin was an idealist, because "his principles did not have...the air of unreality that attaches to ideal schemes that have little or no contact with actual life."<sup>7</sup> Instead, Calvin had a "healthful realism" that caused his principles to be effective because "he was in contact with real-life situations and

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<sup>4</sup> Reid, "The Transmission of Calvinism in the 16<sup>th</sup> Century," 70.

<sup>5</sup> Robert D. Knudsen, "Calvinism as a Cultural Force," in *John Calvin: His Influence in the Western World*, ed. W. Stanford Reid (Grand Rapids: Zondervan, 1982), 13.

<sup>6</sup> McKee, "Character and Significance of John Calvin's Teachings," 6. (italics added)

<sup>7</sup> Knudsen, "Calvinism as a Cultural Force," 28.

was in a position to change them.”<sup>8</sup> He was aware of the happenings of the times during which he lived, and he continually adjusted to them using the spirit behind Scripture to address the contemporary situation, keeping as his fixed point an allegiance to and engagement with “the purpose of social solidarity.”<sup>9</sup> Were he to be brought forward into the modern world, there is no reason to suspect that he would not continue to do the same, for the principles of fairness, justice, and love upon which he based his approach to economics, particularly regarding the poor, refugees, exploitation, and usury are outside the restrictive bounds of time, eternally applicable, as far as one can understand.

The first commonality to consider is the presence of the poor in society, found in both sixteenth-century Geneva as well as the modern world; this is the first similarity that can be utilized to demonstrate the Reformer’s continuing relevance. To begin, a brief reflection on Genevan history will serve to identify the economic and political issues that prompted the rapid growth of the number of people thrust into poverty, thereby confirming and documenting their presence in Calvin’s society, allowing links to be made to the present day. Geneva, as previously stated, was a strategic location, situated on trade routes between Western Europe and the Mediterranean Sea. It became prosperous in the fifteenth century through its fairs, held four times per year, which prompted merchants from every surrounding country to visit, thereby pouring money into the city from agents of banking families like the Medici.

Five major changes, however, were to prompt a downturn in Genevan economy, and the first three involved exploration, trade, and competition. The first change was the rise in prices initiated by the large amounts of gold and silver gained by Portugal and Spain through

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<sup>8</sup> Ibid.

<sup>9</sup> Busch, “A General Overview,” 72.

their explorations and conquests in the New World. This prompted a three- to fourfold rise in prices across the continent, raising the price of goods, land, and grains. Second, the trade route that had previously included Geneva shifted, as maritime exploration found that trade routes utilizing the Atlantic Ocean were favorable to those through Europe and the Mediterranean. Third, the Genevan fairs experienced marked decline as the Duke of Savoy and Louis XI, the king of France, forbade their subjects from attending such fairs in Geneva in order to increase attendance at fairs in their own regions.<sup>10</sup>

The final two changes involved the struggle between workers and owners as well as the arrival of refugees and migrants in Geneva. The city was dependent not only on its location for commercial trade but also its manufacturing; a working, proletariat class emerged because, due to a decline in trade, masters in the craft guilds prevented journeymen from becoming masters in order to limit competition and maintain their own status. This new class saw their cost of living quadruple, increasing at a rate that their wages could not absorb; all factors combined, they experienced a reduction of two-thirds in the purchasing power of their wages. The government then imposed a maximum level for wages in order to stop price rises, which perpetuated the problem by keeping wages at “starvation level,” as employers gained the upper hand over the workers.<sup>11</sup> The final change, the aforementioned arrival of thousands of refugees from the surrounding areas, created a greater strain on already limited goods, services, and employment. The economic difficulties prompted by the swelling of the population increased rapidly and demanded attention. Thus, in the years prior to Calvin’s arrival in Geneva, the number of poor had grown exponentially, and there was an increasing disparity between the wealthy and those living in poverty, perpetuated through usurious

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<sup>10</sup> Biéler, *Calvin’s Economic and Social Thought*, 126-130.

<sup>11</sup> *Ibid.*

lending and hoarding, and necessitating the provision of housing and social services for the needy.<sup>12</sup>

It is relatively simple to recognize that the existence and the situation of the poor are of primary focus for Calvin, including the relationship between the poor and the wealthy in society. In his consideration of the poor, Calvin highlights Deuteronomy 15:11, which states, “the poor will always be with you in the land.” For Calvin, however, the finality of this biblical proclamation is not to be considered as a “fatalistic resignation to poverty,” for to believe that the poor are condemned to be such is not only negligent, it is sinful, revealing a lack of charity. Those who are rich and of means are obligated to be stewards of the wealth with which they have been entrusted, given not to excess and accumulation, but to the support of those in need.<sup>13</sup> Calvin is careful not to romanticize poverty; in fact, in his commentary on II Corinthians 8:13, he states, “God wills that there be proportion and equality among us, that is, each man is to provide for the needy according to the extent of his means so that no one has too much and no one has too little.”<sup>14</sup> Calvin believed in the right of the poor to expect love and charity, as well as protection and care provided by civil authorities. In his sermon on Deuteronomy 16:11, he notices that those in need are called “your poor,” as opposed to “the poor,” indicating a personalization of the responsibility imposed on those with wealth.<sup>15</sup> Calvin’s direct assault on poverty in Geneva is a good indication that in today’s world he would cry all the louder to protest the seemingly casual disregard of the poor and would work to find practical solutions or join with those who have, stating as he did in the 1500s, “it is a common principle of justice...that we should keep

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<sup>12</sup> Ibid.

<sup>13</sup> Freudenberg, “Economic and Social Ethics in Calvin,” 3.

<sup>14</sup> Ibid., 3; John Calvin qtd. in Busch, “A General Overview,” 75; See original text of Calvin’s *Commentary on Corinthians* (Vol. II) at <http://www.ccel.org/ccel/calvin/calcom40.xiv.iii.html>.

<sup>15</sup> Schulze, “Calvin on Interest and Property,” 191.

ourselves from plundering and devouring the poor who are in distress and want.”<sup>16</sup> The primary concern of Calvin’s reformed thought, which was “to improve the actual situation of the poor,” remains as vitally important in the modern world as it was in sixteenth-century Geneva.<sup>17</sup>

It should be acknowledged that Calvin did not advocate the forced equalization of social classes due to his realization that there would always be discrepancies in wealth because of the impact of human fallibility in the social sphere; however, he was adamant that each person holds an entitlement to that portion of society’s wealth that he needs for his existence.<sup>18</sup> In his sermon on Deuteronomy 24, Calvin stresses that the wealthy are to “rectify their relation to the poor according to the principle of equity,” as the “compassion for the poor becomes the mark of humanity for the rich.”<sup>19</sup> The poor exist to test the charity of the rich, and the wealthy exist to meet the needs of the poor. Calvin depends on the spirit of equity to rule over the hearts of those with means, encouraging them to give.<sup>20</sup> The poor, on the other hand, are not to attempt to exploit the rich; as Calvin states in his *Institutes*, “...even the richest of all people, no matter how bad they may be, shall not be robbed of their possessions by those in direct need.”<sup>21</sup> Thus, Calvin taught that the rich were not to wield their wealth as an instrument of power or oppression, and the poor were not to cheat or steal to attempt to alleviate their fate.<sup>22</sup>

Calvin expresses that wealth is entrusted to people for sharing and for increasing the common good through responsible stewardship; the rich are given wealth so that they may

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<sup>16</sup> Haas, *Concept of Equity in Calvin’s Ethics*, 118.

<sup>17</sup> Dermange, “Calvin’s View of Property,” 51.

<sup>18</sup> Schulze, “Calvin on Interest and Property,” 192; Douglass, “Calvin’s Relation to Social and Economic Change,” 127.

<sup>19</sup> Freudenberg, “Economic and Social Ethics in Calvin,” 3.

<sup>20</sup> Singer, “Calvin and the Social Order,” 156.

<sup>21</sup> Calvin qtd. in Singer, “Calvin and the Social Order,” 157.

<sup>22</sup> Freudenberg, “Economic and Social Ethics in Calvin,” 3.

allot to the poor what the latter need in order to sustain a living. He equates hoarding with murder, for those who amass stores of wealth deprive others of a livelihood; he states, “...they are like murderers if they see their neighbours wasting away and yet do not open their hands to help them.”<sup>23</sup> Those with wealth acquired by exploitation or oppression have no right to keep it, and those holding legally acquired wealth at the expense of others harm human solidarity.<sup>24</sup> It is evident that Calvin’s teachings in Geneva were an attack on poverty rather than a call to accumulate capital.<sup>25</sup> Calvin concludes that men should not seek personal profit that simultaneously hurts a neighbor, and they must care for and help each other according to the golden rule.<sup>26</sup> With wealth comes obligation, and those who have it are not to engage in wasteful indulgences; they should seek instead to invest their capital in those industries that will create jobs as well as find charitable opportunities.<sup>27</sup>

Calvin would quickly ascertain today the presence of the poor as well as the disparities in wealth throughout the global society, a world as conspicuous in its consumption as in its poverty; he would recognize similarities between his Geneva and the modern world, perhaps even finding the current situation as more dire and extreme. The World Alliance of Reformed Churches (WARC) issued a statement in 2004 in which it noted that the annual income of the richest one percent on earth is equal to that of the poorest 57%, documenting also that approximately 24,000 people die every day from poverty and malnutrition, with an estimated 40 million dying from hunger-related diseases every year.<sup>28</sup> Bauman, utilizing a

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<sup>23</sup> Calvin qtd. in Biéler, *Calvin’s Economic and Social Thought*, 299.

<sup>24</sup> Douglass, “Calvin’s Relation to Social and Economic Change,” 128.

<sup>25</sup> Reid, “John Calvin, Early Critic of Capitalism,” 163.

<sup>26</sup> Schulze, “Calvin on Interest and Property,” 189.

<sup>27</sup> François Dermange, “Calvin’s View of Property: A Duty Rather Than a Right,” in *John Calvin Rediscovered: The Impact of His Social and Economic Thought*, ed. by Edward Dommen and James D. Bratt (Louisville: Westminster John Knox, 2007), 51.

<sup>28</sup> World Alliance of Reformed Churches, “Covenanting for Justice in the Economy and the Earth – ‘The Accra Confession’,” (Document GC 23-e, presented at the 24<sup>th</sup> General Council, October 13, 2004), #7.

2004 study by Jacques Attali entitled *La Voie Humaine*, documents that half the world's trade and global investments benefit just twenty-two countries, countries that are home to only fourteen percent of the world's population. He also observes that the forty-nine poorest countries, home to eleven percent of the world's population, receive one-half of one percent of the global product, which is equal to the combined income of the three wealthiest men on earth.<sup>29</sup> These disparities are due to many issues, the complexities of which cannot be adequately explored in the confines of this paper; however, it would serve well to at least identify here issues such as compound interest, Third World Debt, globalization, the deregulation of banks in the Western nations, and consumerism as contributing culprits.

The differing paces of progress have caused the gap between developed and developing countries to widen, resulting in what some people have termed a Fourth World.<sup>30</sup> While the production of goods has taken great leaps forward in modern times, the distribution tools have appeared faulty, causing a very small number of rich to emerge while many people have insufficient nutrition, exemplified ironically by the reality that Europeans and Americans spend seventeen billion dollars every year on food for animals despite the fact that there is a nineteen billion dollar deficit in the funding needed to feed the world's human population.<sup>31</sup> As another point of reference, in Brazil, half of the population suffers from malnutrition due to the country's attempt to concentrate on increasing exports in order to repay international debts and the exponentially growing interest on those debts instead of focusing on production of food for domestic use.<sup>32</sup> In another case, in July 1998, the then-president of Indonesia, B.J. Habibie, asked his people to fast twice weekly due to a severe rice shortage in the

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<sup>29</sup> Zygmunt Bauman, *Does Ethics Have a Chance in a World of Consumers?* (Cambridge, MA: Harvard, 2008), 248-249.

<sup>30</sup> John Paul II, *Sollicitudo Rei Socialis*, sec.14.

<sup>31</sup> Bauman, *Does Ethics Have a Chance in a World of Consumers?*, p. 249.

<sup>32</sup> Rowbotham, *The Grip of Death*, 133; John Paul II, *Sollicitudo Rei Socialis*, sec.16.

country caused by increased poverty (which rose from 11% to at least 40%), lay-offs, and bankruptcies due to adjustments required by creditors of their international loans.<sup>33</sup> This experience is not limited to the countries of the South, as poverty and the gap between the top and bottom echelons of society makes its presence known even in developed nations.<sup>34</sup> The lack of housing has become a global crisis, as millions now live lacking adequate housing or with no permanent shelter, even in the most highly developed countries; in the 2007 HUD report, in a one month tally of January 2005, there were 754,147 sheltered and unsheltered homeless persons in the United States.<sup>35</sup> As Pope John Paul II noted as early as 1987 in his *Sollicitudo Rei Socialis*, “the frontiers of wealth and poverty intersect within societies themselves, whether developed or developing,” and extreme poverty exists for some in the developed countries while, simultaneously, great wealth is controlled by a few in some of the developing countries.<sup>36</sup> Thus, the modern disparity between the ‘haves’ and the ‘have nots’ exists throughout the world, regardless of a country’s status as developed or developing; this then is an element that has persisted through time and has crossed national boundaries.

Calvin would be deeply troubled by the abusive attitude toward the poor that has emerged in modern society, a mindset that regards them as “losers” in a system that intends to provide “benefits only to the creative, the risk-takers, and the hard workers.”<sup>37</sup> A report from the Presbyterian Church in 1997 observed, “The single mother, the welfare recipient, the homeless are being excoriated for their immoral, trifling ways...they are spiritual losers

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<sup>33</sup> Russell Mokhiber and Robert Weissman, “A Dozen Reasons to Oppose the IMF and World Bank,” accessed on March 12, 2011, <http://www.whisperedmedia.org/reasons.html>.

<sup>34</sup> William E. Gibson, “An Order in Crisis, and the Declaration of New Things,” in *Reformed Faith and Economics*, ed. Robert Stivers (Lanham, MD: University, 1989), 150.

<sup>35</sup> This is approximately 3% of the United States population. See “The Annual Homeless Assessment Report to Congress,” (Issued by U.S. Dept of Housing and Urban Development, February 2007), [http://www.huduser.org/Publications/pdf/Ann\\_hmlss\\_rpt\\_508.pdf](http://www.huduser.org/Publications/pdf/Ann_hmlss_rpt_508.pdf). See also John Paul II, *Sollicitudo Rei Socialis*, sec.17.

<sup>36</sup> John Paul II, *Sollicitudo Rei Socialis*, sec.14.

<sup>37</sup> Bob Harvey, “Presbyterians Attempt to Reconcile,” *The Ottawa Citizen*, June 6, 1997, A1.

who brought their misfortunes on themselves.”<sup>38</sup> Calvin would insist today that such a stereotype must be stopped because he realized through his experiences in Geneva that the poor are most often victims of the system (political, social, and/or economic) and the rapid changes that occur within that system to which they have little or no time to adapt. Given his esteem for the poor in Geneva, Calvin would likely agree with the following statement:

[I]t will be necessary above all to abandon a mentality in which the poor--as individuals and as peoples--are considered a burden, as irksome intruders trying to consume what others have produced. The poor ask for the right to share in enjoying material goods and to make good use of their capacity for work, thus creating a world that is more just and prosperous for all. The advancement of the poor constitutes a great opportunity for the moral, cultural and even economic growth of all humanity.<sup>39</sup>

Calvin saw the poor as a vital part of society, existing to test the wealthy and hold them accountable as stewards of their riches. It is therefore unacceptable that “the poor individual is passed over in silence, pushed to the margins and shunned from the presence of the wealthy,” or worse yet, abused by those with means.<sup>40</sup> Calvin saw humanity in the state of restoration as a social community, not an individualistic one; therefore, he insisted in his *Institutes*, “whatever person you meet who needs your aid, you have no reason to refuse to help him.”<sup>41</sup> A twenty-first century Calvin would feel the same, perhaps with an even deeper passion, considering the scale of the problem today.

Continuing to accept poverty as “the perpetuation of the status quo,” and taking no action to alleviate it was not acceptable for Calvin in the mid-1500s, and it would not be justifiable for the Reformer today; something would have to be done now, just as action was

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<sup>38</sup> Ibid.

<sup>39</sup> John Paul II, *Centesimus Annus*, Encyclical letter on the political and economic issues between 1891 and 1991, Vatican web site, May 1, 1991, [http://www.vatican.va/holy\\_father/john\\_paul\\_ii/encyclicals/documents/hf\\_jp-ii\\_enc\\_01051991\\_centesimus-annus\\_en.html](http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus_en.html), sec. 28.

<sup>40</sup> Freudenberg, “Economic and Social Ethics,” 3.

<sup>41</sup> Calvin qtd. in Douglass, “Calvin’s Relation to Social and Economic Change,” 127.

required then.<sup>42</sup> While warning against the possibility of a revolutionary reaction by the impoverished classes, he encouraged and oversaw the establishment of schools, hospitals, orphanages, and charity houses in order to “fight and overcome poverty.”<sup>43</sup> This then, is a man who did not sit idly by while speaking of ideals; his actions had precise intent to mark change for the needy and the community. Remembering Deuteronomy 15:11, Calvin would have no difficulty recognizing that, indeed, the poor are always present, but he would question, as Oscar Wilde did in 1891, “Why should they be grateful for [only] the crumbs that fall from the rich man’s table?” when “from their collective force Humanity gains much in material prosperity.”<sup>44</sup> What Calvin witnessed in Geneva can now be easily observed, over five hundred years later, on a global scale, and were Calvin to engage the modern world, he would no doubt focus on changing the current situation in which approximately one-third of the population lives at the expense of the other two-thirds, a thoughtless practice which drives millions into deeper poverty on a daily basis. He would perhaps, given his approach in Geneva, hone in on the generally unbridled taking of interest, given the destruction it has wrought in the Third World as well as on low-income persons in developed countries, and the need for a social safety net; this will be revisited later.

The second commonality between Calvin’s and the modern world is the presence of a large number of refugees and migrants, those driven away from their homes due to war, famine, upheaval, persecution, and countless other reasons. Focusing first on sixteenth-century Geneva, it is important to note that due to the turmoil generated by religious wars as well as political upheaval, a portion of the European population was in constant flux, seeking

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<sup>42</sup> Freudenberg, “Economics and Social Ethics in Calvin,” 3.

<sup>43</sup> Ibid.

<sup>44</sup> Matthew 15:27 (NIV); Oscar Wilde, “The Soul of Man Under Socialism,” in *The Fin De Siècle*, ed. Sally Ledger and Roger Luckhurst (Oxford: Oxford University, 2000), 187.

safe havens from persecution and difficulties. Many of these refugees relocated to Geneva, creating a socio-economic situation that demanded attention. As Calvin himself was not a citizen of Geneva until 1555, just nine years prior to his death, it is probable that he identified with the needs of those who had been uprooted from their home, driven by force or by the hopes of self-preservation, and attempted to find a new life in a foreign city. A large influx of refugees came from France in the 1550s; during Calvin's tenure alone, Geneva saw a 75% rise in its population, from 12,000 to 21,000.<sup>45</sup> The situation gave rise to strained resources, unemployment, reduced wages, an increased demand for credit, a shortage of money, and price increases. The Genevan businessmen and bankers alike attempted to find market strategies to profit unscrupulously from the refugees, prompting the intervention of Calvin and the civil authorities.<sup>46</sup>

Calvin, the Consistory, and the Small Council attempted to provide leadership in dealing with the socio-economic crisis by targeting economic injustice through sermon, law, regulation, and civil punishment for violators of the public good who attempted to make usurious profits from foreigners. Calvin delivered a series of two hundred sermons about neighbors and strangers in order to highlight Geneva's responsibility towards her immigrants, recommending reduced rents, higher wages, and equal justice dictating that no one receive special privileges due to residential status.<sup>47</sup> Recognizing that the relationship between residents and foreign refugees could severely threaten social solidarity if not handled delicately and wisely, Calvin focused on this issue as both a separate aspect of his framework

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<sup>45</sup> Valeri, "Religion, Discipline, and the Economy in Calvin's Geneva," 127.

<sup>46</sup> *Ibid.*, 123.

<sup>47</sup> *Ibid.*, 71, 128. Imagine arguing this perspective in the modern climate regarding "amnesty" in the United States in relation to immigrants without "legal" status.

for brotherhood in society, and as an integral part of the relationship between the rich and the poor, as often the poor were also refugees.<sup>48</sup>

The concept of help for refugees and migrants was at the core of Calvin's teachings from Deuteronomy. He urged fair wages and aid in finding employment for such persons.<sup>49</sup> Many of those who arrived in Geneva as destitute refugees were able, due to opportunities and services provided them by the host city, to rise into a self-sustaining middle class, gaining an economic as well as a political voice.<sup>50</sup> Calvin thus encouraged the integration of tradesmen and businessmen who landed as destitute refugees in Geneva.<sup>51</sup> Even refugees passing through Geneva en route to another city were provided public assistance, employment, and protection from economic exploitation. Due to the presence of thousands of refugees, the term neighbor was not an abstract concept for Calvin, for it represented the flesh and blood face of a human in need; thus, loving one's neighbor required a very concrete response.<sup>52</sup>

The issues generated by the presence of refugees and migrants in society continue to be a prominent feature of the modern world, just as they were in sixteenth-century Genevan life. The movement of people is an integral aspect of the modern world. Calvin would find familiar the contemporary difficulties surrounding the shifting of people, either as refugees (generally defined by the UNHCR as someone prompted by the fear of persecution to leave his country) or by those migrating in pursuit of opportunities unavailable in their home countries.<sup>53</sup> Driven out of their home countries by a multitude of forces including the lack of

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<sup>48</sup> Busch, "A General Overview," 74.

<sup>49</sup> Valeri, "John Calvin in American Public Life," 3.

<sup>50</sup> Stone, "The Reformed Economic Ethics of John Calvin," 36.

<sup>51</sup> Freudenberg, "Economic and Social Ethics in the Work of John Calvin," 4.

<sup>52</sup> Douglass, "Calvin's Relation to Social and Economic Change," 130.

<sup>53</sup> The UNHCR definition of "refugee" is "someone who, owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of

employment, racial or religious persecution, natural disasters, widespread poverty, a lack of essentials such as food or arable land, and genocide, such persons change the shape of the countries they enter. This is not simply movement from developing countries to developed countries, such as the movement of Cubans and Mexicans into the United States; it is also movement across borders into neighboring countries with similar levels of economic growth, such as the movement of the Hutus from Rwanda into the Democratic Republic of Congo. According to the 2007 report by the U.S. Committee For Refugees and Immigrants (USCRI), there are a total of 13.9 million refugees and asylum seekers worldwide, with countries such as Pakistan, Syria, and Iran, and the area known as the Gaza Strip hosting the largest number of refugees, and countries such as Afghanistan, Iraq, and Myanmar generating the greatest number of refugees.<sup>54</sup> Large numbers of people have also migrated to other countries, not as refugees, but for various other reasons, most often economic ones.

Situations prompting the movement of migrants and refugees occur with frightening regularity in the modern world, exemplified as recently as February 2011, when over 210,000 people fled from Libya into Tunisia, Egypt, Algeria, and Niger due to the violent retaliation of the Qaddafi government against protestors.<sup>55</sup> As the presence of such numbers strains what are often the already limited resources of host countries, were Calvin to witness today's situation, he might expect the international community or an international governing body to intervene and give support and aid in the reengagement of these people with society, be it in the locality of their home country or in another area. It would never be acceptable in

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that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it.”

<sup>54</sup> U.S. Committee for Refugee and Immigrants, “World Refugee Survey 2007.” No Western (in economic terms) nation appears in the top 24 hosts to refugees. Ecuador and Venezuela are the only countries in the Western hemisphere to make the top 24 host list. Nine are in the Middle East, seven are in Africa, and five are in Asia, with Russia the sole European country on the list.

<sup>55</sup> Scott Sayare, “Flood of Fleeing Migrants Eases At Tunisian Border Crossing,” *New York Times*, March 5, 2011, A7.

Calvin's eyes to leave people languishing in refugee camps for years or prevent them from becoming part of the community at large, evidenced by the fact that he utilized and organized religious and civil bodies in Geneva to make sure the needs of refugees and migrants were met. Education, health care, and employment would be top priorities. Protection for such groups would also be of great importance; if his example in Geneva holds true for the modern world, exploitation, abuse, and abandonment of these vulnerable persons would be held as intolerable, requiring governmental organizations to be given the authority to intervene and orchestrate events to benefit those in such situations.

A strong condemnation should be expected from a John Calvin aware of the plight of refugees and migrants in the modern world, deeming the treatment of those excluded from society as a brutally callous. The United States, despite Emma Lazarus' poetic beckoning, "Give me your tired, your poor, your huddled masses yearning to be free," would not escape Calvin's critique were he to be made aware of American opinion polls that find that "68% of adults think limiting care to illegal aliens is a good to excellent way to reduce overall health care costs," and "80% of likely voters oppose healthcare coverage for illegal aliens."<sup>56</sup> One need look no further than the current "amnesty" debate and border patrol issues regarding Mexicans to realize the commonality of the struggle between native and foreigner in Calvin's Geneva and the present day United States, and to suggest, as Calvin did, that migrant workers receive reduced rent, higher wages, and rights equal to those of a native would evoke a deep and resentful outcry from many. Although debates generally rage around the illegal/legal status of those who enter the United States, the CIS reports that current trends show that over 25% of Mexican-born "legal" immigrants, though in the country long term, experience, not

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<sup>56</sup> "Immigration Facts," Federation for American Immigration Reform (FAIR), accessed March 12, 2011, <http://www.fairus.org/site/PageNavigator/facts.html>.

the fair wages of Geneva, but instead a poverty at a rate double that of American natives. Debate aside, Calvin would be troubled that the economic policies and practices of the United States could not help properly integrate and provide for those who entered its borders in need of a job or livelihood.<sup>57</sup>

The Center for Immigration Studies notes that in 2007, the immigrant population (of both legal and illegal status) in the United States reached 37.9 million, with immigrants counting for one in every eight U.S. residents.<sup>58</sup> A CIS report, entitled “Immigrants in the United States,” further indicates that 33% of the immigrant households are likely to use a welfare program versus 19% of native households, and the poverty rate for immigrants and their children is 17%, which is nearly 50% higher than that of natives and their children. 31% of adult immigrants do not have a high school level education.<sup>59</sup> If this is true of one of the wealthiest countries in the world, how much more difficult is life for a refugee or an immigrant in a country with a lower level of development and opportunity? Thus, it is safe to assume that this movement of people across national borders has evoked many of the same issues encountered by Calvin in his Geneva: unemployment, increased poverty, and the need for an economic safety net to care for such persons.

Calvin would likely find the current argument against “illegal immigrants” and those who are in a country without “legal” justification to be non-sequitor, as under his guidance and pragmatic teachings, everyone who entered Geneva was welcomed and aided, whether they intended to stay permanently or were simply just passing through the city. There was for Calvin no consideration of legal or illegal status, native or foreigner, but instead, only

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<sup>57</sup> “Poverty and Income,” Center for Immigration Studies (CIS), accessed on March 12, 2011, <http://www.cis.org/articles/2001/mexico/poverty.html>.

<sup>58</sup> “Immigrants in the United States, 2007” CIS, accessed on March 12, 2011, <http://www.cis.org/articles/2007/back1007.pdf>. The report also notes that nearly one in three immigrants are of an “illegal” status.

<sup>59</sup> *Ibid.*

attentiveness to the need of a human being; there is no clear indication that Calvin differentiated between Protestants or Catholics, those of other faiths, or non-believers when it came to issues of need. The continual presence of refugees and migrants provides, in the Reformer's eyes, immediate "neighbors" for whom those with means in a society are to care according to the precepts of the golden rule. As Calvin stated in his commentary on Isaiah 58:6-7,

It is not enough to abstain from acts of injustice if you refuse your assistance to the needy...By commanding them to break bread to the hungry...God intended to take away every excuse from covetous and greedy men who allege that they have a right to keep possession of that which is their own...And indeed, this is the dictate of common sense that the hungry are deprived of their just right if their hunger is not relieved... It is therefore a proof of the greatest inhumanity to despise those in whom we are constrained to recognize our own likeness.<sup>60</sup>

Thus, for Calvin, there is no person that should be denied help, regardless of where that person comes from, where that person is going, or the reasons for that person's movement. Calvin himself worked to collect charity from the native Genevese to aid poor refugees, and, as those same refugees became more self-sufficient, they in turn added their efforts to the special funds established to aid foreign refugees who continually flowed into the city during the mid-1500s.<sup>61</sup> Geneva was a city known throughout the European continent as welcoming to refugees due to the relentless application of Calvin's teachings; were he alive today, it is highly probable that he would be working to persuade the nation in which he lived to develop the same sort of reputation.

The labeling of refugees and migrants as "the human waste of the global frontier" and "the Other" who have nowhere to go and nowhere to which they may return, would be

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<sup>60</sup> Calvin qtd. in Wolterstorff, "The Wounds of God," 20. See original text of Calvin's *Commentary on Isaiah* at <http://www.ccel.org/ccel/calvin/calcom16.xi.i.html>.

<sup>61</sup> Biéler, *Calvin's Economic and Social Thought*, 140-41.

offensive to Calvin, as it counters his belief that the element of humanity inherent in every person demands respect, justice, and care.<sup>62</sup> Calvin himself was an exile in Geneva, and suffered indignities and injustices as such, and he realized that “...we as human beings exist in profound unity with each other,” and, therefore, he proposes that it is a “proof of the greatest inhumanity to despise those in whom we are constrained to recognize our own likeness [our humanity].”<sup>63</sup> For Calvin, there was no “Other” *per se* because the spark of the divine image was found in each person; to perpetrate an injustice on a human being was ergo to wound God. Such an observation might be dismissed in modern secularized views; however, one might now instead term it as the spark of humanity, common to all people; such a view still captures the spirit of Calvin’s evaluation.<sup>64</sup> Calvin would feel compelled to work to change the situation of those who are “absolute outsiders, outsiders everywhere and out of place everywhere except in places that are themselves out of place—the ‘nowhere places,’” just as he did in Geneva; both refugees and immigrants of legal and illegal status would find in Calvin an advocate on their behalf.<sup>65</sup>

Calvin taught that the “Other,” because of his humanity, has a right to make a claim for assistance as well as respect, based simply on his dignity as a human being. The element of humanity, resident in every person, demands the right to justice, including economic justice. Calvin would decry the intentional impoverishment of a people group based upon a perpetrator’s claim that the “Other” deserves injustice because of his or her actions. A modern example of this practice can be found in Israel’s reasoning behind their treatment of

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<sup>62</sup> Zygmunt Bauman, *Wasted Lives: Modernity and Its Outcasts* (Cambridge: Polity, 2004), 80. Bauman argues that modern society regards such refugees, migrants, and other outcasts in the modern world as “superfluous” and “human waste.”

<sup>63</sup> Wolterstorff, “The Wounds of God,” 18-20.

<sup>64</sup> *Ibid.*, 22.

<sup>65</sup> Bauman, *Wasted Lives*, 80.

the Palestinians, who suffer large scale poverty due to embargos and isolation, while Israel justifies its policies by arguing that the Palestinians, as aggressors, ‘deserve’ such treatment. Calvin would reject such reasoning out of hand, because we are to see the “Other” as in a mirror; he is ourselves, and therefore, regardless of its distortion, the image of humanity remains, requiring action on the behalf of the suffering party, without excuse or justification for withholding aid.<sup>66</sup>

Thus, if Calvin were placed in the twenty-first century, it is highly probable that he would continue to argue that provisions need to be made by host countries to meet not only physical needs, but also to integrate the needy who arrive, and he would organize efforts to do so. Migrants and refugees, shifting border to border in search of wages, suffer greatly in times of economic downturns and political tensions, and they find themselves at the mercy of their host countries or the international community for their existence; therefore, human solidarity demands that help be provided in order to meet their needs adequately.<sup>67</sup> Leaving such persons, who are in actuality equal members of the human society, in the tenuous situation of seeking the protection and aid of a host country that is often only willing to offer help that is paltry and temporary at best, or at worst, heap abuse or misuse upon them, would be not only unsatisfactory for Calvin; it would upset his perception of the solidarity of the human community to which all are to aim.<sup>68</sup> Just as in Geneva, a modern John Calvin would see his own humanity reflected in their faces, and would work accordingly to combat such practices through his words as well as his deeds for these, his neighbors.

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<sup>66</sup> Wolterstorff, “The Wounds of God,” 19-20.

<sup>67</sup> Graafland, “Calvin’s Restrictions,” 239. Graafland addresses the tendency of national governments to reduce support to developing countries in times of economic downturn.

<sup>68</sup> Bauman, *Wasted Lives*, 79-80.

The poor and the outcasts of society are two commonalities linking sixteenth-century Geneva with the modern global society, providing a connection along which the persistently applicable quality of Calvin's socio-economic teachings and practices can be traced. The discussion of these two components helps to establish that Calvin, were he to be brought forward to assess the contemporary economic and political climate, would quickly grasp the severity of the current plight of the poor, the refugee, and the migrant, and it allows the projection of his teachings onto the situation at hand. He would recognize these elements, having addressed them directly in Geneva, and he would perceive that the poor and outcasts of today's world beckon still for efficient means through which they can resume or begin an engagement with today's society and thus become an enfranchised part of the global community. Calvin's work can contribute greatly to any discussion intent on finding solutions for these issues and truly assisting those, plundered and oppressed, who cry out, "How long?"

## Chapter 3

### Exploitative and Usurious Practices

*“Thus it should be obvious that development either becomes shared in common by every part of the world or it undergoes a process of regression even in zones marked by constant progress....authentic development: either all the nations of the world participate, or it will not be true development.”<sup>1</sup>*  
*John Paul II, 1987*

The third commonality between Calvin’s Geneva and the modern world is the perpetuation of social injustice through economic exploitation and usurious practices. Calvin was a man well aware of human nature, and thus his teachings and practices sought to counteract tendencies that birthed abuses in the name of self-promotion. This chapter will include a brief identification of difficulties in the modern global economy as well as a more in depth examination of modern usury issues to demonstrate that not only are Calvin’s teachings, coupled with the pragmatic nature of his vision for human solidarity, still applicable, they are vitally relevant for the ongoing discussion of how to help the financially disenfranchised because many of the currents which underlie economic practices persist in society. It should be not expected that all the intricacies of the current global economic situation could adequately be covered here in great depth due to the constraints of space, and while the approach may appear superficial, the reader must bear in mind the intention of this paper is to demonstrate the continued relevancy of Calvin’s socio-economic teachings, not expound all matters economic.

As Calvin critically examined Geneva, he saw around him not only the potential for one individual to exploit another, a prospect perhaps increased by the emerging capitalistic system, but also the reality of the oppression caused by injustice in the economic arena.

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<sup>1</sup> John Paul II, *Sollicitudo Rei Socialis*, sec. 17.

Calvin's teachings against usurious practices have been clearly delineated already; let it suffice here to briefly recap in order to lead into the discussion of current issues. As indicated in the first chapter, the residents of Geneva, working to turn an easy profit, sought to hoard food products and then speculate with the prices of such goods, thus putting these necessities out of reach of a portion of Geneva's population; thus, the government had to step in and establish price ceilings.<sup>2</sup> The inclination of shop owners to exploit their workers through poor wages was another issue that required attention.<sup>3</sup> Calvin was required to address those who used weights and measures deceptively to make a false profit, stating, "...people of this kind are thieving in the guise of doing business."<sup>4</sup> The issue of usury continually haunts Calvin's socio-economic teachings; it was ever present and required the persistent monitoring of religious and civil bodies to keep those with capital from using it to extort ridiculous amounts of interest from their borrowers who often had limited or no means of meeting such obligations. Worse still was the burden of interest on the poor, to whom Calvin expected loans to be given with generosity; thus, to demand such from the needy was punishable usury. People were to have access to that which they required for their needs, and those with means were to assist the poor, not oppress them further in order to line their own pockets.

Unfortunately, were Calvin to enter the modern world, he would easily recognize the same tendencies towards mistreatment in the name of profit and gain, as they are arguably part and parcel of today's economic situation. Put briefly, the world economy has become increasingly complex, generating a system of production and distribution that depends on endless expansion in order to continue. Governments have been engaging in international

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<sup>2</sup> Biéler, *Calvin's Economic and Social Thought*, 134.

<sup>3</sup> *Ibid.*, 143

<sup>4</sup> Calvin qtd. in Biéler, *Calvin's Economic and Social Thought*, 398.

trade for hundreds of years with no real regard for the impact of such behavior on societies or nature, creating a world in which self-reliance is no longer a possibility for many people. This system has given rise to negative outcomes on a global scale, and now, “[a]s societies, we face a ruthlessly competitive global economy...”<sup>5</sup> The situation is arguably such that the “global economy is itself nothing less than a system of structural exploitation that creates hidden slaves on the other side of the world and forces people to give up their rights to their own resources.”<sup>6</sup> While Calvin did not experience this global network, he did have to allow for intercontinental trade as well as the innate desire by merchants and manufacturers to make economic gains, even through exploitation if possible. He taught quite specifically that profit gained at the expense of another was morally illicit, and those who had capital should use it with good stewardship to benefit society as a whole, not for the amassing of greater personal wealth.

Examples of exploitation and usurious practices abound in the modern world just as they did in sixteenth-century Europe; let it suffice to here illustrate a few that are now most prevalent. Exploitation is present in the modern exacting of usurious interest rates on Third World Debt as well as on middle class and low-income borrowers in Western countries, prompting the conclusion that a “Third World War...fought with usurious interest rates, manipulated prices, and unfair trade conditions...[which] forces people into unemployment, sickness, and criminal behavior,” has begun.<sup>7</sup> Profiteering by large corporations is often unjust as it benefits a relative few at the expense of the majority of society; Vogel aptly argues, “good fortune on the part of one should not cause substantial suffering on the part of

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<sup>5</sup> Ed Mayo and Helena Norberg-Hodge, introduction to *Short Circuit*, by Richard Douthwaite (Dublin, Ireland: Lilliput Press, 1996), vii-viii.

<sup>6</sup> *Ibid.*, ix.

<sup>7</sup> Kennedy, *Interest and Inflation Free Money*, 73.

another.”<sup>8</sup> Money that is needed in economically depressed areas is being siphoned out in interest payments to richer countries or financial institutions.<sup>9</sup> International trade has become a competition with the aim of alleviating indebtedness instead of what Calvin would argue it should be—the pursuit of a mutually beneficial exchange of goods and services for the good of the global community.<sup>10</sup> Abusive economic practices have resulted in and continue to cause losses due to gross wastage, inefficiency, poor quality agricultural produce, inappropriate land use, political tension, destruction of traditional culture, widespread emigration, and the increasing impoverishment of many developing countries, all in the name of competition and profit.<sup>11</sup>

The current money economy, because it involves transactions for speculative gain, is badly out of balance with the real economy of good, services, and raw materials.<sup>12</sup> Some suggest that only ten percent of the global currency flow is required in order to finance trade in real goods and services, leaving the other ninety percent available for speculation or leverage, (either economic or political, or both); this tends to thereby allow a disproportionate accumulation of capital in the hands of a very small number of financial organizations.<sup>13</sup> Robertson summarizes the issue by stating, “Financial events on the far side of the world deprive people of their houses, jobs, and livelihoods while traders in funny money called derivatives get bonuses bigger than the annual budgets of schools.”<sup>14</sup>

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<sup>8</sup> David Vogel, “The Ethical Roots of Business Ethics,” *Business Ethics Quarterly*, 1 (1991): 110.

<sup>9</sup> Roger Ruston, “Does it Matter What We Do With Our Money?” *Priests and People*, (May 1993): 171.

<sup>10</sup> Rowbotham, *The Grip of Death*, 8.

<sup>11</sup> *Ibid.*, 143-44.

<sup>12</sup> Richard Douthwaite, *Short Circuit*, (Dublin, Ireland: Lilliput Press, 1996), 15.

<sup>13</sup> World Alliance of Reformed Churches, “Reformed Faith and Economic Justice,” (Subsection 2.1, presented at Debrecen, 1997). James Robertson, in “Our Money,” estimates that up to 95% of money changing hands occurs in cyberspace with no real exchange of real goods or services (see next footnote).

<sup>14</sup> James Robertson, “Our Money: Can Money Ever Serve the Needs of People and the Environment, Instead of the Other Way Round?” *New Internationalist* 306 (1998): 25-28.

Calvin saw the positive potential of a market economy, identifying the possibility of generating greater wealth that would benefit the society at large. He also recognized, however, the destructive quality inherent in speculation, as he witnessed firsthand how it could deprive those with subsistent needs and prompt those with capital to direct it entirely towards the possibility of quick profit instead of reserving some funds to provide for the poorer people in society.

Modern banks profit due to their ability to create money, charge interest, and speculate through risky lending practices. The ability of banks and governments to move money to wherever it generates the greatest return has caused a depletion of funds from local economies, hurting the public good.<sup>15</sup> This system hurts poorer areas while benefiting the more prosperous, as capital is generally taken from the more destitute areas and given to those that are more likely to produce a profitable return. Banks look for borrowers with plans that will yield the greatest return to repay the loan, ignoring the investment needs of their local communities. This causes the movement of people, shifting from impoverished locales to where the investment is occurring, thus prompting undesirable and inefficient results such as underused assets in the declining areas and the overstretching of resources in the prosperous areas.<sup>16</sup> Savings flows out of the regions in desperate need of investment to places where development is booming because the banks see the opportunity for higher returns.

Production based on exploitation is also a major aspect in the contemporary situation just it was in Geneva where Calvin dealt with disputes between owners and workers over wages and job availability. Trade treaties that flood Western markets with goods from countries in

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<sup>15</sup> Douthwaite, *Short Circuit*, 15-16

<sup>16</sup> *Ibid.*, 122.

which labor is extraordinarily cheap also damages local producers who cannot compete with such low wages as those offered in “sweat shops.”<sup>17</sup> Like the tendency of banks to invest solely in areas of the greatest potential profit, this type of production has prompted the movement of workers searching for employment across continents and oceans as jobs are eliminated in the name of profit. Douthwaite argues that the policies of organizations such as the European Union encourage people to move to wherever the work is instead of building local communities and encouraging local production.<sup>18</sup> It is possible that a modern Calvin would target such policies, for it is impossible to build the type of solidarity and community he coveted if people are continually on the move to find means of support and survival. That is why he made such a concerted effort to find and create employment for migrants and refugees who entered Geneva.

Transnational corporations (TNCs), having gained dominance in the global economy with the single aim of making strong profits and generating higher stock value while ignoring the devastating potential their practices might have on local communities the world over, well exemplify the negative tendencies of the current global system in the areas of profit, production, debt, and abuse or misuse of resources. As Gibson notes, “Their aim is not the preservation of life; it is not the common good,” and “...their power profoundly affects the well-being of virtually everyone in the world, but is exercised without representation of the masses affected and without effective restraint.”<sup>19</sup> In food production alone, transnational corporations have caused the breakdown of local and regional supply networks, passing on to consumers the increased costs resulting from commercial transportation demands. Excessive farming debt has driven away those who might have been efficient producers, and mass

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<sup>17</sup> Ibid., 15.

<sup>18</sup> Ibid., 26.

<sup>19</sup> Gibson, “An Order in Crisis,” 152-53.

production through chemical and genetic manipulation has resulted in foodstuffs of decreased nutritional value, which are likely to increase the malnutrition found in so many parts of the world instead of alleviating it. TNCs have sought to avoid or eliminate competition, and have often successfully done so, destroying local production, and in the process, sometimes devastating local communities as well.<sup>20</sup> It is possible to state with accuracy that TNCs completely counter the socio-economic spirit of Calvin, as they profit excessively with little to no regard for the impact of their decisions on those negatively impacted by their practices.

Another major aspect of contemporary life, technology, has made it possible for fewer workers to produce a greater amount of goods, and thus machines have eliminated the need for a poor working class, displacing many people from any viable role in the economic system, which by definition should be geared to preserving life, not diminishing it.<sup>21</sup> Greater unemployment generally prompts more crime and misery in society, and serves only to further undermine community and the brotherhood of man. Calvin could not have envisioned the plethora of and prolific nature of technology which emerged in the past century; however, he understood change and progress as his city dealt with the newest technology of the time, the moveable-type printing press, and he strove to incorporate these new developments in such a manner as to produce benefits for all members of society. This concept is one worth consideration and discussion, asking, not, ‘How can we use technology to replace people?’ but instead, ‘How can we use technology to best help the world’s population?’ Calvin provides a point of judgment upon which such discussion can rest—change and progress must be used to include, not exclude, greater numbers of people.

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<sup>20</sup> WARC, “Reformed Faith and Economic Justice.”

<sup>21</sup> Ibid.

The contemporary economic situation thus has many noticeably negative results, and as in Geneva, Calvin would today seek to direct his sermons and his energies toward addressing such issues. The current system sparks resistance to exploitation exemplified in places such as New Caledonia, where, in 2006, the Union of Kanak and Exploited Workers (USTKE) took action to resist globalization and protest what they termed colonization attempts; through strikes and pickets, the occupation of ports, and the sabotage of equipment, the population succeeded in closing down food distributors, Coca Cola, and a Canadian mining company attempting to profit from the nickel there.<sup>22</sup> Calvin witnessed the same sort of angst and revolutionary tendencies among exploited workers who had intense clashes with business owners in Geneva, and his intervention helped avoid strikes. Through his work as well as that of his fellow pastors, the general prosperity of the city improved and the fundamental rights of workers were preserved; it is important for the voices of all members of society be heard, not just those with wealth.<sup>23</sup>

Many current voices argue that the present system is rapidly becoming one that suits and truly benefits no one, not even those who hold immense wealth, because that wealth has been contingent on the ecological destruction and an almost complete disregard by multinational corporations of the impact of their growth on the biosphere.<sup>24</sup> Also, as Judt, Mayo, and Norberg-Hodge observe, the fences of the gated communities are not high enough to block out a collapse of the social order, and as for the economically disenfranchised, “governments and businesses offer...at best, a tattered, decaying safety net.”<sup>25</sup> The result of the current system is wealth for a few on one hand, and on the other, hunger, exclusion, mass misery,

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<sup>22</sup> Omar Hamed, “New Caledonia, Worker Resistance to Globalisation,” accessed September 14, 2010, <http://www.indymedia.org.nz/article/72282/new-caledonia-workers-vs-globalisation-o>.

<sup>23</sup> Biéler, *Calvin's Economic and Social Thought*, 143.

<sup>24</sup> Mayo and Norberg-Hodge, Introduction in *Short Circuit*, ix.

<sup>25</sup> *Ibid.*, vii, ix; Judt, *Ill Fares the Land*, 186.

and ecological destruction for millions. The economy is not working to meet the needs of all people; instead, it is being used to create wealth for those are able to use their own vast amounts of capital to perpetuate the exploitive nature of the system.<sup>26</sup> This is not community; this is not solidarity. These are exploitative and usurious practices, the type that Calvin recognized as detrimental to the human brotherhood. Calvin recognized the abusive potential in the wielding of capital in the mid-1500s, targeted it specifically, and encouraged others to do the same; he continues to be relevant because the twenty-first century situation is similar to his own and is arguably even more exaggerated in the scope of its inequities. The contemporary circumstances underline the importance of Calvin's socio-economic teachings, as a consideration and pragmatic application of them might help generate a cure for that which ails the modern economic system, which the Reformer might deem figuratively to be a sickness involving the heart.

Turning now to address usury specifically, it is vital to remember that Calvin's view of the relationship between the rich and the poor colors his discussion of usury. As previously noted, no interest was to be taken on loans given to the poor because these loans were generally of the consumptive type; to do otherwise was to commit illicit usury. The rich were not to profit off those in poverty. Creditors were not to lend all their capital to the rich; they were to reserve some to give interest-free loans to the needy. Also, as men do not always govern themselves by the law of equity, the state is obligated to oversee and regulate credit and interest rates to stop usury.<sup>27</sup> He worked to stem exploitation and the endless pursuit of profit at the expense of others. Calvin summarized it thus in his commentaries on Psalm 15:5 and Leviticus 25:35:

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<sup>26</sup> World Alliance of Reformed Churches, "Continuing Journey For Economic Justice and Life on Earth," (Paper presented in Cape Town, South Africa, March 26-31, 2001).

<sup>27</sup> Freudenberg, "Economic and Social Ethics in Calvin," 4.

There is no worse species of usury than an unjust way of making bargains, where equity is disregarded on both sides. Let us remember that all bargains in which one party unrighteously strives to make gain by the loss of the other party, whatever name may be given them, are here condemned... Besides we know that generally it is not the rich who are exhausted by their usury, but the poor man, who ought rather to be relieved.<sup>28</sup>

Calvin's emphasis on the relationship between the poor and the rich is an affirmation that he saw the situation as socially unjust and in need of correction.<sup>29</sup> Even if man is powerless to stop poverty absolutely, it is demanded of him that he make every effort within his power to aid the poor and to help his neighbor. Calvin's consideration of the relationship between the wealthy and the poor certainly "cannot be seen as encouraging unrestricted capitalism," nor of the unbridled taking of interest.<sup>30</sup> Thus, if he were alive today, it is a safe wager that he would be adamant about taking action to help alleviate the suffering of the world's poor and minimize exploitation, agreeing with Vorster that "...it should also be a common principle of justice, extending to all nations and to all ages, that we keep ourselves from plundering and devouring the poor who are in distress and want."<sup>31</sup>

Calvin found economic abuses to be most commonly connected to the practice of usury, the taking of an exploitative rate of interest, which is arguably why it received the majority of his attention in regards to economic topics he addressed. Usury and interest represented for him the elements in Genevan society through which one man could most easily exploit another, particularly in the other's time of need. While giving a loan at interest could be mutually beneficial to both borrower and lender, serving to improve the condition of both, these situations were more of a rarity than a regular occurrence; since the taking of interest

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<sup>28</sup> Calvin qtd. in J.M. Vorster, "Calvin and Human Rights," *The Ecumenical Review* 51.2 (1999): 216.

<sup>29</sup> *Ibid.*, 3.

<sup>30</sup> *Ibid.* This challenges claims made by Max Weber and Ernst Troeltsch that Calvinism helped bring about abusive capitalism.

<sup>31</sup> Vorster, "Calvin and Human Rights," 216.

could not be universally prohibited because of it had the potential to bring benefit to the community, it would have to be allowed but at the same time strictly monitored to prevent creditors from abusing borrowers or withholding loans that would be helpful to those in need due to the lack of potential profit. For Calvin, to engage in economic practices was to subject oneself to the temptation to exploit or oppress one's fellow man; he perceived that "...business people are in a very immediate and personal way at risk of forgetting truly Christian morals."<sup>32</sup> As outlined in the first chapter, Calvin witnessed firsthand the damages caused by excessive rates of interest and deceitful merchants, documenting their abusive impact on the social body, and he recognized that the capitalism of his day needed to be strictly regulated to prevent the perpetuation of injustice and inequity by those with the power of money.<sup>33</sup>

As much has already been noted about Calvin's views on interest in previous parts of this paper, it is prudent to now turn towards a brief exploration issues emanating from the modern money system by considering the difficulties associated with its emphasis on debts, loans, interest, and profit. The financial system used by all national economies is built upon debt, and modern money is created in parallel with debt, and as banks make loans, they create new money, and thus, their supply of money is dependent upon people continually going into debt.<sup>34</sup> Calvin was not opposed to loans; in fact, he recognized their value in spurring development within society as well as providing means to live during difficult times. It is, however, a safe argument that he would have been opposed to an economic system in which the cycle of interest resulting from such debt made the loans more destructive than helpful.

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<sup>32</sup> Biéler, *Calvin's Economic and Social Thought*, 397.

<sup>33</sup> Reid, "John Calvin, Early Critic of Capitalism," 164.

<sup>34</sup> Rowbotham, *The Grip of Death*, 4.

Interest is the largest factor in the transfer of wealth from those who work to those who own capital, and thus it has become the monster that Calvin feared it could when he noted that man “might permit himself more than I would prefer,” when he laid out his arguments against the ban on usury.<sup>35</sup> As Mews and Abraham note, “[t]he reality of predatory loans, whether for poor individuals, or for Third World governments, strangled by interest debt, is something that we cannot deny.”<sup>36</sup> Calvin justified interest on loans because he saw in it the potential to contribute to the social and economic good of a society, as money would not be hoarded, but could instead be used beneficially. However, interest has become institutionalized, giving it a legitimization independent of the intentions of Calvin, as his limitations have been and continue to be largely ignored. Because the idea of social good is no longer necessary to justify the charging of interest, the mechanism, regardless of its form, is considered by most with moral indifference.<sup>37</sup> This general apathy toward interest is dangerous, however, and it has arguably allowed the problems associated with interest in contemporary society to grow. Sauer argues that the modern, interest-based economies, instead of, as a matter of practice, putting capital to its most productive and socially beneficial uses, channel capital toward possibilities of individual gain.<sup>38</sup> Interest makes debt like the rock that Sisyphus was condemned to repeatedly push up a hill. As a point of difference, however, the interest makes the rock a little bigger each time; with enough time, the rock can become too much to control and it will roll back and crush the debtor under its massive weight.<sup>39</sup> This is the type of interest that Calvin warned against; he would have

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<sup>35</sup> Kennedy, *Interest and Inflation Free Money*, 69; Calvin, *Ecclesiastical Advice*, 139.

<sup>36</sup> Mews and Abraham, “Usury and Just Compensation,” 12.

<sup>37</sup> James B. Sauer, “Meaning, Method, and Social Science: A Realist Account,” *Humanomics* 18 (2002): 109.

<sup>38</sup> *Ibid.*

<sup>39</sup> Rowbotham, *In the Grip of Death*, 132.

termed it “usury” and thus found it punishable due to its destruction of the bonds of trust and solidarity in society.

The presence of usury and interest in society frees a portion of the population from production, and this is counterproductive in a world where a large percentage of people live in constant want of basic necessities, and this may also be a reflection of poor stewardship, for as Elliot states, “There never can be an over-supply of fruits and vegetables and grains and meats and shoes and clothes and salt and oil and fuel and houses until the wants of the poorest are supplied”<sup>40</sup> The economic decisions of modern history have produced an age of abundance and production, as well as technological innovation. Capitalism has proven to have the productive power Calvin recognized in its infancy, but being for the most part unbridled, it has allowed abuses which have further separated society, which he feared and even encouraged civil and religious bodies to legislate against. Most families are now dependent on two incomes because it is more expensive to live and consumer debt is in the hundreds of billions, a situation that many attribute to the debt economy at operation in most nations of the world. There is a certain level of frustration present in a world, where, in such a time of abundant production, people have to work harder to secure sufficient means to care for themselves and their families and millions of people across the globe are unable to meet even their sustenance needs.<sup>41</sup>

Before going into a deeper consideration of the modern economic difficulties faced in large part due to interest and debt, it must be here restated that the purpose of the paper is to demonstrate the continued relevancy of Calvin’s socio-economic ideals by documenting the hints of similarity between mid-1500s Geneva and the twenty-first century. While Calvin

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<sup>40</sup> Calvin Elliott, *Usury: A Scriptural, Ethical, and Economic View* (Millersburg, OH: Anti-Usury League, 1902), 157.

<sup>41</sup> Rowbotham, *The Grip of Death*, 62.

will be interjected periodically throughout this section, the intent here is to further explain the current situation in order to show the persistence of exploitative and usurious practices today. Calvin will not be the primary focus here as his teachings and experiences have already been well explored, but the reader is reminded of the general issues the Reformer addressed in Geneva, so that links might be made easily with the present day, thereby revealing his continued importance. While some of the current economic situation is unique to the modern world and outside the scope of what Calvin would have understood were he to attempt an assessment of it, there are underlying currents that he would recognize, such as the burden caused by debt and interest, particularly on poor people and poor nations, the impact of economic practices on workers, the deprivation created for some by the hoarding and overconsumption of others, and the devastating outcomes of poor stewardship. He would also identify the tendencies to pursue profit with no regard for others and to commit usury, the need for government regulation, the moral pitfalls of banking as an occupation, and the desire of men to make gain off the labor of another. These underlying currents flow from sixteenth-century Geneva to today, and thus, while he might not grasp the modern situation in all its intricacies, he would recognize much, his teachings would still be applicable, and he would attempt to impose the pragmatic solutions he developed to create community and solidarity.

In 2009, President Barack Obama observed that the United States was at great risk of “falling into a deflationary spiral that could increase our massive debt even further.”<sup>42</sup> By massive, one can assume that he was referencing the debt that is equal to 190% of the GDP of the country. This debt burden came about in part because of easy credit and overvalued homes in response to low inflation and declining real interest rates. With so much borrowed

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<sup>42</sup> “Out of Keynes’ Shadow,” *Economist* 390.8618 (February 14, 2009): 78-79.

money, over speculation and investment can have serious outcomes for society as a whole, and due to the global economic web, for the world at large.<sup>43</sup> Americans carry over 4.2 trillion dollars in mortgage debt, and thus, they are simultaneously members of the richest nation of the world and the most indebted.<sup>44</sup> In 2002, American debt amounted to forty percent of individual income.<sup>45</sup> This excessive level of debt is evident on a national scale as well, for “while most of the country's \$14 trillion debt is held by private banks in the U.S., the Treasury Department and the Federal Reserve Board estimate that, as of December, about \$4.4 trillion of it was held by foreign governments...” with China and Japan each holding over 20% of the total foreign debt of the United States, which is equal to a combined total of over 1,775.2 billion dollars.<sup>46</sup>

This is not to argue that all debt is bad because “a certain amount of debt is healthy, even desirable,” for surplus savings are well used when loaned to borrowers with investment plans that could improve society as a whole.<sup>47</sup> The availability of capital for a loan can contribute to development that is “something desirable and legitimate in itself.”<sup>48</sup> The problem is not a problem of debt *per se* as much as it is a problem of the “debt-service ratio, repayments of interest and principal as a percentage of income,” which provides a more accurate picture of the sustainability of the system.<sup>49</sup> In 2002, the debt-service ratio in American household was fourteen percent of their incomes, and the amount has only increased since. Companies struggle as their interest payments absorb a “record share of their profits,” while still having

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<sup>43</sup> Ibid.

<sup>44</sup> Rowbotham, *The Grip of Death*, 2.

<sup>45</sup> Bauman, *Wasted Lives*, 109-110.

<sup>46</sup> Greg Bocquet, “Who Owns the U.S.?” *Main ST*, accessed February 28, 2011, <http://finance.yahoo.com/banking-budgeting/article/112189/who-owns-the-us?mod=bb-debtmanagement>.

<sup>47</sup> “Dicing with Debt,” *Economist* 362.8257 (January 26, 2002): 22-24

<sup>48</sup> John Paul II, *Sollicitudo Rei Socialis*, sec.19.

<sup>49</sup> “Dicing with Debt,” 22-24.

to borrow more in order to stay afloat.<sup>50</sup> Workers are negatively impacted by this situation, as debt puts pressure on businesses to keep wages low in order to compete.<sup>51</sup> Thus, the American economy, an economy with significant global impact, is “being propped up by consumer borrowing.”<sup>52</sup> The Bank for International Settlements (NIS) proposes that banks need to pay more attention to the growth of debt and consider using interest rates to limit excessive borrowing in times of low inflation in order to help avoid financial instability in the long term, with the aim to correct financial imbalances and the debt-service ratio, which is currently too high.<sup>53</sup> Graafland notes that the total debt, including public and private, rose from 155% of the GDP of the United States to 342% of the GDP in 2008. This indicates on some level the overconsumption and extreme materialism in American lifestyles, and therefore, Calvin’s call for temperance in regards to consumption has been largely ignored in the modern United States, and given the present situation, it is worth revisiting.<sup>54</sup>

The modern banking institution, playing a central role in the debt creation and the taking of interest on loans, would attract scrutiny and evoke criticism from Calvin who was highly suspicious of professional moneylenders and moneychangers, as evidenced from his statements full of disdain for the occupation. Calvin’s closest disciples, led by Theodore Beza after his death, expressed fear that if numerous banks were founded in Geneva, the city might develop the reputation that “at Geneva everyone is a banker...a hateful thing.”<sup>55</sup> Condemnation from Calvin would find its root in the truism that the first concern of a lending institution is profit, and the second concern is to secure its loans; thus, the needs and

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<sup>50</sup> Ibid.

<sup>51</sup> Rowbotham, *The Grip of Death*, 62.

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> Graafland, “Calvin’s Restrictions,” 243.

<sup>55</sup> Qtd in Biéler, *Calvin’s Economic and Social Thought*, 148.

concerns of the borrower are quite low on the list of priorities.<sup>56</sup> Banks currently hold a disproportionate amount of the national wealth when compared with the GNP and the increase in debt, and the recent lowering of interest rates created the scenario in which banks were able to increase speculation, increase brokerage fees, and gain greater profits overall, while many borrowers lost homes and livelihoods.<sup>57</sup>

The general criticisms leveled against banks are reminiscent of those vocalized by Calvin and his followers, mainly the focus on profit at the expense of others, destruction of solidarity, usurious rates, and the limitation of lending only to the rich. The common critique of banks by consumers is that they are not subject to normal rules of business because if they make mistakes, they can fund their recovery by overcharging customers, and in cases of severe failure, the banks have regulators ready to rescue them. Banks are also accused of being concerned only with the short term and, lacking “community spirit,” they fail to lend to everyone who needs it.<sup>58</sup> The taking of interest, sometimes at usurious levels, also creates frustration and resentment for consumers. Ironically, it is most often upon the borrowers with the lowest incomes that the highest interest rates are inflicted, that is if they are even able to secure a loan from the mainstream banking industry. As another point of frustration, a bank’s profit is based on the interest spread, which is the difference between the interest paid to depositors and that which is charged to borrowers; therefore, bankers are keeping the majority of interest that they collect from borrowers, giving only a very small percentage to depositors. This is what El Diwany rightly terms as “injustice.”<sup>59</sup>

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<sup>56</sup> Ruston, “Does It Matter?” 177.

<sup>57</sup> Kennedy, *Interest and Inflation Free Money*, 57.

<sup>58</sup> “The Lender’s Long Lament,” *Economist* 329.7843 (December 25, 1993): 103-105.

<sup>59</sup> Tarek El Diwany, “Currency Crisis a Product of Interest-bearing Banking,” *New Straits Times*, August 25, 1997, 32.

It appears that banks realize that there is more profit to be made in appealing to the “indigent poor than to the cunning rich—something usurers throughout the ages have known quite well,” given the observation of the Securities and Investment Board that most “endowment mortgages,” which tend to serve the advantage of the lender, were given to vulnerable, first time borrowers in the recent housing boom.<sup>60</sup> This is an injustice that causes money given to those with lower incomes to be at best, unproductive, and at worst, counterproductive and in violation of the golden rule.<sup>61</sup> Such mortgages must receive even more scrutiny when one considers that houses have been built and paid for in real terms by both the current and preceding generations, meaning the money for their purchase should already exist; they should not be available only through bank-financed mortgages in which the bank “creates” the money to loan because the money should already be in circulation.<sup>62</sup> It is arguably unethical then for banks to have the power to “[disbar] the majority of people from outright ownership of a dwelling place,” simply because they have the right to create money and thus increase the level of debt in the nation.<sup>63</sup> Practices that take away or bar one from obtaining a place to live, particularly while others profit from the situation, would draw Calvin’s criticism today as it did in Geneva.

The impact of exploitative practices by banking institutions is experienced, not just by mortgage borrowers, but also by those who hold credit cards from the major banking firms who are often subject to usurious rates which can rapidly serve to destroy the borrower while the company makes large profits, the type of practice that Calvin warned against repeatedly. Regulation, such as the Credit Card Accountability, Responsibility, and Disclosure (CARD)

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<sup>60</sup> Ruston, “Does It Matter?” 177.

<sup>61</sup> Ibid.

<sup>62</sup> Rowbotham, *The Grip of Death*, 34.

<sup>63</sup> Ibid.

signed by President Barack Obama, has been initiated in an attempt to halt disproportionate profiting on fees and penalties imposed by banks on credit card holders in the United States. Government regulation was a given for Calvin; he encouraged legislation and enforcement to stop occasions of usury, and this obviously remains a relevant approach today. CARD established, among other things, a ban on rate hikes on existing balances and a mandate that payments from the borrower go to the high-rate balances first to minimize the interest charges in the long term. However, banks skirted the regulation by raising rates before it went into effect, causing a twenty percent increase in interest rates on credit cards in the first six months of 2009.<sup>64</sup> Taking such action undermines any argument that the banks are interested in the good of their clients or the community at large.

Another issue emerges when one considers that financial companies have made large profits by what Vogel terms “paper entrepreneurship,” which is the buying/selling/putting together/and breaking up of existing companies, creating no real wealth, just wealth derived from “shuffling paper.” This type of restructuring is often called a “zero-sum game;” however, often this means that there is a group of beneficiaries at the top of the company who gain an amount of wealth matched by a reduction of wealth for employees and asset holders. The medieval ban on usury would not have allowed such profiteering, as this is recouping more money than was originally loaned without improving the commodity. It is profit without the creation of real wealth or value.<sup>65</sup> Calvin, while not being opposed to profits, would be in favor of those that occur “as a reward for activities that increase a society’s overall material abundance, not those that subtract from it.”<sup>66</sup> Income, for Calvin,

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<sup>64</sup> J. DeConto, “The People’s Interest,” *The Christian Century* 127.1 (2010): 23.

<sup>65</sup> Vogel, “The Ethical Roots,” 111.

<sup>66</sup> *Ibid.*, 112.

was a reward for work, and was not to come from someone else's labor or at another's expense.

The current banking situation thus reveals "that many have neglected their core economic responsibilities" through irresponsible and excessive risk, and causing a collapse in trust between businesses, financial institutions, and society.<sup>67</sup> Commercial banks sold subprime loans to many borrowers who could not truly afford them because credit agencies, hoping to attract customers, provided inflated credit ratings. The banks pooled these loans for sale in the secondary loan market while masking the possibility and probability of default by the borrowers. Asset managers, though utilizing investment policies that have proved to be destructive for stakeholders and borrowers alike, continue to accept large bonuses, even in the face of a fifty percent decline in stock value. Interest rates and fees on credit cards have jumped dramatically, doubling and even trebling. Shifting the harm of such practices to society at large, evidenced by increased unemployment, repossessions, the loss of pensions, and the surge in government debt, the bank managers have asked the citizens to bear a heavy financial burden. The "greed of bank managers" has resulted in the manipulation of investors and stakeholders as tools to maximize profits and promote self-interest with no regard for the potentially negative fallout for the rest of society.<sup>68</sup>

As Graafland states, "the credit crisis has cast doubt on the ethical and moral attitudes and behaviors of bankers," as many have smothered the values of justice, servitude, and accountability with the desire for excessive bonuses. Bonuses for the banking profession legitimize self-interest absent of the self-criticism that should hold it in check.<sup>69</sup> Companies are generally unwilling to make long-term investments that require the sacrifice of short-term

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<sup>67</sup> Graafland, "Calvin's Restrictions," 242.

<sup>68</sup> Advisory Committee Future Banks (2009) qtd in Graafland, "Calvin's Restrictions," 242.

<sup>69</sup> Graafland, "Calvin's Restrictions," 242-243.

profit; therefore, price incentives diminish the desire to be generous or charitable. Protests from society regarding the injustice of large bonuses for companies who have failed the public at large have generally been ignored, suggesting a severance between those who work with money and those whose livelihoods depend on the decisions of such financial institutions.<sup>70</sup> Calvin's concerns accompanying the moral dangers linked to money-lending and banking as a profession thus continue to have merit; it is often not a well-tolerated position by those subject to its appetite for risk motivated by its desire for wealth.

Those with low incomes and poor credit history, or without a banking account, are not "entitled" to help in the form of a low-interest loan, supporting the quip, "...bankers are people who lend you money if you can show that you don't really need it."<sup>71</sup> Often, those in need of more consumptive-type loans, such as a small loan to repair a car or buy new clothes for their children, are forced to turn to what is termed as "fringe banking"—pawnshops, pay-to-own, check-cashing establishments, subprime mortgage lenders, or payday loan companies which charge an exorbitant amount of interest, thus earning the title of "usurers of the modern age."<sup>72</sup> One such example occurred in Scotland in which a father borrowed a £50 loan at the rate of 25 pence per pound sterling; as he failed twice on his repayment, he paid interest on interest, with the loan costing over £1000 before he was freed of it.<sup>73</sup> While such an example might be dismissed as extreme, it does highlight the difficulties faced by low-income clients who are trapped by an unexpected and urgent need, particularly the devastating impact of interest upon interest. It would serve well to remember here that such loans for consumptive purposes were not to be laden with interest in Geneva.

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<sup>70</sup> Ibid.

<sup>71</sup> El Diwany, "Currency Crisis," 2; Lewison, "Conflicts of Interest?" 328.

<sup>72</sup> Lewison, "Conflicts of Interest?" 328. Lewison gives the range of 100-300% interest on fringe banking loans, even up to 3000% on payday loans.

<sup>73</sup> Ruston, "Does It Matter?" 175.

The Depository Institutions and Deregulation and Monetary Control Act of 1980 allowed banks in the United States to introduce fees on accounts which were “too small” and to close branches in smaller neighborhoods, focusing more exclusively on their capital-rich clients. This in turn caused an increase in fringe banking as those with no accounts were forced to turn elsewhere for short-term credit needs.<sup>74</sup> The existence of interest rate ceilings imposed by some state governments excludes many low-income borrowers who cannot qualify for standard bank loans, and, therefore, the availability of fringe banks is vital for those who repeatedly need small loans; however, even pawnshops are not exempt from downturns in the economy. As the collateral they receive lessens in value, they are forced to restrict credit and reduce their average loan to collateral ratio, impacting their often-vulnerable clientele further.<sup>75</sup> The rapid expansion of pawn broking over the last few decades is indicative of the increasing exclusion of people from access to a mainstream bank or finance company for credit, which Caskey attributes to both increased poverty and bank deregulation.<sup>76</sup> Caskey’s study also revealed that in more than half of the United States, pawnshops charge interest rates of 120% APR, or higher.<sup>77</sup> Given that 70-80% of the pawnshop clientele are repeat customers, it appears that the need for credit by such low-income borrowers is a regular occurrence due to their inability to meet any unexpected needs.<sup>78</sup>

Fringe banking establishments further exploit a segment of the population already disallowed from participation in the mainstream financial institutions. According to a 1991

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<sup>74</sup> John P. Caskey, “Pawnbroking in America: The Economics of a Forgotten Credit Market,” *Journal of Money, Credit, and Banking* 23.1 (1991): 97.

<sup>75</sup> *Ibid.*, 95.

<sup>76</sup> *Ibid.*, 85, 97.

<sup>77</sup> *Ibid.*, 89, 92, 95.

<sup>78</sup> *Ibid.*, 90.

study on pawn broking in the United States, typical borrowers are poor, poorly educated, and poor managers of their finances, having no sufficient collateral and considered too risky for unsecure loans, and though they have an increased need for credit, they are less reliable for repayment.<sup>79</sup> Often fringe banking establishments misrepresent their product through misleading marketing and advertisements, compounding the difficulties faced by a poor and often unemployed clientele attempting to meet their needs. Those with lower incomes are denied access to cheaper forms of credit, and therefore the paying back of loans on installment takes up a greater proportion of their income than it does for the wealthy.<sup>80</sup> The irony is that those who arguably are most in need of capital in order to gain or retain their self-reliance are least able to obtain it in such a system, and if they do, the heightened interest rate (designed to cover such a risky loan) sets such borrowers up to fail in the repayment of their loans. Through rent-to-own loans, borrowers pay countless additional fees; in the end they may pay 350-450% more for the item than if they had purchased it outright. Such loans do not build equity, and if repayment stops, the borrower suffers total loss of the item as well as the money he already paid.<sup>81</sup>

The fringe banking establishments, though offering opportunity to those excluded from mainstream banking, continually verge on the edge of exploitative practices, as noted by a 2003 study in the United Kingdom which found that “loan sharks...often exploit the socially deprived sections of our community,” and in continental Europe, severe penalties and regulations have been enacted in an attempt to curb exploitation through usury, excessive interest, and predatory loans.<sup>82</sup> Lewison notes that “indigents have far fewer financing

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<sup>79</sup> Caskey, “Pawnbroking in America,” 87.

<sup>80</sup> Lewison, “Conflicts of Interest?” 328.

<sup>81</sup> *Ibid.*, 329.

<sup>82</sup> Mews and Abraham, “Usury and Just Compensation,” 8.

choices than the well to do” and questions the government that appears disinterested in “these seeming abuses of the financially disenfranchised poor.”<sup>83</sup> Marginal moneylenders do meet a need by providing credit to those who have little security and low incomes, and some would rightly argue that it is better to have some credit available at very high rates of interest than to have no credit available at all.<sup>84</sup> This is a far cry, however, from Calvin’s intentions for the mutually beneficial presence of interest in a society; for fringe banking, much like the mainstream, actually violates his expressed limitation on demanding interest on loans to the poor and his stipulation that the borrower must make at least enough off the loan to repay the loan, or else the creditor cannot charge interest. Therefore, while such establishments may provide an option, they certainly do not provide an answer that corresponds with Calvin’s views on usurious loans.

Moving from usurious practices at the local and national levels, let us now turn our attention to the extension of developmental aid in the form of international loans, known as Third World Debt, from developed to developing countries through the International Monetary Fund (IMF) and the World Bank. Though promising in its conception, it has become an albatross around the neck of the debtor countries, due in large part to the interest payments required. The IMF and World Bank were founded as a result of the 1944 Bretton Woods conference with the intent of aiding postwar reconstruction through loans and providing an international reserve of money to help in times of payment difficulties; today, the two have loaned billions of dollars to developing countries, at interest and compound interest, and have generally replaced direct country-to-country lending. Thus, the Third

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<sup>83</sup> Lewison, “Conflicts of Interest?” 329.

<sup>84</sup> “The Lender’s Long Lament,” 103-5.

World Debt is exclusively international.<sup>85</sup> Since the 1950s, IMF loans have been conditional, requiring recipient nations to adopt free trade policies and remove protectionary policies. This also led to “tied aid,” meaning that debtor nations could not shop for the cheapest goods, nor could they spend money in another debtor country, because the loan stipulated that goods must be purchased from the creditor nations.<sup>86</sup> Thus by the late 1960s, developing countries, as their hands were tied in terms of true domestic development, did not generate the funds necessary to pay their loans, and therefore required additional loans, again extended by the IMF, just to cover the interest payments.<sup>87</sup>

The IMF and the World Bank have introduced debt relief to countries in crisis from the loans they had previously accepted. The indebted countries, however, have been required to permit structural adjustment programs (SAPS) within their domestic economy in which they accept currency devaluation, the lifting of price controls, a reduction in government services, a reduction in wages, increased exports, a loss of public subsidies, and drastic cuts in government services in order to make themselves more “market friendly.” This removes any sort of safety net for their own citizens, as countries that have agreed to these SAPS have experienced severe and negative impacts on the health, education, social infrastructure, and social welfare of their own citizens, leading to an increase in poverty. Also of concern is the sovereignty of nations that are in the midst of repayment of Third World loans; the intrusion of creditor nations into both the domestic and the international policies of debtor nations has caused great destruction and dishevelment in the societies of those who accept developmental

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<sup>85</sup> Rowbotham, *The Grip of Death*, 131-32.

<sup>86</sup> *Ibid.*, 134.

<sup>87</sup> *Ibid.*

loans.<sup>88</sup> All these interventions seem even graver when it is recognized that in many situations the amounts of the original loans have already been repaid and it is only the interest that is perpetuating the loan crisis. While the debtor countries have been asked to make such adjustments, the creditor countries have had to make no alterations in the manner in which they conduct their business.<sup>89</sup> What was originally intended to help underdeveloped countries has been turned into a negative, sometimes prompting “aggravated underdevelopment.”<sup>90</sup> The current organization of Third World debt is such that the only beneficiaries of such a system can be the IMF, the World Bank, and any other international financial organizations involved; it has certainly not aided the borrowers, and it has actually achieved the opposite by plunging them deeper into debt and destroying their sovereignty.<sup>91</sup>

The Third World debt has hurt both the developing and the developed countries, as it has resulted in inefficiency, poor quality produce, wastage, and pollution. Such debt forces recipient countries to focus on supplying goods which are already in surplus on the world market in hopes of competing and making a profit, thus ignoring domestic development which could aid in real recovery and growth.<sup>92</sup> The developing countries of the Southern Hemisphere are producing for the developed countries of the Northern Hemisphere at the expense of their own domestic infrastructure and programs; they should first be producing for themselves and their people.<sup>93</sup> Coupled with such negatives is the destruction of traditional cultures, once self-reliant, now being torn asunder by the inability to secure employment, political tensions (often over the control of scarce resources), and the desire to

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<sup>88</sup> John Paul II, *Populorum Progressio*, Encyclical letter on the development of peoples. Vatican web site. March 26, 1967. [http://www.vatican.va/holy\\_father/paul\\_vi/encyclicals/documents/hf\\_p-vi\\_enc\\_26031967\\_populorum\\_en.html](http://www.vatican.va/holy_father/paul_vi/encyclicals/documents/hf_p-vi_enc_26031967_populorum_en.html), sec.54.

<sup>89</sup> WARC, “Reformed Faith and Economic Justice.”

<sup>90</sup> John Paul II, *Sollicitudo Rei Socialis*, sec.19.

<sup>91</sup> Rowbotham, *The Grip of Death*, 144.

<sup>92</sup> *Ibid.*, 6.

<sup>93</sup> Mayo and Norberg-Hodge, introduction, ix.

emigrate seeking better conditions.<sup>94</sup> Rowbotham presents a viable argument that the drug culture in the west is rooted in the drug production embraced by debt-ridden nations in order to generate funds to fight the impoverishment of their societies. He further notes that the relocation of industries, noted for their high levels of pollution, to developing countries, benefitting from low pollution standards, continues to wreak havoc with the environment from which no countries, developing or developed, can escape.<sup>95</sup>

Many poor countries have to devote a large percentage of their national budget to pay back loans, some of which were originally given to dictators who used them wastefully, creating now a double penalty for the people to pay back (they did not benefit from them, yet they still have to pay them back).<sup>96</sup> The current outstanding debt is an estimated \$2,100 billion.<sup>97</sup> The impact of this situation can be made more evident by the following comparison: Goldman Sachs earns approximately 2.6 billion dollars annually, which is divided among its 161 stockholders, while Tanzania earns 2.2 billion dollars per year, one-third of which is used to pay interest on foreign debt; the remainder is then divided among her 25 million people.<sup>98</sup> Poverty for the inhabitants of Tanzania appears almost unavoidable due to her outstanding developmental loans. Latin American countries, despite seeing an increase in their GDP from 1946 through 1985 of 4.6% annual growth, are now more deeply in debt because they have spent the same forty years repaying development loans.<sup>99</sup> Many of the loans given for development have failed, costing debtor countries enormous amounts. Reasons for failure have included an unsuitability of the type of development for the

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<sup>94</sup> Rowbotham, *The Grip of Death*, 142.

<sup>95</sup> Rowbotham, *The Grip of Death*, 143-44.

<sup>96</sup> Mokhiber & Weissman, "A Dozen Reasons to Oppose the IMF."

<sup>97</sup> Rowbotham, *The Grip of Death*, 141.

<sup>98</sup> Susan L. Buckley, *Usury Friendly? The Ethics of Moneylending: A Biblical Interpretation* (Cambridge, Grove Books Ltd., 1998), 5; Bauman, *Does Ethics Have a Chance?*, 249.

<sup>99</sup> Rowbotham, *The Grip of Death*, 132.

location, serious environmental impact, and the displacement of indigenous populations coupled with the creation of “economic refugees.”<sup>100</sup> If a loan fails to produce the desired development, a debtor country has to seek additional loans to repay the original one, as no profit was generated to assist repayment of either the loan or the interest.<sup>101</sup>

Interest-bearing loans are thus causing “a massive transfer of wealth” from the poor to the rich of the world.<sup>102</sup> The destruction of natural resources is promoted in this system because the income generated by their use is of much greater value now because it can be used to collect interest and compound interest.<sup>103</sup> If poorer nations want capital, they have to be willing to ignore protections for both their work and the environment to keep their production costs low enough to be competitive. The result is a situation in which the richest nations attempt to increase their own output while the poorest nations direct their economies inefficiently toward an oversupplied global market instead of focusing on improving their infrastructures.<sup>104</sup> Steel accurately argues that the “burden of debt repayment is impoverishing the world’s citizens,” and the “most massive ingredient...is the interest rate component.”<sup>105</sup>

Third World Debt enables industrialized countries to continually import capital from developing countries while increasing their own reserves; those same creditor nations export new loans to help debtor nations pay off the old ones.<sup>106</sup> These loans are such that the lender dictates the terms under which the recipient can use them, thereby accepting minimal risk

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<sup>100</sup> Ibid., 133.

<sup>101</sup> Rowbotham, *The Grip of Death*, 133.

<sup>102</sup> Robertson, “Does It Matter?” 25-28.

<sup>103</sup> Ibid.

<sup>104</sup> Rowbotham, *The Grip of Death*, 2

<sup>105</sup> Jeremy Steel, “Usury Through the Ages,” *Banking World* 11.8 (1993): 53-54.

<sup>106</sup> Kennedy, *Interest and Inflation Free Money*, 56.

while imposing dire social consequences upon those who reside in the debtor nation.<sup>107</sup> When a Third World country accepts such a loan, it assumes the burden of debt; the wealthy nation that helped provide the loan gains a new market for its goods, triggering a boost in its economy.<sup>108</sup> Kennedy notes that on a daily basis, creditor nations receive \$300 million in interest payments on Third World Debt, which is twice the amount of developmental aid the creditor nations give the developing countries.<sup>109</sup> The original loan, in many cases, has been paid many times over, but the drawing of more loans has been required by debtor countries in order to cover the interest payments, thus, the loan, combined with its interest, is ever-increasing despite payment attempts.

Returning now to the question of Calvin's continued pertinence for the modern world, it must be stressed that the type of loan extended to developing countries violates every one of Calvin's limitations on the taking of interest; indeed his teachings might have been written in 2011 given their link to this particular subject. Third World loans do not meet Calvin's requirement for reciprocal benefit in which the creditor is not to benefit if the debtor does not make a profit off the loan, and it violates his limitation that no one should take interest from the poor. Such loans also violate the precept of the golden rule—do unto others as you would have them do unto you. Calvin also expressed that those who made loans should not be “so preoccupied with gain as to...neglect [or]...d disdain his poor brothers.”<sup>110</sup> Calvin argued that what is lawful and common practice is not always moral, and therefore, such loans, though legal, are arguably immoral due to their damaging impact on the debtor nations, and even if their rate of interest is within legal limits, Calvin expresses that “this may

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<sup>107</sup> Sauer, “Meaning, Method, and Social Science,” 109.

<sup>108</sup> Rowbotham, *The Grip of Death*, 141.

<sup>109</sup> Kennedy, *Interest and Inflation Free Money*, 71-73. Though Kennedy made this claim in the late 1980s, this writer found little evidence to demonstrate that the situation has improved significantly since.

<sup>110</sup> Calvin, *Calvin's Ecclesiastical Advice*, 142.

not always suffice.”<sup>111</sup> These loans have not served the common good, and therefore violate Calvin’s teaching that “the contract will benefit all rather than hurt.”<sup>112</sup> Calvin’s specific limitations on the taking of interest thus remain highly applicable and precisely relevant to the situation surrounding the Third World Debt.

Such examples are by no means intended to be exhaustive of the exploitive practices being utilized in today’s globalized society to make profit regardless of the negative impact that these economic decisions have on the portion of the world’s population that is already lacking in its ability to tend to its most basic needs. This selections, however, combined with the discussion of the poor and the outcast, serve here to establish that Calvin would find it easy to identify the abuses and oppressions in the modern world, as those which he directly dealt with in Geneva have not subsided over the five hundred years since his death; instead, unfortunately, they have increased on a global scale. Three persistent societal elements, the presence of the poor, the movement of refugees and migrants, and the perpetuation of usurious practices, connect his world to ours and thus render his teachings and their application still apropos. Due to the uninterrupted continuance of these three components, the manner in which Calvin addressed them can offer guidance to those desiring to see positive change in the world. The spirit of brotherhood and solidarity has been broken in modern society, and perhaps Calvin’s voice, while it cannot be expected to provide every answer, can at least add to the discussion of how one might best work to restore it.

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<sup>111</sup> Ibid.

<sup>112</sup> Ibid.

## **Part Three**

### **Modern Alternatives That Might Interest Calvin**

## Chapter 4

### Engaging the Contemporary Socio-Economic Situation

*“a growing army of common folk have stood on their doorsteps, smelt the rot and can no longer let what they do with their money counteract what they do with their lives.”<sup>1</sup>*  
*Hazel Henderson, 1988*

In light of Calvin’s teachings on socio-economic practices and usury, and having explored components linking sixteenth-century Geneva to the modern world, it is possible to make a consideration of what contemporary movements might possibly attract his attention as viable alternatives to the current system with the aim of addressing the issues he would be troubled by were he to assess today’s economic situation. As Calvin’s proactive nature and his practical and immediate application of his socio-economic framework to the society in which he lived has been made evident, it can be assumed that he would not be able to live in the modern world without addressing and working to change the economic abuses that exist. This section will explore those alternative theories and approaches to contemporary economic issues might fit into Calvin’s theological framework, as well as note aspects of such alternatives that he might find inappropriate. The benefit of such a consideration is that it can reveal themes and ideas inspired by Calvin that can still contribute to the conversation of how things might be done better so that the millions of people disenfranchised by the current global economic situation can begin to regain some control of their livelihoods.

While alternatives are often dismissed as “too utopian,” (and perhaps rightly so at times), they are still important for the substantive data they provide, concepts they raise for

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<sup>1</sup> Hazel Henderson, qtd. in Jennifer Fletcher, “Ethical Investment,” *International Permaculture Journal* (1988): 38.

consideration in the larger framework, and the progress they initiate. As Oscar Wilde suggested,

A map of the world that does not include Utopia is not worth even glancing at, for it leaves out the one country at which Humanity is always landing. And when Humanity lands there, it looks out, and seeing a better country, sets sail. Progress is the realisation [*sic*] of Utopias.<sup>2</sup>

Calvin, while not a utopian dreamer, did believe that man had a distinct responsibility to work toward generating a community based on brotherhood, embracing solidarity with the intent of improving life on earth for all involved.<sup>3</sup> He also believed in being pragmatic and flexible, adjusting to the rapidly changing times in which he lived, looking to use progress and developments to better meet the needs of society. Calvin had “...no consistent theory, but rather...a case by case application of the biblical text to specific economic conditions,” thus rendering his socioeconomic teachings more applicable, enabling their transmission through the ages.<sup>4</sup> History has indicated that no one system is absolutely perfect; even experts have second-guessed and reversed their own analysis, and therefore, ever-open channels of discussion regarding economic issues and procedures are vital to improving the overall welfare of the human community. If the preservation of life is indeed the aim of an economic system, there can be no greater reason to consider what Calvin may have to offer to this discussion, perhaps enabling the modern world to benefit from his contribution. As Venter aptly notes, “the insights of Calvin about...interest have timeless application... [c]onditions of time might have changed, but the validity of his views has not...”<sup>5</sup>

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<sup>2</sup> Wilde, “The Soul of Man,” 189.

<sup>3</sup> Singer, “Calvin and the Social Order,” 152.

<sup>4</sup> Valeri, “John Calvin in American Public Life.”

<sup>5</sup> W. Venter, “Calvin and Economics According to the Institutes,” in *John Calvin’s Institutes, His Opus Magnum* (South Africa: Potchefstroom University, 1986), 302.

It is relatively easy to argue that Calvin would engage and actively seek to adjust the contemporary socio-economic situation, for if the system is failing even a minority of people, it would necessitate for Calvin some form of modification so that no one is economically disenfranchised. Calvin's regard for a humane economy is at the center of his teachings on money, poverty, wealth, and usury; his engagement with his own society evidenced the emphasis he placed on shaping the economic situation so that it provided the most people, native or foreigner, with the maximum benefit. Arthur Rich, a leading reformed scholar in the field of economic ethics, states "the fundamental aim of all economic activity is what is helpful for the lives of human beings."<sup>6</sup> The mission of social ethics, based on Calvin's teachings, is to "actively shape the world for the purpose of promoting human dignity and love of one's neighbor."<sup>7</sup> The current position of the WARC is to "participate in shaping the economic order" while advancing a "critical consciousness for its dangers;" the organization, which bases its direction on Calvin's theology, has determined to "declare our solidarity with the poor and with all those who suffer, are suppressed or excluded."<sup>8</sup> Calvin engaged his world as a theologian, a lawyer, an academic, and a human being, and thus his "humanistic realism did not sustain any one social theory," thereby remaining open to various as well as sometimes contradictory interpretations.<sup>9</sup> One of Calvin's chief appeals that renders his voice still one of importance is that he was "mobile, practical, and flexible...un-tethered to any theory;" in all Calvin's writings, there is no absolute claim laid to any economic or social

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<sup>6</sup> Freudenberg, "Economics and Social Ethics," 6.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Valeri, "John Calvin in American Public Life," 2-3.

system.<sup>10</sup> His ideas and approaches were mobile and adaptable to various situations according to the issues and needs at hand.<sup>11</sup>

It is therefore quite prudent to propose that Calvin would be in favor of a continual assessment of the present circumstances, proposing that, if the current economic situation is intolerable for millions, then there must be a commitment toward the exploration and analysis of alternatives that are just and sustainable, thereby providing opportunities for the victims of economic injustices to find means for creative and meaningful existence.<sup>12</sup> He would find it of vital importance to recognize and consider alternatives to the current system in order to highlight its deficiencies and raise questions about its adequacy to serve the common good. He would focus on issues such as interest and raise questions regarding its impact on a global as well as the local scale allowing what Sauer terms a “multiplicity of explanatory frameworks” to emerge, thus allowing modifications and necessary changes to be made in order to increase the level of equity in society.<sup>13</sup> The Reformer favored the employment of financial practices that would benefit his city, while directly opposing any application that might harm those at the bottom of the economic pyramid; any modern application of his socio-economic ideals would do well to hold these two aspects intact.

It is important to note that Calvin was not *laissez faire* regarding socio-economic issues, for his vision for society was both challenging and conscientious, as evidenced by his engagement with the issue of usury. Calvin would argue that government has a vital role to play, as it did in his Geneva, overseeing the implementation of socially beneficial programs, and prosecuting those who utilize exploitative practices to turn profits, thereby maintaining

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> WARC, “Reformed Faith and Economic Justice.”

<sup>13</sup> Sauer, “Meaning, Method, and Social Science,” 110.

his two key socioeconomic pillars. Calvin would expect the government to be very involved, regulating and enforcing limits on those who handle the lifelines of the people, be it in the form of money or food. For example, the government could intervene to restrict capital flow by preventing investors from moving their money out of one area to another for maximum profit, which is a destabilizing practice. Under current arrangements, once savings are placed in a bank, the capital only returns to the community at interest rates determined by the world market, rates that are often unstable, fluctuating greatly, and thereby jeopardizing both the survival of any local business or enterprise that has an outstanding loan and the people of that community.<sup>14</sup> Calvin would expect the civil governing bodies to interfere in economic affairs in order to best serve society as a whole, as he believed that government bodies alone “had the forces to maintain public order.”<sup>15</sup> If, however, the government is “unwilling or unable to embark on such a policy initiative,” then Calvin might be tempted to agree with Lewison’s proposal that perhaps the business world can provide the impetus and capital to create and implement much-needed alternatives, but Calvin would more likely suggest a change in the government so that it better addressed the needs of its constituents.<sup>16</sup>

The Reformer would expect and support the heavy involvement of the state in economic affairs; particularly with the aim of helping the “humble strata of the population,” and thus the following suggestions would fit the spirit of his socio-economic views.<sup>17</sup> Governments should consider providing extrinsic motivation to encourage virtuous economic behaviors by individuals and companies.<sup>18</sup> This idea is exemplified by the recent implementation of

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<sup>14</sup> Douthwaite, *Short Circuit*, 123-25. Douthwaite notes that during the Industrial Revolution, most European governments provided protection for their infant industries to counteract Britain’s head start.

<sup>15</sup> Biéler, *Calvin’s Economic and Social Thought*, 76.

<sup>16</sup> Lewison, “Conflicts of Interest?” 336.

<sup>17</sup> Biéler, *Calvin’s Economic and Social Thought*, 147-48.

<sup>18</sup> Graafland, “Calvin’s Restrictions,” 245-46.

monetary rewards for African leaders who attempt to rule in the best interests of their people, avoiding the violations of human rights. Such a practice could help guarantee more safe havens for refugees. The idea is to provide extrinsic motivation until the more desirable intrinsic motivations grow from the habit of virtuous behavior. Calvin taught that government should create laws that secure the well being of its people and should act to stop “fraud, injustice, and violence” between society’s members.<sup>19</sup> Given that money in particular has an inherent power to “destroy men and society,” Calvin found it vital that civil government regulate economic orders as an aspect of their function in preserving “civil and moral order.”<sup>20</sup> He would continue to adamantly demand that governments should establish and enforce rules that restrain greed and preserve honesty and modesty. Governments can perhaps work together at an international level to impose limits on bonuses for financial institutions, demand clear reports regarding risks and investments, and provide more supervision at a micro level to create what Graafland terms “an effective early warning system,” for exploitive or irresponsible practices that may negatively impact millions.<sup>21</sup> Calvin would expect modern civil governing bodies to do as they did in Geneva and work to develop and utilize sustainable practices for helping reduce poverty through the implementation of charitable programs and proper stewardship.

Any alternative to the current socioeconomic situation will be rooted in charity, stewardship, or a combination of both, which served as vital pillars for the Genevan society Calvin worked to build, and thus, a brief examination of both in connection with his teachings will add to this discussion. Charity will be defined as the voluntary giving of money or gifts to those in need, while stewardship will involve the proper management, supervision, and

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<sup>19</sup> Biéler, *Calvin’s Economic and Social Thought*, 333.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

distribution of the natural, capital, and human resources in society in order to best meet the needs of all. Charity and stewardship, markedly different yet often intertwined, both feature today just as they did in Calvin's Geneva, and both impact the creation and implementation of alternatives that can offer viable options to the current economic system.

The most obvious approach to helping the poor and the financially disenfranchised is to increase the amount of charity given to them, requiring the recognition of the importance of stewardship by those who control wealth. Calvin encouraged his followers to not neglect charity; in fact, charity is tied to his restrictions on the taking of interest, which command his reader to not "disdain his poor brother" in the quest to protect one's own money.<sup>22</sup> As charity is often the first cut in times of economic difficulty, it is important to make a conscious decision to generate a budget that keeps the support of the needy as a high priority. This can counter the tendency of many countries to proportionately tie the amount of aid allotted for developing countries to their own national incomes; as a result, the recent economic downturn has significantly decreased the funds set aside to reduce poverty around the world.<sup>23</sup> While loans might sometimes be preferable to grants of charity as they do not hurt the pride of the recipient, such offerings may at times be more beneficial than loans due to the guilt associated with the inability to repay loans as well as the burden loan repayment adds to those in already tenuous situations. Charitable gifts play a vital role for those who are completely incapable of repayment. Also, businesses should allot some of their budget to aiding the needy in society. On an international scale, gifts of charity may spur development of domestic infrastructure, making developing countries and regions more self-sufficient.

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<sup>22</sup> Calvin, *Calvin's Ecclesiastical Advice*, 142.

<sup>23</sup> Graafland, "Calvin's Restrictions," 239.

Calvin would encourage charity, not in terms of money, but with the aim of providing an opportunity to acquire an education and develop an expertise that would allow its recipients to enter into economic exchange as they use their skills and capabilities to develop the resources available to them, effectively becoming enfranchised. This type of charity allows people to maintain their “lofty dignity” because, instead of drawing on the resources of another, they are able “to make an active contribution to the common good of humanity.”<sup>24</sup> WARC is in keeping with Calvin’s advocacy of free and compulsory education for boys and girls, as the organization promotes the development of programs of economic literacy so that people can understand the systems of the world in which they live and find ways in which to beneficially access those systems.<sup>25</sup> A lack in training and knowledge provides perhaps *the* major obstacle for those seeking to escape the trappings of poverty.<sup>26</sup>

The first compulsory primary schooling in Europe was begun in Geneva under Calvin’s guidance as part of an urgent social agenda designed to improve both the moral and material situation of the people, and thus, it is highly probable that training would consume a great deal of his energy and attention today.<sup>27</sup> Professional retraining was provided for the poor, the sick, and the disabled, and on a weekly basis, those in need were assessed as to jobs for which they were best suited and given education as needed.<sup>28</sup> Teaching self-reliance is an important aspect of any response to the current economic situation in which virtually everyone is in a position of “almost absolute dependence.” A reliance on others for one’s existence leads to feelings of frustration and insecurity, and it denies one the right of economic initiative, a right

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<sup>24</sup> John Paul II, *Centesimus Annus*, sec.34.

<sup>25</sup> WARC, “Reformed Faith and Economic Justice”; Singer, “Calvin and the Social Order,” 148.

<sup>26</sup> John Paul II, *Centesimus Annus*, sec.33.

<sup>27</sup> Biéler, *Calvin’s Economic and Social Thought*, 134.

<sup>28</sup> *Ibid.*, 137.

that is as important for the common good as it is for the individual.<sup>29</sup> The problems of illiteracy and the difficulty of attaining adequate levels of education contribute to the alienation and exclusion of large portions of the world's population from meaningful employment or engagement with the prevailing political-economic system.<sup>30</sup>

Calvin might appreciate the suggestion that education of another sort is important for those with means, as he expected such persons to lead in their generosity, assisting the lower levels of society by providing them opportunity to help themselves. The WARC has stated that it is vital to educate their members, those whose existence is secure, in an understanding of the impact the economic system has on all levels of society, challenging them to reject consumerism and to pursue justice for the poor. Those who have means that are more than sufficient to meet their needs must turn their attention to both scrutinize and understand economic processes as well as the impact of those processes on the lives of people around the world.<sup>31</sup> As Douthwaite suggests, “surely there must be a middle way lying between the extremes of almost complete self-sufficiency on the one hand and near-total reliance on supplies and welfare payments from the outside world on the other hand.”<sup>32</sup> Calvin would find this argument compelling as under his leadership, “everyone lacking the means of gaining a livelihood learned a trade;” he would challenge the disproportionate nature of modern education in which those with means are able to secure desired training while those in need are most often excluded from such an opportunity.<sup>33</sup>

Turning now to the topic of stewardship, one finds that many people will reject charity in favor of improved stewardship; however, Calvin found the need for both. People such as

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<sup>29</sup> John Paul II, *Sollicitudo Rei Socialis*, sec.15.

<sup>30</sup> *Ibid.*

<sup>31</sup> WARC, “Reformed Faith and Economic Justice.”

<sup>32</sup> Douthwaite, *Short Circuit*, 8.

<sup>33</sup> Biéler, *Calvin's Economic and Social Thought*, 138.

Oscar Wilde have argued emphatically against charity, focusing instead on a more equitable management of resources that can benefit everyone that does on some levels echo Calvin's call for stewardship. Finding charity "degrading and demoralizing," Wilde argues that it "creates a multitude of sin;" he terms it "immoral" to use private property (such as capital) to alleviate the problems that result from it.<sup>34</sup> As "just keeping the poor alive does not solve the problem of poverty," it is important to continue to search for and develop a system that genuinely focuses on creating a "general prosperity and happiness of the society."<sup>35</sup> Though Wilde was a defender of socialism while Calvin held to no particular economic system, the Reformer would have appreciated Wilde's sentiments, finding it important for those who favor a capitalist system not to reject Wilde's observations out of hand as they address quite rightly the problems faced by those disenfranchised by an economy focused on individual gain, most often at the price of societal benefit. Calvin would agree wholeheartedly with Wilde's statement, "The proper aim is to try and reconstruct society on such a basis that poverty will be impossible," and a wholehearted effort towards such a goal, based in open dialogue and the exchange of ideas, would be most prudent as the lives of millions depend upon it.<sup>36</sup> While Calvin would disagree with Wilde's total rejection of charity, viewing it as a vital aspect of the social community, he would have embraced Wilde's desire and pursuit of a system that created, not total equality, but the impossibility of destitute poverty and need through stewardship.

Responsible stewardship is something that Calvin insisted on repeatedly in his sermons and writings. People are not to waste what they have, and they are to serve their neighbors'

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<sup>34</sup> Wilde, "The Soul of Man," 185-86.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

needs.<sup>37</sup> The gap between the rich and the poor is to be of a temporary nature, intended to help the circulation of goods and possessions as the rich give to the poor, prompting the “fair, fraternal sharing of the vast riches placed on earth for human use, to provide for everyone’s needs.”<sup>38</sup> Calvin encouraged the people of Geneva to be modest in their individual and personal levels of consumption.<sup>39</sup> He and his fellow Protestant pastors set an example by intentionally living “extremely simple lives that bordered on poverty;” Calvin himself rejected wage increases on numerous occasions. This was not only to moderate consumption, but to leave resources free to alleviate the needs of others.<sup>40</sup> The possession of goods is intended to facilitate their movement, through both acts of charity and modes of commerce. As Biéler notes in his interpretation of Calvin’s teachings, it is this “dynamic imbalance” that serves to prompt those with means to give to those in need, which helps to create societal harmony and happiness among its members; it generates a “continual distribution” from those who hold wealth to those who do not, with the aim of eliminating poverty.<sup>41</sup> As F.E. Trainer notes in his book, *Abandon Affluence*, “they are poor because we are rich,” and thus, for Calvin, this very fact must prompt the distribution and not the hoarding of wealth.<sup>42</sup> Calvin would agree with Ehrlich’s observation that “[t]here are, in fact, too many rich people,” for they, and the wealthy countries, hold a disproportionate amount of wealth while millions languish without aid.<sup>43</sup>

It is important to note that Calvin was a proponent of equal access to the benefits of the economic system as well as the provision of needs for all members of society, not in a

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<sup>37</sup> McKee, “Character and Significance,” 8.

<sup>38</sup> Biéler, *Calvin’s Economic and Social Thought*, 295.

<sup>39</sup> Valeri, “John Calvin in American Public Life.”

<sup>40</sup> Biéler, *Calvin’s Economic and Social Thought*, 139-40.

<sup>41</sup> Ibid.

<sup>42</sup> F.E. Trainer, *Abandon Affluence* (London: Zed Books, 1985), 114.

<sup>43</sup> Paul Ehrlich qtd. in Bauman, *Wasted Lives*, 44.

patronizing manner, but in the spirit of brotherhood. Iosso correctly identifies need, not equality, in Calvin's principle of distribution in society, and he argues that Calvin would not have embraced the paternalistic approach toward charity that has become part and parcel of the modern response to poverty. It is appropriate, therefore, to pursue equality and stewardship, without reducing the two aims to egalitarianism and dependency on handouts. In light of Calvin's teachings, "greater equity is primarily instrumental in obtaining better political democracy, which in turn will make for better collective stewardship of economic and natural resources."<sup>44</sup> The Presbyterian Hunger Program serves as an example of a kind of "stewardship beyond charity," as it focuses on addressing the root causes of hunger and poverty through education and government policy. The competitive and individualistic "success ethic" of modern society should be replaced by a mentality based upon service to the community, the type that Calvin promoted, focusing on the less fortunate, not on the accumulation of wealth.<sup>45</sup>

This is not an argument against inequalities, which Calvin accepted as a given that can be periodically beneficial, for "particular inequalities...work to the benefit of the disadvantaged."<sup>46</sup> Focusing instead on "collective entrepreneurship," solidarity, self-sufficiency, and decentralization, through a consideration of alternative approaches and communities, an economic framework might be developed that is more cooperative, meaningful, and communal at its foundation; this is defined by some as "*koinonia* economics," a system based on fellowship. Calvin, with his focus on the relationship between

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<sup>44</sup> Christian T. Iosso, "Reformed Economic Ethics in Presbyterians General Assembly Statements, 1900-1987," in *Reformed Faith and Economics*, ed. by Robert L. Stivers (Lanham, MD: University, 1989), 225-27.

<sup>45</sup> *Ibid.*, 228-29.

<sup>46</sup> *Ibid.*

man and neighbor and the importance of the golden rule as the guiding principle in economic relations, argued in his own terminology for such a system.<sup>47</sup>

Calvin would agree that it is necessary today for those with wealth and capital to “abandon a mentality in which the poor--as individuals and as peoples--are considered a burden, as irksome intruders trying to consume what others have produced,” and embrace their presence as a reminder of duty and an occasion to manifest charity, stewardship, and moderation. As previously discussed, he saw the poor as a valuable part of society for they serve to test the willingness of those with means to give, providing an opportunity for the wealthy to maintain a balanced relationship with their material possessions, thereby avoiding idolatry.<sup>48</sup> The wealthy should not behold the needy around them with disdain; instead, they should see in them a chance to give, just as the poor should not view the rich with envy or “servile deference.”<sup>49</sup> Regarding the poor, Calvin taught that the rich “should rather help them and always look on them in fairness.”<sup>50</sup> He also condemns the complicity of public officials who help the rich exploit the poor.<sup>51</sup> Modern movements, such as the Social Gospel, and adherents to Calvinism, such as Reinhold Niebuhr, echo this call from Calvin, proclaiming the need for a social safety net and questioning and criticizing the excesses of consumerism that have left vast populations with an inability to meet even subsistent needs.<sup>52</sup> Elliott labels the propensity of the affluent in society to give sympathy and handouts to the poor as “rank hypocrisy [*sic*],” arguing that those who have profited greatly from the taking of interest, particularly usurious interest, cannot “condone the crime by tossing back to them a

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<sup>47</sup> Ibid., 231-32, 238-39.

<sup>48</sup> Biéler, 278-79.

<sup>49</sup> Ibid., 280.

<sup>50</sup> Ibid., 299.

<sup>51</sup> Biéler, 301.

<sup>52</sup> Valeri, “John Calvin in American Public Life,” 5.

portion of the unjust gain.”<sup>53</sup> Calvin would also encourage movements intended to create jobs just as he did in Geneva, where he drove the development of industry, realizing that unemployment and underemployment, for natives as well as migrants, creates humiliation and a loss of the self-respect to which every person is entitled, and therefore, good management of resources is a vital thread in the social safety net.<sup>54</sup> The right of the poor to work and then share in the profits of their work is vital for the creation of a more equitable world based upon proper stewardship of natural, capital, and human resources.

As Calvin was well aware, through the advancement of the poor, all the human community benefits, and therefore, the wealthy need to engage those without means so that more might benefit from economic growth and development. He would certainly be interested in modern attempts to blend charity, education, and proper stewardship, for these aspects were at the heart of his own socio-economic ideals. If the application of this three-pronged approach worked in sixteenth-century Geneva, it is possible, given the common elements between his and modern society, that they can continue to contribute positively to today’s world, enabling many to regain or find their footing for the first time in the economic aspect of their lives.

Besides encouraging charity and stewardship, Calvin would be attracted to calls for bank reform and add his voice in urging change. He recognized the need for banking in a commercial society, and under his direction a public bank was established in Geneva; however, he was also well aware of the pitfalls of banking as a profession given the opportunity to inflict usurious rates on borrowers. Banking practices that generate large profits from interest as well as create money that encourages inflation and hurts the general

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<sup>53</sup> Elliott, *Usury*, 179.

<sup>54</sup> John Paul II, *Sollicitudo Rei Socialis*, sec.18.

populace would repulse him. Bankers should serve their clients, and honesty should be the byword of those engaged in business, lest they violate the trust between themselves and the community. Because Calvin had witnessed the adverse impact of speculation in a society, he might agree with arguments that banks should reduce the amount of risk they willingly take on in their investment policies, instead focusing on the long-term impact of their decisions upon society, perhaps even providing an incentive to their stable stockholders in order to discourage speculation. It is little wonder that he stated, “I disapprove of anyone engaging in usury as his form of occupation;” while it would be simplistic to state that all bankers are dishonest or thieves, the tendency of banks to protect their own bottom line at the expense of their borrowers evokes the same sentiment today.<sup>55</sup> Banks should work to serve society and meet their responsibilities to their stakeholders. If banks were to make themselves financially stable, they could in turn offer more help to those who are at this moment financially disadvantaged or disenfranchised, unleashing the potential benefit for all parts of society that Calvin saw in the lending of capital at interest by serving the public good, not just the richest clientele.

Remembering Calvin’s aversion to banking as a profession, he would likely support the idea that bankers or financial leaders who abused their position, exploiting their power for financial gain, would have to lose their jobs. He did not tolerate inefficiency or poor management that caused greater suffering in society, as evidenced by his dismissal of officials in Geneva whose practices caused “wrongful deprivation.”<sup>56</sup> Bonuses should be moderate, as “moderation is the rule,” for Calvin, and bank managers and boards of directors should seek to balance the interest of stakeholders with their societal responsibility, thereby striving

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<sup>55</sup> Calvin, *Calvin’s Ecclesiastical Advice*, 142.

<sup>56</sup> Bieler, 139.

intentionally to counter the reasoning behind Calvin's clear disapproval of those who pursue money lending as an occupation in which he concludes that it is shameful that "moneylenders, merely by sitting on their bottoms, exact tribute from everyone else's labours [*sic*]." <sup>57</sup>

One can argue that Calvin, in observing the current credit crisis, might agree with C.H. Douglas that the moral right and the legal power to create credit should not be controlled by private individuals or privately-owned banks, but that it should be held by the community because "credit is a social phenomenon," and "a financial system which separates the ownership of credit from the community is self-destructive." <sup>58</sup> As Lewison argues, "Productive credit is a public good that must be shared with all segments of society." <sup>59</sup> Banks should serve the consumer, not the financier, and the community should have some control and ownership in the provision of credit. <sup>60</sup> Calvin would be opposed to the disharmony of interests between banks and the community, and it is possible that he might argue, like Douglas, that capital should be "vested in the community" to give some power and control of credit back to society. <sup>61</sup> In their current practices, commercial banks have consistently violated the limitations Calvin set down to prevent predatory economic practices, and because they have done so, he would find them in great need of reform and regulation, perhaps leading to public ownership.

Banking institutions have appeared, albeit in limited numbers, which offer services to their clients through alternative methods, and these would definitely attract Calvin's interest, and even his support, for they strive to meet the needs of their clients while preserving solidarity and avoiding exploitative and usurious practices. The Swiss WIR acts as a

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<sup>57</sup> Calvin, *Commentarii in Librum Psalmorum*, in Kerridge, *Usury, Interest and the Reformation*; Biéler, 189.

<sup>58</sup> Pullen and Smith, "Major Douglas," 229-30.

<sup>59</sup> Lewison, "Conflicts of Interest?" 336.

<sup>60</sup> Pullen and Smith, "Major Douglas," 231, 233, 269.

<sup>61</sup> *Ibid.*, 233-37.

bookkeeping agency to facilitate transactions for small and medium size businesses, functioning as a cooperative based on barter as opposed to a for-profit bank. The Danish and Swedish JAK cooperatives aim to make interest unnecessary by employing a system of reciprocal savings and lending by which borrowers save about 60% on interest at the end of the loan in comparison to mainstream banking; they are able to provide services countrywide.<sup>62</sup> Another interest-free model bank exists in Spain, the *Lankide Aurrezkoa*, or the Working People's Bank.<sup>63</sup> Such financial institutions, in seeking to serve their clientele by avoiding the use of high interest or compound interest would certainly have gained Calvin's approval. While he did give a very limited allowance to the use of interest, it was only in situations of mutual benefit; thus, it is altogether plausible to suggest that if a bank could exist and serve the community without employing the mechanism of interest, Calvin would have embraced such an institution and maybe even given his approval, in this case, to banking and money lending as a profession.

Some writers have argued that governments should take back for themselves the right to issue money; because as banks have been delegated the task, they profit from issuing money as debt in the form of interest-bearing loans, and the government has to pay interest on public borrowing.<sup>64</sup> Calvin may not have agreed with this in its entirety. Calvin's followers, intending to stay true to his teachings, opposed an attempt to create a state bank in Geneva in 1568. The aim of this state bank was to abolish private lending, thereby gaining a monopoly so that the state could make immense profit by lending out money it had originally borrowed

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<sup>62</sup> Kennedy, *Interest and Inflation Free Money*, 116, 123; Douthwaite, *Short Circuit*, 164-65. JAK stands for "Jord, Arbejde, Kapital" – "Land, Labor, Capital."

<sup>63</sup> Douthwaite, *Short Circuit*, 160.

<sup>64</sup> Robertson, "Our Money," 3.

from Basel at rates of interest higher than those imposed by Basel on the initial loan.<sup>65</sup> If Calvin were to agree to the nationalization of the power to issue money and deny such power to the banks, he would have to believe that it was the best action for society, and he would likely seek guarantees against the possibility that the government could use such a power abusively. He would not be keen on the government profiting excessively from loans anymore than he was in the case of private individuals. Calvin was generally opposed to the existence of merchant-run banks, as evidenced by both his condemnation of banking as a full-time profession and the opposition of his close disciples who protested the founding of such a bank by Genevan merchants in 1580. Calvin's heirs thus remained faithful to his teachings opposing banking in almost all its forms, and they continued to support, after Calvin's death, his hesitant acceptance of "the limited and controlled practice of private loans at interest."<sup>66</sup> Thus, it is probable that Calvin would be opposed to modern banks that wield power in such a manner as to economically fleece the population, and he would expect government intervention to protect society from predacious economic practices; he would, however, be equally concerned about the potential of a government to use its economic powers to profit from its people.

Calvin's emphasis on community and the helping of one's neighbor might prompt his support of the organization of local agencies, such as credit unions, to serve those who are excluded from access to commercial capital and thereby left to the exploitative devices of fringe banking establishments. Community-based credit bodies and lending schemes are emerging worldwide and have found some success, from India to the United States.<sup>67</sup> This movement has resulted in a growing number of credit unions, collectives, and non-monetary

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<sup>65</sup> Bièler, *Calvin's Economic and Social Thought*, 147-48.

<sup>66</sup> *Ibid.*

<sup>67</sup> Lewison, "Conflicts of Interest?" 336; "The Lender's Long Lament," 103-5.

credit alternatives as people seek to “expunge” that which they resent about mainstream banks, particularly interest and the disconnect of banks from the particular needs of the community.<sup>68</sup> If such alternatives help the public good, they would be viable options for Calvin.

A closer look at the Desjardins, Quebec’s first credit union and a successful model of such an alternative, will reveal several aspects that concur with Calvin’s socio-economic ideals. Founded by Alphonse Desjardins in 1901 to fight usury and help both poor workers and small businesses, it has grown to include a membership of five million residents of Quebec (75% of the city’s population) as well as 400,000 members outside the city. The membership fee was five dollars in 1901, and it remains the same today. Desjardins has grown to become Quebec’s leading financial institution, and, at 38,000 workers, it is also the city’s largest private employer.<sup>69</sup> Despite such success, however, Desjardins has, unlike mainstream banks, refused to close branches of the credit union that are not profitable because they are serving very small communities; at the same time, it has been able to offer its corporate clients international services, payroll services, employee savings plans, and lines of credit. Members are entitled to a partial return on any surplus earnings every year, giving support to the concept that organizations that recycle savings locally can provide profit that is beneficial, not just to the individual, but also to society.<sup>70</sup> Other advantages of such a cooperative are its close proximity to its clients and the high level of trust between members and directors.<sup>71</sup> As Swift observes, “Globalization has a consequence of dispossessing owners of small companies, who will be bought or folded into a bigger company. The co-op

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<sup>68</sup> “The Lender’s Long Lament,” 103-5.

<sup>69</sup> Allen Swift, “Co-operative Retains Century-Old Values: Desjardins Movement Has Become Quebec’s Leading Financial Institution,” *The Standard*, January 22, 2001, B2.

<sup>70</sup> Douthwaite, *Short Circuit*, 121.

<sup>71</sup> Swift, “Desjardins Movement,” B2.

is a way to retain ownership,” and he further notes, “In an age of globalization, rapid asset-swapping and bottom-line fixations to drive up share values, the co-operative movement sometimes seems an anomaly.”<sup>72</sup>

Calvin would argue that Desjardins is an important anomaly that would do well to become more of a norm due to the benefits it provides and the community spirit and solidarity it promotes. Credit unions, based on a common bond, assist members away from Calvin’s archenemy, the “moneylender,” and encourage savings habits. Even though interest may be charged on a loan from a co-op, it is not so devastating as that from a commercial bank because the interest paid stays in the community and contributes to its improvement overall, such as a small business loan might do.<sup>73</sup> Each member of such a cooperative effort is afforded the opportunity to embrace Calvin’s admonishment to “live in such a manner as to contribute to the general advantage.”<sup>74</sup> Also, the ability of the credit union to retain the trust of its clients contributes to the overall well being of the members and the community. This alternative is also modern, it is not a movement backwards; Calvin was a man of his times, seeking to employ capital and trade, and as the credit union is a movement parallel to the modern economy, using contemporary components in a manner that is beneficial and thereby contributes to the solidarity among its members while engaging with the modern world, Calvin would have found it a welcome, and perhaps extremely necessary option for many people today.

Local self-reliance is a major focus of those who are intent on finding viable alternatives to the negative results of globalization. Local businesses that see themselves as integral parts of the communities in which they operate find it in their best interests to serve the people of

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<sup>72</sup> Ibid.

<sup>73</sup> Douthwaite, *Short Circuit*, 126, 139.

<sup>74</sup> Reid, “John Calvin, Early Critic of Capitalism,” 162.

their neighborhood; their decisions are based on intrinsic motivations, finding fulfillment in helping the populace at hand.<sup>75</sup> Taking pride in their work and in the standard of service that they offer prompts business owners to improve their business skills for the purpose of providing a higher quality standard without exploitation.<sup>76</sup> Modern guild-type organizations, such as the Briarpatch Society in San Francisco, encourage its member businesses to “give back more than you get,” thus supporting the ideal that if a business makes a profit due to the help and support of the community, then some of the profits gained by that business belong also to the community.<sup>77</sup> People can then use local resources to meet the needs of their community instead of buying, and thereby unintentionally supporting exploitation by TNCs, from markets located far away. Communities can find ways through which to live more simply and within limits so that they in turn do not enable or encourage the exploitation of other areas of the world.<sup>78</sup> Dempsey suggests that local communities learn to exert some control over their economic life, which would in turn allow people to experience responsibility, liberty, and loyalty towards their locality; he argues that this is absent in the modern economy which consistently undercompensates its workers for their contributions, thus denying their ability to contribute to the common good, even resulting in their dependence on external means for their survival.<sup>79</sup>

It is more difficult to argue that Calvin would be in favor of localization in a global economy because he witnessed only the very early birth pangs of the modern, global trading network, thus it is challenging to find any direct correlation between his teachings and the contemporary attempts to shift away from globalization toward a renewed focus on the local

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<sup>75</sup> Ibid., 45.

<sup>76</sup> Ibid., 342.

<sup>77</sup> Ibid., 341, 344.

<sup>78</sup> Ibid., 58-59.

<sup>79</sup> D. Stephen Long, “Bernard Dempsey’s Theological Economics,” *Theological Studies* 57 (1996): 705.

community. It is possible to argue, however, that Calvin supported the development of local manufacturers, as noted by his encouragement of the cloth making and printing industries, in order to provide goods, jobs, and services to those in the city. He would be attracted by efforts to build community and solidarity through the channeling of business profits back into the local areas, seeing the “giving back” as true to his belief that those with means must provide for those in need. Local alternatives are rooted in the desire to avoid unwitting participation in exploitation, and thus would attract Calvin’s attention and elicit his blessing, as this was the all-encompassing aim of his pragmatic agenda in Geneva—no one should be abused for the profit of another.

Calvin would, however, stop short of agreeing with writers such as Douthwaite and Möser who recommend a return to peasant culture because they see incurable difficulties in the cultures created by industrialization and globalization. Calvin, though embracing the peasant farmer and his work on the land as “a work of God,” never protested the developing commercial system in which he found himself.<sup>80</sup> Instead, he examined the situation in which he lived, and then sought to apply the spirit of the biblical laws to it, not to reject it out-of-hand, but to define it and determine the rights actions to take within it. It is unlikely that Calvin, pragmatic as he was, would advocate for a rejection of all commercialism as part of a total return to a peasant cultural system, as it is a solution that appears highly impractical and incompatible with the modern world. Calvin would espouse, however, the concepts of supporting one’s community and providing for one’s neighbors that are integral to such a system, and for Calvin, vital to the existence of society, regardless of the form in which it exists. Thus, while a complete return to localization may be too utopian for Calvin, he would

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<sup>80</sup> Douthwaite, *Short Circuit*, 10-11; Biéler, *Calvin’s Economic and Social Thought*, 381. See also Jerry Muller, *The Mind and the Market*, (New York: Alfred A Knopf, 2002), 95-96.

find great value in its focus on providing for the needs of the local community and avoiding exploitation, finding it to be in keeping with the spirit of brotherhood he desired to maintain.

In this chapter, the groundwork supporting the probability of Calvin's involvement in the modern socio-economic issues has been laid, the role government would play in Calvin's approach discussed, and the place of charity and stewardship as the basis of any solution to the question of how best to assist the financially disenfranchised has been explored. Because Calvin was so pragmatic and involved in his world, it is safe and proper to assume he would be so today. Alternatives regarding banking reform and increased localization provide the opportunity to project Calvin's response to such suggestions, further promoting the permanency of his teachings through the centuries. Using this springboard, a consideration of other alternatives will continue in the following chapters, focusing first on interest caps and interest-free movements and turning then to the available options for helping the millions in the lower echelons of global society to further find how Calvin might add value to relevant, modern debate.

## Chapter 5

### Exploring Options to Limit or Eliminate the Mechanism of Interest

*“The modern man has become so accustomed to the paying and taking of interest that he simply cannot visualize a society in which interest does not exist”<sup>1</sup>*  
Arthur Birnie, 1952

Given the invasive role of interest in modern society, it is not surprising that many alternative approaches have been developed and implemented in order to reduce or remove its impact altogether. Commencing with a brief discussion on the mechanism of interest itself, this chapter will consider a few of these strategies, focusing particularly on interest caps, interest-free loans, interest-free money experiments, and the LETS; the purpose here is to reveal where Calvin’s interests might lie were he called upon to engage the current socio-economic situation by considering these alternatives in the light of his teachings.

Considering his close attendance to the issues of interest and usury in Geneva, it is very likely that the same topic would today receive the majority of his attention as a situation that needs scrutiny and adjustment; and therefore, his teachings find continued relevance in this area perhaps most of all.

Economists generally justify the taking of interest by a lender as a reward for the risk and the loss of purchasing power of the money lent, and to allow the lender to share the benefits with the borrower of that which the loan produces. Indeed, there is a possibility that a loan might not return intact to the lender, and if a borrower benefits, then the lender should as well for his extension of capital. It must be acknowledged that Calvin did not generally consider such rights for a lender; in his teachings he focused almost exclusively on the

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<sup>1</sup> Birnie, *The History and Ethics of Interest*, I.

borrower, appearing to miss the “injuries from which the lender can suffer.”<sup>2</sup> Only a very general defense of lenders is found in Calvin’s basic acceptance that a fair interest rate was an allowable return on capital; indeed, this is what set him apart from the other religious voices of both his day and of the ages before him who hid such gain under other titles, earning him the designation, “The Father of Modern Interest,” as he deconstructed the sterility of money argument dating from ancient times in addition to biblical ban. Simply stated, for Calvin, a fair interest rate would be one that took the factors of risk and profit into account, without attempting to exploit the borrower.<sup>3</sup>

Difficulties arise, however, just as Calvin warned against, when those with capital use it to charge usurious rates that devastate borrowers. The circumstances of a loan, such as to whom it is made and for what purpose it is given, and not just the rate of interest, help to determine if the loan is of a predatory nature. As Calvin recognized, usury is not simply about the interest rate; it is about the situation surrounding the loan, as evidenced by his distinction between consumptive and productive loans.<sup>4</sup> The question of “how can we meet the needs of our borrowers” has unfortunately been replaced by “how much can we get away with charging.” This mentality is represented in Steel’s observation, “[the] primary assumption underpinning all else [is] the self-evident rectitude of charging whatever interest can be enforced in the circumstances.”<sup>5</sup> He further, and rightly, adds, “How odd for something that was once condemned as ‘joining with iniquity in the destruction of our brother and neighbor [*sic*],’ to achieve such status.”<sup>6</sup> Calvin would find this not only odd, but

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<sup>2</sup> Ibid., 421.

<sup>3</sup> Douthwaite, *Short Circuit*, 154-55.

<sup>4</sup> Biéler, *Calvin’s Economic and Social Thought*, 402.

<sup>5</sup> Steel, “Usury Through the Ages,” 53-54.

<sup>6</sup> Ibid.

a total abandonment of his limitations on the charging of interest that he was careful to establish. Unfortunately, his parameters have been largely ignored.

There have been numerous modern critics of interest, as well as attempts and suggestions to reform it. While this is not meant to be an expose of or in-depth study of the role of interest in the economy, or an assessment of the validity of such theories, the following discussion is intended to acknowledge that there has long been and continues to be a concern about the taking of interest and the difficulties it can create in an economy. The reoccurrence and permanency of such ideas seem to indicate that there is always an audience willing to entertain ideas and alternatives regarding the charging of interest, and given his engagement with issues emanating from the practice, it is highly probable that John Calvin would have relevant thought to add to the continuing discourse on the role of interest in society. To understand what he might think of the modern use of interest, it would be helpful to consider other voices in order to find his echoes in their conclusions.

C.H. Douglas, Irving Fischer, and many others, including John Maynard Keynes, have called into question the necessity of interest based on several key frustrations. The loudest complaint is that it is fraudulent for banks to charge interest on money that they had created out of nothing (by creating credit), thereby making profit while having suffered no opportunity cost or sacrifice.<sup>7</sup> Banks thus generate a largely unearned income, gaining without initiative or efficiency; this violates the belief held by Calvin that those who lend at interest “are not worthy of being rewarded to the same extent or more than those whose occupation requires them to work hard.”<sup>8</sup> Money is intended to be a mechanism to help facilitate the flow of goods and services; however, when a usurious charge of interest occurs,

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<sup>7</sup> Wayne A.M. Visser and Alastair McIntosh, “A Short Review of the Historical Critique of Usury,” *Accounting, Business, and Financial History* 8.2 (1998): 180.

<sup>8</sup> Biéler, *Calvin’s Economic and Social Thought*, 405.

money becomes the end in itself, evidenced by the contrast between compound interest and an equity-based return. Another objection to interest is of course that it promotes exploitation of the poor. As Visser and McIntosh aptly state, “the poor sweat double so the rich can live on interest,” and as such, usurious interest serves as a “mechanism of the inequitable redistribution of wealth.”<sup>9</sup> Calvin himself taught that inequity will always be present in society, but that does not necessarily presume its morality, thus actions to perpetuate it should be stopped. Interest rates also can generate economic instability because, as Keynes noted, “the rate of interest is not self-adjusting at the level best suited to the social advantage, but constantly tends to rise too high.”<sup>10</sup> The taking of interest is also criticized because, in general terms, it can cause chronic unemployment and exacerbate inequality.<sup>11</sup>

To briefly summarize, although charging interest is generally considered to be respectable in western societies because it allows a lender to recover the real value of his loan, the practice is arguably still as “inherently anti-social” now as it was in Calvin’s Geneva, because a man should be willing to help his neighbor without hope of profit or the motivation of usurious gain through his service.<sup>12</sup> Sauer notes, “No interest-based economy, globally or by countries, developing or developed, has experienced an equitable production, distribution, and consumption of wealth, because wealth is produced by interest on savings from capital that is held as power.”<sup>13</sup> While Calvin would be in no position to evaluate the

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<sup>9</sup> Ibid., 181-84.

<sup>10</sup> John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (Mansfield Centre, CT: Martino, 2011), 351

<sup>11</sup> Arthur Birnie, *The History and Ethics of Interest* (Glasgow: William Hodge, 1952), 36-38. Birnie offers multiple objections to the taking of interest; he also argues that the debtor actually renders the lender a service for keeping his wealth alive and in circulation, and yet the debtor pays carrying costs plus interest. He goes even further, suggesting that stakeholder dividends should be illegal as they are a form of unearned income.

<sup>12</sup> “The Lender’s Long Lament,” 103-5.

<sup>13</sup> Sauer, “Meaning, Method, and Social Science,” 109.

level of validity of this conclusion as Sauer has the benefit of five hundred additional years of hindsight, it is likely that the Reformer would quickly note the evident lack of equity in society, and he may indeed, upon inspection, attribute it to interest, as he was fully aware of its potential to injure human solidarity in his day.

The very limited beneficial qualities of interest aside, Calvin wholly recognized the negative impact interest can have, and thus he was careful not to extend his approval “to all its forms” recognizing that it had the potential to be devastating to society at large.<sup>14</sup> Modern society reflects this truth, despite misconceptions held by many. Some westerners are under the illusion that a person can avoid interest simply by not borrowing; however, as interest is most often included in the prices paid for goods and services, this is not true; one estimate suggests that a person might pay up to 50% in capital costs when purchasing goods or services.<sup>15</sup> While it is true that the consumer does not necessarily bear all the interest, as it can also be obtained from increased productivity, the presence of interest in society is felt by almost all of its members in some form.<sup>16</sup> This requires many people to work longer hours or more days to acquire enough purchasing power just to maintain their level of existence.

Another misconception is that everyone is equally affected by interest. This belief is countered by the fact that eight-tenths of the world’s population pay more in interest than they receive in income from interest, one-tenth receives slightly more in interest than they pay, and the other one-tenth receives a large percentage of the interest that the eight-tenths paid, thus allowing the gap between the rich and poor to be ever increasing.<sup>17</sup> There is little

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<sup>14</sup> Calvin, *Calvin’s Ecclesiastical Advice*, 142.

<sup>15</sup> Kennedy, *Interest and Inflation Free Money*, 24-25.

<sup>16</sup> Biéler, *Calvin’s Economic and Social Thought*, 421.

<sup>17</sup> Kennedy, *Interest and Inflation Free Money*, 25.

hope of stopping such disparity without addressing the interest mechanism in the current economic system.

A final misunderstanding is that all people have equal access and opportunity to succeed in the current economic climate; people just have to work hard and they will thrive. A system based on interest and compound interest is arguably undemocratic because ten percent receive more than they pay for access to the money system at the expense of eighty percent; this is not equal access for all, and therefore it is exclusive, exploitative, and, in some cases, inhumane.<sup>18</sup> These negatives add layers to those documented by Calvin in Geneva, and thus, his critique of modern society would focus to a great extent on the issue of interest, just as usury was the linchpin of his economic teachings in the mid-1500s, and, given Calvin's practical approach, a discussion of possible alternatives or further limitations to curb usurious practices would feature largely in that critique.

Turning now to possible approaches to limiting interest, one alternative trumpeted by many in the contemporary economic climate is that of interest caps, the determination and implementation of which has been a point of discussion for centuries, for as Frierson notes, "there have always been classes of unlawful rates of interest."<sup>19</sup> A brief discussion of interest caps is important for establishing a very basic groundwork that can serve to evaluate Calvin's applicability to this ongoing issue. It is not designed to be an in depth, all-inclusive examination; however, it will acknowledge points of debate and discussion as well as examine a grassroots attempt to implement a ten percent interest cap, turning then to discuss Calvin's likely response to this alternative.

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<sup>18</sup> Ibid., 27.

<sup>19</sup> Frierson, "Changing Concepts on Usury," 115.

Some would argue that interest caps are not an appropriate answer to the current situation as such legislation may cause greater difficulties by limiting the access to credit for low-income borrowers who would be willing to pay usurious rates of interest so that they may obtain a loan. DalleMule argues “usury laws, regardless of their form, simply do not work,” noting a usury law in Italy that blocks access to \$100 billion for mortgages for millions with low incomes and poor credit histories; he suggests that the American laws have a similar impact.<sup>20</sup> Therefore, usury laws can prevent those who are in need of credit from obtaining it because they are considered too risky for a loan at a rate under the usury cap. If usury caps hold down the interest rate, the amount of credit available will be limited, and only those of low risk and greater income will be able to secure a loan.<sup>21</sup> One must acknowledge that in the current system, usury laws can cause credit to be “rationed away” from low-income borrowers who might actually be willing to pay a higher rate of interest in order to obtain a line of credit, forcing such “high risk” borrowers to turn to fringe banking or assorted market subversions such as barter or the black market to obtain what they need.<sup>22</sup> While noting that “abusive lending practices may have thoroughly undesirable consequences to the wealth of nations,” DalleMulle suggests that usury laws are not the answer to preventing usurious practices, arguing instead for a free market approach which will allow credit to be democratized and foster competition that will serve to push the rates down.<sup>23</sup>

On the other hand, John Maynard Keynes argued that the abundance brought about by the rapid economic growth under capitalism would allow a return to the traditional principle of viewing “the exaction of usury [as] a misdemeanor,” perhaps eventually bringing an end

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<sup>20</sup> Leandro DalleMule, “The Harmful Economics of Usury Laws,” *Mortgage Banking* 65.9 (2005): 96.

<sup>21</sup> *Ibid.*, 98-99.

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*, 100.

to the taking of interest.<sup>24</sup> While the fulfillment of Keynes' belief in the inevitable "euthanasia of the rentier" due to the removal of interest" might have what Harrod terms, "grave social consequences," it (the end of interest) is "something that we should look at in all its implications," as it could help create a "totally new kind of society."<sup>25</sup> If interest could be gradually and tentatively removed from the capitalist economy, then the "cumulative oppressive power" of a capitalist to "exploit the scarcity-value of capital," could be dramatically decreased.<sup>26</sup> Keynes suggests that interest requires no "genuine sacrifice," because capital only generates interest because it is scarce, but yet, "there are no intrinsic reasons for the scarcity of capital."<sup>27</sup> He desires that interest rates should be lowered, with a long-term hope for their discard. Birnie claims that Keynes did not set out to either defend interest or criticize it, "but his conclusions placed [interest] in a new, and on the whole, very unfavourable [*sic*] light."<sup>28</sup>

It might be said that Adam Smith suggested that a middle position between the total prohibition of interest (which leads to usury) and the upper extreme of usury is the most expedient for both individuals and society. He deemed lenders to be savers of capital who benefit society, different from those who just consume capital.<sup>29</sup> Therefore, he proposed that the interest should not be totally prohibited as this would increase usury instead of preventing it, (or hiding it behind extrinsic titles like those once used by the Catholic Church), and interest rates should be regulated by law and fixed just above the lowest market price.<sup>30</sup>

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<sup>24</sup> Keynes quoted in Robert H. Nelson, "Theological Meaning of Economics," *Christian Century* 110.23 (August 1993): 780. Nelson cites the quotation from Keynes' 1930 essay, "Economic Possibilities for Our Grandchildren."

<sup>25</sup> R.F. Harrod, *Towards A Dynamic Economics* (New York: St. Martin's, 1966), 145-46.

<sup>26</sup> Keynes, *General Theory*, 375-76; Harrod, *Towards A Dynamic Economics*, 146-47.

<sup>27</sup> Keynes, *General Theory*, 376.

<sup>28</sup> Birnie, *The History and Ethics of Interest*, 29.

<sup>29</sup> Adam Smith, *The Wealth of Nations* (New York: Bantam, 2003), 431-32.

<sup>30</sup> *Ibid.*, 454-55.

The discussion and debate surrounding acceptable interest rates continues today, as there is currently a groundswell in western societies protesting interest rates high enough to be termed by some as usurious (by the modern definition) as exemplified by the following movement. The Industrial Areas Foundation (IAF), an organization with affiliates across the United States as well as in Canada, Australia, Germany and the United Kingdom, has taken the initiative to launch a “10 Percent Is Enough” campaign, under the umbrella name of Metro IAF.<sup>31</sup> The movement’s organizers confront bankers and politicians on the issue of exorbitant interest rates, proposing a cap at ten percent. Those involved in the push include faith-based organizations as well as the multifaceted IAF, which includes labor groups, settlement houses, recovery groups, schools, and homeowner associations, as well as other voluntary institutions. Drawn from diverse religions, races, and classes, this is a grassroots movement that strives to initiate face-to-face engagement with politicians and bankers as well as make “house calls” to elicit community involvement. Besides focusing on anti-usury laws, the Metro IAF campaign makes education of consumers a priority, encouraging an understanding of offers of easy credit (which can often lead to increased interest rates and large penalties if there is a lapse in repayment) and the importance of budgeting, as well as the results of careless spending, identified by the movement as the chief cause of consumer debt. Metro IAF strives to ensure that ordinary people gain an understanding of the meaning of “usury,” as well as learning how to avoid credit pitfalls.<sup>32</sup>

Metro IAF members numbering in the hundreds have made a concerted and systematic effort to gain the implementation of interest caps. They have addressed political candidates as well as companies such as Citigroup to seek their support of an interest cap of ten percent,

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<sup>31</sup> See also: <http://www.industrialareasfoundation.org/initiatives.html>; <http://www.10percentisenough.org/>.

<sup>32</sup> DeConto, “The People’s Interest,” 20, 25; William Greider, “10 Percent Interest is Plenty Enough! Why Usury Needs to Stop Now,” *Alternet*, accessed on January 20, 2011, <http://www.alternet.org/story/144559/>.

even eliciting the agreement of the Citigroup CEO, Vikram Pandit, to support a legal ceiling if it was imposed on the industry as a whole; Pandit cautiously noted that while a reduction in rates would help some regain purchasing power, other high-risk borrowers would be denied credit. Metro IAF targeted Citigroup because the company continues to raise interest rates despite the fact that it has been given billions of taxpayers' dollars to keep the company afloat. While a meeting with members of the Metro IAF did prompt a six percent rate cap for military veterans by Wells Fargo, no real movement has been made toward the ten percent cap.<sup>33</sup> Faculty members of nine seminaries, including Duke and Wake Forest, have sent a theological statement protesting high interest rates to Bank of America, SunTrust, and Wells Fargo, and in the United Kingdom, campaigners have lobbied for change at banks including Citigroup and Royal Bank of Scotland. Senator Bernie Sanders, an independent from Vermont, sponsored a bill that set 15% as the cap, but the bill was rejected.<sup>34</sup> Metro IAF representatives continue to push, albeit unsuccessfully, for federal usury legislation, claiming that Democrats have avoided a roll call on usury legislation lest they be forced to make a documented choice between bankers and their own constituents.<sup>35</sup> Also, another major difficulty in seeking relief from usury laws in the United States comes from the sovereignty of each of the fifty states, meaning that if a state wants to allow very high interest rates, in some cases up to 40%, then it is allowed to do so legally. In addition, a bank can incorporate in any state and then do business in all states, leading to an inordinate amount of banks concentrating in states like Delaware and South Dakota where higher rates are permitted.<sup>36</sup>

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<sup>33</sup> DeConto, "The People's Interest," 22.

<sup>34</sup> *Ibid.*, 23.

<sup>35</sup> Greider, "10 Percent Interest is Plenty."

<sup>36</sup> DeConto, "The People's Interest," 20.

Thus, the issue of interest caps is extremely difficult to address, and gaining a consensus for their implementation is elusive.

In Geneva, Calvin was adamant that limits on interest rates be established and enforced by the city council. A rate of 5% was instituted initially, which was later raised to encourage more people to lend. It is vital to keep in mind that Calvin was opposed to titles and the misuse of language intended to hide usury, insisting that interest be permitted only in the most narrow of interpretations, as stated earlier; he fought against usurious abuses, not with rigid views, but with an ethics rooted in the spirit of compromise and the public weal, encouraging Genevans to allow this ethics to guide them in determining the difference between lending and usury.<sup>37</sup>

It might initially appear as relatively simple to argue that Calvin would be highly supportive of present attempts to set interest caps and control credit flow; however, this is not necessarily so. It must be borne in mind that restricting rates of interest through caps can have a negative effect in a society lacking the strict moral code established in Geneva; such caps can force those desperate for a loan into the hands of usurious fringe banking establishments that are less subject to regulation and which further exploit borrowers. Interest caps, appearing to be a solution for many, carry the potential to further limit the possibility of credit for those on the lower end of the economic ladder. John Tiemstra, a professor at Calvin College, expresses doubt that John Calvin would have approved of an interest rate of 30%, such as those imposed on some credit card holders, but Tiemstra does not suggest that modern reformers take on the major banking establishments; instead he recommends that people be taught to use credit properly, only in cases where it is absolutely necessary and not just for conspicuous consumption, focusing primarily on consumer

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<sup>37</sup> Busch, "John Calvin Rediscovered," 72; Kerridge, *Usury, Interest, and the Reformation*, 48.

education.<sup>38</sup> It is entirely possible that Calvin would find this observation valid given his emphasis on education, and that, based on his actions in Geneva, he would encourage the implementation of regulation upon banks, setting interest caps and adjusting them as society required. It is difficult to attain a great deal of certainty in the projection of Calvin's response; however, given Calvin's pragmatism and academic mind, he would certainly have considered the arguments on both sides before deciding his personal approach. What can be known with great conviction is that he would have erred on the side of mutual benefit and the common good.

One alternative that Calvin would most likely find appealing removes the debate regarding interest caps completely for those who are poor. This more unorthodox approach provides interest-free loans to low-income persons; particularly those who need a small, consumptive-type loan to meet a particular need. Organizations such as the Center for Economic and Social Justice in Washington D.C. work to reorganize the distribution of credit and capital to provide a means through which the poor can realize their right to access the economic system.<sup>39</sup> Jones and Wattenberg provide details and results of such a program initiated in inner cities in the United States during the 1980s. As low-income American families spend a high proportion (30-50%) of their income on rent, there is little left for unexpected expenses; therefore, any expense that is out of the ordinary, such as car repair or a medical bill, is a threat to the "balancing act" of matching income with outlay. Small, interest-free loans are being introduced to meet these needs, allowing people to maintain a sense of dignity and self-reliance.<sup>40</sup>

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<sup>38</sup> DeConto, "The People's Interest," 25.

<sup>39</sup> Lewison, "Conflicts of Interest?" 336.

<sup>40</sup> Linda Jones and Esther Wattenberg, "Working, Still Poor: A Loan Program's Role in the Lives of Low-Income Single Parents," *Social Work* 36.2 (1991): 146.

In the Jones/Wattenberg study, loan recipients were selected by a “Loan Committee” composed of people who had an understanding of the situations faced by low-income and single parent situations in their community. The committee had flexibility and its members were able to use common sense, having been provided no set rules for selection of loan applicants. The primary consideration the community used was in regards to employment, particularly seeking to help those who had a job, were in training to upgrade their employment, or those who were actively job seeking; other considerations included the amount of indebtedness of each applicant and the capability of a small loan to help stabilize the applicant’s situation. Often loans were to repair cars, giving recipients a reliable mode of transportation to a job. Loans were not given for the purpose of buying food, clothing, or furniture, as other community organizations already supplied these items in the pilot areas.<sup>41</sup>

The conclusions of the Jones/Wattenberg study, just one such example, note that such a program is “extremely important, at least in the short run,” and 68% of the recipients acknowledged a positive change in “things in general” after the loan was received and then repaid.<sup>42</sup> Thus, interest-free loan programs appear to offer the poor a potentially life-changing opportunity without the burden of interest; this was the beneficial aspect of lending that Calvin noted in Geneva as positive and necessary for the good of the society at large. As the loan program also focuses on the training of their recipients as an important element of consideration, they echo Calvin’s approach noted earlier in which professional retraining was an important thread in the social safety net.

It is an interesting thought to consider that perhaps the Protestant Reformer would, in regards to interest-free lending, feel more comfortable today with Islamic economic practices

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<sup>41</sup> Ibid., 146-48.

<sup>42</sup> Ibid., 152.

than with those utilized by banks in “Western Christendom.” Given the attention received by Islamic banking in contemporary discussions, it is important to acknowledge that in Islam there exists a strict attitude which is opposed to the extension of interest-bearing loans to the poor, while recognizing that there are times that it is permissible for someone to profit from another’s use of his money; this enduring practice is remarkably similar to Calvin’s teachings.<sup>43</sup> As it is not the intent of this paper to explore the Islamic prohibitions against usury, let it suffice to recognize that the moral and legal interdictions in the Islamic world against the taking of interest (*riba*) center on the belief that one should not gain profits where one has not taken on personal risk, and for consumption purposes, interest-free loans are allowed; however, gifts of charity are preferred. The persistence of the Islamic prohibition as well as the development of groups which offer interest-free loans is evidence of the fact that “[s]omething of the distaste for lending at interest that all societies [and Calvin] felt in the past, and that many societies (notably Islamic ones) still feel, persists in the West.”<sup>44</sup>

Calvin would find interest-free loan programs and the Islamic approach to align with his primary restriction on the charging of interest, that one should not charge interest on loans to the poor, particularly on loans of a consumptive nature; he emphasized the biblical command, “If any of my people shall wax poor, thou shalt not burden him with usury.”<sup>45</sup> Calvin was adamant in his teachings that the poor should have access to loans as needed, without the burden of interest. He would support such programs, particularly those that emphasize education and training as he did in Geneva. One outstanding benefit of interest-free loan programs is that most of the recipients found that the loan gave them “enhanced feelings of pride, self-worth, and self-respect stemming from a perception that they were

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<sup>43</sup> Lewison, “Conflicts of Interest?” 334-35.

<sup>44</sup> “The Lenders’ Long Lament,” 103-5.

<sup>45</sup> Calvin, *Commentarii in Librum Psalmorum*, in Kerridge, *Usury, Interest and the Reformation*.

trusted to repay a loan.”<sup>46</sup> They also experienced a sense of responsibility that prompted them to repay their loans so that the program could continue to help others, creating an altruistic spirit among most recipients. Interest-free loans have also been found to be very helpful for women who, because they are often subjected to lower wages than men, struggle to provide for themselves and their families, therefore feeling the burden of financial crisis quite heavily.<sup>47</sup>

Such programs are arguably, in large part, much better than charity *per se* because they permit people to retain their self-respect through repayment, avoiding the humiliation that is often associated with handouts, and they also allow borrowers and lenders to establish relationships based on trust and stewardship. A sense of trust, charity, responsibility, and dignity between members of a society was a crucial aspect of Calvin’s vision for human solidarity, as noted previously, and such programs would receive his encouragement. Interest-free loans to the poor are also in keeping with his restriction that the borrower must make as much if not more profit from a loan than the lender because, due to the absence of interest, it is impossible for the lender to benefit more than the borrower. While “loan funds are only a modest response to the structural problems of the labor market and the welfare system,” such programs are in keeping with Calvin’s desire for lending to the poor to be motivated not by profit, but by charity, thereby providing a much-needed opportunity without requiring interest.<sup>48</sup> As Lewison accurately observes, “If it is important for society to alleviate the suffering of the poor and permit them to achieve economic self-sufficiency, then

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<sup>46</sup> Jones and Wattenberg, “Working, Still Poor,” 151-52.

<sup>47</sup> *Ibid.*, 146; Lewison, “Conflicts of Interest?” 336.

<sup>48</sup> Jones and Wattenberg, “Working, Still Poor,” 152; Wykes, “Devaluing the Scholastics,” 48.

it is important to investigate inexpensive lending services as a possible policy tool,” and Calvin would most definitely agree.<sup>49</sup>

Population protests against usurious practices and globalization frequently occur in the modern world, evidencing the importance of alternatives for those who feel that they have been disenfranchised by the current economic system. Events like the annual “Usury Free Week” raise citizen awareness about money, banking, and credit, create grassroots connections through local production, and encourage the use of a local currency to be used in parallel with the national currency.<sup>50</sup> Many blogs and networks have been implemented to attract the public to anti-usury movements, such as the “UsuryFree Network” founded by Tom J. Kennedy, whose organization gives the yearly “Winged Lion” award (the historic symbol of usury-free money) to companies and individuals who make progression towards creating a usury-free society.<sup>51</sup> More extreme protests have occurred in areas that have been subjected to greater oppression. In India in September 2010, twelve women attempted self-immolation to protest the removal of their district collector who in his three-year tenure had taken action against “the usury menace in the weavers’ belt of the Komarapalayam and Pallipalayam unions.”<sup>52</sup> Thus, passions protesting interest and usury continue to surface; it can be argued that very little has changed in this regard from the time of John Calvin, who acknowledged such protests in Geneva, teaching that the legalization of rates of interest does not necessarily guarantee that they are ethical, because laws which violate humanity cannot be regarded as legitimate no matter how many regulations are written to defend them.<sup>53</sup>

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<sup>49</sup> Lewison, “Conflicts of Interest?” 336.

<sup>50</sup> Eleanor Grant, “Islamic Banking: Usury-Free Week,” *World Conference on Riba*, accessed on January 20, 2011, <http://www.worldribaconference.org/component/content/article/1-latest-news/87-islamic-banking-usury-free-week-celebrated.html>.

<sup>51</sup> Grant, “Islamic Banking: Usury-Free Week.”

<sup>52</sup> “Protest Against Transfer of District Collector,” *The Hindu*, September 30, 2010.

<sup>53</sup> WARC, “Continuing Journey for Economic Justice.”

For many years, people have proposed that the answer to the problems of an economy based in the taking of interest on capital are to be found in removing the mechanism of interest altogether. Muhammad Umar Chapra, a leading Islamic economic scholar, proposes that the “[a]bolition of interest and introduction of profit-and-loss sharing would be the only way to create a climate of rational expectations and a stable background for entrepreneurs, financiers, savers and consumers.”<sup>54</sup> While the theories regarding interest-free money are complex, an attempt will be made to cover them with brevity; thus, aspects such as the altered role of taxes and land in such a system will not be addressed. While some might deem interest-free movements as too extreme for viable consideration, it must be acknowledged that there have been a large number of attempts to organize societies based directly upon the this concept. These unorthodox alternatives have been as variable as they are numerous, and it is important to note that such radical adjustments are not without their problems and shortcomings; however, when considered as a whole, they have much to contribute to the discussion regarding interest and usury and the common good. A consideration of the interest-free movement in light of Calvin’s teachings will be found at the close of this section after the various aspects of such alternatives are explored.

The goal of interest-free movements is primarily to prevent the hoarding of capital which is instead kept in circulation by a “parking fee” so that it can be productive in real terms and can help stabilize an economy that is traditionally subject to the cycles of boom and depression that challenge the economic existence of the common man.<sup>55</sup> The supporters of these movements argue that the concentration of capital in the hands of relatively few people creates an inequality that should not be possible in a truly competitive society, particularly

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<sup>54</sup> Muhammad Umer Chapra, *Towards a Just Monetary System* (Leicester, U.K.: The Islamic Foundation, 1985), 124.

<sup>55</sup> Birnie, *The History and Ethics of Interest*, 38; Kennedy, *Interest and Inflation Free Money*, 101.

one based on the idea that any claim to wealth must be based on labor; Birnie dryly suggests that the “typical creditor is a man with two dinners....[who] cannot eat both.”<sup>56</sup> Therefore, finding a measure that would prevent hoarding would help to “euthanize the oppressive power of capitalism.”<sup>57</sup> Douthwaite argues that to require borrowers to pay interest “means that governments have no choice but to allow growth to continue, despite the damage...to the natural environment, to communities, and to the social order,” and he predicts, “...unless we can develop an economic system that avoids interest we cannot hope to achieve a sustainable way of life.”<sup>58</sup> Voices like those of Birnie go so far as to recommend that charging interest be made illegal, with penalties for such action.

A major alternative that emerged to challenge the hoarding of money (in order to benefit from interest during economic upswings) was the stamp scrip movement, which, while not an interest-free movement *per se*, provided the concept of local currency that is adopted by many such movements. This approach was developed from the early twentieth-century writings of Silvio Gesell, of whom, despite his analysis deeming Gesell’s theory incomplete, Keynes insisted, “the future will learn more from [his] spirit...than from that of Marx.”<sup>59</sup> The concept of stamp scrip is based in the belief that people do not invest their money if the interest return they receive is too low, and this decrease in investment prompts increased unemployment and bankruptcies. Gesell argued that because money, unlike other goods and services, could be held at no cost, people with capital would hold it until the time came in which they could again receive a sizable return. Gesell disputed the Lockean concept that money was imperishable, terming this a “fundamental misapprehension of the true nature of

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<sup>56</sup> Ibid., 34-35.

<sup>57</sup> Ibid., 33.

<sup>58</sup> Douthwaite, *Short Circuit*, 156.

<sup>59</sup> Keynes, *General Theory*, 355. See p. 353-358 for Keynes’ consideration of Silvio Gesell’s theories.

money,” which should be as perishable as the commodities for which it is used as a medium of exchange.<sup>60</sup>

Thus, Gesell proposed that “...money should be made to rust,” by the mechanism of a “use fee” which created a carrying cost on money.<sup>61</sup> He did not particularly advocate the outlawing of interest; instead, he suggested “carrying costs,” to discourage hoarding.<sup>62</sup>

People who keep money out of circulation with the intent to make more when interest rates changed in the future have to pay a small fee. Whoever is in possession of the money when the fee comes due has to pay it; this applies to individuals, businesses, and banks. The implementation of use fees would encourage banks to give more loans in order to avoid paying the fees. To balance the amount of credit and savings available, a small amount of interest might be necessary to solve liquidity problems; however, this interest would serve, not as a wealth redistribution mechanism, but as a regulatory mechanism.

This use fee on money would provide public gain, contrasting with the private gain generated through the mechanism of interest.<sup>63</sup> Collected fees could serve as income for the government, which, in turn could lower taxes due to this additional source of funds for public use. Local communities could apply this theory through the use of a local substitute currency, termed “stamp scrip” because in some communities a stamp was pasted to the back of the currency note to show that the use fee was paid. When a scrip note was filled with stamps, it could be redeemed for equivalent national currency. This method was based on “self-liquidating money” which prompted local spending and spurred production, thus creating

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<sup>60</sup> Werner Onken, “The Political Economy of Silvio Gesell: A Century of Activism,” *American Journal of Economics and Sociology* 59.4 (2000): 610-11. Dr. Onken is considered the world’s expert on Gesell. See also Guido Giacomo Preparata and John E. Elliott, “Free-Economics: The Vision of Reformer Silvio Gesell,” *International Journal of Social Economics* 31 (2004): 924.

<sup>61</sup> Kennedy, *Interest and Inflation Free Money*, 35-37; Preparata and Elliott, “Free-Economics,” 944.

<sup>62</sup> Onken, “The Political Economy of Silvio Gesell,” 611.

<sup>63</sup> Kennedy, *Interest and Inflation Free Money*, 35-37.

jobs and encouraging local production and self-reliance.<sup>64</sup> While the concept of stamp scrip is not without its shortcomings, such as the possibility in such a system of reducing interest rates to negative values, Champ well states that Gesell's method does highlight the need for the liquidity of money to be sufficiently maintained as well as the importance of alternatives or adjustments to the current system.

Many cities and villages have implemented a variation of stamp scrip for their inhabitants as part of their interest-free money experiments. Trials have occurred in various countries including Austria, France, Germany, Spain, Switzerland, Argentina, Canada, Australia, the United Kingdom, and the United States, thus evidencing the quest by many to find an economic system that works on the local level.<sup>65</sup> In one of the most famous experiments, the city of Wörgl, Austria, in 1932, issued a local currency that carried a 1% per month fee for the holder of the money. The city issued 32,000 interest-free "free schillings," and in one year, the bills circulated 463 times, generating the creation of goods and services totaling 14,816,000 Austrian schillings, which was in sharp contrast to the fact that the Austrian schilling only circulated twenty-one times in the same year. In the course of just twelve months, the city witnessed a 25% drop in unemployment and gained a collection of use fees totaling almost \$4000, which was put to public use. This experiment came to a sudden end in 1933 when the Austrian National Bank prohibited the printing of local currency, arguably for the purpose of maintaining their monopoly on the monetary system,

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<sup>64</sup> Bruce Champ, "Stamp Scrip: Money People Paid to Use," Federal Reserve Bank of Cleveland, accessed March 12, 2011, <http://www.clevelandfed.org/Research/commentary/2008/0408.cfm>.

<sup>65</sup> Kennedy, *Interest and Inflation Free Money*, 38-39; Douthwaite, *Short Circuit*, 106; Robertson, "Our Money," 3.

disappointing the over three hundred communities which were already in the process of initiating their own forms of stamp scrip.<sup>66</sup>

In the United States alone, more than one hundred communities made attempts to implement the stamp scrip model during the early years of the Great Depression. These attempts were halted in March 1933, however, when President Franklin Roosevelt closed the banks and forbade the issue of emergency currency just after his election to the presidency. Other notable experiments with local currency include one in Reading, Pennsylvania, influenced by Irving Fisher, as well as the “Exeter Experiment,” under the direction of Robert Swann, a co-founder of the E.R. Schumacher Society. Local currencies continue to persist in number, examples of which include Ithaca Hours and Time Dollars.<sup>67</sup> Robertson argues that this use of local currencies can be consistent with the global/local dialectic of twenty-first century economic life; he suggests that the availability of various currencies for different purposes is beneficial, and with computer technology, handling such a varied system would be relatively simple.<sup>68</sup> Douthwaite also reminds his reader that the simultaneous use of different currencies occurred often in the past, and trade was not inhibited by it.<sup>69</sup>

Kennedy, a proponent of Gesell’s theories, argues that this “use fee” alternative could be implemented easily today as approximately nine-tenths of all money is simply a number in a computer. Checking accounts could lose a very small percentage every year, encouraging people to move their money into savings to avoid the small fee. Interest-free savings could then be loaned out in the form of interest-free loans for an established duration; borrowers

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<sup>66</sup> Kennedy, *Interest and Inflation Free Money*, 38-39; Douthwaite, *Short Circuit*, 96;

<sup>67</sup> Robertson, “Our Money,” 3.

<sup>68</sup> Ibid.

<sup>69</sup> Douthwaite, *Short Circuit*, 115-16.

would pay a risk premium and transaction fees that would amount to 2.5% of the normal credit costs. Thus, money would retain its value while gaining no interest; therefore, there would be no need for inflation.<sup>70</sup> Kennedy further suggests that the elimination of interest would help investors break even and make them more willing to underwrite projects that would normally be rejected as too risky; this could prompt development in areas otherwise believed to be either limited in scope or overly speculative, such as new ecological technology. Also, the pressure to overproduce and over consume might be eased because the absence of interest would reduce the amount needed to pay back the loan. This has the potential to shift an economy from “quantitative growth” to “qualitative growth,” perhaps, Kennedy suggests, thereby sparking a “total revolution of values.”<sup>71</sup>

An economic alternative that has grown out of the concept of local currency and the interest-free movement is the Local Exchange Trading System (LETS). The LETS, though still considered “marginal” by most, provides a means through which its members create community while meeting their needs, as each member provides a service or a good which can be either purchased with the local currency or bartered for a good or service provided by the purchaser.<sup>72</sup> The LETS helps people develop their skills and render them of service to the community, providing a sense of personal worth.<sup>73</sup> The impact of the LETS on the unemployed has been quite positive, providing opportunities to keep skills sharp, maintain health and healthy work habits, increase networking, and to generally improve the quality of life of those marginalized by the national economic system, particularly the single parent, the unemployed and the elderly. Douthwaite argues that the LETS creates “a useful

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<sup>70</sup> Kennedy, *Interest and Inflation Free Money*, 40-41, 102-3.

<sup>71</sup> *Ibid.*, 82-83.

<sup>72</sup> Robertson, “Our Money,” 4.

<sup>73</sup> Douthwaite, *Short Circuit*, 79.

supplementary income for weaker members...and a safety net the stronger may have to rely on if the world economy crashes.”<sup>74</sup> The drawback of such an alternative is that it generally only works well in areas with underemployment and insufficient amounts of national currency; however, such areas exist today in large number, making it a viable option for many.<sup>75</sup> The number of local currency units which circulate in a LETS is much more equitable to the actual volume of local trade when compared with that of the international level in which, as stated previously, real goods and services represent only ten percent of the money exchanged in the global economy. The existence of the LETS also encourages grassroots engagement, allowing anyone the opportunity to have direct involvement with such a system. By filling a gap in the present economic system that creates prosperity at the expense of its workers by its constant pursuit of the cheapest labor and reckless consumption of natural resources, the LETS provides an opportunity for cooperation in direct exchange as well as an arena free of interest, speculation, and money shortages.<sup>76</sup>

The fact that systems based upon local currencies continue to exist demonstrates that people derive benefit from them.<sup>77</sup> Such alternatives offer examples of people-centered economies based in interest-free money, allowing exchange while avoiding exploitation.<sup>78</sup> One drawback of such alternatives is that these smaller, more local methods may only help a small number of people because most people are bound in some manner to the dominant economic system in their society. One might, however, hazard to put forward the observation that because these alternatives have helped a number of people and communities,

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<sup>74</sup> Ibid., 77-79.

<sup>75</sup> Douthwaite, *Short Circuit*, 86.

<sup>76</sup> Kennedy, *Interest and Inflation Free Money*, 18.

<sup>77</sup> Ibid., 116.

<sup>78</sup> Robertson, “Our Money,” 4.

they are viable options and therefore worth larger consideration.<sup>79</sup> An economy that does not have to bear the burden of interest can be freeing for those engaged in it, and this encourages meaningful investment.<sup>80</sup> Local businesses can be better suited to compete with external companies if they have access to interest-free or low-interest loans.<sup>81</sup> Douthwaite rightly suggests that if people cannot engage in local trade with the use of local currency, then “their local economy will always be at the mercy of events elsewhere,” subject to the influence of global trade and national currencies.<sup>82</sup>

While it is arguable that such systems are utopian in nature, one can embrace such practices and experiments, not as “cure alls” but as sources for ideas and considerations aimed at creating economic systems that enfranchise more and exploit less. Harrod goes so far as to suggest, “this interest free society, if we can envisage it...[is] an alternative to collectivism.” Such a system recognizes that those who work hard and produce quality goods and services are not to be resented for their gains; however, those who build power on a foundation of large unearned income are subject to societal disapproval, for “[s]urely it is not the profit itself...but the continued interest accruing from the accumulation that makes the profit-taker eventually appear parasitical.”<sup>83</sup> Often dismissed by mainstream economists, this field has experienced relatively little academic research as to its benefits and potential contributions to the current economic situation; perhaps, given its persistence and successes, the interest-free movement deserves greater attention to draw out those components that could be beneficial for society at large.<sup>84</sup>

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<sup>79</sup> Rowbotham, *The Grip of Death*, 259-60.

<sup>80</sup> Kennedy, *Interest and Inflation Free Money*, 128.

<sup>81</sup> Douthwaite, *Short Circuit*, 46.

<sup>82</sup> *Ibid.*, 61.

<sup>83</sup> Harrod, *Towards a Dynamic Economics*, 147.

<sup>84</sup> Robertson, “Our Money,” 3.

Given Calvin's approval and realization of the potential benefits inherent in allowing capital to be loaned at interest, interest-free alternatives such as those explored above might at first glance appear to ill-fit Calvin's approach to economics; however, it is not so easy to dismiss them as being outside the parameters of his teaching. In fact, it is possible to argue that, while he might not embrace the movement in all its aspects, he would find that it had much to offer as an alternative to the exploitative tendencies evident in a capital-driven, interest-based economic system. It is important to keep in mind that Calvin attacked "almost all forms of usury," mainly, the turning of credit into a commodity for the purpose of great profit at the expense of the borrower.<sup>85</sup> He allowed interest generally, but he simultaneously limited its implementation, still fearing that his allowance would be hijacked by those "content to act with unbridled license, [and] unable to abide any limits."<sup>86</sup> Proponents of the interest-free movement would certainly argue that Calvin's fears have been realized in the modern world.

Calvin's standards regarding interest and usury reverberate in the interest-free movement; one can certainly find him in support of this alternative, or at least, the goals and ideals it purports. Limiting hoarding, speculation, and overconsumption are tenets embraced by both Calvin and the supporters of interest-free movements. Other commonalities shared by both are the creation of opportunities for education, and the development of skills, the promotion of healthy work habits, and the generation of meaningful employment, all of which are of service to the community. Calvin would also undoubtedly give unwavering endorsement to the aim of these movements to avoid and reduce exploitation. The creation of a "people-oriented" society, the implementation of a social safety net, and the general

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<sup>85</sup> Valeri, "John Calvin in American Public Life," 3.

<sup>86</sup> Calvin, *Calvin's Ecclesiastical Advice*, 139.

overall improvement of the quality of life, especially for those who had previously been marginalized and disenfranchised, would be as vital for Calvin today as in his sixteenth-century Geneva, as he would find such ideals as timelessly relevant. Thus, it is certainly possible to suggest that Calvin, an academic himself, would likely argue that today's scholars should at least consider applying the interest-free model to help the financially disenfranchised, exploring its potential benefits as well as its shortcomings with the aim of implementing aspects that can make positive change in society.<sup>87</sup>

It might be too extreme to propose that Calvin, who allowed interest because he saw its potential benefit as well as finding the ancient and biblical bans inappropriate and untimely, might advocate for its removal from society. One should, however, remember the spirit of equity that Calvin sought to uphold in all matters social and economic. Calvin was clear in his teaching, "...I still do not simply accept that we are unreservedly forbidden to charge interest—except in so far as it is contrary to fairness or charity."<sup>88</sup> If interest as currently employed represents an unjust burden for many, then it is safe to assume that Calvin would at least consider alternatives that strive to remove its burden from the shoulders of the people. As Mews and Abraham state, perhaps "...an alternative ethical and financial vision" is needed in the present system.<sup>89</sup> For Calvin, if the duty to love is neglected, *then interest must be prohibited*, for it cannot help but become abusive usury. If solidarity, trust, respect, and a sense of common humanity are maintained and reinforced by regulation, then interest can be permitted, because such societal features will restrain man's self-seeking tendencies. Unfortunately, as today's society appears to lack any such restraining forces, being the pragmatic man that he was, Calvin would suggest that it might be time for a change, perhaps

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<sup>87</sup> Lewison, "Conflicts of Interest?" 327.

<sup>88</sup> Calvin qtd. in Biéler, *Calvin's Economic and Social Thought*, 405.

<sup>89</sup> Mews and Abraham, "Usury and Just Compensation," 9-10.

even revoking the allowance he made five hundred years ago for the taking of interest. Such nullification would not be due to any perceived errors in Calvin's arguments against the sterility of money and the religious ban on usury; it would generate instead from his realization of the marked absence of the spirit of equity and brotherhood in the modern world.

It is inconceivable that Calvin would be able to enter the modern world and not target usurious gain as part of an agenda to aid the many bowed under the burden of interest, be they individuals or countries, as this issue was central in his teachings. Interest caps, part of the agenda in Geneva, would most certainly draw his support. An outspoken proponent of interest-free loans for the poor, he would also likely encourage such programs in contemporary society. Regarding the interest-free money experiments, he might appreciate the absence of the interest mechanism, which caused him grave concern even as he gave limited approval for it. There are aspects of such alternatives that he might not agree with or validate; however, given the difficulties generated by the utilization of interest today, he would most certainly be in favor of change designed to limit the ability of a small group of people to take advantage of a vast number of others through usurious profit. Thus, even the unconventional approaches would attract his attention for the value they might add to the discussion of possible alterations that might help develop a system in which there is a sense of shared responsibility and fairness in economic dealings.

## Chapter 6

### Enfranchising the Bottom of the Pyramid

*“But what improves the circumstances of the greater part can never be regarded as an inconvenience to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.”<sup>1</sup>*  
Adam Smith, 1776

Given the centrality of the poor to Calvin’s socio-economic thought, it is certain that he would be supportive of the ongoing effort to develop alternatives for those in the world who live at what C.K. Prahalad terms “the Bottom of the Pyramid,” in modern society. Simply stated, Prahalad’s pyramid has three tiers: an upper tier consisting of the wealthiest 100 million people who make greater than \$20,000 per year, a middle tier consisting of 1.7 billion people who earn between \$1500 and \$20,000 per year, and the “bottom of the pyramid” consisting of four billion people, earning from \$1500 per year to less than \$360 per year.<sup>2</sup> Commercial banks generally provide services only to the upper part of the triangle, leaving over five billion people with no access to commercial credit. Those relegated to the lowest levels of society are thus economically disenfranchised, and as such, they would demand Calvin’s attention.

Despite the fact that some success has been realized in helping those at the bottom of the pyramid, and several large companies are working to develop new commercial products that are intended to help the poor and aid the fight against poverty, there is still a need to continue developing methods to assist the near poor, the poor, and, particularly, the destitute, who, living on less than one dollar a day, have paltry means upon which to live, let alone to repay

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<sup>1</sup> Smith, *Wealth of Nations*, 110-11.

<sup>2</sup> Christopher Dunford, “Evidence of Microfinance’s Contribution to Achieving the Millennium Development Goals” (paper prepared for the Global Microcredit Summit, Halifax, Nova Scotia, November 12-15, 2006), 2. See also C.K. Prahalad, *The Fortune at the Bottom of the Pyramid*.

credit. This situation begs the creation of a market structured around the needs of the poor and intended to specifically meet their needs.<sup>3</sup> By treating the poor as normal consumers with a democratic right of access to the economy, providing them with reasonably priced products and credit lines, fairness and respect are increased. Such methods may at times require investors to utilize capital in a manner that does not necessarily maximize profit, instead making a conscious effort to uphold the value of social responsibility; this echoes Calvin's approach to economic brotherhood, which demanded that money be set aside by lenders for the purpose of helping the poor. This section will explore the alternatives of socially responsible investments, microfinance, and Third World Debt forgiveness with the intention of revealing the relevance of Calvin's teachings to the worldwide economic situation and finding what his interest and passion would target.

Calvin's pragmatic approach to socio-economic issues reverberates in modern day ethically and socially responsibility investment funds because such funds fulfill the needs of a population that desires to both prosper *and* be virtuous in their economic activities, enabling those with capital to invest "without sin," in a manner similar to that through which Calvin himself accepted the rapidly emerging commercial trade and finance of his day, believing that it could be beneficial to society at large.<sup>4</sup> He assumed capital, credit, and enterprise as his starting points; in doing so, he then was able to "moralize" them, mandating a strictly tempered approach that forbade any form of exploitation; this sensible approach supports the likelihood that Calvin might approve of such investing.<sup>5</sup> The increased popularity of socially responsible investing (SRI) by companies such as Calvert and Domini,

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<sup>3</sup> Graafland, "Calvin's Restriction," 238.

<sup>4</sup> Vogel, "The Ethical Roots," 107-8.

<sup>5</sup> R.H. Tawney, introduction to *A Discourse Upon Usury*, by Thomas Wilson (New York: Kelley, 1965), 111-12.

as well as the movement to divest funds from areas in which human rights violations are taking place by companies such as TIAA-CREF, strongly suggest that the moral issues related to economics that bothered Calvin still haunt many, prompting them to heed how their money is being employed all over the globe.<sup>6</sup> Another approach in these types of investments reflects Calvin's desire that some capital be set aside to help those who might lack the necessary means to repay with interest. Calvert Investments utilizes what they term "an 'enhanced engagement' approach...to advance...companies that may not meet certain standards today, but have the potential to improve [and are 'sustainable']".<sup>7</sup> The WARC, in the spirit of Calvin, recommends that its member clergy and laypeople both seek to utilize SRI organizations such as the Ecumenical Development Cooperative Society, also known as Oikocredit, to ensure ethical investment and engagement with microfinance.<sup>8</sup>

People searching for ethical and socially responsible opportunities to invest capital can encourage companies to adapt their policies accordingly. Graafland recommends a focus on Corporate Social Responsibility (CSR) to encourage companies to form and maintain a relationship with communities as well as stakeholders that is considerate of the effect of their decisions on the welfare of society.<sup>9</sup> A company concerned with CSR would create value in the economy by producing goods and services and increasing employment, establishing good relations with workers inside the company as well as the people outside the company, and managing its effect on the natural environment, focusing on sustainability as well as being

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<sup>6</sup> Vogel, "The Ethical Roots," 108. See also [www.investorsagainstgenocide.net](http://www.investorsagainstgenocide.net).

<sup>7</sup> "Sustainable and Responsible Investing," Calvert Investments, accessed on March 12, 2011, <http://www.calvert.com/sri.html>.

<sup>8</sup> WARC, "Reformed Faith and Economic Justice."

<sup>9</sup> Graafland, "Calvin's Restrictions," 241-2.

ecologically sound. By considering stakeholders, clients, employees, and society, CSR focuses its energy on the benefit it can provide to society.<sup>10</sup>

The ability of capitalism which enables individuals to gain wealth while actually helping others is conceptually what Calvin foresaw when he made allowances for the investment of capital while limiting it to situations which were mutually beneficial. People gain wealth because they are performing, not an exploitive practice, but a “socially useful function.”<sup>11</sup> This is what Calvin saw as the wealthy being socially responsible and fulfilling their obligations to meet the needs of the community in general, and of the poor in particular. Calvin taught that if someone exploits money that he should have instead given to help another person, then he degrades himself to the odious rank of a usurer. As Calvin openly termed exploitation by the rich and powerful that increases the destitution of the poor as identical to the cutthroat tactics of mercenaries who pillaged the countryside during his day, it is evident that he held such a practice in disdain, finding it scandalous and in violation of the desired “balance of community and individual.”<sup>12</sup> Thus, he would encourage the sharing of the wealth of the rich with the poor through ethically responsible investment, hoping, as he did in sixteenth-century Geneva, for the promotion of a society based on mutual giving and receiving, thereby increasing solidarity among humanity.<sup>13</sup> Thus when modern investors intentionally utilize SRIs, purposefully avoiding the funding of exploitative productive practices, especially in the face of opportunities for more profitable investments, they channel the spirit of Calvin’s writings.

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<sup>10</sup> Ibid.

<sup>11</sup> Vogel, “The Ethical Roots,” 108.

<sup>12</sup> WARC, “Continuing Journey;” Busch, “A General Overview,” 75.

<sup>13</sup> Busch, “A General Overview,” 75.

Another alternative that has been introduced in recent years is that of microfinance, generally described as the extension of small loans to enable the start up of a small business by a needy individual, generally in impoverished areas; this alternative would attract Calvin's attention, and he would have found positives and negatives in it. Microfinance provides access to financial services for individuals who can then pull themselves out of debt. The loans are extended to the poor, often women, to start a "very small, self-sufficient" business, requiring no collateral and repaid within six to twelve months. Often the success of such an investment has a beneficial impact on not only the individual, but also the community in which the business is begun. Believing "credit should be a human right" motivates microfinance institutions (MFIs) to provide opportunities to those excluded from service by mainstream banks.<sup>14</sup> Such "equal access" would attract Calvin's interest.

Microcredit opportunities can be empowering and have proven beneficial on many occasions such as in India, where over half of the clients of a MFI, SHARE, graduated out of poverty, or in Lombok, Indonesia, where the average income of those receiving microloans from Bank Rakyat Indonesia increased by 112%, and 90% of the clients graduated from poverty.<sup>15</sup> Particularly when provided to poor women, such loans have proven to provide increased opportunities for education, a reduction in poverty through the increase of incomes and savings, as well as improvements in the nutrition and health of the families of those receiving microloans.<sup>16</sup> Noting a longitudinal survey by Shahidur Khandker of households participating in microfinance program, Dunfordi concludes that the results suggest that access to microfinance contributes to poverty reduction, especially for female participants,

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<sup>14</sup> "Microfinance Basics," Grameen Foundation, accessed March 2, 2011, <http://www.grameenfoundation.org/what-we-do/microfinance/microfinance-basics>.

<sup>15</sup> "About Microfinance," KIVA, accessed March 2, 2011, <http://www.kiva.org/about/microfinance>. See also "Microfinance Basics."

<sup>16</sup> Dunfordi, "Evidence of Microfinance's Contribution."

and to overall poverty reduction at the village level, thus helping not only participants but also the local economy.<sup>17</sup> Microfinance is not only found in developing countries; in 2008, the Grameen Bank made the first such loans in the United States in New York, attempting to bring microfinance to the “tens of millions of people in the world’s richest country who have no bank account,” and who have been negatively impacted by the mortgage meltdown and credit crisis.<sup>18</sup> Such loans may be welcome relief in a country where 28 million people have no bank account and 44.7 million have only limited access to financial institutions despite the fact that they produce, according to an FDIC estimate, \$1,400 billion in annual income.<sup>19</sup>

Microfinance loans would clearly fit into Calvin’s desire to see the wealthy provide the poor with loans. For him, greater wealth equals greater responsibility.<sup>20</sup> He criticized those who only gave capital to borrowers who would provide the greatest return for the investor; it was the responsibility of those with capital to invest in the poor as well. He would approve of the fact that so many of the loans are provided to women, as evidenced by his promotion of equal opportunity and education for both sexes in Geneva, and the provision of free services and training for both. This enfranchising of those with no previous access to the current economic system, through the assistance of those with means, would gain his consent.

Calvin would disapprove, however, of the charging of interest on microloans, as he was adamant that no interest should be taken on loans to the poor, regardless; to do so was to commit usury, a repugnant offense punishable in Calvin’s day by civil law. KIVA states that one of the drawbacks for microfinance is the high interest rate necessary to return the cost of

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<sup>17</sup> Ibid. See also Shahidur R. Khandker, “Microfinance and Poverty: Evidence Using Panel Data From Bangladesh.” *World Bank Economic Review*, 19.2, (2005): 263–286.

<sup>18</sup> Daniel Pimlott, “Grameen Bank’s Loans to the U.S. Poor,” *Financial Times*, February 16, 2008, 9.

<sup>19</sup> Ibid.

<sup>20</sup> Reid, “John Calvin, Early Critic,” 163.

the loan (KIVA argues this is due to high transaction costs which require a greater percentage of a smaller loan).<sup>21</sup> In Latin America, usurious rates as well as a number of suicides allegedly prompted by “strong-arm collection tactics and overdebtedness,” have clouded the reputation of microfinance.<sup>22</sup> This violates Calvin’s call for creditors to act humanely towards borrowers, particularly the needy; he encouraged lenders to be flexible in demanding repayment.<sup>23</sup> Also, Calvin demanded that no interest be charged if the use of the loan does not earn more than the amount originally borrowed, and therefore, if a microloan does not have a return at least equal to the borrowed sum, then the borrower should be freed of any interest payment.<sup>24</sup> Thus, microfinance would not be embraced by Calvin as a panacea as it is debt-based and subject to interest, meaning the extension of capital is subject to repayment failure that can cause problems over time, and the additional interest charges may be overwhelming to the low-income borrower.<sup>25</sup> Microfinance does, however, bear witness to the continued relevancy of Calvin’s teaching that the poor should be extended loans so that they might better meet their own needs, showing conclusively that indeed, “the poor are creditworthy.”<sup>26</sup>

Along with the development of ethical investment and microfinance, many modern voices have also argued for cancellation of the outstanding Third World Debt, labeling the debt as “blatantly illegitimate,” and claiming that forgiveness of the debt would not negatively impact the creditor nations (whose banks created the money), and were Calvin present today, his voice would be one of the loudest in support of debt forgiveness,

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<sup>21</sup> “About Microfinance.”

<sup>22</sup> Lydia Polgreen, “Microcredit Pioneer Said to Be Forced Out of Bangladeshi Bank He Founded,” *New York Times*, March 3, 2011, A9.

<sup>23</sup> Dermange, “Calvin’s View of Property,” 48.

<sup>24</sup> Calvin, *Calvin’s Ecclesiastical Advice*, 142.

<sup>25</sup> Rowbotham, *The Grip of Death*, 288.

<sup>26</sup> Polgreen, “Microcredit Pioneer,” A9.

particularly in light of the devastating impact of the interest payments alone on the residents of debtor countries. Though immediate cancellation has the potential to cause banking chaos, solutions could be found; for example, Rowbotham suggests that wealthy nations may create money and then give it to debtor nations to repay the debt; he argues that any national government could create money specifically for the purpose of giving it to Third World countries to pay off debts to commercial banks.<sup>27</sup> Forgiving such debt would shift some power back to developing countries, allowing them to make those decisions best for their populations and domestic programs. As the debts are considered by many to be illegitimate due to the fact that the original amounts of the loans have long been paid off (the excessive compound interest prompting the “illegitimate” label here; Calvin would term it as “usury”), it may be correct that it is the wealthier nations who should seek “forgiveness from debtor nations for allowing this situation of gross injustice to develop.”<sup>28</sup> These loans, extended under “the banner of ‘aid’” compose “an injustice so profound and total and shameful that it is quite without parallel in the history of human affairs.”<sup>29</sup> Further, Steel argues that odious debts, those originally given to despotic rulers and then misappropriated, should be forgiven; a plausible request given that the majority of the people under such rulers experienced little to no benefit from the loans and therefore should not be forced now to repay them.<sup>30</sup> Ideas to remedy such injustice would indeed capture Calvin’s attention.

The reader is reminded that the developmental loans that comprise the Third World Debt violate multiple limitations Calvin placed on the extension of capital, particularly because of the fact that they are laden with interest and compound interest; this realization must underlie

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<sup>27</sup> Rowbotham, *The Grip of Death*, 287.

<sup>28</sup> *Ibid.*, 288-89.

<sup>29</sup> *Ibid.*, 148.

<sup>30</sup> Steel, “Usury Through the Ages,” 53-54.

the evaluation of his potential interest in how such a massive issue might be handled. He certainly would want to see an alternative. Many progressive economists have recommended writing off Third World Debt partially or totally, and this has taken place to some extent; however, those countries that have felt compelled to accept such loans will still struggle to fund their own development and may fall further behind if no alternative measures or systems of trade and money are developed.<sup>31</sup> To require the repayment of loans is fair; on the other hand, it is unjust “to demand or expect payment when the effect would be the imposition of political choices leading to hunger and despair...[or] unbearable sacrifices” for vast numbers of people.<sup>32</sup> It has been recommended that rates of interest and repayment time be addressed so that the recipients are not consumed or overwhelmed by the debts and the lenders are not injured; it is also important to consider the options of “account free gifts, interest-free or low-interest loans.”<sup>33</sup> Whatever the solutions proposed, more work must be done in order to find “ways to lighten, defer or even cancel the debt, compatible with the fundamental right of peoples to subsistence and progress.”<sup>34</sup>

Calvin would agree with the suggestion, as he himself was not an economist, that it is important to continue to entertain suggested solutions to the Third World Debt crisis from varied disciplines, engaging people from diverse segments of society in order to find a viable solution, particularly focusing on the mechanism of interest and compound interest on these loans.<sup>35</sup> As Pope John Paul II prophetically suggested as early as 1967,

A dialogue between those who contribute aid and those who receive it will permit a well-balanced assessment of the support to be provided, taking into consideration not only the generosity and the available wealth of the donor

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<sup>31</sup> Kennedy, *Interest and Inflation Free Money*, 73.

<sup>32</sup> John Paul II, *Centesimus Annus*, sec.35.

<sup>33</sup> *Ibid.*

<sup>34</sup> *Ibid.*

<sup>35</sup> Kennedy, *Interest and Inflation Free Money*, 13.

nations, but also the real needs of the receiving countries and the use to which the financial assistance can be put.<sup>36</sup>

The WARC has encouraged global campaigns for the cancellation of such debt such as Jubilee 2000, based on the Hebrew tradition of the year of Jubilee in which all outstanding debts were forgiven.<sup>37</sup> This echoes what Biéler describes as the Calvinist support for the institution of Jubilee, which redistributed land and reinstated the welfare of the poor.<sup>38</sup> Calling for a complete cancellation of the debts in low-income countries, and at least a 50% reduction in the debts held by other countries with a greater income, the WARC is putting pressure on its churches and its followers to force changes in the system in a manner similar to that which Calvin utilized to push both religious and civil bodies to find immediate and viable solutions to socio-economic problems. Many voices have criticized the Third World Debt situation, and Calvin's would certainly be among them in suggesting possible answers.

It is quite likely Calvin would argue that the organizations responsible for distributing money and handling loans must be held liable for abuses by civil and religious bodies, as this was a key component of the minimization of economic abuses in Geneva. The WARC would gain his support as it petitions for the World Bank and the IMF to be more accountable and more transparent, requesting that they implement new conditions for future lending, including the "assurance of a safety net for those most severely affected by adjustments deemed necessary in the economy."<sup>39</sup> An increase in the number of programs, supported by the World Bank and the IMF and intended to increase self-reliance and development, taking into account the role of women as well as men, should be of high

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<sup>36</sup> John Paul II, *Populorum Progressio*, 1967, sec.54.

<sup>37</sup> WARC, "Reformed Faith and Economic Justice."

<sup>38</sup> Biéler, *Calvin's Economic and Social Thought*, 383.

<sup>39</sup> WARC, "Reformed Faith and Economic Justice."

priority also, echoing Calvin's implementation of training and education in order to help the poor find gainful employment and a meaningful trade.

Schulze, in the name of Calvinism, condemns the extension of loans and aid to Third World countries, stating that the Third World should not demand "things they have not got and for which they did not work."<sup>40</sup> Such a statement is simplistic, based upon a misappropriation of the Calvinist belief in the importance of working diligently for one's possessions, erroneously assuming a level economic playing field. However the field is already, and has been for many, many years tilted in the favor of the developed countries. While writers like Schulze may write in the name of Calvinism, they certainly miss the spirit of Calvin himself, who first acknowledged that there will never be total egalitarianism and therefore emphatically teaching that the poor are to receive care and support from the rich, and second, repeatedly protested the taking of interest from the poor. While Calvin believed in the importance of work, he also realized that the poor do not always attain such a station because they are unwilling to work; there are other factors to consider such as war, oppression, injury, plague, natural disasters, and general upheaval, and therefore, provisions must be made. Charity and stewardship were key components in Geneva for maintaining social solidarity and meeting the needs of the community, and Calvin expected these aspects to remain vital, as long as the poor exist. Calvin's writings are clear in their condemnation of any action that further exploits or injures the poor as well as the responsibility of those with means to care for those in need.

While there has been some cancellation of Third World debt in recent years, the problem still looms large, not only in terms of the loans still outstanding, but also in the system that allows such a situation to persist. While such loans might have originated from right

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<sup>40</sup> Schulze, "Calvin on Interest and Property," 196.

intentions, the difficult situation generated by the inability of debtor nations to repay the interest and compound interest on the loans evokes Calvin's rigid approach to when interest was acceptable and when it was usurious. The burden placed on the people of debtor nations who are subjected to the whims of a global economy, deprived of societal provisions such as health care and food, and trapped under repayment terms would elicit a protest from Calvin who would find such a situation in violation of the principle of fairness and equity which is his foundation for all economic activity. In a sermon on Deuteronomy 15, Calvin discourages creditors from being "too rigid in exacting...debts, especially if [they] have to do with the needy, who are bowed down by the burden of poverty."<sup>41</sup> Given the current situation in light of Calvin's writings, debt forgiveness would be appropriate in his socio-economic ethics, and given his pragmatic approach, it would be a leading subject of his sermons. Wykes therefore rightly argues that Calvin's "resounding ethical appeal for...the reduction of economic oppression, can still be heard strongly today in calls for the relief of Third World debt."<sup>42</sup>

Alternatives offer feasible and realistic solutions for those living at the "bottom of the pyramid". Ethically and socially responsible investment practices, microfinance, and Third World debt forgiveness do indeed offer practical alternatives to the exploitative and usurious practices so common in the modern world. As such, John Calvin would have certainly been interested in them, particularly because they attempt to address the needs of the poor, the heart of his socio-economic ideals. While he would not agree with all aspects of the described solutions, he would certainly find in them significant benefits and therefore worthy of serious consideration. A pragmatic and thoughtful man, Calvin constantly assessed the

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<sup>41</sup> Dermange, "Calvin's View of Property," 28.

<sup>42</sup> Wykes, "Devaluing the Scholastics," 50.

situation around him, and continually adjusted, encouraged, petitioned, influenced, and acted to attend to the needs of the economically disenfranchised. As such, he remains undeniably relevant today.

## Conclusion

*Facing a global economy that denies life to many, we want to affirm life.  
We commit ourselves actively to resist and change the world economic order,  
and to participate in the search for a just economy that affirms life for all.<sup>1</sup>  
World Reformed Alliance of Churches, 1997*

Over two hundred years ago, Immanuel Kant suggested that rules of “mutual hospitality” would become necessary to monitor human interaction, and with the globalization of the populations of the earth through trade and technology, it seems that the creation and implementation of such rules is imperative.<sup>2</sup> In 2010, Zygmunt Bauman argued that humans are “objectively responsible” for each other because of our mutual dependency; however, he also lamented that as a rule, few actually take up the “subjective responsibility for that objective responsibility.”<sup>3</sup> Responsibility to and only for oneself, the calling card of modern society, systematically fails to recognize the Other as an “object of ethical responsibility and moral concern.”<sup>4</sup> This is unfortunate, because, due to the web of global interdependence,

...we cannot be sure of our moral innocence whenever other human beings suffer indignity, misery or pain. We cannot declare that we do not know, nor can we be certain that there is nothing we could change in our conduct that would avert or at least alleviate the sufferer’s fate.<sup>5</sup>

It appears imperative that sources of guidance and wisdom be found so that in the current global society, adjustments might be made and alternatives might be pursued in order to promote awareness as well as positive change for the totality of its members. Given his constructive approach in Geneva, it would be advantageous to allow John Calvin to

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<sup>1</sup> WARC, “Reformed Faith and Economic Justice.”

<sup>2</sup> Bauman, *Does Ethics Have A Chance?* 9-10.

<sup>3</sup> *Ibid.*, 26.

<sup>4</sup> *Ibid.*, 53.

<sup>5</sup> *Ibid.*, 72.

participate in the conversation of how to initiate and sustain needed socio-economic transformations in the modern world.

The world is currently a study in contradictions: poverty escalates as wealth increases, scarcity spreads as does abundance, and the lack of basic provisions widens across the globe as levels of consumption multiply.<sup>6</sup> Unjust distribution, poverty, and the abuse of power, have always been a part of human history. What is different today is the magnitude of the issue. Hunger exists on an unprecedented scale, and the extreme concentration of wealth and power in the hands of few exacerbates the exponentially widening schism between the rich and the poor.<sup>7</sup> The combination of poverty and unemployment has resulted in “the exclusion of 1.3 billion people from active participation in the economic, political, social, and cultural life of their communities and countries... contributing to the disintegration of society.”<sup>8</sup> Millions are currently in desperate need and the environment is undergoing destruction as developed countries rape developing countries and demand repayment, with interest, of developmental loans, even if no profit was gained by the loan. The situation renders the socio-economic position of a large number of human beings as tenuous at best and dreadfully dire at worst.

Such issues prompt the need to consider that perhaps a code of morality should exist in order to call into account those who have wealth for failing to take responsibility for those who are in desperate need. Money often mediates relationships, even the impersonal ones that connect people in a global economy, and if “people suffer systematic hardship because of the ways others have of shifting money,” this is an injustice, and injustice, for Calvin,

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<sup>6</sup> WARC, “Reformed Faith and Economic Justice.”

<sup>7</sup> Gibson, “An Order in Crisis,” 157.

<sup>8</sup> Leonor M. Briones, *Breaking the Chains of All Forms of Injustice*, p. 104, qtd in WARC, “Continuing Journey for Economic Justice.”

demands immediate attention and rectification.<sup>9</sup> Thus, as Stückelberger correctly observes, “in the light of today’s urgent challenges in economic, business, social, and political ethics, it is important to bring to light Calvin’s helpful ethical approaches, which show the way to an economy with a human face and a development ethics that reduces the gap between poor and rich.”<sup>10</sup> Through the revelation of these valuable insights, the Reformer certainly shows himself to be of continued relevance for those desiring to measure the morality of their social or economic decisions.

It has been clearly demonstrated in this work that Calvin, through his teachings and their practical implementation, can contribute to the contemporary discussion of how people should treat each other in support of the human community. This is in no way meant to imply that Calvin has all the answers, but instead to establish that, as particular problems have persisted through the centuries, Calvin continues to be relevant and worth exploring to find the truths in his teaching that are applicable to today’s world. The linchpin holding together Calvin’s teachings concerning poverty, refugees, exploitation, and usury is that of human solidarity. People are mutually dependent on each other, and humans exist, not just as individuals, but also as part of a community. Calvin teaches that an individual needs others in order to be productive and meaningful in his existence.<sup>11</sup> He reminds his listeners of the unanimity of the human race, emphasizing one negative and one positive law: a person *is not* to defraud one’s neighbors, and he or she *is* to show humanity and mercy by relieving the needs of those around us.<sup>12</sup> The encouragement of reform and critique, both self-criticism as well as that of

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<sup>9</sup> Ruston, “Does it Matter?” 171.

<sup>10</sup> Christoph Stückelberger, “Calvin, Calvinism and Capitalism: The Challenges of New Interest in Asia” in *John Calvin Rediscovered: The Impact of his Social and Economic Thought*, ed. Edward Dommen & James D. Bratt (Louisville: Westminster John Knox, 2007): 130-31

<sup>11</sup> Graafland, “Calvin’s Restrictions,” 2.

<sup>12</sup> Haas, *The Concept of Equity in Calvin’s Ethics*, 117.

external systems, is vital to keeping a socio-economic system in check, and subjecting it to constant surveillance with the aim of public good as the Reformer did can provide a pragmatic and flexible approach to both personal, national, and international financial decisions which do indeed promote the social good.<sup>13</sup>

A man solidly grounded in the workings of his society, “Calvin was a practical man who believed that thought must produce action.”<sup>14</sup> He was intensely aware of the need for change, adaptation, and modification, whether in the form of new legislation and government regulations, the prosecution of those who abused the common good, the initiation of schools and training programs, the creation of a social safety net for both natives and refugees or most famously, confronting the concept of usury. His beliefs prompted his dynamic involvement, and thus guidelines and suggestions can be gleaned from his teachings and actions to either support or challenge modern alternatives which attempt to confront the status quo.

Were the Reformer to visit the twenty-first century, it is a certainty that he would immediately search for strategies in order to make necessary changes, and thus, it has been possible here to evaluate several current movements intending to lessen the financial burden felt by so many today. Modern alternatives, though often dismissed, ignored, or deemed too “utopian,” at the very least have elements that hark back to the Reformer’s approach. His voice contributes to the discussion of which options are most fitting or helpful in reducing exploitation and increasing self-sufficiency. While he might not agree with every alternative in its entirety, he would find at the core of each unorthodox approach the truths which he would recognize, namely the need for human solidarity, the importance of taking

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<sup>13</sup> Valeri, “John Calvin in American Public Life.”

<sup>14</sup> Reid, “The Transmission of Calvinism,” 77.

responsibility for those in need, and the need to include the excluded. These are the truths that keep Calvin relevant and demand that he still be heard today.

Upon final consideration, it must be reiterated that this is not a work specifically confined to the realms of economics or religion; it is more so a treatise on the potential outcomes of the interaction of the human being with others in his world. More accurately, it is about the persistent negative elements that remain with humankind and the ability of one man to make a practical and meaningful attempt to stem an ever-increasing tide of poverty and exploitation. It is about the ideas that remain applicable and truths that persist, even in a modern world that struggles to find absolutes. This paper examines the ability of one human being to make a positive impact on his society such that it reverberates across the globe, maintaining a striking relevancy for centuries, because of his ability to always see something of value in the face of the Other, regardless of religion, nationality, creed, or ethnicity, and then to act accordingly in the spirit of human solidarity.

This then is a paper about hope, but not a static hope or a barren hope, but one that demands discussion to find pragmatic solutions, undertakes dedicated action to implement them, and maintains flexibility to adjust as needed to be most beneficial. John Calvin had such a progressive and vibrant hope, strong enough to echo from Geneva across the centuries, and if willing to listen, the modern world stands to gain immensely from his insight. It seems a certainty that in doing so, today's global society might find itself closer to creating "a world community truly worthy of man," and five hundred years after Calvin, that indisputably continues to be a goal worthy of pursuit.<sup>15</sup>

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<sup>15</sup> John Paul II, *Populorum Progressio*, sec.54.

## Epilogue

Dorothy Day co-founded the Catholic Worker Movement (CWM) in New York City in 1933, working alongside Peter Maurin to create an organization that encouraged personal involvement in society and politics through voluntary poverty, decentralization, political action, and pacifism, and which emphasized the value of work and generosity in coordination with biblical teachings. In July 1960, Day sent a letter to the treasurer of New York City.<sup>1</sup> Included in the envelope with the letter was a check previously issued to the CWM by the City of New York in the amount of \$3579.39; Day was returning the check unredeemed.

It must have been quite a shock for the City of New York when the check was returned, especially from the leader of a movement largely dependent on donations in order to carry out its work helping the urban poor and homeless. It must be understood, however, that Day's motivation in returning the check was directly linked to the reason that the city issued the check. The CWM had previously owned a property in a slum neighborhood of New York City. On that property, the CWM had established St. Joseph's, a hospitality house, which was in operation for ten years until the city took over the property under the right of eminent domain in order to build a subway extension. The city officials determined to pay the CWM \$68,700 for the confiscated property. Two-thirds of the assessed value of the property was paid in advance in order to facilitate the relocation of the hospitality house. It took the city eighteen months to pay the remaining one-third to the CWM, and thus, when the score was settled in 1960, the city sent an additional check consisting of the interest covering the time in delayed payment. This check was in the amount of \$3579.39.<sup>2</sup>

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<sup>1</sup> Mary C. Segers, "Equality and Christian Anarchism: The Political and Social Ideas of the Catholic Worker Movement," *The Review of Politics* 40.2 (1978): 197

<sup>2</sup> Dorothy Day, "This Money is Not Ours." *Center for Teaching Peace*, accessed on March 16, 2011, <http://www.salsa.net/peace/conv/8weekconv3-5.html>.

While Day accepted the payment for the property, on behalf of the CMW she refused the payment of interest. In her letter to the treasurer of the city, the primary reason Day provided for the returned check was that those in the Catholic Worker movement did "...not believe in money lending at interest."<sup>3</sup> Simply described, the CWM had been handed funds that were usurious in nature, and therefore, Day could not and would not accept them. She cited condemnations of usury by early church councils and canon law of the Middle Ages and various decrees that required that profit from usury be returned. She also provided additional reasons for returning the interest. Noting the importance of Christian charity, giving freely and lending cheerfully while expecting nothing in return, she expressed that the gesture of returning the check was a step toward overcoming the love of money. This returned check symbolized the rejection of the profit system, and emphasized the movement's teaching that people should do service for their fellow men without gaining an economic advantage or endorsing a materialistic system. Day also suggested that if the city had used the money to support the common good, then the city had the right to use it interest free. Conversely, if the city had used it to fund salaries of crooked politicians or executioners at Sing Sing, then the CWM would express "utter horror" at the possibility of accepting interest on the money. In Dorothy Day's estimation, there was no morally or spiritually sound reason for her to accept the interest payment.<sup>4</sup>

When Day's letter to the city was published in *Catholic Worker*, the publication of the CWM, she received criticism for turning down the interest payment from those who believed that the check should have been utilized to further aid the poor and homeless. Her critics reminded her that the donations the CWM received for its hospitality houses were most often generated from investments, interest, and dividends, and so to reject such a large sum of money

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<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

solely on the basis that it was usurious appeared to some to border on lunacy. The responses she received prompted Day to publish an article entitled “This Money is Not Ours” in which she sought to provide justification for her actions.

In Day’s letter as well as her article, the influence of Peter Maurin, her mentor, regarding usury is clearly evident. This same Peter Maurin, as previously noted, had indicted John Calvin for legalizing the “money-lending at interest” that led to “wealth-producing maniacs,” and the destruction of millions of lives, blaming the Reformer for all subsequent abuses springing from the license to claim interest. Maurin felt that Calvin's movement away from the Biblical denunciation of usury and his acceptance of some forms of interest inevitably led to the wholesale acquiescence to the practice.<sup>5</sup> Maurin held Calvin and the taking of interest as therefore liable for the poverty and inequities of modern society. These beliefs shaped Day’s thinking and they were evident in her responses regarding the interest check.

Day acknowledged that while she was aware that she, like everyone else, was living in a monetary system of which interest was an integral part, she felt that the CWM should make an attempt to address the problem, undertaking a small protest of the system, thereby “calling attention to a great unsolved problem in which we are all involved, Church, State, corporation, institution, individual.”<sup>6</sup> Day went on to state that “...primarily...sending back the money was a gesture” in support of the social revolution that Maurin had dreamed the CWM would incite.<sup>7</sup> The rejection of usury rooted in the love of humanity prompted the return of the money, directly opposing the self-seeking behavior that leads to contentions and inequalities among men. Day considered the returned interest as a “gesture, too, toward peace,” reflecting Maurin's dream of societal cooperation that had inspired her. In the letter, the article, and the unredeemed check,

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<sup>5</sup> Zwick and Zwick, *The Catholic Worker Movement: Intellectual and Spiritual Origins*, 146.

<sup>6</sup> Day, "This Money is Not Ours."

<sup>7</sup> Ibid.

Day made manifest the values Maurin had hoped might be perpetuated in society: the end of usurious practices, the end of a profit system that created economic inequalities, and the honor birthed by self-sufficiency.

Maurin believed that the rejection of usury would help right the many wrongs of society, and this philosophy was given practical application by Dorothy Day. The true irony of this situation is found in the fact that Day's letter and actions also directly reflected the vision for a society rooted in its pursuit of the common good as laid out by John Calvin, the very man her mentor, Maurin, rejected as the source of all the evils of exploitative capitalist practices. Maurin either did not know or he misunderstood Calvin's socio-economic teachings and practices, for if he had grasped Calvin's intentions clearly, he would have found in Calvin a man of like mind.

While the return of an interest check by Dorothy Day could not bring a complete reversal of the avaricious nature of contemporary society, she felt "it could at least issue a solitary protest and make what [Maurin] would call a Point." In this manner, Day was able to clearly and emphatically demonstrate an alternative to the passive acceptance of inequality, injustice, and exploitation.<sup>8</sup> Peter Maurin, were he alive today, would certainly hail and applaud Day's actions and her reasoning. And paradoxically, according to the *echoes from Geneva*, Calvin would too.

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<sup>8</sup> Ibid.

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