

Calvin's letter on usury

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Calvin's most important statement on interest is a letter written around 1545, probably to his friend Claude de Sachins, who had asked his opinion on the lawfulness of lending at interest. The letter, which circulated in manuscript and was printed after his death, is a short text of a few pages, but it has been called one of the most important documents in the history of economic thought.¹

Calvin began by rejecting the traditional arguments against interest. He pointed out that the biblical prohibition applied to the Israelites in the specific conditions of their society, and that the permission to take interest from foreigners showed that interest was not wrong in itself. He dismissed Aristotle's argument about the sterility of money: money, he observed, was indeed sterile in a purse, but when it was used to buy a field or to finance a trade, it produced a return. There was, he argued, no reason why the lender should not share in that return. A merchant who borrowed money to buy goods and sold them at a profit gained from the loan. It was therefore just that the lender receive a part of this gain.

Calvin then set out the conditions under which interest was lawful. Interest must not be taken from the poor, who borrowed out of necessity and to whom Christians should lend freely. The lender must not be so intent on gain that he neglected the duties of charity. The rate must be moderate and must not exceed the maximum fixed by the public authorities. The loan must serve the common good and not only the private interest of the lender. And the whole transaction must be judged by the rule of equity and by the golden rule of doing to others as one would have them do to oneself.

The significance of Calvin's letter lies in its method as much as in its conclusions. Calvin examined the economic function of the loan and judged it by its effects on the parties and on the community. The moral quality of interest depended on the circumstances, the parties and the rate. This contextual, functional approach opened the way for a moral

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assessment of credit that distinguished between productive and consumptive loans, between fair and exploitative rates, and between lenders who served the community and those who preyed upon it.

1 Notes

1. Calvin's letter on usury (De usuris responsum), usually dated around 1545 and addressed to Claude de Sachins; printed posthumously. See the editions of Calvin's letters in the Corpus Reformationum (Calvini Opera, vol. 10). To be verified. ↩

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