

Calvin and interest: what the Reformation actually changed for credit

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Few sentences about financial history are repeated as often as this one: Calvin permitted interest and thereby made capitalism possible. It is inaccurate in both halves. What Calvin wrote, what the Geneva council enacted, what the courts actually did, and what modern economic history has made of the Weber thesis can each be stated more precisely — and the precise version is more useful to a lawyer than the slogan.

1 The starting position

The canonical prohibition of interest rested on Luke 6:35 and on Aristotle's argument that money is barren. It was never a complete ban on profit from capital. Medieval practice developed a series of permitted forms: the *census*, a purchase of an annual return from an asset; the *societas*, a partnership in which the lender shared the risk; the *damnum emergens* and *lucrum cessans*, compensation for loss suffered and gain forgone; and the exchange contract, in which the return appeared as a difference in currency rates.

In Geneva the position was already unusual before the Reformation. The franchises of 1387 expressly permitted lending at interest at reasonable rates. The city therefore did not need the Reformation to make credit lawful.

2 What Calvin wrote

Calvin's position appears in a letter to his friend Claude de Sachins and in scattered passages of his commentaries and sermons. He denies that the biblical prohibitions are of general application: the Mosaic rule served to protect the poor in Israel and is not an order valid for all time and all places. Equity, not a formal rule, governs the question.

He then attaches conditions, and the conditions are the substance of his position:

- No interest may be taken from a poor man who borrows in order to live.
- Interest may not exceed the rate permitted by the authorities.
- The lender must not put his own advantage above the borrower's need; a loan must not leave the debtor worse off than before.
- Nobody may make a trade of lending at interest.
- The borrower must gain at least as much from the money as the lender does.

The council translated the framework into maximum rates fixed by ordinance — five per cent, later at times six and more. The level was set by the authorities and not negotiated between the parties, and lending as a profession remained prohibited. Calvin also reproached those who remain silent about oppression: in his political writing it is for the magistrates to resist the excesses of the prince.

3 What the court records show

Doctrine is one thing and enforcement another. The consistory and council records for 1555 to 1557 have been examined systematically in recent scholarship, and the findings are more interesting than the doctrine.

Usury proceedings were actually brought. They reached, strikingly often, two groups: women and gamblers. Women ran small-scale credit in the neighbourhood — visible, everyday, undertaken without written instruments and defended without counsel. Large-scale merchant credit ran through bills of exchange, was documented by notaries, and went largely untouched.

Several explanations are available and the sources do not decide between them: the visibility of small-scale domestic credit, the prejudices of the age about women in money matters, and the lesser capacity of women to defend themselves before the authorities. What the pattern does establish is that the Geneva regime of credit was enforced unevenly, and that its severity fell on the part of the market least able to absorb it.

4 The refugee lawyers

The legal milieu that administered this regime was itself a product of migration. Germain Colladon, born in 1508 at La Châtre in Berry, professor of Roman law at Bourges from 1531 to 1542, left Bourges in 1550

in the face of persecution and came to Geneva, where he was received as a resident in 1550 and as a burgher in 1555. He supported Calvin at the trial of Servetus in 1553, was elected to the Council of Sixty and the Council of Two Hundred in 1559, and was the principal author of the edicts of 1568 — the political and civil edicts that governed Geneva for more than two centuries. The civil edicts alone ran to thirty-two titles on procedure.

After the massacre of St Bartholomew in 1572, François Hotman joined the same milieu, becoming professor of Roman law in Geneva and publishing *Franco-Gallia* there in 1573.

5 The Weber thesis and what became of it

In 1904 and 1905 Max Weber argued in the *Archiv für Sozialwissenschaft und Sozialpolitik* that the Protestant, and particularly the Calvinist, ethic produced a disposition out of which modern capitalism grew: methodical conduct of life, work as a calling, restraint in consumption, and reinvestment of profit. Richard Tawney developed the argument in 1926 in a different direction, treating the relationship as reciprocal.

Economic history has tested the thesis repeatedly, and two objections have proved durable. The first, associated with work on human capital, holds that the measured advantage of Protestant regions is better explained by literacy — because everyone was expected to read scripture — than by a distinctive attitude to work. The second, drawn from data on the German territories, holds that the asserted growth advantage cannot be demonstrated empirically at all.

The debate remains open, and for the purposes of this portal it does not need to be closed. What matters is the more modest observation that survives it: what Geneva gained after 1536 was not first of all virtues but people, with skills, capital and correspondents.

6 The numbers behind that observation

Between 1549 and 1587 Geneva took in some 8,000 refugees, of whom around 3,000 settled permanently. The population stood at about 13,150 in 1550 and 17,330 in 1580. Newcomers therefore made up something like thirty per cent of the inhabitants. Lucchese families such as Burlamaqui, Diodati, Micheli and Calandrini entered the patriciate. Dozens of Huguenot printers made the city a centre for bibles and psalters. The refugees stimulated textiles, silk, international banking and the luxury trades.

7 What a practitioner should take from this

Three propositions carry over into the present, and each has a modern counterpart.

Permission plus supervision. A workable financial order arises from the combination of a permitted technique and supervision of its terms. Calvin's maximum rates fixed by ordinance and today's conduct rules under the Financial Services Act are the same construction in different language: the activity is lawful, and the conditions are set by someone other than the parties.

Uneven enforcement produces a two-class market. Where a rule is enforced against the visible and not against the documented, the documented part of the market grows and the visible part is driven into informality. The same dynamic appears in modern anti-money laundering practice, where the cost of compliance falls unevenly across institutions and clients.

Skills move faster than doctrine. The measurable effect of the Reformation on Geneva was migration. For a financial centre today the equivalent is the ability to attract and retain people who can do things — a point that returns in every discussion of the licensing regime, the cost of compliance staff and the language of supervision.

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