

Comments on Peter Karl Koritansky’s “Is Usury Still a Sin? Thomas Aquinas on the Justice and Injustice of Moneylending”

Peter Karl Koritansky has clearly and succinctly set forth Aquinas’ position on lending money at interest, the problem of interpretation that his *Summa* presents, and the solutions of John Finnis and Cardinal Cajetan. This issue should be of concern to us because the classical position and arguments against usury put in question the whole of our modern economic life, which involves lending money at interest at every turn. We tend not to see any issue here, but in the history of the Church and of western thought, this was a very serious issue. I believe the reason for this difference of concern lies in a difference of principle in matters of commutative justice. Contemporary culture tends to believe that no injury is done as long as two informed, consenting adults agree on something—in this case, an interest rate on a loan. Aquinas, from a more classical perspective, holds that commutative justice requires an equality of value in an exchange; each party must receive something of equal value. And value is not determined solely by what a person is willing to pay; objective factors are more fundamental. Hence a lender who charges more for money than it is worth commits the injustice of usury. We have good reason to reject the idea that informed consent makes everything ok in other areas of morality, and so we also have reason to wonder whether agreeing to a loan at interest is ethical.

Some have sought to justify the charging of interest as compensation for lost profits, something that came to be known as the extrinsic title of *lucrum cessans*. As Peter explained, Aquinas explicitly rejects *lucrum cessans*, but yet seems to require restitution for lost profit in the case of involuntary injury. John Finnis leverages this latter fact to make the claim that the modern market economy *is* in harmony with Thomistic principles. In the past it could not be

assumed that money would make a profit, and so a moneylender could not charge an interest rate for lost profit. Given the modern economic system, however, everyone always has the opportunity to invest his money profitably and receive a modest return. Hence anyone lending money is entitled to charge a modest interest rate for lost profits. Aquinas would certainly allow for the purchase of, and the collection of dividends from, stock in productive companies. And so the fact that bonds—which are loans at interest—are traded on the same market as stock in productive enterprises automatically adjusts the market interest rate for loans to an amount equitably proportional to the profit one could gain from investing in stock.

Finnis makes a very good case, and his conclusion may well be correct, but is it an accurate interpretation of Aquinas? As Peter states, “Finnis never considers the possibility that Aquinas’ permitting the compensation of lost profits has some essential link with the injurious or involuntary nature of the commutation.” We should certainly ask ourselves whether Aquinas could have some reason for evaluating lost profit differently in involuntary and voluntary exchanges.

Cajetan does just that. He explains that if a thief stole funds that a businessman had set aside for a business venture he would have to restore not only what he took, but an equitable proportion of the businessman’s lost profits. Cajetan gives a very different evaluation of the legitimacy of *lucrum cessans* in the case of voluntary loans: “He is a usurer who, by desire for smaller but secure profit—because ‘better an egg today,’ as they say, ‘than a hen tomorrow’—reallocates his business funds or purchasing money towards [making] a loan, intending according to an agreement [to receive] as much more than the principle as a thief would be bound to give him if he had stolen that business money. . . . And this is confirmed by the fact that otherwise anyone, after once exposing his money to commerce, would be able to transfer it to the purpose

of making loans with modest profit, . . . and in this way experience generally would teach that usury would not be regarded as a sin.”¹

Cajetan’s point seems to be that if one charged for lost profit when voluntarily making a loan, then in all honesty one would be treating the collection of interest from a loan as just another business option, to be compared to all other business enterprises in terms of its profitability and risk. One would not really be charging interest for lost profit; one would be choosing one kind of profitable enterprise over another kind of profitable enterprise, weighing the risks and potential returns of each. To pretend that one is simply recuperating loss when charging for *lucrum cessans* would be like selling less profitable but easily moved merchandise—office supplies, for instance—for more than their worth on the grounds that one could have been selling Ferraris at a much greater profit, although it would be at greater risk.

The case is rather different, however, when one is fully intending to invest some money in a particular profitable enterprise, and someone very much in need of a loan begs for the money. Since this interrupts one’s plans, one can ask for recuperation of a portion of one’s lost profits, Cajetan says. One is responding to need, not pursuing an alternative business enterprise. It is involuntary in a certain sense.

So Cajetan, as Peter points out, rejects *lucrum cessans* in general, but accepts it in the case of loans for charitable purposes, at least in the sense just explained. Peter goes on to say that Cajetan nevertheless allows *lucrum cessans* when *both* the one giving the loan *and* the one receiving it intend to use the money for business purposes. If Cajetan really meant this, it would open a broad door to *lucrum cessans* indeed. John Noonan interprets Cajetan as doing just that. But upon reading Cajetan’s text, it is not clear to me that this is what Cajetan means. He seems to

¹ Cajetan, *In II-II*, q. 78, a. 2, n. 6, translation mine.

reject charging for *lucrum cessans* as a general rule, and only to allow for it under very special circumstances. What he says is this: “Just as the owner of a field already sown with seed licitly sells it for as much as a sown field is currently valued at, so someone who has money exposed to a business-venture licitly cedes it to another, which is to cede the business venture (*negotiationem*) to him, receiving in return as much as that amount of money applied to that business-venture is valued at. For this is to transfer the money in such a way as to preserve it in its special state,”² namely, the state of having added value in virtue of its impending employment in a profitable venture.

Given that Cajetan restricts *lucrum cessans* in charitable loans to cases in which the lender was about to use the money in a specific profitable enterprise but was interrupted by his neighbor’s need, and also rejects *lucrum cessans* when it serves as an alternative, less risky but less profitable business enterprise, I think it is likely that what Cajetan means is that charging *lucrum cessans* for business loans is generally usury and immoral. But it is not usurious to charge for *lucrum cessans* when a businessman lends money that he was about to use for a specific enterprise to another businessman who has made ready to engage in an equivalent enterprise of equal profitability. For example: some surplus merchandise becomes available in Ohio, and it is needed in California. Joe researches the situation, and plans to buy the merchandise, transport it to California, and sell it there. Bob independently finds out about the same opportunity and plans to avail himself of it. Joe has the money to buy the merchandise, but Bob needs a loan before he can buy it. So Bob goes to Joe and asks for a loan. Joe could loan the money to Bob and charge him for a portion of his lost profit, according to Cajetan.

² Cajetan, *In II-II*, q. 78, a. 2, n. 6, translation mine.

Now even if Cajetan really does allow for business loans more generally, there is still an important and prevalent kind of loan for which he clearly rejects any title to *lucrum cessans*, namely, non-business loans or loans for consumption. It is quite common for people to put the purchase of consumer goods on their credit card, and not to pay the balance in full at the end of the month. This means that Chase, or Citi, or some other institution is lending money at a significant interest rate. Perhaps most importantly, when someone buys a house not as an investment but as a home, the money loaned to him is not loaned for business purposes. Not everyone buys a house intending to profit off its hoped for increase in value over time. Not every home loan is a charity loan either. So on no interpretation would Cajetan allow for such loans, unless the interest rate were no higher than would offset the rate of inflation and the costs of servicing the loan. And if Cajetan is right, at least two major sectors of our economy are morally questionable in a significant way.

I, like Peter, am uncertain whether lending money at interest is generally immoral or not. It is a perplexing question. Certainly changed economic structures between medieval times and the 21st century make a difference. The same principles applied to different situations yield different evaluations. Indeed, one might wonder if money even has the same significance now as it did then, given that we have a *fiat* currency and centralized planning. Perhaps that has transformed moneylending into a matter of distributive, and not commutative justice. Perhaps that itself is problematic. Yet for various reasons, even if Aquinas' condemnation of loaning at interest is still valid today, the Church could be justified in its relative silence about the issue.

Now the Church has spoken out in recent times against usury,³ it has just not to my knowledge stated any clear and unambiguous principle for determining what counts as usury, which was always a tricky issue. [If time: And Pope Benedict and others have criticized the financial sector of the economy for losing touch with the “real economy,”⁴ seemingly indicating that there is something wrong about trying to make money yield a profit without providing any really valuable product or service. Finally, in his recent encyclical *Laudato Si'* Pope Francis has devastatingly critiqued the entirety of modern society by attacking what he calls the “techno-economic paradigm.”] Perhaps the Church is waiting for Catholic philosophers and theologians like Peter and others to take up the challenging task of applying timeless truths to the contemporary situation, sorting out the wheat from the chaff, indicating what needs to change structurally, and identifying the responsibilities of an individual living under an economic system he has little control over. So I thank Peter for his willingness to revive an issue that many might see as dead, as well as for the clarity of his presentation.

³ Benedict XVI, *Caritas in Veritate*, 65; *Compendium of the Catechism of the Catholic Church*, 508; Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 341. In regards to the “pawnbroking” and “micro-finance” mentioned by Pope Benedict, one should compare the old charitable institutions called “montes pietatis,” and the Church’s approval of them in the Fifth Lateran Council, as long as they charged no more for their loans than covered their operating expenses, making no profit. One could also compare these to modern-day credit unions.

⁴ Benedict XVI, *Caritas in Veritate*, 21, 40, & 65; Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 369.