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Christian Faith, Economy, and Economics: What Do Christian Ethics Contribute to Understanding Economies?

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In the eighteenth century, economics was regarded as a preeminently "moral science."[1] However, the development of economics modeled on the methods of natural science and impelled by the positivist culture of the19th century gradually severed the methodological relationship between economics and ethics.[2, 3] Now, the "received wisdom" is that each discipline has its own heteronomous competence, questions, methods, and knowledge claims.[4]

In the last two decades, there has been some retreat from the strong positivist models of orthodox economics.[5] However, economic ethics, and especially Christian ethics, generally is regarded as exogenous to economic analysis. Consequently, economists and ethicists talk across a methodological divide. There is a widely accepted consensus that an ethical analysis of economies yields no knowledge about how economies function. Ethicists are often criticized for economic naïveté and economists are often counseled to have greater ethical sensitivity,[6] reinforcing a practical methodological divide between economists and ethicists. Neither criticism nor counsel do much to address the methodological divide between the two and, on close analysis, both are predicated an assumption of methodological heteronomy.

Some years ago, however, Canadian philosopher and theologian Bernard Lonergan sounded a different note, but his note only provided clues for a method. He affirmed that if Western culture is to escape the fate that befell the Roman Empire, we must demand that two requirements be met. "The first regards economic theorists; the second regards moral theorists. From economic theorists, we have to demand, along with as many other types of analysis as they please, *a new and specific type* [of analysis] *that reveals* how *moral precepts have both a basis on economic process* [i.e. the operations of an economy] *and so an effective application to it*. From moral theorists, we have to demand, along with their various forms of wisdom and prudence, specifically *ethical precepts that* arise out *of economic process itself and promotes its proper functioning*." [7]

Lonergan drives to the heart of the methodological impasse. We have a common sense *intuition* that the transformation and exchange of material goods studied by economists are not isolated from the non-material values of ethical inquiry. However, is it possible to show, as Lonergan proposes, that moral precepts *derive from* economic process without either imposing values on the immanent operations of economies or assuming that operations as they exist are morally praiseworthy? Is ethics any more than an afterword to economics? Does ethical analysis contribute to understanding how economies function?

This paper tries to address this fundamental methodological question. I argue that an ethical analysis of economies plays a meaningful heuristic role in understanding how economies function and, so, contributes knowledge about economies that is relevant to economics as a science. However, rather than do this abstractly, I will begin with John Calvin's 16th century address of the problem of interest to show how an ethical analysis of economy yields knowledge of how economies function and, so, economic knowledge. In other words, one can respond to the challenge of showing how moral precepts have a basis on and effective application to economic processes.

Calvin provides a concrete example of a methodological bridge between economics and ethics that surmounts the positivist commitment to a "value-free" economics. Moreover, his ethical method does not put economics in service of any religious, theological or moral idealism.[8] Thus, his example clarifies how ethics, particularly Christian ethics, plays a role in understanding economies to suggest that there is a way Christians may do economics as Christians that is intellectually rigorous *and* religiously committed. This is not to argue, as some may fear, for a *Christian* economics; however, it is to argue for more than a "Christian perspective" on economy.

While an example does not resolve the methodological

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issues, it does demonstrate the heuristic purchase that ethics has in economics. In the end, I affirm the 18th century view that economics is constitutively a "moral science" in which both empirical and evaluative data play a role in methodologically sound economic analysis and that this view is, in fact, sounder than one that allocates economics and ethics to sovereign realms whose "ministers" approach each other usually fearful of trespass.[9]

Historical Background of the Problem of Interest[10]

Lending at interest was the urgent theoretic and practical economic problem of the late Renaissance.[11] Church doctrine condemned lending at interest and forbade the practice to Christians. However, Christian merchants, manufacturers, and traders who needed money to finance capital ventures found pragmatic, if awkward, solutions to the problem that avoided the appearance of lending at interest. While money played an expanded role in economic transactions after the 13th century, there was little understanding of its function.[12] The "gap" between business practice and economic understanding posed a serious challenge both to commercial practices and economic development.

The practical problems were due in part to the Church's economic doctrine. The medieval Church's teaching on economics consisted of a miscellany of treatises and sermons that tried to stretch classical metaphysical and ethical doctrines to fit new economic problems in an economic environment that was changing rapidly from agricultural to merchant capitalism. Genuine theoretical understanding was retarded by the commitment of classical culture to a normative teleology.

The Reformation opened a window to reconfigure this situation as it disturbed the taken for granted social, cultural and religious meanings and values of Western Europe. Northern Europe and England, where the Reformation took deepest root, experienced accelerated economic activity in the 16th century. However, ecclesiastical economic doctrine did not change, even if toleration of suspect practices did. By the nature of their activity, merchants were anxious about their salvation.[13] Protestant bankers, merchants, and commerçants, especially, looked to church authorities for social and spiritual guidance in the ambiguity of the new economic context.

John Calvin (1508–1560), a second generation reformer, lawyer, and theologian, provides the first and clearest break with Scholastic economic doctrine.[14] While his work on economy is scattered among his treatises and sermons, his mature thinking is found in a letter written in 1545 to Claude Sachinus, who had written Calvin on behalf of a friend who was troubled by contradictory Roman and Reformed teaching and practices with regard to interest.[15, 16]

This letter is unique because it contains a substantial analysis of the errors of the Scholastic economic doctrine with regard to interest, and a methodologically sophisticated analysis of the meaning of money in an economy which, by Calvin's account, ought to control the ethical understanding of the practice of lending. Calvin affirms that understanding *how* an economy functions requires both empirical and ethical analysis to derive appropriate norms concerning particular practices. In other words, he provides an illustration of how methodologically moral precepts arise from particular practices rather than being imposed on them. Calvin's analysis—undertaken in the first instance as an ethical inquiry—provides a methodological bridge between the facts and values of economies to yield knowledge of how economies function, or we might say, economic knowledge.

Economy, Interest, and Economic Justice: Calvin's Ethical Method

In a modest, perhaps formulary, opening to his letter, Calvin acknowledges his limited experience in economic matters. Nevertheless, he addresses the problem by setting up the critical dialectic of inquiry that carries the argument forward. This dialectic is grounded by the tension between God's transcendent intention for human living and the immanent practices of human living. On the one hand, there appears to be a divine prohibition of interest, justified by Scripture and the teaching of the church. Yet, the practice of lending money at interest was an old one, even in Christian societies. This disjunction raises relevant questions. Calvin sets up the problem like this:

> If we completely forbid lending money at interest, then we bind men's conscience more tightly than God himself. Yet if we allow it at all, there will be some [then] who will use this as a licence to take an unbridled freedom on which no limitations can be placed.[17]

Calvin is looking for a way to tack between an absolute prohibition of interest and unrestricted license to lend. He is not, as some have argued, merely capitulating to a morally corrupt practice to make the best of a bad situation, nor rationalizing a change in the *status quo*. The existence of interest, in Calvin's view, is a sign that there is an unknown, real good to be known in the practice just as there was a good to know in the moral regulation of the practice. Prior to inquiry, however, neither good is known. Both are, for the purpose of inquiry, "to be knowns."

What is methodologically affirmed is that there is no *a priori* determination of what the good of the practice is by either Scripture or common practice. The good is discovered (a "to be known") by understanding the practice. Social practices emerge as solutions to concrete problems of human living and, so, intend a potential, if not actual, good. This perspective permits Calvin to take the immanent norms of world process seriously and stands as a sharp break with medieval classicism that proposed a transcendent control of human development that collapses as an untenable idealism.

This juxtaposition of a transcendent (God's intention for human living) and immanent (the actual operations of economy) good is the key to Calvin's method. He grasps that the schemes of social living consist of two sets of norms. First, there are immanent norms of realized possibilities of a practice itself. Second, there are transcendent norms of intended, but not yet realized, possibilities of a practice as it enters into human living. Economy, as a set of related schemes that produce and deliver a concrete standard of living, is constituted by *both* transcendent and immanent norms.[18] A. O. Hirschman[19] describes what he calls "the tunnel effect" in developing economies in which people will endure high degrees of economic privation provided they see evidence of economic improvement for some people from time to time. He compares this to tunnel congestion in which people wait to pass through the tunnel provided that they see others exiting the tunnel in the opposite direction at least occasionally. The "tunnel pass through" is not part of the immanent operations of an economy, but a confirmation of the transcendent (i.e., as yet unrealized) possibilities of an improvement in conditions that incorporate issues of trust, confidence and hope. Economic *knowledge* is a grasp of the intelligibility of both immanent and transcendent norms operative in concrete economic practices.[20]

Calvin allows neither the immanent norms of concrete practices nor the unrealized possibilities intended by transcendent norms control of understanding and judgment. Indeed, the tension between the two methodologically keeps the cycle of questions and answers of inquiry open and guards against its premature closure via empirical reductionism or moral idealism. This is methodologically significant not because it modifies the cognitive foundation of understanding how an economy functions, but because it sharpens understanding of it by holding the inquiry open until all the facts, values and norms in play are identified and sorted out. Facts, values, and norms are the data that economists use to describe and explain economies and economic operations.

Calvin's method tacks between the two sets of simultaneous inquiries: one, into the data of Scripture and tradition (the transcendent pole of inquiry) and the other, into the data of human experience (the immanent pole of inquiry). The simultaneous inquiries work toward an understanding of the good of lending at interest and, so, to understanding how that good is concretely realized. In other words, corrupt practices are not just morally wrong but economically dysfunctional. Dysfunctional economic schemes do not yield their intended goods. Likewise, moral precepts cannot be imposed on practices, but must emerge from knowledge of the concrete operations that constitute the practice and join it to a large range of schemes constitutive of economy. Thus, understanding economy is the correlation of two related inquiries and not two independent, autonomous inquiries.

Interest, Economy and the Good: Calvin's Argument

First, Calvin considers Scriptural texts condemning interest, framing the transcendent pole of inquiry. He argues that Scripture does not condemn the practice of interest as such. Rather, interest is condemned when its effect on community is deleterious. Fraud, deception, and dishonesty that sometimes, but not necessarily, accompany interest transactions break the trust and solidarity required to sustain a viable community. The Scriptural problem, Calvin says, is intent not practice. The "meaning" of Scripture is not a "meaning about interest," but a "meaning about human community." Calvin concludes: "[the negative effect of fraud occasioned by money-lending] is the reason the prophet so severely condemns lending at interest to the point of forbidding the practice to the [people of Israel] altogether." It is important to recognize what Calvin is doing here. First, his ethical inquiry does not assume he knows what the good is. The transcendent good is an object of inquiry. One must understand what good is intended by moral precepts. Second, moral precepts arise from particular contexts, so understanding precepts requires understanding contexts. Contexts are not transcendent. Contextual questions are resolved not by appeal to moral ideals but to matters of fact. Thus, inquiry into the meaning of transcendent norms also inquires into the nature of the immanent good.

Elsewhere, Calvin affirms, one is required to "see the practice for what it is," because "God looks upon the thing (usury) as it really is."[21] This notion of "looking on the thing as it really is" is Calvin's control on the flow of data emerging from the economic context. The transcendent pole of inquiry addresses the question: What does Scripture tell us to be alert for in this context and problem? Immanent inquiry addresses the question: What is going forward in these concrete human experiences? The simultaneous inquiries move toward an understanding of the good and what is actually condemned in Scripture (fraud, not interest) and, so, what must be considered in structuring provisions for lending. That is, one must understand the practice as it is linked to economy before one applies moral norms.

By taking the whole tableau of human community as the data of economic intelligibility, Calvin correctly understands that economy enters into the production and delivery of a concrete standard of living. It is part of human well-being. Human well-being is not a just a moral ideal, though it may be guided by moral idealism. Rather, what does or does not contribute to well-being is contextually (and, we might affirm, objectively) empirical. Ascertaining what contributes to or frustrates this well-being is the job of the immanent pole of inquiry. However, the immanent pole of inquiry cannot be separated without loss from the norms that transcend particular instances of well-being that supply the data that ground the immanent inquiry.[22]

The immanent pole of his inquiry eventually allows Calvin to transcend the obvious, common-sense relationship of money and lending (buying-selling, commodity exchange) to grasp the intelligibility of the Biblical prohibitions at their source, and so, their application. The practice is not in itself morally wrong, according to Scripture. The prohibition of interest was a response to the harm of fraud and deceit, especially the harm they caused to the poor.[23] Poverty, like money, is a term whose meaning is context sensitive. "Concepts have dates;" we cannot indiscriminately import or export meanings but must interpret them in terms of their historical location. The notion that the poor might be "unprofitable" or unproductive, a common view in the 18th century, was literally "unthinkable" in the 16th.[24]

Having dispensed with Scriptural objections to interest, Calvin moves on to consider and reject the more substantial Aristotelian-Scholastic argument against interest based on the idea that money is sterile. Calvin simply dismisses the Scholastic view: "Their reason is trifling." However, one must consider the background economics and logic to understand Calvin's theoretical breakthrough regarding the meaning of money.

According to Aristotle, money is simply a conventional medium for measuring demand used to simplify equality of exchange.[25] In this view, money is merely an intermediary between commodity-to-commodity exchanges; it plays no essential role in the process.[26] This is undifferentiated common sense. Person Y having X units of T wants or needs P units of commodity Z owned by person W. A barter relationship establishes a value between X units of T (A) as equal to P units Z (B). An equitable, fair, and just exchange relationship is one that conforms to the natural value relationship X (T) = P (Z) set by an exchange X (T) for P (Z). In the common sense view of market activity, money is an intermediate step, not the primary transaction. A = C units of currency; B = C units of currency. Therefore, A = B = C, Where C is the intermediate value measured in currency (coin) units. The operation is the operation of equivalence or excluded middle. A is equivalent to C, and B is equivalent to C; therefore, A is equivalent to B.

In this framework, the "economic problem" is determining equivalent relationships based on notions of justice, fairness, and equity as fairness of exchange. The notion of value is of quantified: A=B=C. An exchange relationship is just or fair if A=C=C=B. So, equivalences of exchange involved assuring that if A=B, then A=C and B=C, such that A=C=B.

Where money only facilitates exchanges in economies (i.e., A=C=B with C being some quantity of money rather than goods or services), as in subsistence economies, it "breeds" no surplus. However, where money is used productively to increase the stock of goods and services, money may be said "to increase." The increase is, of course, in the stocks of goods and services entering the productive circuit of the economy. Thus, the economy or aggregate wealth increases. In this frame of reference, the meaning of money is an equivalence of exchange, not the aggregate value of goods and services in an economy.

Calvin's theoretical breakthrough was understanding that the value of money is not as a commodity used as a medium of exchange but its value-in-use. Calvin differentiates two meanings of money: money as a medium of exchange, and money as value-in-use—two meanings that common sense often conflates. While the object (coins) in economic transactions remains the same, the meaning does not. The meaning determines the reality of the thing. Further, value-in-use allows Calvin to distinguish two forms of use: consumption (goods and services that support a standard of living) and production (goods and services that make consumables available to the standard of living). The Scholastic perspective that based value on undifferentiated quantified values could not make these crucial distinctions.[27] For example, the absolute value of a cloth loom was constant. It did not matter whether the cloth woven on the loom was immediately consumed or sold in a neighboring city. Money-in-use, in Scholastic theory, was a form of exchange relationship in which the relationship of commodities exchanged received priority, not the type of use. Just, equitable exchange traded commodity (owned) for commodity (owned); that which was owned and could be valued in the present was exchanged with something else that could be owned and valued in the present. Money did not affect the relationship; it was only an intermediary whose usefulness (utility, substance) is consumed in exchange. To allow interest was to allow a "double dip" of value (the money and the commodity purchased with it). This was viewed as an unfair (unjust, inequitable) relationship. Therefore, Scholastics did not have the tools needed to understand economic operations.

This differentiation of meaning based on function allows Calvin to exploit an incongruity in Scholastic thinking (*rents are legitimate, but interest is not*) to get at the function of money without rejecting any ethical intention by coming to a better understanding of what is operative in an economy. Calvin respects the normative standards of justice and fairness, but he correctly applies them to a better understanding of the function of money in an economy.

Calvin's Method of Correlation

Calvin's analysis achieved a significant theoretical breakthrough. His method allows the immanent possibilities of the concrete situation to emerge. He seeks to control the effects of the practice on social living to which he is alerted by the heuristic of the transcendent values of fairness and compassion. "Interest is to be judged by no other principle than civic fairness," he concludes. The key to this conclusion is his method that wrestles with Word and World toward a coherent position that allows neither immanent nor transcendent norms reductionistic sway. He moves back and forth between contexts and texts until he clearly identifies a "good" in the immanent process that responds or correlates to the Divine intentionality revealed by Scripture. Here, that good is the objective common good in a socially interdependent community.

Again moving between text and context, Calvin frames four conditions that ought to moderate the practice of lending at interest. These are not ideals to be realized by imposing them on economy, but practical principles based on the immanent operation of an economy that Calvin tried to incorporate into the civil law of Geneva. First, interest on loans to the poor, which would have always been loans for the purposes of consumption, were proscribed. The greater good of public well-being is to be determined by the principle of reciprocity or mutual trust. This, in Calvin's account, is an objective standard for separating "good" from "bad" loans. Third, loans at interest must enter the productive circuit of the economy. Lending money to a printer to print books to be sold provides not only for the printer's living, but for others' livings as well. This is different from lending money to a printer to buy food to eat. Interest contracts are a public good because the revenue generated enters the standard of living of the community. That is, one is not "buying money," a buyer-seller relationship, but rather using money in a productive capacity. In so doing, one is adding to the stock available in the economy. This contributes to the good of all, not only to the good of the one who takes the risks of production. Moving money from the consumption circuit to the production circuit and contributing via production to the general standard of living is a public good, not a private benefit. Fourth, while the laws of custom and habit can guide the rate of interest, they ought not be the final determining factors because custom often allows that which it cannot restrain.

These exceptions show that Calvin believed the practice of lending at interest ought to be subject to a set of norms that are not obvious in the practice of lending and borrowing. They are only found from a higher viewpoint of what is going forward through a larger set of recurrent schemes to which lending and borrowing are joined; that is, all that is immanently present to be known and acknowledged, but present initially as only unknowns to be known. These conditioning norms transcend the immediate process (lending and borrowing) to link lending and borrowing to the good of community and the transcendent good of God.

> Those who usefully employ whatever God has committed to them are said to be engaged in trade [*negotiari*]. The life of the godly is justly compared to trading, for they ought naturally to exchange and barter with each other, to maintain intercourse; and the industry with which each man discharges the office assigned to him, the calling itself, the power of acting properly, and other gifts, are reckoned to be so many kinds of merchandise, because the use and end that they have in view is to promote mutual intercourse among men.[28]

This is really an exceptional statement given its Renaissance background. First, it removes human solidarity from the framework of normative idealism and reframes it firmly in terms of the insights emerging from the actual structures operating in society. Secondly, that context is itself viewed as the source of its own normative operations which may or may not contribute to the good intended by the constitutive contextual schemes. Economic practices consist of facts and values. Understanding an economy—and theorizing about economy is a form of understanding—requires that both the facts and values that dynamize concrete schemes be understood. Economics grasps the intelligible relations among immanent and transcendent norms guiding decision-making in concrete contexts. Thus, there is methodological reciprocity between economics and ethics, not methodological heteronomy.

Like the Scholastics, Calvin never abandoned an ethical position concerning interest, even though he rejected both their interpretation of Scripture and Aristotlean rationalization. Economy as a practice may be normatively regulated. He insists, though, that regulation be based on a sounder understanding of economic practices than that afforded by Scholastic economic analysis. Calvin's analysis bypasses a controlling normative intention that sets up barriers against the knowledge of economic facts. Ascertainment of the facts is a prelude to correct judgment of value. "The thing must be seen as it is." Calvin's theoretical differentiation gave him better control of the normative dimension of usury than his contemporaries could achieve. This breakthrough was the result of his ethical inquiry and so one may say that ethics contributed to economic knowledge by providing a critical heuristic anticipation that the immanent context could not formulate.

Summary: Religious Faith and Method

Calvin's method sets into motion two simultaneous normative inquiries. One inquiry is directed to understanding Scriptural norms and prescriptions in their context. This inquiry is conducted with the recognition that the context of Scripture and the context of the present are not identical. However, this does not diminish the fact that there is a "to be known" in Scripture. The "to be known" is Divine intention as the continuity of God's purpose in creation. The disjunction between "text and context" is not unresolvable. This is not to say, however, that one can move directly from "text" to "context." Christian scripture, a source of transcendent norms, does not offer a blueprint for human society. It does not permit, however, a reduction of the concrete practices of societies to their immanent operations.

The second inquiry into the concrete terms and relations of unfolding world process seeks to understand what is at stake, the meaning, of concrete human behavior. Inquiry at this level reveals a tension between the good as realized and the good as frustrated in the process of human living. The simultaneous correlation of the two inquiries yields a set of insights into how the good is realized in concrete situations and how moral precepts are based on and apply to economic process.

Scripture does not provide a single, ideal normative content to be appropriated; rather, its normative intention is clarified by inquiry into particular concrete contexts. Correspondingly, neither does immanent experience (world process) provide a set of "ready-made answers" to concrete problems. Solutions, options, and potential possibilities must be discovered through the operations of intelligence and judgment. By means of the tensive, reflexive relationship of text and context—transcendent and immanent norms—inquiry is pushed deeper and deeper into the good of and in context and Scripture to reveal the discontinuities and incongruities of principle and practice. There is a basic logic here that is important to grasp. Social practices are not just motivated by value. They are also bearers of value that transcend the particular events of practices. The test of correct analysis is truth and efficacy that lead to appropriate kinds of moral (personal, political, and social) action.

To avoid transcendent or immanent inquiry is to capitulate to either an unrealizable idealism (or absolute skepticism) or an unwarranted pragmatism (or cynical realpolitik), which was a dynamizing tension of the Renaissance itself that late modernity has not yet resolved. I suggest that Calvin develops a mediating position between utopian idealism and cynical realism. Calvin was committed to social progress. This progress was not the product of a normative idealism but of a realistic social inquiry concerning the structure of human existence both in its concrete realizations and its possibilities not yet realized. This "double-pole" inquiry dynamizes all inquiry whether we avert to both poles or not.

Presumably, every economist pursues her inquiry with a fundamental commitment to truth and to the worthwhileness of her endeavors. Even strong positivists, like Fritz Machlup,[29] acknowledge that basic value commitments that control the choice of research fields and methods do not contaminate objectivity. However, they frame a transcendent pole of any inquiry whether one averts to it or not. Likewise, economy frames a set of transcendent norms that intersect the immanent norms guiding economies' concrete operations. Framing research to incorporate inquiry about these transcendent norms does not vitiate empirical inquiry, but enriches it by revealing all the data of the "to be known" of economic study.

My argument, based on Calvin's example, is that one can (if not ought) enlarge the ambition of research to include non-material values within the research heuristic of economics. Indeed, until relatively recently, values were included. Smith, Hume, Malthus, Ricardo, and arguably, economists through Alfred Marshall incorporated a dimension of non-material, moral values within their paradigms of inquiry. To the extent that they laid the foundation of modern economics, they contributed significantly to our knowledge of economies.

So, to return to our opening questions: Do Christian ethics yield knowledge about economy? The short answer is "yes," even if the explanation is not a simple one. What does Christian ethics contribute? The transcendent pole of inquiry that operates heuristically to prevent a premature resolution of inquiry by reducing the transcendent to merely immanent processes. In other words, the dimension of transcendent value does not permit the scientist to avoid the complete cycle of questions and answers that presses inquiry forward to know all there is to be known.

Economic inquiry is not just knowledge of how economies function; it also employs questions about the consequences of how they function to provide a complete understanding or explanation of an economy. Consequences are not "ideal" or "value-laden" even if they do lead toward evaluative meanings designated by descriptors such as "better" or "worse." Whether or not an economy is functioning *well* is not an immanent but transcendent inquiry.[30] That humans can intervene in practices and schemes to modify them means that economic schemes are constituted by choices. Choices, before they are made, are always transcendent—not yet realized possibilities that are realized by actual, not ideal, choosing and deciding. These transcendent possibilities are part of real economies. As we acquire more and more insight into the complex schemes and ecologies of life in democratic societies, we come to understand more fully the appropriate ranges of personal decision-making, the limits of these ranges, and our responsibilities for sustaining these public ecologies in the decisions which fall within these ranges. This, I would argue, constitutes the "transcendent pole of economic inquiry" and provides a basis for showing how moral precepts have a basis both in economic process and an effective application to it.

Endnotes

1 See Hume (1993), Smith (1978, pp. 331-394); and J. M. Keynes quoted in Temple, (1976, p. 9). In the eighteenth century "moral science" meant the science of human action or behavior. Since human action was motivated by value, the moral sciences were inherently value—moral—inquiries. These "moral sciences" included history, jurisprudence, politics, economics and civil administration. To a great degree economics, polity and civil administration were coextensive fields. In any case, the moral sciences were clearly understood as value-based inquiries. David Hume first articulated, but not consistently observe, the "fact-value" distinction that would characterize 20th century social sciences.

2 John Sturt Mill, Max Weber, Milton Friedman, and Fritz Machlup, *et. al*s.

3 Both Thomas Malthus and David Ricardo pursued economics as a moral science though both, more than their predecessors, recognized the importance of quantification and mathematical modeling to understanding how economies function. See Nef (1960) on the significance of quantification for the cultural instantiation of the "value-free" model of social science. Senior (1836) was the first economist to argue that economics was an independent science. However, this view was contested by John Henry Newman (*The Idea of a University*). That Senior needed to justify or defend an independent economics is evidence of the accepted view that economics was a moral science. Certainly, the popular view among the middle class was that Adam Smith and his successors were economic moralists. J.S. Mill divided economics into two parts. He argued that production or wealth creation was governed by "iron laws" (immanent norms); however, the distribution of wealth was a social choice. Thus, he continued the older tradition. Alfred Marshall adapted Mill's utilitarianism to argue that utility is a quantification of desire. For the history of the fact-value debate in economics, see Cassidy (1995).

4 The net effect of this methodological heteronomy is "economic ethics" is generally viewed as a critique of problems of economic justice (Wogaman 1986) or systems (Singer 1991), or shunted to "welfare economics" (Machlup 1978). No economist ands few ethicists would suggest that an ethical analysis of economy would yield economic knowledge (i.e. knowledge of how economies function). In general, ethicists would argue that a knowledge of economics is necessary for ethical inquiry about economies; however, economic ethics is replete with practionners whose knowledge of economics is extensive or sound.

5 Hausman and McPherson (1993), and Weston (1994, p. 16).

6 Weston (1994, p. 17).

7 Lonergan (1985, p. 10), emphasis added.

8 This, I think, is what the positive normative distinction as it developed in economics over the last century was meant to do. It intends, as Max Weber expressed it, to avoid "scientific pleading" (Weber, 1946, p. 147). My argument is, however, that the methodological heteronomy claimed by Weber is not real. Judgments of fact and judgments of value are isomorphic and differ only in content not structure. Weber had an implicit grasp of the implication of values in scientific theorizing. He argues that one cannot rely upon science alone for a scientific understanding of the world, since "the various value spheres of the world stand in irreconcilable conflict with each other" (p. 147). As the scientist arrives at new "facts" which may be inconsistent with the value system of science, he is forced to raise new questions that may be personally inconvenient. While science can provide possible explanations, it may be the religious question that is more critical. Since no science can be without values or presuppositions, it is precisely the religious question that will direct the scientist into new paths of research. For this reason, it is vital that the scientist maintain value systems in approaching his endeavors.

9 To avoid misunderstanding I need to be clear that I am not going to address directly the positive-normative distinction or its variants in economic theorizing. I have done that elsewhere Sauer (1995). I am going to argue, however, that economies, the object of formal economic inquiry, is constituted by practice that consist of facts and values. These values may be immanent in the practice, as for example, the personal desires of economic agents. They may also transcend or "go beyond" practices to intend idealized goods, as for example, common or shared goods realized in and by the institutionalized schemes of social cooperation. Understood correctly, value does not only orient individuals to goals, it also provide criteria to reveal whether goals are being reached. Moreover, value is not only present in the valuing of individuals, it is also a dimension of communities. My argument is that knowledge of economy—consists of a grasp of the facts and values that constitute economy.

10 On the history of usury, see Noonan (1957) and Nelson (1949).

11 The dating of the Renaissance, or even the utility of the term are open questions that do not have to be resolved here. I take the view that the Renaissance encompasses the 15th and 16th centuries. The problem of interest (or usury) begins as a practical problem in the 13th century with the quickening of European economies due to a variety of factors, and it continued until the early 19th century with the general acceptance of the view that offering and receiving interest on money loans was a

morally licit activity. Interest remains a problem in Islamic economies where offering or receiving interest on money loans, condemned by *Qu'anic* teaching, is forbidden.

12 The model of economic understanding was agricultural. Seed yields increase by organic multiplication. This model was carried forward, of course, by the French physiocrats, as late as the 18th century and remained a serious contender against the mechanistic model advocated by Smith, Hume and others in England until the early 19th century. For example, Malthus' model is organic as, I would argue, is Ricardo's. On the significance of difference between an organic and mechanistic model for understanding economies, see Sauer (1995, pp. 52–54).

13 In formal church teaching and the popular imagination, those who traded in money were consigned to the lowest depths of hell (Le Goff 1956, 1979). Le Goff cogently and correctly, I think, argues that the idea of purgatory developed in the late Middle Ages as a response to the necessity of permitting soteriological questionable, but socially necessary, practices such as trade, banking and commerce.

14 Bélier (1965, p. 453); Nelson (1949, p. 73); Noonan, (1957, p. 367); and Tawney (1960, p. 107).

15 Calvin (1991, pp. 139–146).

16 Calvin's complete letter may be found in *Economic Tracts*, series 1880–1881, (New York: Society for Political Education, 1882), pp. 32–36. This is a paraphrastic translation and wholly inaccurate. Harkness (1931, pp. 204–207), provides an incomplete and sometimes inaccurate translation. She summarizes almost half the letter, leaving out important details. However, Harkness' work has become a standard reference work. An improved translation has recently appeared (Calvin 1991, pp. 139–143). This is a translation only and provides no commentary. The translation shows a lack of understanding of late medieval legal and business practices, especially in the translation of Calvin's examples. Bélier provides a partial translation into modern French (Bélier 1965, pp. 456–461). In my opinion, Bélier's overall understanding of the background of the legal and economic issues in this text is unsurpassed. I provide a translation with commentary, and a copy of the original French text, in Sauer (1997b).

17 All citation are from "De usuris," *Opera Quae Supersunt Omnia* 10^{a} 245–249. The translations are my own.

18 Many economists have tried to factor in the operation of immanent and transcendent norms. Adam Smith, for example, distinguished the operation of the "impartial spectator" (internalized immanent norms) and the invisible hand (the transcendent norms of divine providence). See Viner (1972, pp. 81–82) and Hill (2001). J. S. Mill, on his account, distinguished the factors of production, which, on his account, operate according to the "iron laws" (i.e. norms) of the market, and distribution, which operates, on his account, according to the social will. Members of an economy may distribute wealth in any way they choose once produced. He argues that there are utilitarian reasons for a society to choose an equal distribution among those producing the wealth. The point is that "the norms of distribution" transcend the immanent norms operating in an economy.

19 Hirschman (1981).

20 We encounter similar situations in our own lived experience. Medicine, for example, as a practice is a good. However, medicine may also be malpracticed, badly practiced, or practiced in ways inimical to human development. So we have undertaken through ethical codes, laws, and the development of the character of those practicing medicine, to define what norms are appropriate to the practice of medicine in service to the human good. So, Calvin's set up to the problem is not wrongheaded or merely capitulating to the existence of the practice of lending at interest. He opens a nest of real questions about the potential and actual good in the practice of lending money at interest.

21 Calvin (1991, p. 116).

22 Sauer (1997a, pp. 1172–1190).

23 We must be careful and clear about what is meant by "the poor" in this context. The "poor" are not necessarily the destitute but those whose income is immediately consumed. In this sense, the poor encompassed most of the population except the commercial class engaged in trade and those with hereditary wealth. One study of the contents of the homes of 16th century Geneva showed that most household had less than one day's food supply. Householder maintenance was a "pay as you earn" proposition.

24 Himmelfarb, Gertrude. 1984. *The Idea of Poverty: England in the Early Industrial Age.* New York: Alfred Knopf.

25 Aristotle (1996).

26 Aristotle (1973).

27 Scholastic theory held its arguments against usury together with the notion of the just price. The basis for the condemnation of usury and the ideal of just price could not be separated. The connection of the two shows that underlying the effort to understand economy was an effort to find the intelligibility of money and exchange in a quantified notion of value against an ideal standard of exchanged governed by equity and justice. This is the operation of pure common sense. If X quantity of wheat equals Y quantity of wine (X=Y), then Z value (as quantity) of money must be determined for money (as the intermediary between X and Y) compared with X quantity of wheat and Y quantity of wine. Interest (money "paid" for money) was not intelligible because what is "bought" is not a quantity of X for Y but the use of money over time. But, how could one justly, fairly, or

equitably "buy" money if money's only value was a present relation between X and Y? The notion of interest, while a common practice, made no theoretical sense.
28 Calvin, "On Usury," 45, p. 569.
29 Machlup (1978, pp. 113–114).
30 This merely affirms that ideas such as "well," "efficiency" and "optimality" are not merely factual. They are also evaluative and in so far as they inform economic theorizing, economists incorporate a value dimension into their understanding of economies and their operations.

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