GLOBALIZATION: GUIDANCE FROM FRANCISCAN ECONOMIC THOUGHT AND "CARITAS IN VERITATE"

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Abstract

This essay pursues a threefold purpose: first, to sketch the historical period that provides the backdrop to the formation of Franciscan economic thought; second, to set out the principles governing that doctrine, highlighting its originality and its relevance to the real problems of the day; and lastly, to enumerate the essential reasons for the resurgence of interest, today, in the Franciscan point of view concerning the challenges to our society posed by globalization and by the present economic crisis.

1. *Introduction: The reawakening of the eleventh century*

Between the eleventh and the fourteenth century, the economy and the society of Europe underwent a profound structural transformation. The key elements were the rise of a commercial economy, the establishment of an urban culture, and the gradually increasing and eventually overwhelming use of money in economic transactions. Technical innovations, land reclamation and the tillage of new lands, new routes of communication, and new and more effective forms of contract all lay at the origin of accelerating productivity gains and the gradual transformation of rural society. (Bruni, Zamagni, 2007).

The extraordinary flowering of European society, and the European economy, early in the second millennium is unquestioned. The growth of trade between Byzantium and Venice and the centers of the Po Valley, the rise of industry in the Low Countries, the resumption of trade in the Mediterranean, and advancing product specialization, stimulating trade and European economic integration: these were the key developments. They were accompanied by unprecedented, intense demographic change. Between the eleventh and the sixteenth centuries the population increased by over 300 percent, which among other things produced massive emigration from the countryside to the cities. With the Muslim expansion from the seventh century onward, the Mediterranean was converted from the bridge that, for centuries, had joined East and West into a barrier between them. This resulted in a vertical fall-off in trade and, in practice, the demise of the merchant class. Agriculture became, once again, the chief if not sole economic activity. It was at once the primary source of wealth and the model of social organization – the feudal system. For our purposes here, feudalism had two especially important characteristics: first, the near-total disappearance of mobile, non-landed wealth; and second, the decline of the city, no longer essential to trade and exchange. In this closed, manorial economy, production basically served local consumption; the circulation of money was largely irrelevant, as transactions were mainly in kind; and trade was occasional, in association, for the most part, with famines.

The immobility of the early Middle Ages began to dissolve in the eleventh century with the resumption of trade in the Mediterranean and the resulting impetus to transcontinental caravans; with the expansion of feudal manors, drawing in the new class of merchant-craftsmen, who as landless persons had to "invent" a way to make a living; with the shift of the society's center of gravity from the countryside to the city. For it was the cities that offered favorable conditions for the settlement of the "new city-dwellers" who, in increasing numbers as the population grew, had the need for freedom of movement and of action, to make life plans and carry them out. The opportunities offered by cities and the intensification of commerce fostered the accumulation of substantial liquid wealth in the hands of selected segments of the population, as people differed in their capacity to grasp and exploit the chance for riches. The "natural lottery" does not, in fact, distribute abilities and capacities evenly. Those who succeeded were the great merchants doing international business, and they became wealthy not at the expense of the rest of the local population – as in the feudal economy – but thanks to their capacity for innovation and their greater propensity for risk.

It goes without saying that the great merchant does not start out great. He needs financial resources to start up and expand his business. Hence the flowering of credit as a separate – and crucially important – economic activity. At first, would-be merchants would turn to relatives, friends, or other merchants, but soon the funds available from these became quite insufficient. So there arose those forms of association that were born, historically, in Italy: the *commendam* in Venice, the *colleganza* in Genoa, the “companies” of people bound together by ties of family or friendship in Tuscany. Credit was a new phenomenon both with respect to the classical, greco-roman economy – which did have money, of course, but not credit – and with respect to the feudal economy, in which both were marginal. In the early middle ages, money had not disappeared, but its circulation had been drastically cut back along with the contraction of trade. The spread of credit, with its dual function of providing finance for merchants and investment opportunities for savers, was the premise to the resurgence of banking, which eventually became independent of the other branches of commerce.

These transformations form the heart of the commercial revolution that stretched from the eleventh to the mid-fourteenth century, when all the key innovations of the new European economy first saw light: fairs, guilds, moneychangers, notaries, the *lex mercatoria*, the law of the sea, letters of credit, the *commendam*, insurance. After 1350, notes Little, development was essentially quantitative, with geographical expansion; but the new economic and institutional framework had been traced out and had already begun to operate in the centuries preceding. In three cases, however, full application did not come until that following. These were double-entry book-keeping as a means of business control, which was put on a systematic basis by the Franciscan friar Luca Pacioli (1494); the public limited company and the stock exchange as instruments for splitting up business risk and raising capital; and the public debt as a tool of government. Yet there is no doubt that the economic history of pre-industrial Europe was determined, right up until the eighteenth century, by the events and innovations of the first two centuries of the millennium. There are, nonetheless, dissenting voices who deny that Europe’s mercantile economy was born in the eleventh century. The Harvard historian Michael McCormick (2009), for instance, maintains that as far back as the early Middle Ages, the last decades of the eighth century during the reign of Charlemagne, what we have described had already been realized, and that the Arab expansion of the age did not halt the growing flow of trade and communication.

What were the social consequences of this commercial revolution? For our present purposes, three are of prime importance. First was the progressive alteration of the dimensions of the communities in which people lived – from settlements of just a few hundred to those of thousands, which is to say from a society characterized by personal, face-to-face relations to one in which interpersonal relationships involved people who, at least in part and in some manner, were “strangers.” The ties between a feudal lord and his vassal were personal, as was the relationship between peasant and landowner. Now, however, the cash nexus began to weaken personal ties, decreeing their irrelevance, since the payment of a tax for services from the sovereign or a price for a good that was acquired supplanted the corvée, the obligation of labor service. The resulting depersonalization of relations in commerce immediately raised the question of trust. How can you trust people you don't know, with whom no lasting relationship is possible? Yet without trust there can be no contracts, and without contracts no business.

The second major consequence was that the circulation of money and the development of markets allowed peasants and craftsmen to seize the opportunity that the new economic and institutional arrangements presented to free themselves from serfdom. The importance of this aspect of the incipient market economy can never be overstated. The monetary economy, permitting the mobilization of the surplus generated by the productive system at reasonable cost, was certainly – all rhetoric apart – the most effective instrument for breaking the fetters of serfdom. Just read the extraordinarily beautiful text of *Liber Paradisus*, whereby the city of Bologna, in 1257, for the first time anywhere, abolished serfdom.

Third, the use of money on a grand scale for commercial transactions was what enabled the "stranger" too to take part in the creation of wealth, because money is a means of exchange open to all. Mobile wealth represented by money, unlike landed property, does not need broad spaces to be built up, and this made the dense population of cities possible. At the same time, though, the eminently impersonal nature of money could not but create perplexity in a society where the memory of the feudal social order was still fresh. The greatest difficulties lay in the fact that there were as yet no religious sanctions, much less legal ones, bearing on the handling of money. Pre-commercial society relied on the solemn oath and social norms to facilitate economic relations between people who knew one another. Moral rather than legal sanctions were more than enough to ensure that obligations were honored. The moral code of the day was markedly anti-commercial, hostile to the activity of the merchant. Pope Leo I, in a letter, asserted that it was highly unlikely to avoid sin in conducting a sale because – as Aristotle taught – "a life dedicated to commerce is an unnatural life." The ever more apparent divergence of the new reality from the old moral code produced growing bewilderment among the faithful, especially those who were actually engaged in trade, who did not know where to turn for guidance. It is easy to imagine the malaise and disorientation that resulted. Believers underwent a countless series of crises of conscience. This widespread discomfort lasted down to the end of the twelfth century, when theologians – the Franciscans above all – began to lay the basis of a new Christian ethical interpretation to serve as a guide to economic conduct appropriate to the new situation.

2. The model of urban civilization

The sharp polemical contrast between the merchant (as the archetype of the miser) and the *sacerdotium* first began to be attenuated in the fifteenth century when civil humanism burst upon the scene. Poggio Bracciolini was the most eminent and one of the earliest, but not the only thinker to explicitly produce a praise of avarice, no longer considered as an unnatural disposition of the spirit but as a factor in prosperity. To grasp the sense of the intellectual journey that led Bracciolini to the conclude, no less, that the miser is “strong, prudent, great-souled” – descriptives that would have been blasphemy to the ears of the second Scholastic theologians – we must mention the second great event, after the commercial revolution, of the later Middle Ages: the birth of urban civilization in Tuscany and its spread throughout Italy and Europe.

The revival of cultural life, of which the foundation of the first university in Bologna in 1088 is emblematic, and the extraordinary success of the commercial revolution originated a new social order centering on the “city.” But this new city was not the metropolis and capital of empire – Rome or Constantinople, the locus of central power and the place where different ethnic groups would meet; instead it was a community of free men governing themselves through ad hoc institutions, within walls for defense against those who did not belong to the community and therefore did not deserve public trust. Urban spaces, in fact, were designed in such a way as to make the foundations of the new social coexistence visible and to foster their growth: the central square as an *agora*, the cathedral, the town hall, the merchant and guild hall, the market as the place of negotiations and trade, the city palaces of the wealthy bourgeoisie, and the churches with their confraternities.

These were the places – real, not at all virtual – where the defining virtues of a truly civil society were cultivated: mutual trust, subsidiarity, fraternity, respect for the ideas of others, cooperative competition. This urban design differed qualitatively from that of farming villages, which were often mere agglomerations of houses with no plan suggestive of self-government, and from the villages annexed to feudal castles. What distinguished the city community was not so much size as its ability to produce social cohesion and political and economic independence. In northern Italy, where urban civilization spread most easily, even in the fourteenth century there were 96 cities with more than 5,000 inhabitants, and 53 with more than 10,000. Such cities accounted for 21.4 percent of the entire population of the region, compared with a European-wide figure of 9.5 percent. The only other place in Europe that quickly imitated the Italian pattern was the Low Countries, while in England as late as 1500 cities had no more than 4.6 percent of the population.

One of these early institutions was behind the organization of manufacturing work, which was responsible not only for rising productivity but also for the steady improvement in product quality. These were the guilds, whose fundamental role in the origins of civil society is now being rediscovered. It was through the guilds that new generations of workers were trained as apprentices and journeymen, a stage ending with the craftsman's "masterpiece" (a term that was coined at that time). And it was the guilds that prepared the instruments of measurement and quality control (standards) that made markets more reliable and transparent and so lowered transaction costs, above all information costs. Over time, these constraints tended to be overdone, and the guilds closed themselves off against the "infamous". For this reason the guilds themselves were dismantled in the eighteenth century, but only after they had given the world the principle of self-organization by producers. Georg Simmel wrote that "the guild embraced the whole man; the craft of wool-making was not just an association of individuals that looked to the interests of wool manufacturing but also a living community from the technical, social, religious, political and countless other standpoints". Benedetto Cotrugli's celebrated mid-15th-century *Della Mercatura e del Mercante Perfetto* reads: "And let them be patient, those ignoramuses who upbraid the knowledgeable merchant. Indeed, they lapse into still greater insolence in wishing the merchant to be illiterate. And I say that the merchant must be not only a good penman, abacus-man, and book-keeper, but also a man of letters and a good rhetorician."

It was in the cities that the love of beauty took hold to forge a sense of belonging and so facilitate interpersonal relations. This is most clearly manifest in the decoration of churches and the building of palaces, first public and then private, inaugurating the system of patronage that not only funded artists but made possible the rise of a market in artistic durable goods. The merchant, we should point out, was therefore not just a philanthropist who drew on his wealth without meddling in how his donations were used. The patron had a direct relationship with the artist, a long-term collaboration, not always conflict-free but in any case not anonymous or impersonal, for the pursuit of collective interests at whose service he put his resources and organizational know-how.

The city was the ideal environment for all of this, and it is easy to see why. What did the new social order that was coming spontaneously to the fore need? More than anything else, mutual trust and credibility, virtues which in turn required the social norms whose propagation was in fact fostered by the city. At the same time, such a social order distinguished sharply between those who participated actively in the construction of the common good through the skilful and profitable exercise of economic activity and others – usurers, misers, incompetent manufacturers, but also poor people who though capable of doing something succumbed to sloth – who accumulated wealth for themselves alone and sterilized resources in unproductive uses. To make sure that trust was not misplaced, the cities created a set of institutions for controlling economic activities under the merchants' guild (later, chambers of commerce) and also gave rise to institutions of civic solidarity through the religious confraternities. Who, then, was worthy of respect and trust? Those who did not work for themselves alone and their family but who performed charitable works and kept their word. In this way, these men made themselves known and appreciated in the community; they built up their reputational capital.

From its original nucleus, then, urban civilization contained the seeds of social exclusion. While on the one hand the new economic activities in the marketplace were open to virtually everyone, on the other the market had to be safeguarded against the untrustworthy – because it was immediately clear that without general trust, what today is called "bridging" social capital, the market cannot function. Society was thus divided ideally in two, the trustworthy and the untrustworthy. The former comprised those who belonged to the Church: priests and the faithful. The latter included the uncivil, the infamous, the infidels: in other words, outsiders – the different, the stranger, the dissident, those who professed a creed other than the Christian, especially Jews. As Giacomo Todeschini (2007) notes, alongside the market as an "abstract global reality [that can] include the entire population" there is the market that "excludes a large part [of that population] by establishing a series of hierarchies ... among the people who are and are not allowed access to the various forms of wealth." Public fame, as it was called at the time, which corresponds to our modern notion of goodwill, thus became the criterion for laying down the rules on access to the market. And with this, quite apart from intent or will, the market was made into the institution whose confines, in practice, defined the individual's membership, or non-membership, of the community. We can engage in legitimate exchange only if we form part of a community that determines the conditions for such exchange to remain "ethical" and civil.

3. The common good and Franciscan voluntarism

Alongside the innovations and strengths we have just examined, the growth and spread of cities – at once cause and effect of the flowering of urban civilization – also had one undesirable outcome: the spirit of faction. Francesco Bruni (2003) suggests that Dante was one of the first to sense that this was a perilous factor, threatening to undermine the very foundations of cohesion and social harmony. In Book IV of his *Convivio*, Dante indicates cupidity as the origin of the factional spirit, and in fact he justifies the familiar call for a universal empire as the extreme remedy for the spread of that vice. Only dominion extending over the entire world could induce the emperor to create the best government and dispense justice wisely. Ambrogio Lorenzetti, in his celebrated "Allegory of good government" fresco in Siena (1338) depicts avarice as the root of everything that impedes the harmonious life of the city (theft, rapine, violence). As good government is synonymous with good commerce – civilization, the painter would appear to be asserting, is the market – the merchant's greed heightens narrow factionalism and thus induces bad government.

The universally recommended cure for the spirit of faction is the common good – the exact opposite of one's own good. The Franciscans of the Observance were the first to bring the notion of common good systematically into economic discourse. Towering above all others was Bernardino of Siena, who would be sainted by Pope Pius II – the great humanist Enea Silvio de' Piccolomini – in the second half of the fifteenth century, just years after his death. In a sermon in Siena in 1425, Bernardino urged practices of common good, because "God is a common good," thus offering a theological basis for the condemnation of the spirit of faction. The common good, in the thought of the

Franciscans, does not concern the person as a separate individual but in relation with others. That is, it is the good of relationships between persons; it is the good proper to life in common. Common is that which does not belong only to oneself – as in private property – or indistinctly to everyone – as in the public good. In a situation of common good, the benefit to each person from belonging to a given community is inseparable from the benefit going to the other members. This is tantamount to asserting that the interest of each is realized together with the interests of others, not against them (as in the public good). Aristotle's *Nicomachean Ethics* had taught that men's life in common is an entirely different affair from the common grazing-ground of the beasts. Each animal eats on its own account and tries, if possible, to take food away from the others. In human society, by contrast, the good of each can be attained only by the work of all; and more importantly, the good of each cannot be enjoyed unless it is also enjoyed by others. This is why the common good, which is the good of the *polis,* is above the good of the individual. Aquinas was even more explicit when he wrote that the "common good is more divine because it is more like God, Who is the ultimate cause of all good".

This said, one asks why the worry over the "spirit of faction" should be linked to avarice or greed. That is to say, what is the sense in which it was thought that greed worked against the common good? In a word, the answer is usury. Greed, as the effective (Aristotelian) cause of usury, contradicts the principle of the primacy of the good both over the just and over the true, and this was certainly unacceptable to the Franciscan school of thought, which was based precisely on that principle.

Let us clarify. The cornerstone of Franciscan thought is voluntarism, the principle that will governs reason. Deriving from Saint Augustine, the Franciscan doctrine of voluntarism was developed by Saint Anselm, Henry of Ghent, Duns Scotus and finally reached its fullest exposition in William of Occam. Unlike the intellect, the will acts in absolute liberty. This is the sense in which we may speak of the primacy of the will. If something exists, or if an action is performed, the cause is to be sought in the freedom of the person who could have chosen not to wish it. Thus the good does not negate the true but transcends it, because liberty is the ultimate frontier of the rational subject who acts. The primacy of the good over the true, according to Orlando Todisco (2005), "depends on the fascination exerted by the liberty of the person who, by wishing that which he could have not wished, impresses upon the thing wished the indecipherable tracts of his own liberty, triggering an expansive process – the good – which the true is hard-put to contain."

As Augustine anticipated in *Contra Faustum*, it is the primacy of the good over the true that drives both the seeking after new ways to approach the issues and the possibility of creating new economic and social arrangements. "Believers," writes Augustine, "seemingly dwell, work and conduct lives" like the others, but what makes the difference "is love out of a pure heart, and a good conscience, and faith unfeigned, and ... these three, faith, hope, and love, abide to form the life of believers, [so] it is impossible that there should be similarity in the manners of those who differ in these three things. Those who believe differently, and hope differently, and love differently, must also live differently." To affirm the primacy of the good is to recognize the great truth that being is a gift. For if before being there was no thing that had the right to exist, being is, radically, a free gift. How, then, can we live for possessions and their accumulation, and not give of our own selves instead? If the oblative case comes before the possessive, since we are because someone willed that we be without our asserting any sort of right, how is it possible to imagine that in our turn we can give only to those who have a right, or give only out of duty? The voice that calls us into being has the timbre of the gratuitous, so logic demands that we act by the same logic, giving in our turn.

Thus we can see why for the Franciscans greed was the worst sin of all – because the miser, while receiving liberally, does not reciprocate and thus violates the logic of being. If the starting point were the primacy of the true over the good, the judgment on greed would be different. In this case, as in the early Middle Ages, pride would be the most deadly sin. What, then, was the manifestation of avarice that most worried the Franciscans at this time, the phenomenon that more than any other constituted a serious threat to the pursuit of the common good? It was the practice of usury, in various forms and various degrees. Commenting on Luke, the Dominican friar Albertus Magnus wrote: "Usury is a sin of avarice; it is against charity because the usurer, without working, without suffering, grows rich on his neighbor's labour, suffering, misfortunes."

4. A renewed spotlight on usury

Until the twelfth century, usury was of interest for its moral rather than its economic implications. Both the Old and the New Testament were strongly against the charging of interest, given that the type of loan they considered was consumer credit, not a productive investment. In his *De Tobia* Saint Ambrose maintained that the ban on interest-bearing loans admitted of no exception and that it therefore extended to productive credit as well. “You have usury,” he wrote, “when you demand back more than has been given.” How did the early medieval theologians respond to the radical changes of the commercial revolution, above all the increasingly common method of valuation according to which human and monetary resources should be channeled to the safest and most productive uses? The majority continued to maintain the old moral canon. But some, notably the Franciscan order, tried to comprehend the advancing innovations, approach the new economic reality undogmatically.

To grasp the significance of the extraordinary contribution made by Franciscan thought to the reconsideration of the judgment on usury, however, we need to briefly rehearse the stages in the intricate history of ban. From the Council of Elvira in 305 to that of Paris of 829, neither of which was an ecumenical council, the ban on usury was reiterated without remission following the teachings of the Church fathers – Clement of Alexandria, Basilius of Cesarea, John Chrysostom, Augustine, Jerome all taught that the usurer is one who reaps where he has not sown – but the ban applied only to the clergy. It was not until Charlemagne’s *Admonitio Generalis* (789) that the prohibition was extended to the laity. Trade, both in goods and in money, was condemned essentially because it distracted man from his true purpose, the salvation of the soul: “*Homo mercator vix aut numquam potgest Deo placere*”. As Nicola Riccardi (2006) observes, there was no specific economic motive behind this pronouncement, only theological or at most social ones. For the practice of lending at interest, and more generally all activities that could generate a *lucrum*, unhinged the vision of a society founded upon *caritas* in which the governing principle was the sharing of goods. In other words, if lending is seen as an act of charity, or mercy, then obviously the lender cannot charge any interest, however small, in return.

Canon 13 of the Second Lateran Council (1139) recites: “We condemn that detestable, disgraceful, and insatiable rapacity of usurers which has been outlawed by divine and human laws in the Old and New Testaments, and we deprive them of all ecclesiastical consolation, commanding that no archbishop, no bishop, no abbot of any order, nor anyone in clerical orders, shall, except with the utmost caution, dare receive usurers; but during their whole life let them be stigmatized with the mark of infamy, and unless they repent let them be deprived of Christian burial." References to Scripture include Deuteronomy 23, 20-21 ("You shall not lend on usury to your brother; usury of money, usury of victuals, usury of any thing that is lent on usury: Unto a stranger thou mayest lend upon usury; but unto thy brother thou shalt not lend upon usury") and Luke 6:34-35 ("And if ye lend to them of whom ye hope to receive, what thanks have ye? for sinners also lend to sinners, to receive as much again. But love ye your enemies, and do good, and lend, hoping for nothing again". Note that the distinction between "stranger" and "brother" (Israelite) is absent from the New Testament – a point that from the thirteenth century began to fuel the stereotype of the Jewish miser.

The first true codification of the ban on usury was the *Decretum Gratiani* in 1140: "All that the lender demands beyond the restitution of the principal is to be considered usury" (C. XIV, 9.3). The Camaldolian monk Gratian, celebrated as the originator of canon law, held that this "extra" could be either in money or in kind. This is why profiteering – buying something for resale at a higher price – was condemned with no appeal. Despite the bans and condemnation, however, the practice of lending at interest spread steadily. And considering the essential features of the social order that was coming into being, it is easy to see why.

Still, theologians and canon law specialists could not shirk the duty of finding rational arguments against demanding interest payments. A key turning-point in the history of Church doctrine on usury came when the practice came to be seen not so much as lack of charity but as the violation of the seventh commandment: "Thou shalt not steal". This is the great contribution of Peter Lombard: since usury arises out of a loan – a *mutuum* – it is necessary to turn to Roman law for the condemnation of those who demand a portion of what is not theirs. Saint Bonaventure's interpretation is exemplary. First, with the *mutuum* what is mine becomes your property; second, the work and skill of the recipient of the loan are his own; third, as Aristotle taught, time cannot be sold. Thus usury is a "perversion of order," a theft. The Third Lateran Council (1179) added an interesting qualification to the condemnation of usury: "Nearly everywhere the crime of usury has become so firmly rooted that many, omitting other business, practise usury as if it were permitted. ... We therefore declare that ***notorious*** **usurers** should not be admitted to communion of the altar or receive Christian burial if they die in this sin. Nor let anyone receive them." A new element in this passage warrants underscoring: that the practice of usury is pregnant with adverse consequences, because it distorts the allocation of talents: too many people omit "other [more productive] business" and engage in perfectly unproductive activity, such as the mere search for rents.

The split between the position of the Church – whose main concern was social cohesion for the common good – and the needs of the rising economic classes (merchants and craftsmen), who could not conduct their business without access to credit, soon became unsustainable. Obviously, as long as economic activity consisted mainly in farming and grazing, there was little need for loans of money. What was lent was mainly seed, tools, or livestock. But when commerce began to develop and the profit-making company (in Latin, *societas*) came into being, the type of loan that was needed was now essentially money. Theologians and jurists therefore had to discover new intellectual categories to explain the fact of usury. It was the achievement of the Bologna school of jurisprudence, and of Irnerius in particular, to bring the notion of interest, deriving from Roman law, within the scope of theological thought. For the ancient Romans, "*id quod interest*" referred to the valuation of the damage to the creditor caused by a debtor's default. So interest, configured as indemnification (*vitatio damni*) after default, is conceptually distinct from usury, which arises at the moment of the loan and quite apart from failure to repay.

The search for "just cause" to legitimize the payment of interest came to focus chiefly on the categories of risk, the emergence of loss, and forgone gain. The introduction of the concept of loss or damage (*damnum*) brought theologians' considerations closer to the needs of creditors and redefined the traditional frame of reference for usury – no longer typically involving a well-off and an indigent person but an activity undertaken, mainly, between two merchants. The concepts of damage sustained and gain forgone, in fact, make sense only for a man engaged in commerce – where there can be the loss of a potential income – and not for someone whose trade is that of the money-lender. So the latter, and not the merchant, is the miser to be condemned for practicing usury.

One sees that this conceptual innovation was significant but still insufficient. How to treat the case in which the loss sustained, the *damnum emergens*, coincided with the granting of the loan? Is it permissible, in this circumstance, to require a fixed ex ante payment of interest? This quite common case is envisaged in the commentary upon the letter *Naviganti* that came to form part of Gregory IX's *Decretales* (1234): "He who lends a certain sum of money to one who, for trade, journeys by sea and by land and who by virtue of the fact that he exposes himself to risk will receive something beyond the principal shall be considered a usurer." Note that the loan here goes not to a poor person but to a merchant. It was the Catalan Raymond of Peñafort (1180-1275), eminent jurist and moral philosopher, who effected the decisive turnabout in Church doctrine on usury. Raymond endorsed the prohibition laid down in the *Naviganti*, but only if the lender's end or exclusive intent is gain – this is what defines the usurer. If, as in the *Naviganti*, the loan involves two merchants, this is not the case; here the lender-merchant, who can choose among a range of options for investing his money, is justified in asking for an additional amount over the sum lent, by reason of the other profit he forgoes. Here, the charging of interest is justified not as compensation for the "risk of seafaring" but as partial or total compensation for an opportunity cost, the term that Karl Menger, the founder of the Austrian School of economics, coined in the later nineteenth century for the cost that the lender of funds sustains, virtually, for renouncing a different investment of his wealth.

The times were still not ripe for taking opportunity cost as a legitimate warrant, however. Centuries would pass before such a concept could become part of popular culture, and in fact Saint Raymond's innovative idea was immediately labeled as nothing but an astute theological stratagem, a brilliant way to open the door to the justification of usury. Pope Innocent IV (1190-1254), a teacher of law at Bologna, had to intervene to put an end to the speculations triggered by the Catalan jurist. In renewing the condemnation of usury, however, Innocent took a new line of argument, one that would have great influence on subsequent theological thinking in this field. Deeply concerned by the spread of involuntary poverty that accompanied the transition towards the modern age, the pope blamed usury for this new social ailment. The spread of poverty itself was thus a sufficient condition to condemn the usurer and usurious practices: "Even if perchance one might discover a circumstance in which, by natural law, impressed upon man by nature, usury is no sin, yet because of the ills and dangers that ensue from it, it is in any case prohibited."

Innocent's argument in this passage, as in other writings of his on usury, contains a twofold novelty. First, we find an ethical argument from consequences: usury, even if legitimate in principle, has negative consequences for the social order and thus stands condemned. The reasoning is that since credit (like trade) is less hard labor than other occupations, if it also became more profitable it would draw men away from farming: who would want to toil in the fields once money-lending became a common trade? The flight of capital from agriculture would drive up food prices, paralleling the rise in production costs due to the demand for a rate of return in line with of the credit sector. "As it is unlikely," concludes Innocent IV, "that there could be a debtor in usury who can long resist without falling into indigence, which is most perilous, unless by special gift of God someone has been vouchsafed the desire for poverty." So usury must be banned not just because it embodies the sin of greed but also because it drives men into involuntary poverty. And the involuntary pauper, subject as he is to the temptation of robbery and rebellion, is dangerous because he jeopardizes the stability of the social order. Twenty years later Thomas Aquinas would insist on this point in arguing that both excessive wealth and extreme indigence are serious occasions for sin. Thus in the middle of the fourteenth century we find a profound shift in the way the poor were viewed. Paupers began to been seen as social undesirables, like rebels and the seditious. As Todeschini (2007) shows, they were added to the ranks of the "infamous".

5. *Virtuous friars and capital as seed*

Henry of Susa, an esteemed jurist, was the man who completed the line initiated by Innocent IV, by making the brilliant distinction between legitimate interest and dishonest gain. After reaffirming that usury is the most unnatural embodiment of the sin of greed, in his *Lectura super quinque libros decretalium*, Henry writes: "In what is added to the sum lent, the request for interest is not prohibited but only dishonest gain or other illicit increase. ... I accordingly hold that if a man were a merchant and made a goodly gain habitually attending markets and fairs, and if to myself who have the greatest necessity, for Christian love, he were to lend money that he was intending to use for trade, then I should be obligated from that moment on for interest, providing only that nothing came to pass by fraud or usury. ... And providing that said merchant did not habitually lend his money at usury in such fashion" (cited in Riccardi, 2006). The last qualification is significant: money-lending must never become a trade in itself; if that should happen, one becomes a usurer.

Henry's train of thought is fully developed in the work of the Franciscan theologian Peter John Olivi (1247-1298), a milestone in the history of thought on usury. Possibly the most important part is his teaching on method: namely, the recommendation that before making any pronouncement from the ethical standpoint, one must truly know the internal dynamics of economic events. It was Olivi who first saw that the new world in incubation was born of a prodigious seed, a seed called "capital." His tract *De emptionibus et venditionibus, de usuris, de restitutionibus* (published in 1980 and edited by G. Todeschini) begins with the question of whether it is ethically admissible to sell something at a price higher than its value. The answer lies in Olivi's theory of value, which holds that a thing's value depends both on its natural goodness and on the use we make of it, given that the acts of selling and buying are both intended to satisfy needs. Now as the objective goodness of things (their ontological value) impresses upon them a certain merit ranking, in the same way the use made of them (their utility) can produce a second ranking, not necessarily the same as the first.

Use value depends on three factors: the ability of the object to satisfy needs; its rarity (scarcity); and the greater or lesser intensity of one's desire to possess it. If the price of a commodity were determined solely on the basis of its use value, hence on these three factors, in the end it would depend on contingent, personal situations. "In fact," continues Olivi, "a glass of water given to a man dying of thirst is worth an infinite amount of gold, and much more." So something's price cannot be determined only by the personal utility of the person who uses it but must take a broader sense of meaning into account. This sense is the common good. "As in civil and human contracts," he writes, "the primary end is the common good of all, equity in the setting of prices was and is to be gauged in regard to that end – the extent, that is, to which it serves the common good."

Here is one point where we can best comprehend the importance that the Franciscan school attached to the notion of the common good. For Olivi, the value of a thing is determined jointly by objective elements (*raritas*, i.e. scarcity, and *difficultas*, i.e. the cost of production) and by subjective elements (*complacibilitas*, i.e. the individual's own estimate of the value). This is tantamount to supply and demand conditions, as Alfred Marshall would explain in the nineteenth century.

It is worth underscoring how the revaluation of the merchant's function derives from Olivi's theory of price determination. For since price depends in part on the labor, the risk and the industry needed to produce the good, it follows that intellectual capacity (industry) can justify a differential remuneration with respect to the physical quantity of labor embodied in a good – the architect's labor is worth more than the stonecutter's. This is why the *Decretum Gratiani*'s dictum – he who buys something in order to sell it at a higher price without having physically transformed it – is unacceptable. Olivi argues "Merchants can and must make a gain adequate to the aforesaid circumstances; and it follows, further, that they can increase the prices of their merchandise up to a certain, congruous limit." Against the old idea that mercantile *lucrum* is ever and always the manifest expression of greed, the just merchant – who observes this "congruous limit" – performs a most positive service to the community, because he advances money and assumes risk but above all because he is in a position to estimate the price of things. On the other hand, usury is to be condemned because, serving chiefly the good of the individual, it clashes with the common good and is thus anti-economic with respect to the needs of the *communitas.* Its iniquity stems thus not from the principle that money is sterile or that time is inalienable – as had always been sustained, from Aristotle on down – but from the fact that it distorts the function of the market-*communitas*.

Nor is that all. Olivi's theory of the fair price not only allowed the role of the just merchant to be seen in a new, positive light but also permitted distinguishing, in an original way, between mere money and capital – a distinction that would radically alter the approach to usury. Olivi's idea of the "seminality" of capital – which would be extended by Alexander Bonini, the author of *De Usuris* (1303) – envisaged capital as a sum of money which, being destined to business, already holds within itself the "seed of gain". What makes capital something more than mere money as such (its *valor supradiunctus*) is the fact that "insofar as it is truly destined to carry out commercial operations, [capital] adds a certain gain-generating nature to its essence as simple money of the same amount which is not destined to commercial operations." This value added stemming from the "gain-generating nature" can thus be rightfully sold by its proprietor at a higher price than simple money because "as the value of simple money belongs to him who cedes it, so also does the value of the aforesaid capital." In a word, what distinguishes capital from mere money as such is the intention "to carry out commercial operations."

We can see how far removed this is from Aquinas when he writes (*Summa Teologica*, II, II, 78): "He commits an injustice who lends wine or wheat, and asks for double payment, viz. one, the return of the thing in equal measure, the other, the price of the use, which is called usury.” As we can see, Aquinas was considering a loan for consumption, not for investment. Actually, Aquinas was placed in the long line of Judeo-Christian thought that simply could not conceive of a loan save to persons in difficulty. This is why the service must be free of charge. For private property, the ownership of things, is legitimate if and only insofar as it serves to care for the pauper, the indigent. It is not legitimate to demand interest for doing something that is inherent, per se, in the nature of property. What is more, it is equally illicit to demand interest in compensation for a non-existent risk in connection with the loan. I lend a bottle of wine, transferring its ownership to the borrower. When he returns it to me – the same bottle if it has not been consumed, or else another of equivalent value – I put it back in my cellar. I have lost nothing, so why should I claim anything more? Aquinas does not recognize the idea of *periculum sortis*, i.e. the risk inherent in any act of lending. His thinking on usury is certainly of no assistance to the business of merchants – which was in the midst of a flourishing expansion at the time – but neither is it a true impediment. This can be seen from his treatment of the loan of a house. When the “borrower” restores the house to its owner, he must pay a rent, because unlike money the house is not sterile: it produces a flow of services, forgoing which constitutes a loss for the “lender”. So it is rightful for him to receive a pecuniary compensation.

In this framework, therefore, what matters in judging whether interest is legitimate or not is not the form of the relation between lender and borrower but the nature of the thing lent. In fact, Olivi’s decisive advance in the discussion was the introduction of a new element, namely the end or intent of the act. The capitalist is not he who appropriates a surplus thanks to *de jure* power (such as that of a sovereign or a rentier) but only the man who, taking the risk, generates new wealth. What cancels the sin of usury in a merchant’s loan is the real intent to engage in commercial activity; and it is that same intent that legitimizes the demand for the repayment of more than the amount lent because, in the Franciscan friar’s words, “the interest of likely gain was contained in a potentially and almost embryonic form in the capital; else it could not be legitimately requested.” In other words, the ethical justification for gain – what permits the distinction between mere money and capital – is not money per se but the labor and industry of those who use it for trade. Gain is just when it is the product of the labor of him who benefits from the money.

Olivi, we can see, made no attempt to abrogate the canonic ban on usury, nor could he have done so without incurring severe censure. Justified interest is not an exception to the ban but the outcome of a different reading of an economic action, the difference lying not in its legal structure but in subjective aim and intent. Usury and interest, realities that are similar in appearance but different in substance, can thus coexist within a single conceptual framework because they are engendered by radically different intentions and cause radically different consequences. The distinction between mere money and capital thus yields a solution to the problem of usury that is consistent with the new spirit of the age without abandoning moral canons. We have usury when simple money is lent; we have legitimate interest when capital is lent. In this new way of viewing economic activity, capital begins to be seen not as the end – as it is for the miser – but as a means, a productive factor, as it is for the capitalist. And anyway, even ignoring these theoretical "subtleties," lending at interest is always a less serious sin than hoarding, the classical sin of the miser, who keeps others from enjoying the world's goods without enjoying them himself.

6. *The reaction of secular thought*

The masterpiece of Olivi's philosophical system consisted in the enormous breach it made in the traditional economic doctrine of the Church, admitting both the strict moralists who continued to cultivate the ban on usury, as represented in Gregory IX's *Decretales* (1239), and the reformers who held that is was advisable and indeed urgent to justify lending at interest and, more generally, to reach some sort of accord with the commercial practices that were now essential to economic life. John of Capistrano (1456), Luca Paciolo (*Summa de Arithmetica*, 1494), and Francis of Empoli, among others, all praised the *ars campsoria* (the business of money-changing) as an art that could further the civil and economic advance of the city. The Franciscan friar Bernardino of Siena (1360-1444) and the Dominican Antonino of Florence (bishop and doctor of the Church) also belonged to this group. As intelligent popularizers of Olivi's thought more than a century after its original formulation, the two monks sought to bring his ideas up to date. (In the second part of his *Summa*, in 1459, Antonino gave over 25 full chapters to avarice and just 11 to pride. Usury was one of the 20 ramifications of avarice, earning no fewer than 6 chapters.) The involuntary poverty that Bernardino saw rising around him must have been all the more distressing when seen side-by-side with the shameless wealth that was already appearing in the cities of Italy. Hence his belief that the wealth, the fruit of merchants' greed, was the cause of the poverty. The lust for gain, which Bernardino called *"hoc est idolum desolationis,"* was the vice with the gravest negative social repercussions, to be exposed in preaching. It was not wealth as such that was condemned but wealth that was amassed in conflict with the common good. "Riches that are properly acquired and well used," he preached in his *Vulgar Sermons* (1427), "are a great gift of the Lord; but in the rich there is too great danger, for they place in wealth too much affection and love and let themselves be subjugated by riches, they who place in them too much of their soul and affections."

Economic reality itself possesses the capacity to foster the cohesion of the *communitas christianorum*, but only on condition that individuals, with the *communitas*-market, do not let greed and selfishness prevail. This is tantamount to affirming that the *communitas-christianorum* and the *communitas*-market are not separable, because the one implies the other. This is the fundamental thesis on which Bernardino and the Franciscan Observance in general would base their efforts for the ethical and economic reorganization of city life and their explicit polemics with usurious Jewish money-lending. This phenomenon, which was quite common in central and northern Italy in the late fourteenth century, was attacked for rupturing interpersonal relations and subtracting wealth from a virtuous circle of riches. The miser, hence usurer, uses money and wealth in an anti-communitarian and theologically perverse way. Hence the Observance preachers' hostility to the Jewish community, seen as a collective subject that was at once anti-economic and antisocial.

This explains why it was the Observance Franciscans who designed and founded the great economic-financial institution of the pledge bank: the first *Monte di Pietà* was founded in Perugia in 1462. Their purpose was to curb usurious money-lending and bring back into the community a web of relations that usury was destroying. These pledge banks sought to displace private pawnbrokers and mediate among the interests of various classes of citizens: guaranteeing access to credit for the less well-off, serving the needs of merchants, creating investment opportunities for savers. At first deposits were unremunerated, but eventually they came to pay interest of about 4 percent, while up to 6 percent might be charged for loans. The spread covered operating costs, so that the pledge banks were economically sustainable.

The first systematic explanations of the economic function of the *Monti di Pietà* came from Bernardino da Feltre (1439-1494). In his preaching in favor of the pledge banks – over 3600 sermons in the chief cities of central and northern Italy – Bernardino set forth arguments demonstrating that these institutions were better than the giving of alms in combating poverty and financing men with new ideas. The first argument was from the superiority of an institution to which the many contribute, albeit in small part, over the initiative of single persons. The second argument was *pluralitatis*: unlike alms, the *Monte* can help many people at once, and for differing needs. Third is *sanctitatis*, especially dear to the Franciscans: a contribution to the pledge bank, since its purpose is works of charity, is more effective than a donation towards the embellishment of churches in gaining the donor admission to Heaven. Finally, founding a pledge bank meant *"adiuvare rem publicam, bonum commune"* – serving public affairs, the common good – even if this might harm the interests of usurers and wealthy merchants, who in fact opposed the new institution, sometimes with violence.

The balance that the Franciscan movement had struck, with such difficulty, between the logic of the market and that of *sacerdotium*, was overturned by the secular humanists, who rediscovered natural man: no longer *fidelis*, no longer *christianus*, but just man. It was the transition from *studia divinitatis* to *studia humanitatis*, from the central figure of the believer to that of the citizen, that led to the concept of natural man. Denouncing the hypocrisy of the monks, Leonardo Bruni, Lorenzo Valla, Matteo Palmieri, Poggio Bracciolini, Leon Battista Alberti and countless others refused to admit that the same act – lending money at interest – could be considered as avarice, hence usury, in one case but as the desire for investment, hence the source of legitimate interest, in another. The culture of Humanism could not admit such a transformation, as was set forth forcefully in Bracciolini's *Contra hypocritas* (1447) and Leonardo Bruni's contemporary *Adversus hypocritas libellus*. This in the name of a purity of interpretation, since the secular Humanists, above all Alberti, Bracciolini, Bruni and Cotrugli, believed that they were drawing the logical conclusion from the medieval thesis of the social utility of riches, anticipating arguments that would not gain general acceptance until the eighteenth century. Giacomo Todeschini (2002) writes: "In the fifteenth century, in particular in Italy, there occurred a highly visible, unceasing interchange of ethical-economic themes between strictly religious texts and humanist texts, secular by definition. Leon Battista Alberti, Poggio Bracciolini and Benedetto

Cotrugli, reasoning about markets, prices and interest, were unmistakably close to the intellectual apparatus of Bernardino of Siena, John of Capistrano, or such theological penitents as Angelo of Chivasso” (p. 313).

Let us recall that by now, in the fifteenth century, not only were the opportunities for trade expanding ceaselessly but war between the city-states of Italy fostered an ever-growing need for credit. Insurance, credit, interbank exchanges were some of the new financial instruments used to serve this need. Florence was one of the most important centers of finance and industry in all of Europe throughout the fifteenth century. The coiner of the only truly international money of the day, the golden florin, Florence had a sophisticated administration that conducted a rational policy of public debt management. A flourishing secondary market in public securities arose, and speculation was rife, sparking sharp debate over the moral legitimacy of speculative gain. Where canon law students and preachers, carrying on Aquinas’s theses on usury, did not hesitate to excoriate speculative practices, the Franciscan friar Francis of Empoli went against the grain, acutely explaining why the speculator in public bonds could not be deemed a usurer. First, securities trading in the market is not lending but buying and selling, and for traditional doctrine only the former can give rise to usury. Second, the thing purchased is not a good but a right or claim: the claim to the income and possibly the principal promised by the City. Third, the value of this right is uncertain: the speculator may of course regain his capital by selling the bonds to others, but as the price fluctuates the value of his investment remains doubtful. Further, while the City did of course pay a definite nominal rate of interest on these securities (up to 15 percent), their market price varied, so the effective rate of interest was uncertain. This was as much as to say that the buyer was making a risky purchase, so his eventual profit was not usury but a risk premium, and hence legitimate, just as insurance premiums had long been deemed legitimate by the Church.

It was along these lines of argument that the secular Humanists produced their radical reinterpretation of the notion of greed. The man who strove most consistently to achieve this was Poggio Bracciolini, the apostolic secretary to the Roman Curia for decades (1423-1453) and certainly the most audacious critic of the philosophy of the Franciscan Observance (where Lorenzo Valla, instead, castigated their conduct, going so far as to say that the vows of poverty, chastity and obedience added nothing whatever to the perfect Christian life). Why such acrimony and hostility, even a persecutory attitude towards the Franciscans? The answer lies in the peculiar characteristics of modern culture. The distinctive traits of the new spirit were no longer theocentrism or ecclesiastical authoritarianism but free research, the untrammeled development of intellectual activity, understanding no longer necessarily dependent on faith. The Humanists were conscious that they found themselves at a turning point in history. They cultivated a sense of renovation that was not, nevertheless, irreligious. Rather, in their mindset the consciousness of the human values of life expanded into and was integrated with the consciousness of the supernatural. It followed that only in the full, active realization of his humanity could man achieve his divine destiny. This could hardly be in accord with what the mendicant orders were preaching to the people, including those in the countryside. To the high, aristocratic culture of the Humanists, protected by the structures of the Curia but not by the fifteenth-century popes, it was unacceptable that a figure like Bernardino should use arguments from superstition to dissuade the people from conduct – such as greed – that was judged sinful.

The main source of practical difficulties and theoretical problems, for the Humanists, was the stress that the Franciscans placed on the concept of the common good. And it is easy to see why. There is no place, in the worldview of the common good, for the new notion of "natural man" and his innate individuality. From this standpoint, the traditional foundation for the condemnation of avarice, even with the Franciscan mediation, no longer holds. So if one intends to keep on condemning greed as a deadly sin, one must abandon theology and ethics for the socio-economic plane. This is the import of Bracciolini's radical turn in the debate on avarice with *De Avaritia* (1428). Yet his aim was not to "sanctify" this vice, and in fact in a letter to Francesco Barbaro of Venice he reported that he had written a dialogue against greed. His avowed purpose, rather, was to show how the incipient market economy – the culmination of the structural transformation of European society that had begun with the commercial revolution – required us to look at greed in a new light, with as mind capable of grasping the need to foster productive investment, the growth of cities, and patronage to spread the beautiful. "It is obvious that greed," he wrote, "is not only natural but useful and necessary to men." Bracciolini's miser is an industrious man, whose drive is to transcend the natural limit of the *necessarium*.

Overturning the Thomist notion of material need – a concept based on the principle of satiability – Bracciolini rejected the notion of the superfluous, since for the

Humanists all needs were, per se, legitimate. Once the distinction between the necessary and the superfluous is dropped, it is self-evident that if the miser is defined as one who allows himself the superfluous, or even merely desires it, then we are right in sustaining, along with Bracciolini, that the miser is "strong, prudent, great-souled," not something unnatural. "If, therefore, by natural instinct all are attracted by such cupidity, then avarice does not deserve vituperation." Whereas if greed is defined as the unrestrained search, the lustful desire for riches, then it becomes a vice and also a sin, because it is shorn of its social function as a force for economic progress and civic advance.

The fifteenth century witnessed the onset of the secularization of the West and with it the birth of the modern State. At first there was a current of ideas arising in the Renaissance circles, from that of Coluccio Salutati to that of Bessarione after 1453 to the Florentine Academy of Marsilio Ficino, with their program of social and economic renewal. Subsequently, in the later eighteenth century, secularization spread from intellectual circles to the locus of the exercise of power.

The modern age was secularizing, but not contrary to religion. With Humanism, man was put at the center of the universe, and philosophy was emancipated from Aristotelianism, thanks to the Franciscan voluntarism of the nominalists. The most famous of these, Occam, and his disciples Jean Buridan and Nicolas de Oresme, had transcended the Thomist doctrine of universals (which designed the essential properties of things), demonstrating its total irrelevance. Knowledge, they argued, is to be found in the study of the individual, empirical aspects of things, not in their universal essence. And while politics, with Machiavelli, ceased to be a branch of moral philosophy to become political science, the Reformation freed religious faith itself from constituted authority ("every man his own priest," as Nietzsche would put it). Machiavelli's *Prince* was written in 1513; Martin Luther began his revolutionary preaching in 1517. In his tract "On Trade and Usury" (1524), Luther voiced his immense sorrow to observe that "this evil [usury] has made great progress and has gained the upper hand in all countries." Taking the rigorous approach to lending, he wrote: "To exchange a thing with someone else and gain in the exchange is not a work of charity, it is theft. The usurer deserves hanging, and I call usurers those who lend at interest of 5 or 6 percent." And he condemns the nascent trading companies without attenuation or possibility of appeal: "In them, all lacks foundation or reason, as their only end is cupidity and injustice. If, verily, trading societies or companies have to exist, then justice and charity must vanish; but if justness and honesty need to continue, then the companies must disappear." It is surprising, to say the least, that words of this sort could have been pronounced by the founder of that Protestant ethic that a couple of centuries later, in Max Weber's reconstruction, would give birth to the spirit of capitalism.

7. *By way of conclusion*

What reason might there be to imagine that the idea of restoring the Franciscan concept of the common good to the public sphere, and the economic sphere in particular, is anything more than a consoling utopia? One way to answer such a question is to consider, although briefly, the central message stemming from the recent encyclical of papa Benedict XVI, *Caritas in Veritate* (Love in Truth). I will touch only three specific points, for reasons of space. First and foremost. There is the clarification of a serious conceptual confusing which has been responsible for many misunderstandings and vacuous polemics: the identification of the market economy with the capitalist economy. This confusion of the two is not confirmed either by history, because the market economy arose much earlier than capitalism, or by socio-economic theory, because capitalism constitutes one model of society alone, whereas the market refers to a more generic way of organizing society's economies sphere. Consequently, we can talk of a civil market economy and of a *capitalist* market economy, the difference being that while the former aims to generate the *common* good, the latter has the *total* good as is its target.

A metaphor may serve to clarify the distinction between these two types of good. Whereas the concept of total good can be presented as the total of an addition sum whose components represent the good of each individual (or group), the common good is more like multiplication in which each component stands for the good of some individual (or group). The meaning of the metaphor is intuitive. The total of an addition remains positive even it some of its entries cancel one another out. Indeed, if the objective is the maximization of the total good, it may be best lo discount the good (or welfare) of some, if the gains of others more than offset the losses of others an therefore, discounting some produces a higher sum-total. In a multiplication, this is clearly not possible because if one entry is zero, so is the result of the computation. Certainly, capitalism posits and promotes free markets — and CV speaks very favourably of them but the converse does not hold. The choice between the common and the total good is an ethical one, not a choice that can be made by using utilitarian calculus (based upon the greatest good of the greatest number). What CV states is that the market economy is genus, of which capitalism is only a species. and as such is contingent.

A second novel and related element in CV is the role to be played by the principle of fraternity "within - not outside - the economic sphere. Still present in the flag of the French Revolution, fraternity is a concept that had already been removed from the economic lexicon by the end of the XVIII century. It was the Franciscan school of thought that gave this word 'fraternity' its meaning, which has been preserved over time. i.e. as a which is complementary to the principle of solidarity and yet surpasses it. While the latter is the principle of social organization hat allows the unequal to become equal, fraternity is the principle of social organization (that allows those who are equal (in their dignity and fundamental rights) to realize their diversity, i.e. to express their specific charisma or gifts (*mumera*) in a plurality of ways.

The 'good society' cannot content itself with solidarity alone, because this would serious compromise and limit the principle of liberty. Indeed, whilst a fraternal society is also a solidary one, the opposite is not necessarily true, as much present-day evidence clearly shows. No society is capable of achieving a desirable future if the principle of fraternity is set aside, because what results Is a society in which here is u 'giving l the sake having or receiving in exchange' or 'giving or the sake of duty or law'. That is 'That according to CV. neither the liberal-individualistic vision of the world where (practically) everything is an exchange of equivalents (of similar value), nor the state-centered vision of society, "-here (almost) everything is an obligation, is a sure guide leading us out of the drought that currently besets society.

An unconventional and most stimulating reading of globalization and of the present financial crisis Is the third element of novelty in Benedict XVI's encyclical A substantial increase in aggregate wealth chat goes hand-in-hand with a decrease in global inequality — though with a decrease in absolute poverty — is something disquieting from in ethical point of view. The tremendous increase in economic interdependence Is the major factor determining the explosion of financial externalities, to economists continue to pa much too little attention, Without denying the importance of technological externalities, the time has come to switch attention to financial externalities: whence the proposal for global governance but of a subsidiary nature.

The growing tension between the processes of economic globalization and political democracy. on the one hand, and the e down of cultural variations, on the other hand, is the ether aspect of globalization considered in depth by CV. The sense of omnipotence, fostered over the last four decades by that new phenomenon known Is the *financialization* of society, carne co dominate the mental habitus not only o! traders and financial institutions, but also of political authorities and even a significant number of universities and research centres. The self-referenential nature of finance - finance that becomes a end to and in itself — has meant that Ptato's maxim has been forgotten: 'The only good coinage with which it is necessary to change all others is *phronesis*, wisdom that remains on guard'. The famous American economist J.K. Galbraith rendered this maxim fairly prosaically as: 'It is good that occasionally money is separated from the imbeciles', since too many innocent people have to pay for the *hubris* of socially irresponsible leaders and managers. It is simply scandalous that the most vulnerable have to suffer because of that *hubris* is societies that have the audacity to call themselves both advanced and civil.

The leading idea of the Franciscans' socio-economic thought, as we have stressed repeatedly, is that of the common good. Naturally the modes and forms taken by the common good change with time and place. But the Catholic ethic can never give its cultural support to modes of production or economic organization which *de facto*, regardless of verbal declarations, deny the perspective of the common good. The key element of the ethics of common good – initiated by Aristotle – lies in its capacity to resolve the opposition between self-interest and interest for others, i.e. between egoism and altruism. It is this opposition, child of the individualistic tradition of thought, that prevents us from grasping what really constitutes our own well-being. The virtuous life is the best one not only for others – as the various economic theories of altruism would have us to believe – but also for us. This is the real significance of the notion of common good, that is the good of being in common and not a more sum-total of individual well-beings. The fact that in the last couple of decades social scientists-economists in particular – as well as moral philosophers have come again, in a multifarious way, to speak the language of common good is an important and revealing piece of news indeed.

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