ECO 301Y1

The Economic History of Later Medieval and Early Modern Europe:

Topic No. 5 [7]: The Church, the Usury Doctrine, and Late-Medieval Banking: Institutional Impediments to Medieval Economic Growth?

A. The Church and the Usury Doctrine:


* 5. Mark Koyama, ‘Evading the “Taint of Usury”: The Usury Prohibition as a Barrier to Entry’, Explorations in Economic History, 47:4 (October 2010), 420-42. Very mathematical; but the econometrics may appeal to economics specialists.


* 9. Clyde G. Reed and CliffT. Bekar, ‘Religious Prohibitions Against Usury’, Explorations in Economic History, 40:4 (October 2003), 347-68. Note: I was one of the journal’s anonymous referees who recommended publication of this article, even though I strongly disagree with many of its points. But, nevertheless, an intriguing alternative view, related to the following article.


B. Medieval Banking and Public Finances

1. Raymond de Roover, The Rise and Decline of the Medici Bank, 1397-1494 (Cambridge, Mass. 1963), especially chapters II (pp. 9-34) and VI (pp. 108-41).


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(c) Thomas Blomquist, ‘The Dawn of Banking in an Italian Commune’, pp. 53-76.


QUESTIONS:

1. Explain the Church's Usury doctrine and its evolution from the early Middle Ages to the 15th century. What was meant by the terms usury and interesse (interest)? Did the Scholastics develop an opportunity-cost theory of interest?

2. Did the usury doctrine impede medieval commerce, banking, and economic development? Under what conditions might an interest charge be imposed legitimately in a loan contract? Explain these so-called ‘exceptions.’

3. What distinctions did the Church make between usury and profit? What commercial contracts involving profit were legitimate according to the Church? Explain the commenda, collegantia, and compagnia contracts.

4. How did the Church and the usury doctrine influence the development of medieval banking and financial institutions and instruments: in particular, the bill of exchange? Did the usury doctrine increase the transaction costs in utilizing these banking institutions?

5. Medieval public finance: how did governments borrow money without contravening the usury laws? Explain the origins and development of the Florentine public debt, in the form of the monte di comune; and examine the development of a secondary market in public issues of the monte.

6. To what extent did state and other secular institutions support the ecclesiastical ban on usury?

7. Explain and discuss the role of the Jews as pawnbrokers and moneylenders in later medieval European society. How did pawnbroking work? To what extent were they subject to Christian usury laws? To what extent were they subject to social discrimination and other liabilities?

8. How did Islamic banking and finance differ from western European (Christian) practices in the late-medieval era?