

# On Exchanging Money (1499)

*Thomas De Vio Cardinal Cajetan*  
*(1469–1534)*

*Translated by Patrick T. Brannan, S.J.*

*Introduction by †Raymond de Roover*

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## Introduction

### **Cardinal Cajetan on “Cambium” or Exchange Dealings\***

Thomas de Vio (1469–1534), of the Dominican Order, better known as Cardinal Cajetan, scarcely needs an introduction. He is the author of the officially approved commentaries on the *Summa* of Thomas Aquinas, which are easily available in the magnificent Leonine edition of this *magnum opus*. Cajetan is even more famous as the papal legate whom Leo X (1513–1521) dispatched to Germany in a futile effort to bring Luther back into the Roman fold and to prevent the break that was to tear asunder the unity of the Western Church. In this capacity, Cajetan even made the stage on Broadway and appeared in John Osborne’s play, “Luther,” as the slippery and worldly cardinal who tried to coax Luther to retract in exchange for a full pardon and release from his vows. Whether or not such a role was in line with Cajetan’s character is a different matter. Far from being a slick and wily churchman, Cajetan was a learned theologian, well versed in scholastic dialectics, who was perhaps the most scholarly member of the College of Cardinals during the pontificates of Leo X, Adrian VI, and Clement VII. If his mission proved a failure, probably no one else would have succeeded.

Cajetan was a prolific writer. Besides the commentaries on the *Summa*, already mentioned, he wrote numerous philosophical and theological works, and his advice was often sought on controversial questions. In the last years of his life,

he devoted himself entirely to biblical exegesis and came out with interpretations that were often far ahead of his own time. In response to requests for clarification of the issues involved, Cajetan also wrote three short treatises, or opuscles, on socioeconomic problems: one on usury; a second on the *montes pietatis*, which he bitterly opposed; and a third on *cambium*, or exchange dealings. In a brief study like this, it is impossible to tackle all three of these subjects, and we must therefore strictly confine ourselves to only one of them. We have picked the third because it deals with a topic that involves special difficulties and requires acquaintance with banking practices on which we have written extensively before.

The tract on *cambium* first appeared in 1506 separately; later it was included in several sixteenth-century editions of the *Opuscula omnia* of Cardinal Cajetan. A modern edition, limited to the latter's socioeconomic tracts, is now available and should henceforth be used for scholarly purposes in preference to any other.<sup>1</sup>

Contrary to what some believe, *cambium* is not a small and narrow topic, since it involves much more than mere money-changing and embraces the whole question of the development of banking. When Cardinal Cajetan uses the word *campsores*, he refers not only to money-changers but also to exchange-dealers who operated on the money market and would be called "bankers" today. Because of the Church's usury doctrine, bankers were not supposed to charge interest and, consequently, had to look for some other way of lending money at a profit, with the result that banking became tied to exchange: local banking to manual exchange (*cambium minutum*), and foreign banking to real exchange or exchange by bills (*cambium per litteras*). Since the discounting of commercial paper was ruled out by the usury prohibition, bankers bought bills of exchange at a price that was determined by the foreign exchange rates. The whole question was whether such transactions were licit or whether they involved usury. It goes without saying that medieval and Renaissance bankers could not afford to lend money gratuitously and that interest was charged surreptitiously by being concealed in the rate of exchange, but the theologians, including Cajetan, were unable to accept this fact without being forced to condemn all banking as usurious and to brand it as a sinful profession, like pawnbroking, histrionics, or prostitution. This was the ticklish problem with which Cajetan came to grips.

Although he was in sympathy with humanism, he approached the issue in scholastic fashion and tried to determine which exchange transactions were licit and which were illicit. In his tract, he starts out by dividing exchange transactions into three categories: those that were clearly licit, those that were clearly illicit, and those that were doubtful.<sup>2</sup> Most of his tract is devoted to the difficult task of

justifying the latter by emphasizing exchange and downgrading credit as one of the features of an exchange contract.<sup>3</sup>

Among the exchange transactions that were clearly licit, Cajetan mentions first manual exchange in which money-changers charged a fee for changing gold pieces into silver currency, or vice versa. As long as the fee was moderate, such transactions raised no problem, since they were on a cash basis and involved no extension of credit. Next, the Cardinal approved of bankers who sold letters of credit and undertook to pay the value thereof abroad. They were obviously entitled to a remuneration for their services, just as the American Express Company rightly charges a commission when issuing travelers checks to tourists. Cajetan did not even question the practice of money-changers who collected certain coins to send them abroad where they would be worth more. In many countries, however, the export of specie was forbidden and punishable by the civil authorities, although such a practice might not have fallen under any ban of the Church.<sup>4</sup>

What Cardinal Cajetan unreservedly condemned was dry and fictitious exchange, whether or not any bills were actually sent abroad, because such transactions were not entered into in order to transfer funds from one country to another, but to derive a profit from a loan disguised under the color of an exchange transaction. This was palliate usury, that is, usury concealed in the form of a contract *in fraudem usurarum*, although he does not state so explicitly.<sup>5</sup> Neither does he attempt to describe dry and fictitious exchange, which involved exchange and reexchange between two banking places either at current market rates or at rates set in advance by the contracting parties. In the first case, such a transaction still retained its speculative character, since exchange rates fluctuated and the banker did not know in advance the rate at which he would be able to make his “returns” or what his profit would be, and he might even lose—but rarely. In the second case, this rate was determined beforehand, so that he knew from the start how much he would earn, and there was no difference between such a contract and a barefaced loan at interest. For example, a banker in Venice who sold Venetian *ducats* at, let us say, 53 English *sterlings* per *ducat* with the understanding that he would repurchase them three months later at the rate of 50 *sterlings*, would make a profit of 3 *sterlings* per *ducat*, whether the *ducat* in the meantime went up or down, and it made no difference whether or not bills were actually sent to London for collection.<sup>6</sup> Sending the bills would only have added trouble and expense. Furthermore, such a contract yielded a return of 12 percent per annum to the lender, which rate was not above normal in the Middle Ages.

The theologians had blinders in this matter and overlooked the fact that such contracts, however damnable from their point of view, had the advantage of shielding both parties against the deleterious effects of erratic exchange fluctuations that could either overburden the borrower or inflict a loss on the lender for the doubtful privilege of lending his money. According to ten cases of exchange and reexchange recorded among the papers of the Medici Bank, the range of earnings extended all the way from below zero to 26.1 percent per annum, certainly well beyond the average rate of productivity that could be reaped from business ventures.<sup>7</sup> One may conclude therefrom that the usury prohibition, far from being beneficial to the business community, increased both the risk and the expense of operating in the money market.

What really retains Cajetan's attention and what he discusses at considerable length is the lawfulness of the *cambium reale*, or real exchange in which a banker buys a bill of exchange for ready money and expects to collect the value through correspondents in another place and usually, though not always, in another currency. Thus defined, real exchange necessarily involved a credit transaction linked to an exchange transaction, since time elapsed between the conclusion of the contract in one place and its completion in another. To implement a *cambium*, the favorite instrument was the bill of exchange which, as the name implies, was not simply a mandate to pay, similar to the modern check, but was literally a bill of "exchange" payable in another place and in another currency. Even a sight draft was a credit instrument, since it had to travel from the place where it was issued to the place where it was payable, and this took time in an age when communications were so slow.

A *cambium* was thus an ambiguous sort of contract, and its ambiguity gave rise to an endless controversy that started in the thirteenth century in connection with exchange dealings between Genoa and the fairs of Champagne and was still going strong under the pontificate of Benedict XIV (1740–1758), when the last defenders of the traditional usury doctrine took a stand against the insidious attack of Marchese Scipione Maffei (1675–1755).<sup>8</sup> To calm the tempest, Pius V (1566–1572) issued, on January 28, 1571, the bull *In Eam* that, in line with Cajetan's opinion, explicitly condemned all forms of dry and fictitious exchange, but it met with little success.<sup>9</sup> The quarrel, far from being quelled, erupted into a new paroxysm of vehemence as rigorists and latitudinarians joined battle over the interpretation of *In Eam*. The latitudinarians, eager to accommodate the bankers on earth and in heaven, fought tooth and nail to defend the position that

all exchanges were licit, provided they were concluded at the just price, that is, at the current rate.

Being eager to uphold real exchange as a licit contract, Cajetan rejects the opinion of early canonists, chiefly Geoffrey of Trani (d. 1245)<sup>10</sup> and Henry of Susa, Cardinal Hostiensis (d. 1271), who claimed that it was a loan, or *mutuum*, which became usurious once it ceased to be gratuitous.<sup>11</sup> Cajetan's main argument is that profit from exchange transactions is not certain, which is true, although losses occur only in exceptional cases when the money market is seriously disrupted or in disequilibrium, as the economists would say.<sup>12</sup> This argument, therefore, does not carry much weight; however, Cajetan is on firmer ground when he points out that *cambium* is not a loan because it involves an advance, which is repayable not in the same but in a different currency and in a distant place.<sup>13</sup> In other words, if a banker disbursed *ducats* in Venice in order to receive *pounds sterling* in London at a later date, or the reverse, this was no longer a loan, but an exchange transaction despite the fact that there was a time interval between the advance made in one country and its repayment in another. According to Cajetan, the profits of the exchange-dealers are also condoned on account of *labores et expensae*, since they have to maintain offices and keep clerks to serve their customers.<sup>14</sup>

After questioning whether *cambium est mutuum* or whether *cambium* should be classified as a loan, Cardinal Cajetan also denies that it is either a *permutatio pecuniae pro pecunia* (a commutation of moneys)<sup>15</sup> or a *contractus innominatus do ut des*.<sup>16</sup> In this connection, he mentions the opinion "of a certain illustrious doctor in theology" (*cuiusdam doctoris in theologia*), a reference very probably to Sant'Antonino, archbishop of Florence, one of the very few who regarded *cambium* as a *contractus innominatus*.<sup>17</sup> The reasons given by Cajetan for his rejection are neither convincing nor clear; his main point is, however, that, in a *cambium*, the foreign currency is not used as a means of exchange—the primary use of money—but as a vendible commodity, which is only a secondary use.<sup>18</sup> Furthermore, Cajetan points out, the exchange-dealers themselves avow that their aim is to make profits, not just to avoid losses, and to meet their payroll and other charges; if it were otherwise, why would they stay in business?<sup>19</sup> Thus, he comes to the conclusion that *cambium* is an *emptio venditio* consisting in the purchase and sale of a foreign currency at a price, which like that of any other commodity may fluctuate in accordance with circumstances of time and place.<sup>20</sup>

The purpose of this analysis was to free *cambium* from any suspicion of usury, unless it were grossly misused to cover up a loan, and to make it subject to the rules that governed the just price, especially in the matter of credit sales. According to the norms set down by the canons *Consuluit* and *Naviganti*, the price on future deliveries and on credit sales may differ from the one on cash sales because of the uncertainty as to the behavior of prices and conditions of supply and demand in the near or distant future.<sup>21</sup> This concession, which is called *venditio sub dubio*, was thus extended from commodity sales to *cambium*, provided, of course, that prices were not made to vary solely in response to delayed payment, or *ratione dilatae solutionis*. Still Cajetan betrays his uneasiness because he notes that exchange rates tend to rise in Milan with the approach of the Geneva fairs and that, for instance, the rate of a gold *mark* payable at the Epiphany fair is lower in October than in November, and in November than in December. He explains this phenomenon by the rather flimsy argument that those operating in the money market rated a gold mark higher when the fair was near and less when it was still remote.<sup>22</sup> True, but is this not the best evidence of the presence of the interest factor as a major cause of exchange fluctuations? Cajetan, however, extricates himself from this difficulty by arguing that the rate, as the fair came close, *sometimes* fell below the one quoted at an earlier date, which is also true, since exchange rates respond to factors other than interest.<sup>23</sup> Nevertheless, this observation, while correct, does not remove interest from the scene and proves only that at times other factors may be powerful enough to override its action on the money market without eliminating it. Cajetan's argument, therefore, is of questionable validity and rests on faulty analysis because he wants to prove by all means that interest has little influence, if it has any influence at all.

Since, according to Cajetan, *cambium* ought to be regarded as an *emptio venditio*, he makes the most of market valuation and states that the market places a higher value on expendable than on nonexpendable money.<sup>24</sup> So far as I know, he is the first moralist to make this distinction.<sup>25</sup> By expendable money he means local or present currency, while nonexpendable money refers to foreign or absent currency, that is, to funds available only in a distant place.<sup>26</sup> This distinction between present and absent money will be taken over by later writers affiliated with the School of Salamanca, namely Martín de Azpilcueta (1492–1586), better known as Dr. Navarrus, and Leonardus Lessius, S.J. (1555–1623).<sup>27</sup>

In one passage, Cajetan states that the speculators operating in the money market value either the foreign currency less than local currency or the local

currency more than foreign currency, which is saying the same thing, though in slightly different words.<sup>28</sup> What does he mean exactly by this statement? In my opinion, there seems no doubt that it refers to the way in which the exchanges were quoted, either in local or in foreign currency.<sup>29</sup> Thus, the Venetian *ducat* was usually worth from three to four *sterlings* more on the Rialto than in Lombard Street.<sup>30</sup> In the same way, the *écu* of 22 *groats*, Flemish currency, was as a rule rated higher in Bruges, where it was a local money of account, than in Barcelona, where it was a foreign currency. This pattern is corroborated by strong statistical evidence based on actual exchange quotations extending from 1395 to 1406.<sup>31</sup> Thus, in January 1400, the *écu* was quoted in Bruges 10s. 5½d. to 10s. 6d., Barcelona currency, whereas the rate of this same *écu* in Barcelona never went above 10s., in local money. As long as this condition obtained, the lender or the buyer of bills, whatever his place of residence, whether Barcelona or Bruges, was bound to make a profit on exchange and reexchange between these two banking centers.

Although present money was thus usually more esteemed than absent money, it could, and it did, happen—but rarely—that the exchange rates were out of gear; such a situation, however, was not likely to last, since it was not compatible with the equilibrium of the money market: It was altogether unnatural for the bankers to go on indefinitely lending money at a loss. The theologians, however, seized upon this possibility to support their contention that exchange dealings were speculative and not usurious. Among others, Cajetan insists that exchange rates vary with distance in space, overlooking that distance in space was also distance in time, at least before the invention of the telegraph in the middle of the nineteenth century.<sup>32</sup>

All along, Cajetan requires that place difference be respected as an essential feature of the exchange contract and attaches even more importance to it than to observance of the currency difference. He even gives his rather reluctant approval to exchange dealings when the same money is current in the place where the contract originates and where it is carried out.<sup>33</sup> Another requirement that he stresses is that exchange contracts be concluded at the just price, that is, at the rate set by common estimation.<sup>34</sup> This expression in scholastic treatises was synonymous with market value in the absence of all fraud and conspiracy.

Cajetan claims that he questioned some business men about their practices. We may well take him at his word. Notwithstanding the fact that his treatise is sometimes tedious, rather pedantic, and indulges too much in scholastic subtleties,

it shows evidence of acquaintance with actual practices; although it is questionable how thoroughly Cajetan understood the ins and outs of the exchange business, the factual information he gives is accurate enough, and I have detected no major mistake. It is also quite possible that Cajetan, on a visit to Florence, had conversations on the subject with Fra Santi Rucellai, who, under the name of Pandolfo, had been a Florentine banker before taking the habit of Saint Dominic at the priory of San Marco. In his treatise on exchange, written for Savonarola, Fra Santi alludes to consultations with a prominent canonist and theologian, also belonging to the Dominican Order. This reference points to Cajetan who, already in 1496, was known as an outstanding canonist and theologian.<sup>35</sup>

By defining the *cambium* contract as an *emptio venditio*, Cajetan subjected it to the rules of the just price, but there is no way of denying that it contained an admixture of elements taken from the *mutuum*. The consequences were not immediately apparent, but they almost inevitably led to laxity and to the approval of all exchanges concluded at the just price, leaving out of the picture only fictitious exchanges, because they were based on fictitious or arbitrary rates instead of on quotations set by market conditions. It is not astonishing, therefore, that Cajetan's definition was later adopted by all theologians inclined toward leniency, including the Neapolitan and Sicilian Theatines, Marco Palescandolo (1542–1622),<sup>36</sup> and Antonio Diana (1585–1663),<sup>37</sup> the Sienese Augustinian, Celestino Bruno (d. 1664),<sup>38</sup> and the Genoese Barnabite, Antonio Benedetto Sansalvatore (ca. 1563–1633),<sup>39</sup> whose work was even put on the index because of its excessive indulgence toward the Genoese bankers who operated on the so-called fairs of Besançon. Cajetan's treatise helped to lift the barriers that still opposed the march of capitalism.

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## Notes

- \* *Ed. note:* This text of the same title, written by the late Raymond de Roover (1904–1972), was first published shortly after his death in an edited collection titled, *Philosophy and Humanism: Renaissance Essays in Honor of Paul Oskar Kristeller*, ed. Edward P. Mahoney, 423–33 (New York: Columbia University Press, 1976). An effort has been made to secure permission from the copyright holder to reprint this essay but, after an extensive search involving the U.S. Copyright Office to identify the current copyright holder of the work, it was determined that the essay—though not formally within the public domain—is in orphan status, and thus able to be reprinted without permission from the author or his heirs. The author never assigned copyright to himself, and the publisher, E. J. Brill in the Netherlands, reports that it has no record of the copyright having been transferred to itself. Thus, this work, though protected under U.S. copyright law, is an orphan. The *Journal of Markets & Morality* reprints it now as a testament to †Raymond de Roover’s original and enduring contribution to the field of economic historiography.
- <sup>1</sup> These three opuscles were written respectively in 1500, 1498, and 1499, but were not published until 1511, except the one on *Cambium*, which appeared separately in 1506. I own an edition of these opuscles of Cardinal Cajetan, three volumes in one, bearing the title: *Opuscula omnia Thomae De Vio Caietani, Cardinalis tituli Sancti Xysti, in tres distincta tomos* (Venice, 1588). All the socioeconomic writings of Cardinal Cajetan are now available in a modern edition: *Scripta philosophica, Opuscula oeconomico-socialia*, ed. P. P. Zammit, O.P. (Rome, 1934). All references given here are to this modern edition. I also had at my disposal an unpublished English translation of the *Cambium* treatise made by Richard L. Derry, a former student of mine at Boston College, whom I wish to thank.
- <sup>2</sup> Cajetan, *De Cambiis* (Rome, 1934), 94, cap. I, No. 204. Hereafter cited as Cajetan.
- <sup>3</sup> Up to now, the best critical comments are those of Wilhelm Endemann, *Studien in der romanisch-kanonistischen Wirtschafts- und Rechtslehre bis gegen Ende des 17. Jahrhunderts*, 2 vols. (Berlin, 1874–1883; repr. Aalen, 1962), I, 146–51. Cf. Luciano Dalle Molle, *Il contratto di cambio nei moralisti dal secolo XIII alla metà del secolo XVII* (Rome, 1954), 63–66. Dalle Molle’s comments are less useful and less reliable.
- <sup>4</sup> Cajetan, 94–95, cap. I, Nos. 205–7.
- <sup>5</sup> *Ibid.*, 95–96, Nos. 208–9.

- <sup>6</sup> Numerous examples in Rawdon Brown, ed., *Calendar of State Papers, Venetian*, I (1209–1519) (London, 1864), 78, No. 317; 79, No. 321; 88, No. 354; 113, No. 391; 116, No. 400; and *passim*. Thus, for example, a bill bought in Venice at 44¼ *st.* per *ducat* on September 4, 1453, was returned from London on December 4 following at 39¾ *d. st.* per *ducat*.
- <sup>7</sup> †Raymond de Roover, *The Rise and Decline of the Medici Bank, 1397–1494* (Cambridge, Mass., 1963; corrected 2nd printing, 1968), 120–21, Table 24. See also 117–19, Tables 22–23.
- <sup>8</sup> On this controversy, see Raymond de Roover, *L'évolution de la lettre de change* (Paris, 1953), which contains a critical bibliography including more than 120 titles of scholastic and legal treatises, 170–216. Cf. Dalle Molle, *Il contratto*.
- <sup>9</sup> The text of the bull *In Eam* is available in many publications. I have used the text as published by Sigismondo Scaccia, *Tractatus de commerciis et cambio* (Venice, 1669), § 9, “Constitutiones pontificiae.” The date of *In Eam* is Vth Kalend of February 1570, style of Incarnation, hence January 28, 1571. Cf. Giambattista Lupo, *De usuris et commerciis illicitis* (Venice, 1582), Commentarius III, § 2, No. 68.
- <sup>10</sup> *Summa super Rubricis Decretalium* (Basel, 1487), rubric *De usuris*, § 33. Geoffrey’s text is brief: “What about some one who lends money in order to receive at maturity gold or silver or a different kind of currency? I answer that if he does this in order to gain in the valuation [of the other currency], he is a usurer (*usurarius est*).”
- <sup>11</sup> *Summa aurea*, Liber V. rub. *De usuris*, No. 8 in fine. Hostiensis quotes Geoffrey of Trani with little change in the text, but he adds that those who lend money from fair to fair at a profit also are usurers, whether or not usury is veiled under the name of a sale, or a commutation, or any other contract.
- <sup>12</sup> Cajetan, 99, cap. II, No. 216: “But it is well known that all bankers practice these exchanges in the hope of gain, so that a profit is likely to result, although this does not always occur (*quamvis non semper eveniat*), as they themselves acknowledge.” *Ibid.*, 103, cap. III, No. 226: “In real exchange the danger of loss is shifted to the money lender, since it occurs that he recovers less than his principal, although such an occurrence is rare.”
- <sup>13</sup> *Ibid.*, 103, cap. III, No. 227: “In cambiis autem realibus fit permutatio monetarum diversorum generum et in diversis locis.”
- <sup>14</sup> Cajetan, 102, cap. II, No. 222.
- <sup>15</sup> *Ibid.*, 102, cap. III, No. 224.
- <sup>16</sup> *Ibid.*, 107, cap. IV, No. 234.

- <sup>17</sup> Sant'Antonino, *Summa theologica* (Verona, 1740), Part III, tit. 8, cap. 3 (col. 299D).
- <sup>18</sup> Cajetan, 107, cap. IV, No. 235; 109, No. 240; 111, cap. V, No. 245; 112, Nos. 246–47.
- <sup>19</sup> *Ibid.*, 101, cap. II, No. 220.
- <sup>20</sup> *Ibid.*, 107, cap. IV, No. 235.
- <sup>21</sup> *Corpus juris canonici, Decretales, in X*, V. 19, 10 and 19. Cf. Cajetan, 120, cap. VI, No. 272.
- <sup>22</sup> Cajetan, 108, cap. IV, No. 237.
- <sup>23</sup> *Ibid.*, 109, cap. IV, No. 239.
- <sup>24</sup> *Ibid.*, 114–15, cap. VI, No. 253, and pp. 116–17, No. 261.
- <sup>25</sup> Sylvester has the same idea and states that a “distant” commodity is worth less than one “present” or readily available. *Summa summarum que Silvestrina dicitur* (Bologna, 1514), rubr. *Usura IV, 5° queritur*.
- <sup>26</sup> This meaning is made clear by Cajetan, 124–25, cap. VII, No. 284. Cf. John T. Noonan Jr., *The Scholastic Analysis of Usury* (Cambridge, Mass., 1957), 318.
- <sup>27</sup> Azpilcueta, *Comentario resolutorio de cambios* (Salamanca, 1556; modern ed., Madrid, 1965), cap. XIII, No. 62; Lessius, *De justitia et jure* (1st ed., Louvain, 1605), Liber 2, cap. 23, dub. 4, No. 28 (“maior aestimatio pecuniae praesentis quam absentis”) and No. 34 (“secundus titulus quo in hoc cambio lucrari potest, est maior aestimatio pecuniae in loco, ubi datur quam ubi redditur”). See Raymond de Roover, “Leonardus Lessius as an Economist,” *Mededelingen van de Kon. Vlaamse Academie voor Wetenschappen, etc., Klasse der Letteren*, XXXI (Brussels, 1969), fasc. No. 1, p. 27.
- <sup>28</sup> Cajetan, 96–97, cap. I, Nos. 210–11.
- <sup>29</sup> Noonan (*Scholastic Analysis of Usury*, 318–19) asks himself the same question, but seems to think that Cajetan’s statement does not make sense. However, it does make good sense, if rightly understood.
- <sup>30</sup> See above note 6.
- <sup>31</sup> Raymond de Roover, “The Bruges Money Market around 1400,” *Verhandelingen van de K. Vlaamse Academie voor Wetenschappen, etc., Klasse der Letteren*, XXX (Brussels, 1968), 24–25 (Charts 1 and 2), 105–34, 135–54 (Appendices 1 and 2).

- <sup>32</sup> Cajetan, 122–23, cap. VI, No. 280 and 124–26, cap. VII, No. 284–85. Cajetan, however, contradicts himself on this crucial point by stating that the exchange-dealers give less and less in local currency or expect to be repaid more and more in foreign currency, depending upon the greater remoteness of the maturity date (p. 97, cap. I, No. 211).
- <sup>33</sup> *Ibid.*, 123–24, cap. VII, No. 282.
- <sup>34</sup> *Ibid.*, 125, No. 285.
- <sup>35</sup> Raymond de Roover, “Il trattato di Era Santi Rucellai sul cambio, il monte commune e il monte delle doti,” *Archivio storico italiano* 111 (1953), 41.
- <sup>36</sup> Giovanni Cassandro, *Un trattato inedito e la dottrina dei cambi nel Cinquecento* (Naples, 1962), cap. 32, 145–47. The author cites Cajetan as his authority.
- <sup>37</sup> R. de Roover, *L'évolution*, 181–82.
- <sup>38</sup> Domenico Maffei, “Notizie su alcuni trattati cinque-seicenteschi in tema di cambi,” *Banca, Borsa e Titoli di Credito: Rivista di dottrina e giurisprudenza* 18 (1965), 309–28.
- <sup>39</sup> R. de Roover, *L'évolution*, 200–201. Cf. Ulisse Gobbi, *L'economia politica negli scrittori italiani del secolo XVI-XVII* (Milan, 1889), 249–57.

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***Translated by Patrick T. Brannan, S.J.***

## Preface

**201.** The leisure, that I have been currently afforded, venerable and dearly beloved Father, inclines me to produce the treatise on the exchange of money that I promised your paternity and has finally moved me to write after consulting money changers and perusing opinions of various authors on these subjects and quite lengthy meditation.\*

**202.** So great is this subject's obscurity and intricacy that custom along with supporters, on the one hand, and very many doctors, with modern ones, however, remaining immoveable, on the other, think that silence is preferable. But, as I have already dedicated many days to reading and meditation and appear guilty

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\* There are different titles for this little work: (A.) *A Treatise on Money Changing by Friar Thomas Cajetan, of the Order of Preachers and Professor of Sacred Theology, to the Venerable Preacher and Prior of Brixia, Friar Andrew Brixia of the Same Order*; (P.) *To the Venerable Preacher and Prior of Brixia, Friar Andrew of Brixia. A Treatise on Money Changing*; (L.) *Thomas de Vio Cajetan, Cardinal of Saint Xystus, to the Venerable Father, Friar Andrew of Brixia, and Prior of Brixia, a Preface on a Treatise on Money Changing*; and (V.) *A Treatise on Money Changing Divided into Eight Chapters, to the Lord Andrew of Brixia, Prior of Brixia*. These texts correspond with the following manuscripts: *A. Antiquior* (the older edition); Bonetus Locatelli, 1506. *P. Parisiensis* (Paris); Jean Petitot, 1511. *L. Lugdunensis* (Lyons); John Crispin, 1541. *V. Veneta* (Venice); at Juntas, 1588.

of being unfaithful to my promise, I have decided with the help of God's assistance to compose three treatises on money changing.

**203.** First of all, we have to separate doubtful issues from certain ones. Then, we must introduce others' opinions about the doubtful issues. Finally, I must support my opinion on these issues.

# 1 Three Kinds of Money Changing

**204.** Although there are many kinds of money changing, it is certainly enough to make a threefold division. There are some exchanges that are clearly just. Some, however, are just as obviously unjust. Some are in between these two, and doctors are in doubt as to whether they are just or not.

**205.** These three forms of money changing are just.

The first kind is when a money changer in a case of small money changing makes a moderate profit following the usage of his native land. It is termed *small money changing* because the money changer in return for a gold *ducat* gives the usual money that is current in that country; or, vice versa by giving something less than what he receives. In this way natural fairness is observed by the fact that some consideration has to be given for the money changer's activity and work. Because it is permissible for agents in the other arts to receive recompense for their respective exchanges of labor and industry, there is no doubt that money changers who engage in exchanging coins are permitted to do the same as well. Therefore, those who maintain that such profit alone is permitted to money changers hold a reasonable position. Thus, if a private citizen has to exchange a gold *ducat*, he should make no profit, for the exchanging of native coins does not vary in value like the rest of the exchanging but is set. For example, a gold *ducat* is valued at twelve *marcelli*. Just as it is not just to violate equity in other exchanges, the same is true in changing coins. Consequently, it is not permissible to receive more than is given in a small exchange of money except in two cases.

Either, it is in recompense for service, that is, in carrying out the state function of money changer—we are not concerned here with counting money, as some think (because it frequently happens that a money changer counts less than the receiver, and the act of counting is not properly mercenary but is accustomed to be given free of charge, like making use of a book and the counting of one giving money corresponds to the counting of the money changer). Or, it is because of the inconvenience that someone suffers by the removal of such a kind of money from himself or the quality of the coins (as will be discussed later). In general, these things are not found in individuals who are not money changers.

**206.** Second, there is the case of a money changer who makes a moderate profit from the fact that Peter who has a certain sum of money in Milan gives it to a money changer to have an equal sum of money given to himself or to another in Rome. If a money changer makes a profit from this, the fee is just, for the money changer plays the part of a middleman in this activity. It is not fair to take away his profit from his service.

**207.** Third, there is the case of a money changer making profit because he transfers money from one place where its value is less to another place where it is more. This act of business is dealing in coins, and so it seems to have been the very beginning of the art of money changing, as is stated in the first book of the *Politics*.<sup>1</sup> It is permissible just as it is permissible in other businesses to increase profit.

**208.** There is, however, no doubt that two forms of money changing are unjust. The first instance occurs when the money changer profits or aims at profiting from the fact that he gives a certain sum of money under the guise of money changing from Lyons or London to Peter who needs it in Milan. It is a known fact that in truth restitution is required in this instance on both sides: whether or not letters for money changing are made and presented. As a matter of fact, this is clearly an instance of money changing in name only and is really a loan with profit or the hope of profit inasmuch as it was done in a different way.

**209.** The second instance comes down to the same thing: A money changer for profit gives Peter in Milan the hundred *ducats* he needs and receives from the same Peter a month from now their value in Venice according to the money-changing rate of ten pounds of *groats* that are normally equal to one hundred *ducats*, however, in the process of exchanging in Venice the value of the money is up at one time and down at another. Truly, this transaction is a lending contract, cloaked in the name of money changing, and takes place with a hope for

profit against that statement in Luke 6.<sup>2</sup> *Lend, expecting nothing in return*. It is generally carried out in the probable expectation of gain because it is generally accustomed to be at that time worth more than ten pounds of *groats*, although on occasion, but rarely, the value is less. Therefore, this transaction is one of usury. There is no excuse for it except in the case where Peter needed those hundred *ducats*, and the money changer was prepared to make a real exchange for those one hundred for the Venetian money in that way and at Peter's insistence that he would give them to him on this agreement. This is a licit contract of true money changing and will be discussed later.

**210.** Of the questionable types of money changing, some are so because of money changers, some are so because of the recipients of money changing.

Questions arise on the money changer's side from two sources. Either one puts the value of the foreign coin lower than its common value where it has to be restored and for this there must be restitution; or one puts a higher value on one's own coin than he gives than its common value in the place where it has to be restored. Wherever they occur, all solid money changing can be reduced to these two types that are very close and come to the same thing. Money changing in Lyons works the first way: A money changer in Milan gives sixty *scudi* to Peter who needs a mark of *gold* that is commonly worth sixty *scudi* there, but that is not according to the value of a *scudo* in Lyons. There a *scudo* is commonly valued at 30 *groats* but here in Milan at 28 *groats*. In this way, he gives himself so great a sum of money that comes to 60 *scudi* at the rate of 28 *groats* for a *scudo*. The second way is found in money changing in both London and Bruges. Here, a money changer in Genoa gives Peter, who needs them, 1,000 *ducats* but not according to the value of the *ducat* current in Bruges or London, for the value of the *ducat* there is 50 *groats*, but in Ghent its value is 52 *groats*. So the person receiving the exchange is held to give 52 *groats* in Bruges and London for each *ducat*. The remaining money exchanges are similar on the part of money changers. The actual money involved is not important: Our examples are for the readers' understanding.

**211.** The introduction of temporal relationship increases the ambiguity of the aforesaid money exchanges. The money changers admit that the more distant the time of paying out the money is, the less is the value of the money in the first case and the greater in the second case.

**212.** On the part of persons receiving the exchanges, the exchanges can vary in six ways: according to the difference of the same or dissimilar money, and the

difference of definite or doubtful or accidental profit. These things seem to give rise to some sort of difference per se in money changing. First of all, Peter can happen to give a money changer in Milan a hundred gold Florentine *ducats* and want the same number of Florentines in Florence. Second, Peter can happen to want silver money in Florence, say Florentine *groats*, but as many as are equal to 100 gold Florentine *ducats* in Florence.

Third, Peter can happen to want good, gold or silver, money at Florence for those *ducats*, in accordance with what they are worth at the time of their payment, say on market days in Florence.

**213.** Each of these possibilities could happen in two ways: that is simply as presented or with some added, definite profit, so, for example, Peter wants not only the aforesaid 100 *ducats* in Florence as described, but he also wants four other *ducats* to be given him beyond this. Because the principal question does not concern them but those that are connected with the money changer, there will not be much talk about them. They will be discussed at the end of the treatise. To avoid trifling with or confusing our readers, let the money exchanges that are to be discussed be called real, although many call them solid money exchanges or money exchanges by letters.

## Notes

<sup>1</sup> Cf., no. 248.

<sup>2</sup> Verse 35.

## 2 The Opinions of Those Who Say Usury Is Present in Real Money Exchanges

**214.** Doctors are found to speak in different ways about different assumptions on these sorts of money exchanges. Some principles proceed to presuppose that such money exchanges smack of a contract to lend. Other principles proceed to deny that a loan is involved here. Therefore, we must discuss one by one the arguments of each and every individual.

**215.** Therefore, there are the opinions of those who claim or maintain that contracts for real exchanges of money are loan contracts, granted they are called exchanges of money. They vary in their evaluation however: Some say that such money changing is unjust and usury; others, indeed, that they are permissible.

**216.** Those who say that it is usurious, although they are influenced by many reasons, have this point as their foundation: It is, as is clear, usury to make a loan based on the hope and agreement of probable profit. Further, it is agreed that all money changers engage in money changing with the hope and stipulation of profit. Therefore, they also institute the aforesaid agreements that profit can probably result, even though it does not always happen as they themselves admit. Therefore, it is usurious to engage in this money changing. They prove that this is really a substitute for a loan from the fact that this contract grants money that is not up for sale with a transfer of ownership and receives money. It is, however, agreed that these conditions are sufficient for a contract for a loan. Goffredus<sup>1</sup> and Hostiensis<sup>2</sup> authoritatively endorse this opinion as does the Archbishop of Florence in the second and third parts of his *Summa*<sup>3</sup> where he also says that many learned and devout men were of this mind.

**217.** Those, however, who admit that this is a loan and that it, nonetheless, is a question of money changing without usury, base their position on the question of interest and contracts. As far as interest is concerned, it is permissible even in a contract to avoid loss. It is clear, however, that someone who lends one hundred gold *ducats* in Genoa would incur a loss if just as many gold *ducats*, or their equivalent there, were paid him in Bruges, precisely both because he would give more than he received inasmuch as it is the fact that a gold *ducat* is worth more in Genoa than in Bruges and because he has to undertake the expense of the contracted money to regain it at Genoa where the contract for the loan was made. It is, therefore, permissible to put a greater value on the *ducat* so that the lender does not incur any loss. Such is the procedure in a money changing of this sort.

**218.** As far as contracts are concerned, inasmuch as no one is obliged to perform a service at his own expense and a money changer and ministers serve the public good in legitimate work in making the aforesaid loans it follows that they should get their fitting payment just like the ministers of the *Mons Pietatis*.<sup>4</sup> Because we must take into consideration employment in connection with a permitted activity, he should be given some reward as well. Therefore, all things considered, such an increase is permissible.

**219.** Actually, neither of these opinions is true. For, there is no foundation for the first opinion. As will be obvious below, this is not a contract for a loan.

**220.** The second opinion is based on a false assumption and, consequently, makes no sense. It is based on a false assumption when it states that in money changing of this sort more can be taken to avoid interest. The money changers claim that this is not true, and they say that they insist on money changes of this sort not to avoid loss but to make a gain. They maintain that if those engaging in money changing were obliged to restore precisely what they received and in the place that they received it they would make no loans. The reason for engaging in this practice is gain. It is, therefore, clear that more is not taken as interest for the expense of the ministers. Were money changers to seek nothing else from their business than to remain free from loss they would not engage in money changing but would hold on to their money or employ it in another way, as they themselves admit.

**221.** Thus, we do not say: It is not permissible to set up a lending business in cities and to establish ministers, and, in consideration of the labor and activity, it is not permissible to look for supporting gain. It is obvious that this would entail doing a moderate business in usury.

**222.** We have spoken at length in our special treatise on this question about the permissible method and kind of recompense for the ministers of the *Mons Pietatis* and the people who should pay it.<sup>5</sup> At present, it is enough to know both that it is not like their work because the purpose of money changing is gain, and that, as experience shows, it is not permissible to engage in the lending business so that by taking into consideration works, dangers, and industry one gains more than one's capital as a means of support for oneself and one's family as is permissible in business and banking.

**223.** Therefore, usury is found in money changing if it involves a lending contract. Therefore, Goffredus and Hostiensis, when they treat this matter under the title of a loan (inasmuch as money is lent and another kind of money is paid back in the hope of gain) said that it is usury.

## Notes

<sup>1</sup> Goffredus de Trano, born in Trano (Turenum in Apulia), professor of civil law at Naples, canon law at Bononia, and later auditor of the *litterarum contradictoriarum*, in 1244 Cardinal deacon of St. Hadian (died 1245). He wrote a *Summa* (1241–1243) and *Apparatus in Decretales Gregorii. IX*.

In the *Summa*, on usury, no. 33: “What if someone lends money and is going to receive at the end gold or silver or money of some other kind? My reply is, if he does this to make a profit in value, he is a usurer” (edited in Venice, 1564, p. 444).

<sup>2</sup> Hostiensis or Henry de Segusio, called *the monarch of both laws*. He was born in Segusii (Sussae) in the territory of Turin, a professor at Paris, in 1244 Bishop of Sisteron, in 1250 Archbishop of Ebrodunensis, in 1261 Cardinal of Ostia, hence his surname Hostiensis. He died on October 25, 1271. He is numbered among the outstanding glossators (commentators) who were contemporary with the great gloss (commentary) of Accursus. He wrote a *Summa* that was called *golden*, likewise *Lectura in Decretales Gregorii IX*, and *Commentarium. in Novellas Constitutiones Innocentii IV*.

In the *Summa*, bk. V, on usury, no. 8 at the end: “What if someone lends money and is going to receive at a certain time money of another kind, either gold, or silver, or some other species? I reply: If he does this so that it will increase in value, it is usurious according to Goffredus, just like those who make loans from marketplace to marketplace. I consider this usury more damnable than all inasmuch as it is concealed under the cloak of selling or of exchanging or of some other contract when it goes beyond a hundredfold ...” (edited in Lyons, 1537, fol. 250).

## 12 The Opinions of Those Who Say Usury Is Present in Real Money Exchanges

- <sup>3</sup> Cf. Thomas De Vio Cardinal Cajetan, “De Eleemosynae Praecepto,” in *Scripta Philosophica: Opuscula Oeconomico-Socialia*, ed. P. P. Zammit, O.P. (Rome: Ex Typographia Missionaria Dominicana, 1934), no. 2. In the second part of the *Summa*, tit. 1, chap. 7, on usury,

When it is said that an exchange of money and not a loan is taking place, he grants: because, if a contract for exchanging money is in some way equal to a contract for sale, because money cannot be sold, nor can its use that is nothing else but its consumption, and it cannot be separated from the very money. Thus the one without the other cannot be sold and neither can both at the same time, as if the one increases in value by means of the other. This was noted by John Andreae concerning the Rule *peccatum*, on the rules of law (Cf. Cajetan’s *Six Questions Concerning Usury*, no. 355). It follows that the contract is not licit. Those are his comments. It can be added in this place that when it was argued above that usury is not found here because usury occurs in a contract to lend, and here there is no loan, but an exchange or change, the reply is that usury from fraud is found in other contracts as well, because there is an implicit loan in them that is looking for gain, and so it enters into our subject.

Finally, after lengthy discussion, Lauren himself ends this question: such things are done because with the hope of profit, and with the intention of receiving more that what was then being exchanged (and because as commonly happens the one lending does not lend in other places also). I advise staying away from all of them. He refers for a fuller explanation to some other questions of the same treatise that are found above, from them it will be sufficiently clear that this contract is usury.

In the third part, tit. 8, chap. 4 on money changers: “in this case there does not seem to be exchange but usury.... Therefore, for want of a better judgment, such an exchange smacks of usury, but many engage in it. I have heard many very learned and God-fearing men hold this position.”

- <sup>4</sup> *Tr. note*: A poor man’s bank or pawn shop. Modern Italians still call pawn shops *monti di pieta*.
- <sup>5</sup> Cf. Thomas De Vio Cardinal Cajetan, “De Monte Pietatis (1498),” in *Scripta Philosophica: Opuscula Oeconomico-Socialia*, ed. P. P. Zammit, O.P. (Rome: Ex Typographia Missionaria Dominicana, 1934), 41–89.

### 3 The Opinions of Those Who Say That a Contract of Exchange Is Present in Real Money Changing

**224.** As a result of the previous statements perhaps others came to say that in such money changing there is not a lending contract but an unnamed contract, namely, “I give that you may give” (*do ut des*); or, if we must give it a name: It is a contract of exchange. Their opinions on this contract are also conflicting: Some say this money changing is permissible and others that it is not permissible.

**225.** Those who say that it is permissible devote themselves to proving not so much that it is just but the fact that its nature is not in the category of a loan. Although they multiply their reasons, they separate this money changing from loans in three ways.

**226.** First of all, there is the argument from danger: The nature of a loan transfers the danger of capital that has been lent to the one who receives the loan. Money changing, however, leaves the real danger of loss to the money changer if he happens to receive less than the capital, as sometimes—granted rarely—happens.

**227.** Second, there is the argument from the diversity of the thing repaid and the place. For the nature of a loan demands the restitution of a thing of the same type and excellence in the same place. It is not enough to restore an equivalent: for, gold must be restored for gold, and wheat for wheat. In support of this the text of civil law is mentioned, *ff. de solut. I. Paulus*.<sup>1</sup> In real money changing, however, there is an exchange of different types of money in different places.

**228.** Third, there is the argument from the kind of contract. In actual money changing, there is the sale or a contract similar to a sale where a *ducat* is sold for 52 Flemish *groschen*, and a certain money is evaluated with another. That such a transaction is permissible is clear from *Extra*, concerning censures, in the chapter *Olim causam*,<sup>2</sup> and the chapter *Cum canonicis*.<sup>3</sup> None of these things take place in a loan.

**229.** Since, therefore, it is not a contract for a loan, but one of exchange or business, it remains licit. The hope for gain in these transactions is not condemned, and there must be consideration of industry, labor, dangers, and expenses.

**230.** Although I have not found any who say that such money changing is in no way permissible and still does not imply a loan, a threefold reason can be gathered from the statements of those who absolutely condemn such money changing or call into question their permissibility.

**231.** The first reason is that such money changing seems to have led to the error of usury because the money changer does not intend the exchange of money. Rather, because of the straits of the one in need, he does not want to change money free of charge and conceals the loan for profit with the name of money changing. This is especially true because it is frequently the case that restitution takes place with the same kind of money, and such is the case in money changing within Italy. Additionally the danger, that is rare, is not to be considered in exchanges that are to be regulated in accordance with common results.

**232.** Second, there is the fact that even in a contract of buying and selling, there can be no calculation of time. In money changing of this type, as is obvious from the example, the more the time for paying is delayed, to more the money changer contracts to be paid.

**233.** Third, there is the fact that even in contracts for sale, it is not permissible to sell for more than it is here or now worth unless the seller was intending to preserve it up to that time, as is found in the chapter *Naviganti*, *Extra*, on usury,<sup>4</sup> or was intending to transport it to that place, as Raymundus says,<sup>5</sup> Innocent IV,<sup>6</sup> John Andreae,<sup>7</sup> and John Calderinus.<sup>8</sup> Money changers, however, have no intention of preserving or transferring money, but instead keep it ready for money changing of this latter kind.<sup>9</sup>

What our necessary opinion of these things is will be clear in our decision. Now, however, we have to hasten to another opinion.

## Notes

- <sup>1</sup> *Digest*, 46, *de solutionibus*, 50: “PAULUS *book ten to Sabinus*: If, when I promised you gold, I pay you bronze as gold, and you do not know it, I have not paid my debt. But I will not demand this back as an undue payment that I knowingly made. I shall, however, if you do not return the bronze you received, withhold the gold in protest.”
- <sup>2</sup> The second part of the decree, bk. 3, tit. 39, concerning censures, cap. 20; Innocent IV to the Bishop of Spoleto.

At one time we entrusted a case for solution that you submitted against the clergy of the people of Rapina concerning the synodal tax to our venerable brother, bishop of Tudertino, and his colleagues. In their presence it was proposed on your part that, inasmuch as these same clergymen *at one time* paid your predecessors three Papien *ducats* on the feast of the Nativity and on the feast of the Resurrection, and now were paying only three Lucenians for each Papien *pence*, although one Papien *pence* is worth six Lucenians. Therefore, you are petitioning that they, by our authority, of course, in this matter, be forced to pay in Papiens, even though you accepted the same Lucenian in the first year but always later proclaimed your right. . . .

Since, then, *we have established in every way by witnesses on both sides* that Papiens were once paid for the synodal tax, and that it later followed that Lucenians were afterwards paid for these Papiens, since from the statements of *your witnesses* and from the admission of the advocate of the other party it clearly appears that at the time of your predecessor Lotharius Papien money was paid for the synodal tax and this practice was never revoked, *since it is clear from the statements of both parties that* from the time of the mentioned Lotharius no less than thirty-six years have passed, and, *through your witnesses*, it has been proved that three Lucenians, that used to be paid after the death of Lotharius himself for one Papien, were worth five or six of those in circulation today, and understanding from this fact that through the devaluation of money it happened that up to your time the Lucenian were given, as then circulating, for the synodal tax, *on the advice of our brethren* we condemn with a definitive judgment the procurator of the opposing party in the name of the clergy of the aforesaid people to the payment of the Papien *pence* or their equivalent for the synodal tax.

- <sup>3</sup> *Ibid.*, cap. 26,

Since you paid the canons of the greater church a certain sum of money that was owed for the pension of your church for some years, and the same men demanded that that sum be fully paid to them in better money, we grant

you in our entrusted letters that you make those canons remain content with the payment of the earlier money, or, if that is not in circulation, with the equivalent of their ancient pension.

- <sup>4</sup> *Decretalium Gregorii IX*, bk. V, tit. 19, *Naviganti*, Gregory IX to Brother R.

One who lends a certain sum of money to someone sailing or going to trade inasmuch as he is undertaking some danger in order to gain something beyond his capital should be considered a usurer. [Tr. note: Denziger in *Enchiridion symbolorum*, n. 448, quotes this chapter and adds, *non*. It reads: *usurarius non est censendus* (should not be considered a usurer)]. Also one who gives ten *soldi* in order that the same measures of grain, wine, or oil be returned to him, granted that at the time they are worth, as is actually doubted, more or less that they had been valued at the time of payment, should not be considered a usurer. Because of this doubt the man is also excused who sells garments, grain, wine or other merchandise and so at a particular time receives for them more than they were then worth, if, however, he was not going to sell them at the time of his contract.

- <sup>5</sup> Raymundus (St. Raymond of Penafort), a professor at Bologna (1222), then joined the Dominicans and was elevated to the office of Master General. He was Papal Chaplain and Penitentiary, a famous compiler of the Decretals of Gregory IX, at whose command he began in 1230 to prepare this new collection as a substitute for the collections that were subsequent to the *Decree of Gratian*. He was the first and the best interpreter of this collection in his so-called *Summa Raymundiana* that was of great importance in the thirteenth century. Another *Summa iuris* is attributed to him.

*Summa*, bk. 3, tit. 7 de usuris et pignoribus, par. 5:

The following case could be made in which it would not be usury to receive more than one's capital: when I wanted to buy or was prepared to buy certain goods for money, and you, because of exceeding importunity, bring about the end of such a purchase; and so, in order to borrow in that case, I also say, I want you to give me just as much as I would have of those goods there if I were to carry them thither. Nonetheless I incur danger, as was said above; and, therefore, it is permissible to accept that thing as salary, as above under the same title. § *Licet autem*

- <sup>6</sup> Innocent IV (1243–1254) or Sinibaldus Fliscus, a native of Genoa, a graduate of and professor at Bologna, auditor of the *litterarum contradictoriarum* (1226), Cardinal of St. Lawrence (1227), Bishop of Albigena (1235). He wrote a treatise *De Exceptione* before the Decretals of Gregory IX. When he was already Pontiff, after the First Council of Lyons (1245) he composed, but as a private teacher, the outstanding *Commentarium in IV Libros Decretalium Gregorii IX*, and again, as a private teacher he added the outstanding commentary on his own Decretals.

*Comm. in IV Decret.* on the chapter *Naviganti*:

Likewise, if he wanted to sell his wares, and finds another who immediately gives him on the spot as much as he would have sold them for elsewhere with labor and much danger, it does not seem to be usury, provided that he would not, after the consideration of labor and danger, receive more than he would have counted on receiving in that place where he wanted to carry it; just as he could have sold it more expensively because of time, so also because of the place; but if he should receive money, it is usury, and even a loan. (Venice: apud Iunta, 1578, fol. 214 v.)

- <sup>7</sup> Cf. Cajetan's *Six Questions Concerning Usury*, no. 355. *Commentaria Novella* on the chapter *Naviganti*, no. 7,

What if he was not going to sell in the place? Suppose, he had pomegranates in the Peiraeus where they are in great supply, and he wanted to sell them in Paris where they are expensive? He comes upon someone who immediately on the spot gives what he could have in Paris. Is that usury? Innocent said no, provided he does not receive more than he would in all probability have received in the place that he wanted to transport them. For, by the same right that he can sell them more dearly because of temporal uncertainty he will be able with that right to do it because of uncertainty of place.

Hostiensis says that this is not a parallel both because it is not probable that anyone would make such a purchase unless he were doing a lot of business and thus by this opinion we would open the way to fancies and the bartering of usury seems to be approved; and because consideration has to be given to the exertion and expense of the journey.

If that buyer immediately pays the price, I think that Innocent's opinion is true; but if the payment is deferred, as he perhaps understood, then Hostiensis' reasoning seems to fit in, and Innocent's reasoning loses place because in the uncertainty of time conditions could prove favorable to the buyer and the seller. (Venice: the heir of Hieronymi Scoti, 1612, vol. 5, fol. 78)

- <sup>8</sup> John Calderinus, a layman was a ward and the adopted son of John Andreae. He was a famous jurist and was called *the most famous teacher of the decrees* and was professor at Bologna (1330–1359) where he died in 1365. He wrote *Super Clementinas*, *Repertorium iuris*, and various *Quaestiones*.

On the chapter *Naviganti*, no. 37,

In the seventh place I inquire about the final case: if he had wares and wanted to carry them to another place where they were in all probability more expensive and comes upon someone who gives him just as much as he would have had in the place when he planned to carry them, is that usury in the place where they were?

Hostiensis says no, provided after reckoning the danger and labor he does not receive more than he would have received in the place where he was going to sell them. The reason is that the right by which he could sell them more dearly because of the uncertainty of time is the same right by which he could do it because of the uncertainty of place. Tancredo in *Summa de usuries* takes this position also (*Repetitionum in Iure Can.*, Venice, 1587, vol. 4, fol. 372 v.).

- <sup>9</sup> John Andreae, *Commentaria Novella* on the chapter *Naviganti*, no. 5 writes: “For the usurer would stand with his hat, his greaves, and spurs like people from the Julian Forum, saying that he wished to go to the marketplace, were it permissible for him to bargain in this way under pretext of anything of hoped-for gain beyond capital.”

## 4 A Unique Opinion on Money Changing

**234.** After the previous opinions, the unique opinion of a certain outstanding doctor of theology comes up. It maintains that money changing of this sort is permissible and makes three unique statements.

The first is that the contract that they say is nameless has a name because (as Saint Thomas says in *Summa theologiae*, II-IIae, quest. 77, art. 4) there are three types of business: either one thing is exchanged for another, like wine for wheat; a thing is exchanged for money; or money is exchanged for money. The first contract is commonly called barter, the second is called selling, and the third is called money changing, so, money changing is the exchange of money for money.

**235.** The second statement is that in money changing money is not considered as money or as a measurement, but as a certain thing. Everyone agrees that money can be understood in either way as is obvious from those who contract money for display. The authority of Saint Thomas in his second book *De regimine principum* can be invoked to show that money changers consider money as a thing. He says that a coin can be taken in two ways: both as a measurement and as a certain thing, and the money changers take the latter approach. On this foundation, that doctor formulates the construct that money changers consider money something sellable and that its price varies as do the prices of other things according to differences of time and place, and so forth.

**236.** The third statement is most unique. It is that it is permissible for money changers to accept more when the time of payment is more remote. He makes two distinctions about accepting more because of temporal delay: one way is when the temporal delay alone leads to a price increase, and he says that this is usury; the other way is when the thing because of the temporal delay increases in price in trade, and he says that this is permissible. He gives the example of trading in futures. If someone buys wool in winter that is to be handed over to him in the spring, for less than its value in the winter because wool is believed to be going to be worth less in the springtime, he makes a just purchase because the thing bought at that time would be lessened in price. If he were to buy it at a lesser price because he was now anticipating payment, he would commit usury because the price would change only because of the temporal delay.

**237.** He adds that the money changers do not receive more because of the time delay, but because the thing is considered in the time delay. For example, because a golden mark has to be paid in the January market, the Milanese money changers do not buy less in the month of October than in the month of November because the second time is more distant, but because the businessmen commonly give a lesser evaluation of that mark, considered as such a time, and a greater evaluation at the closer time.

**238.** Rightly so, as we say. The purpose of business is to make profit by exchanging. He does not, then, buy to have the things bought but to again exchange them at a profit. It is permissible to consider how long the money should be invested in the item bought. More is paid for something that is quickly gotten rid of than for something that has to be kept for a long time so that the money does not remain idle.

**239.** An indication that money changers do not consider temporal delay but the thing in time is the fact that the price does not always increase according to the approach of time but it sometimes happens that the price lowers when the market is near so that a mark of gold to be delivered the next month sells for a lesser price than it would have sold three months previously.

**240.** This opinion, without prejudice, fails to be true in many ways even though it may with good zeal attempt to draw near to the truth.

Our first observation is that the first statement does not fit in with the second, for words should be formally understood, as Aristotle states in IV *Metaphysics* (bk. 4, ch. 4, no. 6; lect. S. Th. VII, of bk. 4). Otherwise, there is no certitude in our speech, for outside of the formal meaning, words are unlimited as is said in

the same place. Therefore, if money is reckoned as a thing and not as money in money changing as he says, that contract should not be called a contract for the exchange of money, and should not be placed in the third category of contracts that Saint Thomas speaks of, but in the first.

**241.** Then, the second statement is not in keeping with the truth and seems to be a bad interpretation of Saint Thomas' words. His words in book 2, chapter 14 of *De regimine principum* are: "Although a coin may be the measure and instrument in exchanges, it can of itself be something; for example, if produced it will be something, namely, either gold or silver. It is not, therefore, always aimed at exchanges. Such is true in other kinds of species, indeed, even more so, as in money changing that is not properly aimed at being the measure of things that can be sold, but rather at the exchange of coins."<sup>1</sup>

**242.** These words do not claim that money changers do not consider money a measure but a thing. Rather, they maintain that money changers do not use money in accordance with the primary use for which it was invented, namely as the measure or price of things that can be sold, but with a secondary use to which it has been transferred to the extent that money is to be exchanged for other money. Both uses, of course, fit money of itself, and the second use fits the money changers, as will be clear later from book one of the *Politics*.

Our opinion of the third statement will be given in our decision. Thus far, we have made these statements about money changing.

## Note

<sup>1</sup> Chapter 5, book 2; it is not attributed to Saint Thomas but to Ptholomaeus de Luca.

## 5 The Nature of the Money-Changer's Profession

**243.** To be able to afford a universal and easy understanding of the nature of money changing, we believe that we have to proceed in such a way that, of course, there is first a discussion of the money-changing profession. What is its nature, and is it permissible? Then we have to consider the conditions required for the proper execution of this act. Finally, as we investigate the aforesaid acts of money changing, we must see whether they belong to the money-changing profession and what is permissible and not permissible in them by solving the objections made. Thus, after finishing the discussion of money changing of this type, we will be free to proceed to other propositions.

**244.** We should begin our exposition of money changing by following the development of book 1 of the *Politics*.<sup>1</sup>

We must know, therefore, that of itself a thing has two uses, namely its proper use and a common use, or a primary use and a secondary use. The proper use of each thing, whether it is natural or artificial, is the use of the thing that it is primarily aimed at of its own nature, such as clothing to clothe, bread to eat, wine to drink, and so forth. The common or secondary use is that by which the thing, inasmuch as it is such, is applied to another end other than its first end, like exchanging in the case of a shoe or wheat, and other such things. The shoe, when it is sold, inasmuch as it is considered a shoe is not sold as simple leather. It is not, however, a shoe because of its sale, but because of its “shoeness.” Such is also true of other things.

**245.** As is the case with the rest of things, so also a coin has two uses, as is stated in the same place. The first is in exchange for items for sale that are necessary, namely for life: That is, wheat, cloth, spices, and so forth. It is clear that coins were invented for such exchanges. What is lacking in one country is not available elsewhere without paying its worth, and it is very inconvenient always to have to transport equivalents. Therefore, gold, silver, bronze, and things of that sort are easily conveyable and useful and they determined that they would be equitable to exchange for things. Consequently, coins are said to be the measure of things that are for sale. This is in reference to natural things that are necessary to use, as a measure to things measured. Consequently, it is imprinted with a mark as a witness of its quality and weight just as it is customary to imprint a mark on other public measures that attests to the probity of these things.

**246.** The second use of a coin is as an exchange for another coin, like a golden *ducat* for a *carleni*. The coin was not made for this purpose, yet, as constant experience teaches us, it is used for this exchange, not inasmuch as it is just gold or bronze, but inasmuch as it is a coin.

**247.** This exchange seems to have arisen from the inequality of coins. Either to make up for the equality of the natural thing smaller coins were added to a larger coin, or the smaller coins were more convenient for someone who had a larger coin, or vice versa.

**248.** As the philosopher says in the same place,<sup>2</sup> at first, profit seems to have come from the exchange of coins accidentally when an incident occurred, for example, a gold coin was valued at a higher price somewhere; and so more gold was given in that place for the coin than was given at the source of the coin. Then man's industry skillfully contrived ways to profit from exchanging coins. Thus, the money-changing profession was devised. Therefore, money changing is nothing else than the business of the exchange of coins. It is obvious, of course, that its matter and act and purpose are sufficiently explained by this statement.

**249.** The philosopher, however, censures money changing both because of its matter: it merely deals with coins and ignores the proper use of coins, and because of its purpose: It exists for profit and profit has no end or purpose. He censures simultaneously for both reasons: because money should be possessed and sought as an instrument of economy and politics and not for its own sake just as no other instrument is sought for its own sake. If, however, the money-changer's purpose may justify it, for example when he aims at the fitting support of his family and position, it is permitted just as is true of other businesses. For, it is possible for something that seems unsuitable in isolation to be made respectable because of

an added purpose, as is clear in the killing of a man, which is absolutely to be rejected, but, if it is enjoined for justice's sake and so forth, it is to be prescribed. So also, on the other hand, a profession that has of itself a most honorable end, as medicine aims at health, can be made worthy of censure from the purpose of the physician when he heals for the sake of gain.

**250.** Since, then, it is clear from experience that very many cities would be in need of many necessities if there were no merchants, and these merchants could not conveniently practice their business without money changing, it is necessary and honorable for money changing to exist in cities not so much as pure money changing, but, as is obvious from our statements, as serving the economy and politics. Thus, money changers can not only keep themselves free from loss but can also engage in profit and have to do with industry when they apply it to legitimate business and the public welfare.

## Notes

<sup>1</sup> Chapter 3, no. 11; lect. S. Th. VII,

Let us begin [*exordium*] our discussion of this money matter (*the ancient version that Saint Thomas commented on had the word principium; hence the word of the Author*) from this source: Every contrived and owned thing has two uses. Both of them, however, exist of themselves, but do not of themselves exist similarly: One is proper to the thing, the other is not proper, for example, to put on a shoe and to exchange a shoe. For it is permissible to make use of a shoe in either way. For even the person who exchanges a shoe for a coin or food with someone who needs a shoe certainly uses the shoe inasmuch as it is a shoe; but it is not the proper use of a shoe, for, a shoe was not made for the sake of exchanging. The same must be true of other contrived and owned things. For, the possibility of exchanging is found in all things and it derives its primary beginning from what is consistent with nature because human beings used to have more of one thing and less than enough of others.

<sup>2</sup> Chapter 3, no. 15; lect. St. Th. VII,

Therefore, from a coin that was prepared and provided from a necessary transaction another type of skill for seeking money arose, the commerce of shopkeeping, that perhaps at the beginning was practiced in a simple way (Aristotle says *ἁπλῶς ἰσῶς*, and Saint Thomas comments: *simpliciter et quasi a casu* [simply and as it were by chance]); afterwards through use and skill it was practiced surely more shrewdly and more skillfully as he sought whence and how he could make more profit by exchanging.

## 6 Money Changing as an Honest Trade

**251.** It is not only fitting to make clear the demands of honesty in money changing in general, but we must express in particular how this honesty is to be preserved in this or that practice. We shall, however, leave out individual instances that are not the subject of scientific determination. Because, then, money changing is concerned with the exchange of coins, it is necessary to preserve in it the canons of commutative justice just as is done in other exchanges.

**252.** It is clear from the fifth book of the *Ethics*<sup>1</sup> that the universal rule for exchanges is that the equality of a thing for a thing is to be preserved, so that, then, an equal is to be given for what has been received, and vice versa. Therefore, if the exchange of coins must be just, it must be that there is to be an exchange of coins of equal value. Because it happens that this can be observed in several ways in accordance with different coins, and places, and times, it is, therefore, possible for profit to come to money changers while equality is preserved. If we carefully consider the aforesaid differences, we can see how this happens.

**253.** Because, then, a coin is accustomed to be twofold anywhere, that is, it can be spent and not spent on the spot, it happens that money changing can take place in a twofold way: either by giving a coin that can be spent for one that cannot be spent or for one that can be spent. Both of these things can happen in a twofold way: either by giving a coin that is better, or more convenient, or more prized commonly, for one less good, convenient, and prized, like a gold one for

a base silver or bronze, and so forth, or the opposite. Any one of these can again take place in the same or other place and likewise in the same or other time.

**254.** Because simple things are prior to, and more certain than composite ones, we must start from the first with no diversity or place or time and insist only on the exchange of such coins.

If, then, a coin that can be spent is exchanged for another coin that can be spent, as far as exchanging is concerned, the coins to be exchanged should be of equal value because they both from law and custom have a determined price. Equality is not observed in an exchange if there is excess on any side.

**255.** Because of the quality of the coins in themselves or in relation to the money changer, this exchange could happen to be just when one gives a coin of lesser value. This is the case when the money changer gives good money for bad money, but not counterfeit or defective money: such as golden *ducats* for silver ones that scarcely deserve the name of silver. For, then, granted that the money changer gives less in golden coins than the one receiving gives in the other money, equality is still observed because of the fact that one hundred *ducats* in that so-called good and portable money equal one hundred and two (for example in money that is of so little value, as is clear if the coins were melted). It takes place because of the advantage of spending according to place and time. Good coins, although old and foreign, are willingly accepted; it takes place because of the danger that princes can easily render bad money, as hated, incapable of being spent. As a matter of fact, they are so rendered in well ordered and not destitute areas.

**256.** One cannot object about the setting of the value of money by law because that process concerns the coin in relation to its per se first use that is in exchange for things for sale. Indeed, it is established by law or custom that a golden *ducat* and ninety *soldi* are equal in economic and political exchanges in which money is exchanged for things. The exchange, however, of coins, according to this quality or number, and so forth, is left to the judgment of the wise as experience shows.

**257.** Equality is likewise preserved if someone who is exchanging coins gives less inasmuch as the coins that he had to give were more serviceable to him. So also, it is permissible to sell something for more than its absolute value because it is more serviceable to the seller. Hence, a person who has a golden *ducat* may ask for a *soldo* of someone who wishes to exchange small money for it because it is more serviceable to him and not commit a sin.

**258.** Someone, however, who is unwilling to exchange without profit Genoese *ducats* for other *ducats* that are of equally great value and serviceable to him because the Genoese *ducats* are more serviceable to the one seeking the exchange to gild his vessels seems to sin because he is betraying or selling another's advantage.

**259.** Because in these cases nothing more is received from the expenses of the money changers but from another source, as is obvious, then it is permissible for someone for these reasons to give less money than he receives in such money changes. In addition to these things, it is permissible because of expenses, and so forth, as was said above, for a money changer in petty transactions to receive something more even if he receives better and more serviceable money than he gives.

**260.** If there is an exchange of a coin, however, that can be spent for a coin that cannot be spent a sizeable profit may result from that, due to the fact that there can be consideration of the matter and convenience, but also of its strangeness. As a result, such money in such an exchange departs a great deal from the nature of coins. It is as if certain things were being exchanged.

**261.** For, a coin has a double value (namely, inasmuch as it is such a thing, for example gold, and inasmuch as it is a coin), and the second one goes beyond the first. Because some money cannot be spent in some place, it loses the value of the coin in that place and becomes something to be exchanged. The money changer, however, by seeing to it that he has the coin in places where he gets its worth can make much profit by exchanging. Because the prices of things are left to the judgment of the prudent man, equality will be observed in this exchange, by the evaluation of the amount of strangeness and other conditions as the wise man will determine.

**262.** The difference of place can play a part in the aforesaid exchanges in three ways: A money changer may live and hand out money in Milan, and receive other money in other places, or an exchange contract may be made for money of Milan or for another place where the person receiving the exchange of money has the money, for example, Lyons, or given both cases at the same time.

**263.** If the contract is made in the first way, namely, money in Milan for money of Milan: in receiving the exchange in virtue of such a contract, he is obliged to give in Milan the money that he exchanges. No consideration has to be given to a difference in location, but it is to be executed as a manual exchange, by taking into account the things mentioned above.

**264.** From the fact, however, that the one receiving the exchange wants to be free of the obligation and burden and danger of transferring money from where he has it, namely, in Milan, and the money changer is willing to take on this obligation, it is permissible to demand recompense. This recompense is concerned with the contract of leasing and transfer rather than with money changing. Should it happen, it should follow the canons of those contracts. I imagine that this, however, seldom happens.

**265.** If, however, the contract is made in the second way, money at Milan is put forth for money of Lyons, then Milan does not enter into consideration. It is not like the case of a contract for purchase by which absent goods are sold for a place in which they are not present. It is fitting to take into consideration the place for which the contract is made, not the place in which it is made, if the contract is made only for another place or time, as in the present case. Such is true whether the exchange is certified in Milan by guessing at the probable price of the place for which it is made or if it is left uncertain to find out the current price in the place for which it is made.

**266.** Although such a kind of exchange is perhaps never made, it could still be made in this way. A moneylender gives Peter who has Venetian money in Venice and needs a hundred *ducats* in Milanese money a hundred golden *ducats*, and will receive from the money in Venice just as much as is exchanged for it in a manual money change, and not in the style of money exchange that takes place for distant places. So also wheat that is on a farm is bought by those who are in a city for as much as it is sold for on the farm where it is delivered and not for as much as it would be sold for when it is to be delivered in Milan.

**267.** If the contract takes place in the third way<sup>2</sup> (as commonly happens, namely at Milan for money of Milan and Lyons at the same time), then one has to take into account both places at the same time, and as a result, also the distance between them, the dangers and the expenses encountered, just as in a contract to buy. It is clear that spices of Alexandria, that are destined for Genoa and are purchased and paid for, are worth far less than if they were manually conveyed to Genoa. Because a thing to be transferred from such a great distance, with so many perils and expenses, and so forth, is far less valuable to the people of Genoa than the thing itself when transferred and free of so many perils and expenses.

**268.** This is the way to make contract for exchange of coins for different places, the coins themselves should be so equal that the conditions of one place in relation to the other place are to be reckoned on the one side. Thus, it happens that if three hundred silver pieces from Lyons are equivalent to one hundred golden

*ducats* in Milan, perhaps two hundred and ninety coins, delivered in Lyons, would be equal along with the concurrent other reasons that have been mentioned, or perhaps fewer. They should be indeed contracted more cheaply in consideration of the dangers and expenses than when manually undertaken.

**269.** The fact that the Milanese money changer has a brother or agent in Lyons or that he was doubtless about to spend so large a sum of money in Lyons for his other businesses creates no difficulty. These facts are all accidental to the nature of the contract. It is on the equality of this contract that justice exists, for how does it affect commutative contracts, in which there should be equality of a thing for a thing, if through my industry or by accident I have connections in different places, or almost freely come upon ministers, and thus by gaining the disbursement of ways and ministers become rich, provided a fair exchange takes place with evaluation of the conditions of things?

**270.** Concerning temporal difference only, a twofold distinction must be considered, namely the present or only the future. Both are considered at the same time. As will be clear later, it makes no just difference in price in exchanges. Therefore, in the exchange of coins according to time, the equality of a contract can be taken for granted. This is true whether the money changing is manual or not, and whether the equivalent is to be returned in the same place or elsewhere; but consideration is given to the place. Therefore, a money changer, who is giving golden coins and is going to receive other money, or vice versa, can certify the amount of money to be returned as if a manual exchange were taking place.

**271.** He can consider as well the future time when the delivery of money that has to be returned will take place. This can be done in two ways: the first consists in leaving the exchange uncertain so that, of course, for the one hundred golden coins now handed over, the one who receives them is obliged to give as many silver ones after two months as will be equal to those one hundred golden ones after those two months. The second way is to certify the exchange so that, of course, with respect to future exchanges, after two months a commensurate exchange is set up for them so that such coins are probably believed to be exchanged for a little more or a little less. If it is believed that two months from now when the man receiving the money exchange will be delivered the money a thousand or a thousand and twenty silver coins will equal a hundred golden ones, the exchange can now be certified that for one hundred golden coins handed over the receiver is obliged to deliver at that time one thousand and ten silver ones. This will be true whether more or less is commonly assigned at that time.

**272.** Other exchanges clarify these points, as is obvious in a contract to buy futures, and is found expressly in *Extra*, on usury, chapter *Naviganti*, in the second case. In that exchange of coins, attention is given to the time of delivering the coin. We have said that nothing more or less can be taken because of the fact that the money changer gives his coins earlier.

**273.** At the same time, however, the time difference, whether now or later, seems to make no difference in any kind of exchange, and the same is true of a difference in place, because a thing to be given in a future time is not of worse condition because it is not on hand and must be conducted to the present, and the same is true of a thing that is distant from here because it has to be conducted to the present place.

**274.** Nor is it subject to dangers, or business expenses, or ministers, as happens to things that are temporally present, and those that are locally present, unless someone might say that it is subject to the danger of destruction because the debtor can die, or again become a pauper, and so forth. Such dangers are clearly deemed nothing in exchanges.

There are two reasons for this: first of all, because they are so rare they are not subject to planning (as is said about dispossession of state, within so short a time) or because they are such that even if they do happen, the creditors are still safe as is clear concerning death and such, and second, because from mutual and other exchanges it is clear from experience that dangers of this sort are not worth consideration. For, the one who borrows or sells does not licitly demand something more by selling or buying at the right time because of such dangers that can occur in the temporal delay.

**275.** Because brevity and length of time are differences of temporal distance, it follows that neither in money changing nor in other exchanges does any condition of the item being exchanged come up per se from the extent of time because of which it could justly be considered cheaper or more precious.

**276.** It should be noted, however, that I say per se because it can happen by accident that at the same time designated things of equal excellence have notably different values, and rightly so. Thus, if wheat that is to be delivered in July is bought in the preceding January in accordance with a common appraisal of the price for delivery at a future time, and then in March, with the sudden outbreak of war, it is consigned to sell at a much higher price, and there will be another price for the others buying it at the same time, and if in May the war happens to intensify, or hail flattens the crop, and so forth, the price will increase for that

time. These things happen not because of the length or brevity of time but because of accidental events as a result of which the item is appraised more cheaply or more expensively, as is self-evident.

**277.** Hence, that unique opinion that says that in exchanges consideration can be given to the length of time, not because of the time, but because the item considered in more extended time is worth less, and so forth, is in error for this reason: The item is appraised at a lower or higher price neither because it is considered in time, nor from the fact that it is considered in so much time and is exchanged. Rather, it is because of a particular occurrence in time; for example, war, money, or abundance, and so forth.

**278.** Consequently the money held onto longer must be kept in this exchange; the item to be exchanged is made neither more expensive nor cheaper than the common price, as Saint Thomas expressly says in *Summa theologiae*, II-IIae, quaest. 78, art. 2, ad 1,<sup>3</sup> where he says that the merchant who sells anything at the right time cannot sell it at more than the common price because he will keep his money idle for so long a time. Were this action said to be licit, usury would no longer be condemned in selling at the right time, and so forth.

**279.** The fact that goods may be purchased to be rather quickly exchanged creates no problem, because the estimated speed of sale comes from the greater use or need of the item. An item is more precious the more it is necessary or used in a place. Therefore, it is rightly sold more dearly by the first person and bought for resale by a merchant.

**280.** The nature of exchanges, therefore, depends on the item to be exchanged that gives rise to some condition in time. As a result, the item is commonly considered more precious or cheaper. It does not depend on the length of time that the money is employed. It demands an equality of thing to thing, while a very long time is thus added on, as if the exchange were manually executed. Therefore, it is not permissible for money changers to measure the mean time between giving and receiving, or to calculate more cheaply the item or the money that has to be given in a more extended time. It is, however, permissible in regard to exchanges for the future to make a decision according to present calculation that varies in accordance with the different outcomes at different times, just as in other exchanges.

## Notes

- <sup>1</sup> Chapter 5, no. 14: “Neither does an exchange take place without equality, nor does equality take place without commensurability” (S. Th. Lect. IX).
- <sup>2</sup> Cf., nos. 263, 265.
- <sup>3</sup> These are Saint Thomas’ words: “But it is not possible to enter into the compact the reparation for loss due to the fact that there is no gain from the money because he should not sell what he does not already have and what he can be kept in many ways from having.”

## 7 Are the Proposed Instances of Money Changing Really Money Changing and Justified?

**281.** It is easy to see from what has been said whether these recently discovered contracts by money changers that are currently under consideration are really instances of money changing and are just. Because a money-changing contract is a question of changing coins, and, in the proposed instances, there is no other exchange except of coins, it follows that the aforesaid contracts of their nature are truly instances of money exchange but of different degrees.

**282.** The exchange of coins in such money exchanges takes place in four ways. It can be a complete one as takes place in an exchange between Bruges and London where another money is completely given and received. It can be partial, as sometimes happens, in an exchange at Lyons where a gold mark is taken in three types of money namely *scudi* and in gold and silver coins, and so forth, where the giver also happens to give *scudi*. He can give as it were nothing, as happens in money exchanges within Italy where there is little or no difference in the coins exchanged because of the proximity of place and the sharing of coins. He gives absolutely nothing as happens in Italy and perhaps outside Italy where money changing is said to happen without any consideration of the quality of coins but only the quantity of money given or received as compared in the other place. For example, a money changer gives Peter who has his money in Rome but needs a thousand ducats in Milan a thousand *ducats* for one thousand and ten delivered to him in Rome.

**283.** Indeed, in these first three ways, there is always an exchange of coins, granted that it is more or less, and the contract for a money exchange is preserved. In the fourth way, the name of money exchange seems to be only equivocally preserved. Obviously, there is no exchange of coins entered into the compact, and it is clearly obvious that there is no contract for the exchange of coins that if done by hand would require no exchange of coins. It is also not a contract for the sale of remote things that if a manual exchange would not be a sale. It is clear, however, that were one thousand and ten *ducats* given to a money changer in Milan for one thousand *ducats* there would be no exchange of coins because a different number would be given by the one receiving and that is not within our proposition. Therefore, it seems that that contract was one of lending but it is cloaked under the name of money changing. For this reason it is not permissible for a money lender to profit from it, but only to avoid a loss, as was made clear above concerning those making loans in remote places.

**284.** If, however, one carefully considers this contract, he will see that it is not properly a contract for a loan or for money changing, but a contract of, as it were, buying and selling that belongs by some kind of analogy to money changing. Although in this contract a coin is not exchanged for a coin, nonetheless a present coin is exchanged for a coin that is not on hand, and a coin in this exchange is materially taken as a certain thing. It is exchanged as a present item of so much worth with an equal thing that is distant in respect to both places. It is established that that thing when, distant from Milan, is cheaper for the citizens of Milan when it is situated in Milan because of the expense and dangers and so forth required to transport it. Hence, as money, placed on a floating ship, is bought for less than it is absolutely worth because it is being bought not as money but as a thing of so much worth placed under such danger. Just as Peter buys money that a bad debtor owes to John for less than it is worth because the item is constituted under such labor to possess it, so also money that is not present, inasmuch as it is an item lying beneath danger and the expenses of transfer is bought for less than its absolute value. Therefore, it is properly a contract neither of lending nor of exchanging but is reduced somehow or other to money changing inasmuch as something present is exchanged for something absent and both are coins. Because this contract is present by way of condition to all the aforementioned, it must, therefore, be considered among the others.

**285.** There will, indeed, be justice in these exchanges of money when there will be no excess in the evaluation. When, however, the conditions of the coins are

considered and the quality and distance and other factors and industry are taken into consideration, the exchange will be equitable. This, however, is observed when an exchange is regulated according to common estimate, or the judgment of wise men was followed in it. There will be no consideration of the length or brevity of time, but the constant position is the consideration of the true price, whether money has to be quickly or slowly assigned. If this aspect were lacking, it would be usury because of the implicit loan just like a sale at more than the just price at the right time. If the first element happens to be lacking, it is indeed not usury, but unjust gain, and subject to restitution as when a thing is sold for more than the just price.

**286.** Consequently, the proposed exchanges of money, exercised with observance of these two conditions, that are necessary for the justification of other exchanges as well, can in justice be done.

**287.** It is clear, however from these points that it is not permissible for money changers, on arriving at the markets of Bruges or London, to grant to the debtor at that time a delay in the payment from a money exchange earlier accepted until the following market day. As a result, they should not receive more than he earlier owed or contract that they are owed whatever the exchange is paying on the following market day. This is a contract for a loan with the hope of profit, propped up only on the name of an exchange of money, and it clearly is taking into consideration a time delay. Eternal damnation is being prepared for money changers, as usurers, who set a greater or lesser value on a golden mark or the return of any money whatsoever according to the length or shortness of median time between giving and receiving for London or another place.

**288.** Note carefully, however, at this point that to give less in a money exchange when a lot of time intervenes until the next market day, and to give more when the market day is near at hand is not a sign of an unjust contract. For, although this custom at first blush seems to have been introduced in consideration of mean time during which the one who received the money in Milan and was going to restore it at the Lyons market made use of the money received; nonetheless, it occurs to more penetrating investigators that this custom could have been introduced because of the discovery or nondiscovery of money changers holding on to contracts of potential sale or because of the plurality or fewness of them.

**289.** Therefore, it should be known that in such money exchanges, those receiving money in Milan for an assigned golden mark at the market in Lyons who are as it were sellers of marks of gold that is not on hand in place and time

commonly make this exchange to their own loss because they always know how great a loss they will incur from such a sale. It follows, therefore that no one, to speak simply, is found to be as it were a seller in such exchanges. The same is true in every other exchange whatsoever in which it is certain that the seller incurs a loss. It should not be deemed an illicit exchange because, obviously, the seller incurs a loss. Provided that item, whether present or absent, is sold for a just price, the contract is licit, no matter which party later incurs a loss as a result of it.

**290.** This same source gives rise to the fact that only then are potential sellers found in these exchanges when merchants are in need of money and prefer to engage in such contracts with some sort of loss rather than refrain from a greater profit or convenience that they hope to have ready and on hand from the money received. Thus, unless there were such a need for money along with an intervening time when those who are potential sellers could take care of their business from money received, there would never be found a potential seller in these money exchanges.

**291.** Just as the intervening time is an occasion for the finding of potential sellers, so a great intervening time is the occasion in general for many sellers, and a brief intervening time is an occasion for many buyers.

Consequently, with a great delay of time, because of the great number of sellers, those who are paying give reasonably less. They are as it were buying marks that are not on hand. With a modest temporal delay because of the great number of buyers, the same potential buyers pay more. The buyers are said to be on occasion so abundant at the market that they gain nothing. Indeed, they exchange money at a personal loss, because there are no sellers. This is what happens when the money business is sluggish.

**292.** Hence, money-changing contracts of this kind, if we leave out the time difference, are permissible, as can be obvious from what has been said and should be said. This time difference would not be able to be condemned because it can be saved in the way mentioned. The conclusion follows that, if in consideration of remoteness and so forth, at other times it would be just to make such an exchange of coins. Thus, such contracts should not be judged to be unjust.

**293.** If you wish to investigate this more fully, imagine wool or any other commodity in another place being sold and bought with such contracts. You will see the truth more clearly. When it is a question of exchanging coins, a mind that is occupied with coins in different places was always accustomed to turn to a lending contract.

**294.** Whether or not profit from such money changing is actually kept within bounds is not the subject of scientific decision that does not get into particular instances. It does, however, seem to be reasonable that the profit that common custom approves should be deemed moderate, namely, the money exchanges take place according to what was then commonly current in those places. These things have to be carefully considered and applied accurately to money exchanges made for Bruges and London, and so forth.

**295.** The arguments brought up in opposition in the third chapter do not contradict the previous statements. The first one presumed a falsehood: These money exchanges took place for sake of the deceit of usury. Indeed, they were introduced for the common good of the merchants. Because Peter might not borrow money, he who was prepared to make an exchange out of hope of gain commits no sin because there is no deformity in the action or in the intention inasmuch as he is not obliged to make a loan and is open to just exchanges.

**296.** The second argument, however, concludes that the contracts are not illicit, but the temporal condition cannot be added on without the crime of usury, just as in the case also of selling at the right time.

**297.** The third argument, however, does not precisely investigate these money exchanges because the money changer assumes the role of someone buying a future rather than of someone selling an item that must be preserved or transferred in either method of exchanging money. Although in the second method he may seem to be selling a *ducat* at the rate of fifty-two *groschen*, actually he is buying as many Flemish *groschen* as are delivered at Bruges for one *ducat*. That evaluation of the *ducat* coincides there with the way of computing more easily the number of *ducats* and *groschen* to be exchanged and not the price of a *ducat* that is for sale.

**298.** This interpretation, however, should be rightly accepted because they say that they are making a contract for a real and true exchange of money and it should be interpreted in such a way that it may embrace justice. The word for exchange of money does, indeed, admit such a sense. What one should think about these exchanges of money and about the opinions explained is clear from our statements.

Now let us pass to the other exchanges of money as seen from the viewpoint of the receivers.

## 8 Other Exchanges of Money as Put Forth from the Viewpoint of the Receivers of Exchanges of Money

**299.** As we examine, then, the remaining exchanges of money put forth at the end of our first chapter, we seem to have to distinguish and state what actually happens and what could happen inasmuch as it is perceived from their statements that sometimes these exchanges do occur and sometimes they could occur.

**300.** When we consider, then, how this happens, all of those money exchanges not on the part of the money changers but on the part of Peter who gives money to a money changer to be delivered to himself in another place seem to be unjust absolutely speaking. Because the money changer is not receiving the money from Peter for his own benefit but for Peter's for whom it is to be delivered elsewhere, no justice permits the money changer to suffer any loss from this action.

He would, however, suffer loss in these exchanges in at least two ways. The first is that his service, by which he delivers money, received in Milan safely and in the same amount transferred in Florence, would remain unrecompensed. Yet, this is a service for pay. The second way is that the money changer gives or will give more, as Peter hopes, than he received because the Florentine *ducats* are worth less at Milan where they are given to the money changer than at Florence where they are delivered. Hence, the money changer, if he is to avoid a loss in this regard ought to send them to Florence and thus incur a greater loss of expenses. Otherwise, by paying them outside of Florence, it is obvious that he is giving more than he received. These two ways take place in the three first instances. In the other three instances, however, where, in addition to what was

said, Peter wants four *ducats* beyond those one hundred, the money changer incurs a third loss.

**301.** I have said, however, that these things are not permissible inasmuch as they happen because such men demand these things from a money changer because of the use of the money that they give for the interval from its giving until its delivery. They say, “You meanwhile will make a profit with this money, and will adapt it to your business; therefore, I also want some benefit.” In this way, they want to make a profit, not without usury, by unjustly measuring the profit coming from the industry for the money changers and not as coming from the money.

**302.** I said, however, *when we speak of them in themselves* because these things can accidentally happen without any fault. Some look at the third case this way. Peter, because of some impropriety on the part of the merchants and money changers cannot know the worth of his *ducats* in Florence and needs his money there, estimates a just price just as the exchanges will then be worth, not with the hope of profit. Money changers are also accustomed freely to give their service to the first who asks lest perhaps in their desire to transfer their money they earnestly request to want to enter into a contract of money changing with them. Thus, they promise an equal amount of money in Florence, and it seems a possible transaction. For, although the money changers do this because of the employment of money, nonetheless, their service is not burdensome in these instances because they completely produce it for other business and money exchanges and make payment to the ministers. The little and usual seem to be considered as nothing, as Saint Thomas says about the use of a book given as a pledge.

**303.** If, however, we were to talk about these as possible money exchanges, namely, Peter could buy from a money changer in Milan one hundred Florentine *ducats*, that are to be delivered at Florence, or could exchange coins, while paying attention to the quality of the coins and the spatial distance, as we have said about money changers’ contracts, then, all the aforesaid money exchanges could be justified because it sometime happens that one hundred and two are bought elsewhere as one hundred, as is clear from our statements.

**304.** The fact that Peter does not intend to make absent money present but intends to make present money absent is no problem. Because of Peter’s diligence, it happens that, as he is about to make his money absent, he is offering it for such a money exchange or for a contract for buying something to be delivered in that place when he might have simply thus transferred it at his personal loss.

By means of such business, he may transfer it at a profit. Such industry does not deserve condemnation, as would be found in a fraud, but praise, as would be found in industry that is inventive of ways that are at once just and profitable. Hence, Proverbs says, “The godless man would destroy his neighbor, but by knowledge the righteous are delivered” (11:9).<sup>1</sup>

**305.** It is true that many happen to want to transfer their money from one place to another. They learn that others make a profit from such a transfer at least because of the difference in money, and they do not know the difference between a contract of simple transference and this kind of contract of exchange. In their confusion they aim at making a permissible profit not from the use of the money that they give to the money changer but from the money exchange from which they believe others make a profit. Because of this situation, it does not seem that these men are to be condemned, but rather their contracts should be interpreted in the better part. Because they say that they want profit from the money exchange, they seem already to express indirectly a contract that they do not know they want to enter into. This would be especially true were they to argue that they want this contract because if the money changers themselves made such a contract with them, they would demand a greater profit. From this fact it is absolutely clear that they intend to enter the aforesaid money-exchange contract, and they are more just in entering it to the degree that they do it more mildly than the money changers.

**306.** There is also the fact that it does not seem true that those who commonly do actually wish to transfer their money profitably say that they want this profit for the use of the money. Perhaps there are some evil men who say this, but I think that it is truer that some speak so out of ignorance in the belief that they are giving a reasonable cause. If they indeed out of ignorance give such a reason, they would intend to enter into a contract and thus derive a profit. Although they would make a mistake in giving a reason, they are not, however, acting unjustly. It is similar to the case in which someone believes that he is properly profiting in a contract for buying and selling because of the time for which he keeps his money occupied, and he neither sells nor buys except at just price.

**307.** There are two possible indications by which we may know who intends to act this way out of ignorance. The first is if they have no intention to get involved in any way in usurious contracts. The second, however, is if they give another reason that touches upon a permitted contract. For example, they believe that it is permissible for them just as it is for money changers.

Let this be our treatment of money changing.

Milan, at the Convent of Holy Mary of Graces, in the Year of Salvation 1499, the 10th of December.

**308.** Reverend Father, such seem to be my opinions about money changing, with due respect for the judgment of all who have better opinions. You, then, peruse carefully with your acute native genius these statements. If I have lived up to your expectations, thanks are to be given to Almighty God and the godlike Thomas. If not, forgive me. For, I have done what I can in accordance with the abilities of the small native talent given me. Farewell.

## Note

- <sup>1</sup> *Tr. note:* The text omits *ore*, found in the *Vulgate*, as noted in the notes, and in the *Revised Standard Version*. The text, therefore, should read, *With his mouth the godless man would destroy his neighbor, but by knowledge the righteous are delivered.*