
A DIACHRONIC PERSPECTIVE ON STATE, CHURCH AND SOCIETY BETWEEN PAPAL REFORM AND PROTESTANTISM

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Abstract

The relationship between Church, state, economy and society, especially during the period between the XIth century to XVIth century, is worth analysing. During the Middle Ages, the Catholic Church used to rule over almost every aspect of the human communities. There was a rigid society, divided between priests and laymen, in which the former dominated the latter. In 1075, Pope Gregory VII established the Church's independence and its separation from the secular feudal authorities. From this moment on, the state's authorities became secular. Along with the Papal Reform, the future modern state emerged, the first one being, paradoxically, the Church. We cannot define the state in the XIth century in accordance with the modern concept. However, the Church exhibited legislative, administrative, even military attributions closely resembling a modern state. And the canon law was modelled after a rational and coherent legislative system. The idea and the existence of a secular state, born out of the emergence of the Papal Reform, were, in effect, those of a law governed state. Later, Protestantism brought about the complete vision of state and social order, with its appropriate specificity.

Keywords: Catholicism, Protestantism, Papal Reform, law, city

1. Introduction

As far as Michael Oakeshott was concerned, the main ingredient to any political theory was represented by the probing of human consciousness, while the justification of the state's existence, nature and role were determined by the social individual's need [1]. The imperfect, vain human being is led by fleeting, superficial needs; nevertheless, he has the possibility of surpassing the mundane condition through the ability to choose in accordance with the set goal. Oakeshott regarded religion as a millenary tradition, and not as a fleeting ideology, presenting himself as a fierce critic of 'rationalism' in society and in the political field, considering that a state government is incapable of satisfying the people or community's needs.

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Further, we will investigate the relation between state and religion in a turmoil period of time, full of wars, Black Death, famine, social, economic and political instability and other endogenous and exogenous turbulences.

Let us begin with the most-known Thomas Aquinas who, in *Summa contra gentiles*, envisaged the society like a hive, in which each individual had a pre-established role given by the divine Providence and where the mundane aspects intertwined with the spiritual ones [2]. “The powers were distinct: both derived from God, but in such a way that the temporal was not derived from the spiritual, with the result that temporal power was subject to spiritual in matters affecting salvation, but was to be obeyed before the spiritual in civil ones.” [3] Therefore, the spiritual elements dominated the material ones. This was the starting point for the Catholic aggressive medieval attitude against all mercantile activities involving usury [2].

During the Middle Ages, the Catholic Church started the educational process in monasteries, schools and universities, it developed specific attitudes and behaviours, quite exquisite for those times. The clergy played an essential part in their interaction with the community. Time was measured by the bell’s tolls, the liturgical year was fundamental, the religious holidays marked special moments for the believers. The canon law was the highest regulating institution for the secular human actions, the Church had jurisdiction over social and economic issues. The Church dominated the human’s consciousness by reference to the process of forgiving mundane sins [2].

From the end of the XIIth century and up to the XIIIth century, a series of changes transformed the paradigm of economic thought and a new society was about to be born. Robert Brenner and Michael Postan stressed that the end of XIIth century witnessed an important demographic growth which it was considered the most plausible cause. Its effects comprised an efficient utilization of land and resources, stimulation of production, the emergence of local markets, fairs, the development of internal and external commerce, the initiation of new trade routes towards the East, the flourishing of a urban culture, including the evolution of different cities [2, p. 5].

As Brian Tierney stated, the Christian Church represented the absolute truth avatar in the medieval society. Ever since the XIIth century, there was a double duality in society: an institutional duality, concerning the state and the Church in the West and another one, which regards the relationship between past and present. One must emphasize the complexity of the medieval society and the fact that it underwent numerous, more or less legal atavisms adapted to the times: the recrudescence of the Aristotelian philosophy or of the Roman law. What later particularized the western capitalism from other civilizations (China, Japan, the Muslim world, etc.) was just this permanent exploration, interaction and supply of secular-lay and theological ideas between state and Church and, more interestingly, between the classic ideas of ancient philosophers and the medieval *status quo* [4].

2. The revolution of the Papal Reform - the role of canon law

Since the VIth century until the Xth century, the law of rural communities, understood as legal rule of the social spectrum, was imbued with religion and morality. There was not a distinct, coherent legal system, but rather a multitude of specific, unwritten regulations, of an informal nature, both secular and ecclesiastical. However, it would be a mistake to consider them primitive. In many respects, they are more evolved than those we apply today. The sanctity of the law was absolute, and no central authority exercised any coercion in order to respect it. In place of a hegemonic, who would regulate and sanction the (lack of) legal duties, the custom, the tradition, the experience, the behaviour norms were the elements which set into motion the legislative system adapted to those times.

In 1075, the pontificate of Gregory VII instituted the independence of the Church (*libertas ecclesiae*) and its separation from the control of the feudal secular authorities. From this moment on, the state authorities became lay institutions, with their own, absolute authority, a reason for which there were important conflicts with the sacred ones. Therefore, the Church became a visible organization, with a redefined and reorganized identity and structure.

In *Dictatus Papae*, Pope Gregory VII (ca. 1020-1085) tied the supreme legal authority (the Roman law conception of *imperium*) to the Church's 'care of souls' or an individualized model of society [5]. This movement was made possible because of the formation during the last six centuries of a solid and well integrated Christian community (*populus christianus*). The role of this social class permitted the future creation of concurrent legal systems, both ecclesiastical and secular. Up until this historical moment, the king or the emperor were considered Christ's representatives on Earth. In comparison, the pope was only considered a representative of Saint Peter [6].

Instead of the ancient pagan values based on a vertical morality (e.g. the social status), Pope Gregory VII innovated and the religious vision subordinated the secular sphere with its roots back to the Roman Empire (the antique concept of *imperium*). He introduced a new model of society and government, one in which the Church was transformed into a unified legal system. This new paradigm, based on the equal participation of the individuals, reached its full potential only in the XIIIth century and became clear also for the secular rulers of that time. Such an innovation led to the unheard idea until then of the modern state [5, p. 206-207].

The 'battle' between the papacy (*papatus*) of Gregory VII and Henry IV of Germany determined the Western states to change their life and thought patterns. In this direction, "It gradually obliged them to move beyond the ambiguities of a conception of 'law' that mingled (and confused) customary practices, legislative enactments and moral principles. The struggle led to a clearer separation of these ideas and had consequences that were not foreseen." [5, p. 197]

In terms of ideas, the challenge between the traditional royal paradigm (*Henrician*) and the innovative papal pattern (*Gregorian*) was strong enough. In this direction, “The protagonists differed over the relationship between the two powers which were not distinct, but shaded into each other: the Henricians accorded the king or emperor the supreme position as regards secular and ecclesiastical jurisdiction, whereas the Gregorians attributed to the pope ultimate sovereignty in both. King and pope claimed to be able to depose each other. Within the overall context of the unity of the Christian community, the Henrician approach remained traditional, whereas the Gregorian was innovative in that it provided the catalyst for an increasing differentiation between the two powers and, indeed, contributed in the long term to the secularisation of kingship by stripping the king of his sacerdotal attributes.” [3, p. 104]

Up until this turning point which emerged at the same time with the Papal Reform, the bishops, the priests and the monks, as well as their fortune, were under the mundane leaders authority. Although clearly delineated, from this moment on, the two planes, mundane and spiritual, intersected and acted synergically. The Church kept its high influence over society, owned and administered important wealth and the Pope, indirectly, through the mundane leaders, influenced and controlled the earthly life [7].

Beginning with the XIth century and until the XIIIth century, the manner and the quality of the law changed radically. Powerful central institutions emerged, both secular and ecclesiastical, which were meant to impose the rules. **The separation and the competition between the spiritual and secular jurisdictions represented the main origin for the western judicial tradition.** The new canon law (*jus canonicum*) or the spiritual law (*jus spirituale*) of the Roman-Catholic Church appeared in competition with numerous secular legislative systems or temporal laws (*jus temporale*), introduced by different empires and kingdoms. This coincided with the emergence and development of the urban culture, many cities establishing their own legislative regulation (urban laws). A new commercial law system was developed in order to satisfy the needs of the merchants dealing in external mercantile relations. The emergence of feudal, manorial, commercial and urban law systems clearly indicated that the social and economic factors contributed to the development of law institutions [6, p. 86].

While we cannot talk about the concept of modern state in the XIth century, it is considered that along with the Papal Reform, the later western modern state emerged and the first one was, paradoxically, the Church. Nevertheless, the Church had legislative, administrative, and military attributions, such as a modern state would have. Also the canon law was modelled after a rational and coherent legislative system. The tithe and other taxes were cashed by the Church, and through baptism it was considered that a sort of Catholic ‘citizenship’ was given to the individuals. But, through excommunication, this quality would have been removed from any believer, equating a symbolic sanction which tantamount to a loss of individual salvation [6, p. 113-114].

There was also a dispute between the famous German historian, Rudolph Sohm and the well-known canon law specialist, Stephan Kuttner. The former stated that, before the Papal Reform from the XIth century, the Catholic ecclesiastical law was eminently spiritual and sacramental and only with the emergence of Gratian's judicial texts in the XIIth century, it became judicial in the legal and modern sense. On the other hand, Stephan Kuttner emphasized that the Church's liaison between spiritual and material spheres was as old as the Church itself and it rested on the Church's duality as a spiritual community, but also as a corporate organization [6, p. 201].

One must not undercut an important fact. One stated above that through the obvious censorship between Church and state, the former identified itself as a corporate organization. In this respect, the Catholic Church's corporate doctrine became official with its fulfilment by Pope Boniface (*Bonifacius*) VIII in 1302. The defining element was that through such movement, the religious spectrum underlined the weaknesses and the uncertainty of mundane public institutions, emphasizing the Church's attempt and ability to surpass these earthly limits. Thus, the political authorities were seen as having a secondary part in operating the social machinery. The most important part was destined to be held by the Church which was regarded as a true *corpus mysticum Christi* or as a more and more secularized political system (*corpus iuridicum*) [8].

We were witnessing a new tendency: the Church strove to become the avatar of an absolute and rational monarchy founded on a mystical basis. The mundane authority counteracted and suffered a mutation which transformed it into an almost-Church or a mystical society with a rational foundation [8].

3. The concept of secular law

The secular law, as well as the feudal, manorial, mercantile (*lex mercatoria*), urban or imperial laws should have competed with the canon law, considered a holistic approach. All the judicial systems (secular, feudal, mercantile, urban, imperial) tried to adapt to the new social-political and economical conditions, borrowing many elements from the canon law. This is because the canon law was very advanced and could be copied easily, considering that nothing better was invented before. This was inevitable because in the XIIth and XIIIth centuries, most judges and several members from the secular law institutions were clerks and they had already been accustomed with the canon law [6, p. 274].

For instance, *lex mercatoria* had to be compatible with the canon law. The merchants' economic and social activity was subordinated to the moral criterion. The law, as an ethical aid, became for the first time a specific liaison between an earthly activity and the possibility of redemption of any merchant's soul [6, p. 339].

The thesis presented by Harold Berman was that the modern theories regarding the state and the law originated from the antagonistic forces emerged from the action and the effect of the Papal Reform. Such theory

was against the conventional idea according to which modern western political science primarily originated in the classical Greek philosophy, especially in Plato and Aristotle's thought, and later during the Renaissance period, especially during the XVth and XVIth centuries when the classical Greek thought was rediscovered, a period considered the beginning of the first secular states [6, p. 275].

Harold Berman considered that such a theory must be re-evaluated in the sense that it is inaccurate to think we can talk about a modern state in the XVth or XVIth century. Berman demonstrated that, started with the Papal Reform, one can adequately talk about secular state in the true sense of the word. Thus, the Kingdom of Sicily, under the rule of Roger II (1112-1154), England under Henry II (1154-1189), France under Philip Augustus (1180-1223), Flanders under count Philip (1169-1191), and Swabia and Bavaria under Frederick Barbarossa (1152-1190) could be such examples. And independent cities, such as Geneva, Pisa, Freiburg, Cologne, Ghent, Bruges and many others, could be included in the same category [6, p. 276].

In the XIIth century, the most prominent scholar was John of Salisbury (1120-1180) who stressed such scission from a new perspective which was the basis for a new theory and manner of thought. According to him, every Christian was part of a community led by two distinct political authorities: the mundane and spiritual ones [6, p. 286-287]. The same idea is emphasized, although the superiority of the spiritual realm is quite clear: "But he never suggested that the people itself possessed the exercise of power: this for him was concentrated in the person of the ruler. It was in this sense that the *princeps* represented his subjects: he acted in the place of the *corpus rei publicae* and bore the *persona* of the corporation of his subjects. Yet ultimately power came from God and the laws of all rulers were subject to the law of God and those of his church: The censure of all laws is in vain, if it does not bear the image of the divine law, and the constitution of a *princeps* is useless, if it does not conform to ecclesiastical discipline.' Indeed, the *princeps* was 'an image of the divine majesty on Earth'." [3, p. 114]

The same author, in his fundamental work, *Policraticus*, defined the earthly prince as *rex imago aequitatis*, namely the reincarnation or representation of righteousness and justice for each human community. The idea and existence of a secular state, born out of the development of the Papal Revolution, from the battle between lay and ecclesiastical forces, were in essence those of a state governed by the law, a so-called 'rule of law' or *Rechtsstaat* [9].

4. The role of Christianity in the rise of modern cities

The end of the XIth century and the beginning of the XIIth century marks a turning point in the western history. Economy developed spectacularly, supported by the agricultural revolution which influenced commerce a lot more than the impact of urban centres did [10].

In this new medieval context, the cities acted as ignition points for economic development, fulfilling the paradigm shift which determined a change in the continent's configuration and architecture. They served the centralized political administration, the intellectual and mercantile elites and the members of the Catholic Church, as they were educational and cultural centres for laymen, business development centres, where complex commercial agreements were concluded and financial activities were carried out, they truly were spaces of innovation for commerce [2, p. 5]. In addition, their role was decisive, in the sense that both the Dominicans and the Franciscans concentrated their efforts towards the urban centres.

Paul Bairoch agreed with the perspective that cities were inputs for development. "There is no doubt that during the period between 1000 and 1500 cities had a major hand in the diffusion of knowledge – technical information, literary conventions and innovations, musical modes and styles, religious doctrines, and philosophical speculations – that frames a civilization. Nevertheless, especially at the outset, cities were not alone in disseminating knowledge. The castles of the nobility and above all the monasteries occupied a very important position in this process. Le Goff places the time at which the cities gradually began to wrest the leading role from the monasteries somewhere in the twelfth century." [11]

The improvement of living conditions determined a spectacular demographic growth, which determined in its turn, the growth of new urban centres and of a well-defined middle class represented by merchants. If at the middle of the XIth century, only Venice and London had a population of over 10.000, after almost two centuries, many Western cities had 10.000, 30.000 or even 100.000 inhabitants, meaning that a percentage between 5% and 10% of the Western population had already lived in urban centres [6, p. 102].

The role of commerce and the emergence of guilds marked the XIIth century. In fact, in the XIth and XIIth centuries, commerce co-existed with the manorial production model and the feudal social and political relationships.

The importance of the European cities during the XIth and XIIth centuries was obvious. It was argued that the market, where different kinds of commercial transactions took place, was near the outskirts of a castle or monastery. This suburb became the nucleus for a new type of city. Also, the prosperity level in the rural areas was an essential condition for supplying these cities with the necessary raw materials. Thus, not only the development of commerce and the emergence of a new social class, namely the merchants, influenced the development of new urban centres. In addition, the broadening of agriculture, the high social mobility degree from the XIth and XIIth centuries and the development of craftsmen and industrial suppliers, set the ground for a new means of production and distribution in accordance with the new social and economic context [6, p. 359].

Besides these coordinates for the emergence and development of new urban centres in the XIth and XIIth centuries, one must bring forth an essential detail. In fact, these new cities were religious associations which laid their

foundations on common values and beliefs. Parts of these cities, especially those created by merchants, were ruled by guilds. During this time, the guilds had religious functions in order to establish moral filters for carrying out specific commercial transactions. Those founded by the king's or bishop's proposal were conceived as brotherhoods, the trust being maintained with sacred oaths. The religious character of the cities was defined by the nuances and the spirit of these social constructions. The medieval proto-cities were completely separated from the Church, being considered the first models of secular states in Europe [6, p. 362].

Nevertheless, during the Middle Ages, Europe's cities were truly Christian, although their goal was to preserve the citizens' safety, to fight against violence and to regulate the economic and political relations. It was believed that these urban centres had a deep divine root. Thus, in the Peace Agreement from 1219, concluded between the citizens of Marseille and Nice, it was said that Jesus Christ was the one who allowed for the laws to be put into practice in order for the cities to have different advantages and that God is the only one who governs them [6, p. 394-395].

Religion was a great incentive for the medieval constructions. Each congregation needed its own church or chapel, most of the times, built out of stone. In addition, there were also monasteries with their own churches, but there were also living spaces and other outbuildings. Once the Scandinavian invasions ceased, favourable circumstances allowing for the reconstruction of the damaged churches and the expansion of monastic buildings, emerged. In the XIth century and more frequently even in the XIIth century, the bishops successfully militated in favour of the reconstruction and expansion of their cathedrals. The construction of a church or cathedral generated a series of expenses and brought forth opportunities to win a well-deserved spiritual reward, but also to pride themselves with the architecture of their medieval cities. One could see architectural changes, which created an important economic opportunity for the builders [12].

5. Economic determinants for the emergence of an opponent for the Catholic Church

During the Middle Ages, the relationship between the Church and the monarchs was mutually advantageous. The monarchs financed their military campaigns with the help of the Church, which in its turn, gains a lot of benefits. In many ways, the success of the Protestant reform can be linked to the financial fail through which the Catholic Church tried to get close to certain influential nations such as England, Germany and parts of Switzerland and Scotland. Outside Italy, the Church's main interest was to remove any hieratical movement in order to keep the faith of rebel nations and to collect the debts it had in different countries. The papacy and its entire pyramid-like-structure bureaucracy needed income in order to fight in wars and to support massive infrastructure projects, for example cathedrals [13].

The fifteenth century marked an important shift between the medieval political ideas and the early modern ones in Europe. It was considered that the Great Schism and the conciliar movement reflected the death of medieval papal monarchy. The secular monarchies in Europe became stronger, while early modern monarchical states were consolidated near a political ruler [3, p. 185]. “The notion of theocratic monarchy provided the basis for the later development of kingship by the grace of God into that by divine right, and, indeed, was the ultimate foundation of theories of kingship under the *ancien régime*. The medieval belief that all power in its nature and exercise existed within a normative context contributed to the elaboration of constitutionalist ideas and rights theories. The perception that absolute power, itself a medieval coinage, was nevertheless limited was to underlie early modern conceptions of absolute monarchy and to distinguish them from later and more totalitarian ideas of absolutism. Medieval treatments of government by the people as well as of monarchy were to provide material for later republican and royal theorists, as for instance in the French wars of religion in the sixteenth century. In the Middle Ages, jurists made particularly important contributions to ideas of popular and monarchical sovereignty; they also, through their corporation theory, aided the development of ideas of the territorial state, whether city or kingdom, as an abstract entity.” [3, p. 186]

In this context marked by many transformations and change of political ideas, it was considered that the Catholic rite engendered a new religious doctrine, namely Protestantism. The benefits for the Catholic Church members were highly reduced by the discrimination policy of the selling price, a situation which brought the believers on the brink of choosing another religious confession/denomination. The emergence of Protestantism meant that all those interested in sin redemption for personal salvation had a more direct and less expensive way to be forgiven. Protestantism made redemption cheaper, easier to obtain and, therefore, raised the benefits for the believers by reducing the transaction costs [13, p. 133].

But operating with an overcharge was not as efficient in societies which encouraged profit-seeking. Thus, as Ekelund Jr. et al. pointed out, in rent-seeking societies, Protestantism was not appealing, while in societies that promoted profit-seeking, Protestantism was welcomed [13, p. 120].

From such a theory to a consonance with capitalism, there was only one step. Max Weber argued that “The impulse to acquisition, pursuit of gain, of money, of the greatest possible amount of money, has in itself nothing to do with capitalism... Unlimited greed for gain is not in the least identical with capitalism, and is still less its spirit. Capitalism may even be identical with the restraint, or at least a rational tempering, of this irrational impulse. But capitalism is identical with the pursuit of profit, and forever renewed profit, by means of continuous, rational, capitalistic enterprise. For it must be so: in a wholly capitalistic order of society, an individual capitalistic enterprise which did not take advantage of its opportunities for profitmaking would be doomed to extinction.” [14]

“The point is best illustrated by Weber’s account of the origins of capitalism. His most famous explanation has to do with the ‘Protestant ethic’, the ways in which the growth of European capitalism was spurred on by the Reformation and the encouragement it gave to the ethic of hard work and economic rationality. The idea of the ‘calling’, the values of asceticism, the glorification of hard work associated with Calvinism - the psychological effects of the doctrine of pre-destination - were all conducive to the ‘spirit of capitalism’. This, however, was only part of Weber’s explanation and must be read against the background of his other work, especially on the distinctive character of the Western city. The Reformation had its particular effects because its influences acted upon a civilization in which the principles of economic rationality were already well developed, where a bourgeoisie imbued with a commercial ethic had already become especially powerful in the context of the urban autonomy that was a unique characteristic of the Western city. The emergence of Protestantism in this distinctive urban context facilitated the union of economic rationality with the ‘work ethic’, against the grain of traditional conceptions of labour as a curse rather than a virtue and a moral obligation. And out of that union was born modern capitalism.” [15]

The Catholic religious monopoly worked well in the semi-feudal, traditional, authoritarian societies, governed by the primogeniture system, societies which were based on a typical concentration of fortune, such as the agrarian aristocracy type that projected a rent-seeking behaviour under the protection of the monarch - a situation in which an entity gains a certain income by manipulating the market, without using the classical exchange methods; all on the background of an inferior social strata less influenced by the policy of price discrimination (Austria, France, Spain, Portugal, Bavaria, Ireland and Italian city-states). On the other hand, in the more liberal societies, where the monarch had limited powers, where there was an incipient model of the middle-class oriented towards profit-seeking with a more concentrated and dispersed fortune, the religious discrimination monopoly through the selling price was more diminished (for instance, in most of Germany, England and Scandinavia) [13, p. 112-113].

In an attempt to outlaw the simony and to control other financial abuses, the Trent Council (1545–1563), forbade bishops to perform the selling of sacraments; the elimination of fees for selling certain church services (such as dispensations); it forbade rent agreements for certain church properties; the cardinals and priests were forbidden to get rich using church owned properties; the clergy were requested to pay what they owned; the clergy’s abuse regarding testaments and inheritances was limited [13, p. 142].

Nevertheless, during the XVIth century, the Catholic priests and bishops’ rent-seeking behaviour was an established rule. Although the legislative changes issued by the Trent Council reduced the whole price of church goods and services, the Catholic Church still bore the burden of the dominant, centralized, authoritarian organization, continuously losing believers.

During the Medieval period, especially when the Trent Council took place, the Catholic Church becomes a supranational, bureaucratic, monopolistic public power willing to gain supplementary income, with the state's complicity (a *rent-seeking* behaviour). At the Church's core, nepotism, simony and a series of frequent financial abuses multiplied even after the Trent Council. As Barbara McClung Halman claimed, regarding the dilution of the Church's property by means of the testamentary institution, as soon as material abundance became a well-established rule in Rome, the amounts of money the priests were encouraged by the Church to leave to private families were stimulated. The income of the ecclesiastical renters was given to lay renters, who modified the social structure of Italy by purchasing social privileges pertaining to the noblemen [16].

The Catholic theologian Anselm from Canterbury stated that "there is eternal bliss, and eternal misery" [17]. An important stimulus which dealt with the choice between cost and benefits was illustrated by the purgatory doctrine. Although launched in the Vth century, it found relevance beginning with the XIth and XIIth centuries. The option of Purgatory went against the overwhelming possibility of going to hell. The deceased was offered the chance to open Heaven's gates through the medium of the living, who would positively change their public behaviours, by constantly praying or going to church, by paying their debts and indulgences, by donating and founding charitable institutions (hospitals, hospices, asylums, etc.) or even by founding the well-known guilds or brotherhoods. This regulation of the Catholic Church, together with the payment of indulgences for the redemption of sins and the forbiddance of interest, pursued the gain of the largest monetary benefice or the 'extraction' of wealth from the believer. Until the price required by the Church was not paid in full, the individual would not be redeemed. However, in case of the Purgatory, an unintended effect emerged. Because the Catholic Church overcharged the sinners, whose wealth was considerable, determined the emergence of an opposing religion, a substitute, which would perform new religious doctrines at lower prices, namely Protestantism. Thus, the forbiddance of practicing interest was meant to keep the individuals' wealth intact in order for it to be subsequently taxed. On the other hand, the Vatican lent prohibitive interests to the subordinated structures, this rent collection resembling the policy of profit gaining specific to a multidimensional enterprise [18]. Luther's aggressive rebellion comprised, among other things, the abuse of indulgences for redemption of sins.

Catholicism, through its heterogeneous moral standards, favoured impersonal costs for superior transactions, but, at the same time, facilitates individual exchanges.

It is well known that between Catholicism and Protestantism there are a number of institutional divergences, of values and issues regarding coercion mechanisms. While Protestantism encouraged the reduction of transaction costs in the context of an impersonal exchange, Catholicism favoured the decrease of costs resulted from nominal individual transactions. In addition, Protestants

created favourable conditions for the stimulation of the necessary contributions for financing public goods, as well as creating reciprocity for a labour market dominated by the prisoner's dilemma, a central component of the theory of games. On the other hand, Catholics had the tendency to put a stop to the accumulation of resources for financing social goods and tried to influence reciprocity and the aversion towards risk taking [19].

6. Conclusions

Towards the end of the XIth century, Pope Gregory VII officially decided on the separation of the Church from the secular institutions. At that moment, the Church was a visible organization, with a reconsidered and recalibrated identity. State authorities gained their own authority. "So give back to Caesar what is Caesar's, and to God what is God's." (Matthew 22.21)

The separation and competition between the spiritual jurisdictions and the secular ones were the main sources for the development of the western judicial tradition. The emergence of a secular state, born from the Papal Revolution effect, was in essence, that of a law governed state, the so called 'rule of law'.

A new model of society and government was introduced; the Church unified legal system which gained its full force in the XIIIth century. This system, based on the equal participation of the individuals, became clear also for the secular rulers of that time. Such an innovation led to the unheard idea of the modern state.

Nevertheless, the Catholic Church generated the educational process in monasteries, schools and universities; it developed specific attitudes and behaviours, quite exquisite for those times. The clergy played an important part in their interaction with the human communities.

European cities during medieval times were truly Christian, although their goal was to preserve the citizens' safety, to fight against violence and to regulate the economic and political relations.

Catholicism, through its heterogeneous moral standards, favoured impersonal costs for superior transactions, but, at the same time, facilitated individual exchanges. Compared to Protestantism, Catholicism held the rational key for the free-will based negotiation. Catholicism preached more diverse moral standards than Protestantism did. Both redemption through work and confession of sins supported this point of view.

During the medieval period, especially when the Trent Council (1545-1563) took place, the Catholic Church became a supranational, bureaucratic, monopolistic public power, willing to gain supplementary incomes, with the state's complicity (a so-called rent-seeking behaviour).

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