
LOANS AND INTEREST: LENDING IN MORAVIAN PARISHES BEFORE AND AFTER THE ENCYCLICAL VIX PERVENIT

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(Received 25 July 2024, revised 22 January 2025)

Abstract

The Roman Catholic Church's approach to the permissibility of interest has been a perennial source of misunderstanding and confusion among economists and some historians alike. The main reason for this is a misunderstanding of Church documents, especially the specific category of loan called *mutuum* and its distinction from other types of contracts. Another source of misunderstanding is the often-difficult documents of the magisterium and the statements of theologians, which can lead to ambiguous interpretations. This article aims to clarify the approach of ecclesiastical institutions to the issue of the permissibility of interest through the customary lending practices of ecclesiastical institutions. Although the probe into the credit economy of parishes in the Moravian region is relatively small in scope due to the fragmentary survival of archival material of an economic nature, it fits entirely within the context of other, similarly oriented studies that document the long-term credit involvement of ecclesiastical institutions and the legitimization of the receipt of interest. If we read the texts of theologians and magisterium through the lens of common practice, we get an indisputable and long-standing consistent picture of the Church's teaching on the permissibility of interest.

Keywords: interests, usury, loans, church

1. Introduction

The Church's position on loans, interest and usury has been explored in literature for centuries, mainly through the documents of the magisterium [1] and the texts of theologians. However, since these texts are not entirely clear, the discussion on this topic still has ambiguous results. In fact, from reading theological texts, it is not possible to derive unequivocal recommendations for the economic conduct of individuals or for the economy as a whole. The result is a large number of contradictory texts that do not clarify the issue very much. Therefore, the following text decides to approach the issue in the opposite way. Based on the usual lending practices of parishes (i.e., corporations following the

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Church's recommendations most closely), to describe and analyse Church-approved lending practices, and through this practice to read back the texts of the magisterium and theologians to get a clear picture of the Church's position on loans, interest, and usury. Just as the patristic period applied the rule *Lex orandi, lex credendi* (as we pray, so we believe, i.e., from an old transmitted prayer one can derive an answer to a newly discovered theological dispute) in resolving theological disputes, so too can the correct contemporary interpretation of magisterial texts, which themselves can be somewhat ambiguous, be derived from the established Church practice of lending. The method that general doctrine should be interpreted according to established and approved practice could be expressed in analogy by the formula *lex docendi, lex faciendi*.

This method can be very useful in interpreting contemporary understandings of Church doctrine, as it shows how contemporaries of magisterial pronouncements actually acted, and thus how they understood the Church's teaching and translated it into concrete actions.

The research on credit practice was conducted in the archives of the parishes of the Diocese of Brno. Unfortunately, the archival records of economic affairs are very fragmented, so that more comprehensive data and time series are available for only three parishes - the town of Boskovice, the town of Dačice and the pilgrimage site of Tuřany u Brna (Other studies also refer to the lack of preserved archival materials, e.g. [2, p. 364; 3, p. 162]). The encyclical *Vix pervenit* was chosen as the key text of the period from which the data on the financial operations of individual parishes (1690 - 1896) have survived, and it is still presented in a number of scholarly texts as an affirmation of the Church's teaching reasserting the traditional prohibition of any payment for the use of money (*pars pro toto* [4, 5]). However, this interpretation of the text of the encyclical seems to be at odds with reality. In the text, therefore, we will test the hypothesis that the encyclical *Vix pervenit* allowed for a variety of interest-bearing loans, in accordance with the Church's traditional teaching, even in the common practice of ecclesiastical monetary funds. The aim of the study is therefore to show that, while the encyclical *Vix pervenit* prohibited usury, it did not prohibit interest-bearing loans as such.

The topic of the doctrine of usury has long been strongly emphasized in the literature at a general level. The starting point for most studies is the still widely used study of McLaughlin [6], reflecting in basic points the scholastic discussion of interest and usury. Noonan [7] has similarly treated the subject comprehensively. De Roover has also dealt with the practice of credit and interest in the Middle Ages [8], including in relation to foreign trade [9]. From these foundations, the interest of researchers in the specific credit practices of not only secular but also ecclesiastical institutions has recently grown as well. Religious credit institutions as a civilizational constant of Western civilization have been described by Müllner and Svoboda. [10]. The continuity of medieval and modern economic thought is shown by Plopenau [11]. The rise of the Monte di Pieta movement is very well described - a comprehensive summary of studies on its origins and its theological and legal anchoring is given by Barile [12]. After the rediscovery of this economic phenomenon and the building of solid foundations,

research on lending through ecclesiastical money funds has begun to intensify, especially in recent decades. It turns out that ecclesiastical institutions were important lenders and also played an important role for rural economic development until the 19th century. This fact has been documented for countries as diverse as England [3], Sweden [13], Germany [14], Italy [15], France [16], and Bohemia [17]. All studies point to the positive effect of the availability of credit for the middle and lower classes, pointing to the probably higher than previously assumed size of the capital market [16, p. 360] and testifying to the involvement of capital by the richer to the benefit of the poorer [15, p. 73; 17, p. 103]. Given the limited amount of material available (with the exception of Sweden [13]), the focus is primarily on some quantitative indicators, with no lack of contemporary reflection (e.g., [15, p. 64]). This study extends many of these local studies to the Moravian region and presents data representing church practice in the context of current church doctrine.

2. Encyclical Vix pervenit

The reason why this encyclical was actually written was the initiative of the bishop of Verona, where in 1740 a municipal loan at 4% interest was issued, and at the same time in the same city a reprint of the Theological Summa of Anthony of Florence was published, in which the practice of taking and collecting interest was strongly criticized in the introduction. The stormy debate was further encouraged by the bishop of Verona, Giovanni Bragandino, who in 1742 published a treatise defending the restrictive position of the Summa's publisher. This notion of interest restriction was opposed in *Dell'impiego del danaro libri tre* by the scholar Scipio Maffei, a disciple of the then Pope Benedict XIV, to whom he dedicated this particular writing, where he defended a more balanced position, in line with the tradition and practice of the Church [18]. He speaks, for example, of the fact that the Old Testament provisions do not always apply (e.g., the permissibility of divorce) and that the usual passages of the New Testament do not affect commercial activities. From the point of view of method, it may be interesting that he also refers in his argument to the established practice where the Church has not taken action against the taking of interest. He contrasts the Aristotelian argument that money cannot reproduce (cannot have young) with the observation that a field also does not beget another field, but is undoubtedly a source of income with which another field can be bought. Another argument, that a loan involves a transfer of ownership and that it is not possible to earn income from someone else's property, he regards to be sophistry. Maffei is incisive and argumentative in his critique, but less persuasive in his suggestion of why and how to allow interest. In short, he argues that a change in society permits a change in morals. This suggestion was probably the main impetus for the new encyclical, since such a justification for interest would imply that the Church's moral teaching is only contemporaneous and therefore changeable. The rediscovered debate on the subject of the taking of interest, together with the conflicting opinions, was taken to Rome to be decided by the Pope once again by his ecclesiastical authority.

The encyclical *Vix pervenit* [19], compiled by a collegium of scholars and published in 1745 on the feast of All Saints, affirms in its introduction that usury occurs only in the specific case of the contract *mutuum*. *Mutuum* means the loan of natural fungible things, such as wine, oil, or grain, or created fungibles, such as money, which are intended to be converted into things for consumption. *Mutuum* is to be repaid not with the same thing, but in the same quantity and quality. Things that are interchangeable, different from each other (farms, boats, vineyards, houses, etc.) derive their value from external and contingent circumstances and cannot be part of the category of *mutuum*. Only *mutuum* - things interchangeable, intended for consumption - were to be lent without interest, and only *mutuum* loans could be usury (*usura*) in the strict sense of the word. The issue of lending money was derived from the question of whether or not the loan of money was for consumption, and therefore whether it fell under the category of *mutuum*. All the ambiguities of the Church's doctrine, then, are linked to the desire to distinguish between different types of transactions in order to invest capital productively with a reasonable share of the profits, while at the same time not taking advantage of the difficult situation of one's neighbour [20]. Thus, the encyclical affirms in its introduction the traditional teaching of the Church: *Peccati genus illud, quod usura vocatur, ... in contractu mutui propriam suam sedem et locum habet*. "The nature of the sin called usury has its proper place and origin in a *mutuum* contract." This financial contract between consenting parties demands, by its very nature, that one return to another only as much as he has received. The sin rests on the fact that sometimes the creditor desires more than he has given. Therefore, he contends some gain is owed him beyond that which he loaned, but any gain which exceeds the amount he gave is illicit and usurious [19]. At the same time, however, it is said that there are other types of contracts which allow for asking for something extra. However, since it does not further specify the various types of contracts ("We also shall not decide now about the other contracts in which the theologians and canonists lack agreement" [19]), in fact it can be said that the encyclical thus formulated merely confirms the existing practice of prohibiting interest in the category of *mutuum* ("Everyone knows that man is obliged in many instances to help his fellows with a simple, plain loan ... " [19]), and for the other purposes (not just a commerce) it allows an unspecified range of profitable transactions. The encyclical condemns both extreme approaches, those who regard any profit from money as illicit and usurious, and those who believe that no profit from money is usury. Although the encyclical was addressed only to the Italian bishops, its meaning, by definition, was understood universally, which was definitively confirmed in 1836 with the extension of its validity to the whole Church [21]. The entire encyclical can be read as an effort to preserve awareness of the *mutuum* contract in society, while at the same time preserving the possibility of a wide range of interest-bearing transactions, especially by emphasizing that interest-bearing loan contracts could be a source of income, an acknowledgement of common credit practice in society and in ecclesiastical institutions. With these formulations, the encyclical also affirmed the Church's doctrine as unchanging in principle, but seeking the best possible solution in each age.

Evidence that such an interpretation of the encyclical is not only possible, but correct, can be found in the interest-bearing transactions of parish assets.

3. Lendable capital of parishes - *beneficia, fabrica ecclesiae, foundations*

When in the Middle Ages churches were separated from their owners, two types of property were established in parishes to finance the running of the parish. In addition to the **beneficia** (property intended for the maintenance of the clergy in the parish), there was a second fund of property in each parish, intended for the maintenance of the church, called *fabrica ecclesiae* (ecclesiastical goods, bonum ecclesiasticum). The church property was a special asset owned by the church as a legal person, intended to finance the maintenance of the church, especially building repairs, as well as the decoration of the church and partly also to finance the services [22]. In addition to the *fabrica ecclesiae* as the basic economic fund, other **foundations** established by voluntary donors could also serve similar purposes. The *fabrica ecclesiae* and the assets of foundations were often made up of money that could be lent at interest. A fundamental characteristic of these funds - and an important difference from a beneficium intended to support a clergyman - was the participation of the laymen of the parish in the management of these assets. The typical repository of the money capital of a vestry was a treasury with three locks, with one key for the cleric, another for one of the parish laymen (often the churchwarden, called also vestrymen, procurators, provisores, vitrici, operarii, altirmanni etc.) and a third for the patron of the church, so that it could not be misused by one of the three interested parties [23, p. 129].

In the Czech lands, this type of treasury was common practice no later than 1402, when it was documented at the Bethlehem Chapel in Prague [24, p. 51-52]. From this time, we also have a documented share in the administration of the church property by laymen. *“The property of the chapel was administered by the neighbours who were especially chosen for this purpose, the so-called churchwardens. In Kelč, in 1429, churchwardens were elected one by one from all three classes of the population. The churchwarden served for one year from the landowners, two years from the householders and three years from the suburbanites.”* [25, p. 150-151] ... *“for the sake of control, the churchwarden was obliged to submit an account of all income and expenses to the parish priest once a year.”* [25] This practice may have been common at the time, but a century later the Fathers of the Council of Trent found it necessary to emphasize the obligation of church servants (both lay and clerical) to report annually to the Ordinary on their finances (*Administratores tam ecclesiastici quam laici fabricae cuiusvis Ecclesiae etiam cathedralis hospitalis confraternitatis eleemosynae montis pietatis et quorumcumque piorum locorum singulis annis teneantur reddere rationem administrationis ordinario* [26]).

It can be assumed that already in the 15th century it was valid that if the capital was not needed to repair the church, it could be borrowed at interest [24]. From this period, we have evidence of lending activities of the church property from St. Martin's and other church institutions in Kaufbeuren, Bavaria [14], where 318 loans were recorded in 1438 at an interest rate of 4 - 5% p. a. Thus, about 1/3

of the town's tax payers probably had a loan from a church institution. In Bohemia, we have the first surviving evidence of interest-bearing loans from church treasuries in the Bohemian lands only from the second half of the 16th century; in the 17th and 18th centuries, these interest-bearing loans of church treasuries are considered in surviving documents to be a common part of the management of ecclesiastical institutions.

One of the first historians to notice the phenomenon of the available and cheap capital of church institutions in its economic significance was the historian Zdeněk Kalista, who mentioned the *fabrica ecclesiae* of the Bozkov pilgrimage site in his work *Czech Baroque Pilgrimage*. "The money collected in the pilgrimage church is used to create a kind of a credit union, which helps poor farmers in the foothills." [27, p. 132] He further noted that at a time when the officially permitted interest rate was up to 25%, the Bozkov fund was lending at 5% (In 1696, 297 kopas of Meissen groschen were lent out among the parishioners and 112 kopas of Meissen groschen were lent out in the various fields). Thus, the church funds functioned as local sources of capital, accessible to the people of the village, and covered the country with a dense network of lendable capital. This source of lending was probably the main and widely available source of credit, especially in the countryside. Kalista also drew attention to the importance of the lay element in the management of this fund, noting that the money was not managed by Semily priests but by Bozkov peasants.

In addition to *fabrica ecclesiae*, church **foundations**, which were usually established by individuals for various purposes, could also serve as interest-bearing loans. The foundation either took the form of a bequest of property from the lease of which regular income was earned, or it was made in the form of a gift of money and the income came from the interest earned. Foundation could be **for Masses** or for **special purpose**. **Mass foundations** were used to pay for regular masses for the soul of the founder of the endowment. **Special purpose foundations** were used, for example, for church repairs, the purchase of bells or church furnishings. They were established not only for churches and chapels, but also for the maintenance of other small religious buildings [28]. Thus, in the account books of the churches we also find foundations for the maintenance of wayside shrines of the crucifixion, crosses, statues, chapels, or other purpose-built structures such as cemeteries and tombs [29]. For larger religious buildings we often find more specialized foundations. On the basis of probes into the accounting records of the parishes of Boskovice, Tuřany and Dačice, we know that in large parish churches there may have been a fund for the restoration of liturgical accessories, called the *silver fund*, and a *bell fund*, which was used for the maintenance of the bell mechanism and the restoration of bell ropes, or for the purchase of new bell equipment for the church, the foundations for individual altars, a fund for the construction of the church towers [30], a fund for the construction of the nativity scene [29], and, from the beginning of the twentieth century, frequent light endowments for the installation and maintenance of the church's electric lighting [31]. All these foundations as well as *fabricae ecclesiae* usually had capital in cash and earned their income mainly by lending money at interest.

4. Results of archival research on parish capital funds

A recurring problem in researching the lending activities of parishes is the incompleteness or absence of archival records of an economic type. The archival records of the Brno diocese were chosen for a partial probe and three parishes with the best-preserved information on credit activities were selected during the search of parish archives - the parish of Boskovice [30], Tuřany [29] and Dačice [31]. For comparison, the findings were compared with similar research from southern Bohemia [28].

The parish archives of selected parishes provide basic information on the size and structure of lendable capital, the dynamics of its development, the nature of the loans provided and the structure of borrowers. The oldest archival documents from the Boskovice parish date back to the end of the seventeenth century, but more comprehensive data we have from the turn of the eighteenth and nineteenth centuries. Most of the surviving documents in the parishes of Tuřany and Dačice are mostly from the nineteenth and twentieth centuries.

When examining the lending activities of parishes in the modern era, using the fragmentary surviving archival material, some general principles and trends can be traced.

Money from foundations and *fabrica ecclesiae* was lent at a similar interest rate, which varied across parishes and dioceses between 4-6%. In the vicariate of Prachatice, before 1700, loans were mainly at 6% interest, then at 5% and after 1730 at 4% [28]. Records from the same period from the Boskovice church show that loans were made at 5% or 4% interest [30]. As there were no generally applicable rules regarding loans, in some parishes only parishioners and residents of the village were allowed to lend, while in others it was possible to lend to people from outside under special conditions. We also find references to the assessment of different interest for parishioners and others. Within the eighteenth-century vicariate of Prachatice, interest was divided into three categories according to the type of borrower. Parishioners and locals borrowed at 4% interest, subjects of the same manor at 5% and people from elsewhere at 6% [28].

The main concern in lending was to eliminate the risk of loss. The first rule was to conclude the loan in writing in the presence of several witnesses. In addition to the name of the borrower and the amount owed, the promissory note also stated the percentage of interest, the specific date on which the annual interest payment was expected and the location of the property used as collateral. Another of the rules for borrowing from the parish capital funds concerned the value of the collateral, which had to exceed the value of the loan. Any lien also had to be promptly recorded in the land or land registry books for the property that was named in the note [28]. The lien secured the repayment of the debt even in the event of the death of the debtor, since the debt was part of the real estate with which the debt obligation passed to the eventual heir. Inheritance of debts was quite common, as was the transfer of debts to the new owner of the property. Especially for loans that lasted for several decades, a change in the names of the debtors can be observed in the books, which corresponded with the change in

ownership of the property [30]. After the repayment of the obligations, the mortgage was deleted from the land registers and the property was released from the encumbrance. The standard was to repay the loan in one instalment for the full amount of the debt.

Parish credit practices were also influenced by the legislation in force, especially during the Enlightenment, which sought to control church property on a political level. A typical example of these efforts is the court decree of March 21, 1782, which made it obligatory to deposit part of *fabrica ecclesiae* and foundation capital in public funds [32]. In this way, Joseph II built up the monetary reserves of the state at the expense of lending activities in the parishes. This decree was then followed by another decree that set a specific share of property and also specified specific time limits for depositing money in public funds [32]. Thus, on May 30, 1785, it was stipulated that the borrowed capital of the church and foundation assets should be repaid within 10 years at the latest. This corresponds to the fact that in the books of the Church of St. James in Boskovice, a change in the accounting records is evident from 1796 onwards, when information on the money deposited in public funds (see Figure 4) and the money lent to private individuals, i.e. parishioners, is recorded separately [30]. The parish was clearly in no hurry to deposit the prescribed part of the church capital into the state debt.

Basic information on the size and structure of the *fabrica ecclesiae* and foundations is provided by the surviving accounting records. Within the parish of Boskovice we find separate accounting books for the parish church of St. James the Elder and the affiliate church of All Saints. For the parish church of St. James the Elder we have extant records of both the total capital (foundations + *fabrica ecclesiae*) for the years 1780 - 1826 (Figure 1.) and records of the net foundation assets for the years 1690 - 1826 (Figure 2.). For All Saints' affiliate church, we only have records for the total amount of capital (foundations + *fabrica ecclesiae*) from 1780 to 1880 (Figure 1.).

Figure 1. therefore, shows the total capital of the parish and affiliate churches. While the parish church sees a sharp increase in total capital to more than double in 46 years, the monetary assets of the affiliate church are relatively constant throughout the century. (The significant fluctuations in the financial assets of the All-Saints' affiliate church, which are especially pronounced in 1846 and 1871, are due to the incorrect accounting of the return of public funds, which were not deposited back into the public funds until the following year.)

Chart 2 shows the dynamics of growth in the size of the foundations at St. James the Elder Parish Church. There is a clear increase in the size of the foundations, especially after 1724. The decline in 1811, visible in the graph, was not due to a reduction in the endowment but to monetary reform, when the value of paper money issued after 1800 was reduced by 80% (from one florin to 12 kreutzers). However, the conversion of debts according to the same decree was very complex and graded according to the age of the debt, so that the effects of the financial patent on the Boscovice foundations were not liquidating [33]. The dynamics of the growth in the volume of foundation funds can be seen in the significant growth in the popularity of establishing foundations in the 2nd and 3rd ¼ of the 18th century (This contemporary trend of the growth in the number and

size of foundations in the second and third quarter of the 18th century is also described on the basis of the study in Prachatice vicariate [28]).

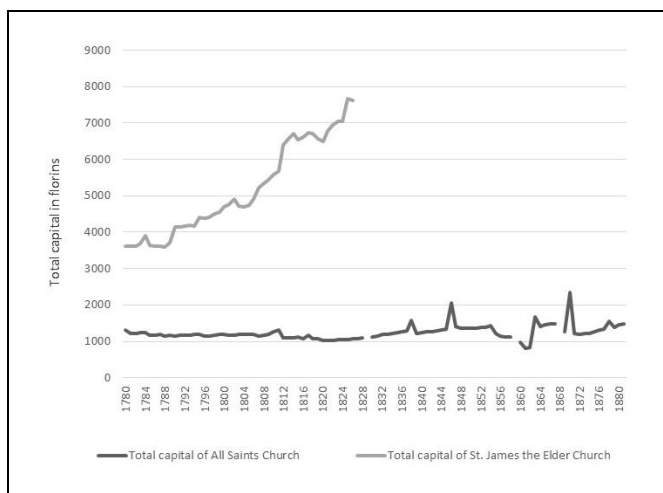


Figure 1. Total capital (foundations + *fabrica ecclesiae*) in churches of the Boskovice parish in the years 1780-188. Source: [30]

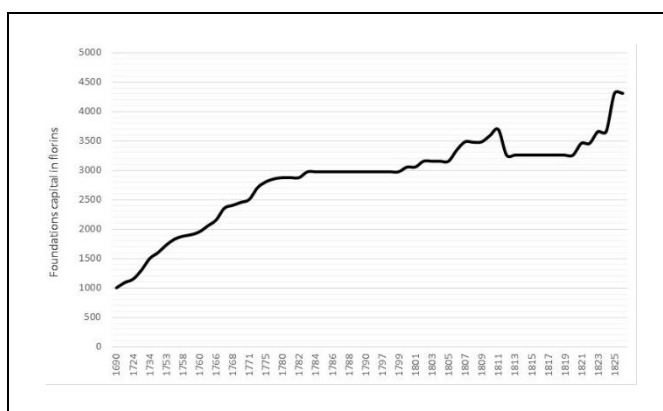


Figure 2. Total foundations capital at the Church of St. James the Elder in Boskovice in the years 1690-1826 Source: [30]

The volume of foundation capital and *fabrica ecclesiae* had different dynamics over time. Figure 3. shows how the proportions between church endowment and foundation endowment changed at St. James the Elder between 1780 and 1826. The volume of foundations funds stabilizes for the next 20 years after 1780 and gains new momentum between 1801 and 1811, when it increased by 21%. The monetary reform of 1811 leads to a slight decrease in the total volume of the capital and a decade of stagnation, when endowment capital is not increased, probably due to the lack of savings in society. The previous period of stagnation is replaced by a sharp increase, with the volume of endowments increasing by about 40% over a period of 5 years. On the other hand, the *fabrica ecclesiae* has the opposite dynamics - it increases rapidly between 1788 and 1790,

by more than 120%, stagnates until 1812, and after a rapid increase after 1813 it grows only insignificantly.

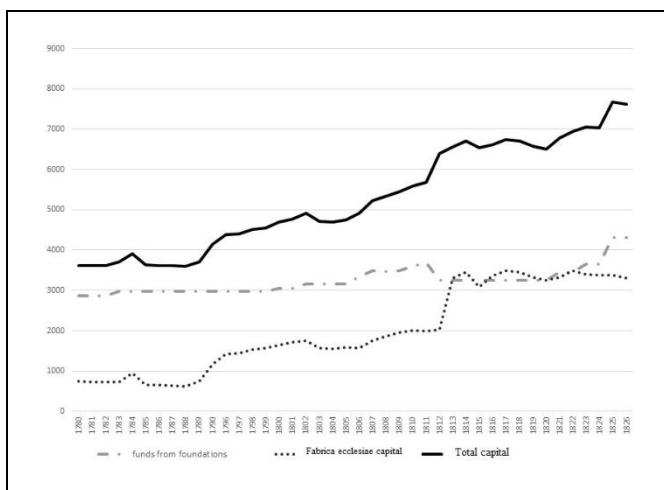


Figure 3. Structure of financial assets of the Church of St. James the Elder in Boskovice in the years 1780-1826. Source: [30]

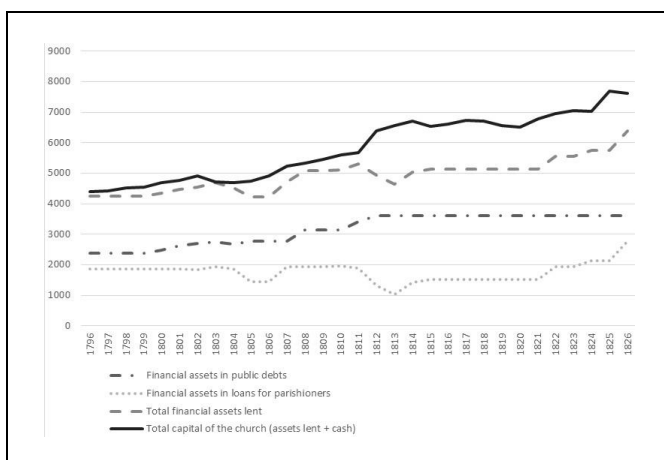


Figure 4. The use of total capital of St. James the Elder Church in Boskovice in the years 1796-1826. Source: [30]

Figure 4. provides an answer to the question of what forms of returns on capital the parish has preferred over time. There were two options for capital gains - loans to parishioners or deposits to public funds beyond what the 1782 and 1785 decrees commanded. The third option was to hold cash in the treasury. Two concurrent trends can be observed in the period under review - an increase in the amount of money deposited in public funds and an increase in the amount held in cash. With regard to the volume of funds lent to parishioners in the form of loans, a decline in the volume of loans can be detected between 1805 and 1806, probably due to the Napoleonic Wars, and after 1811 in connection with monetary reform. From 1820 onwards there is a renewed increase in loans to parishioners at the

expense of available cash. From this it can be inferred that the total volume of lending was dependent on the demand for credit, not on the creditworthiness of the church capital. The growth in the proportion of available cash after 1811 began to be reduced after 1821 by the increasing demand for credit.

Figure 5. shows the interest income from the borrowed capital of St James the Elder and All Saints Church between 1780 and 1858. The parish church records both interest income on loans from *fabrica ecclesiae* as well as foundations. For the affiliate church, only the total interest income on loans from *fabrica ecclesiae* is preserved. As already mentioned, each type of property was intended to provide for different needs and so was recorded separately. In connection with the chart presented, it is necessary to comment on two major fluctuations evident in the years 1811 and 1821. In these years, the paid-up principal of public bonds was incorrectly booked under the interest income section before being used to purchase new bonds.

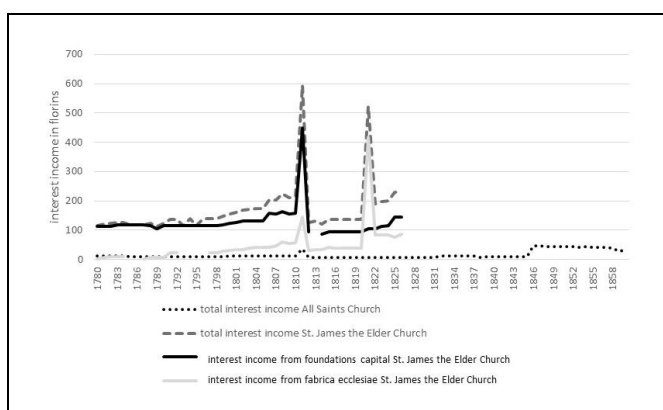


Figure 5. Interest income from loans in the Church of St. James the Elder in Boskovice and the Church of All Saints in Boskovice in 1780-1858. Source: [30]

We can reconstruct the numbers of cash loans thanks to the surviving promissory notes and the surviving inventories of foundations. While it is clear from Figure 3. that foundations money accounted for only a portion of the parish's total funds, the foundations were more predisposed to active operations due to their nature and requirement for long-term stable returns. *Fabrica ecclesiae*, unlike foundations, always needed to have some cash available in case of unexpected expenses related to the repair of the church.

The surviving foundations records allow us to examine both the nature of the loans and their structure. Figure 6. shows the number of loans recorded between 1814 and 1840. The recorded loans should be understood as active loans and not as new loans. Within each year, some loans were repaid and new loans were closed. In the period under review, more than twenty loans were made in each year, with the largest number of loans - 36 - recorded in 1833. (As already noted, individual loans were recorded for both a specific person and a property. In 1869, we have 644 houses documented in Boskovice, 102 of which belonged to Jewish residents, who cannot be assumed to have borrowed from Christian funds.

Of the 542 Christian properties, loans are recorded on 21-36 houses, which corresponds to 3.9%-6.6% of these houses).

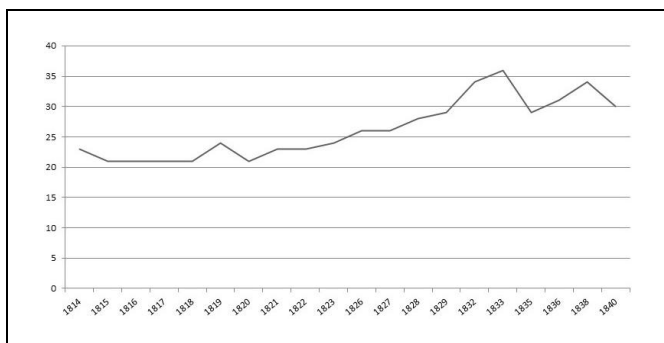


Figure 6. Number of recorded loans from foundations in the parish of Boskovice in the years 1814-1840. Source: [30]

In addition to the amount of money foundations lend, we can also look at their size. In Figure 7., we have the number of loans by loan size, which are divided into three categories. In the first category we have loans up to 50 florins, in the second category we have loans between 51 and 150 florins and in the last category we have loans above 150 florins. To put the amount of loans in the context of contemporary earnings, in the mid-nineteenth century a pauper earned 92-122 florins a year, a laborer could earn 156-390 florins, a teacher could earn between 300-1000 florins a year at the end of his career, and the Prague executioner earned 420 florins a year [34, p. 35]. Throughout the period under review, loans between 51 and 150 florins prevailed. There is also a slight increase in the total number of loans in this category over time. On the other hand, an almost constant number of loans can be observed for small loans up to 50 florins, with only slight fluctuations over time. Loans with the largest value, i.e. more than 150 florins, are increasing over time. The lowest loan granted in the period under review (1814-1840) was 24 florins and 45 kreutzers, while the highest loan granted was 400 florins.

In addition to the size of the loans, we can also look at the time interval of the loan. Loans up to one year are considered short-term, loans for one to ten years are considered medium-term, and loans over ten years are considered long-term. Of the 45 loans recorded, only 7 are short-term loans, with 4 of these loans being for a period of only a few months. The largest number of loans, 25, are in the long-term category, i.e. for a period of more than ten years. From the extant promissory notes, we also learn, among other things, the common interest rate, which is 4% or 5%. We also learn from the notes both about lending practices and the structure of the borrowers. In terms of the social status of borrowers, we can draw on the occupations listed in the loan notes. Thus, we learn that borrowers were, for example, master masons, master coopers, master butchers, or burghesses. Within the rural and small-town population, we can consider these professions as middle class. In addition to the names, the real estate on which the debt was registered in the land registers was also mentioned in the bills of exchange [35].

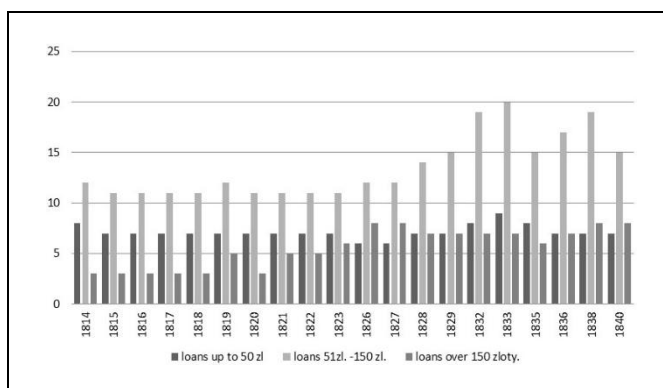


Figure 7. Size and number of loans from foundations in the parish of Boskovice in the years 1814-1840. Source: [30]

If we focus on the dynamics of the development of credit activities in the Boskovice parish in later years, we can draw on correspondence between the Boskovice parish priest and the Brno bishop’s consistory, from which it is clear that in the first half of the twentieth century the practice of credit was abandoned and the originally borrowed funds were gradually transferred into bonds and state debentures. The mood of the first half of the twentieth century is captured by a letter from a Boskovice parish priest to the Brno Consistory in 1921, when he writes: *“Since the collection of interest on these contracts was very difficult, so that the undersigned had to remind and send messengers 3 times or more, who often returned with rude messages, and many did not even want to acknowledge the debt and did not pay the interest, the undersigned proved their duty in respect and called on them, if they did not want to be bothered, to repay the debt, which they did and brought the money. The undersigned, in the deepest respect, hereby humbly begs for additional gracious approval that the sums named ... be duly deposited with the Raiffeisenka in Boskovice.”* [30] As one of the reasons for the abandonment of the practice of credit, we can also mention the new possibilities in the disposal of capital in the form of depositing it in savings banks, credit unions, or raiffeisenkas, which provided sufficient income to fulfill the purpose of the individual foundations. The direct credit involvement of parish funds and the actual management of active loans was thus no longer necessary, as their functions (pooling and lending capital) were transferred to an expanding network of professional financial institutions. This fact is already reflected in the Codex iuris canonici (1917), which, in canon 1523, explicitly prescribes profitable use of free money (*“Usefully collect the money of the church that remains after expenses and apply it to the benefit of the church with the consent of the Ordinary.”*) [36]

The declining number of loans towards the end of the nineteenth century can be documented by records from church accounts also in the parish of Tuřany. Figure 8. shows a clear decline in recorded loans, both in total numbers and within each category of assets. In addition to depositing funds with savings banks and other small lending institutions, parishes have begun to place significantly more of their funds in government bonds.

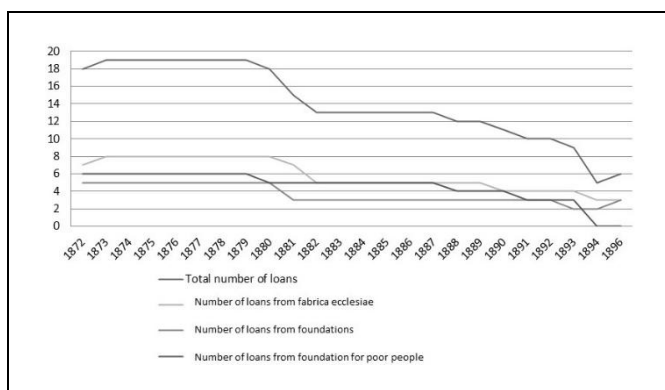


Figure 8. Number of loans in the parish of Tuřany by source of capital (1872-1896)

Source: [29]

5. Conclusions

Several conclusions can be drawn from the lending activity of the selected parishes described above. In the first place, it should be noted that we find nothing in either the eighteenth or the nineteenth century to support the hypothesis that the encyclical *Vix pervenit* forbade lending on interest. This is clear not only from the specific wording of the encyclical, but especially from the contemporary lending practices of ecclesiastical institutions, which lent actively and routinely at interest from the 15th century at the latest and continued to do so continuously until the beginning of the 20th century. After that, parishes routinely deposited the money into interest-bearing accounts in monetary institutions.

We do not see any break in the practice of parish lending after 1745, when *Vix pervenit* was published for Italy, nor in 1830, when the Sacred Penitentiary issued instructions to confessors not to disturb penitents who lent money at the legal rate of interest without any title other than the sanction of Civil Law' [37, p. 176], nor in 1836, when the encyclical *Vix pervenit* was formally extended to the whole Church.

The lending practice of the church itself showed constant characteristics over time. The interest received was not fixed but could vary, especially with respect to the amount and availability of capital. The interest rate was higher during the country's recovery from the Thirty Years' War, during which the value of the foundations and *fabrica ecclesiae* could fall to zero [16] and capital was scarce throughout the economy and then declined throughout the 18th century. However, changes in the interest rate were infrequent and very slight, which is not unusual in an era of gold-backed currency. All records relate to interest-bearing loans, no evidence of non-interest-bearing loans has been found.

The receipt of interest was therefore considered a common and accepted practice, the amount of interest could vary with economic conditions. The amount of interest could also have been influenced by the riskiness of the lender, as evidenced by the different interest rates for locals and non-locals in the vicariate of Prachatice. Loans had to be secured, usually by real estate and registration in land registers. The volume of loans granted was determined by the demand for

loans, not by the available capital, as evidenced by the decline in the number of active loans and the growth in the amount of cash held in the treasury during years of economic problems. The number of small loans has been relatively constant over time, while the number of medium and larger loans has grown over the long term as the economy has grown.

From the end of the 19th century, when the number of specialised monetary institutions dedicated to lending to the middle and lower classes of society increased, we can see a transfer of the active capital of *fabrica ecclesiae* and foundations to the interest-bearing accounts of these monetary institutions, which specialised in lending and paid interest to their shareholders.

The importance of church endowments for the availability of credit in rural and urban areas will begin to diminish as specialized financial firms begin to take over this role. However, only the lending organisation and the legal form change, but the principles and sources of lending remain basically the same.

Acknowledgement

Special thanks to Maria Plevová from the Diocesan Archives Brno for her cooperation and recommendations.

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