

**Financing, Credit, Moneylending and  
Charging of Interest. A Christian-ethical and  
Pastoral Perspective**

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## ABSTRACT

Financing of human activity through borrowing from third parties is widespread in the Western world, and such financing may give rise to several questions of moral and ethical character. The type of financing activity, or banking, which has become commonplace, will include lending for commercial enterprises, for specific or general business purposes, for private consumption or mortgaging, for issuance of derivative and/or speculative financial products, for support of financial equities and currency trading, as well as lending and borrowing among public agencies and governments, to mention but the most typical situations. Moneylending will in its contemporary Western usage be expected to involve charging of interest, and will as well be subjected to increasing governmental regulation. Despite increased regulatory interest from governmental agencies, the ethical underpinnings of such banking activity are somewhat unclear, and not uniform among the involved actors. Christian thinkers have been divided as to what moral norms should apply, and traditionally, the matter has been discussed mostly in connection with the level of interest charged by the lender to the borrower. In this dissertation, the practice of moneylending is illuminated from different angles. These include questions regarding the moral defensibility of lending and borrowing, the taking and posting of collateral, third party guarantees, the level of interest that may be charged, the nature of money as social technology, and the place of banking within societal contexts. Through this elaboration, Christian-ethical and pastoral principles are developed, all under the Reformed paradigm, and examples of how such principles harmonise with banking practice are given. A new banking systematic is proposed, whereby banking is given a constructive and participatory societal place, in concert with sound Christian-ethical and pastoral principles. This new banking paradigm is named Pastoral Banking Practice (PBP), to focus its Christian-ethical and pastoral foundations and constructive base ethos. A recommendation to banking practitioners as to the operation of the PBP in real life setting is given in general terms.

**Key terms:** Financing, banking, charging interest, moneylending, credit, financial speculation, money as social technology, lending, borrowing, collateral, third party guarantees, Pastoral Banking Practice (PBP).

# TABLE OF CONTENTS

---

<b>ACKNOWLEDGEMENTS .....</b>	<b>I</b>
<b>ABSTRACT.....</b>	<b>II</b>
<b>CHAPTER 1: INTRODUCTION.....</b>	<b>1</b>
<hr/>	
<b>1.1            BACKGROUND AND PROBLEM STATEMENT/RATIONALE .....</b>	<b>1</b>
1.1.1        Background.....	1
1.1.2        Problem Statement .....	2
1.1.3        Preliminary Literature Study .....	4
<b>1.2            AIM AND OBJECTIVES .....</b>	<b>5</b>
1.2.1        Aim.....	5
1.2.2        Objectives .....	5
<b>1.3            CENTRAL THEORETICAL ARGUMENT .....</b>	<b>6</b>
<b>1.4            RESEARCH DESIGN/METHODOLOGY .....</b>	<b>6</b>
<b>1.5            CONCEPT CLARIFICATION .....</b>	<b>6</b>
<b>1.6            ETHICAL CONSIDERATIONS .....</b>	<b>7</b>
<b>CHAPTER 2 HISTORICAL BACKGROUND.....</b>	<b>8</b>
<hr/>	
<b>2.1            INTRODUCTION.....</b>	<b>8</b>
<b>2.2            DEVELOPMENT OF MONEY .....</b>	<b>9</b>
2.2.1        Background.....	9
2.2.2        Antiquity .....	9
<b>2.3            THE EVOLUTION OF BANKING AND FINANCING.....</b>	<b>23</b>
2.3.1        Background.....	23
2.3.2        Mesopotamia and Babylonia .....	23

2.3.3	Greek City-states .....	26
2.3.4	The Romans .....	26
2.3.5	The Medieval Era .....	28
2.3.6	Modern Era .....	31
2.3.7	Twentieth Century and Beyond .....	34
<b>2.4</b>	<b>SUMMARY .....</b>	<b>36</b>
<b>CHAPTER 3 EPISTEMOLOGY .....</b>		<b>39</b>
<hr/>		
<b>3.1</b>	<b>INTRODUCTION.....</b>	<b>39</b>
<b>3.2</b>	<b>ANTIQUITY.....</b>	<b>40</b>
3.2.1	Early Thinkers and Socrates .....	40
3.2.2	Plato and Aristotle .....	43
3.2.3	Stoics and Neo-Platonism .....	44
<b>3.3</b>	<b>MEDIEVAL PERIOD.....</b>	<b>45</b>
3.3.1	Augustine – Transitional Phase.....	45
3.3.2	Early Medieval.....	46
3.3.3	Aquinas - Late Medieval.....	47
<b>3.4</b>	<b>RENAISSANCE – REFORMATION.....</b>	<b>49</b>
3.4.1	Renaissance .....	49
3.4.2	The Reformation .....	50
<b>3.5</b>	<b>ENLIGHTENMENT – EARLY MODERNIST .....</b>	<b>52</b>
3.5.1	Transition to the Secular .....	52
3.5.2	Early Modern.....	54
<b>3.6</b>	<b>MODERNISTS .....</b>	<b>57</b>
3.6.1	Reductionism Developed .....	57

<b>3.7</b>	<b>POSTMODERNISTS.....</b>	<b>60</b>
3.7.1	The Tacit Revisited .....	60
<b>3.8</b>	<b>CONTEMPORARY REFORMED .....</b>	<b>62</b>
3.8.1	Reformed Philosophers.....	62
3.8.2	Reformed Epistemology .....	63
<b>3.9</b>	<b>SCRIPTURAL INTERPRETATION .....</b>	<b>65</b>
3.9.1	Hermeneutics and Exegesis.....	65
3.9.2	Barth .....	67
3.9.3	Berkhof .....	69
3.9.4	Interpretation Principles.....	70
<b>3.10</b>	<b>SUMMARY .....</b>	<b>73</b>
 <b>CHAPTER 4 BANKING PHILOSOPHIES, ETHICS AND PASTORAL CARE .....</b>		<b>75</b>
<hr/>		
<b>4.1</b>	<b>INTRODUCTION.....</b>	<b>75</b>
<b>4.2</b>	<b>BANKING PHILOSOPHIES – OVERVIEW .....</b>	<b>76</b>
4.2.1	Background.....	76
4.2.2	Free and Unregulated .....	76
4.2.3	Regulated Model .....	79
4.2.4	Islamic/Sharia Banking.....	84
4.2.5	Ethical Banking .....	89
4.2.6	Christian Banking .....	90
4.2.7	Prevailing Western Model .....	93
<b>4.3</b>	<b>ETHICAL MODELS .....</b>	<b>93</b>
4.3.1	Different Vantage Points .....	93
4.3.2	Situation Ethics .....	94

4.3.3	Unqualified Absolutism.....	96
4.3.4	Conflicting Absolutism .....	98
4.3.5	Graded Absolutism.....	99
4.3.6	Reformed Ethics.....	102
4.3.7	Constructive Ethical Attitude.....	105
<b>4.4</b>	<b>PASTORAL PRINCIPLES .....</b>	<b>108</b>
4.4.1	Background and Context.....	108
4.4.2	Pastoral Norms .....	108
4.4.3	Biblical Foundations .....	109
4.4.4	Historical Development .....	119
4.4.5	Contemporary Practical Model .....	130
<b>4.5</b>	<b>ESPOUSED PASTORAL-ETHICAL MODEL.....</b>	<b>132</b>
4.5.1	Introduction .....	132
4.5.2	Inclusive and Constructive Model .....	132
4.5.3	Praxis and Context Oriented .....	133
<b>4.6</b>	<b>SUMMARY .....</b>	<b>134</b>
<b>CHAPTER 5 APPLICABLE BIBLICAL PASTORAL-ETHICAL NORMS .....</b>		<b>138</b>
<hr/>		
<b>5.1</b>	<b>INTRODUCTION.....</b>	<b>138</b>
<b>5.2</b>	<b>MONEYLENDING.....</b>	<b>139</b>
5.2.1	Context .....	139
5.2.2	Lending or Giving – to the Needy Only? .....	140
5.2.3	Borrowing – a Moral Act? .....	141
5.2.4	Duration and Security.....	142
<b>5.3</b>	<b>CHARGING OF INTEREST .....</b>	<b>145</b>

5.4	<b>RISK AND STABILITY .....</b>	<b>150</b>
5.5	<b>TRUTHFULNESS .....</b>	<b>155</b>
5.6	<b>GREED .....</b>	<b>158</b>
5.7	<b>COVETOUSNESS .....</b>	<b>160</b>
5.8	<b>SUMMARY .....</b>	<b>162</b>
<b>CHAPTER 6 HARMFUL BANKING PRACTICES.....</b>		<b>164</b>
<hr/>		
6.1	<b>INTRODUCTION.....</b>	<b>164</b>
6.2	<b>MONEYLENDING.....</b>	<b>165</b>
6.2.1	Lending.....	165
6.2.2	Borrowing and Deposits .....	167
6.2.3	Duration and Security.....	169
6.3	<b>CHARGING INTEREST .....</b>	<b>170</b>
6.4	<b>RISK AND STABILITY .....</b>	<b>173</b>
6.5	<b>TRUTHFULNESS .....</b>	<b>178</b>
6.6	<b>GREED .....</b>	<b>179</b>
6.7	<b>COVETOUSNESS .....</b>	<b>180</b>
6.8	<b>SUMMARY .....</b>	<b>181</b>
<b>CHAPTER 7 BENEFICIAL BANKING PRACTICES .....</b>		<b>183</b>
<hr/>		
7.1	<b>INTRODUCTION.....</b>	<b>183</b>
7.2	<b>FUNCTIONS OF BANKING IN SOCIETY .....</b>	<b>183</b>
7.3	<b>STAKEHOLDERS AND SOCIETY .....</b>	<b>185</b>
7.4	<b>PASTORAL BANKING PRACTICE.....</b>	<b>187</b>
7.5	<b>MONEYLENDING.....</b>	<b>189</b>
7.5.1	Lending.....	189

7.5.2	Borrowing and Deposits .....	189
7.5.3	Duration and Security.....	190
7.6	<b>CHARGING INTEREST .....</b>	<b>191</b>
7.7	<b>RISK AND STABILITY .....</b>	<b>192</b>
7.8	<b>TRUTHFULNESS .....</b>	<b>193</b>
7.9	<b>GREED AND COVETOUSNESS .....</b>	<b>194</b>
7.10	<b>OPERATIONALISATION OF PBP.....</b>	<b>194</b>
7.11	<b>SUMMARY .....</b>	<b>195</b>
<b>CHAPTER 8 CONCLUSION AND RECOMMENDATION .....</b>		<b>198</b>
<hr/>		
8.1	<b>INTRODUCTION.....</b>	<b>198</b>
8.2	<b>CONCLUSION.....</b>	<b>198</b>
8.3	<b>RECOMMENDATIONS.....</b>	<b>200</b>
8.4	<b>FURTHER RESEARCH.....</b>	<b>201</b>

# CHAPTER 1:

## INTRODUCTION

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### 1.1 BACKGROUND AND PROBLEM STATEMENT/RATIONALE

#### 1.1.1 Background

Within the economic sphere of individuals and societies, activities need be financed, whether they be business projects and enterprises, or expenditures of a private nature, such as purchasing dwellings or paying for education, to consume for self-subsistence, et cetera. Financing human activity can be performed in two principally different ways: by way of utilising equity belonging to the initiator, or by receiving loans, credit or equity from a third party. Superficially, it may be assumed that there is a defined line between credit and equity financing, but these methods may typically co-exist in an equity loan mix. When both are in use, it could be of interest to examine what is the sustainable and moral degree of loan as seen against the level of equity (loan to equity ratio), and this is a question which has different solutions under different moral, legal and religious paradigms. In the following, I will examine how financing credit, moneylending and charging of interest can be viewed in a Christian-ethical and pastoral perspective, as seen on the foundation of the Reformed paradigm. For clarity, I will already here explain that moneylending systematically differs from extending credit in that credit may occur in a situation where the debtor receives a commodity, merchandise or service without paying, and moneylending would refer to situations where the debtor borrows money from the creditor for a discretionary or agreed use, oftentimes within set limitations.

Views on financing and interest vary among different cultural and religious affiliations, and are subjected to rules and regulations that vary in strictness, and that often set limits protecting the debtor against the power of the creditor. From historical sources regarding India and China, for example, it appears that governmental concerns to protect the (perceived) weaker debtor against the creditor were present, and that rules were introduced stating maximal interest rates as well as the principle that interest could not exceed the principal (Graeber, 2012). From sources within Christendom, we know of similar impulses for regulating credit, ranging from the Old Testament (NIV, 2018) law of debt cancellation every seven years (Deut, 15:1-3), and the release of those held in

debt bondage every 49 years (Lev 25:39), to Calvin's moderate scepticism of letting capitalism exist unchecked (Graafland, 2009).

Interestingly, within the Islamic world, the matter of debt, interest and capital hoarding has been subjected to closer scrutiny than in the predominantly Christian West. Within Islam, a tradition of banking based on Islamic moral rules has been developed, and a systematic of capital use has evolved covering most aspects of third party financing and the application of capital. This financial paradigm is often referred to as Sharia banking or Islamic banking, and was developed from the 1970s and onwards (Jamaldeen, 2012; Abdul-Rahman, 2010).

Looking at other cultures, a pertinent question may be whether such a moral position on financing and credit can be matched in Christian pastoral philosophy, or is the free market and unbridled capitalism the acceptable norm for Christian individuals and their societies? Also, if we accept that credit and financing are to be perceived as a "good", should it be evenly distributed among all societal constituents, or only to a select few, and thus be added to the existing societal and financial benefits that may be gained through such an uneven division of possibilities? If loans and credit are morally neutral, why is it then that we seldom use interest in close relationships such as within families and among friends, and often blur the line between loan and credit on the one side, and gifts given on the other? The concept of such "soft financing" is also found in the practice of microfinancing, which has become fashionable and is perhaps even perceived as a morally acceptable practice among actors in the West. However, does that mean it is morally viable from a Christian pastoral perspective (Mayoux, 2001)?

### **1.1.2 Problem Statement**

In the West, all manner of financial instruments, including loans, leveraged investment structures and products, bonds and interest are taken for granted, but the moral aspects are seldom considered. It would seem that to be in debt has become commonplace in the West, and that debtors and creditors alike accept this state of affairs as natural and useful, both for the individual and society. It seems that it is seldom considered what are the ramifications of this practice of debt, whether from a perspective of morality, society, the economy, political stability, or the environment. In addition to the debt levels that exist within the Western world, there is the matter of debt assumed by states, where the creditors are either other states or private organisations such as privately-owned banks.

The events seen in Greece in 2015 would alone serve as an example on how governmental debt can be seminal in destabilising a society, where all citizens bear the burden of governmental (over-) spending, and the newborns come into this world with a high level of debt to be paid—debt which the weakest of the citizens had no part in taking on (Varoufakis, 2016). Added moral dilemmas can be found when typical developing countries are in debt to Western states or private organisations, and where there could be only a minuscule possibility of paying back the loans. A valid question then could be whether such structures represent a modern-day revival of old-style political colonialism. The possibility of credit-giving destabilising whole societies is well known from history, and the great crash of the late 1920s in the Western financial markets could act as a suitable example (Galbraith, 2009).

In this research project, I will be focusing on the societal usefulness of credit, financing and banking practices and attendant topics from a Christian-ethical and pastoral perspective, wherein different stakeholder categories (Carroll, 1991) will be described and considered. I will not examine questions pertaining to the morality of the underlying activity, for example, arms production or the promotion of financial speculation or consumerism, which will be covered under the concept of the Reoriented Investment Protocol (Bosterud, 2016).

The main research problem I will be addressing in this project is:

- How should the financing of human activity be guided from a Christian-ethical and pastoral perspective?

Sub-questions arising from this main research question are:

- Can credit extension and financing practices be morally neutral?
- What Christian-ethical and pastoral principles are applicable to credit extension and financing?
- What banking practices should be avoided as counteracting Christian-ethical and pastoral norms?
- What banking practices should be encouraged as promoting Christian-ethical and pastoral norms?

- How can guidelines for banking practices be developed to correlate with the formulated Christian-ethical and pastoral principles?

### **1.1.3 Preliminary Literature Study**

I have performed an initial literature study including the following publications, which I have perused in depth.

To prepare the problem statement, I found Graeber (2012) to be of great interest as an academic starting point, as he problematises how we as humans perceive debt and reciprocal social obligations. Graeber contends that, as opposed to the traditional view, debt did not come as a result of a monetary economy, but that debt pre-dates the existence of money, and that money has been created as means to pay debts, and not the other way around.

Connected to the above mode of thinking is a view that challenges the societally orthodox perceptions of money as controlled by different levels of government, and instead perceives money as an ethereal social technology divorced from its physical and authoritative representations (Martin, 2014). Such a heterodox perception of money as a social construct of value-measure can be found in a variety of sources, such as in Friedman (1991) and Furness (1910), within the different academic disciplines of economics and anthropology, oftentimes seen as scarcely connected. According to this mode of cognition, money and debt are seen as intrinsically interwoven, and money will always be seen as debt, but not necessarily vice versa (Martin, 2014).

Another author who has shed valuable light on my problem in this initial phase is Piketty (2014), who describes the global economic development over the last centuries from a perspective of human equality or the lack thereof. The author examines how uneven capital build-up among individuals, organisations and states may have contributed to an uneven, and perhaps unjust, growth of the global economy in the modern era. Following this line of thought is Kay (2016), who questions whether extant Western banking institutions and their practices perform the kind of beneficial financing of commercial ventures and societal needs as oftentimes purported, or whether they are principally self-serving entities focusing on their own profitability.

Finally, Galbraith (1989) contributes to a broad perspective on the history of global economic development, seen from a vantage point of historical context and political and

philosophical currents of influence. His allowance for cultural and societal impact as part of economic growth and development casts valuable light on aspects relevant to my aim of assessing how morality is intertwined with our economic life, hereunder its place in the practices of financing and credit.

## **1.2 AIM AND OBJECTIVES**

### **1.2.1 Aim**

The aim of this study is to evaluate different modes of banking practices from a theological Christian-ethical and pastoral perspective, and to indicate how Christian-ethical and pastoral norms can add value to and guide current future banking activities. This dissertation will not include a detailed set of recommended ready-to-use guidelines for banking and financing activities, but will advise the main relevant Christian-ethical and pastoral considerations to be complied to, useful for a possible revision of the existing banking practices.

### **1.2.2 Objectives**

In researching the possible avenues to be chosen for banking practice that is societally beneficial from a Christian-ethical and pastoral perspective, the following objectives should be met:

- Study and evaluate whether philosophical and moral positions taken on banking practices can be value-free and neutral.
- Locate scriptural evidence on Christian-ethical and pastoral considerations to banking practices.
- Study and evaluate what banking practices should be avoided from a Christian-ethical and pastoral perspective.
- Study and evaluate what banking practices should be encouraged from a Christian-ethical and pastoral perspective.
- Study and evaluate how acceptable Christian-ethical and pastoral banking practices could be operationalised within a practical banking reality.

### **1.3 CENTRAL THEORETICAL ARGUMENT**

The central theological argument in this dissertation is that Christian-ethical and pastoral norms can add value to guiding banking practices.

### **1.4 RESEARCH DESIGN/METHODOLOGY**

The study will be a comparative literary study, and will be conducted according to a defined set of deontological Christian pastoral principles, as interpreted in light of secular moral philosophy (McKeever and Ridge, 2009; Bennett, 2010). The study will further be conducted in accordance with certain biblical themes from which deontological Christian-ethical and pastoral principles applicable to a pastoral compassionate approach will be inferred and extrapolated from Scripture, adhering to recognised interpretative rules of hermeneutics (Vorster, 2007, 2017b; Hogan, 1987; Porter and Robinson, 2011; Gadamer, 2004).

The research will be conducted under an epistemological paradigm of qualitative research adhering to recognised research principles and ethics (Creswell, 2013; Hoyle, Harris and Judd, 2002).

The study will be performed in accordance with a biblical-theological approach, as this approach is evident in the work of Grudem (1994). I expect that even though other traditions would adhere to certain different authorities to evaluate in an interpretative study such as this, the Christian pastoral outcome would not greatly differ (Kerkhofs, 1994; Gustafson, 1989). If I in this study draw on sources outside the Reformed tradition this will be clearly expressed in the text (McGrath, 2011).

### **1.5 CONCEPT CLARIFICATION**

The clarification of my general use of central concepts will be included in this section (Foucault, 2002). I have drawn on conventional thinking when defining the concepts for my purposes, and have in particular used Investopedia (2016) as inspiration.

**Banking:** When the term “banking” is used in this dissertation, it is used in a conventional manner, and it will mean any activity related to the obtainment of capital for individuals, companies, governments and other entities, whether by debt or equity in any form, in order to serve whatever investment rationale such receivers may adhere to.

**Credit:** When the term “credit” is used in this dissertation, it will mean the act in which one party receives something of value from another party now and agrees to pay for it at some date in the future.

**Debt:** When the term “debt” is used in this dissertation, it will mean the situation whereby an amount of money is owed by one party to another.

**Equity:** When the term “equity” is used in this dissertation, it will mean any representation of ownership interest.

**Financing:** When the term “financing” is used in this dissertation, it will mean the act of providing funds for business activities, making purchases or investments, or for satisfying any other human need or activity, either by equity or by debt.

**Interest:** When the term “interest” is used in this dissertation, it will mean the act of charging for the privilege of borrowing money or receiving credit, typically expressed as an annual or monthly percentage rate.

**Investment:** When the term “investment” is used in this dissertation, it is used in a conventional manner, entailing the acquisition or ownership of any kind of asset, for the purpose of financial gain by way of capital yield, increase, use or maintenance. The insertion of funds to NGOs or other eleemosynary organisations will fall outside the use of the term “investment” in this dissertation, as will any capital use that does not have financial gain or practical utilisation as its purpose.

**Moneylending/Lending:** When the term “moneylending” or “lending” is used in this dissertation, it will mean the act in which an individual, a public group, a private group or a financial institution makes funds available to another with the expectation that the funds will be repaid.

## **1.6 ETHICAL CONSIDERATIONS**

Because no empirical research will be based on the opinions of individuals by way of questionnaires, interviews or observations, I do not expect that any high-risk research ethical considerations would apply to this study (Kumar, 2011).

# CHAPTER 2

## HISTORICAL BACKGROUND

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### 2.1 INTRODUCTION

In this chapter, I will describe the history of banking and finance from an occidental-cultural vantage point, and will elaborate how different perspectives have developed over time. References will be made to sources and influences from outside the occidental realm, when and if this will elucidate my study. Further, I will describe how banking and financing have contributed to society at different historical stages. Different societal and academic perceptions on the development of banking and moneylending will be given particular treatment, not least persistent myths on barter as the primordial predecessor of banking, finance, and monetary systems. Subsequently, I will mainly focus the dissertation on sources of financial and economic life connected to the development of the occidental banking system and societal economy for a period relevant to this dissertation.

Particular interest will be given to the development of money and societal monetary systems, and my contention will be that money has developed into a societal technology by way of practical societal use, rather than by governmental influence and edict (Graeber, 2012). This explanation of money, and consequently, debt, as societal technology will be at odds with conventional thinking, as money oftentimes is perceived as developed by the ruler/government, such that controlling money is the privilege of the state rather than representing a useful measurement of social interaction and reciprocity developed by and among the practical users. The concept of money as societal technology and/or as an inter-human value measurement will be of seminal importance for my dissertation, as it will be foundational for my views on both the origination of financing and the usefulness of moneylending for developing society.

I will demonstrate in brief the development of certain occidental banking structures and named historical banks, to the extent this will be useful for elucidating my study. I will further exhibit how my research is relevant in a historical contextual perspective.

## **2.2 DEVELOPMENT OF MONEY**

### **2.2.1 Background**

When attempting to understand the development of financing and banking, the typical author takes money for granted, seeing moneylending and debt as something made possible by the pre-existence of money (e.g., Investopedia, 2017). Typically, the position will be that in primitive primeval society human beings resorted to bartering with each other if they could not themselves create the physical objects they needed for their subsistence (e.g., Smith, 2007). This idea of inter-personal bartering to satisfy human needs is compelling, as it will place primitive humanity and society in a lineal historical context, which is perceived as inferior to later historical periods, including our own. After all, using money as a medium for acquiring needs satisfaction will easily be perceived as more advanced than interchanging physical objects through bartering, such as one pig for two goats. In order not to resort to circular argumentation, where debt is created by borrowing money and where money is necessary to create debt, it will be necessary to delve deeper into the origin of money, which typically is seen as the object of debt and credit. Only if we understand how money has originated as a measurement for debt and/or credit can we understand how moneylending, charging interest and financing has come about in society, and how it may be useful and/or problematic from societal, religious and philosophical vantage points.

### **2.2.2 Antiquity**

#### **2.2.2.1 *The Barter Myth***

Graeber (2012) addresses the topic of money from the side of debt, and explains how economists typically view money as a means of keeping count, payment and debt (e.g., Case *et al.*, 1999), and promotes the view that typically this has been the main perception of economic thought and study. He further posits that it is from the academic realm of sociology and anthropology that interest for money has been taken with a non-orthodox perspective, allowing for a deeper understanding of the true origination of money in society. This view is opposed to the traditional economists' perceptions (e.g., Maunder *et al.*, 1991), where the thinking is that bartering first existed as a means of material exchange before the invention of money, and finally, a banking and credit system has been developed over time. Graeber (2012) further explains how the idea of

an antecedent bartering system, representing an earlier primitive version of our use of money, has never been proved to exist in any known society either in historical times or contemporary society. His conclusion, then, is that a pre-money state of inter-human bartering is a figment of economists' imagination, and is based on, and perpetuates, the mere myth of money taking the place of a more primitive preceding bartering system. This position is supported by Dalton (1982), who posits that although bartering has appeared among people at all times, it has never had any more than a marginal place in the economic system, and has not functioned in the place of a monetary exchange system. However, the myth of bartering as a societal financial system is persistent for a reason: after all, when Adam Smith (2007) invented the academic field of economics, he represented the story of the linear development from bartering towards the modern monetary systems including that of credit and finance. However, this was not the academic origination of the bartering myth, as Aristotle in 330 BC in his *Politics* (1992) did speculate on such a linear development starting with primitive bartering between individuals and gradually developing into a system where money was necessary and then subsequently the ascension of debt as a means of financing. By whatever means the barter myth may have been initiated and perpetuated, my premise in this dissertation is that the barter myth is just that—a myth—and that the conclusions of Dalton (1982) and Graeber (2012) should be accepted as valid.

#### **2.2.2.2 Homeric Age**

Our knowledge about money and debt and the financial system in the earlier stages of occidental society is rudimentary, and evidence is scarce, because of the limited existence of written sources, and physical evidence like coins will have to suffice as evidence of monetary systems. However, the absence of physical evidence such as coins in itself cannot illustrate how ancient society organised economic affairs, exchange of goods and trade. From the occidental cultural realm, the epic poems of the *Iliad* (Homer, 1991) and the *Odyssey* (Homer, 2003) contribute important learning about how early and possibly pre-monetary societies organised their financial affairs. From the *Iliad* and *Odyssey*, which were composed in the eighth century BC, we learn how the Greek societies organised themselves during the “dark ages” of Hellenistic culture, approximately 1100 to 900 BC, also known as the “Homeric age” (Donlan, 1985). It is important to note that the society in Homeric times was based mainly on self-sufficiency within small groups of families, hamlets and towns, and that such self-sufficiency did not

bring about the need for a monetary system. Without economic goods to be exchanged among individuals and groups, money would not be useful within this type of society (Martin, 2014). From these early sources, and in particular the *Iliad*, we find that when ancient Greece was in a state of warfare, distribution of war booty was organised among the partakers according to a non-democratic structure with nobility on top deciding the division. In addition, as part of the religious sacrifice of oxen, the roasted meat was distributed among societal partakers according to set rules of division. Finally, and particular from the *Odyssey*, we learn that when society was in a more peaceful state, there were reciprocal gift exchanges between aristocrats (Homer, 1991). The ongoing distribution of sacrificial meat could be seen as the long-term transactional order in society, and the division of war booty and reciprocal gift exchange could be seen as a short-term transactional order, which would serve to ensure that all members of society had their basic needs for food and drink met (Seaford, 1994).

### **2.2.2.3 Mesopotamia**

At the same time period that the Homeric age societies used gift exchange, booty distribution and division of sacrifice as means of economic exchange, the Eastern and much older civilisations in Mesopotamia had developed their own systems of reckoning and goods distribution, including accounting for debts, already in the third millennium BC at Uruk and later Ur, which were the headquarters of these relatively advanced civilisations. With their thousands of hectares of land being cultivated, in addition to breweries and fish farms and substantial trading operations, it was necessary to create a bureaucracy and systems to organise economic activity. From these advanced societies, and not least from their complex and organised modes of operating their societies, some of the most important human inventions for developing society were created, including literacy, numeracy and accounting (Van de Mieroop, 1992). A part of the Mesopotamian accounting system included the use of clay tablets with inscriptions in cuneiform, and on findings dated to 2500 BC it is mentioned that silver was used as a form of payment. Pieces of gold and silver were called shekels, or talents, and they would typically represent corresponding values of oil, beer or wheat; this system was highly useful for merchants when transferring goods from one party to another and this use of metals could be seen as a kind of proto-money (Weatherford, 1997).

#### **2.2.2.4 Greek City States**

Although the Mesopotamians invented the above-mentioned important technologies, the concept of money was not created or discovered by them. What was lacking among the Mesopotamians was the concept of a universally accepted value measurement. When the Phoenicians of the Levant started to trade with the Greeks, the concepts of accounting and literacy from the Mesopotamian culture were brought into contact with the Greeks, and from this exchange the concept of money may have been born. This could be due to the primitive systems of the Greeks connected to distribution of booty, sacrifice and gifts, wherein a concept of universal value was embedded; when this was connected to the bureaucratic abilities and literacy of the Mesopotamians, money could be created, as we know from later usage. In other words, when the concept of literacy, numeracy, accounting, and universal value were all combined, money came into being (Neal, 2015; Martin, 2014). The first known Greek coins were made by the Lydians, who between 640 and 630 BC minted coins from electrum, a naturally existing alloy of gold and silver. The Lydian kings made the coins into uniform weight, to discontinue the need for time-consuming weighing up of the metals by the merchants when trading. For securing that the coins could not easily be counterfeited, the Lydian kings imprinted a lion's head on each coin. This imprinting, or minting, would also make the pieces of electrum flatter, as to resemble however vaguely what are today considered coins. In addition, as the advent of these early coins made it possible to participate in trade without the use of scales, now, counting was sufficient to measure the correct amount of coins, which as well led to a more rapid advancement of trade (Weatherford, 1997). The use of coins and minting spread over the Hellenistic world, and around 480 BC nearly 100 mints were operating around the Greek world (von Reden, 2010; van de Mieropp, 1992).

The invention of money rapidly led to a widespread monetisation of what had traditionally been reciprocal social obligations. For example, traditional sharecroppers became tenants with money to pay rent, and military contributions, private and public obligations, could now all be settled in cash money (von Reden, 2010). The advent of money would also lead to substantial changes in society, not least in the established hierarchical power structures, because money may be acquired by anyone; however, as this falls outside the scope of this dissertation, it will not be elaborated further here. Suffice it to say, that with the advent of money, a central question will be who could

issue money. Initially this was performed by minting coins, a practice that was seized by the Greek city-states, who were in a position of power, allowing them to take this important societal task (Kim, 2011).

#### **2.2.2.5 The Romans**

The opportunities that money gave for creating a free market went well with the Roman invention of absolute private property, *dominium*, as this concept lends itself to further increasing monetisation, and the minting of coins was performed in Roman society by the state. The first Roman coinage was made in the fourth century BC, and coincided with the abolition of the traditional debt bondage (Scheidel, 2008).

The Roman monetary system was originated by the use of bronze coins of different denominations. Even though vast quantities of bronze coins were issued during the first half of the second century BC, this did not meet the increasing demand caused by the developing monetisation of the Roman society and its economy. This led to increasing use of silver coins, and these were frequently cut into smaller pieces to compensate for the lack of smaller denominations to use as change. Periodically the Romans also used gold for their coinage, especially when engaged in warfare, when the need for transportation of high-value money was larger than in peacetime. In the early stages Roman minting was decentralised, allowing for minting in different areas of the Empire. However, in the first century AD Rome gradually managed to centralise the mint, and thus was able to gain control of the coin issuance, as it was able to issue sufficient denominations in both the lower valued copper as well as the standard silver coins (Scheidel, 2008).

The Roman monetary system did not extend solely to using money as a means for payment in transactions, but also allowed for extending credit and issuance of bonds, and the use of personal cheques was known (Harris, 2008). Within the Roman economy there were bankers who were able to make and settle international payments and transactions among private investors, and the monetary system allowed for investors to stay solely financially invested without being connected to real assets, as had been necessary prior to the advent of the monetised Roman economy (Harris, 2006; Andreau, 1999). However, the monetary advancement of the Roman economy did not provide shelter from the kind of financial mayhem we know from later time periods. Consequently, the Roman economy suffered from periods of hyperinflation, booms,

busts, and financial collapse, and in its later stages the Roman economy declined severely. The economic system eroded to such a degree that after the fall of the Western Empire in 476, the use of money mostly fell out of use in Western Europe (Harris, 2008).

#### **2.2.2.6 *The Medieval Era***

Following the fall of the Western Empire, almost one thousand years of the history of using money in Western Europe mostly fell by the wayside, and it would be almost a thousand years until the restoration of a monetary economy in Western Europe. Although the monetary economy mostly fell apart in Western Europe, it was in use in the Eastern Empire. From the fall of the Western Empire until the Italian Renaissance, the European economy developed into feudalism, where the manor estate was the economic centre. This was a virtually moneyless economy, where debts were settled in crops and labour (Weatherford, 1997). The Western European economy was, however, not completely void of attempts to be remonetised, and there was occasional use of money and minting. For example, under the rule of Charlemagne, it was attempted to reintroduce money into the economy in a systematic manner, and coins were minted in different denominations. However, when the Holy Roman Empire collapsed, this money structure fell with it (Martin, 2014).

Following the collapse of the Holy Roman Empire, it was in the second half of the twelfth century that Western Europe's serious re-monetisation started to gain real traction. This renaissance of money economy was based on the two-millennia-old systematic created by the Aegean societies. The initial point of this new monetisation was connected to the obligations created under the feudalistic economy, where now the previously personal and/or in-kind obligations of the landholders towards their overlords were converted to obligations to be paid in money (Spufford, 2002). Typical for post-Charlemagne Europe was the lack of political unification, and except for England, it was only in a few major cities and their surrounding areas where political rule could be found. In this fragmented political landscape, with a large number of small kingdoms, fiefdoms and principalities, the new monetisation came in the form of a large variety of coinages, with local use, and without uniform perceptions of value. Even though the Charlemagne system of pounds, shillings, and pence was utilised throughout Europe during the late medieval era, monetary standardisation did not exist, and the result was somewhat chaotic. An interesting aspect is that even though the main technology was

the minting of coins, under the new European monetisation the norm was that the coins did not carry fixed values to them. It was up to the ruler, such as the local prince, to decide what the value of the issue and money was. This discretion meant that the ruler at his leisure could decide the value of the money, and if devalued this would allow the ruler to withdraw value from the subjects; this was a practice known as “crying down” the value of money unilaterally from the side of the ruler. After such a devaluation of the currency, the ruler could re-issue new coins, and he had by this activity created more monetary wealth on his own hands. If the currency was “cried down”, this in reality meant that the ruler had appropriated value from the holders of the currency. As we understand from modern societies, crying down the value of the currency in reality represents a taxation on the holders of this currency. However, as this debasement practice inevitably led to both old and new coins circulating alongside each other, difficulties arose among the users in interpreting value, and at times, this led the users to value coins by weight. In a sense, then, the crying down of the currencies in reality could involve a regression to a non-monetised economic system exchange (Rolnick, Velde and Weber, 1996).

From this early monetisation of the European economy, the concept of seigniorage was born. Seigniorage means the net profit that remains when currency is issued, which appears by subtracting the cost of minting from the decided value of the coins. For example, if it costs 90 dollars to mint 100 dollars, the seigniorage is 10 dollars (Bordo, 1986). Through such seigniorage, the ruler was in reality handed a right to impose tax on the subjects by way of earning money by issuing money. In other words, when the ruler took his payments for rents, et cetera, he made the tenant pay more than the cost of the money, which is what would constitute a taxation in modern terminology. For example, if one pays 100 for receiving 90, then the recipient will have received the extra ten for “free”. As we understand from this second monetisation of Europe, much like the first 2000 years previously, the introduction of money into society again meant that stale social and societal relations became uprooted, because now citizens could pay their obligations with money instead of settling their societal and economic debts through labour, in-kind payments or whatever mode was previously required. As to be expected, with the advent of money also followed the advent of a class focusing on money, the “money interest”. For the rulers this was a useful situation, as the more money that was needed in circulation to satisfy trade and the money classes, the more money could be

issued to earn the ruler his seigniorage (Gandal and Sussman, 1997). As this possibility was not limitless for the rulers, will be briefly touched upon in section 2.3 below.

The new monetisation of European economy in the late medieval era gave rise to extensive international trade throughout Europe and beyond. This new trade activity benefited from the use of money, but the use of coins as payment was cumbersome and included risk for the holders. If money were to be transported from one part of Europe to another, it took time because of volume and weight constraints, and the money transfer needed to be guarded from thieves and other perils on the way. From these impracticalities connected to the minted coin-based money, new financial instruments were created in lieu of money. Most important here is the Italian bankers' invention of the so-called bills of exchange. A bill of exchange is a document which prescribes payment of a certain amount of money to another person at a given time and place (De Roover, 1944). The bills of exchange were much more practical in international trade than coins, and could be used at higher speeds, again inducing growth in European international trade (Weaterford, 1997). More details on how banking evolved in the late medieval era and the early Renaissance will be elaborated under section 2.3 below.

#### **2.2.2.7 Modern Era**

The tension created in the late medieval era between the money interest and the sovereign powers continued to develop and created unease in the monetised society well into the Renaissance and the Enlightenment. On the one hand there was the practical financial interest of the money interest, who used money as a tool for trade, and on the other hand, the interests of the sovereign to perform seigniority as a means for governmental moneymaking. In England this tension developed further, leading into what could be termed the "great monetary settlement" (Martin, 2014). The great monetary settlement sought to alleviate the tensions between the rulers and the practitioners using money, and was a politically contested topic to such a degree that Sir Charles Downing (1623 – 1684) in 1665 proposed that the English treasury should be transformed into a bank backed by the government. This was dismissed by the king with the formal political motivation that it would not be suitable in a monarchy like the English (Roseveare, 2014). However, a year before, the Bank of England was established as a means of raising funds through loans for rebuilding the English Navy after suffering substantial defeats by France. To ensure subscription of these loans, it

was important that the Bank of England was accepted as a legitimate representative of the English state, and the bank was therefore given exclusivity to issue bank notes (Quinn, 2001). This exclusivity to issue banknotes indicated an endorsement from the government, and secured the success of the Bank of England and the notes (Barkai, 1989). In the midst of the discussions about whether it was beneficial with public or private ownership of the Bank of England, the views varied, but Adam Smith (1723 – 1790), who took a broader view, expressed the view that the Bank of England and the British government were equally stable (Smith, 2007).

Adam Smith's view originated in 1776, almost a century after the formation of the Bank of England in 1694, and it represented a crucial ingredient in the great monetary settlement where both the state and the mercantile practitioners' interests were taken into consideration. During the period from its inception until Smith's conclusion, the Bank of England's role in society had developed on several fronts. In 1709 it was awarded the monopoly (at least in practice) of banknote issuance within England, and in 1710 it was appointed public money receiver for lotteries (Quinn, 2001). In the late eighteenth century, the uncertainties of the Bank of England's place in the political constitution of England had diminished, and in 1781 Prime Minister Lord North explained the bank as being the real public Exchequer in practice (Roberts and Kynaston, 1995).

That the Bank of England now had been accepted as the de facto central bank of England did not mean that the intervening period since its inception had gone by without monetary difficulty. During the turn of the eighteenth century there was a major debate about silver coinage, as the coins had been devalued by clippings, filing and shearing, and because of the new form of money issued as banknotes by the Bank of England, the exchequer decided to attend to the difficulties connected to the original form of money, the silver coins. What happened to the original silver coins was due to inflation, the silver value of each coin being higher than the denomination of the coin itself, which oftentimes led the holders to melt the coins down and sell them as bullion. Of the minting performed in 1663, almost all the coins had disappeared and been melted down as bullion by 1690. Further, the remaining coins were in a poor state due to being cut to pieces, as merchants aware of the rising silver prices clipped the coins to make them fit with the denominated value in silver. By the end of the seventeenth century, the English exchequer established that the extant coins were worth around 25 percent more in the

form of silver bullion than as coins (Mayhew, 1999). How to alleviate the problem with the silver price rising was intensely debated, and John Locke (1632 – 1704), who was central in this debate, attained a stance in the matter, claiming that silver itself was the true yardstick when measuring value in trade, and that a pound was an objective reference to a certain rate of silver (Locke, 1695). On account of the political prestige of Locke, his views won the day, and the Exchequer minted new silver coins according to the absolutist value paradigm of Locke. However, because of inflation, these coins were instantly worth more than their stated denominations, and large quantities were exported from England as bullion (Mayhew, 1999). It will be clear from the example that Locke's ideas on the intrinsic value of money suffered from lack of practical understanding of the nature and use of money. It is worth noting here that Locke's perspective on money was at odds with the original use of money among the ancients, as previously presented above, who had used money as a social technology and as a practical value measure for determining debts and redemptions. The perception of the ancients had also been prevalent among Locke's opponents in debating the re-coinage, who had long understood that as inflation had happened, coins had lost the value against silver and that the pound was just a socially agreed measuring tool for trade. Locke on the other hand contrasted this traditional view and perceived that while silver had maintained its value, it was money that had lost its value (Martin, 2014).

Although the Bank of England may not have been the first central bank, as the Bank of Amsterdam (Amsterdam Wisselbank -1609) and Bank of Sweden (Sveriges Riksbank - 1668) preceded it, it would become the template national bank on which other nations would base their central banks (Crowe and Meade, 2007; Quinn and Roberds, 2006). The concept of central banks developed from the Bank of England's example. These banks all gradually developed their monetary functions, and often the banks are associated with the issues of so-called fiat money, although many of the extant central banks were created during the realm of the international gold standard. Typical tasks for central banks connected to monetary politics, would be to finance the government, regulate its currency, issue banknotes, and serve as lender of last resort to other banks and financial institutions (Goodhart, 1999).

#### **2.2.2.8 The Gold Standard**

The initial issue of banknotes by the Bank of England was not without backing from precious metals, as at this stage the concept of fiat money (see below) had not yet been

accepted by the markets. The idea of issuing banknotes against promise to be redeemed in set quantities of precious metals was a practice already ongoing in both England and the Dutch areas (Quinn, 1996). In England, the practice was performed by the so-called Goldsmith bankers, who had created a system where bills were issued against the right for redemption in gold (Neal and Quinn, 2001; Kim, 2011). The Bank of England, which at the early stages was a privately owned bank, not nationalised until 1946, was in many ways in the same position as other private issuers of bonds, as it was still only the Exchequer who could mint coins. The Bank of England operated on a set ratio between the value of silver and gold, where gold was the more valuable of the two metals, and used this ratio to promise against the banknotes issued. Because of the relative price development of gold and silver, the Bank of England was already from its inception de facto operating on a gold standard (Neal, 2015).

The issuing of banknotes under a gold standard means that, as with traditional ancient coinage, any denomination has its equal in the weight of gold, for example US\$40 for one ounce of gold (Flandreau, 2002). As this system was further developed by the Bank of England, it spread throughout the occidental world, where the norm among the central banks in issuing banknotes was to tie the denominations to the fixed price of gold. In reality, then, the banknotes were perceived as representations of the precious metals, gold and silver. The theoretical understanding of money still resided within the paradigm of Locke, where it was the precious metal that held a true and lasting monetary value, and not that money was a social institution used in economic exchange (Locke, 1695). Tying the value of money to the value of precious metals would have its advantages, not least in international trade, where precious metals in a sense could be seen as the financial “Esperanto” of the economic realm. However, as most occidental economists still operated within a bimetallic system, where the gold price was fixed against silver, fluctuations in the gold price could still be experienced. To alleviate such a problem, it was necessary to abolish the bimetallic standard and concentrate on one uniform global system, and in 1870 both France and USA agreed to introduce a one-metal gold standard and discontinue the bimetallic system; by 1880, the Germans did the same (Flandreau 1996; Velde and Weber, 2000).

The relative success of the gold standard for international financial transactions was reinforced during the Bretton Woods conference in 1944, when the Allied nations met to restore the financial system after World War II (Gavin and Rodrik, 1995). During this

conference, the system was developed for international currency, where different currencies were pegged onto a fixed gold value, allowing the floatation of the relative value of the international currencies only to move within 1% of the gold value standard (Bordo, 1993). However, such a system based on a gold standard had some disadvantages, and one was that the US dollar kept falling in real terms, something which led the US to terminate the gold standard for US dollars in 1971 (Neal, 2015).

#### **2.2.2.9 Fiat Money**

The termination of the gold standard in the US left the US dollar as so-called fiat currency. When money is termed fiat currency, it means that the monies are declared by a government as so-called legal tender, and that it is not convertible into any other goods like a precious metal, nor fixed to any other set standard (Keynes, 1965). The breakdown of the gold standard led several other currencies as well to become so-called free-floating, of which some pegged their value to the US dollar, and in a sense made the US dollar the new gold (Neal, 2015). With the introduction of a fiat currency, money had again come full circle back to Aegean times, where it was seen as a mere social construct, a universally accepted value measurement used in exchange of goods and services. This perception of money, where money is not backed by anything but a governmental promise, has rendered certain groups uncomfortable. Gold coins such as Krugerrand, Maple Leaf, et cetera are still being minted, and although they are not being used as currency, they still represent value today as bullion (Jaffe, 1989).

#### **2.2.2.10 Bitcoin and Independent Currencies**

Scepticism towards fiat currency has led some groups to introduce their own currencies, of which currently the bitcoin would be the most well-known. The idea of bitcoin is that it is not backed by any government, and it consists of a fixed number of bit coins in circulation, a number not to be increased (Barber *et al.*, 2012). Such a concept of a set amount of currency is thought by its proponents to give it real value, and to prevent the boom and bust excesses of the financial markets (Scott, 2015; Fein, 2013). However, as the number of available bitcoins is limited, its value has increased substantially since the introduction, something that could indicate that it could stymie financial activity if not adapted through dividing each bitcoin into fractions. If so, this would then be similar to introducing fractional bitcoins, just like the former “clipping” of metal-based currencies,

when the metal prices were raised to levels beyond what was most practical in trade (Mayhew, 1999).

Some proponents of anti-government ideologies have introduced their own money like bitcoin, often used locally in tightknit communities, for example the “Brixton Pound” and the “Bristol Pound”. This is a currency used locally (in Brixton in London and in Bristol UK), and it is issued by way of depositing against GBP. Again, the idea behind such monies is to attain a real and practical value to the currency, and to be left outside the grip of the government and the banking industry, both oftentimes vilified by the currency users (M. Taylor, 2014; Ferreira, Perry, and Subramanian, 2015).

What can be said of both the electronic cryptocurrencies like bitcoin and the idealistically-motivated local currencies, is that both systems represent a harking back to the money paradigm of Locke (1695), and thus, that their proponents fail to understand money as a social institution for value measure. A part of this is connected to the belief that it is the government who controls all aspects of money, and by this, its issue and quantity. This would be a misconception, as if seen as value measure, money is issued by the users by way of production and debt creation. To create an easy example: person A performs a job for his neighbour B, for example mows his lawn, and the price is set at USD 100. If the payment is given by credit, then the parties themselves in reality have “issued” USD 100. The point here is of course that the money in use in this example has not been issued by any government, but exists only as a measure of value between the parties. Maybe later, B does work for A, at the value of USD 100, and the debt is settled, and then, USD 200 has been created, but physically has never seen the light of day.

#### **2.2.2.11 Money as Social Technology**

The understanding that money is an abstract measure, as understood by the Aegean societies described above, was rediscovered in the twentieth century during the reign of the international gold standard. This understanding was brought forth from the academic realm of anthropology, from studies on the small island of Yap in the Pacific Ocean, where the inhabitants were living a basic agricultural and hunter-gatherer existence, and where the conventional economic assumption would be that bartering would fully satisfy the need for exchange of goods among societal participants. However, the anthropologist W.H. Furness (1866 - 1920) discovered during his journey

to Yap during 1903 that the islanders had a monetary system, where the currency was named *fei*. The *fei* in use, however, consisted of large circular stone ornaments, much larger than it was possible to carry around, and this would indicate that the islanders would use the *fei* as an abstract method of measurement for exchanging economic goods. In fact, there was even an example of a family who was considered rich because of owning a *fei* that was considered very valuable, but which had not been seen in generations, as it had gone lost in a shipwreck. That it was possible to trade with money (*fei*) residing on the bottom of the ocean, and which had never been seen by a living person, was taken as an example that money did not need to be physical, nor that intrinsic value needed be attributed to it (Furness, 1910). This was a “primitive” society then, where currency was in full use when trading, and where the currency was based on trust and, in reality, credit giving.

Furness’ travel account from Yap was picked up by the (later) notable twentieth-century economist J.M. Keynes (1915), who understood the significance of the Yap people’s use of *fei* as currency and as a measurement of abstract value. To Keynes, the use of currency as abstract account keeping of inter-actor obligations was understood and appreciated as a higher level of philosophical thinking towards money as a financial construct as compared to his contemporary thinkers. Interestingly, this theory was not widely discussed during the twentieth century, but was picked up by Milton Friedman (1991) who realised the importance of the philosophy underpinning the *fei* system. To him this was juxtaposed against the contemporary understanding of money and currency, where the idea of money being attributed intrinsic value had been widely believed by use of the gold standard long into the twentieth century.

As the studies of the Yap people demonstrated, money does not need to be physically manifested in order to be useful as a means as measurement of economic trade and financial activity, and as picked up by Keynes and Friedman, the findings let the occidental understanding of money return to its Aegean origins. The concept of money had then come full circle, and again was seen as social technology.

For the purposes of this dissertation, I will build on the premise that money is a social technology, void of intrinsic value, and thus, only in existence and use as far as it is practical for measuring and settling inter-actor obligations.

## **2.3 THE EVOLUTION OF BANKING AND FINANCING**

### **2.3.1 Background**

As demonstrated above, money has been developed as a social institution later than the concept of inter-act or debt. Contrary then to conventional wisdom, and perhaps intuitive cognition, this does not entail that financing and banking have been created after the invention of money. On the contrary, evidence shows that financing across borders preceded coinage by at least as much as two thousand years. As with the invention of money, the development of banking and financing has sprung out of human interaction, and the need for tools regulating the stipulation and redemption of interpersonal obligations. In particular, when trade was to take place over long geographical distances, or involved substantial time periods, the need for finance and banking appeared, and was more useful than the need for money as value measure. Further, when economic activity is to take place over a long time or spatial distances, typically, the interpersonal aspect disappears from the activity, as oftentimes, such trading activity will entail the inclusion of several individuals not known to each other in advance, and who, during the venture, may not encounter each other in person. As the number of individuals connected to economic activity grows, the level of trust typically found in tightknit societies will be substantially weakened, and from such impulses, regulations in the form we know as financing may have appeared. In this section, I will elaborate in some detail the main incidents in the development of banking/financing, and explain them over different historical time periods. As will be demonstrated in the following, banking and money are two aspects of the same phenomenon and may be closely interwoven, but do not necessarily go hand in hand in economic activity (Neal, 2015).

### **2.3.2 Mesopotamia and Babylonia**

Archaeological study of the ancient Mesopotamians has indicated that their economic activity included production and trading at quite advanced levels without the use of money in our modern sense, with formal minting of coins as representations of value. Unsurprisingly then, financing and banking may also have preceded the invention of money. As described in section 2 above, in the ancient Mesopotamian cities of Uruk and Ur such economic activity was taken to particularly advanced levels, including trade

with several different nations, over substantial distances, with alien counterparties, and as well including economic ventures covering substantial time periods.

The Mesopotamian trading culture known from the beginning of the third millennium BC was based on a system of literacy, where the different business interests were noted down on clay tablets in the cuneiform language, which was suitable for imprinting on wet clay. The business ventures that Babylonians arranged could include several traders, and evidence shows that up to 30 parties may have been involved in a single venture, and each business partner noted down what was the originally invested stake. This system was advanced in that the liability of each partner was limited to the extent of his original investment. In this financial activity, prior to monetary invention, debts were carefully recorded and accounted and when expressed not in kind, different silver rate equivalents were used as currency (Powell, 1996; Keister, 1963). The growth of the business and trade activity in ancient times, as today, created booms and busts, and in 1788 BC, King Rim-Sin declared all debts void, leading to substantial havoc among the business community. Subsequently to this universal debt moratorium there were numerous lawsuits and general turmoil among traders and partners in business ventures, rendering this the first financial crisis in recorded financial history (Mieroop, 1992). The practice of declaring universal debt moratoriums is known in later history, and from Babylonian sources we know the system of Jubilee as given at certain intervals (Alexander, 1938). The Jubilee system is also known from biblical sources, such as for instance in Leviticus 25:10, "Consecrate the fiftieth year and proclaim liberty throughout the land to all its inhabitants." This principle is also reflected in earlier scriptural passages, such as in Exodus 21:2, where it is said about bonded servants that "he is to serve you for six years. But in the seventh year, he shall go free, without paying anything" and in Deuteronomy 15:1, "At the end of every seven years you must cancel debts."

The ability to keep accounts, and thus record who was in credit and who was in debt, led to substantial development in international trade. In the second millennium BC the appearance of long-distance trade on the Levant and in the Middle East led to the establishment of advanced trade organisations similar to the later concept of societies. These trading societies were regulated, and systemised the division of profits and liabilities/losses (Foster, 1977). There were examples of Assyrian traders who established societies for financing caravan-based trading ventures, where the

participants paid their stakes to a central individual, holding what was known as the *naraqqu* (money-bag), and such enterprises could last for as long as ten years. Other aspects of this intricate trading system were that in Mesopotamia traders were given free passage in wartime and were allowed exemptions for certain obligations imposed on the non-trading citizens (Veenhof, 2010). In the Babylonian trading system the main value measure was different units of silver weights, and the *shekel* was the defined accepted unit. By use of this uniform shekel measure, scribes could note prices for core commodities and follow the fluctuations of prices over time. From the starting point of silver weights as payment for goods, the Babylonians through their literacy and accounting were able to create and issue promissory notes that alleviated long-term long-distance trade, where the prices were represented in the given shekel weight-denominations (Neal, 2015).

The advanced financial system that was created in Bronze Age Mesopotamia (Babylonia) did not last into later eras, but was disrupted for reasons not completely clear today. One known adverse effect on the Eastern Mediterranean societies was brought around 1628 BC by volcanic explosions on the island of Thera (now Santorini), which substantially disturbed the development of the Minoan civilisations, and could have disrupted and diminished the existing trade routes and trading arrangements to both the east and north. In addition, we know of increased military activity in the region, by the Hittites with their superior iron arms, as well as by other seagoing peoples who attacked Mediterranean and Near Eastern societies during this era (Jursa, 2010). As described above, this dark age of the Aegean civilisations ended around the sixth century BC, when the neo-Babylonian and Aegean societies are starting to recover after their Bronze Age declines. As demonstrated in section 2 above, this era coincided with the innovation of money in the Aegean culture, and in addition to money in the form of coins, with their ability to serve in impersonal payment transactions, military innovations may also have spurred on the further development of financing and proto-banking technologies (Economou, Kyriazis, and Metaxas, 2015; Cohen, 1997). For example, King Darius II achieved substantial military successes in the Persian region in the fourth century BC by financing his warfare through borrowing, and thus financing his subsequent ascension to power (Neal, 2015).

### **2.3.3 Greek City-states**

The innovation of coins in the post-Greek dark age led to substantial advances in banking and financing. Coins allowed for impersonal modes of payment, and no longer did the merchants need to trust each other on their word or through contract, as it was sufficient to present a claim and demand settlement in the form of coins. Coins were now an asset anyone could acquire, no questions asked, and unlike before, coins represented a democratisation of the economic sphere of society. With the coins, early banking professionals appeared, whose job it was to weigh and measure the different kinds of coins in their various denominations, and to determine the value and metal quality, allowing merchants to use them for efficient settlements. There are even systems for long-distance trade, where coins could be deposited in sealed containers, not to be opened until delivery was performed, and then the skill of the banker was trusted on both sides of the transaction (Goitein, 1967). The advent of money and the money market gave rise to redevelopment and new establishments of long-distance trading, which was central to the substantial increase in prosperity of the era (Millet, 2002). The Greeks further used the money markets to raise money for warfare; this activity is an early recorded example of governments using the markets for providing finance for performing public tasks. War was financed by way of taxing the wealthy, in addition to voluntary public subscription open for all, where all participants were party to the spoils of war and could share in them according to the degree of their taxation or subscription (Neal, 2015).

### **2.3.4 The Romans**

As in other ancient civilisations, Roman banking had its inception in the temples of religious worship. In Roman temples, typically, valuables and monies of the citizens were held in the basement for safekeeping. Because the temples were populated by priests and guards enjoying high societal esteem, the early Roman citizenship felt comfortable to keep their treasures in the temple basements, and trusted these institutions, something which proved to be a useful starting point for the later banking activities the temples themselves were involved in, such as lending and taking deposits. The Roman temples did not give interest on deposits, but charged interest on loans. (Bromberg, 1940).

As with other societal innovations, the Romans continued the use of financing known from the Greek city-states, and were also accustomed with the issuance of promissory notes in different versions, something which was crucial for developing some of the larger projects within the Roman Empire. Coins were useful for the smaller transactions, but financing by way of banking technology was needed for larger projects, which during the Roman era were many. In Rome, by law, interest rates were capped at 12 percent per annum, but several examples are known from historical sources when this maximum was not used (Homer and Sylla, 1996). For example, in long-distance trading using sea voyages, formalised sea loans were in use, where interest rates could exceed 20 percent per annum, and particularly if the venture was to last more than one year, meaning that the dreaded autumn storms would be a risk factor (Ziskind, 1974; Neal, 2015). Within the Roman period, banking was developed to an advanced standard, and banking professionals included moneychangers handling international currency transactions and public bankers, who were appointed by the government for special occasions such as wartime, times of grave poverty or financial crisis. These public bankers were not much unlike what we today would consider “bad bankers”, as their role oftentimes included solving problems caused by financial collapse followed by stark poverty and social unrest (Niczyporuk, 2011; Martin, 2014). The concept of credit crisis is not a recently invented phenomenon, for as far back as AD 33, under Tiberius, the situation got so far out of hand that regulations for tightening credit were imposed on society to halt the excessive lending activity that had led up to the crisis (Frank, 1935; Thornton and Thornton, 1990). Certainly, this was a historical harbinger for later eras, as will be elaborated below.

In addition to the public functions that could be addressed by financing and banking, Rome as well had numerous private banks distributed across the Roman Empire. It is of interest to note that although these private banks were advanced in the use of financial instruments such as mortgage bonds and long-term private bonds and securities, the Roman system did not entail any traded public debt bonds, which would be expected in view of modern banking methodology (Temin, 2004).

At the pinnacle of Roman society, the Romans utilised a wide spectrum of the different financial tools that had been developed in the Mediterranean and the Near Orient in the preceding historical periods. These different financial technologies included formalised sea contracts, mortgages, collateralisation, certain public treasury functions, and

aspects of central banking. However, it is important to note that these financial tools were all used in a specific Roman context, with a prevalence of slavery, and consequently the lack of a mass consumer market as we know from later history. Nonetheless, these financial capabilities were utilised for trading both within the Roman Empire and with other areas such as China over the Silk Road, and for financing public projects and warfare, to mention but a few functions (Goetzmann, 2016).

As the Roman Empire declined, so did the level and sophistication of the Roman financial and banking system. With the fall of the Western Empire in AD 476 went the use of money, and the European financial system all but disappeared. Again, Europe entered a dark age in regard to the use of finance, which would last almost 1000 years, and its redevelopment would not be commenced in the West until the eleventh century. Meanwhile, in the Byzantine East, banking and financing was continued on the Roman basis, but interest rates oscillated in tune with the increasing Christian scepticism towards charging of interest (Homer and Sylla, 1996).

### **2.3.5 The Medieval Era**

Subsequent to the inception of the Crusades in the eleventh century, often attributed to a sermon given by Urban II in 1095, Europe again engaged in long-distance ventures with the outside world, something that spurred on the need for financial and economic innovations (Cowdrey, 1970). Following the first Crusade and its recapture of Jerusalem in 1099, a European “industry” of pilgrimage back and forth to the Holy Land was created. Formed in 1119, the Knights Templar, a military religious order, had as one of their main objectives to protect and safeguard the travels of these pilgrims against the perils that such a journey would entail (Martin, 2011). One such peril for a pilgrim would be to be robbed of his valuables, and the Templars created a solution for alleviating this. The Templars introduced a system whereby a pilgrim could deposit his valuables such as money, gold or otherwise, at his point of origin in Europe, and the Templars would then issue him a letter of credit against the valuables deposited with them. This letter of credit could be brought with the pilgrim to Jerusalem, where the Templars, less their transactional cost, would pay him the monies due under the letter (Buckley and Nixon, 2009). As the Templars’ wealth and power grew, so did the number of castles and fortifications belonging to them, and at the height of their powers they possessed more than 800 castles around Europe and the Mediterranean region, reaching from Jerusalem all the way to England. These castles were ideal points for storing valuables

and performing exchange and payments under the letters of credit, so that the castles developed into banking outlets as we would see them in modern times (Weatherford, 1997). In addition to safeguarding the pilgrims' valuables, the Templars managed funds for religious organisations and private individuals, as well as extending loans to kings and other secular powers, and not least, to knights before setting out on crusades themselves (De la Torre, 2008). The Templars performed a broad spectrum of financial services to the nobility and kings of Europe, and acted in certain Treasury functions for both the English and the French kings. The fact that kings elected to deposit their valuables with the Templars gives a good indication of the level of their influence and might at the height of their power, and at one time the English crown jewels were deposited in the London Temple, instead of in the customary Tower of London (Goetzmann, 2016).

Over the roughly 200 years of the existence of the Templars, they evolved into the most powerful financial institution of the medieval era, something which brought on them jealousy and animosity. Subsequently, this would lead to persecution by the French king, who had the Templar order finally disbanded in 1312. With it was brought down the most advanced, efficient and powerful financial institution in Europe (Read, 2001). Following the dismantling of the Templar order, a void in European financial history opened, one that could be filled neither by secular nor ecclesiastical powers of the time (Weatherford, 1997).

Entrepreneurial financial actors from the Italian city-states would, however, soon fill the vacuum in European financial life left by the fall of the Knights Templar. These financial entrepreneurs came in the form of Italian families from the city-states of Verona, Venice, Genoa, Florence and Pisa, and they supplied to the financial markets services previously rendered by the Templars. These Italian bankers created a banking and financial system outside the control of the church and the government, and this freedom made it possible for them to trade with ease with Christians, Muslims, Jews and pagans alike. The success of the Italian banking families created a pan-European banking network, which also held trading stations across the known world from Africa to China and from Scandinavia to the Indian continent (Weatherford, 1997). As opposed to the Templars, the Italian bankers did not only serve nobility, but traded with all societal strata, and had their core operations in the European marketplaces, where merchants met to trade. The Knights Templar had practised banking under the Church limitation on

usury, which forbade the charging of interest, expressed thus in scripture: “Do not take interest or any profit from them, but fear your God, so that they may continue to live among you” (Lev. 25:36-37), and “He lends at interest and takes a profit. Will such a man live? He will not! Because he has done all these detestable things, he is to be put to death; his blood will be on his own head” (Ezekiel 18:17). The Italian banking families, however, found a way to overcome this limitation, in that they meticulously avoided issuing loans. What they offered instead of loans was the trade in bills of exchange. A bill of exchange is a document where it is promised to pay a certain amount of money, to a certain person, at a given place and time, perhaps in a different currency. As it will appear, then, a transaction involving a bill of exchange was in reality the sale of one type of money in exchange for another type of money, but the Church’s prohibition against usury and interest specifically referred to loans only, so this method of earning money from money was not included in the ban (Munro, 2003). This circumvention of the usury prohibition worked well within the Christian world, but in meetings with Muslim traders the European-style bills of exchange were not acceptable, as the Koran contained a stricter usury prohibition than did the Bible, and within the Islamic trading tradition it was the letter of credit that was in use (Labib, 1969; Weatherford, 1997).

A substantial financial innovation of the medieval era came in the late twelfth century, when the Doge of Venice issued public debt. The issuance of this debt came in the form of a forced loan, which was issued in the format of bonds, and was necessary for financing warfare against the Byzantines for control of the Adriatic Sea. These Venetian public bonds carried interest of 5 percent until redemption, something that was problematic with the Church ban on usury (Munro, 2003). A new development connected to the Venetian bonds was that they were subjected to secondary trading among financiers. From this appeared a new era of financing, as now the relationship between the creditor and debtor became impersonal, something which would indicate the possibility of raising far larger amounts of capital as opposed to the traditional personal creditor/debtor relationship (Goetzmann, 2016). This impersonal and secondary relationship also gave rise to useful societal dynamics, in that now the state was dependent on its reputation for raising loans, and, seen from the creditor’s side, the given credit was dependent on the success of the state to secure his repayments and interests under the bond stipulations (Goetzmann, 2016). These new impersonal aspects of finance gave rise to increased influence and political power among the

citizenry outside the circle of the landed nobility, something that was a new development in the later medieval era. This would also give rise to the creation of powerful banking families, who would yield influence within both secular and ecclesiastical societal strata. The Medicis serve as a useful example here, as they from their banking beginnings in fifteenth-century Florence made their mark on European history for several centuries. During the era of the house of Medici, the family, through utilising their financial and societal influence, produced several well-known members of the European nobility and three popes, and not least, acted as promoters of the social and cultural development that is commonly referred to as the Italian Renaissance (Strathern, 2005).

In leaving the medieval era and moving on towards modern era, it is worth pointing out that during the medieval era banking gradually became independent of the state and church. Although the Templars were formally subjects of the Church in Rome, their banking activities were performed autonomously and reached a higher level of reliability and advancement than both the secular and ecclesiastical rulers of their day could demonstrate, something that may have contributed to their downfall as well. It can also be seen through the development of the market traders with their letters of exchange; the advancement in financial innovation, and not least, its utilisation, created a new group in society outside the nobility and the church, but who yet were able to exert substantial societal influence through their banking capabilities. This increasing personal freedom for the civil citizenry may be seen to be furthered in the bond structures and secondary debt trading among the Italian bankers, and even if society at that stage was not democratic in the twentieth-century sense, the seeds of the modern financial era with its industrialisation, mass markets and consumerism were sown.

### **2.3.6 Modern Era**

As the example of the Venetian practice of public war financing illustrates, governments gradually discovered their ability to raise money through issuance of debt to the public. The debt bonds issued by states may be seen as a variation of the letters of credit or letters of exchange, and in the late medieval era and the modern era, European states increasingly utilised this opportunity to raise capital for financing their activities (Neal, 2015). Examples of this could be found among the Dutch republics during the sixteenth and seventeenth centuries, when capital was raised through debt by issuing life annuities to citizens. A life annuity was something that was known already from

antiquity, which solved the challenge of the individual as how not to exploit their savings during their lifetime. By purchasing a state guaranteed annuity, the holder of such a bond would be sure to have a steady income stream during his lifetime, or for a set number of years (Fritschy, 2003). The rise of governmental debt bonds, with their guaranteed income streams, also gave rise to an increasing secondary market for trading in such documents. Such trade could typically be motivated by differences in perceptions of the duration of the state (in uncertain times), its ability to repay on the bonds, or needs among the bond holders to receive payments before the guaranteed time. This ability to raise money by the state would be instrumental in developing the secular state in Europe, and allowed these budding modern states to take advantage of and exploit the opportunities that the state had at hand. At the turn of the sixteenth century such substantial opportunities were to be found in the discoveries of the “New World”, and this gave the secular governments a welcome opportunity to increase their earnings, in a time of religious and political upheaval in Europe, not least expressed in the Reformation and all its consequences (Goetzmann, 2016).

For the governments of northern Europe, the New World explorations also gave rise to their own modes of raising cash for the governments, initially by way of selling charters to individuals with time-limited exclusive rights to exploit these overseas opportunities. These charters were necessary means for financing the great discoveries and their subsequent explorations, as under them the holder had monopoly to exploit certain rights with the protection of the issuing state (MacMillan, 2006). This symbiotic relationship between the secular state and private financial interests would have lasting impact on the subsequent political and financial development of the West (Neal, 2015). The possibilities connected to the New World discoveries also spurred on the development of the mercantile structure that is the corporation, with the financial instrument that is the share/stock (Geljon and De Graf, 2016). Corporations had been known in more primitive forms already in ancient times, and in south-western Europe under the Visigoth ruler Alaric II, a Roman law codification had been performed in AD 506, which gave rise to corporate structures lasting well into the medieval era, centred round Toulouse and southwest France (Barnwell, 2000). These corporate structures were rediscovered in the modern era, and with the discovery of the New World, they were central in raising large amounts of risk capital needed for instigation of these ventures. A closer description of the advent of the corporation falls outside the scope of this dissertation, but it should be pointed out that the charter giving states gradually took

advantage themselves of the rights previously granted to the charter holders, and corporations were assimilated into the formal structures of the different states. Cases in point here could be the Dutch and English East Indian companies (Goetzmann, 2016).

With the propagation of corporations, there followed an increasing activity in second-hand trading shares in these companies, aligned with the above-described rationale of second-hand trading in debt bonds. During the seventeenth century this trade developed both in Amsterdam and in London, developing from basic interparty transactions into more professional second-hand share (equity) brokerage. In the city of London the existing Royal exchange, which was founded in 1577, initially only allowed the trade of physical goods, and in the early days of stockbrokerage, financial instruments could not be traded in the exchange, as the brokers were not allowed in, and consequently, set up business in the surrounding coffee houses. Such trading started out in a systematised way in the different areas of the City of London, and similar developments took place on the European continent, where Amsterdam was early in its development of the equity trading market (Goetzmann, 2016). However, in the late seventeenth century, the English Parliament regulated the stockbrokerage, and as this coincided with the building of a new Royal Exchange after the Great Fire of London, the share traders were let in on the trading market of the Royal Exchange. This represented a budding start of a regulated stock market in a modern sense (Stringham, 2002). At the turn of the eighteenth century, then, northern European states had developed central banking functions, a market for trading in shares and other financial securities, as well as the states' own treasury functions. The latter was at the early stages of the modern era mostly concerned with raising debt for financing the states' different activities, such as warfare (Neal, 2015).

The financial innovations of the modern era, where it was possible both for the state and for private individuals to raise capital through debt, by way of issuing debt bonds and shares in private corporations, increased societies' opportunities for further developing economic life. One such major economic development was the Industrial Revolution, which by most historians is particularly attributed to the northwest of England in the mid-eighteenth century (Galbraith, 1989). The British Industrial Revolution was largely based on the advancement of the iron and coal industry, which had been developed through the financial tools described above. The fact that the British financial system was more advanced than its surrounding competing nations at this stage made it possible for the

Industrial Revolution to develop in England, and it gained traction through the relative ease with which these financial tools were available. Not least, the massive build-up of government debt during the Napoleonic Wars made it possible for private bondholders to raise new capital in the private market by way of using their government bonds as collateral for the fresh private credit (Neal, 2015).

### **2.3.7 Twentieth Century and Beyond**

Following the Industrial Revolution, a new class of salaried workers advanced throughout northern Europe in particular, leading to the creation of a consumer market that was more substantial than ever before, and that in itself drove further industrial development. During the nineteenth and twentieth centuries the results of the Industrial Revolution furthered an increasing democratisation of the Western societies, and new modes of finance and credit would gradually evolve during the twentieth century to meet the demands of the new, free and salaried classes of the Western consumer markets (Galbraith, 1998). However, banking and financing was severely disrupted in the first part of the twentieth century by the two World Wars, now increasingly referred to by historians as the “Thirty Years War” (e.g., Neal, 2015). These World Wars were financed as before, through the issuance of war bonds and other debt instruments, and after the Second World War the Western societies entered a new and liberal democratic era, based not least on the wartime participation of all societal classes. This development included a furthered interest in consumerism, and financing through different modes of sellers’ credits and banking innovations spurred consumerism further on (Ryan, Trumbull, and Tufano, 2011).

As World War II waned, the Western powers realised a need for re-establishing a functional international monetary system, not least on account of disruptions during the war. What could be expected coming out of the war was a largely dysfunctional international financial system, where many individuals and institutions would be holders of war bonds issued by states no longer in practical existence, such as Japan and Germany. At the Bretton Woods conference in 1944 the International Monetary Fund (IMF) and the World Bank were established, and their practical inception came just after the war, in 1945. The main objective of the IMF was from its inception to maintain a stable international financial system, including stability in currency movements (Boughton, 2004). Whether this has been an undivided success may be debated, especially considering different booms and busts of the world financial markets after the

creation of the IMF, and not least, the Great Crash of 2007 (Reinhart and Rogoff, 2002; Adrian and Shin, 2010). The fall of the gold standard in 1971 marked the end of the Bretton Woods era in international monetary state cooperation, and a new era of increased financial freedom commenced. The post-Bretton Woods era is typified by increasingly letting the free market forces work, and the dismantling of governmental influence on key financial indicators like currency and interest rates (Ravenhill, 2014).

One particularly visible aspect of the new democratic post-war era was the increasing growth of the markets for consumer finance. Consumers could as before readily make small purchases, but for handling the larger purchases, such as cars, TV sets, refrigerators, washing machines et cetera, the so-called durable goods, consumer financing was necessary. Producers of durable goods in the early twentieth century had already instigated a practice of financing the purchases for their customers by way of seller credits, and this practice was later converted into the producers offering vendor finance, and creating their own consumer financing banks, such as General Electric's GE Capital (Boczar, 1978). The GE example is just one of many, and at the second half of the twentieth century Western consumerism led to the development of several innovations that placed the consumer further into debt for financing their consumption (Hyman, 2008). Among such innovations were credit cards, debit cards, payday loans and more, which at the end of the century had reached a substantial prevalence among Western consumers, to such a degree that it virtually permeated consumer society (Ryan, Trumbull, and Tufano, 2011).

The different financial innovations backed by the increasing consumerism in the occidental societies, including real estate purchases by individuals, led to an increasingly expanding array of financial products ready for the global financial markets to securitise and utilise as investment objects, something that was exported throughout the world, led by the Western banking community. From this development can be mentioned different versions of securitised investment products based on consumer debt, perhaps the most famous being the instrument issued against US consumers, the mortgage backed securities, or the MBS, which was the industry-attributed acronym (Brown, 2007). When the global financial market experienced its severe meltdown in 2007/8, the wider sentiment was that this aggressive financial engineering could be directly attributable to the collapse of the global financial system (Mian and Sufi, 2015).

Further examples of how these products work(ed) will be described in more detail in Chapter 5.

Going into the twenty-first century, there can be no doubt that the financial sector is a major global industry, whose tentacles reach almost all of human activity, financing infrastructure, housing, education, travel, durable goods and more. The financial tools in use can be beneficial for the many, in creating useful societal infrastructure, and also be extremely profitable for the few, and thus, contribute perpetuation of differences in human needs satisfaction (Piketty, 2014).

## **2.4 SUMMARY**

The above historical presentation will serve as background on a conceptual level when later in this dissertation I explain the different aspects of banking from philosophical and practical vantage points, and connect this to scriptural sources. It is of importance to understand these basic historical and conceptual aspects of banking and financing in order to appreciate how this human activity can be useful in society in a Christian-ethical and pastoral manner. Only when we appreciate how human activity may be regulated through moral norms and ethical guidelines can we point to practical applications of social technology, like that of banking and financing, as means towards developing viable Christian-ethical and pastoral practices. From the above findings, the following can be summarised:

- Debt preceded money, and money was socially created as a measurement of universally accepted value, and thus can be seen as social technology.
- The theory of bartering preceding monetary economy cannot be proved, and must be considered mythical.
- The concept of universal value was at least present in the Aegean area during the Homeric age.
- Advanced trading cultures developed on the Near Orient from the third millennium BC, where literacy, numeracy, and accounting were developed.
- The first historical sources on the use of money are found around the sixth century BC among the Greek city-states.

- In the medieval era, money initially fell out of use in Western Europe, but Europe was remonetised in the late medieval era.
- In the modern era, money politics was increasingly placed under governmental control, and central banks were established in Northern Europe.
- Gold was used as money equivalent in the modern era, and the gold standard was in use until the dismantling of the Bretton Woods structures in 1971.
- By the end of the twentieth century, fiat money was in wide use, and scepticism towards governmental fiat money induced the advent of cryptocurrencies and independent monetary systems.
- Banking in its early forms appeared in the Near Orient connected to trade, from the third millennium BC and onwards.
- Among the Greek city-states and the Romans, banking practices advanced, and many of the banking concepts known today were already known and in use.
- The Romans developed an advanced banking and financial system that was based on the invention of private property, and saw the budding establishment of the commercial cooperation.
- Banking largely fell out of mercantile use in Europe after the fall of the Western Empire, but in the medieval era banking services were reintroduced by the Knights Templar, and were further developed by Italian banking families.
- In the late medieval era, governmental debt was introduced for war financing, something that has been carried into the modern era, becoming an important aspect of developing financial structures and economics.
- In the late medieval era, the mercantile corporation saw a revival, becoming important when the discoveries of the New World took place, and continued into the modern era.
- Second-hand trading of bonds and shares developed into organised securities markets in Northern Europe, where the increased liquidity and combined opportunities offered by debt bonds and corporate shares gave rise to newfound

financial technologies, which strengthened the industrial development following the eighteenth-century Industrial Revolution.

- In the twentieth century, international financial corporations were bolstered by Bretton Woods through the IMF and the World Bank, but by the end of the century this was substituted by a market-based finance and banking system that continues to the present day.

The advancement of consumerism in the post-war twentieth century spurred on the development of a new market for consumer financing, which led to further financial innovations. Such innovations may have contributed greatly to the major financial breakdown of 2007.

# CHAPTER 3

## EPISTEMOLOGY

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### 3.1 INTRODUCTION

In this chapter I will elaborate on my epistemological position to be used in the study, and clarify matters of theological tradition (Reformed), of my understanding of scriptural authority and methods of extrapolating valid ethical rules or guidelines from Scripture and attendant sources. The wording in this chapter will follow a similar chapter I have previously authored in Bosterud (2016), with some select exemptions.

As the aim of this study is to examine scriptural sources for the revelation of the will of God, and to be able to extrapolate truths to be utilised in a contemporary setting connected to banking practices, to develop a sound epistemology will be of central importance. To discover an epistemology leading to sound scriptural interpretations will entail a deeper understanding of the concepts of Christian philosophy and ontology, which are both attendant and adjacent concepts to epistemology. I will in the following understand “ontology” as the study of reality, being, existence and becoming, what entities can be said to exist, and the possible connections and relations between such entities. I will understand “epistemology” as the study of the nature and scope of knowledge, and how it can be attained by humans. The term “philosophy” in my writing will be related to both ontological and epistemological questions, and can be seen as a theoretical superstructure of any inquiry into the other two concepts.

As will be evident from several of the sources I will refer to in the following, all three terms—philosophy, epistemology and ontology—will be perceived as related to each other, and I will not strictly delineate between them unless it will be of contextual importance. In fact, most of the philosophical sources used will not relate directly to the theoretical aspects these terms evoke, as it will be their contextual importance that is brought into light. Foucault (2002) demonstrates how all concepts relate to context, and in this dissertation all sources will be used to illuminate how to interpret scriptural sources in light of acceptable Reformed Christian epistemology. To be able fully to grasp faith and its expression in Scripture, it will be of use to understand the concept of faith as a cognitive metanarrative, and to grant human narrative practice its due place in the realm of faith (Bartholomew and Goheen, 2006).

As I will seek to reveal guidance for responsible and coherent scriptural interpretation, I will take advantage of learning to be mined from sources of traditional ecclesiastical authors, both within and outside the Reformed paradigm, as well as relevant secular philosophers, relating to learning, truth, scriptural inerrancy and interpretation. To establish a prudent philosophical scaffolding for Christian philosophical epistemology, I will initially demonstrate sources from antiquity, then move on to the important medieval thinkers, and from there sharpen my focus onto modern, Reformed theories, assisted by contemporary secular sources, in particular pertaining to hermeneutics. Following this presentation, I will conclude what I find to be a responsible Reformed Christian epistemology, which will form a basis for my demonstration of a Christian-ethical and pastoral position in the further investigation into what would constitute sound banking practices.

For the purposes of revealing how the banking practices will correlate with Christian-ethical and pastoral principles, I will need to examine several strands of epistemological thought, as the interpretation of Scripture cannot be expected to reveal how such banking practices should be perceived. In other words, to interpret the reality being presented in the financial markets could in itself prove a challenge, in addition to the exegetical interpretative activity under relevant scriptural principles. In the following, I will describe some of the main relevant strands of philosophical epistemology to explain how reality can be interpreted and understood, as well as describe my epistemological and ontological position for the purposes of this dissertation. I will see this as a contribution to the Christian-ethical and pastoral field of banking practices, as it would be too superficial to take all versions of reality at face value, and venture directly on to the scriptural exegetical activity.

In this introductory section, I have outlined the main tenets of the chapter, and I will start elaborating some philosophical sources from antiquity.

## **3.2 ANTIQUITY**

### **3.2.1 Early Thinkers and Socrates**

It would be my assumption that humans have sought out the truth to be found about the physical and spiritual world from the earliest of times. For this dissertation, the Western thinkers are of interest, and the sparse and earliest sources of relevance point to the

Greek thinkers of antiquity. These early thinkers existed in a period where the concept of one omnipotent God was not accepted in the West and where religious thought was not defined as different from or in conflict with secular thought. The early attempts at defining and understanding the outer physical and inner spiritual reality of the world showed that humans were seeking out the roots of knowledge, and despite a polytheistic religious backdrop, the aim seems often to have been reductionistic, pointing to fewer and increasingly global explanations. This would prove to be an early inspiration towards the later acceptance of a single source of all knowledge, to be found both in religious thought as God, and in secular philosophies through reductionism and attempts at comprehensive scientific theorising.

Of the early thinkers, a few can be mentioned, such as Thales (624-546 BC), who sought the truth about all matters in water, which he considered to be the primary element. He had observed that water was to be found in all living elements, and considered it to permeate the world in all its facets. To him, God could be found in water; water was the most beautiful thing in existence, and he perceived the world to be floating in a vast expanse of water. Another thinker focusing on the notion of primary elements containing truth and God was Anaximander (610-546 BC), a student of Thales, who defined an all-encompassing matter he termed *apeiron*, which gave rise to all things in the physical world. This matter was the original substance, and could not be experienced in the physical world; he thought it related to dichotomous effects between hot and cold, and air and soil. Following Anaximander came Anaximenes (585-528 BC), who posited that air was the core, seminal element, and that all things derived from there. Air was mythological, God was considered to be in air, it had dynamic properties akin to human breathing, and he considered it the source of all living things. More famous than the previous is Heraclitus (535-475 BC) who concerned himself with the changeable nature of the world, and famously stated that all things are in a constant flux. However, this flux and perpetual change was still considered orderly and in compliance with a divine law guiding all things. His idea that all things and incidents were governed by one universal law or principle, of divine character, would prove highly influential on subsequent Western thinkers; it is still discernible to this day in different explanations of natural law, and would be central to the formation of religious thought (Bartholomew and Goheen, 2013).

Although the above pre-Socratic philosophers on the surface would seem unrelated to Christian epistemology, their contribution to Western thinking is of importance, as they concerned themselves with understanding the surrounding world, and sought the truth through an ontology where one overarching element, or god, was responsible for all natural phenomena, including human life. Even early, this way of seeking out metanarratives unrelated to the fragmented religious beliefs in multiple deities of the Greeks in antiquity could be said to represent a seminal realisation of a higher divine order of reality, or of one omnipotent God (Graves, 1997).

With the sophists and Socrates, philosophy changed its centre of focus, from understanding the natural world to becoming an ontology concerning the individual's life ethically and in society, or politically. The sophists, such as the well-known Protagoras (490-420) and Thrasymachus (459-400), were humanists with a secular vantage point, and they did not consider any divinity to have authority in the life of humans. An important aspect of this stance was that to the sophists, a god could not be observed, and thus, it is not possible to determine a god's existence. From this position, the only source of truth could be humans themselves (Bremmer, 2007).

For Socrates (469-399) this humanistic, atheistic and deeply utilitarian stance was not acceptable, as this would entail that now truth relating to human life, as individuals or in society, could be found. There are no written sources from the hands of Socrates to consult, as he did not write anything, but his philosophies can be understood from the writings of Plato and Aristotle (Kahn, 1981). Socrates' project was to explore what it meant to live a good and happy life, concerning himself with what it meant to be human, and he perceived that at the core of this was the soul. The human soul he saw as inherently moral, and logical or rational. The main concepts to be drawn from Socrates with relevance to this dissertation are his emphasis on morality, the belief that moral principles are drawn from within, with the soul as core, and that such ethical standards are universal and above societal conditions at any time (Long, 1988).

From the early thinkers and Socrates, it is evident that foundations were laid to establish a more coherent epistemology pertaining to overarching metanarratives on truth, humanity and one god. Socrates' focus on the human soul could be seen as an important step in systemising a global understanding of realities not readily knowable to humans, but equally important in the ontology of the surrounding environment, society and the individual. The emphasis on truth, even though it systematically may pertain to

ontology, would prove to make a lasting imprint on foundational epistemological understanding for centuries to come, and is as central in philosophy today as it was then (Sosa, 2012).

### **3.2.2 Plato and Aristotle**

Building on the antecedent philosophers elaborated above, Plato (428-347 BC), himself a student of Socrates, and his student Aristotle (384-322 BC) further expanded the philosophical framework towards the peak level of Hellenistic thinking. Plato recognized that the world could be seen as divided into two realms, the visible and temporal on the one side, and the invisible and eternal on the other. This ontology reflects the scepticism Socrates harboured towards the pragmatic position of the sophists, and openly accepts realities beyond human observation and immediate cognition as valid and existing. To Plato, the world is organized in universal ideas or forms, existing outside the individual person or object, and it is necessary to move beyond what is individual and observable to understand what it entails to (for example) be human (Striker, 1996). This concept of universality with regard to humanness and the creation and order of the world can be seen as a harbinger of Christian creation concepts, but it must be noted that to Plato, even if God exists, he would be subject to the same universal order as humans. Central in Plato's thinking is the notion of the soul and its different levels. For Christians, it is noteworthy that in what he deemed the third level of the human soul, lies the capacity for reason, distinguishing humans from animals also in that this part is immortal (Plato, 1977).

Aristotle's endeavours in understanding the higher spheres of cognition have left Western culture a rich legacy. In his attempts at understanding the deeper insights, he established a non-reductionist hierarchical taxonomy important for his own studies, and for later ontology, wherein the world is divided into different levels pertaining both to physical and societal aspects (Aristotle, 1992). In this hierarchy, which starts with inanimate objects at the bottom and ends with humans at the highest level, only humans have the ability to express reason and to conduct rational thinking. In his searching for deeper wisdom, Aristotle proposed the notion of essence, which in one of its forms reflected the philosophy of Plato, but in a form in which all things have an innate shape, existing within according to universal rules, and cannot be observed in the object directly (Davies, 2004). Humans, then, need to act in certain ways to reach their full potential, and this behaviour is directed by the essence of being human (Aristotle,

2009). A further important development in Western philosophy stems from Aristotle's search for a higher being, or a creator, which was seen as an unmoved mover. This supreme being for Aristotle consists of reason, existing for the sole purpose of explaining the world, and is not to be viewed as a divinity in a religious sense (Kelsen, 1948).

Plato and Aristotle were both thinkers who left a lasting legacy in Western philosophy and religious thought, and as will be demonstrated in later sections and chapters, their influence went well beyond their contemporary period and their express scope of study.

### **3.2.3 Stoics and Neo-Platonism**

Following the high point of Greek society and philosophy, the final leg of Greek culture before being consumed by the Roman Empire is represented by the legacy of the previously described thinkers by way of the Stoics and the Neo-Platonists. Zeno of Citium (335-263 BC), who is reckoned as the founder of Stoicism, influencing the Western world for five centuries, and creating a philosophical scaffolding for thinkers such as Seneca (4 BC – 65 AD) and Cicero (106-43 BC), initiated the era of the Stoics. To the Stoics, the world was in a state of rational higher universal order, and the main goal of humans was to seek happiness through wisdom and knowledge aligned with this order. To obtain such wisdom would necessitate acceptance of a higher order or world soul, and to face its resultant outcomes with a calm (stoic) acceptance. Humans were seen as a part of the natural order, and there was no concept of a transcendental existence or after-life (Law, 2007).

The final pagan school of philosophical thought to be described is that of Neo-Platonism. This school of philosophic thought was established by Plotinus (AD 207 - 70), who ran a school in Rome, of which a notable student was Porphyry (AD 235 - 305), Plotinus' biographer and editor. A central aspect of Neo-Platonism was that the whole universe, or cosmos, sprang from God, or the One. Unlike the creation described in Scripture, this is not a creation by the will of God, but rather an overflow of the One, to be compared to the elucidation rendered by light (Plotinus, 1991). From this the divine intellect is created, which in its turn is the source of the world soul. This soul contains the souls of all living entities, including those of humans. According to the Neo-Platonists, humans are souls temporally residing in physical and perishable bodies. The point of human life is to be freed of the physical existence of the body and to be reunited

with the Universal One (Rist, 1964). Neo-Platonism as the final pagan philosophical influence is clearly inspired by Plato, and influenced by the emergence of early Christian thinking. These aspects render this school of thought influential well into medieval Christianity and philosophy, as will be explained in subsequent sections.

### **3.3 MEDIEVAL PERIOD**

#### **3.3.1 Augustine – Transitional Phase**

Leading up to Augustine (354 - 430) were early Christian thinkers who synthesized Platonic and Christian philosophies, by way of keeping with the dualism of the physical and spiritual world as a cognitive philosophical framework. Proponents of such thoughts were Justin Martyr (103 - 165) and Irenaeus (125 - 202), who saw as their main goal the defeat of different pagan ideologies and the defence of Christianity. Justin held that *logos*, the word, was truth (John 1:14), that this illuminates all humans of this world (John 1:9). This is a belief which still holds in large groups to this day (Bartholomew and Goheen, 2013; Woods, 2012).

Augustine's life story is widely reported, and his famously non-Christian academic beginnings are thoroughly addressed in other sources, so I will not dwell on this aspect further here. Suffice it to say, however, that Augustine is a Christian and Western thinker who left a gigantic legacy of un-paralleled proportions (Hollingworth, 2013).

With Augustine, the teleological aim for truth and spiritual wisdom is affirmed, and he seeks it in the knowledge of the realm of God. His epistemological position resembles that of Plato, with the notion of *anamnesis*, or recollection, in that pre-knowledge is assumed, but not seen to be in conflict with how humans can access and obtain knowledge, as he maintained that the creator had given humans faculties to understand nature from conception. In other words, God has included the known in the knower (Mathewes, 1999). The notion of God in Augustine's perception takes the Neo-Platonist position of Plotinus, in that God is one, unlike the Platonic dualism, but to Augustine, God is perceived in a highly personal manner. In this personification of God as described in Scripture, Augustine deviates from the Neo-Platonists, who perceived God as impersonal. Certain Platonic influences of duality can be observed in parts of the Augustine epistemology in that he understands human rationality as divided between

what we understand of the physical world, *scientia*, and the transcendental spiritual world, *sapientia* (Bartholomew and Goheen, 2013).

In his *City of God*, Augustine (2003) sets out to defend Christianity against accusations that the Christian belief system was the root cause of the fall of Rome. The work can be seen perhaps in the context of establishing an alternative narrative to counter Roman intellectual accusations of Christianity's responsibility for the demise of the Roman Empire. In *City of God*, Augustine maintains the dualistic framework as in his earlier works, inspired by the pagan Greeks, and describes two worlds, one that is the City of God, Jerusalem, and the other, the city of the world, Babylon. The City of God is based on love and adoration of God, and the city of the world is permeated by self-centred self-love. Still within the Neo-Platonist influence, Augustine establishes a fluid sense of God, departing from the ancients' stale notions of godliness. In Augustine's ontological paradigm, God rules by his providence, and is above history, rather than ruled by it. As a summation, I would posit that, with Augustine, Scripture is given a more prominent position compared to the tradition of the Neo-Platonist past, and the epistemology from this point moves in the direction of increased scriptural authority (Augustine, 2003).

### **3.3.2 Early Medieval**

Following the death of Augustine, the West fell on hard times academically speaking and ancient philosophical tradition was continued through a mixture of pagan classical, Germanic and Christian paradigms, gradually forming European Western culture and Christianity.

Boethius (480 - 524) was an orthodox Christian with a central position at the Roman court of the ruling Gothic Theodoric. His most influential work was the *Consolation of Philosophy*, wherein he describes his personal misfortune after being imprisoned, and also explains his philosophical position (Boethius, 2003). His stance was that of Neo-Platonism, and was based on the concept of universal truths, in a realist ontology, assigning these truths to the mind of God. His interpretations were directed less by Scripture than by Augustine, and his most notable legacy is that of being one of the original Scholastics (Nauta, 1999). This renown is due to him after he in a letter to the Pope urged to "as far as possible, combine faith and reason", which has had a lasting effect on Christian doctrinal thinking, lately under the name of systematic theology (Gunton, 1999, p. 10).

The so-called Pseudo-Dionysius (ca. 500) included the Neo-Platonic stance of Boethius in his apophatic writings on philosophy. According to this school of thought, as the state of God's existence could not be understood, the apophatic focus was on what God is not, rather than to speculate on what he is. This philosophical technique demonstrates an epistemology blurring the lines between pagan philosophy and Scripture, where the object of knowing God exists in a fluid mixture of philosophy and religion (Fisher, 2001).

The final thinker of this era to be mentioned is Anselm (1033 - 1109), a Benedictine ending his life as Archbishop of Canterbury. Anselm was prone to rationalism in his philosophical and epistemological stance, to such a degree that to some he is considered a Christian rationalist. Although a professed follower of Augustine, Anselm has an augmented dialectic epistemology, leading his legacy to be considered as an important seminal Scholastic (Novikoff, 2011). His typical reasoning has scarce or no foundation in Scripture, and he is known to posterity for his ontological argumentative inquiries of God's existence (Adams, 1971; Findlay, 1948).

### **3.3.3 Aquinas - Late Medieval**

Thomas Aquinas (1225 - 1274) built on the Neo-Platonist foundations of his predecessors described above and kept to a defined delineation between the physical and spiritual world in his philosophy. Aquinas' authorship stemmed from a theological vantage point drawing on Augustine, but his adherence to Aristotelian taxonomy and the philosophical aspects of his thinking permeate the writings, keeping the theology in a less salient location. For example, he views the creation of God as good in a classical Aristotelian perspective, and the existence of sacraments was perceived as a natural good in a physical meaning (Aquinas, 1998; Bartholomew and Goheen, 2013).

A central aspect of Aquinas' writings is the bridging of the natural and supernatural realms of the world. His synthesis of the two worlds is an important ingredient of his epistemology, and could be viewed as two different levels of the same structure. For example, his perception of the existence of God is based on a mixture of logical, rational and spiritual argumentation, as he perceived that reason can explain God's existence, but only faith can reveal who He is. This synthesized ontology is a central tenet of the epistemology proposed by Aquinas, and that in a traditional Aristotelian manner, where knowledge first appears through our physical senses, and thereafter is to be understood by the mind and soul. Aquinas, then, proposes an epistemology that draws the universal

truth from the particular, and not the other way around as done by the ancients. This line of thinking is evident from Aquinas' proposal that all knowledge has its goal and source in God, and that human goodness stems from the partaking in the creation of God (Aquinas, 1998).

In the academic tracks of the ancients and medievals, transitional thinkers such as John Duns Scotus (1266 - 1308) and William Ockham (1288 - 1347) proposed the defence of Christianity in relation to the secular philosophical currents. Both were writing and teaching from a Christian position, but would be influential in the later development of important secular reductionist movements during the Enlightenment period and beyond.

Attempting to protect faith, Scotus adopts an epistemology where the natural and spiritual worlds are separate and apart, clearly moving away from the synthesized epistemology of Aquinas and the dualistic philosophies of the past. The starting point is now that of the particulars and not the universal laws, and he proposes that humans have the ability of abstraction based on the knowledge derived from the particulars. This proto-modernist epistemology leads to an exploratory and inquisitive mode of human cognition, which would lead the way towards the reductionist empiricism espoused by future interpreters seeking inspiration from his writings (Pickstock, 2005).

Ockham's aim—to lend authority to faith by diminishing the place of reason—included a nominalist worldview, where the only real knowledge of the world can be found through observation and sensing of the particular objects in nature. His aim was to delineate the natural from the spiritual, and according to him, religious truths could only be observed by faith, and nature and philosophy could only be known through scientific empiricist activity. His perhaps most famous theory is the so-called "Ockham's razor", which posits that if a phenomenon can be explained by more than one explanation, it is not necessary to choose the most complicated version as the valid or likely one. This reductionist doctrine, paired with the strict division of faith and science proposed by Ockham, would be an important influence towards a scientific development where faith, mysticism and the supernatural were to be disregarded as non-scientific. This reductionist epistemological paradigm has a strong hold on large tracts of academia to this day (Karger, 1999; Tornay, 1936).

As will have been evident from this section, the epistemological positions of thinkers in the later medieval era were inspired by Aristotelian divisional taxonomy of natural

phenomena, and were gradually moving towards an epistemology of reductionist character. It would be appropriate to term at least Ockham and Scotus proto-modernists, as their inspiration was of great importance to later thinkers. Although the paradigm of the philosophy of this era still is formally theological, the emergence of secular thought is clearly visible.

### **3.4 RENAISSANCE – REFORMATION**

#### **3.4.1 Renaissance**

With the Renaissance came increasing interest in the physical world, echoing proto-modernists like Scotus and Ockham. The dismantling of the synthesized epistemology of Aquinas spurred on further interest in nature and humanity, leading the way for the early Humanist movement. With the rediscovery of Aristotle and Plato, spurred on the renewed study of the classics, and with the printing press invented in Germany, ideas could now be dispersed wider than before and at unprecedented speed. Fascination with nature led to a philosophy of inquiry, which in the arts of the Renaissance is typified by the detailed depiction of nature and natural phenomena.

The most important philosophical development prior to the Reformation came with Humanism in different versions. The most notable thinker in this school of thought was Francesco Petrarca (1304 - 1374) or Petrarch, as he was also known. The aim of his scholarship was to protect and define theology by way of parting it from the Aristotelian taxonomic worldview, and he was in particular inspired by the theology of Augustine and the style and eloquence of Cicero (Seigel, 1966; Cicero, 1986).

Other writers of the humanistic school were inspired by the rediscovery of Plato, for example, Nicholas of Cusa (1401 - 1464), who established an epistemology where the enigma of knowing God is central, and thus, his focus is on the essence of knowledge. In his division of what can and cannot be understood, he in reality developed a relativist, if not nominalist epistemology, at least if read with modernist eyes (Hopkins, 1985).

In addition to the above-mentioned Plato-inspired thinkers, a main strand of philosophy in the Renaissance related to different versions of Aristotelian thinking. The main tenet of this line of philosophy to be mentioned is the promotion of the division of philosophy and theology. In this continuum of philosophical/theological thinkers, Pietro Pomponazzi of Mantua (1465 - 1525) should be mentioned as a central philosophical exclusionist,

where Scripture and gospel holds a privileged position, and philosophy is derided with little value for the seeking of truth (Pine, 1968).

As described in this section, the Renaissance was a period of showing great interest in nature, art and science, and the epistemological position is still concerned with whether gospel and philosophy should be part of the philosophical framework, or if they need be divided as incommensurate and even conflicting elements of truth-seeking. The possibility of such a dichotomous relation between nature and faith is important to understand as background for parts of the religious and philosophical discourse in the Reformation and beyond. To imagine the appearance of the Reformation without the advances and discoveries of the Renaissance would be difficult in my view.

### **3.4.2 The Reformation**

The Reformation as a period did not greatly influence the epistemological or philosophical development as it happened, but its ideas would become central to the subsequent development of Christian philosophy in the following centuries. The most notable reformers of the time, Martin Luther (1483 - 1546) and John Calvin (1509 - 1564) had as their focus not to develop or advance the philosophical foundations of theology, but to partake in the political and theological opposition to the established church, and the expression of Reformed theological alternatives.

Luther's view on vocation and calling was that all human activities were of equal value, and that even the most menial of chores entailed vocational sacredness. His perceptions then of the medieval scholastic rationalism and the humanism of the Renaissance were quite agonistic and his derision of philosophy as opposed to theology is well known through its harshness and choice of words. Such agonistic attitudes towards rationality and budding modernity should perhaps be viewed as much as part of the political agenda of Luther's Reformation activities as an attempt to weigh in on the philosophical discourse of the day (Nichols, 2002). An important contribution to the philosophical discourse of relevance here is Luther's claim that humans cannot freely choose to know God, but that such knowledge can only be derived from God's redemption (Luther, 2011). It could well be stated that this epistemological position affirms the supremacy of faith in our knowledge of the higher truths, and remains sceptical regarding the Aristotelian interest in natural phenomena and Neo-Platonic

dualism. This scepticism towards knowledge generated without faith would resonate in Reformed theology over the centuries to come.

John Calvin's position towards philosophy was less dismissive than that of Luther, and he utilized Aristotelian systematics while remaining critical of medieval scholasticism. He viewed Plato favourably because of his acceptance of the concept of the eternal human soul. Calvin argued that Paul in Colossians 2:8 does not denounce philosophical teachings, but rather warns against vain human attempts to understand the real truths, and that the verse is meant to explain how Christ is our sole and supreme teacher sent us by God. It is interesting how this position of Calvin reflects the Christian philosophy of later eras and in particular of the twentieth century, where Scripture is subjected to contextual interpretation for the revelation of theological truths. Calvin's epistemological stance on how humans understand and know God is that of *sensus divinitatis*, that in human nature lies the innate knowledge of God our maker (Calvin, 2012:1:3:1). It could, however, be stated that even though Calvin had this position on knowledge of the divine, and thus rendering this knowledge a privileged philosophical position, his teaching could still be seen to be close to the epistemological dualism of the past which he formally rejected, because the *sensus divinitatis* on the one hand and the fall of humanity on the other hand would imply a dualism—if nothing else, by negation (Bartholomew and Goheen, 2013).

Pietro Martire Vermigli (1499 – 1562), who had a part in the English and Swiss Reformation, had a more positive view of philosophy than that of Luther and Calvin, and accepted it as a part of the gifts bestowed by God on humans, by way of the ability to know true virtue, goodness and justice (Gordon, 2002).

It would appear from this section that the period of the Reformation was one of political and dogmatic upheaval rather than of great academic achievements, however, the works of Luther and Calvin were indeed great academic achievements both in the theological, ecclesiastical and social reformation. The influence of this period would be lasting and have important influences on present-day Reformed Christian philosophy and epistemology, as will be demonstrated in subsequent chapters of this dissertation.

### 3.5 ENLIGHTENMENT – EARLY MODERNIST

#### 3.5.1 Transition to the Secular

In the aftermath of the Renaissance and Reformation, the new developing balance between secular and ecclesiastical powers gave rise to a wide array of thinking that on the surface was unconnected to theology, and concerned itself with science, humanity, social fairness, and the place of the individual in society. In large parts of Northern Europe, the grip of the medieval church on philosophy was disconnected from the church in Rome, and the place of theology in philosophy was muted in the relatively newly Reformed areas. The term “Enlightenment” is not universally agreed to, either in meaning or period, and to some, may carry negative connotations of an un-enlightened past and atheistic influences (Israel, 2002). However, I will use the term here to delineate the period from those of the later modernists and post-modernists.

A notable early modernist is Francis Bacon (1561 – 1626), a prominent English jurist and philosopher. He is most known for his strong interest in the natural sciences. In his thinking, all learning stems from extrapolating knowledge from the particulars, leaving any knowledge of the universals or God to be derived from such inquiry. In his *The New Organon* Bacon makes no concessions related to his emphasis on the natural particulars, and it would be fair to point out the strong influence of naturalism in his epistemology. He posits that the goal of all science is to equip humans with new progressive knowledge from which new powers will emerge. Notwithstanding this modernist foundation, and its connotations of dualism, Bacon posits that science should be the loyal servant of religion, and that knowledge is the only way to God (Bacon, 2000).

Rene Descartes (1596 - 1650) is one of the seminal modernist thinkers, and with his background from mathematics, his focus is on the supremacy of rationality and reason. To him, reason is the high road to knowledge, and in coining the famous *cogito ergo sum* the very essence of being is found through cognition (Stone, 1993). Despite this stance, he perceived himself a Christian, and ascribed his personal doubts to the imperfection of humans. From this, then, he argued that there must be a superior and perfect being, which he considered to be God (Descartes, 2008). This position resembles the scholastic dualism of previous eras, and is not how Descartes’ teachings influenced contemporary and later thinkers. The position that human cognition is the

very basis of knowing God inevitably leads to an epistemology where reason stands above faith, and where from reason, atheistic arguments can be drawn (Sailor, 1962).

Thomas Hobbes (1588 - 1679) is widely considered to be the father of British empiricism, and as a commentator contemporary with Descartes, shared many of the same influences of the era. His philosophy entailed a worldview based on materialism, proposing that sense is the source of all reasoning and experience, and is based on the particulars as the starting point of all cognition and knowledge acquisition (Hobbes, 2008). His materialistic ontology and reason-based epistemology has left him open to the same criticism as Descartes, by way of being considered an early harbinger of modern secular atheism. His position on this matter formally was that of a Christian, remaining in agreement with Scripture, but the conflicting positions of his nominalism and purported scriptural allegiance leave him open for doubting the efficiency of this claim (Geach, 1981).

John Locke (1632 – 1704), building on the increasing acceptance of human reason as the source of knowledge, declared that this is the sole source of knowledge. To him, humans do not possess any *a priori* knowledge, and the epistemology presented relates to human perception and experience only. He does, however, claim that all humans have the innate ability to experience and reason, which is a position watering down the completely secular and non-dualistic position, which could otherwise be drawn from his theories (Locke, 2004). In addition, Locke adhered to a theory of natural law, where after each individual had the right to fend for itself, and conversely, each individual had the obligation to respect the right of others to fend for themselves. Such a notion of human duties deriving from a pre-existing state, a natural law, would further dilute the mere secular aspects of Locke's ideas on human reason, and could lend merit to perceive the existence of influences on humans residing outside their cognitive reasoning (Locke, 1823).

Blaise Pascal (1623 – 1662), who converted to Jansenism, engaged in sharp discourse with the Jesuits. His work *Pensées* asserts his philosophical position that led to his scholarly fame. Pascal is concerned with the limits of human reason, and posits that reason is just a mere step in the ladder of knowledge, above which there is an abundance of knowledge about nature that humans cannot perceive. He continues that if humans cannot gain full knowledge of the natural realm, neither can they perceive anything about the supernatural. Although Pascal places great value on reason and

cognition, he claims that humans can only know God through Jesus, in a context of Christian faith (Pascal, 1995). As will be clear from Pascal's epistemological position, the place of religion is still not completely eradicated in the early Enlightenment period.

The final thinker to be mentioned in this section is Benedict de Spinoza (1632 – 1677), who, being of Jewish descent, kept a consideration of biblical concepts and teachings. In his work *Ethics* he outlined his philosophical system where God, or nature, is the sole locus of all capacities for thought and extension. On the one hand, he saw the human mind as a mode of cognition and the body as the extension. It is through this cognition by imagination, reason and intuition that humans gain knowledge of the world and God alike. He deemed Scripture not to be subject to reason for interpretation, nor reason to be subject to biblical interpretation. His epistemology advocated a literal biblical interpretation by the application of reason. Spinoza made a clear division between theology and philosophy, so that he saw theology as narrow and limited in its scope, and philosophy the tool of real knowledge and access to the truth (Spinoza, 1996).

As demonstrated in this section, the early modernists of the Enlightenment in the wake of the Reformation and religious wars in Europe made seminal philosophical attempts at either reconciling philosophy and theology, or moving philosophy in a seemingly scientific and secular direction. It is noteworthy how the philosophers still saw themselves obligated to position their theories in a constructed and sometimes dichotomous relationship with theology, and whether this was by design or still necessitated by political considerations of the era is not completely clear. The newfound religious liberty experienced in the Reformed parts of the West would undoubtedly have been an influencing factor in the development of the epistemological theories of the period. The early modernist thinkers had an important legacy to send on to their academic successors of the future, as they opened up a wider scope for understanding the world, philosophy and Scripture than what had been possible under the heavy hand of the medieval church.

### **3.5.2 Early Modern**

Venturing on toward our time, the modernists of the seventeenth through the nineteenth centuries became increasingly preoccupied with secular philosophy, realising that the concepts of science, philosophy and theology had not been successfully reconciled in any of the disciplines. The scientific currents moved increasingly towards realist

ontology and positivist epistemology of the natural sciences, and following Humboldt (1769 - 1859), the aim of all research was to reveal new insights, and the mere repetitious focus on classical truths was not considered a proper academic endeavour (Bourner and Simpson, 2005). This movement was driven not only by the fact that the church's hold on academia and society was slipping, but so was the centralist hold on society by the secular elites, and democratic movements of different kinds were emerging throughout the Western world. This led to the philosophers of the modernist era increasingly being preoccupied with societal questions pertaining to justice and democracy, and thinkers concerned with theological matters separated into their own academic camp, different from that of the reductionist inspired philosophical modernists who came to dominate the era.

David Hume (1711 – 1776) was a Scottish empiricist who in his *A Treatise of Human Nature* outlined his philosophy with an epistemological position in which anthropology was the vantage point, and human observation was the privileged foundation for knowledge. He described a division between reason and emotions. Reason stemmed from impressions, or observations, and had a higher level of validity than knowledge derived from ideas. To Hume, the observed represented the pinnacle of learning, and human cognition and reasoning were to be met with scepticism. His stance on human emotions was that of a two-tiered system, in which the primary tier involved physically experienced sensations such as bodily pain and the secondary tier pertained to cognitively experienced phenomena like pride. Hume's position was clearly one of trusting the newfound enthusiasm for the secularly based sciences, but his doubt of human reason faculties means that the rational construct of the early modernists cannot be viewed as solid. Hume's stance on epistemology, then, is clearly one where religion is not regarded as relevant, and where human cognition itself is inadequate (Hume, 1985).

Jean-Jacques Rousseau (1712 – 1778) is an early proponent of romanticism, and is most known for his political ideas and his work *The Social Contract*. His political stance was that all humans were born free, and this would indicate a diversion from the strict rationalism of preceding philosophers of the late Enlightenment. He experienced evil as an existing reality, and believed humans had an inner voice rendering moral guidance. Although not theological in form, his epistemology indicates some form of a prior human

ability for morality, and his thinking moves towards a romantic subjectivity (Rousseau, 1968).

The philosopher of the Enlightenment who has had the greatest impact on philosophy and the history of thought is Immanuel Kant (1724 – 1804). His main opus, *The Critique of Pure Reason*, was an attack on the rationality of the Enlightenment thinkers, but would prove to further the establishment of reason as authoritative in knowledge acquisition. His proposition was that knowledge could only be obtained in a synthesis of reason and observation, and he introduced an epistemological division between what humans can know about the world and its objects in how they appear to humans, and how they are in reality. He called this method of human knowledge acquisition “transcendental deduction” through which humans could reveal truths about how things are in reality. To Kant, there was no difference between how the world is and how we as humans perceive it. Any discrepancies between the two would emanate from interpretation alone. Kant placed high importance of human autonomy in cognition, but would also posit in his moral teachings the existence of universal laws, connected to his categorical imperative. Although this implies the existence of *a priori* knowledge, which would ordinarily be connected with religious belief, for Kant, it was the other way round, as he saw religion leading to morality (Kant, 2007). Reason, then, was given a privileged and superior position compared with theological assertions (Morgan, 2011).

Emanating from the philosophy of Kant was the subjective idealistic movement. A central proponent of this school of thought was Georg Wilhelm Friedrich Hegel (1770 – 1831), who placed history as a central aspect of understanding and creating philosophy. To Hegel, philosophy sprang from history as a manifestation, the philosophers alone could understand the superiority of reason in human cognition and knowledge, and logic was a dialectical result of history. His position on the supernatural was that there was a higher spirit, a self-knowing *Geist*, which was resultant of all lived experience of humans and God, representing a superior reality. His principle of historical and philosophical development was that it was a result of dialectic thesis and antithesis leading to synthesized progress (Taylor, 2005).

Friedrich Schleiermacher (1768 – 1834) with his interpretative hermeneutics focused on textual biblical studies. With him, philosophy arrived at a meeting point with religion yet again, and it could be stated that through his theological interpretations theology was aligned with central principles of the Enlightenment pertaining to human autonomy and

reason, and their place in theology. In the anthropocentrism of Schleiermacher, doctrinal principles and scriptural revelations could be viewed as the philosophy of religious thought, rather than as doctrinal Christian belief (Schleiermacher, 1998).

The pivotal point of the Enlightenment and its promotion of human reason on behalf of religion must be said to come with Kant. The privileged place of reason would demote religion to the margins of philosophy, and casting light in that direction was only performed as a traditional philosophical pursuit. With Hegel, however, lies the seminal influence pointing towards modernity and postmodern phenomenology and logic, which can be said to deconstruct the overly self-assertive realist position of the Enlightenment and natural sciences, still dominating Western academia to this day. In the following section, I will elaborate some modern thinkers leading up to the postmodern paradigm, further to elucidate epistemological positions relevant to the purpose of this dissertation.

### **3.6 MODERNISTS**

#### **3.6.1 Reductionism Developed**

With the end of the Enlightenment, the modernist reductionist paradigm of science had taken its firm hold, and the philosophy would mostly be aligned with such academic positioning in its increasing preoccupation with secular societal matters. This said, the thinkers of this period are of interest for Christian epistemology, as the matters of interpretation and human knowledge generation are still on the table, and the Romanticists have contributed lasting inspiration towards contemporary interpretative techniques. Compared to their Enlightenment predecessors, the Romantic Movement was open to influences from art, classical learning and tradition.

John Stuart Mill (1806 – 1873) is mostly known as the foremost proponent of Utilitarianism, where human good is expressed through actions that do not hurt others. The basis for such actions would be the free and unencumbered human will, for in the human mind there is *a priori* knowledge of right and wrong. The utilitarian philosophy had lasting effects on Western philosophy and posed an epistemology where the universals are considered. A problematic aspect of utilitarian philosophy is its relative measure of what is considered good, in that if something is good for most, it is declared a good (Mill, 2001). This and other aspects of Utilitarianism will be further discussed in Chapter 4 below.

Arthur Schopenhauer (1788 – 1850) should be mentioned among the romanticists, and was one of the earliest thinkers to declare himself an atheist. To Schopenhauer, reality is a figment of human consciousness, and does not exist outside human cognition. This line of thought does not necessitate God or any *a priori* universal truths to be known, or the ability to acquire such knowledge. To Schopenhauer the source of all knowledge is human suffering and the force of will to escape this predicament, where the desired manner is through asceticism (Cartwright, 1984; Harrison, 2012).

Søren Kierkegaard (1813 – 1855) took a subjectivist approach in his thinking, and presented an epistemology in which the self is the radical centre of cognition and knowledge. He stressed the importance of the self to such a degree that he equated truth with the subjective self. Kierkegaard's project was founded within his Christian beliefs, closely observing Scripture, and the place of subjectivity aligns with the personal relationship with God explained in Reformed theology (Perkins, 1973).

With Charles Darwin (1809 – 1892) and his naturalistic inquiries, Western philosophy was taken further away from ponderings about the place of God, and the universals were further removed from philosophy. An important part of this development was the break Darwin's discoveries represented with the classical teleology of Aristotle. According to the Aristotelian teleological principle, natural development happened according to a plan, to reach an end, but Darwin's discoveries contradicted such designed natural developments (Darwin, 2009).

Friedrich Nietzsche (1844 – 1900) is well known for his forcefully anti-religious position and an epistemological stance in which the supernatural, in the shape of God, has no place. His major works are littered with anti-religious argumentation, and he has become emblematic in wide circles in Western society as an atheist symbol, where the (super) human stands alone and is master of his destiny. What is less described is his stance against the reductionist realism of the Enlightenment, and his nod back to Heraclitus, with the "everything is in flux" principle. For Nietzsche, all human societal accepted truths were in fact false, situational and prejudiced (Nietzsche, 2003).

Charles Sanders Peirce (1839 – 1914) developed what was later termed pragmatism. According to his philosophy, truth could only be reached through scientific method; science is auto-correcting and aims at establishing truths through opinion formation. The ultimate aim of scientific endeavour according to Peirce is the furthering of love.

From this scientific vantage point, one would expect Pierce to further the atheistic sentiments often permeating the natural sciences, but to him, love, the goal of science, originated in Christianity (Royce and Kernan, 1916).

Bertrand Russell (1872 – 1970), from an atheist vantage point, presented a reductionist secular perspective on human knowledge acquisition by holding that humans can only come to truths consisting of already known elements. There could be no knowledge except for that of immediate sensory recognition and observation, and human knowledge generation would be guided by logic alone (Russell, 2009).

In his early works, Wittgenstein (1889 – 1951) was a proponent of stark positivism, and purported that the world consisted of knowable facts, best expressed in synthetic representative language. His philosophy became very influential for other scientists and thinkers, as positivism came to be utilized in all scientific disciplines. Later, Wittgenstein moderated his earlier views, and moved away from the notion that positivism allowed for a precise depiction of the world. Of particular interest to this dissertation is the notion that language should be interpreted in its context, and that the ascribed meaning of a word should be viewed in connection to the circumstance in which it was used (Wittgenstein, 1971; Nubiola, 1996).

Another important direction of twentieth century philosophy is phenomenology as initiated by Edmund Husserl (1858 – 1938). According to this school of thought, the world can be known through human observation without reference to universals of a *priori* knowledge. Descartes was the father of phenomenology, but to Husserl it is experience rather than reason that is at the centre of human knowledge generation. As an extension to the acceptance of experience as knowledge generator, Husserl placed trust in human intuition as a means of supporting experience, and through this we are able to describe attributes of the observed (Spiegelberg, 1960).

Martin Heidegger (1889 – 1976) was a student of Husserl, and developed phenomenology in the direction of hermeneutics. According to this brand of hermeneutics, interpretation is the core relationship of the observed and the observer. It is through interpretations that a higher level of cognition appears, and mere observation does not lend adequate sensory feedback to bring cognition beyond that of primary conceptualisation (Graves, 2010; Davis, 2010).

Building on Husserl and Heidegger, Hans-Georg Gadamer (1900 – 2002) made the final development of modern hermeneutics. Gadamer's work *Truth and Method* is the main source of his philosophical and epistemological teachings. To Gadamer, all interpretations are based on preconceptions and biases resting with the interpreter, and to posit, as natural scientists are expected to, that it is possible to attain an unbiased value-free observation platform, is vain. To Gadamer, all interpretations are situation-based and heuristically oriented, and refer to a broader historical context (Porter and Robinson, 2011). Gadamer posits that truth can be found through observing art and that dialogue and heuristics are key to understanding art. Gadamer further contests the position of the Enlightenment that all prejudices should be shunned in science, as prejudice need not be of only negative influence. The meaning to be derived from a piece of text should therefore not be decided conclusively at one point in time, but be allowed to appear through a situational dialectic approach (Gadamer, 2004).

From the modernist, we take away central understandings related to epistemology and its philosophical development in a dialogue between secular and religious thought. The acceptance of context and human intuitive approaches in epistemology signals a budding appreciation of tacit truths, and scepticism towards the supremacy of reason and reductionist science. The period covered by the modernists involved great technological advances, but for the contemporary observers, the use of these advances to promote warfare, suppression and environmental devastations would have left marks dampening the science-optimism of the early part of the period. Coming out of two world wars, Gadamer's hermeneutics point to these dark experiences, as a warning perhaps against unchecked human self-adoration.

To further my understanding of how Western philosophy has come to inform current Reformed epistemology, in the following section I will briefly elaborate some aspects of the postmodernist movement.

### **3.7 POSTMODERNISTS**

#### **3.7.1 The Tacit Revisited**

From the modernist philosophy there is the offshoot referred to as postmodernism. The term "postmodernism" is ambiguous, and it is largely a matter of choice which philosophies should be connected to this school of thought. I will mention a few thinkers

that could prove relevant to this dissertation, as their epistemological starting point is open, conceptual and holistic, and well suited to inform any textual interpretation.

Foucault (1926 – 1984), a French twentieth century philosopher, made major contributions to secular hermeneutics. A central tenet in his thinking is that scientific concepts and constructs should be perceived in context, and such contexts should be the basis of interpretation (Foucault, 2002). Underlying the work of Foucault are the notions that power relations influence express meaning, and that the element of social control embedded in language is to be considered part of interpretative practice (Foucault, 1994).

Jacques Derrida (1930 – 2004) remains highly controversial, and his theories are widely contested. His main contribution to epistemology is the notion of deconstruction as an interpretative method. To Derrida, all expressions of meaning should be deconstructed, and the manner in which meaning was proposed and presented, would include expressions of meaning. The deconstructive hermeneutical method of Derrida entails the observation of all aspects of a text, including font, footnotes, and margins, and these particulars should be interpreted based on semiotics. The deconstructive approach is quite holistic in that it extrapolates meaning from textual expressions not ordinarily attributed or even sought (Derrida, 1997).

Paul Ricoeur (1913 – 2005) is known for his combining of phenomenology and hermeneutics. His postmodern philosophy is constructive, and in his proposed epistemology he considers narrative and metaphor, and includes mythology and biblical studies in his version of hermeneutics. Although he maintained the division of philosophy and religion, Ricoeur was active in biblical interpretative studies. Ricoeur's contribution to hermeneutics has been widely recognized, and his applied phenomenology in hermeneutics has resonated within both secular and theological academic communities (Porter and Robinson, 2011). Among Ricoeur's contributions to hermeneutics, was his exploration of the apparent dialectic between understanding and explanation, and the theme of this dialectic was used in his interpretation of Kant's *Second Critique*, where themes such as the connection between happiness and virtue, and the concept of hope as possibility to open what absolute reductionist knowledge purports to close are central (Vanhoozer, 1990).

The increased attention to religion among the postmodernists is evident in the writings of Slavoj Žižek (1949 - ), which are permeated by deliberations of religion, and in particular core Christian subjects. Žižek's philosophy is centred on Christ, and significantly, the coming of Christ represents the end of God. Of interest from Žižek's writing is the epistemological position that religion exists, and that humans possess the ability to acknowledge this existence and to regain our human responsibility (Žižek, 2003).

Concluding the postmodernists, it becomes evident that blind faith in reason and human rationality, as well as derision of the tacit and supernatural, have further faded as elements of a viable philosophical position. This has led to developments in accepted epistemology, by way of seeking deeper into texts and expressions of power and control, allowing for an increasingly holistic and problematising interpretative practice. I will in the following section describe major tendencies in current Reformed philosophy and epistemology, and elucidate some of the inspiration passed on from the preceding thinkers and their means of knowledge generation.

### **3.8 CONTEMPORARY REFORMED**

#### **3.8.1 Reformed Philosophers**

In a tradition often termed neo-Calvinist are the influential Reformed philosophical works of Herman Dooyeweerd (1884 – 1977). Despite a background in law, his most notable philosophical and theological contributions are within Christian philosophy. His most influential work is his magnum opus, the *Transcendental Critique of Theoretical Thought*, wherein he presents his foundational idea that all manner of theorising and philosophy is based on concepts of religion. He borrows the word “transcendental” from the Kantian nomenclature, and this reflects the early influences that affected Dooyeweerd's initial mode of thinking. He explains the position that all theoretical thought is derived from abstraction. With abstraction, Dooyeweerd means the act of dividing reality and separating pieces of it as bases for further theorising. This theorising would be based on setting the separated element of reality up against another part of reality, while we as humans remain fully influenced in our hearts as religious beings (Marcel, 2013a).

For Dooyeweerd, all philosophies rest on a transcendental ground idea, deterring the thought trajectory imbedded in the philosophy at hand. The transcendental aspects of any philosophy would in his thinking pertain to the Archimedean point, meaning the perception of the totality of reality, the view on creation, and how these two former aspects could be assembled coherently into the philosophy. Following this, all philosophy is governed by a lawfulness, on par with natural law, which forms a cosmomic zero point of any philosophy from where the basis of the thinking could be understood. Dooyeweerd presents an epistemology that would be dialogic in its shape, based on the search for basic ground-ideas in any thought-schema for further theorising (Marcel, 2013 b).

### **3.8.2 Reformed Epistemology**

Plantinga (1932 - ) proposes a Reformed epistemology that accepts religious beliefs as rational and logical; such belief is not conditioned on presenting proof of God's existence. In what he terms "proper functionalism" Plantinga posits God's existence independent of evidence, and that religious belief is basic with humans. A further central tenet in Plantinga's epistemology is that the notion of "warrant", which is connected to whether a belief follows from properly functioning cognition and mental faculties. Concerning belief in God, his epistemology of proper functionalism and warranted belief is evident in his philosophical work on the problem of evil, where he repudiates atheistic attempts to use the existence of evil to defeat belief in God (Plantinga, 1974). It is his further contention that there is no contradiction between science and religious belief; contradictions appear only from atheistic argumentation, and whatever superficial differences that could appear, would stem only from the methodological constraints of naturalism (Plantinga, 2011).

Wolterstorff (1932 - ) proposes that Christian faith has an important place in academic scholarship, and that religion and academic pursuits fit well together. His epistemology distances itself from foundationalism and evidentialism, as he emphasizes that Scripture cannot supply unquestionable truths to scaffold all theorising activity. He is sceptical towards the theory of warranted beliefs, as knowledge cannot be accepted just by its resting on other warranted beliefs, however logical and cogently argued. The stand Wolterstorff then takes is that all scientific activity rests on one belief or another, be they related to data interpretation, data background or control. To him, Christian scholarly activity should stem from belief in God and the Christian belief should be the basis of

the necessary control aspect of theory building. In his *Reason within the Bounds of Religion*, Wolterstorff (1999) develops this argument giving the following seven corollaries of the control aspect:

1. The faith commitment of Christian scholars should not hold back their theories, as the Bible is not an answer book for all theorising, and although answers are given and theories presented in the Bible, the detailed answers may not be found or given.
2. Regarding many matters, there may be more than one theory in existence acceptable to the Christian scholar, comporting well with the authentic commitment of the scholar.
3. As with all other scholars, the faith commitment is not the only source of the Christian scholar's theory weighing, which also utilizes observations of the surrounding world.
4. The commitment of the Christian scholar should function internally to scholarship in weighing and searching for theories.
5. Only rarely will the authentic commitment of Christian scholars contain all their control beliefs.
6. Christian and non-Christian scholars may in some instances share the same theories.
7. Neither data nor controls can be derived from certainties that are foundational.

Summing up, Wolterstorff (p. 106) states that:

*Christian scholarship will be a poor and paltry thing, with little attention, until the Christian scholar, under the control of his authentic commitment, devises theories that lead to promising, interesting, fruitful, challenging lines of research.*

It has become evident that, with the postmodernist and the contemporary Christian thinkers, the one-sided lauding of reductionist perceptions of reality, promoted from the Enlightenment and onwards, is increasingly fading. The evolving philosophy, and thus epistemology, is characterized by increased scepticism towards realist positivist

metanarratives, and necessitates a holistic acceptance of ontological influence from sources outside the realm of accepted natural science, with all its evidential limitations. From this defined philosophical point, it would be clear that the extraction of truths and the extrapolation of learning from Scripture could be performed under a Reformed paradigm, with biblical inspiration, applying to all topics of natural, sociological and societal importance. To establish a starting point to be used in this dissertation, I will in the next section explain and develop a useful, prudent and responsible mode of scriptural interpretation, by way of rules located in sound Reformed hermeneutical principles.

### **3.9 SCRIPTURAL INTERPRETATION**

#### **3.9.1 Hermeneutics and Exegesis**

For establishing a basis for interpretation relevant to this dissertation, it will be necessary to determine principles for scriptural interpretation that can extrapolate biblical meaning into useful guidance to twenty-first century banking activity. It will be of importance to define the term “hermeneutics” and the attendant “exegesis”. For the purpose of this dissertation, I will take Grudem’s definitions (2013:109), which read:

*Hermeneutics is the study of correct methods of interpretation (especially interpretation of Scripture).*

*Exegesis is the process of interpreting a text of scripture.*

By these definitions, the dissertation will mainly contain acts of exegesis when determining the practical application of scriptural interpretations to relevant applicable contemporary banking practices. The antecedent interpretive activity will be acts of hermeneutical interpretation.

A useful starting point to uncover principles of Reformed hermeneutics could be the statement of the Westminster Confessions (2010), which states:

*The infallible standard for the interpretation of the Bible is the Bible itself. And so any question about the true and complete sense of a passage in the Bible (which is a unified whole) can be answered by referring to other passages which speak more plainly.*

This position of salient scriptural authority reflects Calvin's stance, as he strongly refuted notions of church supremacy in interpretative matters:

*The authority of Scripture derived not from men, but from the Spirit of God. Objection, that Scripture depends on the decision of the church* (Calvin, 2012, 1:7).

On a superficial level, the above statements bestow full and sole authority to Scripture itself, as auto-interpretive, and thus Scripture should be able to render answers to any asked questions. The reality is quite obviously not so simple, as the language itself, be it in Scripture or not, is ambiguous and open to interpretations. It is worth noting that any word expressed in language does not have an independent meaning, but needs to be explained by other words, equally lacking in independent meaning. Therefore, it is my position that all words expressed are defined by other words, and consequently that no word will ever have a clear and unambiguous meaning. Needless to say, such a perception of language's ability to convey meaning could only be the philosophical starting point for further inquiry. For philosophical and epistemological exploration within any field of research and learning, whether ecclesiastical or secular, the search for responsible interpretative practices has been a central tenet.

As an influential current scholar, Grudem (2013) has further developed the explanation of the place of Scripture in theology, defining its importance according to:

- a) **Authority:** *"The authority of Scripture means that all the words in Scripture are God's words in such a way that to disbelieve or disobey any word of Scripture is to disbelieve or disobey God"* (p. 73);
- b) **Clarity:** *"The clarity of Scripture means that the Bible is written in such a way that its teachings are able to be understood by all who will read it seeking God's help and being willing to follow it"* (p. 108);
- c) **Necessity:** *"The necessity of Scripture means that the Bible is necessary for knowing the gospel, for maintaining spiritual life, and for knowing God's will, but is not necessary for knowing that God exists or for knowing something about God's character and moral laws"* (p. 116);

- d) **Sufficiency:** *“The sufficiency of Scripture means that Scripture contained all the words of God he intended his people to have at each stage of redemptive history, and that it now contains all the words of God we need for salvation, for trusting him perfectly, and for obeying him perfectly”* (p. 127).

Grudem’s setting for explaining the place of Scripture is that of systematic theology, and his search for attaining composite doctrinal truths will be helpful in my exegetical interpretive activity to follow in this dissertation. His definitions do not direct hermeneutical or exegetical activity, but merely describe the general importance of Scripture in these assumed and presupposed activities.

For scriptural interpretation, the Church has traditionally claimed supreme authority in matters of interpretation and exegesis, something that is represented in the Catholic institution of the Magisterium. Within Protestant and Reformed circles, there has been considerable lack of comfort with such a top-down interpretative practice as the Magisterium represents, but yet, the ecclesiastical leaders have exerted their influence none the less. It could be said that even without the Magisterium, there are what Jenson (1997) terms “communities of interpretation” (p. 59) in lieu of sole church-derived interpretation. These communities will adhere to official church dogma, often expressed as “dogmatic” or “systematic” theology, rendering the individual reader not completely free in his scriptural interpretation. I would posit that within the Reformed paradigm, the “officialness” of dogma, expressed and guarded within accepted communities of interpretation, plays a practical role not completely unlike that of the Catholic Magisterium.

For this dissertation, then, to uncover accepted hermeneutical principles, as utilized by relevant interpretation communities, will be of importance for the practical exegesis explaining what would be responsible banking practices. I will in the following elaborate some main background influences on Reformed hermeneutics, and demonstrate certain sources from historical and contemporary Reformed thinkers, leading the way to my chosen principles for this dissertation.

### **3.9.2 Barth**

Karl Barth (1886 – 1968) was a Swiss protestant theologian whose works are highly influential in Protestant theology and dialectical hermeneutics. Barth’s theology, based

on dialectical interpretations and exegesis, is sometimes termed neo-orthodox theology, and his philosophical stance was to create an answer to the liberal theology permeating the academic scene prior to World War I. His view was that the liberalism previously lauded needed to be revised in light of wartime experiences and would act in dialogue with contemporary theologians and secular thinkers, such as, for example, existentialism (Porter and Robinson, 2011). Barth is most known for his magnum opus, the *Church Dogmatics*, which he spent several decades writing. The work is of substantial magnitude, and encompasses several volumes.

To Barth, the Word of God is threefold, and is expressed through preaching, Scripture and revelation, explained in Barth (2009) thus:

*The presupposition which makes proclamation proclamation and therewith makes the Church the Church is the Word of God. This attests itself in Holy Scripture in the word of the prophets and apostles to whom it was originally and once and for all spoken by God's revelation (p. 6).*

Although Barth describes the Word of God divided among three methods of conveyance, he maintains that the message is coherent and that a unity prevails:

*It is one and the same whether we understand it as revelation, Bible, or proclamation. There is no distinction of degree or value between the three forms (p. 8).*

Barth's hermeneutics included historical criticism with theological interpretation of Scripture, in an attempt to extrapolate the full meaning of the biblical texts. His hermeneutical method aimed at revealing anew the biblical message, through combining historical criticism and literary criticism. According to Barth, the Bible should be read in the historical context in which it was written, and be viewed as a piece of literature, to be interpreted without any outside defined meaning of language in use (Wallace, 1988).

Barth could further be said to adopt a referential perception of language that keeps a focus on the literal description of a text, interpreting without eliminating secondary semiotic aspects, the express goals of the interpreters, or specific choice of textual extracts. If only adopting a theoretical view on a situation, the hermeneutical aspects of the situation would not be complete (Webster, 1998).

It would be clear that the hermeneutical direction of Barth would be of use when pursuing the conclusions in this dissertation, as the wider contextual interpretations of any situation or scriptural element will be included in exegesis, yet still allowing textual and historical criticality.

### 3.9.3 Berkhof

Louis Berkhof (1873 – 1957) has contributed a major influence on Reformed theology and principles of scriptural interpretation. In his *Systematic Theology*, Berkhof (1958) explains Scripture with the highest epistemological authority. For example, when introducing the discussion of God's existence through faith, he determines that...

*...this faith is not a blind faith, but a faith based on evidence, and the evidence is found primarily in Scripture as the inspired word of God, and secondarily in God's revelation in nature (p.21).*

For Berkhof, then, the main source of knowledge of God and his message should be Scripture, but the quotation above does not point to how Scripture should be interpreted (hermeneutics) or applied (exegesis). Berkhof addresses these matters more thoroughly in his *Principles of Biblical Interpretation*, which is a major work on the interpretation and application of Scripture within the Reformed paradigm.

Berkhof (1950) gives a thorough account of his stance on principles of scriptural interpretation, covering most aspects of linguistic accuracy, inaccuracy, ambiguity, and interpretative modes. He confirms his stance that Scripture is divinely inspired, and most importantly, the principle of scriptural unity. This principle entails that even though there may be apparently conflicting messages in the Bible, this is just the case on a superficial level, and that through proper interpretation (*hermeneutica sacra*) the one unified meaning can be discovered. Therefore, Scripture should not be perceived as yielding several conflicting messages or rules, which then need to be harmonized, but if this appears, the unifying interpretation has not yet been completed. From this starting point, Berkhof explains different principles for interpreting Scripture towards the extrapolation of biblical truths from unified interpreted scriptural sources. Important aspects in this activity would be to acknowledge grammatical meaning and word uses, both in current use and at the time of scriptural authorship, considering contextual circumstances, use of synonyms, et cetera.

I have above outlined epistemological starting points pertaining to the validity and relevance of knowledge to be drawn from Scripture. I will in the next section elaborate how I understand some principles of scriptural interpretation, based on the above-described authors, as well as with inspiration from the full weight of the common Western philosophical development concerning epistemology and ontology relevant for the purposes of this dissertation.

### **3.9.4 Interpretation Principles**

For the use of Scripture in my determination of suitable Christian-ethical and pastoral principles to be used in applied banking practice, I will in the following outline some of the main principles to be used when attempting to reveal scriptural evidence pertaining to the research questions described above in Chapter 1. These interpretation principles are paraphrases of theories presented by the above thinkers, with particular attention given to Barth and Berkhof. The following outline may not be exhaustive, but should describe the principles in use in this dissertation, on an overarching level.

#### **3.9.4.1 *Basic Assumptions***

In my interpretations, I will adopt the following presuppositions related to the scriptural sources I examine:

- The Scripture contained in the Old and New Testaments are the true words of God, which state the sole rule of faith in, and obedience to, God.
- God is the divine authority who inspired humans to author what He intended written.
- God transfers the scriptural truth on our hearts when reading Scripture.
- As God is the supreme author, there is an innate, coherent and constant unity in Scripture, where a passage or part of the whole is explained through its contextual relation to the whole.

#### **3.9.4.2 *Normative Character of Scripture***

Under the Reformed Paradigm, the Bible is normative, and thus its influence today needs to be determined. From the normative starting point, I posit that large tracts of the

Bible are binding today, as always. This pertains, for instance, to matters of soteriological and eschatological importance, the place of family in society, etc. Other parts of Scripture cannot be seen as normative today, such as Old Testament rules of hygiene, agricultural practices and ceremonial sacrifice. Decisions regarding current normativity would be dependent on interpretation of the main tenets of the written Word of God, as revealed through Scripture. Even though not normative, such passages are still a part of God's revelation through Scripture, and cannot be dismissed outright.

To determine the normative expressions of Scripture valid today, certain principles are acceptable for interpretation:

- Some scriptural passages are poetic and hyperbolic, and were never intended to be binding in a literal way.
- The specifics God has expected from his people through redemptive history have changed over time, and must be determined in the context of this history.
- The social, societal and cultural changes within Scripture itself should be considered. For instance, consider norms of hairstyle: in Leviticus 19:27 short hair is shameful; in 2 Samuel 10:4-5 long hair is degrading.
- Accommodation to scriptural culture must be given—positively when, for example, Scripture advises practices that were morally neutral and common at one point in time, and negatively when God clearly condemns practices which would be non-permissible at another point in time. The accommodation could pertain to polemical thrust in Scripture, when divine instructions are given to people in one situation, clearly not meant to be universally valid, as for example in I Corinthians 14:34-36, demanding silence of women.
- The recognition that in Reformed hermeneutics there is a clear difference between a principle and its application, as the principle states God's will for our lives, but the application may vary over time and place.

### **3.9.4.3 Scriptural Analogy**

In Reformed hermeneutics it is recognized that the Bible uses analogical logic, that different scriptural texts describe the same issues, and that they are modifying or reinforcing each other in a unified message describing God's will. The totality of what

can be learned from the Bible pertaining to a specific theme is dependent on what each specific textual expression contributes toward the unified message. In use of scriptural analogies, there are two accepted forms:

- Positive analogy, as when several texts clearly describe the same theme, such as, for example, God's providence.
- General analogy, as when extrapolating general themes that may not be expressly revealed in Scripture, but that follow from obvious interpretations of the message to be derived from the whole of Scripture. An example here could be slavery, which is nowhere expressly condemned in the Bible, but which is obviously contrary to central messages found in the Bible.

#### **3.9.4.4 *Textual Weight***

When attempting to determine the unified message of Scripture pertaining to a topic covered apparently in several texts, the texts will have different relative weight in the interpretation. Some general hermeneutical guidelines pertaining to relative weight could be:

- What is stated in several scriptural passages has greater weight than what is affirmed in only one passage.
- A doctrine is firmer if it is described unanimously in several texts, than if it is deduced from mere similarities in the texts.
- The appeal of passages that are obscure and ambiguous is less certain than the appeal of those whose meaning is clear.
- A wider biblical distribution of a teaching augments its value as compared to that which is only described in a single book.
- If a doctrine is obviously supported by analogy of faith, it cannot be contradicted by an obscure or contrary passage.
- One clear single textual passage can be accepted to support a doctrine, but doctrines supported by several unambiguous texts will have greater weight.

- When only supported by a single obscure passage, a doctrine should only be accepted with considerable reservation.
- If analogical interpretation leads to apparently conflicting doctrines, both (or all), can be accepted as scriptural, but the innate unity of the Bible should be trusted to resolve the apparent contradictions.

The above principles and guidelines will be useful when performing biblical interpretations pertaining to the elucidation of the Christian-ethical and pastoral aspects of current-day banking practices, concerning a wide spectrum of societal and commercial circumstances. I will in the next section give some concluding remarks as to how my further research will be affected by the findings presented in this and the previous sections of this Chapter 3.

### **3.10 SUMMARY**

As elaborated above, the development of Western philosophy has been substantial over the time we have known Scripture, and epistemological principles have evolved alongside this development. The full scope of this development will be embedded in our common perceptions of how to know, interpret and accept reality, with the ongoing dualistic tension in secular philosophy, where the pendulum has swung from Plato to the Enlightenment, and perhaps some way back with the postmodernists. The postmodernists have proven more willing compared to their realist predecessors to accept tacit meaning in observable facts, and to interpret in the margins of stated expressions of reality.

Christian thinkers have certainly influenced the development of Western philosophy, and those proclaiming a different vantage point than that of Christian faith have equally influenced Christian philosophy. As described above, the principles of hermeneutics presented by Barth and Berkhof would not have been possible without the long-standing Western philosophical search for truth about the physical and spiritual worlds and for sources from which such insights could be drawn. Ideas pertaining to context in interpretation are equally valid whether presented by adherents to doctrinal Reformed theology or by postmodernists like Foucault and his peers.

In this project, where the aim is to extrapolate Christian-ethical and pastoral principles from Scripture, to be applied practically on banking and financing activity, mere

scriptural interpretation in accordance with accepted Reformed hermeneutics will not fully elucidate the main topics of this dissertation. The hermeneutical principles I will use addressing Scripture, will be of guidance and inspiration when I interpret other sources, but cannot be accepted as exhaustive. It will be of great interest to apply postmodern deconstructive interpretation, techniques and semiotics when, for example, assessing what is the truth pertaining to the different banking and financing categories that could be considered practical in contemporary banking practice. Through such a methodology, I will expect to reveal the underlying reality of the studied banking practices pertaining to topics of power, suppression, etc., beyond what would easily be extrapolated from a literal interpretation of how they present themselves to the public. Only when the salient presented version is deconstructed, and the marginal and hidden information is taken into consideration, will I consider that reality is revealed and ready to be subjected to necessary exegesis. However, I do not fully reject the possibility that sometimes the facts are what they appear to be.

When examining different banking practices and methodologies open to use for the contemporary banking actors, I will expect frequently to be confronted with difficult interpretative tasks, as the practices may be expected to be presented in a favourable light, made so intentionally to attract banking business and refute critics. The hermeneutics of the Reformed paradigm will not fully assist in my inquiry into such factual matters, and I expect that I will have to draw on the full force of our common epistemological heritage to lay the relevant reality sufficiently bare. The understanding and application of a nominalist ontology and postmodern constructivist epistemology will mainly inform my interpretative activity leading up to the scriptural exegesis necessitated by the theses of this dissertation.

In my process then, after I have extrapolated scriptural principles by way of hermeneutical activity, and defined relevant scope of banking practices, it will be possible to subsume the different practices under the relevant scriptural principles or norms, and this will represent a practical exegesis as defined in this Chapter 3.

As I now have outlined what will be the prevailing epistemology in this dissertation, I will in the next chapter elaborate on different Christian-ethical and pastoral philosophies that will be available and applicable to guide sound banking activity.

## CHAPTER 4

### BANKING PHILOSOPHIES, ETHICS AND PASTORAL CARE

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#### 4.1 INTRODUCTION

In the following, I will elaborate some strands of thought of philosophy, ethics and pastoral theology relevant to banking and financing, and demonstrate how these different schools of thought may have influenced banking practice, and vice versa, how the practical needs of the market participants have influenced thinkers within philosophy and religion. It will be evident that there is not much source material to investigate from the earliest times, but there are still traces of thinking on lending and morality among certain philosophers, and not least, in religious cognition, such as represented in some scriptural passages. As this dissertation aims to elucidate matters of Christian-ethical conduct and pastoral care concerned with moneylending and banking practices, it will be evidenced how this thinking has been developed mainly from a vantage point where theory looks onto practice, adjudicating on the banking practices in existence, rather than actively instigating new, ethically and pastorally sound banking mindsets. As practice, then, has been a forerunner of philosophy in this area, much of the available thought on banking and financing would be expected to be closely intertwined with the practical real-life fields wherein they appear. The sources I will be using in the following will typically be mixed, because economics, human practical needs satisfaction and philosophy operate in thematic concert.

Because of the practice-led make-up of the philosophical field relevant to banking and financing, in the first section I will outline tendencies connected to the banking realm from a philosophical and political vantage point. From this starting point, I will elaborate the main currents of ethics, and in particular Christian ethics, which will further develop how banking, philosophy and religious thought have evolved alongside each other throughout history. When I have covered the philosophical and Christian-ethical aspects that could be applicable to banking I will turn to how these could be used in a pastoral capacity, as applied in a real-life practical setting, where theology is used to inform leadership and counselling. I will expect that aspects of Christian ethics connected to banking would be of use both in pastoral leadership and counselling of participants in the banking industry, as well as among wealthy investors in the West. In addition, pastoral activities could be based on the principles developed in this dissertation, when

in contact with individuals who see themselves as victims of harmful banking practices. As ever, to the individual, whether in a strong or weak position in a banking relationship, the matter of subjective sensemaking as a means to assessing and interpreting human experience could benefit from scripturally-based pastoral guidance (Weick, 1988).

## **4.2 BANKING PHILOSOPHIES – OVERVIEW**

### **4.2.1 Background**

In the following, I will use a thematic systematic, where I attempt to relate the banking philosophies deemed relevant for a practical approach. Consequently, I will start with the ideas of a completely free and unregulated banking practice, continue onto the different models requiring regulation with the practical compromises that will have had to be practised throughout history, and through to religiously and ethically motivated constructive banking philosophies that have appeared within the last few decades.

### **4.2.2 Free and Unregulated**

For twenty-first-century citizens, in a world awash with public and private regulations, it could without due reflection be tempting to think that humans came from a state of complete freedom, also in matters of economy, and that the idea of societal intervention was an invention of a later date. This would fit well within the tendency to think on human development through history in a linear fashion, where we continue to reach ever higher levels of sophistication and civilisation (Booth, 1993; von Heyking, 2004). Just like with the bartering myth, such an idea of original freedom would be only mythical, and within the realm of economic activity, hereunder moneylending, it has been demonstrated above that ancient humans lived in a society more akin to socialist demand economies, than to the liberal economic societies we enjoy in the Western world today. In fact, we know from the sources from antiquity that interventions by way of jubilee years (Lev. 25:10; Exod. 21:2) were prevalent for long time periods, continuing into the Roman era and beyond (Alexander, 1938; Homer and Sylla, 1996). Following the Church's scepticism towards the charging of interest during the Middle Ages, the system of feudalism and early modern mercantilism, the idea of economic freedom and liberalism emanated as late as the eighteenth-century Enlightenment era. The ideas of civil liberties, including those pertaining to economy and finance, had not had a strong position under feudalism and mercantilism, as in both of these systems the state had all

the freedoms in hand, and used them as means to impose taxes, customs and various trade restrictions (Heckscher, 2013). On charging of interest in particular, Calvin's influence is seen as an important foundation in the later development of Western capitalism and liberal economic systems (Weber, 2012). However, Calvin's teachings need to be seen in the context of his times, and indeed, as a part of a theological discussion with the stricter usury rules as adhered to among the medieval scholastics, such as Aquinas, and not directly pointing to a modern-day consumerist economic model as we currently experience (Wykes, 2003). In the era of mercantilism, which lasted roughly from the fifteenth to the mid-eighteenth century, the states performed on the basis of a strict nationalist policy in matters of economy, which could be seen as a form of financial nationalism. This restrictive and discriminatory economic policy led to several international conflicts, and this level of economic unrest served as a motivator for developing a liberal economic model, which was centred on the individual rather than focussed solely on the interests of the states. In a sense, then, the Enlightenment era's call for civil liberties also in trade and finance could be seen as a quest for finding a more peaceful mode of international economic coexistence (Smith, 2007).

When describing the philosophical movement of liberalism, it is common to attribute its inception to the theories set forth by Adam Smith (1723 – 1790) in his *An Inquiry into the Nature and Causes of the Wealth of Nations* (2007). In this major philosophical work Smith explains some of the key advantages of letting the market itself decide prices, wages and other terms. Most famously, he uses the metaphor of the "invisible hand" (p. 349), which would create order in the seemingly order less social institution that is the free market. With the presence of this invisible hand there is no need for a state hand to interfere with the free market participants, and at the core of the philosophy resides the notion that from this freedom of choice among all market participants a fair trade will appear (Smith, 2007). David Ricardo (1777 – 1823) was inspired by the free trade theories of Smith, and he further developed the liberal economic model, expanding on concepts such as the value created through rent, and theories on comparative advantages among trading parties. Ricardo's liberal ideas extended beyond the realm of economics, and he was an avid critic of slavery (Ricardo, 2001; King, 2013).

Friedrich Hayek (1899 – 1992) further espoused the concept of spontaneous order appearing in a market, himself being a strong advocate of free markets and anti-protectionist trade practices (Hayek, 2001). Hayek was the twentieth-century inspiration

for the liberalist movement, and although the liberalist ideas had not been in full effect in any Western country since its inception, after the two World Wars the West was left in a state where control and state governance was deemed necessary to restructure the Western world politically, socially and economically. The post-war system of financial controls and regulations, not least promoted through the Bretton Woods convention, was coming to an end when the gold standard was abolished in the early 1970s, and soon after, the international exchange controls were lifted (Galbraith, 1989; Neal, 2015). Because of this, the liberalist ideas gained new traction and, spurred on by thinkers like Hayek and Milton Friedman (1912 – 2006), influential politicians like Ronald Reagan (1911 – 2004) and Margaret Thatcher (1925 – 2013) used these ideas as their basis for re-modernising the economic systems of the West during the late 1970s and 80s, in what is sometimes referred to as neoliberalism (Peck, 2008). The relative success of the Western economies at this time may have played into the collapse of the Eastern Bloc, where command economic principles had reigned since World War II, and with this disintegration the liberalist ideas gained support in the former Eastern Bloc areas. Coming into the twenty-first century, then, the occidental world had reunited around liberalist ideas, and with them, the rise of liberal democracies in heretofore dictatorships of the eastern realm (Peck and Tickell, 2002).

In keeping with the modern version of the liberalist economic philosophy, the “invisible hand” could be seen as the highest, and perhaps wisest, moderator of human economic interaction, and with it, a globalised economy has appeared. This new, globalised economy now exists at a scale never before seen, where the individual has been presented with a myriad of economic choices, with attendant consequences for the individual and the surroundings. This new globalised and liberalist economic world order has been met with substantial criticism, not least from Western political and academic thinkers; their arguments are varied, and point to unwanted environmental consequences and social injustice (Klein, 2001; Piketty, 2014).

As with any philosophy on societal organisation, the liberalist ideas on a completely free and ungoverned economic society as the highest ideal, sometimes referred to as the laissez-faire economic model, has never been used to full effect in any society (Peck, 2008). At the different times and places where the liberalist ideas have been espoused, the market has still been in need of regulations — to protect the state against losing its power, to protect the other market actors through antitrust legislation, and to protect

the consumer against unfair terms and practices. However this may be, the ideas on free markets and minimum government have gained influence in the occidental world since the debasement of Bretton Woods, to a degree where the Western consumer is presented with purchasing proposals and attendant financing on a daily basis. It would be a fair assessment that in the West it is widely accepted that individuals, viewed as equal market participants, may make their own financial decisions and live with all the consequences under the fair rule of the “invisible hand”.

This liberalist Western philosophy of the free economic actors has taken hold on societal actors, and has become the mainstay also within the banking sector, which after the post-Bretton Woods free-flowing international currency regimen allowed for credit to be left increasingly unregulated from the 1980s and onwards. In the Western banking industry, the advent of ever-increasing free and unregulated credit rendered to individuals has developed into an ever more specialised banking world where consumer credit in different versions is being issued and traded in a growing global market (Neal, 2015). As will be demonstrated below, this unregulated and free state of credit does not exist without critical political and religious counter-arguments.

#### **4.2.3 Regulated Model**

The perception of humans as free and rational societal actors, in economic life as elsewhere, is a recent human invention. Pertaining to banking, we know from early sources how the Babylonians at certain historical intervals interrupted private credit contracts by way of mandatory debt moratoriums, the so-called Jubilee years. In these Jubilee years, all private debts were cleared, and new credit would have been given from a “clean slate” among the relevant actors (Alexander, 1938). This system is also represented in Scripture, and is mentioned in Leviticus 25:10 and Exodus 21:2. The connection between the Babylonian laws and the scriptural expressions of aligned norms may stem from a wider and not directly identifiable oral tradition in the Middle East at the time, where scriptural and governmental law-making resulted from codifications of extant practice rather than ground-breaking social innovations (Wright, 2009). However, it is a fact that in the law code of Hammurabi there were several quite detailed regulations on credit and debt, and these would indicate a governmental influence that was seen as necessary to uphold societal values in trading activities and otherwise (Horne and Johns, 2007). Scripture also renders detailed examples of how debt and security are to be treated, and offers regulations, for example in Deuteronomy

24:6, where it is stated, “Do not take a pair of millstones—not even the upper one—as security for a debt, because that would be taking a person’s livelihood as security.” It would be clear from the quote that a completely free and liberalised credit system was neither available nor desirable in the view of the scriptural authors, and again, we could be seeing remnants or examples of custom-based oral laws of the Middle Eastern region as reflected in the Bible (Wright, 2009).

Among the Greek philosophers, Aristotle is noteworthy in that he established a principle of reciprocity, which would be used by later thinkers to justify scepticism against charging interests, and to justify fairness of contracts through the principle of equal considerations given and received by the involved parties (Aristotle, 2009; Wykes, 2003). Not only did Aristotle develop this justice-in-exchange principle, but he also expressed derision of usury and moneylenders. It is worth noting how Aristotle distinguished between “economics” and “chrematistics”. By economics, he referred to the activities of acquiring household goods and satisfying basic needs, and by chrematistics, he referred to the activity of acquiring wealth for wealth’s own sake. As part of chrematistics, Aristotle particularly derided the charging of interest, as this went against the true nature and use of money as he saw it — money was to be used only as a means of exchanging goods. The idea that money should yield money from itself, as interest, was against his view on nature and the concept of offspring from natural phenomena, such as the calf from the cow (Aristotle, 1992). The central element in Aristotle’s criticism of usury was that money could not in itself create more than its principal, and this argument may have been due to his perception of money as coins, and as coins were not of the natural world, they could not yield any offspring (Langholm, 1984).

In Roman society, as mentioned in Chapter 2 above, regulations pertaining to maximum allowed interest on loans were in force, and the fact that occasional publicly created “bad banks” were utilised to stave off the worst effects of credit crisis is an example of how even in the Roman society credit and debt were not left completely to be regulated among the involved parties. It would appear, then, that even in the Roman society, which placed such a strong emphasis on private property rights and freedom of contract, credit giving and debt creation were too important for the state not to contribute regulation, at least occasionally (Homer and Sylla, 1996; Niczyporuk, 2011).

In the medieval era the Church was particularly concerned with credit and debt, especially with the question of whether the charging of interest was moral, or should be considered usury and thus immoral and consequently unlawful. For most of the medieval era the church's stance on interest was that the charging of interest was considered usury, and should be deemed unlawful, and this was elaborated not least by Thomas Aquinas (1225 – 1274), who among the scholastics was a prominent voice advocating the immorality of charging interest (Wykes, 2003; Aquinas, 2003). Aquinas followed the systematic of Aristotle by viewing interest and usury through the lens of justice, and perceived it as immoral to charge payment in the form of interest, as it could only be morally acceptable to charge for losses incurred. To Aquinas, to charge interest as compensation for not making a profit on the money he lent would represent immoral usury, as this would be to charge for something he had not already earned, and which he could be hindered from earning in numerous ways (Aquinas, 2011). As mentioned above, the Reformed theologians adopted a different, more accepting view on interest, but this did not mean that society at large unanimously came to accept interest as moral, and usury was nonetheless deemed unacceptable banking practice (Galbraith, 1989).

During the period of ca. 1500 to ca. 1800, following the great discoveries, the main Western system of economic practice was that of mercantilism. Mercantilism may not have been an economic philosophy as such, but more of a practical system, where the state was at the helm of much of the societal economic activity, not least international trade and finance, and where free market activity was not sought. It was not until Adam Smith issued his *Wealth of Nations* in 1776 that ideas of free market and liberal economic thought were introduced as alternative to the regulated markets of the mercantilist era (Galbraith, 1989; Smith, 2007). Indeed, it was Smith himself who coined the term "mercantilism". However, there was no clean break with mercantilism just because of the publication of Smith's theories, as governmental control of economic life, hereunder banking, remained the mainstay of the Western societies throughout the period. In the German states of the seventeenth and eighteenth centuries, Cameralism was an espoused variant of mercantilism, which after the Thirty Years War (1618 – 1648) was utilised in rebuilding societal infrastructure and cities after the destructions of warfare (Kurz, 2016).

Come the nineteenth century, and the next major influence on economic thought was Karl Marx (1818 – 1883), who, with his publications *The Capital*, and the *Communist Manifesto* with Friedrich Engels (1820 – 1895), inspired what perhaps is the strongest societal control on economic life, hereunder banking, which has touched the occidental modern societal and economic development in the modern era (Marx, 2013; Marx and Engels, 2002). It is worth noting that Marx, in his publications, mainly sought to present scientific theories on capitalism and the economy, covering topics such as production, monopolies and diminishing returns, and that his writings did not represent a template for developing socialist political or economic models for running nations. Nevertheless, during the twentieth century numerous socialist movements took Marx's teachings to heart, or at least, their interpretations of them, and attempted to form societies built on these ideas. Typically, this led to different versions of strong command economic systems. Most notable here, of course, would be the Soviet Union, but the idea of controlling vast tracts of social and economic life also took hold outside the strictly communist/socialist circles (Kurz, 2016). Another political movement that grasped onto anti-capitalist philosophies and espoused public spending and control was the National Socialism of Adolf Hitler (1898 – 1945). The National Socialist economic policies of Hitler after taking office in 1933 included substantial public infrastructure projects, such as the building of the autobahns, and later the production of arms. By 1936 German unemployment was substantially reduced (Galbraith, 1989). For well-known historical reasons, the German National Socialist economic policies would not last.

Acceptance of added political control with markets took hold after the great Depression in the 1930s, where the theories of John Maynard Keynes (1883 – 1946) represented a compromise between the free market ideologies of unchecked capitalism and the command and control aspects of socialism. A key element in his theories picked up by policy-makers was to allow public spending to increase demand in the economy, when the market forces alone did not create sufficient demand (Galbraith, 1989). Keynes' *The General Theory of Employment, Interest and Money*, which was published in 1936, became his most influential work, where his main theories on societal economy were outlined. The importance of *The General Theory* cannot be overestimated in the history of economics, and Galbraith (1989:227), for example, likens it to the importance of Smith's *Wealth of Nations* in 1776, and Marx's *Capital* in 1867. Under the Keynesian philosophy, governmental intervention, not least by the central bank, is a useful measure for creating growth, fostering financial stability, and heightening production

output (Keynes, 2012). Keynes' theories on economic governance in a blended model of capitalism and government control would prove highly influential in the post-war era, not least in Europe, where several countries espoused his theories, sometimes referred to as public demand theories, and used them as justification for different levels of limiting the freedom of the markets. This was the case in the social democracies of Scandinavia (Crouch, 2008). As mentioned in Chapter 2 above, public interference in the market was also accepted on the international field, where perhaps the Bretton Woods treaty of 1944 could be seen as an example of the post-war willingness to accept regulations on the market in the occidental world (Ravenhill, 2014).

At the end of the twentieth century, with Margaret Thatcher (1925 – 2013) as prime minister in the UK, and Ronald Reagan (1911 – 2004) as president of the USA, a new-wave neo-liberalism flowed over the Western political landscape, and led to substantial deregulations of the banking sector (Peck and Tickell, 2002; Peck, 2004). This newfound view on the advantages of free market forces has been under constant criticism, and after the market crash of 2007/2008 influential political voices in the West are yet again calling for increased market regulations and limitations on the freedom of international trade (Piketty, 2014). Notably, the presidency of Donald Trump (1946 – ) and the premiership of Theresa May (1956 – ), can both be said to represent a clear regression back to former models of economic public governance, such as mercantilism and nationalism, through their expressed isolationist policies connected to trade and international cooperation.

It is evident that, throughout history, there has been a constant societal acceptance, if not urge, to impose controls on the free market, and also on the banking sector. These governance impulses have been motivated by political, religious and pragmatic reasoning, in isolation and in combination, and in the current Western political climate there seems to be a heightening tendency to increase the level of controls on banking activities. This control philosophy is supported both by exponents on the political left, like the Occupy Wall Street movement and the like, as well as by the apparently right-wing world leaders like Donald Trump and Teresa May. Interestingly, there is not much visible religious public rhetoric supporting banking regulations in the West, but some budding tendencies will be mentioned in the following.

#### **4.2.4 Islamic/Sharia Banking**

Among Western economic thinkers there has been a perception that the medieval era was mostly void of economic theorising, and that in reality there was a 500-year gap stretching from the final fall of Greek culture to the scholastic period, when Aquinas was considered to be at the pinnacle. Such views on the economic thought and academic developments in the West were firmly established by Joseph Schumpeter (1883 – 1950), who in his *History of Economic Analysis* claimed that several hundred years of philosophical silence pertaining to economic theory was ended by the authorship of Aquinas (Schumpeter, 1954). Later historical theory has refuted Schumpeter's view, and pointed to the seminal importance of the influence that Muslim authors have had on Western thinking. With the 500-year gap theory, it was thought that Muslim sources have provided some transferral of Greek philosophers such as Aristotle through translations in medieval libraries, but this acceptance of Islamic writers handing us back only what is "ours" and Western has not stood the test of time. In fact, from the ninth century and onwards, Muslim theologians and jurists rendered substantial scholarly and philosophical contributions to the field of economic academia, which would become influential also among Western thinkers (Hosseini, 2008).

The medieval Islamic view on economic activity and the market was based on the economic reality of that society, with its developed trade and adjacent credit systems (Kavus, 1951). Opposite their medieval counterparts in Europe, Muslim theorists despised poverty and hailed the accumulation of affluence. Further, their grasp of division of labour was advanced even long before the Industrial Revolution, and the market outlook was one of free markets, where prices were set freely between the market actors (Hosseini, 2008).

Without going into further historical detail on Islamic banking, it should be noted that from the thirteenth century and onwards, this banking, while still in use in the Islamic world, fell into a less expressed state because of various factors, such as governmental decline, intermixing with secular banking practices and Western colonialism (Chachi, 2005). What is of particular interest here is the resurrection of Islamic banking in the second half of the twentieth century, and its development from there to become a vibrant and growing systematic for banking practice based on religious beliefs and deontological ethics. The development of what today is considered Islamic or Sharia banking only started to develop in earnest from the 1970s, with Dubai Islamic Bank as

the first modern-style Islamic bank established in 1979, and the first sharia-compliant investment fund established as late as 1986, with the establishment of Amana Income Fund. Interestingly, the Amana Fund structure was established in the US state of Indiana (Jamaldeen, 2012).

The main basis for the Islamic banking ethos is the notion that everything in the world belongs to Allah, and that all human dealings with material goods need to be compliant with God's plan as expressed by the prophet Mohammad (Abdul-Rahman, 2010). With God as the lawgiver, sharia is expressed as the path to be followed to avoid servitude to others than God, and this path, sharia, regulates human relationships with God and each other. The Quran is the main source document of sharia, and its main principles are:

- The interest of the larger society will precede the interest of individuals.
- Relieving suffering and furthering welfare are both core values under sharia, but relieving suffering precedes furthering welfare.
- A larger loss cannot be inflicted to alleviate a lesser loss, and a larger benefit may not be ceded to create a smaller. Conversely, a smaller loss may be exacted to avoid a larger loss, and a lesser benefit may be ceded for a larger.

In addition to the Quran, the so-called Sunnah is an important secondary source of sharia, as the Sunnah reveals how to live where the Quran is quiet, and is based on the life practices of the Prophet Muhammad (Kettell, 2011).

From the above ethical pillars, a modern systematic of banking practice has been developed, after which most modern-day banking needs are met. These practices do, however, deviate from several of the similar Western practices, not least because of the fact that within Islamic law charging of interest is prohibited (Abdul-Rahman, 2010). It would fall outside the scope of this dissertation to render a detailed description of all aspects of the Sharia banking practices, but in the following, I will describe some of the main principles in use, both concerning practical commercial and private needs, as well as to investment practices under the Sharia paradigm.

#### **4.2.4.1 Predetermined Loan Repayments are Prohibited**

According to Sharia, it is not allowed to predetermine loan repayments that exceed the loan principal. This relates to the Sharia principle that charging or taking interest, so-called *riba*, is prohibited for Muslims (Ariff, 1988). Under Sharia banking practices, the prohibition of *riba* has led to a number of leasing-type financial constructions, which allow the financially less endowed to obtain financing for their purchases of substantial goods, such as cars and houses (Jamaldeen, 2012).

#### **4.2.4.2 Profit and Loss Sharing**

At the heart of Sharia banking is the concept of profit and loss sharing among the parties participating in a financial arrangement. The principle is based on the Islamic encouragement to invest money, as opposed to hoarding and keeping capital idle, and this is met by the lender and the borrower creating partnerships rather than conventional Western-style loan relationships. Through such partnership structures the lender can be rewarded for letting the borrower use his capital, and this can take place without the use of interest. It is of importance to note that under Sharia the lender can only partake in the fruits of a financial venture if such a venture carries risk (Kettell, 2011).

#### **4.2.4.3 Unacceptable to Make Money from Money**

Under Islamic thought, resonating with Aristotelian philosophy, money is just a medium for payment and exchange, and has no intrinsic value. Money then is viewed as potential capital, and not as capital in itself, as it is only when it is in practical use that money may represent capital for the owner. This is again linked to the hoarding ban under Sharia, and could instil a will to invest actively, which otherwise — by allowing interest-based financial transactions — would not be encouraged (Ahmad and Hassan, 2007).

#### **4.2.4.4 Uncertainty is Forbidden**

Under Sharia, to speculate or take risks involving financial uncertainty, *gharar*, is prohibited. The principle here is that parties in a financial arrangement should have full insight into the counter value involved in any transacted exchange (Kettell, 2011). The main aim in the *gharar* prohibition is the protection of the weak party, and this leads to

banning various futures and options contracts that would be the mainstay of Western-style speculative banking practices (Chong and Liu, 2009).

#### **4.2.4.5 All Contracts and Investment Must be Sharia-Approved**

In contrast to secular Western-style banking practices, the Islamic banking practices are founded on the value system of Islam. Therefore, any contract entered for banking purposes, and any investment entered, needs to be Sharia-compliant. This points to the rules for which investments are considered Sharia acceptable (see more below), and the notion is that Sharia-compliant investments and contracts are not harmful to society, but rather, promote good societal values (Kettell, 2011).

#### **4.2.4.6 Sanctity of Contract**

Under Islamic banking principles, all contracts need be entered under the Sharia code of ethics, and the concept of honesty and symmetric information is central. For example, creating monopolies and fixing prices are prohibited, and the concept of volunteering and disclosing proper and sufficient information pertains to both sides of a financial arrangement, whether it be lending, security, pledge, surety, et cetera (Jamaldeen, 2012; Kettell, 2011).

In addition to the main principles listed below, the Sharia rules prescribe that certain types of industries and assets may not be involved in investment and banking activity for Muslims. In short, the prohibited areas of involvement would be:

- Conventional non-Sharia financial activities
- Alcohol production and any activities connected thereto
- Pork production, and any related products
- Production connected to dead animals not slaughtered according to Sharia law
- Any products and activities connected to gambling
- Production of tobacco and recreational drugs, and activities connected thereto
- Any activities related to pornography, prostitution and adult entertainment industry
- Gold and silver
- Arms and weapons of mass destruction
- Certain bio-medical activities, such as cloning

The above list is not detailed in any way, but outlines the important parameters under the Islamic banking paradigm, which would further assist in keeping within the Sharia principles (Jamaldeen, 2012; Kettell, 2011).

The above principles and categorisations have been used to develop numerous financial products pertaining to financing and investments, hereunder a specific mode of insurance coverage, as well as to avoid certain Western-style activities, such as day trading, margin trading and options trading (Jamaldeen, 2012; Ariff, 1988). Typical tenets of such banking products are that the lender and borrower both participate in any risk taken, and that there is a spirit (and reality) of partnership rather than an interplay of weaker and more powerful parties. To safeguard the necessity to be Sharia-compliant, Islamic banking has developed the institution of the Sharia Board, which oversees the ongoing banking activities in the Islamic financial institutions. A Sharia board consists of individuals knowledgeable of Islam and Sharia, and will typically consist of Islamic scholars with knowledge of the financial industries (Maali, Casson and Napier, 2006). The Sharia board will act as supervisory board to the management of the Islamic financial institution, and will typically advise on a continuous basis, as well as conduct Sharia audits at time intervals it finds prudent (Kettell, 2011). Because of the rapid growth in the Islamic banking sector over the last decades, there is a shortage of candidates to fill the positions on the Sharia boards, something that may give rise to certain aspects of conflict of interest and confidentiality challenges. Some Muslim-dominated countries such as Malaysia and Pakistan have established national level Sharia boards, to set out broader Sharia banking policies, and to aid the institutionally based Sharia boards of the individual financial operators (Jamaldeen, 2012).

To bolster the development and growth of Islamic banking, educational programs have been developed related to Sharia-compliant financial activity at several universities around the world. Not surprisingly, this is most prevalent in typically Muslim-dominated countries, such as Malaysia and Indonesia, but such programs are today offering full degrees at masters and doctoral levels also at universities in the West, for example in the UK (Malaya, 2017; Salford, 2017).

The current state of Islamic banking is one of global growth. The Islamic banking institutions, referred to by some as “participation banks”, managed more than USD 2.2 trillion in 2016, and are expected to reach a staggering 3-4 trillion by 2020 (GIFR, 2016). The main hubs for these institutions will be found in Asia and the Middle East, where the

Persian Gulf area alone will manage assets for around USD 1 trillion, but these institutions are found also in Europe, and in the UK alone there are several banks operating on the Sharia basis (EY, 2016; IF, 2017).

#### **4.2.5 Ethical Banking**

Since the 1990s there has been an added focus on banking and charitable works in the West through ideas on microfinancing and impact investment, alongside the development of modern stakeholder theory and so-called corporate social responsibility (CSR) theories for benign corporate business practices (Schwab, 2008; Galbreath, 2009).

The CSR theories that have been espoused, particularly in the occidental business realm, pertain to recognising the wider group of corporate stakeholders other than the owners and the staff. Among such other stakeholders are the communities where the business is conducted, vocational organisations, regulatory bodies, sub-contractors and many more (Goodpaster, 1991). In parts of the connected theory, the catch phrase “triple bottom line” is used, pointing to the interest of the company’s profits, the natural environment, and the social equity of the wider community (Dhiman, 2008). The CSR debate has been in the running within the corporate world and attendant academia since the early 1970s, and widely different positions on it have been demonstrated. On one side of the debate are the ideas of Milton Friedman (1912 – 2006), who posited that the only responsibility of a corporation is to create profits for its owners, and that all other societal matters were to be dealt with by other actors, who presumably were better suited to do so (Friedman, 1970). Opposite to that vantage point are several modern theorists, who claim that CSR in itself will render different levels of intrinsic values for the corporations, and that as such, CSR is not just an eleemosynary activity, but works also for the benefit of all corporate stakeholders (McManus, 2011; Pava, 2008). Extending from the emergent CSR focus are different modes of investment rationales purported to support CSR values, and they come with different names, such as “green investment” and “impact investment”. The common characteristics of these types of investment methodologies are that they cater to the CSR-minded investor, and provide alternatives to the conventional investment classes, without becoming completely based on charity (Mulgan et al., 2011; Saltuk, Bouri, and Leung, 2011).

As part of the CSR movement, the UN has created a charter for so-called responsible investments, where the focus is on environmental, social and governance issues within corporations, and the charter has several international signatories who are mainly large institutional investors. The values of the UN charter seem to be based on the typically secular values of the CSR movement, and highlight transparency as a means to improve their engagement in environmental, social and governance issues in regard to their investment targets (PRI, 2017).

On the back of the CSR debate in the corporate realm, there has been the offshoot that typically is referred to as “microfinance”. Microfinance is part of a movement where corporate for-profit actors offer finance (loans) to the poor of developing nations, for them to potentially be able to lift themselves out of the deepest levels of poverty. Typically, the objects that are financed are basic production means, such as sewing machines and other technical equipment, and the idea is that this will lead to a ripple effect in the community where the finance is extended (Zeller and Sharma, 2000). Such finance answers calls for creating a fairer world, through application of more fairly distributed finance, but is not without its critical voices, who warn that uncritically applying such capital into societies may disturb established social structures, and could lead to uncontrolled social side effects (Rogaly, 1996; Mayoux, 2001).

As will have appeared from the above, the scope for ethical finance is expanding, but the CSR movement is not uniform, and its ethical foundations seem merely secular, and most likely based on consequentialist philosophies, often sharing the perspective that all others aspire to the Western way of life. As such, the movement calls for some form of voluntary self-constraint on the side of the stronger actors, typically Western institutions and individuals, and an underlying ethos seems to be that this is sufficient, and that legislative regulation is not needed (McDonald, 2010; Gick, 2003).

#### **4.2.6 Christian Banking**

With the different modes of regulated and/or guided banking philosophies as described above, one might think that Christian groups in society would have developed a Christian-style banking methodology, perhaps on par with that of Islamic banking. This is not the case, and research into how Christian ethics and moral values guide Western banking practices reveals that only a few attempts at applying Christian ethics to banking have been made, and indeed, are actively in practice.

In the Christian realm in the modern era, after interest became acceptable after the Reformation, the church and Christian society have been only scantily involved directly in banking, and then mostly for purposes of their own financial needs. A classic example would be the Institute for Religious Works (IOR, the Istituto per le Opere di Religione) often referred to as the Vatican Bank. The IOR was established in 1942, and has as its main goal to manage the assets of the Catholic Church (IOR, 2017). Although the IOR is established by the Catholic Church, its financial dealings have historically not been based on any real and recognisable Christian moral code, and the IOR has been involved in a number of financial scandals throughout the twentieth century and beyond (Posner, 2015).

There have been a few banks claiming to uphold Christian values, and some continue to exist, but they would mostly have been aimed at attracting customers who are confessing and/or practising Christians, and the expressed Christian element would mostly be for marketing purposes. An example here could be the UK-based Reliance Bank, which is the bank of the Salvation Army, which was originally established in 1890 by William Booth for financing buildings vital to the activities of the Salvation Army. When looking at Reliance Bank's own statements on ethics, it is clear that the main positions are close to those of the secular CSR movement, although the bank will not take deposits based on earnings from pornography, tobacco, etc. Further, as part of the ethical statement, it is specified that the staff will not earn large bonuses, and that, as the bank does not place funds in equities, there is no need for screening companies as investment targets (Reliance, 2017). Although the Reliance Bank has its origins in a religious movement, like the IOR, its banking practices do not constitute what could be seen as "Christian" banking if compared to the integrated version that has developed within the Islamic world. The use of Christianity as a means of marketing will not necessarily imply a "Christian" mode of banking, and the mentioned banks are just meant as examples. Other examples could be the UK-based Kingdom Bank, the Evangelical Christian Credit Union, or the US-based Ave Maria Mutual Funds, who all use the Christian aspect seemingly as a means of marketing only (Kingdom, 2017; ECCU, 2017; AMMF, 2017).

The fact that the above-mentioned banking institutions may not represent a fully-fledged Christian banking paradigm as compared to that of Islamic banking does not mean that there are no movements on the matter. For example, in 2015 a Paris-based non-profit

organisation called The Christian Finance Observatory formed a charter aiming at promoting Christian values within the banking sector (CFO, 2017). What is of specific interest with this charter is that it not only seeks to avoid immoral financial activities, there termed “negative objectives” but also seeks to promote morally beneficial activities, termed “positive objectives”. Among the positive objectives mentioned in the charter are core Christian values such as protecting the weak and the environment, and among the negative objectives are mentioned financial activities contrary to Christian ethics, such as pornography and genetic bio-manipulation of the human organism. What is of further interest in the charter is how it also details specific financial practices as immoral and “negative” and this could be seen as a step towards a mode of Christian banking that is practically oriented and operational in real-life banking (CFO Charter, 2015).

There are also other budding examples from academic theory pointing towards the development of a Christian-ethical and pastoral banking practice. For example, Bosterud and Vorster (2017) outline a set protocol for investment activity, which is wholly based on scripturally founded Christian ethics. These protocols are based on Bosterud’s 2016 PhD dissertation, which gives a more comprehensive explanation for the Reoriented Investment Protocol (RIP), which is his main creation (Bosterud, 2016). According to the RIP systematic, investors need not only consider certain industries to be shunned, such as tobacco, adult entertainment and certain bio-medical actors, but there is also an obligation to invest in a manner that actively promotes Christian-ethical and pastoral values. The aim of the RIP is to incite investors to act in a constructive ethical manner, where core scriptural principles are adhered to. The RIP framework can be seen as a seminal step in developing financial products that are compliant with Christian-ethical and pastoral values. This is a break with much of the former ethical framework developed within CSR and Christian investment motivation, which has focused mainly on what not to invest in, and which has not offered the scripturally based constructive perspective of RIP.

The concept of Christian banking is in its very seminal beginning, if in existence at all. The examples listed above represent well the state of affairs, and within academia there are scant activities ongoing in the field, where the RIP and the Christian Finance Observatory are merely budding examples of what would need to follow if the Islamic banking is to be given a Christian-ethical and pastoral counterpart. From this it follows

that currently there is no systematic education program on offer in Christian-ethical and pastoral banking.

#### **4.2.7 Prevailing Western Model**

The above sections outline different philosophical models that are on offer within the banking field, and it would be a fair assessment to state that in the Western markets the existing model amalgamates the controlled and the liberal models. A completely free market within banking has never occurred in the West, as the governments and/or Church have weighed in to exert power over the markets, and to eradicate the worst excesses of the free market. As mentioned above, the pendulum has swung somewhat regarding the acceptance of free market forces, and with the latest stock market crash in 2007/2008 and subsequent economic meltdown the voices who advocate increased control are again listened to with more care. The advent of a banking system based on Christian-ethical and pastoral values, which might be seen as typically Western, has yet to materialise in any tangible form. If the Western investor today seeks to invest according to religion-based ethics, the only practical alternative will be that of Islamic banking products.

### **4.3 ETHICAL MODELS**

#### **4.3.1 Different Vantage Points**

When assessing whether Christian-ethical and pastoral principles could add value to developing frameworks for morally viable banking practices, it is necessary to evaluate different brands of ethical thought. As the scope here is to research ethics within a Christian framework, I will in the following leave out a broader history of philosophy of ethics, and delineate against various consequentialist schools of thought, as these will not be acceptable from a Christian perspective, where only deontological models will be deemed useful. The wording in this section 4.3 will follow similar sections I have previously authored in Bosterud (2016), with some select exemptions.

Deontological ethical models are sometimes referred to as legalism, as the rules of conduct are given priority over the evaluation of the consequences of conduct. God is the “law giver” for the Christian, and the rules are revealed from Scripture through hermeneutical and exegetical activities. Secular consequentialism is often referred to as teleological or branded as relativism, as it assesses the goodness of an action by the

relative value of its consequences, and because an action is chosen on the merit of the relative advantage of the result of one action compared to that of another (Driver, 2007). For deontological ethics, such evaluation is not relevant, as the action is either good or not, irrespective of its consequences (Norman, 1998). This starting point of inherently good or bad actions as elaborated below will be subject to some modifications.

As God is the author of what are considered morally good actions from the Christian perspective, deontological models are sometimes referred to as “divine command ethics”. By focusing on the command of God, the duty aspect of deontology is highlighted. An example that illuminates this is God’s demand for Abraham to sacrifice Isaac (Gen 22:1-3), as this would be a good action according to a theory of strict obedience (Jones, Cardinal and Hayward, 2006). I will in the following use the term “deontology” for the description of the different versions of Christian-based ethical models, as this terminology better illustrates the authority of God as ethical guide, rather than the command aspect, which may give connotations of blind uncritical obedience and perceptions that God could command anything, and that would be acceptable. After all, from the biblical context, it will appear that Abraham was not commanded to sacrifice Isaac in the end, and it could be that God was merely testing Abraham’s loyalty. I would here emphasize that according to my understanding of Reformed hermeneutics as defined in Chapter 3 above, all scriptural citations need be seen in relation to their biblical context, to extrapolate viable interpretations.

For the purpose of this dissertation, different Christian-ethical models in the deontological tradition of Christianity will be described below, and I will describe those I find to be practically viable approaches for use in a banking context, within a constructive version of Christian ethics acceptable under the Reformed paradigm. The purpose of this elaboration is to explain how seemingly similar deontological schools of thought may differ in practice and how some may not be practicable in a real-world banking setting. References of historical background will be given in connection to the explanations of the different categories of deontology when necessary for the illumination of the different versions of divine command theory.

#### **4.3.2 Situation Ethics**

Joseph Fletcher (1905 – 1991) is the most recognized proponent of the ethical philosophy called situation ethics. This is a theory that can be situated between the

legalist views of deontology and the normless relativisms of antinomianism. However, in accordance with the philosophy and its followers, it could as well be located within the deontological paradigm, as it does recognize one law, given from God—the law of love. Fletcher (1966), in his *Situation Ethics: The New Morality*, describes this law, stemming from God, as ultimate and normative, and he emphasizes that the biblical Greek term *agape* best describes the love derived from God, as opposed to the secularly watered-out term “love”.

According to Fletcher’s brand of situation ethics, the only measure of morality is to follow the norm of love, and the concept of inherently good actions is lost, leaving the resultant consequence to determine the action’s goodness. In contrast to the pure relativism of the consequentialists, according to situation ethics, the moral yardstick would be what serves best the aim of love, and as such, acts otherwise seen as immoral, such as lying or perhaps extramarital sexual activity, could be morally good acts, best serving the love principle if the situation dictates it.

Fletcher asserts his ethics in four main presuppositions explaining his moral philosophy: *pragmatism*, *relativism*, *positivism* and *personalism*, which briefly can be explained as the following:

- Through applying a *pragmatic* approach, Fletcher claims that his philosophy is inspired by ethical pragmatism, and that serving the love principle is best performed if pragmatically aiming for the maximum love, no matter what other consequences the action may lead to; like relativism, a teleology of love is what is sought.
- The *relativist* element of the philosophy lies in its assertion that in order to gain the maximum of love from an action, and to elect what is the right and good moral avenue to follow, the action may need to be compared to alternative actions. To distinguish this brand of ethics from the secular consequentialist, Fletcher explains that the ultimate criterion is “agapic love” (p. 45), as derived from God.
- The concept of *positivism* includes the notion that people emotively derive their values not from nature but from their feelings. Through the norm of Christian, God-given love, any moral materialisation can be justified and defended. Fletcher emphasizes that Christian faith is the real foundation for love, and that in Paul’s

phrase “faith working through love” (Gal. 5:6) is found “the essence and pith of Christian ethics” (p. 49).

- The concept of *personalism* involves the idea that humans are being of superior moral value, and that humans are the only inherently valuable beings. Other than humans, there are no other morally valuable entities, according to Fletcher, and he refers to Kant’s maxim—that people should never be treated as means, but only as ends—as an illustration of this presupposition (p. 51).

As will have been seen from the above, situation ethics holds on to the deontological camp by a thread only, and its inclusion in this part of this dissertation may as much be due to the theory’s self-professed Christian deduction of divine authority as basis for its ethics, as what academic analyses would conclude. Due to the situational relativity of any action condoned by situation ethics, albeit judged against the yardstick of biblical agapic love, situation ethics conflates into a form of consequentialism, which is not acceptable as viable ethics under the Reformed paradigm, and thus, cannot be expected to guide morally viable banking practices.

### **4.3.3 Unqualified Absolutism**

Central to deontological ethical models is the idea of inherent values of good or evil actions. The idea that to lie is sinful, and inherently wrong, could here serve as an example, based in Scripture, and thus, binding as a norm for human conduct. A notable historical proponent of unqualified absolutism is Augustine of Hippo (354 - 430), who argued that telling a lie, for example, is always a sin, and thus, his absolutism is without any qualifications or exceptions of any kind. Augustine argued that lying for the purpose of avoiding a consequence, for example to save someone from murder, is still a lie in Augustine’s systematic, if the lie has the goal of deceiving the recipient. On the other hand, if something untrue is said, for example as a joke, and without the intent of deception, it will not be a lie, and thus, not an inherently immoral act (Augustine, 1887a). Deceitfully telling what is untrue is seen as sinful and inherently bad, with no apparent exceptions, and it is this position that characterizes this brand of absolutism as “unqualified”.

A further consequence of Augustine’s unqualified version of absolute morality can be found in his interpretation of David’s oath to God (1 Sam 25: 21-22) where Augustine

notes that Scripture records the making of an immoral oath, but does not condone making it. Further, to Augustine, Lot's handing his daughters over to the Sodomites (Gen 19:1-11) did not represent a sin on Lot's part, but merely that Lot's actions invoked sin on the part of the Sodomites. He maintained that to commit a crime of one's own to avoid another could never be considered good moral conduct (Augustine, 1887b).

In modernity, Kant was a central supporter of an unqualified absolutist position pertaining to morality. To Kant, morality was unconditional, and an immoral act could never be allowed for creating a better outcome, or to avoid greater sin. He explained his categorical imperative in several versions, including that humans are always to be treated as ends and not as means. He saw morality as intrinsic, and that any action is either good or sinful, so that to tell a lie could never be acceptable, even to save lives. His position was that telling the truth is an unqualified obligation, and that the right to decide whether to tell the truth, or to whom, does not rest with humans (Kant, 1947).

Geisler (2010), who explains the unqualified absolutist opposition to be typically connected to Anabaptist confession, posits that in this version of absolutism a central aspect is the belief in the providence of God, and his ability to free humans from the moral dilemmas this unqualified position will necessarily pose, through offering a "third moral alternative"—third in the sense that none of the (two) alternatives posing the perceived dilemma need be chosen. For example, he explains, this could be illustrated from Scripture when Daniel is asked by the pagan king to violate God's law by partaking of wine and meat, and Daniel chose vegetables and water, and was blessed by God for this (Dan 1). Geisler further explains the main tenets of this brand of absolutism to involve:

- God's unchanging character as the foundation of moral absolute rules.
- The unchangeable morality of God is demonstrated in His law.
- It is not possible that God contradicts himself.
- By this position, absolute moral laws can never be in conflict.
- And from this again, all moral dilemmas only represent apparent and not real conflict.

Geisler concludes that unqualified absolutism is not viable under the Reformed paradigm because of its legalistic and sometimes unmerciful absoluteness, and that the proponents of the philosophy constantly attempt to create exceptions and qualifications for the purpose of modifying its results. To Geisler, the main argument is that it is necessary to accept that moral dilemmas exist in real life, and that to withdraw into the unqualified will not aid the honest attempts of solving moral conflicts in practice.

#### **4.3.4 Conflicting Absolutism**

In contrast to the above elaborated position of unqualified absolutism, the typical Lutheran position will be that moral conflicts are not just apparent, but real, and that they therefore need be resolved by humans in practice. This position may be labelled “conflicting absolutism”, as it resolves the conflict by allowing the sinner to choose one of the (two) alternatives, and accepting that this choice involves still considering the chooser to be a sinner. The position entails that both alternatives are open and inherently immoral, and that the person acting is obligated to elect the alternative that includes the lesser sin. The colloquial expression is “to choose the lesser of two evils”. In his Letter to Melanchthon, Luther (1521) famously states:

*Be a sinner, and let your sins be strong, but let your trust in Christ be stronger, and rejoice in Christ who is the victor over sin, death, and the world.*

The quote describes the position that in a fallen world, humans are unavoidably sinners, and that to sin in itself can be seen as a part of God’s design, permitting humans to make the best possible moral choices in any given real-world dilemma and remain in sin even when the best possible choice is elected. It is important to note that there is no redemption or excuse for choosing the lesser evil, and the only way out for the sinner is to seek the forgiveness of God for the transgression. Geisler (2010) sums up the most important aspects of this direction in Christian-ethical philosophy:

- The law of God is absolute and unbreakable through its perfection (Ps 19:7). Just as it is impossible for God to lie (Heb 6:18), it is always inexcusable for humans to lie, no matter the motivation or alternative.
- Because of human depravity it is unavoidable to be confronted with moral conflict and dilemmas. On account of our fallen state we are entangled in a never-ending web of sinfulness and therefore inevitably meet situations in which committing sins

is the only alternative, as we are obligated to adhere to both conflicting moral demands.

- We have the duty to perform the lesser evil, or sin. This can be scripturally founded when Jesus explained to Pilate, “the one who handed me over to you is guilty of a greater sin” (John 19:11).
- As sinning is sometimes unavoidable, humans can always reach for the forgiveness of God through Christ. A consequence of our sinful world is that our sins lead us to Christ for forgiveness, and this is the path leading out of our moral conflicts and dilemmas.

It will be of importance to note, from the above stance, that being in moral conflict is unavoidable, and to solve these conflicts by choosing the lesser evil is an obligation. To determine what is the lesser evil could then imply returning to the application of principles from consequentialism and situation ethics, as the conflict necessitates a relative perception of what is the smaller and greater sin or evil (John 19:11).

Geisler (2010) explains the conflicting absolutist position, typically connected to Lutheranism, as a non-viable ethical alternative under the Reformed paradigm, for several reasons. One important aspect is that if moral conflict is unavoidable, then Christ also will have sinned, and this is something that cannot be accepted under Reformed theology, as it contradicts scriptural sources (Cor 5:21; Heb 4:15). He posits that to propose that to sin is unavoidable is absurd as part of moral theory, and that it defies logic, because if moral dilemmas are unavoidable, then Christ must have faced them as well, and they necessarily would have to make him a sinner, and if he was not so confronted, he would not be our perfect example. On these grounds in particular, the model of conflicting absolutism cannot be accepted under the Reformed paradigm, and must be rejected as a guide to ethical behaviour.

#### **4.3.5 Graded Absolutism**

Modifying some of the troublesome and illogical elements of the previously discussed deontological ethical philosophical options, graded absolutism remains the viable option for the Reformed student to consider. Graded absolutism shares some historical foundations with conflicting absolutism, and it would be prudent to present a few words on the historical background.

Augustine, albeit instrumental and foundational in theories pertaining to unqualified absolutism, not least when telling the truth and lying is considered, held the position that there exists a hierarchical order of sins, and that some are worse than others (Augustine, 1887c). Thus, he may be considered a forerunner of graded absolutism. In Augustine's love-centred theology, it is clear that God deserves more love than humans do, and the logical moral pyramid of love places God on top, then humans in the middle and finally, things at the bottom. It would be pertinent to note here, that in this line of thinking, animals would be considered as things (Augustine, 1887c). Augustine further recognizes that moral obligations may conflict, and that there can be different levels, or classes, of moral duties, making up the foundation of his version of graded absolutism. He does, for example, accept Samson's suicide, although principally wrong, as divine authority may sometimes grant exceptions to the moral rules, and that such exceptions may follow from general law if specific allowance is given as an exemption to the individual (Augustine, 2003).

Another notable theologian proposing ethics resonating with graded absolutism is Charles Hodge (1797 – 1878), who from an absolutist starting point allows for the wilful falsification of the truth under certain circumstances. To Hodge, in principle truth is sacred and all things counteracting it are in opposition to God, but he maintains that as with the Hebrew midwives (Exod 1) and Samuel (1 Sam 16) there are scriptural foundations for the justification of wilful deception and deviation from the path of truth. Other examples that for Hodge can explain deception as moral, would be when misleading an enemy army for the purpose of saving people from harm because a higher moral obligation would absolve a lower, which is then subordinated (Hodge, 1873).

Geisler (2010) explains the central tenets of graded absolutism with the following:

- There are moral laws of higher and lower order, as Jesus described some matters of the law as “more important” (Matt 23:23); he used the term the “least” (5:19) of certain commands, and Pilate was told that Judas' sin was greater than his own was (John 19:11). The idea of all sins having equal weight cannot be accepted, as the scriptural references provided clearly allocate different weight to different manners and categories of sin.

- Unavoidable moral conflicts exist, and the individual will not be able to obey both moral obligations. It follows from Scripture that such conflicts are recognized, and examples may be found in the story of Abraham and Isaac (Gen 22), Samson's suicide (Judg 16:28 – 30), conflicts pertaining to the cross and the punishment of the innocent (Ezek 18:20), and Christ's punishment for the sins of humanity (Isa 53; 2 Cor 5:21; 1 Pet 2:24; 3:18).
- There is no guilt imputed for unavoidable actions, as God does not pass responsibility onto individuals in unavoidable conflict, if they choose to follow the higher law among the alternatives. Further, individuals are not culpable if they do not keep an obligation it was not possible to hold without violating a higher obligation.

In concluding that the above establishes the graded absolutist position as the scripturally correct one, Geisler raises the question as to how then we can navigate this hierarchy, and sets out the following basic rules:

- Love for God is to be placed above love for humankind, as this follows, for example, from the teaching that one's love for God should be so much more than one's love for parents (Matt 22:36-38) as this love in comparison would appear as "hate" (Luke 14-26).
- God should be obeyed over governmental authority, as this can be permitted by a higher principle than that of obeying government, which normally should be followed, even if the rulers are evil (Rom 13:1-2; Titus 3:1). For example, no governmental law against prayer (Dan 3) or preaching (Acts 4-5) shall be respected, as the authority of God supersedes that of worldly authority.
- Mercy overrules veracity, in that despite all scriptural commands of telling truth and avoiding falsehood (Exod 20:16; Prov 12:22; 19:5), to deceive and speak falsely can be the right moral choice, serving the higher moral principle. The narrative of the Hebrew midwives would give a good example of this principle, as God commended them and awarded them families of their own (Exod 1:20-21).

Summing up, graded absolutism entails that moral principles are derived from the absolute moral character of God, and they can be divided among the higher and lower categories. When such principles are in conflict, we are bound to follow the higher moral

law according to the guidelines set out above, and we are not culpable for any moral transgression or otherwise held responsible for breaking the lower moral law or principle. However, what we are awarded by God are not exceptions to the rules, as these remain valid and binding, but we receive an individual exemption from suffering the consequences of sinning that would otherwise follow breaking the rule. As explained in relation to conflicting absolutism above, moral conflicts are unavoidable also under graded absolutism. When in conflict the guide is to follow the higher moral law, but this will not leave us completely free from considering aspects of consequentialism and situation ethics, as the determination of what is the higher law may imply the consideration of the practical facts at hand, and their subsequent impact on possible human suffering. Graded absolutism would represent what I believe to be the correct and widely acceptable moral principle under the Reformed paradigm, and will be the one I will adhere to in the remainder of this dissertation.

#### **4.3.6 Reformed Ethics**

After establishing how to assess and apply different models of ethical principles, new questions arise: how should we determine the relevant concrete rules of conduct in a Christian-ethical perspective, and how can we extrapolate such rules and norms from Scripture? A further matter to evaluate is how the different ethical rules should be practiced: by way of first seeking Scripture for guidance, or to define a problem and then consult Scripture, or both? As I will describe in this and the next section, within the Reformed paradigm, there is space for both the strict scriptural and inerrant view, where ethics may be expressed through negation, as well as for the constructive perspective, where the focus is on how the Christian can contribute constructively in society.

In consulting Scripture for ethical guidance, it is considered prudent under the Reformed tradition to seek out general and specific revelation regarding ethics (Geisler, 2010). A well-known starting point for general revelation in this deontological tradition is found in Paul's statement:

*Indeed, when Gentiles, who do not have the law, do by nature things required by the law, they are a law for themselves, even though they do not have the law. They show that the requirements of the law are written on their hearts, their consciences also bearing witness, and their thoughts sometimes accusing them and at other times even defending them (Rom 2:14-15).*

This is a clear example of the existence of a universal natural law, common for all people populating our world, and is readily visible and comprehensible for all to follow. Aquinas was aware of this, and to him, the natural law pertained to the first, or higher principles, which he considered to have universal authority and visibility, without consideration of nationality or religious affiliation (Aquinas, 2011). The existence of a universal natural law pertaining to morality can also be seen as expressed in Kant's categorical imperative, and in the notion that humans are to be treated like ends and not means (Kant, 1947). Calvin as well recognized the natural law, as knowable for all humans, and that it was created before the Fall, indicating the divine superiority and universal status of natural law as a bond between God and humans through innate conscience, and standing above the laws created by humans (Calvin, 4:10:3; Billings, 2005). To Calvin, the revelation of God is presented in natural law, clarified in Scripture, and summarised in the Decalogue (Calvin, 2:8:12). The concept of natural law in Reformed thinking has not been without contention, and has gained wider acceptance in modern Neo-Calvinist theories, and in particular as means to develop modern social theory under a contemporary two-kingdom doctrinal view (VanDrunen, 2012). Leading up to this doctrinal point was the heated debate between Karl Barth (1866 – 1968) and Emil Brunner (1889 – 1966) in the inter-war period, where Barth posited a Christocentric view based on the scripturally confirmed self-revelation of God in Christ, denouncing natural theology and thus, the concept of natural law. Brunner's position was that of accepting the notion of natural theology, allowing the knowledge of God to be present in all humans without reference to scriptural special revelation, and that between God and humans there is a point of contact in nature, knowable for all. This position was strongly rejected by Barth, on the grounds that natural theology then would imply human participation in his own salvation, something Barth's staunchly Christocentric stance rendered unacceptable (Brunner and Barth, 2002; Holder, 2001). In Geisler's (2010) thinking, a particular consequential point here is that we are judged not only for our actions, which are fallible any way, but as well, for what we do not do unto others (p. 124). From Paul we learn that it is through the universality of God's law that he can judge all, including the non-believers, as he says: "For since the creation of the world God's invisible qualities—his eternal power and divine nature—have been clearly seen, being understood from what has been made, so that people are without excuse" (Rom 1:20).

From the starting point of accepting the existence of natural law pertaining to morality, the Christian needs to seek out specific guidance towards making concrete ethical decisions from scriptural special revelation. For the Reformed, the Bible represents the inscripturated divine truth of God, demonstrating the moral character of God as equally revealed in all people's hearts and in nature. An expression of this is found in 2 Timothy 3:16-17, where it is stated that "All Scripture is God-breathed and is useful for teaching, rebuking, correcting and training in righteousness, so that the servant of God may be thoroughly equipped for every good work". Regarding the relation between general and special revelation, it must be determined whether they are harmonious or can be in conflict. It would follow for the believer that as God is the source of both revelations, his perfection determines that there cannot be conflict between general and special revelation. This also follows from several scriptural passages, for example, when Jesus gives the Golden Rule as a summarisation of Old Testament laws, stating: "So in everything, do to others what you would have them do to you, for this sums up the Law and the Prophets" (Matt 7:12).

Although not in conflict but in concert, general and special revelation are not identical. General revelation is known by and apparent to all people irrespective of religious, national or ethnic background (Rom 2:15), and all are subjected to God's judgement under this realm of revelation, as we are all "without excuse" (Rom 1:20). Special revelation, on the other hand, is not known or apparent to all people, as it appears in the Bible, is written, and "God-breathed" (2 Tim 3:16), as opposed to natural law, which does not appear in such a form. The special revelations are infallible as the "word of God" (Matt 15:6), and "cannot be set aside" (John 10:35), and this is not the case for general revelation or natural law. Special revelation is more specific in its instructions, as for example the Golden Rule is a general statement covering the specifics of the more detailed commands of the Ten Commandments. Finally, from a soteriological perspective, following and adhering to the instructions of special revelation is what provides salvation (John 15:6-8), something not offered by merely following rules found in general revelation or natural law.

Summing up this section, the moral laws of God as expressed in the Old and New Testaments are harmonious and in concert, as are the general and special revelations. The written law of God is superior and above the natural law, as the written law is infallible and explicit, as opposed to the universal natural law.

#### 4.3.7 Constructive Ethical Attitude

As the elaboration above will have demonstrated, ethical guidance acceptable under the Reformed paradigm may be retrieved from Scripture as illuminated by general and special revelation. However, this is only a starting point for assessing what would be the practical application of such revelation, and what kind of dutiful activity this induces in the believer. It is a tendency among certain Reformed ethicists to let revelation be the moral guide, but yet to maintain focus on what is forbidden, rather than what is permitted. Geisler (2010) can be seen as a proponent for this line of thinking, as much of his writings focus on what would be non-acceptable, as revealed from Scripture by negation. By following this line of thinking, the reader is left with an impression that it somehow can be the best moral option of conduct to do nothing.

Other contemporary ethicists demonstrate a more constructive ethical methodology, as they search out what guidance can be found in Scripture for proactive moral societal participation, in answer to the needs of individuals and groups in the collective that is our global community. An example that may illustrate the different approaches to moral questions may be drawn from the difference between how Jesus and Confucius explain the Golden Rule of reciprocity. Jesus says: "So in everything, do to others what you would have them do to you, for this sums up the Law and the Prophets" (Matt 7:12), and Confucius says: "What I do not wish others to do to me, I do not wish to do to others" (Confucius, 2015). As is clearly demonstrated from this juxtaposition of the two versions, Jesus urges to action and proactivity, whereas Confucius promotes a passive approach towards others. In a sense, the way of Jesus can be seen as promoting reciprocity in a soteriological perspective, whereas the Confucian version can be seen as an expression of the same from an eschatological vantage point.

A promotion of an proactive approach in ethical matters for Christians is found in the writings of Vorster (2007; 2017a), who, from his vantage point of post-apartheid South Africa, attains a participatory and inclusive role in the development and re-creation of his nation as one of benevolence and liberal democracy. According to Vorster (2007), the aim of the Christian is to attain a constructive attitude towards society and the individual, and this is the correct path to take from a Christian-ethical perspective.

To Vorster (2007), the central tenets of Reformed Christian ethics are found in the scriptural teachings of gratitude. Believers should attain a grateful attitude as their

response to receiving the gift of redemption from God, following the fall of humanity. Vorster maintains that redemption through Christ promotes a change in the sinner, who is then moved to act according to the benevolent commands of God. This change will stimulate the believer to live in gratitude to God, as opposed to a life dedicated to self-service, and this new life will be lived not to earn the love of God, but to perform good acts in response to receiving God's gift of grace in Christ. In gratitude for this gift, we no longer need to live in sin, "but the fruit of the Spirit is love, joy, peace, forbearance, kindness, goodness, faithfulness, gentleness and self-control" (Gal 5:22-23). From this starting point of gratitude, Vorster explains what attitude of ethics should be sought to guide ethical choices and actions under the Reformed tradition. His account could be termed a "theory of virtue ethics", albeit within the deontological paradigm.

The initial point of cognition for Vorster's (2007) constructive soteriological-based perspective is Scripture's revelation calling Christians to imitate the attitude of Christ in an expression of their gratitude. For example, followers are urged to take up Christ's yoke (Mt 11:29), and disciples are called to wash each other's feet (Jn 13:12-17) and to love each other as he loved them (Jn 13:34). Vorster further develops the productive ethical position from Philippians 2:5-11, which, for explanation, I will include in full:

*Have this attitude in yourselves which was also in Christ Jesus, who, although He existed in the form of God, did not regard equality with God a thing to be grasped, but emptied Himself, taking the form of a bond-servant, and being made in the likeness of men. Being found in appearance as a man, He humbled Himself by becoming obedient to the point of death, even death on a cross. For this reason also, God highly exalted Him, and bestowed on Him the name which is above every name, so that at the name of Jesus every knee will bow, of those who are in heaven and on earth and under the earth, and that every tongue will confess that Jesus Christ is Lord, to the glory of God the Father.*

This powerful expression of Christian attitude, where verses 6-11 represents a hymn, forms the basis for the four main principles Vorster develops for his constructive Christian-ethical approach. The position can be explained thus:

- *Love*. The first principle to be derived from the hymn is that of *agape*, or all-inclusive love, involving being humane and compassionate, and making oneself available for others in rendering comfort, dignity and respect (p. 18).
- *Stewardship*. The second principle is that of taking on the role of a servant, and through imitating Christ as revealed in Scripture, for example in John 13:12-17, to attain to an attitude of service for the community and thus strive for a just and moral order of peace and social justice (p. 18).
- *Self-denial*. The third principle is that of humility and self-denial, in that Christians should imitate Christ in his self-denying attitude in social relations, by exuding a willingness of personal sacrifice for the enhancement of the principles of the kingdom of God (p. 19).
- *Obedience to God*. The fourth principle explains that living in obedience to the will of God as expressed in Scripture entails, for Christians, seeking a chaste life and a moral social order (p. 19).

Summing up his position, Vorster (2007) explains how he perceives the above four principles as guidelines which are complementary to other hermeneutical principles of scriptural interpretation pertaining to ethics, and which he advocates to be relevant in any context and at all times.

For the purpose of this dissertation, the constructive ethical position explained by Vorster will be of substantial use, as it will mainly inform the interpretations I will perform in the following. I find that the productive approach given under this paradigm will fit well to be used in a banking setting, and the opposite option of inactivity as shown by Geisler cannot be seen as a viable option going forward, as the eschatological focus is too strong on how not to act. The attitude of global constructive participation utilized in a banking context adhering to principles of love, stewardship, self-denial and obedience to God, will through their scriptural foundations greatly contribute insights as how to move forward a development of Christian banking in a soteriological perspective.

## **4.4 PASTORAL PRINCIPLES**

### **4.4.1 Background and Context**

Connected to the ethical framework, as described above, are principles of pastoral care, as defined under the Reformed paradigm, and these will be expected to contribute substantial insights into my research questions on what constitutes viable banking practices in a Christian-ethical and pastoral perspective. The theological field of pastoral theology is found adjacent to that of ethics, both of which could be described as versions of practical theology. There will be a certain overlap between practical and pastoral theology, but the use of pastoral theology precedes that of practical theology, as it goes far back to the earliest Christian times, whereas the term “practical theology” came into use among German Protestant academics in the late eighteenth century (Pattison and Woodward, 2000). A useful contemporary definition of the wider term “practical theology” where both ethics and pastoral norms may be fitted in is found in Heitink (1999), who explains it as “the empirically oriented theological theory of the mediation of the Christian faith in the praxis of modern society”.

To define pastoral theology, or norms for that matter, could be challenging, as the vantage points are many, but in short, pastoral theology will pertain to how Christians guide and care for others in practice, in other words, how Christians exert love, as Christ has loved them first. To some authors, pastoral theology and attendant norms typically will be related to how to perform ministry, in a stricter or wider sense, but as will be elaborated below, pastoral norms pertain to all Christians, in all aspects of their lives and practical activities (Whipp, 2013). Pastoral norms have been in a process of development since the inception of Christianity, and I will in the following elaborate some trends in the perception of what constitutes pastoral norms, how they have been developed, and point to sources from whence such norms originate.

### **4.4.2 Pastoral Norms**

There are different vantage points on what constitutes pastoral theology, and consequently some variations in what is focussed on among different thinkers, both over time, and in current academic discourse. What will be of interest here is not to develop a systematic elaboration of such differences, nor to adjudicate what would be the most advantageous locus of interest. In this dissertation, it is the pastoral norms,

and how they would be applicable in real life practical situations, such as in banking, which will be at the forefront. The pastoral norms pertain to how Christians are to exert and express love towards others, and through this, apply Christian learning into different practices. In the first centuries of Christianity, the practice of love and care was central to all Christian activity, and a central aspect was that of leadership. The leadership image of the shepherd caring for his flock could be a suitable metaphor (which will be elaborated below) for how the early Christians perceived their lives as mission, and their mission to be their lives. In a sense, then, to paraphrase Gandhi (1959), their lives were their message, and this caring and shepherding praxis was a joint activity among all Christians, and not, as in later centuries, viewed as the obligation and right of the few, the clergy (Tidball, 1997). Prior to elaborating further the historical development of pastoral theology and norms, it would be prudent to explore further scriptural foundations for the said norms, as they have been mined from both Testaments.

#### **4.4.3 Biblical Foundations**

Pastoral norms have been sought and developed by theologians and practising Christians; such norms have been based not only on the New Testament, but also from Old Testament sources. Both Testaments point to how Christians are to lead their lives in a practice of leadership, and to how exerting moral leadership and teaching by doing is a continuous theme found throughout the complete biblical corpus (Tidball, 1997).

##### **4.4.3.1 Old Testament**

###### **4.4.3.1.1 God's Ministry**

In pastoral theology, the metaphor of the shepherd is a central theme, which would lead us to understand how Christians are to act in order to guide others, and to distribute the love message, which is central for the Christian believer. In the Old Testament, we meet the shepherd motif already in Genesis 48:15, where Jacob in his ponderings on God and his relationship to humans talks of “the God before whom my fathers Abraham and Isaac walked faithfully, the God who has been my shepherd all my life to this day.” This quote points us to the continuum of the pastoral ethos, as Jacob clearly expresses how God has led “his fathers” in the past, and that Jacob is awarded the same continued guiding by God, as his “shepherd”. Other Old Testament passages where God is referred to as shepherd of his people by direct use of the shepherd motif is found in

Genesis 49:24, “the Mighty One of Jacob, because of the Shepherd, the Rock of Israel”; in Psalm 23:1, “The Lord is my shepherd, I lack nothing”; and in Psalm 80:1 where we learn of the “Shepherd of Israel, you who lead Joseph like a flock.” What strikes one as particularly notable in these quotes is how here it is God who is the shepherd, and not the believer, and this could be seen as the ministry of God, which would be the normative yardstick for human believers to adhere to when exerting pastoral ministry (Tidball, 1997).

Further fortifications of the shepherd metaphor are inversely expressed in several passages, where humans are described as sheep to be herded, for example in Psalm 100:3, where we learn of “his people, the sheep of his pasture”, and in Psalms 119: 176, where it is expressed that “I have strayed like a lost sheep.” Further, from Psalm 44:22 we understand that when we have lost our way, we become exposed and weak and “we are considered as sheep to be slaughtered.” These early quotes on the shepherd and his flock, the sheep, could perhaps be seen as a kind of proto-ministry, which in the initial stages is performed by God himself, for humans to learn from by example.

In describing God’s ministry, the shepherding and herding motifs do not comprehensively elucidate God’s care and guidance of his people. An important adjacent metaphor for explaining God’s ministry is the use of the father imagery, where God cares for his people as if they were his children, and he has to raise them like children by sometimes exerting encouragement and praise, yet at other times by chastisement and discipline. A striking and moving example of the father metaphor is found in Hosea 11:1-11, where we learn of “God’s love for Israel”; that “when Israel was a child, I loved him, and out of Egypt I called my son”; that when the people of Israel were in need, God “bent down to feed them”; and when “they refuse to repent a sword will flash in their cities.” The love God expressed for his people is not characterised by sentimentality and leniency, and as already evident from the above quotes, the father-child relationship of the Old Testament requires obedience on the side of the people, and also discipline and patience on the side of God. This is evident, for example, in Deuteronomy 28:1-68, where it is initially stated that “If you fully obey the Lord your God and carefully follow all his commands I give you today, the Lord your God will set you high above all the nations on earth” and where the rest of the passage elaborates different aspects of obedience/reward, and disobedience/punishment.

The use of the father/child imagery could perhaps be interpreted as an extension of the shepherd metaphor, as by inserting the familiar facets of family life and raising of children, the important element of responsibility on the side of humans is emphasised. Solely by utilising the shepherd and sheep metaphors, the responsibility on the side of the “herded”, the humans, could be lost, as an expected perception among readers would be that livestock are not capable of taking responsibility in a human manner. This would be very different when family life is used as the basis for literary imagery, where not least in early agrarian societies, all members of a family would be expected to have and take responsibility for different aspects of the family’s total daily chores.

Another aspect of God’s proto-ministry described in the Old Testament is that of God as saviour. As a result of disobeying God and ignoring copious warnings, Israel was punished through God’s judgement, by way of being exiled (Ezek. 7:1-9). From Isaiah 50:1 we understand that the estrangement from God was not meant to be final, as the question there is posed: ““Where is your mother’s certificate of divorce with which I sent her away?” Further, we learn in Isaiah 52:2 how the Assyrian captivity was ended by a second exodus, when God instructed, “Free yourself from the chains on your neck” and in Isaiah 52:12, God as saviour is demonstrated by the promise that when leaving exile, “the Lord will go before you, the God of Israel will be your rear guard.” The magnitude of this deliverance was substantial, and in Isaiah 60-65 its glory is elaborated and celebrated in soteriological terms. What may be drawn from this great salvation could be how already from the inception it had been up to God alone, in his special relationship with Israel (Deut. 7.7-8), whether his grace would be bestowed upon them.

From these initial interpretations, it could be inferred that the ministry of God involved guidance and care through his shepherding, discipline and instruction through his fatherhood, and salvation to be granted by his grace alone. It could be considered a prudent interpretation, then, to conclude that all following ministerial learning and activities were to be informed and led by the example of God’s proto-ministry as described above (Tidball, 1997). Indeed, in the Old Testament we are shown numerous examples of how humans took God’s lead and exerted leadership and pastoral care over their people, inspired by God’s own ministerial works.

#### 4.4.3.1.2 Moses

A natural starting point in describing early examples of ministry in the Bible would be to consider how Moses led the Israelites. His leadership was crucial; he acted as a prophet (Deut. 18:15), leading them out of Egyptian exile during the first exodus; he conveyed the Ten Commandments as handed from God (Ex. 20; Deut. 5) with whom he spoke directly (Ex. 33:11), and he was a central figure in the formation of the nation of Israel (Wright, 2009). Of the many leadership tasks Moses exerted, his pastoral vision is not least evident in the narrative of the golden calf, where he chastises and sets straight the wayward Israelites, who had been without their leader for forty days (Ex. 24:18; 32:19-26). Scripture renders other examples on how Moses used his leadership to guide his people by teaching and not dictating, which is exemplified in Deuteronomy 30:19, where Moses explains how his people have to make their own choices: “I have set before you life and death, blessings and curses. Now choose life, so that you and your children may live”. This quote not only inspires people to make choices, but as well points to the rewards of making the right ones.

The model of Moses’ pastoral ministry is clearly mirrored in his successor Joshua, who in Joshua 24:14-24 skilfully outlines to the Israelites their possibilities and freedom to choose. His teaching leads the people freely to choose to “serve the LORD our God and obey him.” (24). The pastoral principle of leading humans through offering insights on their free will could be said to be at the core of Old Testament pastoral ethos, and should serve as a template for any pastoral and ministerial activity for all subsequent Christians who take on a leadership role, through promoting learning, realising and celebrating (Hiltner, 2000).

#### 4.4.3.1.3 Other Leadership Figures

Following the demise of Joshua, disorder broke out in Israel, and there would for the following era not exist an established formal leadership in Israel, but the nation was influenced by judges through their varied degrees of emergent leadership. These judges did not have a permanent or formalised position in leading the nation, but nonetheless contributed guidance and teaching to the Israelites. After the period of the judges, Israel returned to the monarchy as the ruling paradigm, and again a sense of restored order emerged (Collins, 2014).

With the monarchy, we learn from Jeremiah 18:18 that there were three other categories of leaders that had appeared as the spiritual leaders of the nation, namely, the priests, the wise men and the prophets. The priests were mainly concerned with passing on the law of the covenant, as for example in Ezekiel 44:23, and their guidance may have been seen as narrower and more formal when compared to that of the other pastors of Israel (Tidball, 1997). Among the prophets, who were not formally instituted nor appointed on the basis of heredity to exert their guidance, but were called by God as individuals (Weber, 1978), the guidance sought would have been broader. This individual aspect of the prophets' activities was sometimes expressed through the prophets receiving oracles from God, something that may be seen as an individually experienced divine communication (Collins, 2014). Notable writing prophets were Ezekiel and Jeremiah, each awarded their own books in the Old Testament canon. The wise men of Israel were a category of pastors that deviated from the aforementioned, in that they did not reside in a formal place in society, but rather rendered useful practical advice and guidance for everyday situations with which their followers were troubled. The paragon example of an Old Testament wise man would be Solomon, who "was wiser than anyone else" and whose "fame spread to all the surrounding nations" (1 Kings 4:31).

#### 4.4.3.1.4 The Family

The final but not least important description of pastoral care in the Old Testament is connected to the family. As the family is the central societal institution in society, focussed in both Testaments, we learn already in Deuteronomy 4:9 of "the things your eyes have seen", that they be taught "to your children and to their children after them." Further, we learn in Deuteronomy 6:6-7 that God's "commandments" are given with the instruction to "impress them on your children" and to "talk about them when you sit at home." Without delving any deeper here, it would be clear from the quotes that pastoral care and guidance are to be distributed on the most personal and private level, in the family, and that dispensing such pastoral care is not to be limited to formal and/or religious institutionalised settings.

The Old Testament abounds with norms and instructions on how to dispense pastoral care and guidance, and these instructions render valuable inspiration for all subsequent pastoral ministry, including that which is detailed in the New Testament books. As ever,

the Bible is a collection of texts to be interpreted as a combined whole and in context (Vorster, 2017b).

#### **4.4.3.2 *New Testament***

##### 4.4.3.2.1 Different Literary Strands

Without doubt, the New Testament is a premier source for pastoral learning, as Christ himself would be considered the premier minister, and following his lead and example will be crucial to understanding the dynamics of pastoral leadership. The pastoral theology found in the New Testament is represented in two different versions: one as a theology directly pertaining to the expression and establishment of the church, and the other dealing with the church's ministry. The instructions and descriptions of the church as a practical forum for worship is the explicit pastoral strand of these two, and has traditionally been receiving most of the focus among theologians and scholars. The implicit pastoral strand is nonetheless informing and important, and it is this strand that could lend most insights when seeking to mine out pastoral norms and principles from the New Testament (Tidball, 1997). In the following, it is mainly the implicit pastoral stand which be highlighted.

##### 4.4.3.2.2 Synoptic Gospels

Among the synoptic gospels, Matthew is clearly focused on pastoral aspects in his writings, and he mentions the church explicitly in 16:18 and 18:17. However, Matthew does not let the congregations of the church be left without pastoral instruction, and he expands both directly and indirectly on how the leaders of the church are to be leading, teaching, learning and encouraging faith. There are numerous examples in Matthew to illustrate this. For example, in 10:5-42 Jesus gives detailed instructions to his flock, and the aspect of teacher and pupils stands out as a leading pastoral relationship. In these passages it is clear that by taking in the instructive teachings, the faithful pupil who is willing to learn will be rewarded, as Jesus says that "Whoever welcomes a prophet as a prophet will receive a prophet's reward" (41). Clearly, then, the teacher and pupil both need to be diligent, and both sides of the relationship will need to be responsible and trusting. A further and even more prominent example would be the Sermon on the Mount that is found in Matthew 5–7, which directly places Jesus as the teacher/leader, using monologue for guiding his listeners. The use of the leader/led speaker/listener

imagery fits well within the wider social structure of the patron/client relationship, which was a cornerstone of the Roman society. This patron/client relationship permeated all aspects of Roman society, both within and outside of the legal realm, and most if not all Roman citizens, high or low, would typically reside within such social structures. Every person would be both patron and client, as the father was the patron of his children, and the father was the client of someone higher, for example a landowner, who in turn was client for another patron, maybe an official or military person of authority. The central aspects of this patron/client relationship were that it was binding and committing on both parties, and involved rights and responsibilities for both (Roniger, 1983). When Matthew elaborates the core of discipleship in 8:23-27, this patron/client relationship is evident, as when their boat was sinking, “the disciples went and woke” (25) Jesus, and Jesus then “rebuked the winds and the waves, and it was completely calm” (26). From this passage we understand that the leader is expected to lead the followers, and that the followers must trust their leader.

It must be noted that in the pastoral theology of Matthew, the role of the pastor is not one of authority and instruction solely, but more a position of participating as a humble servant to their flock, where the example of Christ is to guide. Examples here could be 10:24, where we learn that “the student is not above the teacher, nor a servant above his master”, or 20:26-27, where we are informed that “whoever wants to become great among you must be your servant, and whoever wants to be first must be your slave.”

The implicit pastoral strand is less visible in Mark than in Matthew, but nonetheless, there is significant pastoral learning to be taken as well from Mark. When Mark addresses the aspects of suffering as a core element of discipleship, it is not his teaching that suffering is a punishment to be avoided, but rather, something to endure and withstand, for receiving compensation and exoneration in the after world. We learn about this in 13:16-27, which predicts that, when “the sun will be darkened, and the moon will not give its light” (24), then the “people will see the Son of Man coming in clouds with great power and glory” (26). The message would be that the faithful were to identify their own sufferings with those of Christ, and to relate to this the value of their own endurance, as their suffering would be lesser than that of Christ. Examples here could be found in Mark 8:31, where it is stated that “the Son of Man must suffer many things” and that “he must be killed and after three days rise again”, and in 10:40, where Jesus explains that “to sit at my right or left is not for me to grant. These places belong

to those for whom they have been prepared.” Mark’s use of the term “Son of Man” may have been a method for relating that Christ was indeed human, and thus, that his sufferings were not any less than those of other humans. Making this point would have been of importance in order to stave off heresies of Ebionist and Arian character, where Christ’s humanity was not accepted or assured (O’Collins, 2009).

In Luke/Acts the place of the church is juxtaposed against the contemporary society, and notably, the church is not presented as an authoritative or hierarchical institution run by the few. However, Luke and Acts are not renowned for matters of historical accuracy, and as a whole, these two volumes may be viewed as a ministerial project, where the focus is on the example of Jesus and his ministry. Luke/Acts renders several examples of individuals and their doings, as model examples, such as the generous Barnabas, the suffering Paul and the evangelical Phillip (Tidball, 1997). In Acts, there is an emphasis on matters that arose in the early church, where practicalities and instructions of different kinds are described. As part of this emphasis, the focus is on how to perform the duties as pastor, and in Acts 20:17-36 we learn of Paul and his exemplary pastoral vocation. For example, in v. 19 we learn how Paul “served the Lord with great humility and with tears”, and in v. 27, how he has “not hesitated to proclaim to you the whole will of God.” Paul instructs his listeners to “be shepherds of the church of God” (v. 28), and against their opponents, his message is to “be on your guard!” (v. 31). At the end of the narrative Luke refers to Paul’s forward-gazing hope for the pastoral congregation, the church, when he commits them “to God and to the word of his grace, which can build you up and give you an inheritance among all those who are sanctified” (v. 32).

#### 4.4.3.2.3 John

When reading the gospel of John, it becomes evident that John’s main aim is to direct attention to the greatness of God, and to instill in the reader the sense that only through believing comes individual salvation. The focus in John, then, is on the individual rather than the communal, and John does not address church matters or formal ministry. Consequently, when searching for pastoral guidelines, we will need to look at John’s technique of conveying these through the numerous examples of Jesus’ acts and teachings. Of central pastoral importance are the narratives that tell of the good shepherd (10:1-21) and the washing of the disciples’ feet (13:1-17).

In the parable of the good shepherd (10:1-21) Jesus uses the shepherd/flock metaphor, and describes how only the true shepherd will be lawfully let into the pen, and then, “the sheep listen to his voice” (v. 3). Further, in keeping with the pastoral ethos of John, Jesus explains that “I am the gate; whoever enters through me will be saved” (v. 9), and when relaying the responsibilities of the leader, Jesus explains that “the good shepherd lays down his life for the sheep” (v. 11). The good shepherd parable outlines clearly foundational pastoral principles of belief, faith, leadership and reciprocal obligations of the leader and the led, which, as described below, are of central value when directing pastoral practice and care.

When Jesus washes the disciples’ feet (13:1-17), the aspect of pastoral leadership as service is made further evident to the readers. The passage renders direct pastoral instruction, as when Jesus as the disciples’ “Lord and Teacher” (v. 14) had washed their feet the instruction was “I have set you an example that you should do as I have done for you” (v. 15). The perceived lowliness of taking the task of washing someone else’s feet elegantly elucidates the serving aspect of the pastoral role, and firmly to establish the egalitarian qualities of true leadership, Jesus says that “no servant is greater than his master, nor is a messenger greater than the one who sent him” (v. 16).

#### 4.4.3.2.4 Paul

Among those who took their learning directly from Christ’s earthly ministry, we know more about Paul than anyone else. The wealth of teachings and instructions left us by Paul will then lend his authorship particular interest, not least when exploring Scripture seeking for pastoral inspiration (Chadwick, 1907; Ridderbos, 1997). Although Paul was concerned with theological aspects of faith, there are numerous pastoral directives and inspirations to be drawn from his written legacy. In Paul’s view, establishing the church and formulating faith would be two sides of the same coin, something that is evident in 1 Corinthians 3:1-9, where he explains that “we are co-workers in God’s service; you are God’s field, God’s building” (v. 9). Clearly, then, the tasks of living in, dispensing, and accepting faith are joint pastoral tasks for all believers to partake in.

In Paul, the mutually and universally binding patron/client motif as described above is particularly in use, and is evident in several places, albeit in different literary contexts. For example, in 1 Corinthians 4:15 we find in use the metaphor of father/child; in 1 Thessalonians 4:7, the adjacent nursing mother/child; in Colossians 1:28,

teacher/student. The serving aspect of Paul's pastoral theology builds up under the reciprocal and communal responsibility of pastoral duties, and he frequently places the pastor in a serving role toward the fellow believers. This is represented, for example, in Ephesians 3:7, where he describes himself as "a servant of this gospel", and in Colossians 1:23, where Paul has become a "servant" of the gospel. To further expand on the service aspect of pastoral obligations, Paul uses the steward metaphor, as in 1 Corinthians 4:1, where he says that he is among the "servants of Christ."

A final observation on Paul's pastoral theology is that his method of guiding and distributing his pastoral vocation was one that used examples as much as direct instruction (Wolter and Brawley, 2015). This distinguishing factor of Paul's didactic ministry is represented in passages like 1 Timothy 4:11, where we are advised to "set an example for the believers in speech, in conduct, in love, in faith and in purity", and in Titus 2:7, where the instruction is to "in everything set them an example by doing what is good."

#### 4.4.3.2.5 Pastoral Epistles

The general epistles, in their varied scope and subject matter, offer pastoral insights and inspiration, and we find use of the collaborative ethos of the shepherd/flock metaphor, as well as the adjacent pastoral method of utilising examples and not relying exclusively on teleological instruction.

The use of leading by examples is clearly elucidated in Hebrews 11, where biblical narratives are restated to exemplify faith, such as in 11:8, where Abraham, when called by God, "obeyed and went", and in v. 31, Rahab, who "welcomed the spies, was not killed with those who were disobedient." The crux of the complete exhortations in 11:1-39, is found in v. 39, where we learn that "these were all commended for their faith, yet none of them received what had been promised". How better to explain how to lead by selfless example, and to exert a pastoral attitude through living in faith, and expressing it in practice?

The shepherd/sheep motif is in use in Hebrews 13:20, "Lord Jesus, that great Shepherd of the sheep", but more prominently in use in Peter. In Peter, we find the pinnacle of biblical shepherd symbolism, where the term "Chief Shepherd" is introduced for Christ in 1 Peter 5:4 (Tidball, 1997). That pastoral responsibilities are on the community, and not

solely on certain individuals, may be extrapolated from 2 Peter 3:17-18, where the instruction is to “be on your guard”, and “grow in the grace and knowledge of our Lord and Saviour Jesus Christ.” Clearly, this is an instruction to every believer, not left as the prerogative or responsibility of only a few.

#### **4.4.4 Historical Development**

##### **4.4.4.1 A Post-Christ Focus**

After outlining some central aspects of pastoral instruction from scriptural sources, the next point of interest will be to explore how these biblical teachings have inspired and informed the practical pastoral understanding over the subsequent millennia. In doing so, I will not elaborate the development in Old Testament times in much detail, as the locus of interest in this dissertation will be the development of the Christian tradition after Christ. I will, however, draw on historical sources pertaining to the Old Testament era, when such would elucidate the inquiry.

##### **4.4.4.2 The Early Centuries**

In the first era after Christ, the pastoral ministry of the early Christians and their first church structures were perceived and developed as a communal task among the constituents. This communal and incisive aspect of the early church, and its constituents, included both genders, which is evidenced in 1 Corinthians 11:5, where we learn of “a woman who prays or prophesies” and in 1 Timothy 3:11, where in the context of deacons it is stated that “the women are to be worthy of respect”. The latter quote may be an indication that the early church had female deacons. The principle of gender equality is equally emphasised in Galatians 3:28 and in 1 Corinthians 11:11-12. That pastoral ministry was a dual gender activity in the early centuries after Christ was also evidenced by the important place women had in missionary activities and their place in pastoral care. The communal aspects of pastoral and missionary agency did not mean that there was not emergent leadership among the early Christian congregations, as in the early churches there seem to have existed numerous local leaders, such as evangelists, teachers, et cetera. There are also indications of leadership above the local levels, and Paul may have been a representative of this. In the early stages, these leaders were not appointed in a formal process in the churches, but pastoral ministry was regarded as a charisma, where the community may have had a role in recognising

such gifts of leadership (Bernier, 2015). This collaboratory and inclusive version of the church was to end with Emperor Constantine's (272 – 337) conversion to Christianity when the church became a state organisation, after which time women outside religious orders fell to the margins of organised church ministry (Heitink, 1999).

With the Church becoming a state matter, the Christian history was appropriated by the imperial state, and Constantine used this annexation project to affirm his authority in the leading position of the church, with Byzantium and Rome as official stages for the associated divine appointment. Further institutionalising aspects of the drive towards organisation and formality were found in the active recreation of a Christian Holy Land with Jerusalem in the centre, a Jerusalem which theretofore had been a provincial backwater in the empire (MacCulloch, 2010).

Leading up to Christianity becoming the state religion in the Roman Empire, there had been a development towards institutionalised order and organisation of the church, but the picture was rudimentary. For example, the role of leadership among the few, as opposed to pastoral ministerial duties of the many, was not moulded into the traditional church hierarchy we would know in later history. The pre-Constantine church did, however, use titles such as bishop and presbyter, but here it is of importance to note that in these early stages ministries were held in private homes, and did not move into separate buildings for worship until after AD 300 (Selby, 2012). In this stage, ministerial ordinations occurred, but they did not entail the formality and uniformity which we would understand in a later context (Bernier, 2015).

In the Constantine period and beyond, as the organisation of the formal church gained traction, thoughts on pastoral activity increasingly became connected to the formal offices of the church, and there was less emphasis on the communal task it had been perceived as previously. An important contributor of this era was John Chrysostom (349 – 407), who was Archbishop of Constantinople, and is considered one of the early church fathers (Hitchcock, 2012). Between 380 and 386, Chrysostom wrote the *Six Books on the Priesthood*, wherein he outlined his views on pastoral theology and his perceptions on the pastoral office of the church. What is notable in Chrysostom's authorship is how he understood pastoral theology solely in the spiritual and theological realm, at a distance from the pragmatic and practical concerns of church operations (Purves, 2001). This brand of pastoral ethos placed Chrysostom firmly in a New Testament pastoral tradition, where the priest is not a leader above the people he

guides, but integral with them, like the dynamics of a shepherd and his flock (Chrysostom, 1886).

Augustine of Hippo, as the seminal Western Christian he was, imprinted his mark on the development of pastoral theology and practice in the Western churches. He acted as a role model in keeping close to the ordinary people, in that he personally lived a monastic life lacking the luxuries of the elite, and in his prolific and substantial authorship we find traces of his pastoral theology, where the focus was on teaching and guiding. His quest to integrate Scripture into the developing of an organised church is particularly evident in his *City of God*, where he outlines this connection, and among his expressed goals is the task of encouraging faltering believers and leading heretics back onto the true path (Augustine, 2003). As Augustine was also concerned with the ordination of clergy, his influence on the development of the church led to a firming up of the formality of the role of the pastoral leader, the pastoral office as posterity knows it. Thus, with Augustine the acceptance of the communal pastoral ministry came to an end, and thereafter ministry became a task for the few who had been formally ordained by the church authority. In a sense, at this stage, the Western church had attained a position on the pastoral task more like that of the Old Testament priests than that of the corporate ministry of the New Testament (Tidball, 1997).

With the emergence of the formalised and increasingly authoritarian Church, and with pre-Constantine roots, there was a parallel development of monastic orders among Christians, which on some levels may be viewed as a counter-formal movement. In the monastic movement there was a perception that in the close-knit and exclusive world of these monastic orders the constituents were living more like the early apostolic Christians, in small groups on the margins of organised society, where only the true believers were to belong. With the growth and organising of the Christian church, the group of Christians was increasingly widened, and these consisted of members from different backgrounds and with various degrees of resolve in their Christian beliefs. To some of the monastic societies, the growth of the church represented a weakening of the church's pastoral impact, and the wider church collective could not measure up to the religious "top athletes" of the monastic communities (MacCulloch, 2010).

#### **4.4.4.3 Medieval Era**

With the fall of the Western Empire, the church entered the medieval era with answering calls to replace the secular rule of the West Romans, as there was no secular organisation in place to uphold the Roman institutions that previously had represented the organisation of Western Europe. Following this need, the Church became increasingly entwined in worldly matters. In a Reformed context, it would be typical to write off the whole era as one of ecclesiastical decay and degeneration (Tidball, 1997). Such a stark view of nearly 1000 years of European church history would be a grave misrepresentation of history, and not least, of the pastoral contributions the church made to society in that age.

If we are to accept that the church did fall into what we later see (with modern post-Reformation eyes) as disrepair in a pastoral context, there is still room for acknowledging the pastoral care and guidance that was extended to the populations of Western Europe by the church during the medieval era. Among these pastoral tasks that the church undertook were the missions to the northern regions, where the classical teaching ethos of Scripture was expressed; and how better to care for people than leading them onto the path of Christianity (Hitchcock, 2012)? Other examples of societal shepherding are to be found within the monastic orders of the era, and within the Knight Templars mentioned above, in their protection of pilgrims, and not least, in developing useful banking structures with lasting beneficial importance to society. To delve deeper into the technological advances that were created within the medieval church and monasteries, including those of agriculture, horticulture and engineering, would fall outside the scope of this dissertation (Baumol, 1990). In addition to the technological advances that were created under church rule, the medieval church also upheld a functioning legal system, a certain level of education and literacy, as well as creating demand for a wide array of services connected to its buildings and religious services, which was foundational for the development of the arts and crafts (MacCulloch, 2010; Hitchcock, 2012). They are mentioned here only to emphasise the pastoral shepherding qualities of the church and her constituents during an age where later history so often takes the view of darkness and decay.

The above notwithstanding, one early medieval thinker who is widely recognised as authoring one of the most influential works on pastoral theology is Gregory the Great (540 – 604) who became Pope in 590, with his publication of the *Pastoral Care*. The

*Pastoral Care* became the dominant publication on pastoral theology for a thousand years, from its publication around 590 until the Reformation, and is considered the most read work on pastoral theology within Christianity, next only to the Bible (Purves, 2001). In *Pastoral Care* Gregory distinguished between the bishops' role as church nobles, and their role as pastors of their congregations, and he further instructed the readers that a pastor must live as he preaches (Gregory, 1890). This leading-by-example ethos could be seen as a harkening back to the early Christian pastoral values, where the pastor and his flock are equals in their belief and life experiences. However, even if Gregory's pastoral ethos was normative for the churches' ministerial offices in the medieval era, there can be no doubt that the church during this time grossly corrupted the pastoral assignment of the church. Examples of this are well known, such as the practice of lay investitures, selling indulgences, and the gross amassment of worldly goods on the hands of the church and its monasteries (Tidball, 1997).

#### **4.4.4.4 The Reformation**

By the time of the early Renaissance and the discoveries of the "new world", for a multitude of complex reasons, the stage was set for the social, political and religious revolution we have come to know as the Reformation, which is typically attributed to the revolutionary acts and works of Martin Luther (MacCulloch, 2004). Oftentimes, Luther's (maybe legendary) posting of the ninety-five theses on the Wittenberg church door in 1517 is attributed seminal importance in setting off the Reformation, and was an act of superlative symbolic importance in a time when oppositional views on religious matters were not welcomed (McNally, 1967).

Within the scope of this dissertation, it is not the Reformation history that will be in focus, but rather, how this movement influenced religious thinking on pastoral theology. Martin Luther (1483 – 1546), in his active life in service, was highly focused on his pastoral responsibilities, and his theology democratized the church to become a ministry of the word, and not of formal institutions. For Luther, the church was where the word of God was, and a seminal contribution to this manner of ministry was aided by his translation of the Bible into the German language. This act may be seen as an act of Reformed pastoral care, as by letting anyone gain access to Scripture first-hand, the church of the word could become a reality (Tappert, 2007). In addition, allowing the Bible to be widely read also furthered the use of biblical imagery, proverbs and narratives to a new group

of artists and authors, by allowing biblical passages to be used in references in the vernacular language (Nord, 2001).

Central in Luther's own pastoral ministry was the ministry of consolation and aiding the sick, and there are numerous examples of his personal active ministry in this area. It is worth noting that although Luther proclaimed the church of the word, he was as capable of supporting his theology in practice, and again, the church would be in touch with its constituents, and its priests working among them (Tidball, 1997). This aspect of the priests now again working and living in direct contact with and among the believers was further supported by the clergy's newfound right to marriage (MacCulloch, 2004). By letting the priests marry, they would truly become engrained in society, and their pastoral guidance could be expressed in action yet again. This could be seen as a return, in part at least, to the communal pastoral responsibilities of the early Christians described above.

A contemporary of Luther was the Strasbourg-based protestant reformer Martin Bucer (1491 – 1551), who made substantial imprints on the development of Reformed thinking, influencing Lutheran and Calvinist Protestant theology, not least through his works on pastoral theology. He converted to Lutheranism in 1518, was among the first Reformers to get married, and was of considerable influence on Calvin when he lived in Strasbourg (Tidball, 1997). His most important contribution to pastoral theology is his *Concerning the True Care of Souls*, which sets out a theology based on biblical and Reformation foundations (Purves, 2001). Bucer's vision of the church was one of democracy, and this was expressed, for example, by how laypersons could be appointed as elders and deacons, and how the different ministerial offices were given assignments of pastoral character (Heitink, 1999).

In *Concerning the True Care of Souls*, Bucer outlines the themes of his pastoral vision. The word of God is at the centre of his theology, and a pluralist approach towards leadership is attained. Central to the pastors would be exegesis, and the practical application of the scriptural insights that this would yield. The leaders should be selected from all societal strata, and the reason therefore was that no one person would have all gifts bestowed upon them. On pastoral discipline, Bucer states that to care for sinners is the duty of all Christians, but the pastor has the highest responsibility for this task. To aid his flock in spiritual growth, Bucer maintains that the pastor should promote

this goal through teaching and guidance, thus giving his pastoral vision a scriptural didactic approach (Bucer, 2009).

John Calvin (1509 – 1564) is of substantial importance to the development of Reformed pastoral practice and theology. He diligently worked in Geneva from 1536 to 1564, except for his five years in Strasbourg, as teacher, preacher, pastor and author, and during this period he contributed widely to the development of a broad field of what is later considered Calvinist Reformed theology (Partee, 1995). Among his most influential work is the *Institutes of the Christian Religion*, and together with the *Ecclesiastical Ordinances*, this is where we find Calvin's pastoral theology presented. The pastoral ideal of Calvin was guidance through teaching and instruction (Tidball, 1997). This didactic ideal is eloquently represented in his *Institutes*, where he states, "We see that God, who might perfect his people in a moment, chooses not to bring them to manhood in any other way than by the education of the Church" (Calvin, 2012, 4:1:5). Calvin is aligned with the early Christian ideal of community and dispersal of Christian teaching among the believers, wherever they are. On this he says in his *Institutes* that pastors should "exhort and admonish from house to house, whenever their hearers have not profited sufficiently by general teaching" (Calvin, 2012, 4:12:2).

Calvin's pastoral ministry had its place in Geneva, and he worked tirelessly on his pastoral duties, and as part of his teaching activities he placed great emphasis on caring for the sick, proclaiming that people should feel free to call their pastors when in need, and not have to wait until they were on their death beds (Tidball, 1997). Like Bucer, Calvin divided the clergy according to their assigned roles, and allowed lay members to be appointed deacons and elders, where elders performed home visits and church discipline, and the deacons were in charge of handling social needs. The diaconate branch of the church was responsible for caring for the poor, the sick and those in need. Calvin's systematisation of church affairs included a division into minister, deacon, elder and teachers, which was followed by the Dutch churches for their organisations (Heitink, 1999).

The Reformation thus profoundly influenced the ideals of pastoral theology, and it could fairly be stated that the vision for pastoral care returned to its early Christian roots, where the democratic and corporate responsibility for pastoral guidance was at the forefront.

#### **4.4.4.5 Modern Era**

The Reformation made a powerful imprint on the re-creation of pastoral theology and practice into the modern era, and substantially parted from the development of the Catholic Church in this regard. The Reformed churches now allowed a new impulse to be introduced from the emerging natural and social sciences, and the Catholic Church remained true to the more institutionalised authority of the formalised church offices, the sacrament and liturgy as foundational in their pastoral ministry, at least up to the Second Vatican Council of 1962 – 1965 (Tidball, 1997; Bernier, 2015).

Among the evangelical revivalist authors/practitioners, John Wesley (1703 – 1791) contributed invaluable insights to the developing field of pastoral practice and theology. In his sermon *The Ministerial Office*, Wesley outlined his principles for prudent ministry. One of the main points is that the roles of preacher and pastor should be delineated. In his view, the elevated role of the priests was not compatible with the pastoral role of the minister, as this would be perceived from scriptural exegesis. The basis of the sermon refers to Hebrews 5:4, where the ministerial instruction is that “no one takes this honour on himself, but he receives it when called by God”, and the intention was that the pastors should not seek ministerial positions for the worldly glory attached, but should see themselves as embedded among the community of believers (Wesley, 2018). It was a substantial ethos in the pastoral principles of the Wesleyan Methodism that widespread participation in pastoral activity among the lay members was sought out. There was an evangelical renaissance of social engagement and spiritual care, where the format of small groups, so-called “class meetings”, were the most important forum for teaching and pastoral guidance. The core tenet in this movement was love for God and neighbours, and this neighbourly love would find many forms connected to social needs and spiritual guidance. The movement instigated homes for orphans and widows, free health stations, food supply to the poor, interest-free loans, and cottage industry employment, as well as home visits to administer prayer. In this movement, both men and women were recruited with great skill to participate in the collective shepherding of the flock, and their core qualification was the ability to exert their love and belief in God while partaking in the pastoral activities (Albin, 1995). This distinction between the ordained priests and the lay pastoral practitioners was, however, challenging to uphold, even among the Wesleyan Methodist pastors, and increasingly they sought and were extended ordinations by the Church of England (Tidball, 1997).

In the evangelical revivalist period, the focus on systematising the role of ministers was increasing, and works of this period led to the formation of the field of practical theology. Seminal in this development was Friedrich Schleiermacher (1768 – 1834), who attained a scientific method towards exegesis and theological development, and who is widely considered the creator of the categorisation of theological academics as we know it today, and who contributed widely within the fields of hermeneutics and dogmatics (Graham, 2002; Schleiermacher, 1998, 2011). In his *Brief Outline on the Study of Theology*, Schleiermacher explains his pastoral theology. His ethos was that the theological should not be separated from the pastoral, lest the ministers become mechanical purveyors of superficial Christian truths only. With this foundation, the goals of pastoral activity were to better and balance the community, and to influence its constituents through promoting theological truths in practice (Schleiermacher, 1966). Systematic teaching was to be central in the ministry, so that the homiletics would promote Christian self-awareness through the dispersion of dogmatic learning (Schleiermacher, 2011).

Schleiermacher's influence on subsequent theologians was substantial, and examples of proponents of this development can be found in the authorship of Jan Jacob van Oosterzee (1817 – 1882), who published his book on practical theology in 1877-78, where he outlined all the different tasks of the ministerial office in a comprehensive and detailed manner. Although he claimed to take a scientific vantage point on practical theology, he emphasised homiletics, in other words, the teaching/guiding aspect of the ministry office (Heitink, 1999). Another prominent example of the development of pastoral theology in this age of systematisation is Washington Gladden (1836 – 1918), who through his various sermons and published works orientated pastoral theology towards the social economic trends of the day. To Gladden, shepherding and pastoral guidance were viewed as the central tasks of the pastor, and preaching and devotion as a peripheral aspect of pastoral practice (Gladden, 1916). Although he did not espouse socialism, his idealism made him seek a societal balance of harmony and equity, and political issues such as labour rights and social equality were focus areas in his brand of pastoral theology (Dorn, 1993).

It would be clear from the above that the development of pastoral theology in the post-Reformation modern era was one of increased systematisation, and that the Reformation's recreation of the lay participation and scriptural foundations for the

ministerial office was maintained and further enforced. The pastor in this era remained one with his flock, and one who increasingly partook in the societal challenges of his flock.

#### **4.4.4.6 Twentieth Century and Onwards**

Karl Barth (1886 – 1968) contributed substantially to developing Reformed theology during his prolific authorship, and although his most prominent works were on dogmatics, he also contributed to advancing pastoral theology as relevant in the twentieth century. Barth has been widely praised as perhaps one of the most influential Protestant authors since the Reformation, and many labels have been stuck to his authorship, such as, for example, “dialectical theology” or “neo-orthodoxy”. It should be noted that his thinking went through different phases, and that he perceived theology as a freestanding realm, where responding to God’s revelation was at the core (McGrath, 2012). Barth’s theology focuses on the redeeming and reconciling works of Christ, and the central aspect is grace, where human acts of righteousness are only a reflection of the righteousness of God, and human righteousness cannot replicate or fulfil that of God. As opposed to the Lutheran dogmas, Barth saw the gospel as above the law, as the law cannot prepare for gospel, but he maintained that gospel would allow for a new perception of the law (Bloesch, 1995).

In his somewhat church-critical *The Epistle to The Romans*, Barth (1968) outlines some pastoral principles, and the fellowship and community among the followers of Christ is seen among the central tenets in the pastoral vocation, as well as the didactic method of pastoral care. Here, he points out how the letter to the Romans was given to all parts of society, as it was “addressed to men and women, to Greeks, Romans, and Jews, to masters and slaves” (p. 536), and through this communal distribution, the teaching became available to all, as a living theology. To Barth, then, a scripturally based pastoral theology founded on the communal collaborative principles of the early Christians was clearly the ideal mode of pastoral practice.

A major influence in twentieth-century pastoral theology was the inclusion of other social sciences, such as sociology and psychology, into pastoral practice (Purves, 2001). A central thinker in this school of thought was Seward Hiltner (1909 – 1984), who included concepts of psychotherapy in his brand of counselling theology, and used real-life case studies in his teaching of theological students. Hiltner’s pastoral approach was client-

centred, and his emphasis was on the whole person (Hiltner, 1969). At the core of Hiltner's pastoral theology was the shepherding of the community, including healing and guiding, and thus, the counselling aspects were to be downplayed in the pastoral tasks (Hiltner, 1949). Hiltner's pastoral theology has received criticism for overemphasising the shepherd metaphor, and for diffusing the delineation between theology and psychology (Hurding, 1995).

One such critic is Thomas Oden (1931 – 2016), who reacted against Hiltner's theology by proposing a return to a scriptural basis for pastoral theology, although he did not completely refute any claims of psychology. He accepted that psychology could be a gateway for exposing Christian truths, but that this would be the only role of psychology, and not the opposite, as could be derived from Hiltner's theology (Oden, 1978). For Oden, the core of the pastoral office is connected to shepherding the congregation, in an inclusive and embedded fashion, which could be seen as a loyal harkening back to the scripturally based collaborative mode of ministry of the early Christians (Oden, 1983).

Eduard Thurneysen (1888 – 1974), a Swiss theologian who was a personal friend of Barth, was the proponent of a pastoral theology where Scripture was at the core. Thurneysen's proposition was that the word of God was the only element to be considered in pastoral practice, and that the central tenet of pastoral activity is the conversation. The conversation, he maintained, in itself represented preaching in a wider sense, and would lead the believer from the vantage point of the word of God, and on to the discipline and sanctification of the individual. It would be fair to state that Thurneysen further bolstered the biblical basis of pastoral theology, but his critics maintain that his demotion of adjacent sciences was too strict, and that not allowing a broader view of the individual than the strictly theological was too limiting (Atkinson, 1995; Thurneysen, 2010).

Jay Adams (1929 – ) is a theologian who moves even further away from accepting extra-scriptural inclusions in pastoral practice; his brand of pastoral counselling rejects all forms of psychotherapy, and his introduction of the nouthetic counselling paradigm comprises a total repudiation of Freudian theory. All that Adams deems necessary for forming behavioural attitudes, values and belief systems, appears in the special revelation found in Scripture. The foundational aspects of Adams' theology are found in the Old Testament, from where he draws on the didactic methodology of admonition,

warnings and advice (Adams, 1986). The anti-Freudian stance of Adams is criticised not only for its dismissal of adjacent counselling fields, but also for its apparent neglect of the aspects of comfort and encouragement, which typically is connected to New Testament theology (Hurding, 1995).

It is evident, then, that during the twentieth century the field of pastoral theology has been under pressure from secular influences, in particular within the realm of pastoral counselling. With the wide plethora of tools on offer in contemporary pastoral practice, it will be of interest to elaborate how this would extrapolate to a prudent pastoral theological practice under the Reformed paradigm, both for the setting of the individual counselling practice, as well as in the wider role of shepherding the community of believers.

#### **4.4.5 Contemporary Practical Model**

With the historical background as described above, the question arises: what is the reigning Reformed pastoral theological model of today? It is clear that the development, in particular post-Reformation, has moved in a direction away from the elevated and distant clergy of the medieval era, where the ordination was at the core, where the pastor was among the few, and the flock left to be informed at the will of the elevated minister. With the discourse of the twentieth century, the traditional pastoral theology was challenged by secular impulses, and the answer was typically one of seeking the other extreme, as the anti-psychiatry stance of Adams shows. It will be of interest to examine a few contemporary authors to elucidate how they interpret and synthesise twentieth-century discourse.

Before venturing onto the contemporary authors, it will be of interest to investigate further the thinking of Oden, who was a moderating twentieth-century voice, as his theology seems aligned with Barth and Calvin, in that his focus was on the communal shepherding of the believers, and also, that he was not closed-in to an extreme biblicist exegetical praxis (Tidball, 1997).

To Oden, the core of pastoral theology was found in Scripture, and the leadership and guidance task was in his view best represented in the shepherding metaphor. He elaborates on this metaphor, finding a basis in John 10:1-18, and questions whether the shepherd is a figure that may be understood by modern humans. His conclusion here is

clear, as he describes how it would be an underestimation of people to distrust their understanding of this pivotal analogy. On the contrary, he explains how the intimacy in the relationship of the shepherd and his flock clearly mimics that of the prudent pastoral office, and how the pastor is to guide the constituents onto a safe life path, just like the shepherd when he leads his flock onto fresh pastures. He further explains how the shepherd/pastor has authority, but that this is an authority that is drawn from the service of leadership. In other words, the pastor's leadership is seen as a service to the constituents, in Christ (Oden, 1983).

The image of leadership as service is a core element of Reformed pastoral theology, and Osmer (2008), for example, supports this perception, describing the pastoral office as servant leadership. Another central aspect of the modern Reformed pastoral ethos is community and collaboration. Based on scriptural sources such as 1 Corinthians 11:5 and 1 Timothy 3:11, it is evident that among the early Christians, ministry was a communal task, unlike the elevated Old Testament priesthood, and as demonstrated above, this mode of communality was continued with strength by the Reformation (Bucer, 2009; Heitink, 1999). The place of laity and both genders has been a core concern of Reformed pastoral expression, although not all Reformed churches have allowed women the gift of ordination. However, the development has increasingly moved toward ordination of women in Reformed churches, and already Oden (1983) supported the place of all in ministry, irrespective of gender, so that women should be ordained (p. 46). However, the ordination of women is still controversial in certain conservative Protestant circles, and the Dutch Reformed Church in 2017 was suspended from its membership in the International Conference of Reformed Churches because it opened up all church offices for women (ICRC, 2017). It is difficult to accept this conservative stance as representing responsible scriptural exegesis, as it appears in several scriptural locations (e.g. 1 Cor. 11:5 and 1 Tim. 3:11) that both genders took part in the early Christian ministries, and leading contemporary Reformed writers like Vorster (2017b) see such gender-excluding interpretations as nonviable (p. 11).

Among modern Reformed pastoral thinkers, Heitink (1999) attains a functional perspective on the pastoral vocation under the practical theology umbrella, and outlines how ministry could be viewed according to its practical societal location, rather than against secular impulses. In fact, according to him, it is the context of ministry, rather than dogmatic anchoring, which forms the basis for analysing pastoral theology and its

practical uses. Heitink consequently sees Christian life and Christian logic as the two cornerstones of theology. In this framework, Heitink includes elements such as the traditional pastoral shepherding, learning, celebration, Scripture, ethics, psychological theology, aesthetical theology and comparative theology, to mention but a few (Heitink, 1999). Such a holistic perspective of the pastoral task is also expressed by Whipp (2013), who underscores the contextual and provisional nature of the pastoral vocation, to be aligned with the needs of believers in their life stages and situations. Within this broad attitude, topics such as use of language and power perceptions are included in the consideration made in ministry, and terms such as theological anthropology are used as auxiliary to those of the traditional shepherding nomenclature (Whipp, 2013).

## **4.5 ESPOUSED PASTORAL-ETHICAL MODEL**

### **4.5.1 Introduction**

After perusing the above philosophies and moral models that may elucidate banking practice from a pastoral and theological-ethical perspective, it becomes of paramount importance how these different impulses may be expressed in acceptable pastoral-ethical terms that may be defensible under the Reformed paradigm. In this section, I will elaborate the pastoral-ethical model that I will use when engaging in the pastoral argument, and which will be the basis for the interpretations and elaborations throughout this dissertation, both connected to Scripture and practical life.

### **4.5.2 Inclusive and Constructive Model**

From the above elaboration in this chapter, it has appeared that a valid pastoral theology and practice within the Reformed paradigm will need to be rooted firmly in Scripture, to be collaborative and inclusive, to include both formal clergy and lay members of both genders, and will need to be didactic and helpful in guiding believers in all areas of their lives. Such a practice will be firmly guided by the scriptural shepherding metaphor, and will be well aligned with the constructive ethical theology of Vorster (2007, 2017a), where the concept of stewardship (John 13:12-17) is at the core, and which clearly mirrors the leadership call that is placed on the pastoral vocation. Such constructive leadership will need to pay heed to the central Christian motif of love, which is expressed in numerous scriptural passages, and that would place the pastoral activity in direct connection to key biblical events and theological principles, as we learn

from 1 John 4:19 that “we love because he first loved us.” From such an image, it may be concluded that individual and social inclusion in a constructive societal frame will be at the core of any viable Reformed Christian-ethical and pastoral praxis model. As the ethical stewardship principles outlined above are unbreakably connected to the pastoral love principle of Scripture, and as both sets of norms are immersed in scriptural soteriology, I would propose that ethical (moral) action is essentially pastoral action, because it has to do with promoting the good for the benefit of all people.

#### **4.5.3 Praxis and Context Oriented**

Although the scriptural foundations from both Testaments always will be at the core, it will not be acceptable to close off other adjacent bodies of knowledge, secular or ecclesiastical, as this could be contrary to fulfilling the pastoral leadership task that at all times must be respected. An example here could be found in contemporary management theory, which typically is inclusive and collaborative, just like the pastoral vocation in the early Christian biblical tradition (Raelin, 2003; 2010). It would be reasonable to expect that, for Christians, partaking in banking could sometimes be experienced with some unease, as the outside world may perceive their professional activities with some suspicion, as they may be seen to “serve both God and money” (Matt. 6:24). Despite some scripturally based eschatological impulses (e.g., Rev. 21), a constructive pastoral approach will be of practical importance, as the focus will remain on the soteriological, such as the redemptive qualities found in the serving ethos (e.g., Luke 22:27), and the constructive message of the Creation narrative and the human task-oriented place in the world (e.g., Gen. 1:28; 2:15). For bankers, as for any other business people, such a Christian-ethical and pastoral model may be suitable and give meaning to their profession of choice and everyday work life (Higginson, 1994).

When applying scripturally based Christian-ethical and pastoral principles, it will be of importance to utilise a context focus, as although the scriptural norms are universal, their application may not be clear from a literal reading of biblical passages, not least when viewing them in light of modern-day banking practices. Clearly, as Scripture was authored nearly two millennia ago, many of the moral dilemmas that appear in our modern everyday work life may be connected to a set of real-life circumstances not known to the scriptural authors. The interpretative task then becomes to extrapolate these universal norms onto the banking practice of contemporary society.

In this dissertation, such a holistic, inclusive, constructive and practical version of pastoral theology will be used, where the performance of good deeds in appropriate contexts and the development of a praxis of promoting the good to the benefit of all people is at the core. I expect this to be well suited to elucidate and inform the development of Christian banking in a Christian-ethical and pastoral perspective under the Reformed paradigm.

#### **4.6 SUMMARY**

The above presentation of different strands of thought of philosophy, ethics and pastoral theology will serve as background on a conceptual level when later in this dissertation I explain the different aspects of banking and financing in a Christian-ethical and pastoral context and connect this to scriptural sources. It will be of importance to appreciate these basic historical and conceptual aspects of philosophy, ethics and pastoral theology in order to appreciate how these can be useful when assessing banking and financing in a Christian-ethical and pastoral manner. Through the understanding of how these philosophical and theological impulses may influence banking and financing, it should be possible further to illuminate how such social technology may be structured in a societally beneficial manner. From the above findings, the following can be summarised:

- The idea of economic freedom and liberalism emanated during the eighteenth-century Enlightenment era, and by the twenty-first century the occidental world had largely united around liberal ideas.
- For most of the medieval era, the church's stance was that charging of interest was considered usury, and should be deemed unlawful.
- With the Reformation came a more accepting view on interest, but usury was nonetheless deemed unacceptable banking practice.
- Karl Marx inspired what perhaps is the strongest agent of societal control on economic life, hereunder banking, influencing modern societal and economic development in the modern era.

- The theories of John Maynard Keynes represented a compromise between the free market ideologies of unchecked capitalism and the command and control aspects of socialism.
- After the market crash of 2007/2008 influential political voices in the West are yet again calling for increased market regulations.
- Medieval Muslim theologians and jurists rendered substantial scholarly and philosophical contributions to the field of economic academia, which became influential also among Western thinkers.
- Islamic banking re-emerged in the second half of the twentieth century, and has become a growing banking practice based on religious beliefs and deontological ethics, comprising operationalised Sharia boards and educational systems.
- Islamic banking institutions managed more than USD 2.2 trillion in 2016, a figure that is expected to reach USD 3-4 trillion by 2020.
- Since the 1970s non-uniform ideas on microfinancing and impact investment have emerged, alongside the development of modern stakeholder theory and so-called corporate social responsibility (CSR).
- Only sparse attempts at applying Christian ethics to banking have been made.
- The Reoriented Investment Protocol (RIP) aims to incite investors to act in a constructive ethical manner, where core scriptural principles are adhered to, and the RIP framework can be seen as a seminal step in developing financial products that are compliant with Christian-ethical and pastoral values.
- A completely free market within banking has never occurred in the West, as the governments and/or Church have weighed in to exert power over the markets, and to eradicate the worst excesses of the free market.
- Ethical guidance acceptable under the Reformed paradigm may be retrieved from Scripture as illuminated by general and special revelation.

- The attitude of global constructive participation in a banking context, adhering to scriptural principles of love, stewardship, self-denial and obedience to God, will contribute substantial insights that will foster the development of Christian banking.
- The Old Testament reveals norms and instructions on how to dispense pastoral care and guidance based on the ministry of God, Moses and other leaders, and the family.
- The New Testament is a premier source for pastoral learning, as Christ himself would be considered the premier pastor, and following his lead and example will be crucial to understanding the dynamics of pastoral leadership.
- The pastoral ministry of the early Christians and their first church structures was developed as a communal task among the constituents, which included both genders.
- With Augustine the acceptance of the communal pastoral ministry came to an end, and ministry became a task for the few who had been formally ordained by the church authority.
- Gregory's pastoral ethos was normative for the church's ministerial offices in the medieval era.
- Substantial technological advances were made under medieval church rule within the realms of banking, agriculture, horticulture and engineering, and the medieval church upheld a functioning legal system, a certain level of education and literacy, as well as creating demand for a wide array of services, arts and crafts.
- With the Reformation, the vision for pastoral care returned to its early Christian roots, where the democratic and corporate responsibility of pastoral guidance was at the forefront.
- In the post-Reformation modern era the lay participation and scriptural foundations for the ministerial office were maintained and further enforced.
- Barth founded a pastoral theology based on Scripture and the communal collaborative principles of the early Christians as the ideal mode of pastoral practice.

- During the twentieth century, the field of pastoral theology has been under pressure from secular influences, in particular within the realm of pastoral counselling.
- Pastoral theology and practice within the Reformed paradigm will need to be firmly rooted in Scripture, be collaborative and inclusive, include both formal clergy and lay members of both genders, and will need to be didactic and helpful in guiding believers in all areas of their lives.
- Ethical (moral) action is essentially pastoral action because it has to do with the promotion of the good for the benefit of people.

## CHAPTER 5

### APPLICABLE BIBLICAL PASTORAL-ETHICAL NORMS

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#### 5.1 INTRODUCTION

In this chapter I will explore the scriptural basis for Christian-ethical and pastoral norms, deemed directly relevant to the context of this dissertation, as these may relate to banking and financing as practised in the Western societies today, and I expect these to demonstrate useful bases for the subsequent chapters, where practical considerations and morality will be investigated. The goal here is to elucidate the biblical sources sufficiently, to clarify possible alignment with extant and recommended banking practices, and to evaluate their pastoral and ethical qualities. The chapter will be divided in accordance with fields of interest that traditionally attract focus among people touched by banking and financing, which in practical terms, will be just about everyone in the Western world. I will divide the section according to conventional topics of interest typically discussed within Christian and secular spheres, and will expect this elaboration to yield useful insights on pastoral-theological and ethical positions under the Reformed paradigm, leading to useful scripturally-based policies pertaining to banking and financing. Here I will not investigate in detail pre-Reformation and purely historical sources, as they are not deemed to shed particularly interesting light on the context of this dissertation.

In the former chapter I discussed in some depth the scriptural foundations of general Christian-ethical and pastoral norms, but here I will focus on the specific Christian-ethical and pastoral truths to be extrapolated from Scripture, as far as I deem them to be of direct and specific interest to the banking practices of contemporary Western society, according to the constructive and context-focused Christian-ethical and pastoral model as escribed in Chapter 4. This will involve interpretations under the wider shepherding philosophy of Oden (1983) and the well-fitting adjacent constructive ethical paradigm based on societal stewardship, self-denial and obedience to God as demonstrated by Vorster (2007, 2017b). Such a flexible, context-driven and broad approach will be assumed to be well fitted to ascertain the moral basis of a Western, if not global, banking industry that is in constant development and change (Chia, 1995).

The attainment of such a scripturally founded, Christ-imitating mentality will facilitate the alignment of banking practices with biblical Christian-ethical and pastoral principles, and banking practitioners will be given a scriptural foundation of constructive stewardship to guide their current and future professional activities. Thus, the topics I have elected to highlight in the following are chosen with this perspective in mind, and are believed to be of interest for the practical banking professional and especially for the Christian reader (Birch and Rasmussen, 1989). I do, however, realise that selecting topics and motifs from the vast source that is the Bible will be subject to choices, as to balance breadth against width within the confines of this dissertation will be a trying task. However, I have chosen topics thought to be of general utility for a wide tract of banking and financing operations in the Western realm, and realise that my choices may leave me open to criticism.

My elected topics will be guiding my use of scriptural sources, as I will have, as my locus of main interest, sources that align with the constructive ethical paradigm described above, and that I will interpret according to acceptable interpretative principles guiding the Reformed paradigm as outlined in the previous chapters. I will start with the scriptural positions on the morality of lending in general terms.

## **5.2 MONEYLENDING**

### **5.2.1 Context**

When addressing matters pertaining to moneylending from a Christian-ethical and pastoral vantage point, it may be too comfortable just to take the concept of lending and borrowing as given and to assume that it is a wholly acceptable social construction. In the Western economic systems, the use of capital belonging to others by way of guarantees, borrowing, interest et cetera could easily lead to the conclusion that moneylending, with or without charging interest, is an acceptable mainstay in the socio-economic makeup of the Western societies. In this light, I will find it prudent to start out by elaborating whether the concepts of lending and borrowing are at all morally acceptable activities, as seen from the sides of both the borrower and lender, and this will be the starting point when searching out scriptural sources pertaining to moneylending and Christian-ethical and pastoral positions taken in Scripture.

## 5.2.2 Lending or Giving – to the Needy Only?

The matter of lending is touched upon in the Old Testament, and as we find stipulations pertaining to lending already in the Pentateuchal books, it may be inferred that the matter is of substantial importance in Scripture, as these early biblical books pertain to binding laws given directly by God to his people. For example, from Exodus 22:25 we understand that the Israelites could “lend money to one of my people among you who is needy”, and in Deuteronomy 15:8-7 we learn that God’s people should “not be hard-hearted or tight-fisted” toward the poor and needy. Rather, they should be “open-handed and freely lend them whatever they need.” These quotes are clearly seen from the aspect of the lender, and there is also a hint of charity involved, as the focus is on the need of the borrower. It should further be inferred from the quotes that the lending described is to the fellow Israelites, and this could be a reflection of the tribal society that the Israelites lived in, rather than being a statement of a moral imperative leading to the prohibition of helping other groups of needy by way of lending (Buckley, 1998). However, in the New Testament, where the teaching becomes more universal, the message is repeated, for example in Matthew 5: 42, where we are instructed to “give to the one who asks you, and do not turn away from the one who wants to borrow from you.”

From the above quotes it would appear that the act of lending in itself could be seen as an acceptable action, both from a Christian-ethical and pastoral point of view. This conclusion may not be as obvious as it may superficially seem, as it would be prudent to ask whether the lender should not merely give away from his surplus what is needed by the borrower. This, however, does not seem to be founded in the scriptural sources mentioned, and on the contrary, the act of lending in itself is seen as an act of charity when extended to the poor and needy. This would not least appear from Proverbs 19:17, “Whoever is kind to the poor lends to the Lord, and he will reward them for what they have done.” To lend, then, will be morally acceptable, and if to the poor and needy, it will be an act of shepherding societal constituents, leading them onto a path of needs satisfaction. However, a question about lending remains: is it only acceptable to lend to the needy, or may it as well be acceptable to lend to those not needing to borrow, but who want to borrow?

On lending to those not in need, we learn from Exodus 22:25 that to “lend money” may be considered “a business deal” and then the concept of interest is introduced as

acceptable. From the New Testament, we learn in Luke 6:35 how Jesus advised that even when dealing with our “enemies” we should “lend to them without expecting to get anything back.” It would appear from these quotes that the lender is not obligated to lend only to those in need, but can also lend to those not in need, and even to his own enemies. Whether or not the enemies may be in need does not appear from the context of the scriptural passage, but a reasonable interpretation would be that at least we cannot know whether our enemies are in any need, as we cannot be expected to know them as well as we know our own people. On this basis it could be concluded that the act of lending also to those not in need could be considered an acceptable act, both ethically as well as in a pastoral perspective.

### **5.2.3 Borrowing – a Moral Act?**

Although it has now been demonstrated that to lend money is an acceptable Christian-ethical and pastoral activity, this does not answer the question whether it is considered equally acceptable to receive a loan, and thus, to be the borrower in the transaction. Connected to this question, it may be asked whether it matters if the borrower is in need, how this need is brought about, or if it is acceptable to borrow even when not in need.

The above quoted scriptural passages concerning lending instil a sense in the reader that being in need is often the situation of the borrower, although the business loan is also described. To this, it should be mentioned that, among the Old Testament Hebrews living in a basic agrarian society, the typical social situation for borrowing would be when in need, and frequently the loan would be given by relatives and other near-standing lenders (Buckley, 1998). As has already been demonstrated, Scripture recognises the concept of lending when not in need (e.g. Exod., 22:24; Luke, 6:35), and, as there are clear warnings in Scripture about accepting loans, it would be reasonable to infer that receiving a loan is not completely unambiguous in a moral perspective. Examples of this may be found in Proverbs 22:7, where we learn that “the borrower is slave to the lender”, and in Habakkuk 2:7, where it is asked, “Will not your creditors suddenly arise?” and if so, “then you will become their prey.” These warnings are also represented in the New Testament, where in Romans 13:8 it is in a universal manner stated, “Let no debt remain outstanding, except the continuing debt to love one another.” To guarantee the borrowing obligations of others is in Scripture likened with borrowing for oneself, and in Proverbs 22:26 we are warned not to “be one who shakes

hands in pledge or puts up security for debts”, for if we do, the consequences may be dire (v. 27), and conversely, “whoever refuses to shake hands in pledge is safe” (Prov. 11:15). From the foregoing, it could be understood that to take on debt is not something to be done lightly, and, that borrowing carries a heavy burden on the borrower for repayment.

The repayment aspect is central when borrowing is described in Scripture; for example, in Psalm 37:21 we learn that “the wicked borrow and do not repay,” and in Psalm 15:4 we are instructed to be the one “who keeps an oath even when it hurts”. Similarly, if a guarantee has been given to a neighbour and he has not made good on his debt obligation, we learn in Proverbs 6:3 that the guarantor should “go—to the point of exhaustion and give your neighbour no rest!” The morally ambiguous quality of making others guarantee on their own behalf is described in Proverbs 6:2, where the guarantor is depicted as having “been trapped” and “ensnared” by the words of the guarantor to give his pledge. Clearly then, according to Scripture, to enter into debt and not intend to repay is considered immoral, and to make sure that this obligation is understood would be a task of shepherding the morally weak. From this it may be inferred that, according to scriptural sources, to enter into debt with the intention to repay can be seen as acceptable from a moral standpoint as an overriding norm, but to induce others to guarantee for the debt of others may be considered immoral. This does not, however, mean that any form of borrowing is acceptable, and a prudent question may be asked whether borrowing for highly speculative ventures may represent a form of greed or covetousness (Luke 12:15; Prov. 11:6), which in itself renders such borrowing, and indeed, such lending, an unsound practice from a Christian-ethical and pastoral perspective (Chewning, 1995).

#### **5.2.4 Duration and Security**

Although the scriptural sources referred to above support the legitimacy of moneylending and borrowing as principally acceptable societal institutions, it is not given that any format of lending and attendant conditions may be deemed acceptable as seen from a Christian-ethical and pastoral perspective. For example, when does lending become so long-term that it in reality represents rent, or economic serfdom, and when does the transaction become so risk-laden that it could represent economic ruin for the borrower if something fails? These questions are relevant to Western countries, when it is necessary to borrow as part of housing needs, by way of mortgages, when

entering into more frivolous consumer lending, but even more so when considering how Western lenders could send developing countries into lasting economic bondage through lending, especially if the borrowing country has poor national governance (Easterly, 2002; Collier, 2008).

The matter of duration on loans is mentioned in several biblical passages, and a natural starting point is Deuteronomy 15:1, where it is stated that “at the end of every seven years you must cancel debts”, and this is followed up later in 31:10, where Moses specifies that this is to be done “during the Festival of Tabernacles”. That the time of debt cancelling was set to a festive occasion was not coincidental, as becoming free of debt was seen as an occasion for celebrating the return to freedom for the individual and families. The ethos of limiting debt duration was introduced to protect the assumed weaker position of the borrower against the lender, and represents the cognition that the perceived stronger lender was to care for the best interest also of the borrower. This practice entails a strong pastoral dimension, as it infers the task to take care of the needy and the vulnerable. The set maximum duration of loans would put the onus on the lender to consider how heavy a debt burden the borrower could carry, and if tempted to overload the borrower, this would be at the cost of the lender (Chewning, 1995). The ethos of the strong looking after the weak permeates the biblical pastoral ethos. For example, in Proverbs 29:7 we are told that “the righteous care about justice for the poor, but the wicked have no such concern”, and in Matthew 5:42 we are instructed to “give to the one who asks you, and do not turn away from the one who wants to borrow from you.”

Another expression of the protection of the assumed weaker position of the borrower against the lender is found in the biblical systematic of the jubilee year, again allowing the borrower and lender to set their economic relationships back to a new starting point. The jubilee year and its different provisions are stipulated in Leviticus 25:8-55, where it is stated that the year of the jubilee is set at the end of seven seven-year cycles, the fiftieth year, on the Day of Atonement (25:9). The purpose of this debt-cancelling social institution was not only to clear individual debts, but more so to reinforce the family units and safeguard their integrity. If the individuals were to be left under debt bondage, the families would be broken up, with dire societal consequences. It is not known whether the jubilee year was effectuated in practice, and if so, with what force, as there is no other narrative evidence of its practical application (Wright, 1995). However the jubilee

year was practically used in Old Testament Israel, it is clearly presented as a biblical ideal whether considered utopian or not, and similar institutions of debt cancellation and slavery release are known in Mesopotamian Akkadian (2400 – 2200 BC) and Old Babylonian (1900 – 1600 BC) sources; these were in fact really practised (Gnuse, 1985).

The cognition that the lender is considered the more powerful in the lender/borrower relationship, and that the pastoral responsibility of consideration is on the lender, is represented also in other biblical passages. For example, when considering what may be taken as security or collateral for loans, we find in Deuteronomy 24:6, “Do not take a pair of millstones—not even the upper one—as security for a debt, because that would be taking a person’s livelihood as security.” From this quote, we again understand how the borrower is perceived to be in a weak position, and that the lender is to exert pastoral shepherding of the weaker, by not introducing added risk to the economic stability of the borrower. Similar instructions are found in Exodus 22:26-27, “If you take your neighbour’s cloak as a pledge, return it by sunset, because that cloak is the only covering your neighbor has.” These instructions do not entail that pledges may not be taken by lenders, as they are expressly allowed in Proverbs 20:16 and 27:13, albeit seen as morally ambiguous and perhaps not exactable in Ezekiel 18:16. The referred passages pertaining to collateral may seem antiquated to a modern reader, and as there could be no doubt that Scripture allows the taking of collateral for debts, the obligation on the lender is to shepherd and care also for the borrower, and exert societal stewardship in this regard, also in a modern-day interpretation of Scripture on this point (VanDrunen, 2015).

When viewing the above scriptural passages on loan duration and collateral, it becomes evident that Scripture remains ambiguous on the construction of loans, and that the onus is on the lender to care for the interest of the borrower, and not to set the latter in a bondage-like economic situation, as such may be considered detrimental for family and societal values. The fact that a loan must have a duration where it is likely that it can be paid back is of central importance, and this has been given such a weight in Scripture, that in the Old Testament era, if not paid back in seven years, the loan would be cancelled with no recourse against the borrower (Deut. 15:1). Further, we have seen, from the above quotes related to collateral and security, that loans should not even be given durations where they may be paid back, but even within this limited duration the

loan should not be threatening the economic wellbeing of the lender (Deut. 24:6). Summing up this section with relevance beyond the Old Testament era, it has appeared that when giving loans the lender should ensure that loans are not given with too strenuous conditions while they run, and that the durations must be such that the borrower will be able to pay back the loan in full within a reasonable time.

### **5.3 CHARGING OF INTEREST**

It has been demonstrated above that the scriptural position on moneylending is one of general acceptance, if due considerations are given to the Christian-ethical and pastoral caveats described, but there is still a question whether charging of interest is acceptable to appear among terms to a loan, and if so, what level may be charged. In Chapter 4 above I outlined some historical developments on the charging of interest, but in this section I will concentrate on how Scripture reveals the Reformed Christian position on interest charging and what would constitute immoral usury, using biblical passages and directly attributable literary sources when suitable.

Before venturing into this further elaboration, it would be prudent to define a little more accurately the terms “interest” and “usury”. In today’s economic society, interest could typically be defined as in Chapter 1, “the act of charging for the privilege of borrowing money or receiving credit, typically expressed as annual or monthly percentage rate.” The term “usury” would today typically be seen as a situation in which an interest rate is so high as to be considered exploitative. In Merriam-Webster’s online dictionary, we find usury defined in current use as “the lending of money with an interest charge for its use; especially the lending of money at exorbitant interest rates” (Merriam-Webster, n.d.). As elaborated in Chapter 4 above, in the Christian pre-Reformation era “usury” was used synonymously with “interest”, as the theological position then was that all charging of interest was considered exploitative and immoral. In this dissertation, usury will be defined as “the lending of money at exorbitant interest rates”. Whether usury is to be considered immoral is a separate question, and here, “usury” is merely defined in contrast to the adjacent term “interest”.

The Old Testament starting point on charging interest is that interest is considered immoral when charged on loans to fellow countrymen in need (Exod. 22:25; Lev. 25:35-35; Deut. 23:19). The background hereto could be found in the perception that those not in need, who were able to lend to their neighbours in need, had themselves been

graced by God in their needs satisfaction, and were obligated to pass this benefit onto their neighbours. Not doing so, by charging interest, would be considered usury, no matter what level of interest was charged. The viewpoint, then, was that charging interest would further the plight of the needy borrower (Chewning, 1995). This initial position was already modified in Old Testament passages when the loan was connected to business, as appears in Exodus 22:25, where it is antithetically stated that when a loan is not “a business deal” one should “charge no interest”. In other words, when entering into business-oriented loans, the charging of interest in itself is not to be considered immoral usury. This point is further underscored in Deuteronomy 23:20, where it is clearly stated that “you may charge a foreigner interest”, which would indicate a typical business situation, when personal and family aspects are removed from the transaction, and the loan becomes part of making added profit, and not for alleviating the plight of the borrower.

In addition to the aspect of interest on business loans as a way of sharing financial “upsides” among the parties, foundational roots of the permission to charge interest in this type of transaction may be found in the general principle of *Lex talionis*, which was found in the Sumerian laws, the code of Hammurabi, and which was a standard template for settling compensation claims in the Old Testament era in the Near Eastern region (Kim, 2009). According to this principle, when a loss was incurred, the guilty party was to compensate the damaged party in kind, and at least with the same value; in other words, it was a form of equity principle. In the Old Testament we find traces of *Lex talionis* in Leviticus 24:19-20, where we learn that “anyone who injures their neighbour is to be injured in the same manner: fracture for fracture, eye for eye, tooth for tooth.” As one could imagine, the Israelites could not ban foreigners from lending to the Israelites with interest charged, and the *Lex talionis* principle would then lead them to charge similar fees to foreigners (or in business), when the situation was reversed (Buckley, 1998). Allowing interest, then, could be seen as a reciprocal fairness when in business, as would the non-charging be when among family and outside the realm of business. The *Lex talionis* would work in both situations, and equity would thus prevail.

Although the Old Testament passages reveal insights directly pertaining to the morality and pastoral aspects of interest on loans, the New Testament is less expressly informative on the matter. However, we do learn from several passages that money and lending was not pastorally or ethically neutral, but, as the New Testament was written in

the Roman era, society had become increasingly complex, and the Roman affinity for business and commerce was apparent. A striking difference from the Old Testament teaching, which typically relates to those who *need* to borrow, is that in the New Testament we find references to those who merely *want* to borrow. This is described in Matthew 5:42, where Jesus instructs people not to “turn away from the one who wants to borrow”. In contrast to Exodus 22:25, for example, where the potential borrower is described as “needy”, the Matthew text refers to the ones who “want” to borrow. Further, when reading Luke 6:34-35 it becomes evident that New Testament teachings on lending attain a universal perspective, where we are instructed to lend even to our enemies, something that could be seen to mean, in plain terms, “to anyone”. For if we can lend to our enemies, surely we can lend to anyone. With this universal perspective in an economically complex Roman society, and with a myriad of different nationalities involved and several currencies in use, the New Testament reveals further insights on how money lending and banking is perceived. It could superficially be tempting to read into the parallel narratives found in Matthew 21:12 and Mark 11:15, where we learn of how Jesus cleared the temple of the moneychangers, and to conclude that dealing with money in a banking manner should be seen as either outright immoral or at least highly morally dubious. Such an interpretation would, however, be taken out of context, as it is clear from the connected passages, both in Matthew and Mark, that Jesus’ aim was to chastise those who had corrupted the temple by turning it away from its religious foundation; he explains in Matthew 21:13 and Mark 11:17, “My house will be called a house of prayer” (Dale, 2007).

Central New Testament passages specifically pertaining to banking are to be found in the two parallel parables of Matthew 25:14-30 and Luke 19:11-27. In these parables we learn of a wealthy man, who, when setting out on a journey, entrusted his three servants with amounts of money (in Matthew, different amounts) which they were to take care of while the master was away. Upon the return of the master, the servants had managed their entrusted funds differently, and in both stories, two of the servants had invested it and made a profit, while the third had not invested the money, but had kept it as it was given, and subsequently returned to the traveling master the exact amount he had been given. In both parables the two investing servants are praised by their master, and the third non-investing is chastised for being passive with the funds. In both versions of the parable, the master states similarly to the derided servant that “you should have put my money on deposit with the bankers, so that when I returned I would have received it

back with interest” (Matt. 25:27). The parables are laden with soteriological semiotics pertaining to Christ’s earthly departure, the journey as the era of the church, the return as the return of the Son of Man, the reward to the good servants as reward for faithfulness in belief, and the chastisement of the passive servant as an eschatological vision of the consequences of sins of omission (Dale, 2007). The references to Christ’s ascension and *parousia* may not be as clear in Luke’s version as in Matthew’s, for in Luke there is a subplot that pertains to claiming a kingdom, which may be inspired by fourth-century Roman real-life events (Franklin, 2007). However the parable may be understood in an allegorical fashion, there is no doubt that the mentioning of earning interest as not only acceptable, but even outright commendable, may not be disregarded. It would be a hard-won interpretation that such central New Testament topics as the ascension and return of Christ could in any way be connected to allegorical semiotics of a negatively laden character, even with the least chance of connecting the narrative to Christ. In the universalistic New Testament theology set in an economically complex Roman society, to interpret that charging interest is deemed acceptable would be a natural exegetical result. To conclude the opposite, as was done during the medieval era up until the Reformation, would seem forced and unnatural.

Coming out of the medieval era, the church was stuck in its somewhat stale economic worldview, where Catholic teaching was shaped to interact with a stagnant society, based on ethics of material distribution rather than engaging with problematics concerning the production of goods and services. The church’s cognition on money matters was stuck in premodern patterns, and was fastened in a fascination with the community and hierarchy of the then feudal Europe, to such a degree that the starker sides of feudalism were largely overlooked (Novak, 1990). As described in Chapter 4, the medieval church doctrine had been that any charging of interest on loans was immoral exploitation, and as such was considered usury, as the term is used in this dissertation. In other words, any interest charged was too much.

Among the topics discussed among the early thinkers of the Reformation, was the charging of interest, and whether this should be allowed despite the medieval church’s theological position. In the early stages of the Reformation, Martin Luther supported the medieval church’s stance on interest, considering any charging of it immoral usury, and he maintained this stance no matter what economic circumstance without exceptions (Luther, 1824). Calvin, on the other hand, contributed to the relaxation of the Reformed

view on interest, as he encouraged it when used in business loans, something that would take hold in Reformed doctrine, and gradually, the distinction between commercial and private loans was removed, so that now interest has become the expected and perceived moral practice, and free market ideology has become the mainstay economic ideology among Reformed Christians (Cramp, 1995; Chewing, 1995). Since Calvin has been considered to be foundational for developing Protestant views on work, thrift and capitalism (for example, by Max Weber, 1864 –1920), it would be of interest to look a little closer here on how Calvin expressed his views on the charging of interest (Weber, 2012).

In his *Harmony of the Law*, when discussing the morality of interest, Calvin (2017) refers to the scriptural equity principle as expressed in Matthew 7:12, “So in everything, do to others what you would have them do to you”. He then goes on to outline:

Whosoever has any ready money, and is about to lend it, he will allege that it would be profitable to himself if he were to purchase something with it, and that at every moment opportunities of gain are presenting themselves. Thus there will be always ground for his seeking compensation, since no creditor could ever lend money without loss to himself (p. 159).

The above quote clearly refers to the practice among business people, and even so, Calvin urges the terms to be equitable:

Hence it follows that usury is not now unlawful, except in so far as it contravenes equity and brotherly union. Let each one, then, place himself before God’s judgment-seat, and not do to his neighbour what he would not have done to himself, from whence a sure and infallible decision may be come to (p. 161).

In a letter to one of his friends, *De Usuris Responsum*, Calvin sums up his position on usury, and defends his position in the following terms:

It could be wished that all usury and the name itself were first banished from the earth. But as this cannot be accomplished it should be seen what can be done for the public good... Therefore usury is not wholly forbidden among us unless it be repugnant both to Justice and to Charity (Calvin, 1545).

It would be fair to infer from the above quotes that even though Calvin saw charging of interest as a practical necessity in his contemporary societal setting, he did not embrace the concept of interest with great warmth. To him, the idea of equity was at the core when entering loan agreements, and not least, each lender would have to realise how he would be answerable towards God if transgressing (Wykes, 2003).

Calvin's scriptural interpretations on usury and interest have stood the test of time in Reformed theological circles, and the position under this paradigm is that, in principle, charging interest is considered wholly acceptable and moral in any loan agreement (Cramp, 1995).

#### **5.4 RISK AND STABILITY**

When exploring the moral qualities of banking, the adjacent fields of risk and societal and individual economic stability are central in arriving at conclusions relevant to this dissertation. From history, we know of numerous examples of banking failures that have led to widespread societal, social and individual disruptions of economic stability and safety. In some cases, for example, after the great crash of 1929, with its subsequent long-lasting economic depression in the West, such economic instability may also have been foundational causes leading up to large scale unrest and warfare (Galbraith, 2009). After the latest market collapse in 2008 there has been increasing political and social instability in the Western countries, but as well, uprisings and warfare in non-Western countries may well have been direct results of the societal unease that has followed in the path of the market disruption (Krugman, 2000; Varoufakis, 2016). On this background, there could be no doubt that banking and financing play a pivotal role in maintaining societal economic stability, and when disruptions occur they may lead to societal tensions, representing grave threats to all areas of human lives. To investigate scriptural positions on the morality and pastoral quality of safeguarding stability and acceptable levels of financial risk-taking, would then be of interest to the topics covered by this dissertation.

That material wealth is a good to be enjoyed by humans is represented in Scripture in several passages, for example in Deuteronomy 8:18, where we learn that material goods are a gift from God, "for it is he who gives you the ability to produce wealth, and so confirms his covenant". The principle that sufficiency of material goods is a good, and that it is morally acceptable to enjoy it, is further developed in Ecclesiastes 5:19,

where it is expressed that “when God gives someone wealth and possessions, and the ability to enjoy them, to accept their lot and be happy in their toil—this is a gift of God.” In Psalm 23:1-6, we understand how “the Lord is my shepherd, I lack nothing”, and how God will “prepare a table before” us, so that we “will dwell in the house of the Lord forever.” Clearly then, to receive and enjoy the gift of wealth from God is part of our covenantal duties, and as humans, we are instructed to maintain this gift with gratitude. The Old Testament also warns of the consequences of falling into poverty, as Proverbs 22:7 reveals how “the rich rule over the poor, and the borrower is slave to the lender.” This latter descriptive quote is probably as true now as when it was written, and suffice it to say, the obligation to maintain God’s gifts of wealth, and not willingly fall into poverty, is still an instruction to be heeded. To banking practice, this instruction will inform how not to practise in a manner where the gift of God may be jeopardised without reason.

The matter of material stability is also represented in New Testament passages. From the Good Shepherd metaphor in John 10:10 we learn how stability and safety is emphasised by Jesus: “The thief comes only to steal and kill and destroy; I have come that they may have life, and have it to the full.” That societal and material stability is a quality we receive from God, is further represented in James 4:2, where we learn that “You do not have because you do not ask God.”

Even though wealth is a gift from God, we cannot sit idly by and wait for his gifts to be handed to us without effort. In 2 Thessalonians 3:10 it appears that “the one who is unwilling to work shall not eat”, and in Proverbs 14:23, “All hard work brings a profit, but mere talk leads only to poverty.” No doubt this indicates our own obligation to participate in maintaining ourselves materially, and that our effort will mirror our outcomes. This leads on to the question of what risks we are supposed to be willing to take, and should increased risk lead to increased material outcome? These questions are answered directly in 2 Corinthians 9:6, where we learn that “whoever sows sparingly will also reap sparingly, and whoever sows generously will also reap generously.” Clearly then, we are encouraged to take risks in our pursuit of material needs satisfaction, and the more risk we take on, the more likely will the outcome proportionately increase.

The above quotes should suffice to develop the scriptural positions on work ethic, material stability and risk-taking, but the parallel parables referred to above, found in Matthew 25:14-30 and Luke 19:11-27, illustrate the biblical pastoral ethics on this point

by using allegorical imagery directly connected to banking which would be fully understandable for today's readers. In these parables we learn that not only is the idle servant chastised for his idleness and risk-aversity, but the risk-taking servants are rewarded for their initiative, personal effort, and level of risk-taking. This becomes particularly clear in Luke, where the servants' rewards are in direct proportion to what their investments yielded (Luke 19:16-19). The overall position of the two parables on personal effort and initiative is summed up in Matthew 25:29, "For whoever has will be given more, and they will have an abundance. Whoever does not have, even what they have will be taken from them."

Martin Luther was sceptical to the early forces of capitalism in his time, and he was largely informed by the medieval thinking on economic society, and also by the poverty ideal of the medieval church. Not only did he believe that charging of interest was immoral, but he was equally sceptical to all manner of market manipulation and price coercion, as to honour such behaviour would destabilise society at the cost of the weaker constituents. Luther's views on what was considered fraudulent and market-manipulating coercion were far stricter than what later thinkers considered fraudulent and immoral market activity, and this could be attributed to the scholastic influences on his economic worldview (Langholm, 2009). To Luther, the best and most secure method of safeguarding price and market stability would be to let the civil authorities elect a few honest and insightful men, let them decide what were to be fair prices on all manner of goods and services, and what would be the allowed maximum prices (Luther, 1824). To Luther, then, the allowance and acceptance of free market forces to influence prices, supply and demand, by taking and distributing risk, was a highly unwanted societal practice, and to allow it would, in his understanding, increase market fluctuations and destabilise the economy to a degree where the strong preyed on the weak. This was in part due to a typical Lutheran strand of thought connected to the principle of loving one's neighbour, which was based on Matthew 5:40, for example: "And if anyone wants to sue you and take your shirt, hand over your coat as well." To Luther, the business person informed by the new mode of capitalism would exploit these principles and, on the behalf of good men, be violating the scriptural principle of loving one's neighbour (Langholm, 2009).

For Calvin, the restrictive economic thinking of Luther was not wholly satisfactory, and to him, already by allowing charging of interest, the free and unregulated market forces

were not seen as inherently immoral in their working. Calvin's Geneva was a multicultural crossroads where business was performed among a multitude of nationalities, and the city was renowned for hosting a shrewd business community. It was in this cosmopolitan city that Calvin's views on trade and business came to deviate somewhat from those of Luther, and although they shared a common position in that trade not should be allowed to roam free without limits, Calvin's theology would open up for a more dynamic development of business and trade, hereunder banking and financing. Calvin's influence on Geneva was based on his *Institutes*, and not least, his defence of the Ten Commandments therein. From this would follow, that a true Puritan Christian should be astute in business, but as well, a generous benefactor of the weak (Foster, 1908).

Like Luther, Calvin was also concerned with the welfare of the less fortunate, but the principle in Matthew 5:40, so hailed by Luther, was seen in conjunction with the merits of hard work, and shunning human idleness. Calvin was himself a hard worker, and we know from his substantial authorship and pastoral activity that he truly lived what he preached in this regard (Gordon, 2011). The notion of the Protestant work ethic has been addressed by Weber (2012). Whether it has been emphasised as too central for Calvin's theology will not be discussed here, but there can be no doubt that, unlike Luther, Calvin placed a substantial value on work, and to him, people would receive deservedly and according to their effort. If deserving of wealth, one should be allowed to enjoy it, even if not all could reach the same standard of enjoyment (Stone, 2009).

To shed some light on Calvin's ideas on work, idleness and enjoying the fruits of labour, Calvin (2012) has this to say in his *Institutes*:

"No work will be so mean and sordid as not to have a splendour and value in the eye of God" (3:10:6).

"...nor idle men receive what ought to be distributed to the poor" (4:5:4).

"Let everyone then live in his own station, poorly or moderately, or in splendour; but let all remember that the nourishment which God gives is for life, not luxury" (3:19:9).

The above quotes, without being comprehensive, outline well Calvin's theology on work and its well-deserved fruits, and also indicate that added effort, even added risk, was

not only acceptable, but was the right way to enjoy the gift of God that was wealth. This has had major influences on the development of Calvinist Reformed doctrine on trade, commerce, banking and finance, and has been adopted in Reformed circles to this day. To accept and thrive in the free market has become fully acceptable, and should be considered the main position under the Reformed paradigm (VanDrunen, 2015). This said, to allow risk and uncertainty on all levels may not be according to accepted Reformed pastoral ethos, as there will have to be limitations to the level of risk in use, for both the individual and the larger society.

To illustrate the other side of risk-taking is to consider whether risk-taking may be so substantial and uncontrolled that it in reality equals gambling. When a risk becomes a gamble, it may greatly influence the wellbeing of individuals, families, and other societal stakeholders. Outside the realm of banking and financing, the negative effects of gambling are well evidenced; gambling is controversial in Western society and is widely considered to be immoral (Hoffmann, 2000).

Gambling may not be specifically forbidden in Scripture, but the essence of it is considered in some locations. An example would be 1 Timothy 6:10, where it is explained, "For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs." Chasing fast earnings is covered in Proverbs 13:11, "Dishonest money dwindles away, but whoever gathers money little by little makes it grow". These quotes clearly show that seeking to earn money through the excessive risk-taking that is gambling is not condoned in Scripture. The ethic that what we earn should be deserved through work is evidenced already in Genesis 3:19, "By the sweat of your brow you will eat your food," a principle which is replicated in 2 Thessalonians 3:10, "The one who is unwilling to work shall not eat."

That earning money through excessive risk-taking and pure chance by gambling is sinful is widely accepted in Reformed theological circles, and Geisler (2013), who discusses gambling extensively, finds substantial support for concluding that gambling is sinful, and against central family and societal values. That this pertains directly to banking and financing is further accepted as a valid Reformed position, which will thus act as a guide for avoiding inappropriate risk within the banking realm (VanDrunen, 2015).

On the basis of the above referred biblical quotes and Reformed theological studies, it can be concluded that utilising risk in banking and financing is acceptable, but that there are Christian-ethical and pastoral obligations to care for society, and to safeguard others from destabilising the economy as a result of entertaining such financial risk.

## **5.5 TRUTHFULNESS**

When practising commercial activities such as banking and financing, the matter of safeguarding prudent levels of information among all involved parties is of importance. Only when all parties are aware of the same risks connected to a transaction will they be able to ascertain whether the risk is sensible to take on. This may not be specific to banking and financing, as such considerations will be assumed to be important in all commercial activities. However, for banking, the parties acting truthfully will be of particular importance, as the lender may be in a better position than the borrower to fully understand all aspects of a loan, such as duration, compounded interest, risk of market fluctuations on connected collateral, and risk of fluctuating interest rates. On the other side, the borrower may be more knowledgeable regarding his own intentions or abilities to pay back the loan, at all or in a timely fashion, and information connected to this would be of importance to a lender when considering a given loan.

Therefore, it will be important to investigate what Scripture reveals on truthfulness, and how influential theological thinkers within the Reformed paradigm have interpreted this. An obvious place to start is the Decalogue, and in particular, the ninth commandment (Exod. 20:16), where teaching on truthfulness is set out. The commandment in itself, as it is written superficially, pertains directly to the obligation that we “shall not give false testimony” in a court of law situation. Although the commandment seems to be directed to a specific life situation, there has been no doubt when interpreting the passage, that the obligation goes beyond the courtroom, and obliges us to be truthful in all parts of our lives. Further, the mentioning of the “neighbour” in the passage indicates that we are obligated to be truthful not only to our closest family and friends. The circle of persons to benefit from our truthfulness is not to be restricted to our own closest kind, as we learn in Proverbs 25:21 that we should also care for our enemies: “If your enemy is hungry, give him food to eat; if he is thirsty, give him water to drink.” Our pastoral obligation to truthfulness is further explained in Ephesians 4:25, where we are instructed to “speak truthfully to your neighbour, for we are all members of one body.” To stay truthful when dealing with opposing parties in business transactions would naturally be included, for

as we do this with our enemies, surely, also our business partners need be considered “members” of our own “body” as well (Eph. 4:25). The ninth commandment will typically be considered the main scriptural instruction; we are not to lie, but to stay truthful in all situations, to everyone, and in every situation, and to remain in this state regardless of whomever we interact with (Douma, 1996).

Our Christian-ethical and pastoral obligation to stay truthful in our interaction with others is elaborated and illustrated further throughout the Bible. In Proverbs 6:16-17 we learn that “the Lord hates ... a lying tongue”, and in 19:9, that “a false witness will not go unpunished, and whoever pours out lies will perish.” In Proverbs 24:28 it appears that we should not use our “lips to mislead”, and the topic of deceit is further specifically mentioned in Leviticus 19:11, where it is expressly stated, “Do not deceive one another.” The specific instructions pertaining to deceit will be of direct influence on the topics in this dissertation, as they point to interaction with others in a manner where one party understands that the other does not have the full picture clear when entering into a transaction, and/or when one party is leading another into a state of not realising the full truth. Clearly, then, to stay truthful means more than not telling direct lies, for it also implies representing the truth in a responsible manner. That truthfulness is rewarded in Scripture follows directly from Proverbs 12:19, for example, where it is stated clearly that “truthful lips endure forever”.

Calvin’s works will shed further light on the Reformed position on truthfulness and deceit. In his *Institutes* Calvin (2012) writes:

By malignant or vicious detraction, we sin against our neighbour’s good name by lying; sometimes even by casting a slur upon him, we injure him in his estate. It makes no difference whether you suppose that formal and judicial testimony is here intended, or the ordinary testimony which is given in private conversation. For we must always recur to the consideration that for each kind of transgression one species is set forth by way of example, that to it the others may be referred, and that the species chiefly selected is that in which the turpitude of the transgression is most apparent” (2:8:47).

The above quote refers to general aspects of lying and staying truthful, and for the context of this dissertation, where banking and commerce is at the core, it is of interest to see what Calvin wrote more directly pertaining to this subject matter. Calvin (2012)

addresses matters of truthfulness and deceit on commercial life from the angle of theft, and the rich oppressing the poor. In connection to the eight commandment (Exod. 20:15) he writes:

But not to dwell too long in enumerating the different classes, we know that all the arts by which we obtain possession of the goods and money of our neighbours, for sincere affection substituting an eagerness to deceive and injure them in any way, are to be regarded as thefts. Though they may be obtained by an action at law, a different decision is given by God. He sees the long train of deception by which the man of craft begins to lay nets for his more simple neighbour, until he entangles himself in its meshes (2:8:45).

The above quote well illustrates Calvin's position on market speculation and the rich oppressing the poor, and was directly influenced by what he observed in the Geneva of his time, where wealthy traders exploited poor people, including migrant workers escaping to Geneva from poverty (Valeri, 1997). It is here noteworthy that Calvin's scepticism towards unchecked capitalism may have been more substantial than later interpreters of his works have accepted, and even with his fundamental acceptance of the constructive free market forces, he did not condone exploitation of the weak or gains gotten by deceit. That Weber (2012) and others have awarded Calvin the honour of inventing modern capitalism may not have been as much founded on his own writings as on the works of later authors in his tradition, not least, within the English Puritan movement (Graafland, 2009).

It is evident, then, that the Reformed position on truthfulness and lying comprises a clear Christian-ethical and pastoral obligation to stay truthful and to avoid deceitful attitudes in all realms of life, including the realm of banking, financing and general commerce. There can be no doubt that under the Reformed paradigm we are instructed to live and love the truth as the main rule (Gushee and Stassen, 2016). There may be some small exceptions to this main rule, as when we are under professional obligations to keep secrets, for example in a counselling or advisory situation, where we will be breaking our promise to keep the secrets entrusted to us, which in itself will represent lying in the first place. However, such acceptance of concealment will not allow us to deceive others by way of utilising our especially entrusted knowledge earned under these unusual circumstances (Douma, 1996).

## 5.6 GREED

When exploring the moral and pastoral obligations connected to banking, aspects of greed among the partakers, and consideration of its morality and effects, will be relevant to this dissertation.

Greed and problems connected with it are mentioned in numerous passages in Scripture. For example, in Psalm 10:3 we learn how “the wicked man ... blesses the greedy and reviles the Lord”, and in Proverbs 21:25-26, how “the craving of a sluggard will be the death of him ... but the righteous give without sparing.” From Proverbs 23:4 we are informed, “Do not wear yourself out to get rich”, and in Proverbs 28:20 we learn of the consequences of greed: “One eager to get rich will not go unpunished.” These timeless truths appear as general in the Old Testament, which largely reflects the economic society of the Hebrews, who at the time of writing lived in a basic agricultural and tribal society (Rogerson and Davies, 2005; Barton, 1996).

In New Testament times, when Scripture was written in the context of the more affluent, money-oriented Roman society, scriptural passages on greed are more concretely connected to money matters, and are increasingly associated with the search for ways to amass wealth. For example, in Hebrews 13:5 the instruction is, “Keep your lives free from the love of money and be content with what you have”, which is followed up by 1 Timothy 6:10, “For the love of money is a root of all kinds of evil.” From Luke 12:15 we are urged to “be on your guard against all kinds of greed; life does not consist in an abundance of possessions.” These quotes clearly warn against greed and the search for overconsumption. With direct reference to overconsumption, Proverbs 25:16 explains that “if you find honey, eat just enough—too much of it, and you will vomit”, and in 1 Corinthians 10:31, “So whether you eat or drink or whatever you do, do it all for the glory of God.”

With regard to thirsting for money, Ecclesiastes 5:10 informs us that “whoever loves money never has enough”, and the consequences thereof are revealed in Matthew 6:24, “No one can serve two masters. Either you will hate the one and love the other ... you cannot serve both God and money.” Clearly, then, in both Testaments we find an abundance of sources explaining how greed for wealth in general, and for money in particular, will make us turn away from God, and shun our societal task of caring for everyone and everything found in God’s creation (Gen. 2:15).

In his *Harmony of the Law*, when commenting on how the Israelites built the tabernacle as described in Exodus 36, Calvin (2017) points out that the Israelites were a role model, and he highlights their thrifty use of materials:

Their prudence is shewn in the distribution of the materials among them; their diligence in the quickness with which they commence the work, without waiting till they have enough for its completion; whilst they testify their extraordinary integrity when they voluntarily declare that enough has been given, and put a stop to the offerings, lest they should be more than they required (p. 338).

Connected with this, but on a general note, Calvin writes:

We know how few restrain themselves when an opportunity is given of thieving without detection; and, even if there be no disposition to deceive, yet most people are tempted by ambition, greedily to long for more to pass through their hands than they need (p. 338).

From the above it appears that Calvin perceived thrift as a virtuous human quality, and as thrift may be seen as the opposite of greed, it may be inferred that even though Calvin may have accepted wealth as a gift from God, and something to enjoy, when enjoyment becomes gluttonous it is not acceptable. On this matter of gluttonous luxury he was clear:

Luxury causes great care, and produces great carelessness as to virtue; and it is an old proverb: Those who are much occupied with the care of the body, usually give little care to the soul. Therefore, while the liberty of the Christian in external matters is not to be tied down to a strict rule, it is, however, subject to this law—he must indulge as little as possible; on the other hand, it must be his constant aim not only to curb luxury, but to cut off all show of superfluous abundance, and carefully beware of converting a help into an hindrance (Calvin, 2012, 3:10:4).

The above quote is written directly in the context of gluttony, and this may cast valuable light on Reformed cognition related to greed, consumption and the responsible search for needs satisfaction. That gluttony is a form of greed cannot be doubted, and its sinfulness is stated in the Westminster Larger Catechism, where it is described as a sin

in connection to the seventh commandment (Westminster, 2015). Calvin's thoughts on greed and gluttony were well founded in Scripture, and here, Luke 12:15 is relevant: "Watch out! Be on your guard against all kinds of greed." We cannot know whether the modern-day minimalist ethos of "less is more" would have been welcomed by Calvin, but surely we would expect that, to him, enough will always have been enough.

Calvin's position on greed and gluttony as sinful has remained the main position within the Reformed paradigm to this day, and it has stood the test of time, through vastly changing Western societies, and will be of substantial guidance when establishing a prudent Christian-ethical and pastoral framework for banking and financing (Gushee and Stassen, 2016).

## **5.7 COVETOUSNESS**

Greed and covetousness are frequently seen as near synonyms, and there clearly are overlapping aspects of these two attitudes. However, as greed typically pertains to an individual wanting more, or too much for that matter, covetousness, or desire, could be seen as wanting what we do not already have, and this want may well be instilled in others, actively and openly, or covertly and indirectly. In a modern-day commercial setting, covetousness may be promoted through marketing advertising and influencing in social and other media (Douma, 1996). In the context of banking and financing, to instil in others a desire to acquire material goods may be a powerful motivator to lead them into financial agreements which they may not benefit from, or may outright be harmed by. For this dissertation, then, to excavate Christian-ethical and pastoral norms from Scripture pertaining to desire and covetousness, will shed valuable light on central aspects connected to banking and financing practices.

The natural scriptural starting point on covetousness may be Exodus 20:17, which forms part of the Decalogue, and pertains directly to matters of desiring what we do not already have. This commandment has a wide scope, as it refers to "anything that belongs to your neighbour", and it relates to coveting both material goods ("your neighbour's house, ox or donkey") and carnal desires ("your neighbour's wife"). As with greed, it appears that in the Old Testament era the Israelites lived in a state of agrarian non-monetised society, and the focus of the commandment reflects this by use of examples and imagery. This notwithstanding, the passage connects to all forms of desire, and with its location in the Decalogue, it may be inferred that this instruction is

on the highest level of importance (Thompson, 1996). The central ethos of the commandment, in contrast to pure greed and gluttony, relates to the desire to possess what we do not have, rather than more of what we already possess. We may want to take something from others, or just get it for ourselves regardless of its source (Houston, 2007). In the Old Testament era, the economic perception may have been one of scarcity, so that what one person obtained was thought to be lost by another, but in our time, when we realise that there may be sufficient resources for everyone if politically and commercially organised, the focus may be on desire for acquiring more in general (Bosterud and Vorster, 2017), whether we want more of what already belongs to others, or want it to be produced just for our benefit. The focus in this dissertation will be the desire for added material wealth, no matter from whence it derives.

In the New Testament, passages warning against desire and greed are in abundance. For example, in Colossians 3:5 it is stated that “evil desires and greed” should be “put to death”. In 1 John 2:17 the obligated priorities of the believer are explained with the statement, “The world and its desires pass away, but whoever does the will of God lives forever”, and in 1 Timothy 6:9, “Those who want to get rich fall into temptation and a trap and into many foolish and harmful desires that plunge people into ruin and destruction.” Finally, the instruction in Luke 12:15 cannot be misunderstood: “Be on your guard against all kinds of greed; life does not consist in an abundance of possessions.” Clearly, then, without further exemplification needed, the scriptural position is that we should not succumb to desiring what we do not need, and do not have.

In *Harmony of the Evangelists*, Calvin (2017b) comments on the wider scriptural position on greed and desire:

But all this does not hinder us from being fed by the undeserved kindness of God, without which men might waste their strength to no purpose. We are thus taught, that what we seem to have acquired by our own industry is his gift (p. 284).

and,

Men are grown mad with an insatiable desire of gain. Christ charges them with folly, in collecting wealth with great care, and then giving up their happiness to moths and to rust, or exposing it as a prey to thieves. What is

more unreasonable than to place their property, where it may perish of itself, or be carried off by men? ... particularly, when God allows us a place in heaven for laying up a treasure, and kindly invites us to enjoy riches which never perish (p. 291).

Again, the priority of the believer is clear, and Calvin reminds us of the close connection between greed and desire, where one may lead to the other, and create a destructive evil circle for the individual and society (Pigott, 1995). This theological position remains the Reformed one, and holds true today as ever before, but the pressures of destructive consumerism may instil a new form of covetousness in the general public for an ever-increasing spending and acquiring of material goods, something which may be spurred on by different modes of marketing and moneylending (Douma, 1996). Acquiring material goods that are not needed is thus considered a form of immoral self-indulgent hoarding, which is all too available to the modern-day Western citizen (Gushee and Stassen, 2016).

## **5.8 SUMMARY**

In the sections above I have elaborated some of the central Christian-ethical and pastoral positions assumed to be of importance under the Reformed paradigm pertaining to issues of interest when appraising the ethical and pastoral value of different modes of extant and recommended banking practices. The findings can be summarised as follows:

- Lending money could be considered acceptable, even to those not in need.
- Borrowing money with the intention to repay it could be considered acceptable, but to induce someone to guarantee for the debt of others may be considered immoral.
- The onus is on the lender to care for the interest of the borrower, and not to set the latter in a bondage-like economic situation.
- Scripture allows the taking of collateral for debts, but the obligation on the lender is to shepherd and care also for the borrower, and exert societal stewardship in this regard.

- When giving loans, the lender should beware that loans may not be given too strenuous conditions while they run, and the durations must be such that the borrower may be able to pay back the loan in full within a reasonable period.
- The position under the Reformed paradigm is that, in principle, charging interest is considered wholly acceptable and moral in any loan agreement.
- To accept and thrive in the free market should be considered the main position under the Reformed paradigm.
- Utilising risk in banking and financing is acceptable, but there are Christian-ethical and pastoral obligations to care for society, and to safeguard others from destabilising the economy as a result of entertaining such financial risk.
- Under the Reformed paradigm we are instructed to live and love the truth.
- The Reformed position on truthfulness comprises a clear Christian-ethical and pastoral obligation to avoid deceitful attitudes in all realms of life, including the realm of banking, financing and general commerce.
- Greed and gluttony is sinful, and there is a close connection between greed and desire, where one may lead to the other, and create a destructive evil circle for the individual and society.

## CHAPTER 6

### HARMFUL BANKING PRACTICES

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#### 6.1 INTRODUCTION

In this chapter I will elaborate the application of Christian-ethical and pastoral principles to different typical banking categories, and will be focusing on what types of banking products and practices should be shunned as being in violation of scripturally based Christian-ethical and pastoral norms. The explored types of banking practices and products will not be exhaustive, and will need to be seen in conjunction with Chapter 7, which will focus on the types of banking and financing activity which should be aspired to in promoting moral values in concert with Christian-ethical and pastoral principles under the Reformed paradigm. There may also be categories of banking practices and products that will not be covered in either chapter, as the scope of this dissertation does not encompass the adjudication of the Christian-ethical and pastoral quality of all conceivable manners of banking. The aim of this chapter is to develop a Christian-ethical and pastoral structure for the kinds of banking practice that should be sought out by the banking professionals and the general public in real-life situations. Further, it must be pointed out that all the banking categories mentioned need to be assessed, in principle, on their own direct merit, no matter what type of underlying asset is to be financed or directly represented, so that whether the actual equity types involved are shareholdings, bonds, real estate, consumer goods, student loans, mortgages, et cetera, this should in principle not change the Christian-ethical and pastoral stance on the potential prudence of the utilised banking and financing practice. For instance, if it is found that to finance a certain type of activity is considered morally acceptable, as for example financing students by way of giving student loans, the Christian-ethical and pastoral position will not change according to the financing rationale, as any financing and banking activity will need be subjected to the same Christian-ethical and pastoral scrutiny and moral standards. It is of the highest importance to make this distinction, because if not, certain banking categories, which on account of their perceived morality (for example, loans to developing countries, microfinancing, or housing for the poor) would otherwise escape the scrutiny they deserve from a Christian-ethical and pastoral perspective, as financing such needs could be perceived to be morally acceptable or neutral to an untrained eye. However, it falls outside the scope of this dissertation to

elaborate which areas of life and/or industry would be considered immoral to finance. For elucidating further what such categories of immoral (or moral) investments would be under the Reformed tradition, I will refer to Bosterud and Vorster (2017), where the Christian-ethically supported Reoriented Investment Protocol is described. The focus in this chapter will therefore be on the type of banking practice that is utilised, and not on the possible adjacency it has to morally undesired activities, whether these be connected to private individuals, organisations or governments. Further, the focus here will be on the typical situation where at least one of the parties is a professional actor, but all Christian-ethical and pastoral norms elaborated will equally be relevant in a purely non-professional setting, although these may not be the typically recurring situations in most cases. A final clarification here, would be that the morality of financing and banking should not be influenced by whether a party receiving financing is involved in both morally acceptable and immoral activities. This could be a complicating aspect, as types of finance may be offered to countries who are in breach of moral norms pertaining to human dignity and human rights (for example, entering into private or public partnerships for beneficial infrastructure projects in developing countries) (Klijn and Teisman, 2003).

In the following I will elaborate some main categories of banking and financing practices and connected activities that cannot be accepted under Reformed Christian-ethical and pastoral principles, as described in the previous chapters, based on the scripturally founded norms and principles elaborated there.

## **6.2 MONEYLENDING**

### **6.2.1 Lending**

As appeared from Deuteronomy 15:7-8 and the parallel parables of Matthew 21:12 and Mark 11:15, the main position in Scripture is that we should lend to those in need, not be “tight-fisted” (Deut. 15:7), take risks and let our money work, and not least, shun hoarding. From this main position, there will need to be made some exceptions, based on the scriptural findings covered in Chapter 5 above.

As Scripture allows lending to those in need as well as commercial transactions, we may be led to think that any lending is acceptable, no matter what the position of the borrower is. However, even though Scripture allows both to lend to those in need and

those in “want”, the main position as uncovered in Chapter 5 (e.g., Exod. 22:25) will point to the element of helping the needy to get out of the unfortunate situation they are in, and not to exploit them. Lending to those not in need is not problematic, and will only be viewed according to other standards, such as greed, covetousness etc. The consideration here will be whether we may always lend to those in need, or whether such a practice may sometimes be immoral. In a sense, then, the question is: Could there be a distinction as to whether the borrower is motivated by desperation or aspiration?

Within the Western societies, we do not expect that lending to people motivated by a real desperation for needs satisfaction is at the core of the problem, as these societies will be expected to contain numerous protective structures backed by their governments, and in many cases their welfare states will render true desperation impractical to consider for lenders (Galbraith, 1989). However, in the West, there is a practice of lending to other countries, and some of these may be in a state of real desperation due to unstable political situations, war, natural disasters, et cetera. The question then becomes whether it is moral to lend to such desperate borrowers, often developing countries, or if the proper remedy in such cases would be to give from the surplus of the West to those urgently seeking needs satisfaction. In the West, there are also examples from modern history, where the now powerful European countries were in desperate need, like the substantial Marshall plan initiated by the US government, where certain European countries were aided in recreating their infrastructure and liberal democracies after the devastations of World War II. This was an aid package of large proportions, where the central element was financial aid rather than purely lending (Neal, 2015). To answer the question on the basis of Scripture, a prudent passage to use as guidance could be the first section of Matthew 5:42, where we are instructed to “give to the one who asks you”, for we are encouraged to show ourselves as charitable when we can. For the purpose of this dissertation it is not necessary to conclude exactly when lending to those in urgent need is acceptable or not, but my interpretation of Scripture leads me to conclude that lending to truly desperate borrowers is not acceptable, as we are in these cases morally obligated to give rather than to lend. I note here that Christians are not obligated to lend or give, if they are not in a position of surplus themselves, so that if we can lend, we can also give.

An extension of the above topic is also relevant for the movement of so-called microfinancing, which in the West is often viewed as a way to lead individuals in developing countries towards a state of self-sufficiency theretofore not enjoyed (Morduch, 1999; Khandker, 2005). Without probing more deeply into this topic, the conclusion would be (as with lending to developing countries) that if the borrower is taking loans on an aspirational basis it is acceptable, but if the borrower in reality is in desperate need, the lender should be obligated to give rather than to lend.

On the basis of the Christian-ethical and pastoral findings from Scripture in Chapter 5, it would be a responsible interpretation that banking practices that include lending to those in a state of urgent and desperate need must be considered immoral, and against scriptural Christian-ethical and pastoral principles under the Reformed paradigm.

### **6.2.2 Borrowing and Deposits**

The above is seen from the angle where the lender is perceived the more powerful party of a transaction, but, as examined in Chapter 5, the borrower's participation also needs to be considered from a moral and pastoral point of view. To do this, I elect to use as an example the situation in which a bank takes a deposit, and the depositor is the lender, against interest, to the bank, who then is the borrower of the transaction. As elaborated in Chapter 5 above, to borrow is in itself acceptable, but the borrower will be under a moral and pastoral obligation to ensure that the loan can be paid back as agreed. For the banks, there are in the West quite detailed legislative rules regarding the level of security the banks must have on their books to operate, and which will give them the right to earn banking licenses. Such rules vary slightly, and there are stricter rules in Europe than in the US for what the banks need to possess of liquidity and capital assets. In Europe, these rules of capital requirement are referred as the Basel rules, in which it is stated that the banks need to be able to accommodate liquidity for 30 days, and to have a so-called "core capital" or "countercyclical capital buffer" that serves as a safeguard against a fall in the values of the bank's own asserts (Repullo and Saurina, 2011; Angelini *et al.*, 2015). The point here is that, like any other borrower, the bank needs to have sufficient assets and expected earnings in their plan to pay back their lenders, and also to ensure that their own debtors may accommodate their obligations towards the bank by making good on their debt to them.

On the liability side of the balance sheet of a bank there will typically be retail deposits, corporate deposits, interbank deposits, equity issues, share issues, and past profits saved, and on the asset side, cash, liquid securities, money market instruments, loans, fixed assets, and other investments (Casu, Girardone and Molyneux, 2015). Such balance sheets will be similar to those of many other businesses, and typically, the valuations on both sides of the balance sheet may be prone to value fluctuations in tune with the general market, and to the specific development of each separate business. However, what makes the banks stand out is that their main liabilities will refer to money lent to them by others, and thus, the prudence of the banks' business practice will determine whether the loans may be paid back or not. Further, as in most cases, when credit is extended to a business, the creditor may realise there is a risk connected, and will perhaps not pay in full until full delivery is performed, but with banks, the credit is extended through borrowing, and the scriptural considerations described in the previous chapter need to be attended to. That risks connected to deposits are covered by governmental deposit protection schemes (as, for example, in the EU, where 100,000 euros of a deposit is insured/covered) does not liberate the banks from acting as any other prudent borrower need do, as this is society's way of protecting the depositor, who stands in the same line as any other creditor when loans are to be paid back (Gros and Schoenmaker, 2014). If anything, such protective schemes could serve as a warning that the banks may not be as prudent borrowers as could be expected, with all the regulatory framework they are surrounded with, such as the Basel rules and other regulations (Allen *et al.*, 2012). Further, with the numerous bailouts of the banks that have been evidenced in several financial crises, not least after the crisis of 2008, it would appear that banks are acting as borrowers without due consideration to their obligation to pay back their loans to the depositors or other lenders (Neal, 2015). The societal ramifications that have appeared in the aftermath of such banking crises have been serious and substantial, and will serve to inform any borrower, banks included, to be prudent when borrowing, and not to borrow recklessly, possibly at the cost of the lender and the greater society (Barofsky, 2011; Bhattacharya and Nyborg, 2013).

On the basis of the Christian-ethical and pastoral findings from Scripture in Chapter 5, it would be a responsible interpretation that banking practices that include borrowing without safeguarding sufficient means to pay back to the lender must be considered immoral, and against scriptural pastoral principles under the Reformed paradigm.

### 6.2.3 Duration and Security

Although lending and borrowing may be performed in a prudent manner, taking care not to exploit the desperately needy, and with due regard to repayment capabilities, this does not automatically entail that any such construction is aligned with Scripture in a pastoral or moral fashion. Two pertinent questions arise: what security is acceptable to charge for a loan, and what is an acceptable duration of a loan?

In the Western world, the typical long-term loan taken on by individuals will be connected to their purchase of a home, as mortgage. The duration of mortgages varies from country to country, but as the main rule, they tend to be running for ten or more years. In the UK, for example, 25 years is common, and 30 years or more duration on a mortgage is not uncommon there (Stiastny, 2014). In dealing with real estate transactions, there will be an element of the property lasting longer than the loan duration, as typically perceived, so that the risk of being unable to repay any residual amount may not be considered as large. However, if the mortgage's loan-to-value ratio (LTV) is high, market fluctuations may put the borrower at risk for not being able to repay the mortgage, and thus the borrower may become "slave to the lender" (Prov. 22:7). This risk of being caught in a situation where the LTV ratio becomes negative may be more prominent when lending is connected to immovable objects, such as cars, durable household goods *et cetera*, where the asset will be expected to depreciate all the way to zero, as opposed to the expectation of appreciation connected to real estate. It could be argued that the longer the duration of a loan, the larger the risk of diminishing LTV caused by market fluctuations or other external economic shocks. This would indicate, as aligned with the scriptural passages mentioned in Chapter 5, that there should be responsible durations on loan agreements, so that they in reality can and will be paid back, and not unduly put the borrower at risk of entering into a bonded serfdom-like relation to the lender.

As evidenced in Chapter 5, Scripture not only perceives the borrower as vulnerable in regard to duration, but also in regard to having his economic situation destabilised by way of the creditor taking use of given collateral. Although the biblical quotes refer to another historical era, focusing on millstones (Deut. 24:6) and pieces of clothing (Exod. 22:26-27) the message is clear; the creditor must exert due pastoral stewardship over the borrower, and not take as security anything that may be of vital importance to the economy or physical wellbeing of the borrower. Clearly, in the Western world of today,

with all the above-mentioned safety nets put in place by different governments and welfare states, it would be difficult to imagine a situation in which the lender could not repossess a car or a piece of durable goods if the borrower forfeits his obligations. Further, with the current regime of collateralisation as a means of securing reasonable mortgages, not to accept the property of a borrower to be posted as security would be counterproductive to our financial system, and be detrimental to the interests of the borrower, and the possibility of his acquiring housing for his family (Casu, Girardone and Molyneux, 2015). However, even if such security taking is considered acceptable, there will be a question as to whether a lender should be able to evict a borrower from his home if in default on a secured loan. This type of situation may not only relate to a mortgage default, but also to other debts that may be duly secured against property. As the scriptural findings above would indicate, the interest of the borrower is at the core when considering security, and if there are not other dwellings available for the borrower than the collateralised property that is his home, a lender should not be able to evict without breaking scriptural norms.

On the basis of the Christian-ethical and pastoral findings from Scripture in Chapter 5, it would be a responsible interpretation that banking practices that include lending duration beyond a reasonable time for paying back, and, when connected to a purchased asset, not within the expected time of value depreciation of a connected asset, or where the security puts the borrower at economic risk or risk of losing his home, must be considered immoral, and against scriptural pastoral principles under the Reformed paradigm.

### **6.3 CHARGING INTEREST**

As has been demonstrated above, charging of interest is accepted as morally and pastorally permissible within the Reformed paradigm. The question here, then, will be what constitutes immoral usury, or in other words, when does the interest payment connected to lending become exorbitant, and thus unactable from a Christian-ethical and pastoral perspective (Cramp, 1995)? In most Western countries there have been different modes of regulation on the financial industry, hereunder levels of interest, consumer protection schemes *et cetera*. Since the widespread deregulation of the Western financial markets during the 1980s and 1990s, a wave of new financial products has been launched, and, with this, calls for new regulations have followed, which in some cases have been followed up by legislation (Neal, 2015).

Despite the quite extensive regulation the financial industry is subjected to in the Western markets, there are still large areas where charging of interest may be problematic because of the level of interest in use. This will not typically be found within the stable market for the comfortable middle classes, but rather, within the realms of the lower classes, and among those who may have fallen on hard times for different reasons. This market is typically referred to as the sub-prime market, which indicates its place in relation to the prime market, where the borrowers are considered good risks for the lender. In this sub-prime market, there will also be different levels of risk taken on by the lenders, and different expectations of payment for such risk by way of interest charging. The sub-prime market is not uniform or tied to certain types of credit, as lenders within most sectors will be willing to lend if the risk is duly compensated through interest. Sub-prime financing is found within mortgages, car loans, personal credits and more (Investopedia, n.d.). An example from the lower range of the sub-prime lending market is that served by the so-called payday lenders. A payday loan is a small uncollateralised loan, typically between USD 100 and 500, and is meant to carry the borrower financially until his next payday. A typical mode of practice in markets where check books are still in use is that the borrower issues a post-dated check to the lender, who then cashes it directly when the pay day arrives (Stango, 2012). A typical borrower in a payday lending scheme will be a person who is in need, perhaps desperation, and may not have access to other sources of short-term credit such as credit cards (Investopedia, n.d). What stands out in a payday lending scheme is the unusually high level of interest paid by the borrower. Such interest rates may run into several thousands of percent when annualised, and more than 1000% p.a. is not unusual. Furthermore, it is possible for the borrower to roll his credit forward to subsequent paycheques for extra fees, and through this, the borrower may be caught in a situation where he might not be able to get out of debt, and the loan will continue running at such high interest rates long-term. Further, it is a fair assumption that borrowers will only accept such high levels of interest out of desperation, as there will be no other alternatives available for them. Additionally, they may not be able to calculate the interest levels for themselves whilst this is not being properly illuminated by the lender (Martin, 2010). I use this example here to illustrate that what exactly will be an acceptable level of interest and what will be an exorbitant one will vary with the practical circumstances and general level of interest in the market, but when it gets into the thousands, there is no doubt that it is exorbitant and exploitative.

Situations not as extreme as the payday loans, but where the lender is preying on the weakness of the borrower, may also be found within typical consumer financing, when credit cards and/or deferred payment or third party uncollateralised finance is provided (Karlan and Zinman, 2009). With deferred payment for consumer goods, the borrower may not be in a desperate state, but may not be able to calculate the real interest charged. With credit cards the situation is more regulated, but also here, the interest rates may run high, oftentimes 25% p.a. or more.

As the above examples show, the charging of high interest from individuals is a possibility in the financial markets, and, through the extending of initial small-amount short-term loans, individuals may be trapped in a long-term loan where the level of interest becomes extremely high. Even through the Reformed paradigm accepts interest as moral, to exploit the needy may not be acceptable. Here, Exodus 22:25 weighs in; we are obligated to lend to the one “among you who is needy” and in Deuteronomy 15:7 we learn that towards the poor we should “not be hard-hearted or tight-fisted”. The imperative instruction here would be that charging interest that is as high as possible from one in “need” would have to be considered “hard-hearted” and “tight-fisted”, and thus, to exploit someone in such a manner could not be considered viable from a Christian-ethical and pastoral vantage point. For loans to individuals, then, charging exorbitantly high interest may be seen as immoral usury, and thus, not permitted without breaking scriptural norms. As it is difficult to assess exactly the limits of an acceptable interest rate, it should be clear that when the interest rate runs into the hundreds of percent per year this would be an impermissible “hard-hearted” banking practice of immoral usury. However, here it is solely the establishment of the principle of immorality that is in focus, so that detailed elaborations of acceptable and unacceptable levels of interest will fall outside the scope of this dissertation.

For loans in commercial situations, it is difficult to imagine how someone may be in “need” in the above sense of the word. Being “hard-hearted” or “tight-fisted” in a business transaction is just part of the game, and typical to the risk scenario for which anyone who enters this realm of life should be prepared. Risk is a central aspect of business, and risk means what it sounds like: the possibility of losing some or all of what is put at stake. To entertain such risk is well within what is acceptable for the Christian believer (VanDrunen, 2015).

On the basis of the Christian-ethical and pastoral findings from Scripture in Chapter 5, it would be a responsible interpretation that banking practices that include charging interest rates that exploit the need of the borrower in an exorbitant manner must be considered immoral, and against scriptural pastoral principles under the Reformed paradigm.

#### **6.4 RISK AND STABILITY**

Although risk-taking and utilisation of financial structures may be not only acceptable, but also called for in Scripture (Matt. 21:12; Mark 11:15), it is not within our right to insert risk into the lives of others, nor onto greater society, as our enjoyment of material goods “is a gift of God” (Eccl. 5-19). The questions, then, are: What is an acceptable level of risk to take on, and what kind of financial risk-taking and structuring would be seen as breaking with scriptural Christian-ethical and pastoral norms?

In the professional banking market there are numerous structures that serve to increase liquidity, ease trading in shares and commodities, offer credit, alleviate risk, protect against unwanted risk, and many more functions. In reality, the number of different financial instruments existing and being made is limitless, as the financial actors create new products and tools in line with the development of the underlying markets they aim to serve and/or exploit (Stiastny, 2014).

To elucidate financial instruments, their use and potential pitfalls, a suitable example would be how financing of share trading could be structured, and how attendant risk may increase with elaborate financing structures. In trading of shares, the trader may bet on the likelihood that a share will rise in value, and thus buy it at a price, and hope to sell it later when it has appreciated. This activity is in the trading nomenclature called taking a “long” position (Stiastny, 2014). Conversely, if a trader believes a share will fall in price, he will of course sell such a share, but he cannot do this if he does not already own it. This problem is solved in the market through share loans, where a trader borrows shares from another, and promises to deliver them back at a later fixed date. The motives for the lender could be to make some extra money, as the loan will carry interest, and the typical lender is one who has as a strategy to own the share long-term, whether it depreciates or appreciates in value. Such strategies are common for entrepreneurial owners, who plan on owning their shares indefinitely, and for investment funds who have a strategy to own certain types of shares no matter the wider market

situation. When the borrower has received the shares to his account from the lender, he is free to sell them in the market, and wait for the share to fall in value, and then buy back the correct number of shares in the market and deliver them back to the lender. If the share has fallen in value in the meantime, the borrower, the “short seller”, has made a profit from his “short” position (Downes and Goodman, 2014). At times there will be voiced criticisms against short selling, but when it is deconstructed as above, selling shares whether owned or borrowed will amount to the same, as the market bet is that the seller sells shares he expects to drop in value. The market actors should be free to sell their shares, to lend them out, borrow or buy, and the risk for such transactions will only in principle reside with the market actors. In addition, when the wider market falls, short positions will dampen the fall, as all the short sellers then will be buying back the shorted shares in order to take profit and hand back the shares to their owners. In falling markets, short sellers may be among the very few who buy shares, and this is rarely acknowledged among critics of short selling (Mallaby, 2010).

The structure of share lending is a financial instrument that is similar to the financing that is given to the long trader as well. A long trade may be leveraged with debt according to the market capitalisation of the share, its expected liquidity, and the perceived strength of the share in the market. To utilise financing, whether going long or short in the market, is in itself acceptable, as lending and borrowing is aligned with Scripture in principle, but when the borrowing becomes reckless it may become immoral and go against sound pastoral principles pertaining to societal stewardship. Examples here may be taken from the hedge fund industry, where the fund managers typically utilise both short and long positions in their strategies. It is customary to use high degrees of financial leverage in these funds, and banks and brokers willingly extend generous loans to buy shares to take long positions, where the collateral will be the shares themselves. The risk involved is typically perceived as low, as the lender can sell the shares in the market if the value falls close to the level of financing, and thus avoid losing if the borrower’s strategy fails. With shares enjoying high liquidity, this perception could be acceptable, but, as the hedge funds will also borrow shares for selling short, the short selling will involve short seller receiving money for the short sale. This money will go into the account of the short seller, who then will be able to use this “new” money as collateral for buying even more shares, adding to his long positions. Through such financial structuring, the degree of leverage may reach as high as a hundred times the size of the capital inserted by the owners. The point then is that the real money in use

may be that of the short sale, and in theory, there need not be inserted any risk capital from the owners at all (Krugman, 2008). With a leverage of 99% LTV, then, only one percent rise in the positions will double the money invested, and conversely, one percent fall will wipe all the capital out. With such high financial leverage, the real underlying risk of the owners will in reality be transported on to other market actors and lenders, and in addition, such structures become so vulnerable for value fluctuations that they may lead to hurried and desperate activities that may unduly destabilise the market, and consequently hurt the wider societal economy (Danielsson, Taylor and Zigrand, 2005). In addition to the level of financial leverage taken on, the typical hedge fund will be based on an enumeration of management where the management receives a “carried interest” of 20 percent of the fund’s profits as salary, but the management will not share in any losses the fund might incur. Such enumeration mechanisms, where the managers only have interest in the potential profits and no downside risk, may in themselves spur on excessive risk-taking, as the decision-making managers will have only negligible risks for losses as compared to near endless possibilities on the upside.

A well-known example of such potential pitfalls is the collapse of the fund Long Term Capital Management in 1998, which had an LTV ratio of more than 20:1, had borrowed USD 125 billion on its own capital (ca. USD 5 billion), and taken positions worth USD one trillion when it imploded. When the structure started to collapse, the expected market disruptions were on such a scale, both for the US and the world economies, that the US government found it necessary to intervene and arrange a bailout of the structure (Edwards, 1999). In other words, the cost of the reckless borrowing and high financial leverage was passed on to others, who in turn had had no part in any potential profits from that fund. For the purposes of this dissertation, it is not necessary to adjudicate what would be the exact level of acceptable financing leverage, but only to point out that when risks become severe, both for those involved and most of all for the general society, such financial structuring will be unacceptable, and be disrespectful to the “gift of God” (Eccl. 5-19) that is our material wellbeing.

The above example is based on the use of share trading, but the financial markets have many other more exotic financial instruments on offer for the interested investor. For example, shares or other forms of equity positions may be taken by way of derivatives, which are structures where a contract is connected to the performance of an underlying asset. For example, an option to purchase a share, currency or a commodity will be a

derivative of such an asset, and the contract/derivative will fluctuate in value in line with value fluctuations of the underlying asset (Downes and Goodman, 2014). For example, if a contract gives an option to purchase a share at the price of 100 within the next year, to have this right may come at a cost of 5, for example, and then, as soon as the share is valued at more than 105, the option is worth money, and the owner of the option is “in the money”. As will appear then, such derivative structures may offer possibilities for financial leverage, as instead of purchasing the real underlying asset, to acquire the derivative will cost less, and give the same risk exposure, only at the cost of the option premium.

Derivatives have been developed over a wide financial spectrum, covering most of the conceivable financial risk-taking. Well-known examples are derivatives connected to mortgages and consumer loans, where such derivatives may have been structured with collateral. The collateralised debt obligations (CDOs) and their place in the run-up to the US housing boom in the early 2000s, and their subsequent effect on the 2008 wider market crash are worth considering here in brief. A CDO is a financial instrument represented by a bond or note, which is backed by a pool of different fixed-income assets, where the rights to the cash flows from these assets go to different investors who are organised in accordance with different levels of risk derived from the pool, so-called “tranches” (Stiastny, 2014). What makes such papers of interest for investors is that they represent a way to invest in a security representing what is inherently an illiquid asset, for example a house loan, and such a process of creation and origination is frequently referred to as “securitisation” (Gotham, 2009). Such CDOs are in use in order to raise money for lending purposes, for example, and can be structured to accommodate widely different risk appetites. When deconstructed, it will appear that such instruments may consist of principal loan risk from one source, and interest risk from another (Demyanyk and Van Hemert, 2009; Neal, 2015). In other words, through such financial engineering, an investor may have the rights to receive cash flows from the principal lending payments of a group of nurses in Texas, for example, and interest payments from the loans given to a group of firefighters in California.

The above systematic has made it possible to create and originate investment grade papers based on the over-collateralisation effect that could come with pooling of risk, and has in turn made it possible to raise vast amounts of capital which in turn has been lent out to homebuyers, for example. Such an augmentation of available loans to

homeowners was a main driver in providing loan capital which was utilised in what became the US sub-prime mortgage bubble of the late 1990s and early 2000s. The originators of the CDOs were motivated to lend out more and more, as they in turn could sell the papers on to investors at good prices (Purnanandam, 2010). This in turn created an unhealthy cycle, whereby house prices in the US rose substantially above the real underlying values by as much as 50 percent on a national basis, and even higher in some states by 2006. This meant that any US homebuyer of this era would be at a loss from the first day of ownership, even despite having put their own money down on the purchase. The US housing bubble in itself wiped out values of around eight trillion USD, which was divided with seven trillion on the home buyers, and one trillion on the financial CDO investors (Krugman, 2008).

The fallout from the US sub-prime crisis was felt worldwide in most financial markets, and societies and individuals around the world are still struggling with the longer-term effects, where whole countries like Greece and Spain are still working to iron out their relationships to creditors and stabilising their national economies (Varoufakis, 2016). The crisis that led up to the wider market fall was to a large degree driven by advanced financial engineering, where the real risks were divorced from the directly affected parties (lenders and borrowers), and thus, where economic stability was sacrificed in order to maximise short-term financial profits. The cost of this instability has to a large degree been passed on to Western taxpayers, who have had to finance the different bailout schemes devised by Western governments in the aftermath of the crisis (Neal, 2015). From the perspective of this dissertation, there can be no doubt that the kind of financial structuring that was involved in the sub-prime crisis gravely put at risk our ability to enjoy material wellbeing “in the house of the Lord” (Ps. 23:6), and was instrumental in dividing risk and profits unevenly, such that the risk was left with those who had not taken it on (borrowers, investors, and taxpayers). This would be an unacceptable practice in light of Scriptural norms.

On the basis of the Christian-ethical and pastoral findings from Scripture in Chapter 5, it would be a responsible interpretation that banking practices that include exaggerated risk-taking and attendant financial structuring that exports risk onto others and/or society must be considered immoral, and against scriptural pastoral principles under the Reformed paradigm.

## 6.5 TRUTHFULNESS

When utilising any form of financial instruments or performing any act of finance, honesty and transparency are important factors for such practices to be acceptable from a Christian-ethical and pastoral perspective. As I elaborated in several locations in this dissertation, banking practices involve many stakeholders, some of whom are willing participants in the involved risk, and others of whom become subjected to risk they do not welcome, and sometimes are not even aware of. An example here could be mortgage securitisation mentioned above, where the sub-prime house buyers were not aware of the price bubble build-up that was created by the incessant CDO originations performed by the banks.

To handle matters of transparency in banking has been a concern of governments for decades, and, for example, in the US there have been regulations on truthfulness in banking through the Truth in Lending Act of 1968, the Truth in Savings Act of 1991, and most recently in the so-called Dodd-Frank Act of 2010. The Dodd-Frank Act was designed to rectify some of the excesses that led to the 2008 financial crash, and is a comprehensive framework regulating a substantial tract of financial activity, including consumer protection, insurance and credit rating, and has introduced new governmental agencies with monitoring and regulatory tasks in the financial markets (Downes and Goodman, 2014; Dimitrov, Palia and Tang, 2015). Such legal regulations will be found in most of the Western nations, and typically focus on regulations for consumer protection, correct marketing of interest, loan duration, avoidance of hidden costs *et cetera*. Only to a lesser degree will the topics covered in this dissertation be focused, such as depositors' risk of losing money due to banks' reckless borrowing, the real level of bank capitalisation and what it means for its stakeholders, whether the parties in a loan have realistic expectations to each other, and more. Such topics have mainly been left to the parties to regulate, and consumer protection has been seen as the main remedy (Wilmarth, 2004).

In a Christian-ethical and pastoral perspective, being truthful will be a sought-after quality in any line of business, but when it involves banking and financing, the societal ramifications of being untruthful may be severe, and the wider group of involved stakeholders may be larger than in most, if not all, other lines of commercial activity. When the directly involved parties are not truthful, as when a borrower is reckless or the lender avoids letting the borrower know his intentions of creating a long-term situation

out of a short-term one (e.g., payday loans), they will violate scriptural norms (Exod. 20:16), put others at risk financially, or ensnare them in a web of dishonesty for financial gain (Calvin, 2012, 2:8:45).

On the basis of the Christian-ethical and pastoral findings from Scripture in Chapter 5, it would be a responsible interpretation that banking practices that include hiding the truth of a transaction, and/or contribute to misleading others who may be affected, must be considered immoral, and against scriptural pastoral principles under the Reformed paradigm.

## **6.6 GREED**

When assessing the place of greed in banking, the task is to view the general activity through the lens of greed in a scriptural sense. Central topics here will pertain to the involved actors trying to make more of what is already there, in other words, to maximise profits to a degree and/or in a manner not aligned with scriptural norms (Luke 12:15).

In many of the above examples, greed was a factor, as for example when banks stay undercapitalised to make more on their capital, and this could lead to their creditors, depositors included, being at risk of incurring losses, something which constitutes reckless borrowing on the side of the bank. Other examples could be exaggeration of the securitisation of banking assets to such a degree that it creates a bubble in underlying markets, as in the early 2000s US housing market, charging of exorbitant interest and fees as with the payday lenders, and utilising risk at a level that is not responsible compared to the capital inserted by the initial risk-taker, as with the actions of Long Term Capital Management (Krugman, 2008; Danielsson, Taylor and Zigrand, 2005).

On the basis of the Christian-ethical and pastoral findings from Scripture in Chapter 5, it would be a responsible interpretation that banking practices that include the promotion or utilisation of greed must be considered immoral, and against scriptural pastoral principles under the Reformed paradigm.

## 6.7 COVETOUSNESS

While greed and covetousness may be seen as adjacent, if not overlapping, moral topics, in this dissertation I have shown how greed may pertain to all actors in the market wanting more of what they have, but covetousness is here seen as the impulse to try to acquire what is not already there. The focus here will be more on how finance may be used to induce individuals to want to possess material goods not already enjoyed (Exod. 20:17).

A typical area where banking practice may promote and/or prey on covetousness, is within the sale of consumer goods and services, where the consumer does not have the money at hand to make the desired purchase. As evidenced in Chapter 2 above, certain parts of consumer banking have derived from the production and sale of durable consumer goods, and financing of consumption has increased during the post-war era and onwards to the present day (Boczar, 1978; Ryan, Trumbull, and Tufano, 2011). The practice of financing consumption, be it in the form of durable goods, travel or short-term general credit, is not in itself in violation of any scriptural norms, but when such financing becomes predatory and aggressive, the matter changes rapidly. There are numerous examples of consumer credit being offered, where the marketing may not be fully transparent, and where the incentives to make financed purchases clearly relate to luring individuals to make purchases by making them want to own something out of peer pressure promoted through speculative marketing (Douma, 1996).

Among speculative tactics to initiate covetousness and subsequent financed purchases is the practice of offering finance through so-called “cash-back” discounts or credit schemes. In the cash-back schemes, the purchaser is tempted by receiving money from the seller as a kind of bonus. In other words, not only can the purchase be made on credit, but also, the purchaser will receive ready money from the transaction (Zinman, 2009; James, Lahti and Zettermeyer, 2006). It is difficult to interpret anything else into such schemes other than attempts at making people want to buy something they do not already have through financing, and giving money out to consumers would only be devised to make them “fall into temptation” (1 Tim. 6:9).

On the basis of the Christian-ethical and pastoral findings from Scripture in Chapter 5, it would be a responsible interpretation that banking practices that include the promotion

of covetousness must be considered immoral, and against scriptural pastoral principles under the Reformed paradigm.

## **6.8 SUMMARY**

The above presentation has highlighted different types of banking practice that would be considered harmful from a Christian-ethical and pastoral vantage point under the Reformed paradigm. The outline may seem general, as I have only given examples to elucidate how different modes of practice may conflict with scriptural norms. This aside, the different Christian-ethical and pastoral positions are clear, and to consider whether a banking practice would be harmful as described in this chapter should not be difficult for any banking practitioner. The findings can be summarised as follows:

- Banking practices that include lending to those in a state of urgent and desperate need must be considered unacceptable.
- Banking practices that include borrowing without safeguarding sufficient means to pay back to the lender must be considered unacceptable.
- Banking practices that include a lending duration beyond a reasonable time for paying back, and, when connected to a purchased asset, not within the expected time of value depreciation of a connected asset, or where the security puts the borrower at economic risk or risk of losing his home, must be considered unacceptable.
- Banking practices that include charging interest rates that exploit the need of the borrower in an exorbitant manner must be considered unacceptable.
- Banking practices that include exaggerated risk-taking and attendant financial structuring that exports risk onto others and/or society must be considered unacceptable.
- Banking practices that include hiding the truth of a transaction and/or contribute to misleading others who may be affected must be considered unacceptable.
- Banking practices that include the promotion or utilisation of greed must be considered unacceptable.

- Banking practices that include the promotion of covetousness must be considered unacceptable.

What is of further interest now is to consider what would constitute beneficial banking practices, and in particular, to consider this under the pastoral stewardship principles explained by Vorster (2007), Heitink (1999), Osmer (2008) and Oden (1983). In the next chapter I will elaborate different banking practices that would fit under the Reformed paradigm as pastoral, beneficial and constructive.

## **CHAPTER 7**

### **BENEFICIAL BANKING PRACTICES**

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#### **7.1 INTRODUCTION**

In this chapter I will outline different types of banking practices that may be considered to align with Christian-ethical and pastoral norms, as these may bolster benign societal values, and thus, will be deserving of continued promotion. To clear the ground for such elaborations, I will in brief describe how banking and financing may be perceived as located in modern-day society and use this as a basis for the further descriptions of what may be constructive and morally viable banking and financing practices in a pastoral perspective. Further, I will briefly expand on the contemporary view on stakeholders to corporate and commercial activity in a banking setting, the adjacent field of corporate social responsibility and how this may fit in with Christian views on pastoral shepherding of societal actors, as well as the value of shepherding and stewardship connected to morally defensible banking practices. Notable influences here will be those of Vorster (2017a), with his constructive-ethical stance of societal stewardship, and the different voices engaging with contemporary pastoral practice, such as Heitink (1999) Osmer (2008) and Oden (1983). When I move on to outlining the different modes of banking categories that may be perceived as beneficial from a Christian-ethical and pastoral vantage point, I will use the main scriptural typologies as in Chapter 6 above as systematic. Following this, the beneficial banking practices may be seen in contrast to the harmful practices, without the beneficial practices appearing dependant or parasitic on the harmful ones. Any sound Christian-ethical and pastoral banking practice will be based on its own solid scriptural foundations.

#### **7.2 FUNCTIONS OF BANKING IN SOCIETY**

In today's society, we still build on the banking and financing technology innovated in the ancient and medieval eras. However, we package it in modern-day disguises and innovative acronyms. As demonstrated in previous chapters, banking and financing has had great importance for societal developments in the West, and it has been demonstrated how from the early beginnings debt has been a factor in society, with the invention of money as a later addition. It is also of importance to recognise that the ancient cultures of the occidental world and the near Orient were more akin to

command economies than market economies as we know them now, and that money was invented as social technology to settle debts, by way of creating universal measures of value. Further, as we have seen in the examples from the Yap people, money is a theoretical and ethereal concept, and that connecting it to physical objects and/or governmental authority is a later invention. As explained above, money will always represent a debt, either to be repaid as money, or to be settled with a service or physical goods. However, the notion that money always represents debt, actual or latent, does not automatically indicate that all debt is money. For debt to become money, it will have to be expressed in the measurement that is money, and all involved parties must recognise money as a means to settle the debt. Thus, the construct of money allows for lending and borrowing without any interventions of governments or banks, and this will have been the original state of moneylending, as also has been demonstrated from the scriptural passages pertaining to lending and borrowing elaborated in Chapter 5 above.

A central task for the banks in an economic society is to alleviate what may be termed the “maturity gap” (Martin, 2014). The maturity gap occurs when there is a mismatch between what and when one party can claim outstanding debt settled and what and when he himself has to pay out money to another party. The picture may vary, but this is a typical situation for banks, as the depositors can regularly withdraw their monies at any time, but the deposits will be covered by the banks’ assets, not all of which will be liquid, such as loans to customers that will mature in the future. Typically, a bank will raise liquidity on bond issuances and borrowing where the bank promises third parties to pay money at a later stage, and maybe interest at set intervals. This is a way for the bank to earn money so the bank can also pay the depositors the interest they expect. However, as it then will appear, the bank has on the one hand short-term creditors, i.e., the depositors, and on the other side of the equation, the bank has become a creditor for debt with longer-term payment obligations (Casu, Girardone and Molyneux, 2015). As often happens, if there is a run on the bank, this maturity gap on the side of the bank can have dire consequences indeed, when banks do not have sufficient capitalisation and liquid reserves (Galbraith, 2009). A key role of the central banks is to alleviate the strains that the maturity gap places on the commercial banks, and this is mainly performed through supplying the commercial banks with sufficient liquidity (Neal, 2015). As explained in Chapter 6, it is up to the lender and borrower to safeguard that their transaction is responsible, and may be settled in an orderly fashion, and thus, for others

to end up bearing the burden for failures, like society via the central banks, is not viable from a Christian-ethical and pastoral perspective. The bank bailouts we have seen in Western markets at several occasions during market crashes will therefore have to be considered immoral, and to be violating central Christian-ethical and pastoral norms as founded in Scripture. All risk of failed debt, then, need be solely carried by the creditor who has extended such credit, who, in some cases, will be the depositor who has trusted his bank with his money.

The core role of banks in modern Western society, then, will be to act as deposit-takers, in a responsible manner as any other borrower, and to act as a responsible lender, and thus to supply liquidity to other actors who will have use of this for their own goals. Following this, banks have a central role in influencing the use of financial risk and capital allocation towards investment in the Western societies, and through this, their role in developing the societal economies in beneficial directions will be of paramount importance. As will have appeared in the previous chapters, the advanced and often complex variants of financial structured instruments that are involved in banking will in reality only serve as tools created to support these core banking tasks.

### **7.3      STAKEHOLDERS AND SOCIETY**

To fully understand the following exploration of banking and its societal implications, it is important to appreciate the creation and use of the stakeholder construct, as this is in use among academics and banking practitioners alike. In the discourse relating to corporate stakeholders concerned with banking and finance, the positions vary from those stating that the only task of businesses and commercial activity is to generate profit for its owners and direct participants, to those who claim that corporations have fiduciary obligations to consider the interests of extra-organisational actors as part of their core activities (Parmar *et al.*, 2010; McManus, 2011). Friedman (1970) falls into the first category, as he posited that the sole legitimate and legally allowed obligation of a business organisation and its constituent actors is to observe and nurture the monetary interests of its owners, and that taking on costs for benefitting other actors was likened to appropriation of the property belonging to the owners in an undemocratic manner. At the opposite end of the discourse, authors like Goodpaster (1991) explain that, regardless of whether the interests of extra-organisational stakeholders should be considered in a pragmatic monetary light or an altruistic light, such interests must be perceived as the concern of any corporation that is allowed to practise its activities in

modern society. Simply to ignore such concerns will not be a responsible manner of practice in this latter school of thought. The obligation of corporations to care for extra-organisational actors was discussed with some intensity from Friedman's early claims and onward to the early 90s, when Carroll (1991) established what have later become the accepted taxonomic divisions of different levels of corporate stakeholder constituency, flowing from the primary direct insiders, like owners and employees, to the secondary indirect extra-corporate actors with tangible yet more distant interests in the organisational activity, including those of special interest activist groups. A central division of his taxonomy concerns the essence of the stakeholder interests, ranging from the purely formal to the purely altruistic. Dividing organisational stakeholders according to their corporate proximity is only partly clarifying, as the corporations also need to consider the extent of the legitimacy of interests claimed. To this, Santana (2012) presents a useful taxonomy in positing that the so-called definitive stakeholders to be included in corporate concerns are those with legitimate claims on the corporation, based on characteristics related to claim presentation, social perceptions and stakeholder behaviour. She further contends that the definitive stakeholders are those with bona fide organisational claims that need to be considered in corporate strategising, and all others she defines as "dangerous stakeholders", a self-explanatory term related to her views on the value of their interests.

As an extension of the stakeholder construct, within the academic realm of organisational theory and among the broader business community, a discourse on corporate social responsibility (CSR) has arisen, pertaining to how such could be constructed, how far this should reach, and whether and/or to what degree this should be a salient aim for corporations to report on and to adhere to. Sub-terminology and related nomenclature would here include "sustainability", "corporate citizenship", "triple bottom line" (TBL) and "social impact assessment" (Dhiman, 2008; Vanclay, 2004; Schwab, 2008).

The above-described discourse, which resides within the academic realm of management sciences, is of interest in this dissertation as it pertains to possible societal improvement through business activity, hereunder banking and financing, but it should be emphasised that its main paradigmatic adherence is to secular consequentialist ethical philosophy (Freeman and Hasnaoui, 2011).

As described in Chapter 4 above, in this dissertation only deontologically based ethical models have been considered, as consequentialist ethical philosophies will be assumed not to suffice in illuminating banking and financing practices that could be acceptable from a Christian pastoral-ethical perspective. Even though the concepts of “CSR”, “TBL” and “stakeholder” would indicate a certain usefulness for the ethically concerned banking practitioner, without a foundation like that of the Reformed Christian-ethical and pastoral norms as demonstrated in this dissertation, such concepts may well lead to a false moral front presented only for marketing purposes in the quest for corporate profits (Galbreath, 2009). As will be elaborated in the following, if banking and financing is to be genuinely beneficial to society, a grounding on Christian-ethical and pastoral foundational norms will need be adhered to. In a Christian-ethical and pastoral perspective, the stakeholder sphere encompasses the whole of society, with all its constituent actors, and cannot be defined as narrowly as in the secularly based discourse on corporate stakeholder constituency, CSR, TBL and the like.

#### **7.4 PASTORAL BANKING PRACTICE**

As described in Chapter 6, the recognition of banking practices to be rejected flows from an appreciation of Christian-ethical and pastoral norms. However, mere blind alignment to these norms will most likely not promote the development of best possible capital utilisation seen from a societal vantage point, as such banking practice would solely be guided by scripturally norm-based negation. The aim here, then, will be to excavate principles for banking and financing that will be beneficial for society and the involved parties, and to make certain that such principles will be aligned with Christian-ethical and pastoral norms pertaining to stewardship, shepherding and pastoral guidance. Such principles will need to be based on a constructive mode of operating within society, where exertion of scripturally-based pastoral principles of shepherding and stewardship is at the core. If the theories explained in connection to the secular CSR discourse are added to the foundational deontological moral norms, such philosophy will move from the inadequate secular relativist theorising, to become a viable alternative for action, guiding banking practitioners towards a path of scripturally informed banking practice that is truly useful for the individual and society as a whole.

If capital is applied in society in a constructive and shepherding manner, it would represent the opposite of a passive non-participatory hoarding (Matt. 21:12 and Mark 11:15) or mere rent-seeking, which at times has been promoted as an ideal for capital

use in Western societies. The aim in classical rent-seeking is to obtain maximum financial profit in a strict chrematistic manner with the minimum application of risk, something which would lead to the perception that to participate with capital in society is unwanted risk-taking, and as such, a practice to be avoided if possible (Dabla-Norris and Wade, 2015; Krueger, 1974).

Moving away from this non-constructive and tight-fisted traditional approach would be to attain a banking practice where capital use and risk application are aimed to benefit a larger stakeholder group, including the CSR informed extra-organisational ones. Attaining such a wider perspective in which actors should be considered in banking activities, and where Christian-ethical and pastoral principles of stewardship and shepherding are at the forefront, will ensure a foreseeable banking and financing execution that aligns with scriptural norms. If scripturally informed Christian-ethical and pastoral principles are utilised constructively and with care for the larger societal financial welfare at heart, this could generate the inception of a Pastoral Banking Practice (PBP) that would guide banking practitioners to the benefit of themselves, their counterparts, the wider society, and its benign economic development.

The banking and financing practices that will be outlined in the following will represent an articulation of PBP, but, as I realise that my ability to overview all possible banking practices and products will be limited, purporting to give a comprehensive account of the area for applying PBP will be futile. This will not least be the case as the development within the practical realm of banking and financing is practitioner-driven, and when a practice is available for research, it is already a part of history, and the real-life practitioners will have moved on with ever new financial innovation that will be in use, forever pushing the field of the banking profession further ahead. Therefore, the following outline is meant to inform the use of PBP towards real-life practice, in a manner that will illuminate the different categories as headlined in Chapters 5 and 6, for the reader to follow my thread of logic, and through this, be able to appreciate the constructive and shepherding character of the principles that underscore PBP.

## **7.5 MONEYLENDING**

### **7.5.1 Lending**

When operating in the core area of banking, which is the activity of lending money to those who need or want it (Matt. 5:42), the onus will be on the practitioner to perform such activities in a constructive and non-exploitative manner. This will entail that the scriptural norms demonstrated above need to be observed, and that loans should be given to those who are in need, but only to the degree that they are not in a state of desperation, where other more charitable alternatives for aiding the potential lender will be prudent. When the lender extends a loan, it will be necessary to match this with the capabilities of the borrower to repay the loan, and to ensure that this will be possible in a manner that will be agreed, so as the borrower will remain in a state of dignity throughout the loan duration. When the need of the borrower attains the character of “want”, such as in a business transaction (Ex. 22:25), the balance among the parties may be more even, and thus, the lender may rely more on the sole discretion of the borrower as to whether he may be able to repay, and not least, how this will affect his wider economic circumstance. Taking risks is acceptable and encouraged in business (Matt. 25:14-30; Luke 19:11-27), but the lender also needs to exert a certain stewardship in the situation, by displaying an attitude of pastoral leadership towards the borrower if the lender has more experience than the borrower (Vorster, 2004; Tidball, 1997). This shepherding role of the lender will also extend to acting responsibly when extending loans, be they in business or to private individuals, because if the lending bank does not observe caution when giving loans, their potential repayment failures may destabilise the bank’s balance sheet, and thus harm their other customers, borrowers and depositors alike if the bank fails (Neal, 2015).

From the above it follows that to extend loans to those who are able to bear the cost and will be capable of repayment, is well within a sound PBP banking strategy.

### **7.5.2 Borrowing and Deposits**

The obligation of the banking practitioner to act responsibly and to exert shepherding leadership and societal stewardship is even more salient when borrowing to finance a bank’s operations, not least by taking deposits from the general public. Borrowing must be performed in a responsible manner, and the banking professionals must ensure that

the bank has sufficient funds, both as long-term capital reserves as well as short-term liquidity to make good on its obligations to its lenders. Such responsibility is not alone observed by aligning with official capital requirements as set forth by governmental regulatory bodies or private agencies, but rests with the individual banking practitioner in each case, as only “the wicked borrow and do not repay” (Ps. 37:21). The ability to repay is a central tenet when borrowing, and any banker will need to observe this individual obligation when taking deposits and other means of borrowing. When taking deposits, it also becomes clear that the banking practitioner needs to observe obligations of guidance to the less professional, to explain that money may be lost even in deposits, and to shepherd those who need to understand the ramifications of this. Some may be well served by being guided to invest rather than risk their money on low interest-bearing deposits, particularly if the deposits are large, and thus may fall outside the minimum deposit insurance schemes that may be relevant in the different cases (Gros and Schoenmaker, 2014). To guide someone towards understandable risk could be considered good shepherding, not least if the outcome is that the money will be constructively used by others (Bosterud and Vorster, 2017). Prudent bankers, then, only take deposits and borrow when they are certain that their repayment obligation will be observed in full.

From the above it follows that to borrow and take deposits with certainty of repayment is well within a sound PBP banking strategy.

### **7.5.3 Duration and Security**

When entering into a loan agreement, it will be of importance that this contains a duration that is meaningful as compared to both the possible depreciation of connected financed assets and the financial horizon of the parties. If the duration becomes longer than the existence of a financed asset, or the remaining loan amount is higher than the value of a depreciating asset, the loan agreement will attain characteristics of rent or investment, and then other types of terms should apply. There will be no standard term for loan agreements to be set in stone as a one-size-fits-all regulation as expressed in Deuteronomy 15:1, but it will be the onus of the banking professional to shepherd the less professional so that a loan agreement becomes functional and possible to repay (Prov. 29:7). Regarding taking security, it will be important that such security will not deprive the borrower of central needs satisfaction such as housing and food, and even if a lender has a legal right to take security to use, this may only be performed without

inflicting reduced needs satisfaction on the lender (Deut. 24:6; Exod. 22:26-27). It will also be of utmost importance that if a loan depends on the pledges of people other than the principal borrower, it will be performed with the maximum caution, and those involved need to be guided to understand that a third-party pledge only imposes obligations on the pledger, without any adjacent benefits (Prov. 22:26).

From the above it follows that to lend money with a duration that is responsible in light of connected asset depreciation, the financial horizon of the involved, and based on non-invasive pledges from the principal borrower as the main rule, is well within a sound PBP banking strategy.

## **7.6 CHARGING INTEREST**

When extending credit in any form in a professional setting, the mainstay in the Western world is to charge interest as the means to pay for the credit, and alleviate some of the perceived repayment risk on the part of the lender (Casu, Girardone and Molyneu, 2015). As interest charging is considered acceptable under the Reformed paradigm in principle, the question here will be where a line may be drawn for when charged interest becomes too high, or exorbitant, so that it falls outside what will be morally acceptable. As with the topic of duration, it will not be possible to determine where such a line should be drawn once and for all, but the issue for the concerned banking professional will be how to exert sound stewardship and give guidance when entering into dialogue and/or agreements with borrowers. A good guide here may be the talionic principle (Lev. 24:19-20) where both parties should be giving and taking in equal measure. In other words, a concept of “value-for-money” or equity needs to be applied when shepherding borrowers who will enter into credit. A prudent banking professional, then, will apply such a principle of evenness when guiding a potential borrower, and make certain that the borrower understands what the cost will be, and how this translates against the benefit reaped from entering into a loan. If this principle is adhered to, and the borrower is not in a state of desperation, there should not appear any situations where the charged interest could reach a level where it will be considered immoral usury or exorbitant.

From the above it follows that to lend money against interest, in a situation where the interest level is put at a rate which can be considered as equalling out the benefits of the loan for the borrower, is well within a sound PBP banking strategy.

## 7.7 RISK AND STABILITY

As the application of credit has become a central social technology for the advancement of the Western economies, to ensure that it is practised in a responsible manner without posing undue risk on the direct participants, third parties or wider society has become a matter of substantial importance. This importance is evidenced through the many different financial bubbles and subsequent crashes that have appeared in the Western economies over the centuries, where wider society has had to bear the burden of losses incurred by reckless market actors (Neal, 2015; Galbraith, 2009). When utilising banking technologies as a means of societal or individual economic advancement, a full appreciation of how this is connected to risk and societal stability will lead to the structuring of financial instruments and their application in a manner where the risk of destabilising the economic systems in which they are applied is at a minimum. This would entail the use of utmost care when originating derivatives and opaque financial structures, and necessitates that all involved parties fully understand the societal reach and financial magnitude of each instrument in use, as well as only issuing such instruments in a volume the market can assimilate without irresponsible risk build-up. This will mean that collateralised debt obligations connected to mortgages, for example, should only be issued for the purpose of ensuring a stable supply of mortgage lending to potential house buyers (Gotham, 2009).

In addition to the careful application of financial instruments, it is also important to be responsible when applying financial leverage in trading and investment operations in order to safeguard human enjoyment of material goods (Eccl. 5:19). This will be especially important when performing speculative market operations connected to trading in securities and other assets, as the prudent use of leverage may lead to optimisation of capital in the best interests of society and the individual (Matt. 25:14-30; Luke 19:11-27), but the opposite may have financially devastating consequences for the societal economy and a wide group of stakeholders (Edwards, 1999). The aim, then, will be to apply financial leverage with care, and utilise stewardship principles with extra-party stakeholder interests at heart when applying financial leverage in trading and investment operations. In any banking operation where financing is involved, the actors need to focus not only on those directly involved, but also to employ a shepherding attitude where wider societal interests are considered, and when structuring financial products of any kind. Through this, issuance, origination, trade and investment in

structured financial products will be useful for the individual and society in obtaining and enjoying material goods, which God has supplied us with the ability to receive (Deut. 8:18).

From the above it follows that to structure, originate, issue, trade in, or invest in societally useful financial products for use in market operations and raising of debt, is well within a sound PBP banking strategy.

## **7.8 TRUTHFULNESS**

To stay truthful in all realms of business life may be challenging at times; for example, negotiating commercial deals with others may entail a certain economising with the truth. However, when it comes to banking and financing, to stay truthful and transparent is of utmost importance from a Christian-ethical and pastoral perspective. As evidenced in the previous chapters, this will be informed by scriptural norms. Topics concerning truthfulness in relation to banking may involve all aspects of credit giving and receiving, and examples here may be to ensure that a borrower is aware of all terms of a loan agreement, such as duration, fees, security, the real interest rate per year *et cetera*. Some of these aspects may be connected to wider marketing activities such as advertising credit cards or consumer loans, but also to how the concrete interparty dialogue is handled in a professional business setting (Douma, 1996). It will be necessary to note here that for the individual banking practitioner involved in such marketing and utilisation of banking products, solely to adhere to formal governmental regulations, such as the US Truth in Lending Act, in itself will not suffice to align with scriptural norms (Downes and Goodman, 2014). Here, scriptural obligations to attain a shepherding attitude towards the individual and society will be informed solely by the Christian-ethical and pastoral norms set out in Scripture. Thus, all banking activity needs to be truthful and transparent, and banking practitioners need to apply the truth in all aspects of their practice, and at all times (Exod. 20:16).

From the above it follows that to remain truthful and act truthfully in all circumstances when originating, marketing and utilising transparent banking products is well within a sound PBP banking strategy.

## **7.9 GREED AND COVETOUSNESS**

For the assessment of what could be considered beneficial banking practices connected to greed and covetousness, I elect to treat these in combination, as the overlapping of these two attitudes would render separate treatment superfluous. When banking practices are to be assessed in connection with greed and covetousness, the matter relates to the issue of leadership on the part of the banking professionals, both when communicating with less professional potential borrowers, and also among themselves. The sphere for applying Christian-ethical and pastoral leadership will be substantially connected to greed and desire within the financial industry, and a shepherding activity would be to guide potential borrowers as to whether they need to obtain more material goods (Exod. 20:17) by way of financing, and for the bankers, whether earning more money through extending more credit really is necessary (Luke 12:15). Further extension of such didactic guidance would entail the promotion of thrift and responsible consumption to potential customers and practitioners, and to ensure that all marketing and structuring of banking products follows such an understanding. I realise that, to some, such evangelising may seem somewhat misplaced in a professional setting, but, as thrift and responsible consumption is the opposite of greed and covetousness, and, as financing such lifestyle choices may also be profitable, promoting such stewardship in a professional setting will create a real-life practically oriented ministry, where Christian-ethical and pastoral norms founded in Scripture are at the core.

From the above it follows that to promote thrift and responsible consumption in all aspects of a professional banking setting is well within a sound PBP banking strategy.

## **7.10 OPERATIONALISATION OF PBP**

I have elaborated above some main principles for PBP and certain areas of application. They are necessarily general, not connected to specific areas of banking, and only to a limited degree exemplified as product-specific. As with other utilisations of Christian-ethical and pastoral principles in practice, to operationalise them in a practical setting will include a customising to the specific practical realm in which they will be used. To ensure the practicability of PBP use by banking practitioners, PBP will have to be translated into the specific area where the practitioner will utilise them, and will have to be expressed in a strategic and product-based manner. My recommendation to practitioners who contemplate utilising PBP strategies in their practice is first to outline

the product groups and the individual products and market segments they are aimed at, and then to apply the PBP principles onto each product and potential customer group in an easily understandable and practically useable manner, and formulate a detailed set of regulations and guidelines to be applied in each set of product/consumer transaction. In addition to producing such detailed and sector-specific rules of conduct, learning sessions should be held among the practitioners of the rules, where they will be taught the PBP principles in general, so as to be able to adapt the specific rules better to align with the general PBP principles in each separate case. Finally, any PBP-based specific regulations used in practice should be revised at regular intervals, to ensure their compliancy to the actual practice as this evolves in the market situation wherein the practitioners reside.

## **7.11 SUMMARY**

The above elaboration has outlined certain categories of banking practice that would be considered beneficial from a Christian-ethical and pastoral perspective under the Reformed paradigm, and has expounded what would constitute a Pastoral Banking Practice (PBP) for the morally concerned banking professional to align with. The presentation may have seemed general, but as the different Christian-ethical and pastoral positions are clear, to consider whether a possible banking practice as found in the practical world of finance would fall under the beneficial category explained in this chapter should not be difficult for any concerned banking professional. The findings can be summarised as follows:

- A central task for the banks in economic society is to alleviate the “maturity gap”, which occurs when there is a mismatch between what and when two parties may claim of each other.
- The core role of banks in the Western modern society is to provide loans and take deposits.
- All risk connected to banking activity should be carried only by the directly involved parties.
- Consequentialist ethical philosophies do not suffice in illuminating banking and financing practices that could be deemed beneficial from a Christian-ethical and pastoral perspective.

- If banking and financing is to be genuinely beneficial to society, a grounding on Christian-ethical and pastoral foundational norms will need be adhered to.
- In a Christian-ethical and pastoral perspective, the stakeholder sphere encompasses the whole of society, with all its constituent actors.
- To extend loans to those who are able to bear the cost and will be capable of repayment is well within a sound PBP banking strategy.
- To borrow and take deposits with certainty of repayment is well within a sound PBP banking strategy.
- To lend money with a duration that is responsible in light of connected asset depreciation and the financial horizon of the involved, and that is based on non-invasive pledges from the principal borrower as the main rule, is well within a sound PBP banking strategy.
- To lend money against interest in a situation where the interest level is put at a rate which can be considered as equalling out the benefits of the loan for the borrower is well within a sound PBP banking strategy.
- To structure, originate, issue, trade in, or invest in societally useful financial products for use in market operations and raising of debt is well within a sound PBP banking strategy.
- To remain and act truthful in all circumstances when originating, marketing and utilising transparent banking products is well within a sound PBP banking strategy.
- To promote thrift and responsible consumption in all aspects of a professional banking setting is well within a sound PBP banking strategy.
- Guidelines for operationalisation based on PBP need to be developed in each organisation according to its business scope.

In the above, I have demonstrated basic principles of the PBP banking systematic that could be deemed acceptable as constructively promoting Christian-ethical and pastoral values under the Reformed paradigm. In the concluding chapter I will outline my

findings so far, explain my conclusions, as well as point to some areas of possible interest for future research.

## **CHAPTER 8**

### **CONCLUSION AND RECOMMENDATION**

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#### **8.1 INTRODUCTION**

In this chapter I will present a summary of my conclusions and answers to the research questions presented in Chapter 1, concerning how the Pastoral Banking Practice (PBP) strategy may be utilised and further developed. I will also point to some areas where future research may aid the development of PFP, contributing to the field of banking and financing through reliance on Christian-ethical and pastoral foundations. I will not be offering a comprehensive pre-made set of instructions to practitioners, but will point towards certain aspects of how to operationalise PBP for practical use. My position is that, even though the banking sector develops fast and in concert with wider society, staying with Christian-ethical and pastoral norms as foundational guidance for practice will be a steadfast and certain way to safeguard banking practice for the benefit of all societal stakeholders.

#### **8.2 CONCLUSION**

As I explicated in the previous chapters, any banking activity entails decision-making with Christian-ethical and pastoral connotations, and whatever application of credit is in use, it will touch and involve a wide range of stakeholders, many of whom will appear as indirect and extra-transactional to the conventionally trained eye. In the above, I have followed a format dictated by the research questions set out in Chapter 1, and all these questions have been answered within the frame of this dissertation.

I have demonstrated how money and debt are interlinked in a societal systematic of social reciprocity, that money and credit has sprung out from such societal dynamics, and how money acts as a measure of interpersonal obligations and allegiances. Further, I have shown, with a historical perspective, how the development of banking has been closely interlinked with the economic development and advancement of the West, and how this in the modern era has been translated into a democratisation of credit, which has led to a widespread consumerist ethos, largely financed by third parties offering different banking products for such purposes. I have explained that financial innovations connected to the liberalisation of credit in the modern era have not only had constructive effects on societal economics, but they have at times also

contributed directly to market crashes and attendant financial turmoil, negatively affecting the financial stability and wellbeing of large societal groups, and bereaving them of enjoying the gift of God that is material wealth. Thus, it has been demonstrated that credit extension and financing practices cannot be morally neutral.

I have described different Christian-ethical and pastoral norms and principles relevant for banking and financing and have elucidated certain main strands of thought aligned with the Reformed paradigm which remain in concert with such norms. I have focused solely on deontological ethical schools of thought, as these have been assumed to constitute the only practically viable base on which to build my exploration of the research questions. From this vantage point, I have excavated norms of Christian-ethical and pastoral significance based on scriptural foundations and expressed a view of constructive and holistic shepherding and stewardship, where the interests and wellbeing of all societal constituents need to be considered. It is from this philosophical platform that I have established the Christian-ethical and pastoral position presented here, and from this stance I have concluded and elaborated what Christian-ethical and pastoral principles are applicable to credit extension and financing.

I have outlined some banking categories and practices which are to be avoided according to the Christian-ethical and pastoral norms of the Reformed paradigm and have connected these to scripturally based themes with relevance to banking and financing. From this presentation appeared a negation-based typology, which did not reveal any manner of constructive and positive banking opportunities. Even that being the case, such a negatively described set of banking practices will be of value, as they will offer valuable insights to practitioners in contrast to more constructive and pastorally based banking practices. Through my elaboration of such practices, I described what banking practices should be avoided as counteracting Christian-ethical and pastoral norms.

Moving from the above elaboration of banking practices to be shunned, I demonstrated certain banking categories that may be viewed as beneficial and useful for the individual and society through their furtherance and promotion of a Christian-ethical and pastoral banking practice, the PBP. These practice typologies have been presented as constructive and expressive of due societal stewardship, pastoral care and guidance, all in concert with scriptural norms. Through expounding these practices, I have

demonstrated what banking practices should be encouraged as promoting Christian-ethical and pastoral norms.

I have demonstrated in this dissertation that extant banking practices are regulated by governments and their agencies, but such regulations are practically oriented, often based on a consumer protection ethos, and through this, the current practice in the Western markets has been prone to a boom and bust systematic. Thus, the existing legal regulations have not been able to protect the general public against financial upheaval and dire economic consequences thrust on individuals, organisations and the wider society. Through my outline of PBP, and explanation of how to operationalise these principles, I have demonstrated how guidelines for banking practices can be developed to correlate with the formulated Christian-ethical and pastoral principles.

In summary, taking account of all aspects of my presentation, the financing of human activity should be guided by a Christian-ethical and pastoral perspective.

### **8.3 RECOMMENDATIONS**

For the reader who is part of the practical world of banking and financing in any capacity and on any level of organisation, it may be of interest how to set the PBP principles out in practice, and to include them into an ongoing process of corporate strategising. Although it will be difficult if not impossible to render recommendations in a comprehensive manner for all to benefit from, I have in Chapter 7 given some pointers as to how to operationalise the PBP in real-life settings. To outline and articulate PBP guidelines in detail will fall outside the scope of this dissertation and would also not be possible in any comprehensive manner, even with vast resources available. This is because the practical application of the PBP principles in real-life settings will need to be related to the frame of business where they are to be used. I would, however, urge relevant organisations to explore their current practice in light of the Christian-ethical and pastoral positions stated herein, and appoint an individual, or if possible, establish a group, who will be designated to mine out concrete possibilities for improvement in the relevant organisation.

For the concerned individual practitioner, then, it would be advisable to attain a pastoral attitude and adopt a perspective of ministry, so as to allow for the PBP principles to permeate all levels of their practice. However, within the corporate constraints of the

practical business world, this may be difficult to achieve. Thus, my recommendation, in general, is to seek out others connected to the practice, and attempt to anchor support for PBP strategising on as many levels of organisation as possible, for if an organisation becomes a venue for pastoral ministry in a holistic sense, then maybe the realisation of PBP is imminent.

#### **8.4 FURTHER RESEARCH**

Because of the limited scope of this dissertation, I expect that there will be room for substantial further study into the possibilities for developing banking practices in a viable Christian-ethical and pastoral direction. The construct of PBP is new, so I assume there is potential for continued exploration into this field, and the PBP construct itself may benefit from further development and clarification. Further proposals for the operationalisation of the PBP principles in a practical setting would be of interest, and I would assume that different modes of action research or other collaborative research methodologies would lend themselves well to such research endeavours (Swinton and Mowat, 2006; Coghlan and Brannick, 2010). Of particular interest for such practical real-world research might be the establishment of research projects based on the Appreciative Inquiry paradigm, as this methodology aims to mine out what is already perceived as positive in extant organisational practice, and to build new knowledge and practice on that (Cooperrider, Whitney and Stavros, 2008). Such a constructive research ethos would fit well with the constructive Christian-ethical and pastoral principles that may spring out of a PBP-based corporate understanding.

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