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Martin Luther's Business Ethics and the Economic Utopia

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Abstract. The principle of benevolence is at the root of Martin Luther's (1483-1546) thinking on society, the economy, and business ethics. Luther was the forerunner of the moral economy. He saw the necessity of strong public authorities, which should take into account the public interest, leading to a tamed self-interest coupled with a certain amount of benevolence. Income differentials inside the society should be kept within limits and poverty should be prevented. Luther accepted just business practices but denounced the logic of maximum profit. He criticized the right to sell a good for as much money as possible. According to Luther, there exists some contrast between a true Christian and commerce. He clearly condemned monopoly and all forms of collusion between sellers. Eschatology was an integral part of his theology as he waited for the coming of the Kingdom of Christ, where the nations would be ruled with righteousness. Before that time, people would need strict rules and temporal authority. Therefore, it can be concluded that Luther had two different economic systems in his thinking: The temporal tamed market economy and the coming eschatological economic system of Christ.

Keywords: Martin Luther, Reformation, Christianity, economic history, economic systems

1. Introduction

Competition is a sin

John D. Rockefeller Sr. (1839-1937)

Mixing the vocabulary of economics and theology, the above citation is a famous quote from monopolistic entrepreneur John D. Rockefeller Sr. In relation to that, Martin Luther (1483-1546) had a contrarian view on the meaning of competition. He saw economic competition as a blessing and monopolies as a sin. Luther criticized the grand monopolists of his time, like Jacob Fugger (1459-1525), who was a merchant, mining entrepreneur and major banker of Europe during the time of Luther.

Martin Luther was a German professor of theology, as well as a composer, priest, monk, and seminal figure in the Protestant Reformation. Understandably, he never tried to develop a clear economic program. Nevertheless, he preached and wrote extensively on economic subjects—and through his work, he has been one of the most influential figures in western

religious development. His viewpoint was always the religious outlook of the Christian conscience, but he regularly included economic aspects in his religious writings.

Reformers form an important stage in the development of economics between the scholastics and mercantilists. Apparently, Luther is the main figure in this process, developing his own economic thinking, which sometimes is wrongly blamed being thoroughly medieval, backward or reactionary in its nature. Luther's economic thought is much richer and more developed than most commentators suppose (Singleton 2011). He was not "handicapped" regarding his thinking on temporal subjects. Several scholars, like Gustav Schmoller, have acclaimed Luther's economic ideas and insights (Stierle 2017).

Luther was not ill-informed on the economic issues of his time, as his wealthy family was part of the modern transition from an agricultural economy to that of early capitalism. His father was an entrepreneur in the mining industry and his studies familiarized him with the revision of monetary theory by the *via moderna*. Additionally, one of Luther's closest friends, Lucas Cranach, was a wealthy real estate developer and property owner. During his later years, Luther was one of the wealthiest persons in Wittenberg (Lindberg 2016, 374).

Martin Luther's best-known political doctrines are his teaching on two kingdoms (in German: *Zwei-Regimente-Lehre*), political obedience and hostility to rebellion. Lesser known are his teachings on usury and his doctrine of the three estates (in German: *Drei-Stände-Lehre*).

Luther's doctrine of the two governments enabled the larger role of the temporal authorities in social and education policy. His theology shaped modern Western societies in various ways. The Protestant reformation began in Europe during the year 1517. Martin Luther succeeded in gaining followers and reducing the political power of the Catholic Church. His theological agenda suited the German political landscape, as the emperor and the German electors and princes benefitted from the resignation of the rule of Rome. Also, one of the reasons for his success was the increased development of information webs, as during his lifetime the printing house, commercialism, and urbanization were emerging (McNeill & McNeill, 2005, 270-2). Luther's ideas disentangled materiality from spirituality and therefore freed considerable resources for the market process. Market forces were freed from the chains of theological regulations. Dissolution of the monasteries and a considerable reduction in holy days boosted the total hours worked, thus also increasing economic productivity (Rössner 2019).

The theodicy problem has also an economic version: why are bad people rich? Luther was not just a traditionalist in economic matters. He required both strict internal and external morals and supported pure utilitarianism. The main merit of Luther's economic thinking was his synthesis of the internal logic of economy and politics, applying religious conscience and demands on public authorities. While Luther never tried to develop a concrete or precise economic program, he almost always included economic aspects in his predominantly religious writings. Careful analysis of Luther's economic ideas helps us to better understand the development of the modern economic society.

The ongoing development and history of the modern free market economy cannot fully be understood without the knowledge of the important medieval thinkers. Martin Luther was an important link between the scholastics and mercantilists. Theological scrutiny eased the path towards contemporary market societies. The principle of benevolence is at the root of Luther's thinking on the economy. He supported the competitive market economy but demanded restrictions on monopolies and unlimited greediness. This article explores the economic principles of Martin Luther in order to better understand modern free market practices such as industrious work ethics and social policy. It should not be forgotten that Luther's thinking on the economy and society was firmly based on his eschatological beliefs on the coming kingdom of Christ. He believed that he was living in the "end-times," when Satan and the antichrist ruled the world according to the book of Revelation in the New Testament. Until his utopian society was actualized, some concessions were therefore allowed, as in e.g., interest rates, pricing, and commerce.

2. Foundations of the just society

Luther's economic views were by some degree medieval by nature, as shown by Langholm (2009). Early roots of Luther's economic thinking can also be found in the ancient writings of the Church Fathers. For Luther, the important role model was Augustine of Hippo and his texts, especially his book *De civitate Dei*. Another relevant author for Luther was Philo of Alexandria. Luther's political ideas resemble Augustine's conception of the two *civitates*, the medieval "two swords" controversy, and medieval notions of obedience and order (Lopes Pereira 2012). Therefore, Luther laid important foundation for the emergence of the modern state and market economy. His two-swords doctrine invested the state with new powers of authority. Luther emphasized framings of the market process which later became important for economic growth and development (Rössner 2019).

One of the most influential figures in medieval scholasticism was Thomas Aquinas (1225-1274), who declared human reason autonomous and self-sufficient in its own domain, which was natural knowledge (Dieter 2014, 38). Since then, Thomas' doctrine of the autonomy of natural reason has been an essential part of modern science. The patristic teachings were the primary source of Luther-era thinking on several economic issues (for example, prohibition on usury). Aquinas imported the Aristotelian teleological understanding of money later after a considerable canonical tradition was established. Luther rejected the church fathers and canon law as sources of authoritative truth in theological matters. This rule was also applied to economic problems, as Luther made no reference to the patristic teachings regarding usury in his texts. Luther regarded the church fathers (especially Augustine) as a theological touchstone but also as fallible and continuing students of the Scriptures. In that notion he felt little tension (Herrmann 2014, 80). Luther wrote: "Let me not put my trust in

Augustine, let us listen to the Scriptures" (WA 7, 142, 30-1)¹. In relation to the Bible, Luther's key axiom was *was Christum treibet* ("what promotes Christ"). This notion also functions as his main criterion of canonicity (Herrmann 2014, 302).

Erasmus of Rotterdam (1466-1536) had criticized the extravagant lifestyles of church officials and several wrongdoings of the church. Contemporaries saw Luther as developing further the ideas Erasmus had begun. Erasmus was an early defender of Luther and agreed with many of his criticisms of traditional Catholic piety. There is some truth in the old saw, "Erasmus laid the egg that Luther hatched," a jibe which originated in the sixteenth century among some of Erasmus's Franciscan critics (George 1988, 75). Nevertheless, he published 1524 a treatise *On Free Will* and entered into disagreement with Luther. "Erasmian" and "Lutheran" gradually came to be used as opprobrious synonyms of reform (Methuen 2014, 20). Luther argued against Erasmus concerning the problem of the freedom of the human will. Luther explicitly denied the free will of man in religious questions (like in the doctrine of justification) but saw a human being as a rational actor which had a natural reason and intellect to be applied in economic problems. In this context, Luther probably had significant influence on the natural law philosophers of the following decades; Thomas Hobbes (1588-1679), Hugo Grotius (1583-1645), and Samuel Pufendorf (1632-1694) all had an important role in the development of modern capitalism (Gahbauer 2005, 38-9).

Luther never fully managed to free himself from the late medieval scheme of thought. For Luther, evangelical freedom was seen as the end of subjection to law as such, as life above every rule and universally binding ordinance of God. Therefore, Luther had a worldview with nominalist dualism of nature and grace. Nature, now understood as the realm of temporal ordinances, "the domain of law," was placed in sharp opposition to grace as the realm of evangelical freedom, as living out of evangelical love without law, without subjection to divine rules. This notion paved a road to modern ideology that the Christian faith and life affects only the inner life of the Christian. Thus, Luther supported the notion of the natural light of reason, which reason would have the last word in natural, worldly affairs. He did not regard the Christian's activities in the economic realm as independent of the life of faith; indeed, all economic activities are actualized within the framework of the Christian's service to God. The goods and wealth acquired were to be seen as God's blessings and to be used according to Christian love (Rieth 2014, 387). This was the cornerstone of the modern welfare state system, where church and state fully operate in their own spheres. The temporal tasks of welfare, education, and health care could easily be transformed to the secular state, as the Lutheran church concentrates on spiritual and moral questions.

Additionally, some roots of Luther's economic ideas can be found in Italian Renaissance theology, especially in the works by Angelo Carletti, whose main writing was

¹ Here and in the remainder of this article, WA refers to the Weimarer Ausgabe of Luther's works (Luther 1883). WA TR stands for the *Tischreden*, WA BR for *Briefwechsel*. The abbreviation is followed by the volume, page number(s), and number or line number(s).

Summa de casibus conscientiae, written 1487. Luther was in the sphere of influence of William of Ockham's nominalism and the new *via moderna*, which was spreading in German universities. German ockhamist Gabriel Biel, scholastic author and professor in Tübingen, is usually named as having been a heavily influential teacher for the young Luther.

Luther's mother came from the middle classes. His father started as a small peasant, became a face worker in a mine and rose later to become a mine master. This meant that Luther witnessed during his lifetime the transition from an agrarian to an early capitalist society. Luther had very few if any contacts with peasants. In 16th century Germany, 90% of people lived in the countryside and were peasants. For example, Wittenberg was one of the most important towns in Germany, but had in 1513 only 2,100 inhabitants. The economic environment was changing at that time. The population was increasing rapidly, as the mining industry and inflation were growing. The price of grain increased by 260% during 1470-1680, while salaries increased only by 120%. In Leipzig, for example, interest rates were 40%. During this period international trade increased, and capital started to accumulate. Rudimentary mass production in textile-, metal- and publishing industries was born.

In Luther's time there were several monetary crises between years 1480-1525. There were regular overproduction troubles in mining, which led to the organization of cartels and monopolies. The Fuggers, Welsers, Höchstetters, and Fürers were engaged in long-distance trade, mass production, and financial and banking activities (Peukert 2010, 19). The production of metal species could not keep pace with demand. Between 1450-1540, precious metals were imported from America and increased the price level. Credit extended at high interest rates interfered with business activities. Grand merchant associations in Augsburg were more aggressive than the merchants of the Hanseatic League.

3. Work

The famous "Protestant work ethic" slogan by Max Weber has been diligently analyzed, and while Protestantism seems to have been significantly behind a more effective work ethic (Schaltegger & Torgler 2010), its effect comes partly from the increased level of education. As Bernstein (1988) notes, the ideology of the Lutheran work ethic was also formulated according to the prevalent economic conditions, which included a rapid increase in population, inflation, and unemployment of Luther's own time. In the Lutheran ethic, begging was unacceptable, and work was deemed to be a necessary punishment for original sin. The non-theological problems of overpopulation, inflation, and unemployment during the 1520's in Germany were being addressed by moral arguments on the godliness of labor and the generosity of poor-relief legislation. The poor would turn their lives around if only they would accept the God-ordained value of employment. Protestantism stands for a rational way of life, productive self-discipline, and the work ethic of a liberated ascetic from within the monastery (Stierle 2017, 3).

Luther rejected the distinction between spiritual and worldly vocations and recognized that God calls and places people into their earthly responsibilities. Whoever exercises these responsibilities and vocations in faith is pleasing to God. Vocation joins Christian faith to work. According to Luther, persons are born for work as “birds are to fly.” Luther assumed the medieval analysis of the structure of society which divided human life together into three “estates” or “walks of life.” This medieval view normally consigned everyone to one of those estates. In his chosen earthly vocation, a baptized Christian is free to make the best use of his talents and interests in response to the neighbors’ needs (Strohl 2014a, 367).

Luther insisted that, to live a life which is fully pleasing to God, it is not necessary to become a monk or continually to be doing religious activities. Rather, in one’s ordinary job and in normal family life one can live a life which is fully pleasing to God. Therefore, ordinary everyday life can become service of God. For Luther, work was an essential part of human life, as everybody should work. A good Christian can perform as a Christian in his profession. But at the same time, work should not form the center of our existence and value. “It is a good work when a man works at his trade, walks, stands, eats, drinks, sleeps, and does all kinds of works for the nourishment of his body or for the common welfare, and ... God is well pleased with them” (WA 6, 205, 14-7). Similarly in his exposition of Genesis 2:15, Luther stated: “man was created not for leisure but for work, even in the state of innocence” (cited in Hart 1995, 38).

According to Luther, there are three “estates,” the state (*politica*), the church (*ecclesia*) and the economy (*oeconomia*, comprising also family and marriage). These estates represent the natural order and are given by God, and they are universal in all cultures as they all have the same value. The average Christian belongs to all three estates at the same time.

A conservative element in Luther’s thinking is that no one should try to change his estate. A peasant should not try to become prince or priest. A person who becomes a Christian should not change his profession. Luther directs human orientations to the inner worldly activities and does not separate religious life from temporal activities. Therefore, monasteries lose their religious superiority. The central motive should not be self-interest, but benevolence.

Luther’s doctrine has had several social and cultural consequences in European countries. According to research of Becker, Cinnirella, and Woessmann (2012), Lutheran Germany saw a clear and significant decrease in parental fertility as the educational level increased. This can also be seen as one of the causal consequences of the Protestant reformation. Becker and Woessmann (2009) suggest that the Protestant reformation led to an increase in literacy, which by increasing human capital was also an accelerating factor for economic growth. It is a well-known fact that Luther favored universal schooling in order to enable all citizens to read the Gospel by themselves. Additionally, as Professor Robert Nelson has indicated, Lutheran values and beliefs have been a foundational influence especially on

the development of social democracy in the Nordic countries (Sweden, Finland, Norway, and Denmark) (Nelson 2017, 12).

According to Luther, we should not get our identity from work and temporal activity, but our identity should first be shaped by the fact that we are sinners in the face of God. Luther believed that Christians have a duty to perform well in their professions, but he also emphasized that a Christian's relationship to material possessions should be one of detachment, since he viewed them as secondary to spiritual concerns. The consequence is a certain indifference with regard to the importance of our work (Peukert 2010, 32). Everybody should work, and even the dirtiest work is valuable in God's eyes. But work should not be at the center of our thoughts and efforts. Work has a spiritual component in Luther's view, but it is also relegated to a place of only secondary importance. Luther notes that even Moses did not allow Levites with a sad heart to take part in the temple service. The best gift of man is a happy mind (Leviticus 10:6; 21:10; WA TR 4, 4328; WA TR 2, 2652).

The Lutheran priesthood of all believers marks the fall of the double standard of behavior for clergy and laity. Hence, the requirements for saintly living become generalized and asceticism is turned into a duty for all. Man has the duty to work, and work in turn produces private property, a thought that anticipates John Locke (1632-1704) and Adam Smith (1723-1790) (Spiegel 1991, 79). Meanwhile, such an outlook does not destroy the state or the family, but very much requires that they be preserved as ordinances of God, and that charity be practiced in such ordinances. Therefore, Christians are necessarily bound to obey their own magistrates and laws, for then they ought to "obey God rather than men" (Acts 5:29).

Work was perceived as a means to increase the honor of God and for the utility of the neighbor. People work for the glory of God, and He works through man to his own glory. Even the owner of capital is just an administrator of the gifts of God and must use these gifts to increase social welfare. Lutherans try to enforce labor as the ascetic duty of each Christian. Work is therefore a means of maximizing individual utility through consideration of the interest of others. A righteous workforce brings sustainable effectiveness and temporal success together with understanding and love. Such a workforce calls on all people to focus on God and to work for the benefit of others. Lutheran work ethic tries to encourage the abandonment of short-run interests in favor of long-run interests (Frambach 2010, 86-90).

4. Commerce and just price

Luther was living in the age between the scholastics and mercantilist movements. His proper place in economic history has not unanimously been resolved. Luther wrote on usury during the years 1519-1524. These texts include his *Short Sermon on Usury* (1519), *Long Sermon on Usury* (1520), *Exhortation to the Clergy to Preach against Usury* (1540; WA 51, 331-424), and especially his major economic text *On Trade and Usury* (1524; WA 15, 293). Luther also addressed the notion of just price. Although he did not recognize the function of competition

in pricing, his main attitude towards commerce was positive; he did not see in trade or in market actions anything profoundly wrong:

Buying and selling is a necessary thing which we cannot do without, and which can be used in a Christian manner, especially in those points serving need and honor, for thus also the patriarchs sold cattle, wool, butter, milk, and other goods. They are gifts of God which he gives out of the earth and distributes among men (WA 15, 293, 29-31).

Luther's well-known critique of the sale of indulgences had to do with the amalgamation of the medieval church with the spirit of capitalism. Albrecht of Brandenburg became archbishop of Mainz in 1514 and he had to pay high duties for confirmations in addition to the costs associated with his possession of the dioceses of Magdeburg and Halberstadt. He gained a 50% share of the indulgence sales. According to Luther, money and wealth are purely neutral entities, but the Church is not meant to be a vehicle for making money (Kittelson 1986, 153; WA 2, 487).

Luther focused on the personal relations of buyer and seller rather than abstract laws of supply and demand (Bainton 1978, 236). Usually, it is seen that Protestantism gave avarice an ethical content, legalizing it as a useful furthering of prosperity. But that notion is not a suitable description of Luther's economic thinking. Luther's keen condemnation of greed, his insistence on charity and fairness as moral virtues and on the personal element, are the main features of his economics (Langholm 2009). Luther saw the drive to acquire wealth as not just an expression of greed, but also an expression of idolatry.

The rejection of unjust pricing, monopolies, and collusion is shared by Scholastic scholars who explain just prices by the interaction of supply and demand on markets. Luther maintained that without effective supervision most merchants try to set maximum prices because of their greediness. This is sinful because it disregards benevolence and opposes natural law. While Luther did oppose the practice of charging excessive prices, he generally emphasized the importance of respecting love for one's fellow and making pricing decisions in accordance with the principle of love as the governing law. A practical pricing approach is to adopt a labor-based cost-plus pricing scheme with a margin to keep up the merchant's societal standing (Brockhoff 2018, 58).

According to Luther, trading goods is not as such evil—as long as the goods appear to be necessary. This excludes luxury goods, particularly if these have to be imported. While economic transactions are necessary, luxury products have no utility and serve only for emulation. Long distance trade (gold, silk, and spices from India) should not be allowed, as it leads only to an outflow of coins and cultivates bad habits.

But foreign merchandise which brings from Calicut and India, and the like places wares such as precious silks, and jewels, and spices, which serve only love of show and no

useful purpose, and drain the land and people of their money, should not be permitted if we had a government and princes (WA 15, 293-4, 34 to 294, 1-4).

Trade and money have a natural drift, but they are accepted as necessary. Luther distinguished between commodities of the basic needs and luxuries, and similarly between good and bad consumption. Moderation and modesty are best for the soul. Luther had only a limited hope for improvement of the world. Lawyers, economists, and others must work out the concrete institutional framework.

Luther accepted exchange but denounced the logic of maximum profit. He criticized the right to sell a good for as much money as possible. Luther maintained that there exists some contrast between a true Christian and commerce (Peukert 2010, 35). Luther feared that few honest merchants were to be found on earth. Nevertheless, he hoped that there are still some Christians who are “rather poor with Christ than rich with Satan” (WA 15, 293, 25).

Luther explicitly denied the free will of man. Salvation depends totally on God’s grace and compassion and mercy. The function of law and power is to prevent the non-Christians from committing crime, to punish them and to protect the well-intentioned. The large majority does not have the right Christian spirit, so a public authority is essential for preventing chaos and anarchy and keeping peace. That is why God ordered two kingdoms (regiments). Luther maintained that the best method would be to have the temporal authorities appoint some wise and honest men to estimate the properties of all sorts of goods including their costs and then to set a measure and limit to price:

The best and safest way would be that worldly authority should appoint and ordain in this matter sensible, honest people who might consider all wares and the outlay upon them and set accordingly the mete [sic] and limit of their value, so that the merchant might then add his service and get his decent living from it. But we Germans are too busy with drinking and dancing to give heed to such control and regulation. Since, therefore, such regulation is not to be hoped for, the next best counsel is that we value the wares as the common market gives and takes, or as the custom of the country is to give and take (WA 15, 296, 10-20).

Luther seemed to base his thinking regarding just price on cost factors, as was usual in scholastic argumentation. Upon more careful reading, however, it seems that Luther was mainly writing against the monopolistic markets, where agents with monopolistic power (usually sellers) could repress others with less monopoly power (usually buyers).

In the first place, the merchants have a common rule among them, it is their motto and bottom of all their practices: I shall sell my ware as dear as I can. This they hold

to their right. But it means making room for greed and opening the door and window for hell (WA 15, 294, 24-30).

A free, self-regulating market with well-functioning demand and supply can guarantee fair prices and prevent excessive gains. Monopoly is a typical form of fraud, where sellers overcharge their customers (Langholm 2009). As a rule, Luther accepted the market forces, but was an advocate of a tamed market society with upper and lower limits (Peukert 2010, 38). Luther writes:

when one overcharges a person in trade ... he turns the open free market into a pit of extortion and robbery, daily overcharges the poor, burdens them and brings about dearth, and everyone uses the market according to his whim ... as though it were perfectly within his right to put as high price on his goods as he pleases (WA 30, 1, 164-7).

Luther clearly condemned monopoly and all forms of collusion between sellers. Monopoly was also forbidden in the code of Justinian and in the *Summa Angelica*, written in the year 1486 by Angelo Carletti. Monopoly is selfish business and should be forbidden by the mundane authorities. Interestingly, Luther noted that the Bible includes the story on the patriarch Joseph, who was raised to political power in ancient Egypt (Genesis 41). He gathered and stocked up grain during the years of economic growth and later sold it during the recession. Nevertheless, according to Luther, Joseph's transaction was not a monopoly but rather a common and honest trade customary in that country. Joseph did it not from greed but so that land and people would not perish (WA 15, 305-8).

According to Peukert (2010), Luther had in fact a very modern concept in his economic thinking, as he understood as well as anybody else the working mechanism of the contemporary market economy. Luther discussed and mentioned aspects that shaped the emergence of modern political economy during the subsequent centuries of modern capitalism's ascendancy (Rössner 2016). This means that Luther was not just a traditionalist, as he usually is interpreted. On the contrary, Luther was one of the first to sketch a synthesis between the market mechanism and universal societal norms. He also formulated demands for public policy. Luther understood that commerce is essential for human existence, finding also Biblical history supporting that view. All characters in the Bible were operating in the market, buying and selling commodities. Nevertheless, concentration on market activities could harmfully support natural greed. Luther maintained that one must exist wholly for the benefit of one's neighbor. Thus, one's handling of worldly goods was configured as an opportunity to serve others rather than make profit. Even earning a living should be done so that one can benefit others (Nelson 2017, 119). Luxury products are seen as bad, as they have no utility and only serve for emulation. Therefore, Luther would recommend restricting

foreign trade, as importing silk, spices, and other luxuries, and so he distinguishes between needs for the basic commodities and luxuries.

Luther thought that he was living during the “end of times” and considered fraud and usury as a proof of it. Luther accepted the laws of supply and demand only to a certain degree. The market exchange system is acceptable when it is good for our neighbor, whose situation should be more important than the seller’s profit. Luther argued against the common view that advocated the right to sell a good for as much money as possible. Luther maintained that charging excessive prices was unacceptable in two cases: when the buyer is poor or if the buyer urgently needs the product. These cases imply the existence of asymmetric market powers. Scarcity cannot be accepted as a price-determining factor. Price should include the seller’s costs, work and risk-taking. The best solution for pricing would be the worldly regime fixing for a certain period the commodity prices depending on various circumstances and at the same time allowing the seller to obtain a decent living. Usually that is practically not possible, so the second-best option would be to let the market determine the price.

In principle, Luther seemed to accept the working of market forces. He also seemed to understand a certain normal profit level, but essential for the just pricing is conscience, the requirement not to cheat our neighbor and a principle of sufficient nutrition for the seller’s family. Luther advocated a tamed market society with upper and lower limits, rejecting any assumption that self-interest could play a legitimate role as a main driving force in society. Luther may have elaborated a first approach of a tamed market order, which is still with us. While he was not averse, in principle, to markets, competition, usury and competitive price formation, he did say that market equilibrium and equality in markets should be established by prince, ruler, and the state. Although Luther is known today as an advocate of the “two kingdoms” relationship of church and state, the practical effect of his 1520 appeal to the German princes, as well as his many later writings, would be a “one kingdom” outcome (Nelson 2017). The state had to set rules of good market behavior, set the rules of exchange and intervene where disequilibrium prevailed on the international-competitive stage. According to Rössner (2018), Luther “laid some of the intellectual foundations of the modern welfare state.” He saw a strong need for a ruler and temporal authority to intervene where the market would not automatically resolve problems of unjust distribution.

In contrast to Adam Smith, Luther argued against the motive of self-interest, which he believed to lead to dysfunctional avarice. He maintained that the search for maximum profit is contrary to a good society. Luther harshly criticized monopolies and monopoly pricing, calling for mundane authorities to carry out anti-monopolistic policy. He also criticized large trade companies, which in practice acted like monopolies. He had strong critical views on powerful price setters and a deliberate cartel policy. Luther also had a skeptical view of the authorities; while he called upon them to conduct certain market policies, he had to acknowledge that they often cooperated with the wealthy oligopolists. Owners of the large companies might become so wealthy that they would be able to buy the politicians.

Luther did not call for a full Christianization of the economy, but argued that the individual is responsible before God regarding his property and that the rulers should control greedy market forces. Luther relied on the support of the Princes of Germany both for his own personal safety and for the dissemination of his teachings. As a result, he aligned himself with them (Nelson 2017, 99). Similarly, Luther advocated the society where civil rulers should act towards a more just economy. Luther supported the system of simple commodity production. He criticized monopolies, collusion, and high prices—thereby at least indirectly supporting the preconditions of free market competition. On the other hand, he supported price setting by civil rulers and thus paved the way for modern welfare-state policy (Nelson 2017, 268-84). Luther realized the dangers of monopoly power and unhindered capital accumulation. According to Luther, usury and avarice were signs of the last days of mankind. Luther accepted (under certain conditions) an interest rate of about 5%. He demanded that mundane authorities should regulate markets, control the monopolies, and prevent speculation. The government should forbid usury payments and should address the problem of poverty. In that sense, Luther could be regarded as a first modern economist, because his theology paved the way of an interpenetrating society (Peukert 2010, 54).

Luther maintained that arbitrage profit was not acceptable if no risk was involved. He also castigated collusive action and exploitation of the weaker debtors or buyers in the market. In growing Wittenberg, housing prices were skyrocketing. Luther condemned price speculators and demanded that they be excluded from the Lord's Supper (Brecht 1993, 15; WA TR 3, 2958). He wrote harshly against the cartel policy and critiqued price setters. Luther argued for anti-monopolistic policy. Large trade companies had attained almost the status of monopolies, as they could manipulate the price level and suppress the small merchants.

Lutheran thought also provided a basis for the rise of mercantilism, not only because it assigned to the government important economic functions but also because it looked more favorably upon national than upon private gain and tolerated in government activities a spirit of enterprise and acquisition which it denied to the individual. Luther was firmly attached to the medieval idea of a hierarchically ordered society, which assigned to everyone a permanent place and rank. He bitterly opposed the strife of competition, the activities of middlemen and financiers, the importation of luxuries from abroad, and what would now be called economic mobility. The state was seen as having a role in maintaining market equilibrium through the use of tariffs and by prohibiting certain imports that were deemed harmful to the common welfare (Rössner 2019). As Luther wrote: "God has brought us Germans to that pitch that we must needs scatter our gold and silver into foreign lands and make all the world rich and ourselves remain beggars" (WA 15, 294, 8-10).

5. Usury and interest rates

Usury is clearly seen as a sin in the Bible, and Luther maintained that it is unethical to get something for nothing. Unanimous prohibition of interest is found in many Biblical texts (e.g., Exodus 22:24-6; Leviticus 25:35-7; Deuteronomy 23:20-1, 59; Ezekiel 18:13; Luke 6:34-5; Matthew 21:12-3; Mark 11:15-7). In Luther's writings, interest is usually subsumed under the term "usury." The reason is that the underlying Latin term is used in both its negative, unethical connotation as its ethically neutral connotation of an interest rate that can be considered just (Brockhoff 2018, 54). Luther stated that the world cannot be without usury any more than it can be without sin, but woe to the person by whom it comes (WA 51, 331-424).

For whoso lends, expecting to receive better or more, is an open and condemned usurer; while not even those act as Christians who lend expecting and demanding back just what they gave, instead of freely risking whether it come back or not (WA 15, 321, 14-34).

Luther widely discussed the use of interest and usury in his texts. In his time, *zins* contract was considered a delayed cash payment on a purchase made for credit rather than as an interest payment on a loan. Luther maintained that the payment of *zins* was a trick customary in the trading companies wherein a citizen loaned money to a merchant for future repayment with a return. A comprehensive summary on the historical development of the theological views regarding usury in Christianity is found in Munro (2011) and O'Donovan (2001).

Luther did not blame all lending at interest being zero-sum, but he permitted in some cases interest up to 6% (Singleton 2011, 687). Nevertheless, according to Luther, the smaller the percentage, the godlier the contract. (WA 6, 58, 15-6). Luther stated that those who take more than five percent profit in interest are idolatrous servants of mammon. Worldly authorities should set maximum interest rates. Also, the Vatican took interest from financial investments, which Luther denounced as hypocrisy.

Luther derived his economic view from the Bible rather than from the Church fathers or canon law. Luther used Luke 6:35 in his teachings on usury, as it states: "Lend, expecting nothing in return." Therefore, according to Luther, he who lends expecting to get back something more or better than he has loaned is nothing but an open and condemned usurer and is only after his own advantage (WA 6, 52, 4-15). As noted by Nitsch (2007), even Karl Marx later found some support for his ideology in Luther's thinking. Later several scholars, like Gustav Schmoller, praised Luther's economic insights (Stierle 2017, 4.)

On the other hand, Luther came into conflict with radical reformers in Germany, such as Jakob Strauss, who advocated the abolition of private property, the institution of the Jubilee release and total prohibition of usury. The usurer acts against the universal natural

law because he sells time, which is common to all creatures (Singleton 2011, 693). Luther maintained that the argument for the immorality of usury rests upon the Golden Rule, as the natural law violated the law of Christian love. Usury violated Luther's conditions for fair transactions, as it can be seen as an occasion for sinning against one's neighbor (WA 6, 8, 9-21). Also, with the case of usury, Luther discarded the Scholastic teachings and instead based his arguments on biblical authority and Christian morality. Nevertheless, a moderate level of interest (4-5%) was acceptable on specific capital transactions, such as commercial credit. This idea was consistent with the medieval concept of a just reward, which held that people should receive fair compensation for their work (Rössner 2016). Luther mainly lived in urban environments in Mansfeld, Eisenach, Erfurt, and the trade city of Wittenberg. He knew the economic realities of those cities and especially of Leipzig, where interest rates of 40% were common.

The late medieval theory of usury had become relaxed on interest-bearing credit, and several theologians accepted loans to carry interest, if they were used for productive investment representing capital to run a business (Boldizzoni 2008). Late medieval Scholastic usury doctrine provided a flexible framework of normative order that was remarkably well-adaptable to promoting rather than hindering capitalism (Rössner 2019).

Luther argued against interest in principle but urged good Christians to pay interest and only tell the creditors that they are wrongdoers (WA BR 3, 177-8). Luther, in a letter to elector prince Johann Friedrich, accepted an interest rate of 4-5% as a transitional solution (Peukert 2010, 34; WA BR 3, 305). He recommended to the council of Dresden not to abandon interest abruptly but did not prevent its abolition in the longer run (WA BR 3, 485). Eisenach was the first town in Germany with a publicly fixed maximum interest rate (5%).

Eisenach preacher Jacob Strauß (1480-1530), who influenced Count Johann Friedrich, rejected any interest and purported the Sabbath year and the jubilee. The opposite view was held by Johannes Eck (1486-1543), who accepted a 5% interest rate. Luther sought a compromise between Strauß and Eck. In 1514, Eck said that a 5% interest rate for investment capital was reasonable because capital could only be directed in productive purposes with the aid of the work of the merchants. He gained financial support from the Fuggers and legitimized moderate interest rates in his disputation in Bologna at 1515. After 1517, Ulrich von Hutten, who became a friend of Luther in 1520, criticized Fugger's monopoly (Peukert 2010, 33).

6. Poverty and public policy

At the core of Lutheran theology is Luther's theology of justification. As the basis of salvation is only in the mercy of God, not works, this leads to a worldview according to which human focus is inside the human soul. In social matters Christians were supposed to be loyal servants of civil authorities. Even when the rulers are corrupted, Christians are not allowed to rebel.

This mode of thinking has made Lutheranism a very state-connected religion. Both religious and mundane governments have their own spaces.

Luther represented ethics, which was based on natural moral law. This one natural moral law is the same for all actors, for secular governments as well as individuals. In practice, this provided support for state ideology, where the state has a wide responsibility for the welfare of the citizens. God's law is an essential part of God's order, and for Luther God's law emanates through both kingdoms—through not only the spiritual, but also the secular. The state and mundane authorities are therefore part of God's loving order, which God uses for loving kindness. Unlike Melanchthon, Luther believed that the state was part of God's love and order, while Melanchthon saw it as an order in which humans could exercise love. Luther assumed that state-organized social reforms were possible and longed for.

In principle, Luther considered that the congregation should consist only of believers with a personal faith. This notion leads to inherent individualism, as faith is personal in Luther's theology. The hard core and basis of Lutheran theology is that every individual is alone beside his God and has the sole individual responsibility with regard to his actions and beliefs. For Luther, birth was not as individual an event as death was. You can be vicariously accepted to the membership of a Christian community, but death is strictly an individual occasion. Using this logic, it is baptism, not the Lord's Supper, which connects the church to a whole society. Baptism is therefore a sociological sacrament. In medieval society, each newborn was a citizen by birth and a Christian by baptism. The same individuals were part of both church and society (Bainton 1978, 118).

As Van Kersbergen (2011) noted, the main difference between Catholic and Protestant thinking in relation to the development of society was the complete elimination of salvation through the church and the sacraments in Protestantism. In Protestant tradition, especially in Calvinism, the main moving force in actions is what Van Kersbergen calls the "salvation panic." Calvinists regarded being poor as a negative situation, but Catholics considered poverty as an opportunity to do good. The Calvinist ethic strongly encouraged the poor to improve themselves, including by the pursuit of an individual calling that one could hope would result in some form of worldly success. In Catholicism there existed a symbiotic relationship between poor and rich, as almsgiving enabled the rich to atone for their sins (Lindberg, 2003). In that sense, Lutheran tradition is situated somewhat between the Calvinist and Catholic thinking. The Lutheran ethic encouraged direct support for the poor, but this assistance should be the responsibility of the entire community, not a special responsibility of the rich. Luther was not in favor of poverty. He believed that being poor was not a desirable state, but rather a condition to be overcome with hard work (Nelson 2017).

Luther maintained that property and money are God's good gifts to be shared with the neighbor (WA 6, 271, 33-7). In contrast to medieval mendicant movements, he emphasized with reference to Deuteronomy 15:4 that there should be no poor among Christians. Luther proceeded to establish social welfare programs in Wittenberg and urged the prohibition of

begging (Lindberg 2016, 376). Lutheran Christians are not required to do good works either to gain eternal salvation, or to prove themselves as being among the true believers. The requirement for Christian love can be seen in Lutheranism as a practical matter. Therefore, it is no wonder that several Lutheran countries have easily accepted welfare state ideology (Knuuttila 1999, 32).

7. Teaching of two economic systems

As is well known, in his political ideology Luther applied his doctrine of two regiments (*Zwei-Regimente-Lehre*). Similarly, he had a dualistic notion on the normative economic system, which could be called the “teaching of two economies” (*Zwei-Wirtschaft [or Ökonomie]-Lehre* in German).

God has ordained the two governments; the spiritual, which by the Holy Spirit under Christ makes Christians and pious people, and the secular, which restrains the unchristian and wicked so that they are obliged to keep the peace outwardly, even against their will (WA 19, 629, 17-24).

Traditional research on Luther, focusing mainly on the formation process of his notions on justification by grace, often forgets that eschatology constituted the foundation on all his beliefs, especially for the older Luther. His attitudes towards prophetic writings underwent a major change during the years 1522 and 1530 (Vogel 1987, 189). His text *Supputatio annorum mundi* (1541) is an example of his firm belief on biblical eschatology. He waited for the coming of the Kingdom of Christ, where the nations would be ruled with righteousness, a belief that was his central motivator and driving force (Vogel 1986, 249). Luther based his belief on the Biblical utopia of the coming kingdom of Christ. In his sermons on the Lord's Prayer, Luther illuminated his yearning of the future salvation in the coming kingdom:

Help, dear Lord, that the blessed day of your glorious future may come soon, that we be rescued from the wicked world, the devil's kingdom, and be freed from the horrible vexation which we outwardly and inwardly must suffer both from evil people and our own conscience (WA 41, 317-8).

According to Luther, the end of times would come soon, even during his lifetime as all the biblical prophecies were already fulfilled. Eschatological enemies found in the Book of Ezekiel (ch. 38-9) were seen in his lifetime (Brecht 1993, 96). The pope was Magog and the Turks were Gog (Luther, November 7, 1529, in a letter to Nicolas Hausmann). Luther's interpretation of apocalyptic symbols and prophecies agreed mostly with the interpretation of his time. He was

a follower of the basic Augustinian amillennial view, in which the millennium portrayed in the book of Revelation (ch. 20) was considered as being already fulfilled (Vogel 1986, 256).

Luther's teachings on social ethics are based on his eschatology on the Biblical utopia, as noted by George W. Forell:

All the ultimate problems of man's individual and social existence can be solved only when the coming kingdom of God ends all human history. Until that time all human efforts are merely attempts to eliminate proximate evils. The ultimate evils that confront man can be overcome only through the parousia of Christ, the coming kingdom of God (Forell 1954, 188).

In the coming kingdom of God, people would behave in an unselfish and altruistic way. Therefore, no-one would oppress any other, as believers will become wholly saints. There would be no interest rates and the kingdom will be everlasting and undivided (Strohl 2014b, 360). Luther maintained that the problems of human societies are found in the human heart, not in his environment (Forell 1969, 174). Therefore, we could argue that Luther belongs to the apocalyptic Christian tradition. Nevertheless, until the kingdom of Christ is a present reality, Luther admitted that we must act according to the economic laws of this world. As a result, low interest rates are tolerated, competition is encouraged, and public policy is expected to provide for the needs of the poor. The good Christian does not obey the authorities for his own benefit because he does not need the authority; the reason he accepts the authority has to do with the interests of his neighbors: protection of their life, property, and peace.

The Biblical economic system would function with Christians, but the sinful nature of the people makes public economic policy, anti-monopoly regulation and anti-usury legislation essential. The economic logic of the economic system is accepted but in his personal behavior, the good Christian should internalize a different code of behavior. The thesis of the two regiments allows Luther to be radical and pragmatic at the same time (Peukert 2010, 27).

If all the world were composed of real Christians, that is, true believers, no prince, king, lord, sword, or law would be needed. For what were the use of them, since Christians have in their hearts the Holy Spirit, who instructs them and causes them to wrong no one, to love everyone, willingly and cheerfully to suffer injustice and even death from everyone. Where every wrong is suffered and every right is done, no quarrel, strife, trial, judge, penalty, law, or sword is needed. Therefore, it is not possible for the secular sword and law to find any work to do among Christians, since of themselves they do much more than its laws and doctrines can demand (WA 11, 249, 36-7 to 250, 1-9).

The worldly regiment will always be unjust, but even so, the public authorities are measured against the standards of a good Christian government (WA 11, 267, 30-1). Luther even justified the bad characters in politics to a certain degree because secular authority is God's tormentor, which punishes Satan and keeps the external peace in the society. "They are God's jailers and hangmen, and His divine wrath needs them to punish the wicked and preserve outward peace" (WA 11, 268, 4-5).

Luther set the ethical requirements at the very highest level. When the creditor is rich, and the debtor is poor and cannot pay back without difficulties, no general rule applies. As a rule, the debtor should repay as much as he can, his basic standard includes his and his families' basic needs. The richer the creditor, the more he can dispense. These rules are flexible, and ordinary Christians can behave in an economically rational way—but with a few exceptions. Concrete decisions depend on the individual actor and are not predefined by a public or religious authority, but Christians are obliged to act according to the standards of benevolence. So ethical standards and the logic of the system can work side by side.

Luther argued that our success in business (as individuals) does not directly depend on our achievement and effort, that it does not give us lasting happiness and that we nevertheless have the right to enjoy it, within the limits of taking care of others. Therefore, Luther did not preach ascetics. He also referred to good governance of a Christian authority which may occur in rare cases (Peukert 2010, 28). For Luther, there existed only two factors of production: land and work. His definition of factors of production did not include capital, as in modern economic theory, but he fought against monopolies and their extreme prices.

Luther maintained that it is the task of princes in Christendom to forbid usury and regulate trade for the sake of the common good: "I have already said that Christians are rare people on earth. That is why the world needs a strict, harsh temporal government, which compels and constrains the wicked to restrain from theft and robbery, and return what they borrow, although a Christian ought neither to demand nor expect it" (WA 15, 302, 10-6).

The ideology of Luther is based on the framework of two model worlds, where the temporal world is the less idealistic one. Christians live in this world and must behave according to the standards of benevolence. At the same time, Christians belong also to the kingdom of God, where benevolence makes it impossible for its inhabitants to exploit each other by trading or by charging interest rates. Worldly temporal society must keep peace and enable just business relations. Protection against excessive pricing appears necessary by suggesting cost-based rules and by supervising their application. (Brockhoff 2018, 60).

8. Conclusions

Reformer Martin Luther supported the system of simple commodity production and small-scale capitalism. In his economic thinking, he therefore supported indirectly the preconditions of free market competition against monopolies and collusion. The central

principle in his theology, as well as his economic thinking, is benevolence and love to one's neighbor. Luther applied Sermon on the Mount ethics from the New Testament to the society as well. He saw work as service to others, to the community and to God. For Luther, work is important and essential for human survival, but is not the most important thing in life.

Temporal regimes cannot enforce the Christian principles because of the missing prerequisite majority of good Christians in the society. Nevertheless, authorities can prevent misuse of power, regulate the markets, control monopolies, and prevent speculation and fraudulent business behavior. Luther can therefore be seen as a forerunner of tamed social market economy. He accepted supply and demand within moral limits. Modest business profit was considered acceptable, but all income should be at a reasonable level, depending on effort, work, risk, danger, and average wage. All earning requires work and risk-taking. The laborer should earn the average cultural level of subsistence, in accordance with that person's estate and social class. Some enjoyment of goods and consumption is acceptable, but it should not generate luxury fever or lead to full-fledged avarice. In all business behavior, the situation of others should be considered. Luther understood the inner logic of business transactions but required strict ethical norms in all social and trading practices.

Luther was against avarice, commercial monopolies, and collusion in the market, which would repress the poor and benefit only the wealthy. High prices and unhindered capital accumulation should be restricted. His economic thinking was medieval in basic nature, which can be seen in his strong opposition to usury. In his later works he accepted a moderate interest rate as a reasonable compromise. Money was only a medium of circulation for Luther. Payments of moderate interest rates are acceptable in Luther's thinking, but income should be earned by productive activities. All profits generated without effort or risk are questionable, and all speculation should be curtailed.

The coming kingdom of God was a central force that motivated Luther as a person and theologian. His whole thinking on the ideal society is essentially eschatological, which also reflects his business ethics. His economic utopia is based on Biblical promises of the coming kingdom of Christ. Luther longed for the day when Christ would make an end to all corruption and evil business practices. His arguments are embedded in the framework of two model worlds, where there exists a profound inconsistency between this current world and the coming kingdom of God. Business ethics in the worldly kingdom are a blend of Christian ethics and worldly rules, based on nominalist ideas. These are based on natural law, traditional regulations to stabilize societal strata, and ideas on fairness.

After Luther, his follower Philipp Melanchthon later developed his political and economic thinking; their basic doctrines were written in the Lutheran documents better known as the Augsburg Confession. Their main political message is that the Gospel approves the order of political and economic life (Augsburg Confession, 1530, 16, 4-5). Melanchthon was somewhat more liberal on various economic questions, as regarding the problem of usury (Munro 2011, 11).

It can be concluded that modern market practices and normative logic can be traced back to the Reformation. Inspired by his Biblical economic utopia, Luther was the forerunner of the moral economy. He saw the necessity of strong public authorities, which should take the public interest into account, leading to a tamed self-interest coupled with a certain amount of benevolence. Income differentials inside the society should be kept within limits and poverty should be prevented. Careful reading of the economic texts of Martin Luther and the scrutiny of his economic principles enable us to better understand the modern tamed social market economy and market practices.

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