CHAPTER 1

The Problem

The conditions giving rise to rational bureaucratic capitalism, or to what Max Weber calls "the most fateful force in modern life" (Weber, 1958: 17), remain perennially interesting to social historians. What follows is a sociology of one of its pivotal features, double-entry bookkeeping (DEB). My object is to show how this calculative practice emerged from the moral milieu of the late Middle Ages; how Roman Catholic moral theology insinuated itself into commerce via sacramental confession; and how both commerce and morality were changed as a result: morality becoming, as it were, commercialized (more accommodating to the merchant), and commerce "Christianized."

I am not arguing that confession *caused* DEB in a mechanistic way. Nor am I searching for the "origin" of DEB in medieval business records, à la conventional accounting historiography. Instead, I am concerned with weaving DEB into a larger social/cultural context, showing how what appears to be simply another mathematical technology once had great religious and moral significance.

In taking up this subject, I grapple with an argument first advanced by Weber, and that eighty years later has become virtually a dogmatic injunction in sociology, namely, that Catholicism has been (and remains) a poor host to the forces of economic change. By implication, I confirm the thesis promulgated by Weber's not always friendly adversary, Werner Sombart. Relying on his understanding—which Weber rebuked as giving "a painful impression of superficiality"—of Thomistic moral theology, Sombart shows that far from being inimical to the rational pursuit of wealth, medieval Catholicism actually encouraged it (Sombart, 1924; cf. Nussbaum, 1937). While historians (some of whom are cited later) have

since tempered Weber's argument, providing independent corroboration of Sombart's claim (cf. McGovern, 1970), with few exceptions their findings have yet to penetrate the reaches of popular sociology.[1]

This book addresses a subject that to my knowledge, at least, few if any sociologists have ever addressed: accounting procedures. As mentioned in the preface, structural functionalism and its stepchild, organizational sociology, traditionally have displayed a blithe indifference to calculative technologies in business, taking it for granted that "the formal rationality of accounting, . . . is built into the nature of things, [as] the perfection of the means for achieving societal ends; ends which [to them] are self-evident[ly]" valid and good (Colignon and Covaleski, 1991: 153). Richard Colignon and Mark Covaleski suggest that this complacency grows from the politically compromised status of functionalists and organizational sociologists as research handmaidens to corporate management. However this may be, the following pages are intended as a corrective to this bias. It problematizes what heretofore has been passed over with silence by my own discipline.

Weber and Sombart on Penance

The narratives of Weber and Sombart occupy a middle range between abstract theory and particularism. Instead of attempting to derive economic activity from the ideal-typical (read: nonexistent) utility maximizer, or of remaining at a purely descriptive level, both seek to trace the psyche of the medieval merchant back to a specific institutional setting, the workings of which are susceptible to indirect observation. And for both of them, the locus out of which the late medieval mind is presumed to have arisen is the sacrament of penance. The Weber-Sombart controversy, as inherited by us, revolves around their conflicting interpretations of the meaning of this ritual for its participants.

To Weber, it was the "sacrament of absolution," as he calls it, which explains why "inner-worldly asceticism," the

heart of the "capitalist spirit" (a term I discuss later) allegedly failed to flourish in the Catholic world. Sombart disagrees. It was precisely this sacrament, he submits, which nurtured an incipient capitalist spirit in Catholic lands; a spirit which, when implanted in the fertile soil of the Italian trading centers, burst into history's first modern business enterprises.

In his sociology of religion, Weber distinguishes between the systematic effort by the individual to secure his or her own salvation on the one hand, and the distribution grace through "magical sacraments" on the other, wherein devotees are relegated to passively observing the manipulations of priests. In Protestantism, where the first salvific technique prevails, radical ethical conversion—today's so-called born again experience—is common. In Catholicism, by contrast, where the second form predominates, "the level of personal ethical accomplishment must . . . be made compatible with average human qualifications," which is to say, "quite low" (Weber, 1963: 151–53). According to Weber, the Catholic "priest was a magician of sorts who performed the miracle of transubstantiation and who held the key to eternal life in his hand. . . . He dispensed atonement, hope of grace, certainty of forgiveness, and thereby granted release from the tremendous tension to which the Calvinist was doomed by an inexorable fate, admitting of no mitigation . . ." (1958: 117).

Although, he continues, the distribution of grace in Catholicism could in principle have encouraged ascetic rigor (were its reception made contingent upon the recipient publicly demonstrating their virtue), the sacrament of penance rendered this unnecessary. This is because instead of magnifying the believer's sense of personal responsibility for wrongdoing, it mollified it, sparing him or her the necessity of developing a planned pattern of life based on the Decalogue.

With his acute sensitivity to detail, Weber admits that this characterization "in a certain sense" does "violence to historical reality." He nonetheless insists that apart from the monastic orders (Weber, 1958: 118–19), the heterodox teachings of Duns Scotus (235, n. 76), and the pre-Reformation sects of Wyclif and Hus (198, n. 12), the "normal medieval Catholic

layman lived ethically, so to speak from hand to mouth," in "the very human cycle of sin, repentance, atonement, release, followed by renewed sin" (117). In any case, whatever asceticism St. Ignatius, the monks of Cluny, the Cistercians, or the Franciscans practiced, it was not undertaken to reform the world, à la Calvinism, but to flee from it altogether.[2]

Sombart disputes this. "The capitalist spirit," he says, "first manifested itself in Renaissance Italy," approximately two centuries *before* Martin Luther nailed his theses to the door of Castle Church in 1517. And this spirit reached its apogee in the Tuscan republics, of which the city-state of Florence was the most important. In answer to the question, why? he replies that Florentine merchants not only were influenced by classical philosophers like Cicero, Seneca, and Livy; more importantly, they were devoted Catholics. "The origins of capitalism made their appearance at a time when the Church held sway over men's minds . . ." (Sombart, 1967: 228–29). And "it is of supreme interest to note that religious zeal was nowhere so hot and strong as in Florence" (229).

> Finally, we must not forget how mighty a weapon the Catholic Church possessed in the confessional. . . . We must suppose that the businessman discussed with his father-confessor the principles that governed his economic activities. Do we not know that numerous treatises were written, advising the clergy how to guide their flocks in all that affects life, even to the minutest detail? (230–31)

The issue is thus squarely posed. Either the sacrament of penance inhibited a lifestyle conducive to rational bureaucratic acquisition or it did not. This book intends to help resolve this dispute once and for all. Which is not to say that as they stand, either Weber's or Sombart's views are immune from criticism. On the contrary, knowledge of the actual dynamics and behavioral consequences of penance seems to have remained for both largely a mystery hidden behind the black curtains of the confessional booth. Indeed, to the ordinary Catholic their depictions of confession appear stereotypical to the point of banality. Take Weber.

Weber claims that all of the essentials of Catholic sacramental life, including confession, "have been fixed since the time of Gregory the Great" (reigned 590–604 CE) (Weber, 1963: 188). We now know that this is incorrect. True, in his acute awareness of the pastoral needs of penitents Gregory appears to have anticipated something on the lines of confession. But he was addressing a ritual technically known as Mediterranean or canonical penance, which is fundamentally different from the sacrament of confession that is my interest in these pages. As we shall see momentarily, the roots of confession are to be found in Celtic monastic life, not in Roman courtrooms; it was not recognized in Church law until six centuries after Gregory's death.

That Weber is not completely unaware of the evolution from canonical penance to confession is suggested by his reference to the penitential handbooks that were routinely cited by priests hearing confessions to estimate punishments for sins. However, he dismisses their importance by viewing them merely as efforts to "combine the techniques of Roman law with the Teutonic conception of fiscal expiation *(wergild)*" (Weber, 1963: 190). This view has since been thoroughly rejected as a result of detailed examination of passages from these handbooks. Chapter 2 discusses some of the relevant findings.

Sombart is also guilty of oversights regarding penance that have led him astray. To begin with, the "numerous treatises" to which he refers in the previous quotation, evidently are not the penitential handbooks, which unlike Weber he seems unacquainted with, but various *summa theologica* and *morale* of three Church doctors: Thomas Aquinas (c. 1274), Antonino of Florence (d. 1459), and Bernardino of Siena (d. 1444) (Sombart, 1967: 383, n. 278). To justify his choice of these names, Sombart points out that besides their all being Italian (although Aquinas spent his career in Paris), these were not "mild bookworms unlearned in the ways of the world, abstruse thinkers of the cloisters and the study, engaged in hair-splitting and endless repetitions concerning unrealities" (243–44). This is true, but irrelevant. The fact is

that Bernardino and Antonino both not only wrote long after Italian capitalism was already flourishing; they were canonized and popularized much later than this. It would hardly be logical, then, to attribute causal influence to their teachings on the behavior of those who lived a century before their time. The case of St. Thomas, of course, is different. He was canonized in 1323, and his theology became sacrosanct in Dominican orders around the very time that DEB was first being introduced (i.e., ca. 1340). However, as recent studies have shown, it is a grave mistake to rely on formal theological treatises to draw pictures of lay behavior. Even conceding that St. Thomas indirectly might have influenced economic affairs during his life, as to the direct use of his writings (or those of any other scholastic) in confession: this was even less likely in the thirteenth and fourteenth centuries than it is today. This, for no other reason than they were disseminated in Latin for university audiences, not in the vernacular for common folk. The available evidence indicates that it was the penitential handbooks mentioned by Weber, not theological texts, which were employed by pastors in confession; these typically are devoid of any moral theorizing whatsoever. Instead, they consist of highly stylized, easily memorizable injunctions and interrogatory devices.

While Weber and Sombart both attempt to situate the medieval economic ethos in a specific institutional matrix, the inference leaps that they make from moral teachings to business practices are best heroically gymnastic; at worst they are unconvincing. It takes a particularly astute reader of *The Protestant Ethic*, for example, to bridge the gap between Weber's discussion of John Calvin (who profoundly mistrusted material acquisition), his treatment of the Reverend Richard Baxter's seventeenth-century homilies (which endorse the connection between wealth and virtue), and the content of the worldly deist Benjamin Franklin's *Advice to a Young Tradesman*. The links that Sombart draws between Thomistic theology and capitalist values are even less persuasive. Sombart argues that Thomism penetrated Italian commerce through advice proffered in various scrapbooks kept by prominent Flo-

rentine and Venetian families (Sombart, 1967: 375–76, n. 141). The most famous of these was Leon Battista Alberti's *Del Governo della Famiglia* (1443), "a classic in its own time." In its celebration of thrift as holy, says Sombart, it anticipates Benjamin Franklin and Daniel DeFoe both in substance and in form (101–14). Weber (I think, correctly) repudiates Sombart for "seriously misinterpreting" the meaning of the scrapbooks for their audiences. He points out that for all Alberti's advocacy of industriousness, scheduling, and the keeping of accounts, in reality he shunned acquisition beyond what would be necessary to maintain one's social position. The pursuit of wealth for Alberti, in other words, was not a religious calling as it allegedly was for the Calvinist.[3] More to the point, Alberti cites the pagan philosophers Cicero, Horace, and Xenophon to justify his fatherly preachments, more than he does any Church dogmatist. St. Thomas, for example, is never mentioned. How Alberti's Christian faith actually bore on his practical advice if it did at all, then, remains an open question.

What this all adds up to is a need to reexamine the lived-world of the medieval denizen: not from the outside, but analogous to Weber's own incomparable phenomenology of the Calvinist psyche; from the inside, from the viewpoint of the medieval merchant himself. To accomplish this will require more than merely depicting how the moral teachings of confession bore upon the merchant (as important as this is), as Sombart does (however poorly). It will also be necessary to ponder on how the ritual of the sacrament itself was conducted and how its procedures might have impacted the medieval soul. These are my intentions.

Weber and Sombart on Accounting

Weber and Sombart both claim that the introduction of DEB was essential for the emergence of modern capitalism. Indeed, Weber goes so far as to define modern capitalism in terms of DEB. A modern firm is "one with capital accounting, that is, an establishment which determines its income yielding power

by calculation according to the methods of modern bookkeeping and the striking of balance" (Weber, 1950: 275; 1947, 50–51; 1958, 21–22). Sombart concurs with this, saying that "one can not imagine what capitalism would be without double-entry bookkeeping: the two phenomena are connected as intimately as form and contents" (Sombart, 1924: 118). DEB operationalizes the idea of economic gain in terms of a specific quantity, namely, money; and it allows a firm to trace its financial progress over time, enabling its owners to adjust their behavior in response to changing market circumstances. It also allows them to calculate the overall assets of the business, its obligations to creditors, and to determine dividend shares to partners on a basis proportional to their contributions.

The foremost historian of the subject, Basil Yamey (1949, 1964), among others (e.g., Winjum, 1970; Most, 1972; Carruthers and Espeland, 1991) considers the Weber/Sombart assertions to be "greatly exaggerated." As we shall see in chapter 3, the recommendations of period textbooks indicate that while DEB could be deployed in such a way as to promote rational decision-making, more likely it was used primarily to insure that business records were complete and accurately kept, period. Nonetheless, even Yamey and others agree that DEB always harbored the potential to do the things attributed to it by Weber and Sombart. And just what are these things?

Acquisitiveness, Weber argues, is universal. Even rationally mediated earning or capitalism proper, where each act is predicated upon the probability of maximizing profit, was well-known in precolonial India, the ancient Mediterranean, the Muslim world, and China. What distinguishes modern profit-making from more primitive species of the phenomenon are two things: the separation of business from the home and capital accounting: the ". . . valuation of the total assets of the enterprise, . . . at the beginning of an [accounting period]; and the comparison of this with a similar valuation . . . at the end of the process" (Weber, 1947: 191–92).

Weber goes on to attribute the introduction of capital accounting to a "capitalist spirit." This, instead of explaining it as a product exclusively of material and technical circum-

stances—for instance, algebra, the number naught, joint partnerships, and money exchanges. By capitalist spirit he means a culturally specific way of being in the world; an emotional and cognitive habit of formal rationality, *Zweckrationalitat*, wherein different means to an end are weighed in terms of their respective costs (the closest English equivalent is "utilitarianism"). He contrasts this mind-set with substantive, ends-orientated rationality *(Wertrationalitat)* in which, regardless of its costs, any action is considered appropriate if it serves a particular end (Weber, 1947: 115, n. 38).

Sombart agrees with Weber that the crucial generative factor of modern accounting was ideational. Furthermore, while he poses his discussion in somewhat looser terms than Weber, he insists that what is distinctive to the capitalist spirit is not its "silken woof," the desire for monetary gain, but its "cotton warp," the predisposition to earn money in a "bourgeois" way (Sombart, 1967: 22), that is, by means of calculative exactness *(Rechenhaftigkeit)*. This is "the tendency, the habit, perhaps more—the capacity to think of the universe in terms of figures, and to transform these figures into a well-knit system of income and expenditure" (125). While the Protestant burgher of England, Germany, and the Netherlands definitely exemplified this characterology, says Sombart (once more agreeing with Weber), so did the late medieval (Catholic) Italian merchant. As to the question, why? Sombart invokes what Weber dismisses as "a thesis in the worst sense." The Italian merchant class, says Sombart, was bourgeoisified through its participation in the primary agency of Catholic moral discipline, the sacrament of penance.

It is not necessary to restate the objections to Sombart's argument. As one of his biographers notes, although *Der Moderne Kapitalismus* is "an exciting and challenging book, valid facts and unreliable information stand side by side in *liaisons dangereuses*" (Kuczynaski, 1968). It is enough to say that my purpose in this book is to expand on and enrich Sombart's proposition without stumbling into the same pitfalls.

As for the errors in Weber's history of DEB, these are not just dangerous (as they are with Sombart); they are deadly.

This, because they reinforce the basis of his entire argument that within the Christian cosmos only Protestantism could have sired modern capitalism.

To support his contention, Weber cites the "Dutch theorist Simon Stevin" as the person who "first insisted upon . . . the device of the balance" in 1698 (Weber, 1950: 207). Ignoring the fact that Stevin died in 1620, it is now commonly acknowledged that DEB and the drawing of balance were in use two centuries prior to the Reformation, and then in the Catholic cities of Florence, Genoa, and Venice (Cohen, 1980: 1345–47). In fact the first textbook on the subject, which Stevin himself draws upon, was authored by none other than a Franciscan monk; a book written several decades before Stevin was born. In other words, far from being a product of the Calvinist spirit, DEB emerged from the culture of the high Middle Ages, when through her sacramental regulation of the total life course of the individual, Roman Catholicism dominated the European psyche as never before.

How Weber could have committed such a grave error in regard to the dating of DEB is a matter for others to determine. For one thing, the Massari ledgers of Genoa (dated ca. 1340), which provide the first bona fide example of DEB, were not made available (and then in Italian) until 1909, five years after first installment of *The Protestant Ethic* was published. Yet, Weber's own doctoral dissertation plainly reveals that he had carefully gone over the books of two prominent Florentine family businesses, those of the Alberti and the Peruzzi (Weber, 2003: 160–66). There, he notes that while the ledgers are presented "in a dilettante way," they show how interest on loans to partners were accounted for and how, every two years, shares of the companies' profits were meted out in proportion to the partners' equity shares of capital. In other words, by his own admission, the accounts demonstrate that the families' bookkeepers were able to "calculate according to the methods of modern bookkeeping" which, as we just saw, Weber considers the sine qua non of modern capitalism. (Weber fails to mention whether or not the ledger items were

posted dually. Those in the Alberti books probably were; those of the Peruzzi's, however, were not [Roover, 1958: 33–34].) The point, however, is not to decry Weber's oversight or contradiction, whatever its source; it is to correct it. This is my goal in the pages to follow.