sociologists, ethicists, and even historians rarely have an appreciation of what inflation is and why it should be seen as a moral issue and therefore a faith issue. There are the predictable disparaging references to commodification and consumerism in chapter 18, but the important question of state control of the monetary system—and how people of faith might critically or constructively view this convention—is avoided or neglected.

Perhaps the most disappointing failing of this scholarly collaboration is its timing. Because it is based on its contributors' international dialogue about standardized monetization that began many years ago and apparently took some years to produce and come to publication, and because it deals mostly with history, little with the present, and hardly at all with the future, it makes no mention of the advent of privately issued forms of money such as bitcoin, a development that might warrant a whole volume to explore its ethical and theological implications.

The opportunity is also missed to address the statements of religious leaders, especially Pope Francis, in recent years regarding how the economy and particularly our view of money can be understood as an aid to prosperity and a help for the poor rather than as a force presiding over them and exacerbating social inequality. The closest the book comes is to describe, much too briefly, the advantages of monetary transactions over barter and paper money over commodity money, and to declare that money is a partial solution to the instability of human relationships because it enables trust to be transferred from the creditor to the issuer of the money, which is presumably more trustworthy. Though it acknowledges that the demonization of money is no solution to materialistic trends, it never seriously tackles the question of how to define true wealth and legitimate wealth creation.

—Evan Miracle
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Money and Justice: A Critique of Modern Money and Banking Systems from the Perspective of Aristotelian and Scholastic Thoughts

Leszek Niewdana

London, UK: Routledge, 2015 (219 pages)

Money and Justice is an excellent exposition of the key flaws in the modern money and banking system and is an important contribution to the literature on how that system might be optimized to serve the common good. Niewdana's analysis reveals an impressively broad scope of research, providing citations to Austrian economists (Rothbard, Mises, Menger, Skousen), Catholic thinkers (Aquinas, Dempsey, Noonan, McCall, and various official Church teachings), historical figures (Aristotle, Locke, Calvin), liberal Nobel Prize winners (Krugman, Stiglitz), behavioral economists (Kahneman and Tversky), anthropologists (Graeber), and extensive citations to avant-garde out-of-the-academy thinkers such as Thomas Greco (*The End of Money*) and Stephen Zarlenga (*The Lost Science of Money*) among many others.

Using Aristotle's distinction of three different kinds of justice—contributive, distributive, and commutative—Niewdana demonstrates convincingly that the institutional structure of the modern money and banking system is unjust on all three counts.

From the perspective of contributive justice (that the laws must promote the common good), it is unjust for private banks to have a monopoly privilege in the creation of new money because this gives private interests excessive control over the whole economy. Private banks make lending decisions to maximize profits, not the common good.

Niewdana explains well how (contrary to popular belief) banks, not the government or the central bank, create new money through fractional reserve banking. A bank does not wait for new deposits before it makes new loans. When a worthy creditor seeks a loan, the bank simply adds the amount borrowed to his checking account. Voilà! New money. This is how the money supply increases: through the creation of new debt. Granted, US banks have a reserve requirement of 10 percent, meaning they must keep \$1 in reserve for every \$10 they lend, which appears to limit lending to ten times the bank's deposits. Niewdana shows that, in practice, the reserve requirement does not limit the amount that is actually lent because a bank can borrow a theoretically unlimited amount from the Fed (at the discount rate) or even temporarily from other banks (at the Fed Funds rate) and lend that out to worthy borrowers at higher rates. Hence, in practice, banks lend out as much money as they possibly can to people and businesses they think will be able to repay the loans with interest.

Because a growing economy needs a growing money supply to function properly and because money is created only through the issuance of new debt (and debt at interest), a growing economy necessarily means more debt. However, because interest on that debt also needs to be paid, still more money needs to be created for there to be an amount sufficient to enable borrowers (when seen collectively) to repay not only the principle but also the interest. When banks find fewer remaining worthy creditors lending begins to slow, in turn the economy necessarily slows, profits decline, some entities are unable to pay back their debts, and a business cycle results. In essence, business cycles are hard wired into the institutional structure of the modern money and banking system by virtue of the fact that money itself is created as debt lent at interest.

Niewdana points out that the monopoly privilege to create money out of thin air, with the added privilege of borrowing cheaply from the Fed, are legal privileges that banks have acquired over the last few hundred years. These do not promote the common good, and Niewdana believes this power to create money should be restored to government.

The current money and banking system also violates commutative justice (justice in exchange) through the institutionalization of usury. Niewdana explains that because a growing economy needs a growing money supply and money is created with the issuance of new loans at interest by banks, usury is institutionalized in the modern money and banking system.

Niewdana's understanding of what is and what is not usury is taken primarily from Dempsey's *Interest and Usury* (1948). Dempsey and Niewdana correctly understand that the Church's definition of usury is the taking of *any* interest on a loan. Furthermore, they understand that the Church allows extrinsic titles because justice is due not only to borrowers but also to lenders. Valid extrinsic titles ensure that the lender is made whole. Therefore, if a loss emerges from the making of the loan, the lender is entitled to recover those damages from the borrower (due to inflation, for example). This extrinsic title is called *damnum emergens* (emergent loss), and it is well accepted historically.

The one fundamental error Dempsey makes—that *lucrum cessans* (translated as opportunity cost) is a valid extrinsic title—is continually repeated by Niewdana in chapter after chapter. *Lucrum cessans* has never authoritatively been accepted by the Church as a legitimate extrinsic title. Opportunity costs are the paths not taken in life and are unknown. Certainly, one cannot claim that he could have invested the money in Apple stock and made tenfold on his investment and, therefore, ask for a tenfold return on his loan. If he really thought that Apple was going to perform so well then he should have bought the stock instead of making the loan. Or, in the contract, he could have pegged the repayment of the loan to the price of Apple stock thereby defining this *emergent loss*. (Readers interested in a lengthy critique of *lucrum cessans* can read the section titled "Invalid Extrinsic Titles" in my extensive review of Michael Hoffman's *Usury in Christendom* [*Culture Wars*, August 2013; available by e-mailing this author]).

After spending a couple of chapters on usury, Niewdana answers the question as to whether the "interest" being charged by banks could be considered as legitimate extrinsic titles or whether it is usury. Happily, in chapter 9, Niewdana neutralizes his error with respect to *lucrum cessans* when he makes the important conclusion that "as the money in question does not exist before the issuance of the loan … there is no foregone opportunity for gain (*lucrum cessans*)." Niewdana also recognizes that there is "no real emergent loss (*damnum emergens*) involved—as the majority of loan contracts are secured loans that include some form of collateral," such as a house. "Therefore, in reality, present loan contracts do not provide sufficient grounds for charging interest" (162). Fees yes, but not interest.

Niewdana proposes that, instead of banks creating new money as debt with interest, governments be allowed to print new money into existence and spend it. This would eliminate the usury imbedded in the current money creation process. From the perspective of justice, Niewdana's proposal (which he gets from Zarlenga and the policies of the Modern Monetary Theorists) is certainly better than the present system.

However, Niewdana seems not to be aware that a fiat currency itself violates commutative justice. It enables the government to get something for nothing as it prints new money into existence and buys real products. A better solution would be to ban usury and allow anyone to monetize their assets with the issuance of credits against those assets at no interest. There is nothing wrong with banks monetizing homes with mortgages; it is the charging of interest in the process that violates commutative justice.

The third type of justice—distributive justice (that one's rights and ownership are proportionate to one's needs and contributions), is also violated by the existing money and banking system. First and foremost, it privatizes profits and socializes losses, as we saw in the bailouts of the 2007–2009 banking crisis and the concept of "too big to fail."

Niewdana concludes that “what we have now is a cleverly designed system where private banks have been granted a monopolistic control over money created as debt and, ultimately, a net transfer of assets toward the wealthiest strata of societies” (158).

The root problem is the leverage that banks are allowed to take. The value of the equity of most corporations exceeds 50 percent of its enterprise value (equity plus debt). Therefore, when a corporation goes bankrupt, the equity holders suffer the most. Banks, however, have massive leverage with their equity accounting for only 3 to 10 percent of their total value. Therefore, the owners of banks have the incentive to take high risks because the winnings go to them but the losses ultimately fall on “its creditors and finally the taxpayers who must pay for the rescue packages in the end.” As Niewdana concludes, “The little guys get tough love. The big guys get forgiveness. This is a total reversal of the ways forgiveness of debts was exercised in the ancient world” (169).

Niewdana proposes an ingenious solution: eliminate the limited liability of banking corporations. That would make their lending practices more conservative and substantially reduce their profits. This policy change would incur stiff resistance, but it would clearly benefit society as a whole.

This is an important book that would work well as a textbook for a graduate-level seminar on money and banking.

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Business and the Greater Good: Rethinking Business Ethics in an Age of Crisis

Knut J. Ims and Lars Jacob Tynes Pederson (Editors)

Cheltenham, UK: Edward Elgar, 2015 (287 pages)

This book is a collection of papers originally presented at the Seventh TransAtlantic Business Ethics Conference (TABEC) held at the NHH Norwegian School of Economics in 2012. Eleven works are collected and organized around three themes: (1) From Inequality to Equality, (2) From the Technical-Materialistic to the Ecological-Spiritual, and (3) From Compliance and Enforcement to Autonomy and Responsibility. The editors contribute one of the chapters, and they write an introduction that summarizes the main points of each of the works that follow. A final chapter captures the thoughts on the future of business ethics that the contributing authors expressed in a roundtable discussion at the conclusion of the conference.

The subtitle of the book conveys its focus. It promises to “give genuine insights about the causes of the current crises [financial, political, environmental, moral, and spiritual] as well as new directions and fruitful solutions” (3). Not only is the “legitimacy” (276) of business ethics at stake in fulfilling this purpose but also the very “salvation of society” (269).

Will this book save the field of business ethics and a dying civilization? The key step in returning anything to health is making the correct diagnosis of the ailment. An effec-