USURY:
A COLLECTION

A Brief Treatise of

USURY

Made by

Nicholas Sander,

Doctor of Divinity

Luke vi:35. Mutuum date, nihil inde sperantes.
Give to loan, hoping for nothing thereof.

Louvain.
Apud Joannem Foulerum, An. 1568.
Cum privelegio. Subsig.
de la Torre.

Scriptum hoc de usura lectum et approbatum est a viris saerae Theologia et Anglici idiomatic peritissimis quare tuto emulgari et imprimi posse Iudice.

Cunerus Petri, Pastor S. Petri
Louvanii, 8 April, An. 1568
stylo communi seu Romano.

A BRIEF TREATISE OF

USURY.

THE FIRST CHAPTER.

The occasion of this treatise, and the arguments which are commonly made for the defense of usury, and what is usury.

I DID not intrude myself, good Reader, to make this treatise, but was forced thereunto by very necessity, except I would willfully suffer my Christian brethren to run headlong into vice, and to defend that for lawful, which is utterly against the ordinance of God. And surely when I saw that a sin was not only committed (which cometh of the frailty of man) but was also defended, then I thought it my duty not to hold my pen any longer.

The matter I speak of is usury, in defense whereof thus I have heard diverse men reason at several times. "I have," sayeth he, "a poor stock of money lawfully gotten, it lieth by me idly, and it will quickly be spent if it be not occupied. I was not brought up in the trade of merchandise, I have wife and children, who are like to beg, unless I provide some perpetual relief for them. In this case, what shall I do with my money but employ it so, that it might not be lost, and yet might bring me some yearly profit?

"Again, I lent it to such a merchant whom I know to take commodity and no hurt thereby. Why, then, may I not take profit of mine own money together with him? Or, why should he enrich himself with my money, and not be bound to give me some part of his gain?" Hereunto when I made answer, that the word of God did forbid usury (Ex. 22; Lev. 15; Ps. 14.), he replied that he thought it was rather a counsel given in God's word to avoid extreme taking of usury, than any such precept as bound men to the obedience thereof under the pain of everlasting damnation. "Nay," said I, "that cannot be so. For the Church hath taken it to be a commandment (*Sub Alexandro Tertio in Concil. Lat.* c. 25.) which must be kept under the pain

of damnation, and thereupon it hath forbidden open usurers to be admitted to the communion of the altar and to be buried in holy ground, and their offerings to be received under the pain of suspension to him that burieth, or else receiveth their oblations.

Here began a new disputation, which is the true Church, and what power positive laws have. Yea, the word of God (according to these new interpretations) is also brought forth that such usury, as biteth him sore who borroweth, is indeed forbidden (for in the Hebrew usury is named of biting), but not such as doth bring commodity as well to the borrowed as to the lender. I wondered to see what shift the Devil made to maintain that most heinous crime of usury, insomuch that he hath found the pretense of Holy Scripture and of God's word for it.

To make short the disputation, and to cut off the unprofitable talk of words and names, I said at the last (which now, God willing, I will prove) that usury is utterly against God and nature, even as mankilling is. And, therefore, whatsoever the Holy Scripture or the Catholic Church hath decreed thereof, it hath decreed it as against one of the greatest mortal sins that can be. So that, now, it is my part to show how usury is not only against the counsel of God, as expressed in the Holy Scriptures, but also against His Will and Commandment, the breach whereof is everlasting death, as it shall appear both by the circumstance of the places wherein it is forbidden, and also by the reason of the forbidding, this only being first known, that **usury is all manner of gains, which is either bargained or hoped for by the force of the contract of giving to loan, whether money be lent, or oil, corn, wine, or any like thing that is spent with the first natural and proper use thereof,** for when the use of that thing which can be but once used of the borrower without the spending thereof and which by the very delivery to the end it may be used, is alienated from the lender, is paid for; that is real usury, and when the lender hath a desire to be paid for the use of that thing.

THE SECOND CHAPTER

That usury is forbidden by God's law, under the pain of everlasting damnation.

IF MEN had now that obedience and faith which they once had, and still should have, it had sufficed to have said in one word, The Church condemneth usury, and forbiddeth it as a mortal sin. He that heareth not the Church is to be taken as a heathen and a publican (Matt. 18). But now if we answer so, they will demand which is the true Church, where is it, or how can we be assured that it erreth not? For which cause I am constrained to give an account of the Church's doctrine touching usury.

And for as much as the authority of the Church, being once called into question, the Scriptures also (which were given only to the Church and are known by her tradition and by her unwritten witness) cannot keep their credit, but are expounded according to every man's lust and fantasy. I must also be forced to resort unto natural reason and thereby to show that usury is of itself nought and unjust. For albeit the rule of reason may not still be followed, for as much as the articles of our faith depend not upon natural reason which is common to all men, but upon the revelation of Jesus Christ, Who powereth His gifts into the hearts of the faithful abundantly, yet now it shall not be amiss to prove that usury is against natural reason, because it is a matter of injury and of civil injustice, whereof reason may judge. But whoso is not able to reach unto the depth of reason, that he may at the least not lack the authority of God's word, I will first declare that the word of God showeth usury to be a great sin.

It is written in the Old Testament (Ex. 12) after this sort: *Si pecuniam mutuam dederis populo meo paupery qui habitat tecum, non urgebis eum quasi exactor, nec usuru opprimes.* (If thou shalt give money to loan unto my poor people which dwelleth with thee, thou shalt not be instant upon him as an importunate wringer, neither shalt thou oppress him with usury.) First, this precept standeth among other moral precepts, which are to be kept of necessity. For a little before it is forbidden, that *witches should be suffered to live* (Ex. 22:18), *or those that had lain with* [brute – "behemah"] *beasts* (Ex. 22:19), *or those that should offer sacrifice to any, saving to God alone* (Ex. 22:20.) The people were also forbidden *to hurt a child or a widow* (Ex. 22:22). After which precepts this of usury followeth.

Seeing, then, that it is joined with those commandments which, if they be not kept, the breaker is guilty of everlasting death, we must think also the very same of usury. Neither may it justly be laid against me that not every usury is forbidden, but only that which wringeth and biteth the poor, for both every usury doeth wring and bite, and every lending ought to be made unto the poor. For lending is a kind of charity, or of alms deeds, which was instituted chiefly and only for the poor. Who seeth not, then, that it is an abuse to lend money to him who hath as much, or more, than he that lendeth it?

If, then, thou lend to the poor, sayeth God (meaning, that for other men the contract of lending was not made), thou shalt not bite him nor wring him. To lend unto the poor, that is indeed a counsel rather than a precept, and therefore it is not said, thou shalt lend money to the poor man. But if thou do lend him money, it is the commandment of God not to take usury of him, because that were to wring him and to bite him. Now, as it cannot be but a great fault to wring or bite any man, so is it much more to wring or bite him who is already poor and miserable.

Moreover, this precept is expounded by another like place (Leviticus 25:36). "If thy brother be impoverished (*ne accipias usuras ab eo, nec amplius quam dedisti*), take thou no usury of him, nor any more than thou didst deliver. Here he is called "our brother," which before was called "God's poor people," and, of whom we were forbidden to wring or bite, we are now forbidden to take any more than we delivered unto him. For, he that taketh one penny more than he delivered wringeth and biteth him as much as that penny cometh to.

Again, God sayeth (Deut. 23:19-20): *Non fœnerabis fratri tuo ad usuram pecuniam, nec fruges, nec quamlibet aliam rem: sed alieno.* "Thou shalt not increase money upon they brother by usury, nor corn, nor any other thing: but do that to thine enemy." *Fratri autem tuo absque usura id quo indiget, commodabis.* "Thou shalt lend thy brother that which he lacketh, without usury." The carnal Jews had certain infidels to their enemies whom they might kill, so might they oppress them with usury. But now, seeing every man is both our neighbor and our brother, we may not take usury of any man at all.

It is here further to be noted that usury consisteth not only in taking gains of money, but also in corn, or any other kind of think which may be given to loan, as it shall afterward be declared. For all that which by the way of loan is hoped to be restored above that which was lent, maketh the lender guilty of usury and consequently of death, as in Ezechiel 18:13 also we read: *ad usuram dantem, et amplius accipientem: numquid vivet.* "He that

giveth [his money or wares] to usury, and taketh more [than he gave] shall not live." That is to say, he shall not enjoy Heaven, without he repent him of it.

Also, when David (Psalm 15:5) had asked who should dwell in our Lord's tabernacle, He answereth (among other things), **he that hath not given his money to usury**, meaning that whoso hath given his money to usury shall not dwell with God.

Last of all, Christ Himself sayeth (Luke 6:35): *et mutuum date, nihil inde sperantes:* give to loan, hoping for nothing out of the loan itself, or in the respect thereof. Where, not only expressly bargains for usury, but all hope also and expectation of gain to rise thereby, is utterly forbidden. For the very greediness to receive gain by a liberal and free contract maketh a man to be a sinner in the sight of God, because for his part he turneth a free and charitable contract into the most wrongful and hurtful bargain that can be. For wherein he should have aided the poor, therein he oppresseth them. And where he should rather have lost somewhat of his own for God's sake, there he increaseth his own and taketh away another man's goods injuriously, as it shall more plainly appear when the matter of giving to loan is fully declared. For this prohibition of usury in God's law is but the opening and making plain of the law of nature in that behalf.

THE THIRD CHAPTER.

Whence bargains proceed and why alms deeds are so acceptable to God.

SUCH bargains, covenants, contracts, and obligations as do usually pass among men either proceed from liberality, or else from the necessary use of traffic. Those proceed from liberality wherein one party alone taketh commodity, as in all free gifts and legacies. But those bargains which are practiced to and fro, for the necessity of each party, ought to bring loss or gain equally to each of them, as in being and selling, setting, and taking to hire, in fellowship of merchandise, and in such like cases it cometh to pass. My purpose is at this time to speak only of the first kind of covenants, and yet not of all them, but specially of giving to loan or lending, which in Latin is called *mutuum*. Now, albeit a donation or free gift, when it is really delivered, is not properly a contract, yet because many times a man bindeth himself by solemn promise aforehand, to give a thing afterward, in this case there is a certain covenant between them,

which must be kept. Once that kind of doing or of bargaining, which is most liberal, or hath least hope of gain or reward to be returned, is of all other most acceptable to God, and most honorable in itself, as coming nighest to the nature and working of Almighty God, Who first, giving us freely faith and charity, whereby we may do His will, afterward promiseth and will give us life everlasting, if we believe in Him, and with His grace do keep His commandments (Ephesians 20, Galatians 5, Romans 2 and 5). And yet for all this He looketh for no commodity, by our faith or obedience, but we are still unprofitable servants, as touching any gain that may rise to Him by our service, but only He, of His bottomless mercy, spreadeth His goodness upon us, to enrich our miserable poverty with His unspeakable treasures and glory. For this cause, alms deeds are so much commended in Holy Scripture, as in the which we give and presently deliver, or bind ourselves to give and to deliver our superfluous or profitable goods to our poor neighbors for God's sake, and that although there be no hope to receive like kindness again of them.

A certain Pharisee did, on a time, bid Christ to dinner and, when he saw Christ sit down before he had washed, he wondered not a little at it (Luke 11:37-39). Then said our Lord to him: Now, ye Pharisees do make clean the outmost part of the cup and of the platter, but that which is within you is full of ravening and of iniquity. Ye fools, did not he who made that which is without, make also that which is within? Howbeit, give alms of that which is overplus in you, and lo, all things are clean unto you.

By which testimony the truth itself doth witness that even our daily sins and inward uncleanness are made clean by alms deeds. And therefore when Zaccheus (Luke 19:8-9) had said, Behold, I give half my goods to the poor, and if I have deceived any man, I restore four double: Jesus answered, that the same day salvation was made to that house, for that he also was made the son of Abraham. Yea, the very perfection of a faithful man is showed by Christ to consist *in selling away all things that he hath and in giving it to the poor. Which whoso doth and followeth Christ shall have a treasure in Heaven* (Matt. 19.). In so much that, on the Day of Judgment, Christ showeth (Matt. 25) that *those who have done the works of mercy, for His sake, shall have Heaven for their reward, and those who have not done them shall go into hell-fire.*

This being so, it should not seem any unwonted suit to Christian men if I should exhort them to give away all their goods to others who lack and so to follow Christ. But now I ask not so much. It is now no world wherein to require any such perfection. I would think myself happy if I were able to persuade men to give away only that which they have superfluous and more than is needful. Nay, neither that do I now ask which yet in cases of

other men's need they are bound to do. But I ask and beseech men only to avoid and eschew those which are extreme great sins and most enemies to alms deeds, I mean, usury and simony. Of which simony is committed in spiritual causes, usury in temporal and secular matters. Of simony I will not speak, either because the matter is not so hard or intricate, and therefore is not lightly committed but upon malice, which commonly is incurable, or else because those of the clergy, who most commonly are the men that fall into that horrible vice, are themselves, or at the least should be, so far learned as to know that Simon Magus (unless he repented) had the sentence of damnation pronounced by St. Peter upon him, because he went about to buy the gifts of the Holy Ghost with money. And he that buyeth or selleth a benefice, or anything whereunto the administration of the gifts of the Holy Ghost is annexed, is in the same case for his degree with Simon Magus, except he so repent as he ought to do, and be absolved, according as the Church hath ever used to absolve such crimes. But the matter of usury is not so easy to understand as that of simony, and therefore it needeth a longer discourse to declare the iniquity thereof, which, being one of the very greatest, yet, through the ignorance or blindness of men, is now grown out of knowledge and is taken to be either none at all or surely no very great fault. But how can that be a small fault which is contrary to so great a virtue as alms deeds is? Truth must be heard with patience, good Reader. The wounds of him that loveth are better than the deceitful kisses of him that hateth (Pr. 17). Usury of itself is more contrary to alms deeds than commonly robbery or theft is, because theft is most times committed of them that lack, but usury is committed only of them who are rich. The thief, as nigh as he can, will never rob a poor man; the usurer doth commonly rob poor men most of all. Theft is punished by open laws, usury is winked at because it is a gentlemanly theft. All men are ashamed of theft, but many men profess usury and blush not much at it, for that evil custom hath so long time born with it. I speak not this of all kind of usurers, but of the worst sort of them, whereas yet there is none at all good. But there is great odds between open bargaining for usury, and privy expecting of some reward. That is done without the fear of God, and therefore it is harder for to obtain pardon, and needeth the greater penance; this is done with remorse of conscience, and therefore it may the more easily be forgiven, if, upon better information, the grace of God be called for, Who would have all men to come to the knowledge of the truth, and so, by His mercy and Sacraments, to come to salvation.

But you will say, perhaps, that some men set out their money to usury to the end they may be able to do good deeds with that gain which ariseth to them by usury. But as well might he say that he would rob one man to give alms to another. For to such the Apostle sayeth (Rom. 2): *Evil things are not to be done that good things may follow thereon.* God, indeed, useth to turn evil into good. But that is able to be done of Him only, Who can of nothing make somewhat. For an evil thing, in that respect as it is evil, is nothing at all but is only a defect and failing from some goodness or other. But man, who is not able to turn nothing into somewhat, or evil into good, may not presume to do evil upon hope of a good thing to follow, since it is God's only choice, whether any good shall follow thereof, or no. And who so presumeth that upon his evil fact God will work a good effect, he presumeth of God.

And lest I might seem to write so weighty a matter upon my own head, St. Ambrose sayeth (in *Decret.* 14 q. 4), without any exception: *Si quis usuram accipit, rapinam facit, vita non vivit.* If a man receive usury, he committeth violent robbery, he liveth not everlastingly. And St. Augustine sayeth, *Nolite eleemosynas facere de foenore et usuries. (et post) Dona iniquorum non probat altissimus.* "Be ye not of the will to give alms of that which is gotten by multiplying your stock, or by usury. The most high God alloweth not their gifts, who get the goods which they give unjustly." And St. Gregory sayeth: "That alms pleaseth God, which is given of goods rightly gotten." Thus we see that it is not the giving of alms which can make good the usurer's fault, but when he hath rendered his own to him whom he unjustly hath oppressed, then let him follow Zaccheus in giving away his own goods (and not other men's) unto the poor.

THE FOURTH CHAPTER

Of giving to loan or of lending, which are naturally free contracts.

THE first degree, then, of worthiness in any kind of external traffic appertaineth to alms deeds, as I showed before, because they come nighest to the great goodness of God, Who freely, and without any recompense hoped for, gave us His own Son, and all things beside with Him.

The next degree of worthiness, after free gifts, belongeth to that liberal contract which in Latin is called *mutuum*, in English it is named *giving to loan*, or lending. The Latin name is compounded of two words, *meum* and *tuum,* mine and thine, as if we might say in English, mine-thine, whereby is meant that the thing which before was mine is, by lending, made thine, to the end thou mayest use it, being thine own, and the value thereof must again of thine be made mine when it is restored back unto me, so that giving to loan for the time that it dureth, differeth not from a free gift, but is as much to say as a gift for so long, whereas a free gift is a gift for ever, without any restitution at all. But while the thing itself is in thy hands, it is not now mine, nor in itself never shall be, but I have only a right to so much in quantity, and to so good a thing in quality, as that was which I lent. In a free gift, then, I cannot ask again neither the thing itself, nor such another thing; but in a loan, I may require such another thing, but not the selfsame which I lent.

The better to understand this kind of bargain, it to be known, that there are two kinds of lending, for whereas every lending is to the end that the thing lent may be used of another man without my loss, the use of a thing may be after two forces.

And first to begin with one, I may lend such a thing as without alienating or perishing may be used of another man, as it chanceth when I lend him by hoe, my horse, my plate or vessel. He, then, that taketh my house to dwell in may use my house this day and again tomorrow and so for many months or years together, and yet my house shall still remain unperished, although it may waste more and more. And the like doth chance in my horse, or any such thing as is not spent with the first use thereof. On the other side, I may lend such a thing as cannot be employed to his natural and proper use, except either the property of the same be alienated, or the thing itself do perish; for example, if I lend you a barrel of beer, you cannot use that beer to such a purpose as beer is ordained unto, except you drink it or bestow it where it may be drunk. Now, when it is once drunk, it can be drunk no more, but it perisheth and ceaseth to be any longer beer. The like is seen in corn, in oil, in wine, and in such other things as we use to number, weigh, or measure, the chief use of all which is to be spent with the first use of them, and not to remain still his, whose they were before they were used.

Whereas, then, some things may be used of him to whom they are lent without spending of them, as houses and horses, but other things cannot be used, except they be alienated and spent, as corn, and wine. These two diverse uses have caused and made two diverse contracts and bargains. For

that contract wherein the thing doth perish together with the use, is called in Latin *mutuum*. The other, wherein the thing lent remaineth still in his use to whom it is lent, is called in Latin *commodatum*. In English both contracts have commonly one name, and are each of them called *loan*. But the natures of the things being diverse, do require a diverse handling of them, albeit both have one name in our tongue, which, may chance, either through the barrens of the tongue, or else through the ignorance of the common people, who use not to name that diversely, wherein they perceive not an evident difference. But we may reasonably English *mutuum* as a giving to loan; and *commodatum* as a lending without any gift. For *mutuum* is more than a lending, since the thing is both given and lent: given from me concerning the property, and lent to another concerning that I bind him to restore the like quantity of the same kind of things. This first is common to both kinds of lending, that the thing lent must be lent *freely* and without bargaining for any certain hire or wages. For if I lend my horse upon a daily pension, it is the contract of *locatio*, or of letting out to hire, and not the contract of lending or of giving to loan, whose nature is to be always free and frank.

The difference, then, between the two kinds of lending is that when I lend such a thing as is not spent ordinarily with the first use, the thing lent remaineth still mine own. For when I lend my book to my friend (which is a common thing among scholars), I do not alienate the book from me, but I remain still the lord and proprietor of it, lending my friend the use thereof. But when I give to loan such a thing as is straight spent with the first use thereof, then not only the use, but also the propriety and dominion thereof passeth from me to him who borroweth it, and good reason why. For all such things are so principally made of God for one certain use (as bread to be eaten, wine to be drunk) that the use differeth not from the thing itself. Because they cannot endure any longer when they are once used, but straight do perish, and become either another thing, or at the least another man's goods.

In consideration whereof, he that lendeth me such things, by the very lending, leaseth the propriety and dominion of them, for else I should spend another man's goods to his injury, which is both against reason and also against his will or interest. For as he would have me take commodity of his goods by using them, so would he not hinder himself therewithal. But if I should borrow a bushel of wheat of another man, and yet the same bushel of wheat should still be his, I should either not use the wheat at all in making bread thereof, or occupying it otherwise (and then it doth me no service) or else I should spend it being his, and thereby he should sustain

farther loss than himself would agree unto. For if I do spend another man's goods by his consent, I am not answerable to him for them, no more than I should answer him his oil again, who should bid me throw it into the fire.

So that, if he that borroweth corn should not straight become lord and master of the corn, either he should never spend it (and then it serveth him not) or he should spend it with the lord's own consent, and then he were bound to restore nothing at all, since the lord consented wittingly to the spending of his own corn. Which, if it were so, no man would ever lend such things as be spent with the first use of them, except he were disposed to give them away. And seeing few men are prone to give much, many poor men should perish for lack of sustenance.

God, therefore, hath more sweetly provided that in such things as are spent and alienated from us when we once use them, the dominion and propriety should be in the borrower and spender of them, to the end that he might boldly spend his own, and yet he should be bound to restore so much again in number, or weight, or measure, as they came unto. Whereby the lender and also the borrower is well provided for.

Hereupon it ensueth that whoso borroweth those things which are given to loan, and are spent with the first use, must bear all manner of peril, because every thing is always at the loss of him who is lord and master thereof.

If, then, you borrow of me a pipe of wine, and immediately the wine be taken from you by thieves, or be otherwise lost, I am not bound to bear any of the loss, but he only that borroweth it, because it is his wine, and not mine. But it is otherwise when I lend my horse to a man. For if the horse perish, without any manner of his fault who borrowed it, I lose the horse and not he (except some express covenant be made to the contrary), because the horse tarrieth still mine, and was not his at all. Whereupon Justinian sayeth (*Institut.*): *Qui mutuum accepit, si quolibet fortutto casu amiserit qued accepit, veluti incendio, ruina, naufragio, aut latronum hostiumne incursu, nihilominus obligatus remanet. At is qui utendum accepit, sane quidem exactam diligentiam custodienda rei praestare iubetur: sed propter maiorem vim maiore sue casus non tenetur, si modo non ipsius culfa is casus intervenerit.* "He that hath taken to loan, if he shall lose that which he took, by whatsoever casualty or chance, as by fire, by falling, by shipwreck, or by incursion of thieves or of enemies, he remaineth nevertheless bound. But he that took a thing to use, he is indeed commanded to use exact diligence in keeping it, but he is not bound against greater force or mischance than he is able to resist, except the same happened by his own default." This, verily, is the law of nature, and the rule of reason, that every thing should be at his

peril, who is the lord and owner of it, except some other man's fault or some express covenant come between.

These things being so, it is to be known that all coin and money, whether it be of gold, of silver, of brass, or of leather, is to be reputed and numbered among such things as are spent with the first proper use of them. For money is not like a book, or a horse, which, being used today, may be used again of the same man tomorrow, and so one day after another, but money is like to wheat and to wine, which, as soon as it is used to that end whereunto it was chiefly ordained, is spent and alienated from him that borrowed it. For if I borrow ten pounds of money, I cannot use those ten pounds (in spending them, so as money is commonly used) except I give it, pay it out, or by somewhat therewith. And in all those cases the money goeth from my hands, so that I have no more power upon it, neither can I use it again, as upon the former loan, except I come by it again by a new bargain.

For this cause all the lawyers and philosophers, as well as those that were before Christ, as those that were after, and likewise all the Christian Doctors, Bishops, and learned men have, with one accord, reckoned all money and coin, yea, all metals which serve to buy or to pay withal, among those things which are spent when they are first used. These are the words of Justinian the Emperor: *Mutui datio in iis rebus consistit, quae pondere, numero, mensurave constant: veluti, vino, oleo, frumento, pecunia numerata, are, argento, auro, quai res aut numerando, aut metiendo aut appendendo in hoc damus, ut accipientium fiant.* "Giving to loan doth consist in those things which stand by weight, number, or measure, as in wine, oil, corn, numbered money, brass, silver, gold, which things we give either by numbering, by measuring, or by weighing, for this purpose, that they may be made theirs, who receive them."

Here we have not only a plain authority, that money is one of the things which is given to loan, but also we have a reason joined therewith. For if all things that consist in measure or weight, or number, be of those things which are given to loan, seeing it is evident, that money may be both weighed and numbered, yea, sometimes also measured, it is clear that money is among those things which, being given to loan, are spent with the first use, and not among those which, being lent, do still remain safe with him who useth them. Now, the reason why giving to loan doth consist in such things as are weighed, numbered, or measured is for that those things, which cannot be themselves restored again to the former lord and master of them, ought to be brought to an exact certainty, to the end it may be evidently known what he oweth who borroweth them. For no

reason would that he who lendeth me his goods freely should thereby take any loss. Verily, an exact certainty is known by numbering, measuring, and weighing, for these trials never fail. If, then, I lend a quart of old French wine, although I cannot ask the selfsame quart again, yet the measure of a quart maketh it certain how much he must pay who borroweth the wine of me. And he must pay not only a quart, but a quart of that kind of wine and of that goodness whereof it was.

Hitherto we have learned, first, that giving to loan is a contract in nature next unto alms deeds, or to a free gift, not differing at all from it, for the time that it dureth.

Secondly, that it ought always to be free, otherwise it is no loan at all, but a selling or setting to hire.

Thirdly, that it differeth from simple lending, because the propriety of the thing given to loan becometh his own who borroweth it, which is not so in simple lending.

Fourthly, it ensueth hereupon that, in giving to loan, the danger and loss is his only who borroweth, and not at all his who giveth to loan, because the lord of every thing always beareth the loss, and not he who had nothing to do withal.

Fifthly, things given to loan be such as consist of weight, number and measure, as wine, oil, corn or grain.

Last of all, money is of those things which are given to loan and, consequently, he is not lord of it who lent it, but he only who borroweth it. And, therefore, if the money lent be stolen or do perish by whatsoever mischance, without any default in the world of him who doth borrow it, yet he that gave it to loan may with safe conscience ask so much again as he lent, and the borrower (if he be able) is bound to repay it.

THE FIFTH CHAPTER

How much it importeth that the bounds and limits of every contract belonging to the law of nations should be inviolably kept and maintained.

WHEREAS all good and honest laws ought to be duly kept and obeyed, as by which the common weal doth chiefly stand, yet specially those laws are above all other to be everywhere maintained which belong not only to particular cities or states, but even to the whole society of all nations, and to the universal fellowship of all mankind. For as the particular law is made upon the particular reason and consent of some one people, so the general ordinances of all countries are made upon the general reason and consent of all men in the whole world.

Any one people may be sometimes either blinded with affection, or deceived for lack of good instruction, and therefore their law, being sometime unjust, may in that case be justly neglected. But that which pleaseth all men of all religions, of all studies, educations, and sorts, cannot surely be erroneous or wrongful, since the common discourse and consent of all men cometh only of God, who is the maker and governor of all. And, consequently, that which wherein all men agree must needs be such a thing as either nature itself taught them all, or else great necessity, public profit, and long experience forced all men to agree upon. And therefore, whoso breaketh that general decree and law of all nations, he is an enemy to the peace of mankind, and is unworthy to live in any part of that fellowship, whose unity, concord, and consent he goeth about to set at division, discord, and variance. He is proud, seditious, foolish, unkind, and to say all in one word, unreasonable.

If no man shall at all have to do with another, then is there battle bid to God himself, who made man in such sort that he should be companionable and inclined to live in society with other of his own kind. And, seeing so many kinds of birds and beasts keep company together accordingly as their nature provoketh them, shall only man, who is made lord over them all, be yet behind them all in this condition? To what purpose seemeth the gift of our speech, if we should not live with them who may hear and understand us? But if one man must and shall keep company with another, is it not reason that such order be taken in common for all, that everyone

may, without injury to himself or to his neighbor, provide for himself, and follow that vocation wherein he is called?

And, whereas every country hath not every thing, but one country hath that which another lacketh, nature, reason, experience, and common profit hath caused such orders generally to be agreed upon that every man, of whatsoever nation or tongue he be, may bargain or exchange his wares with another in such sort that all things shall be done to each party's commodity, without loss or injury to either of both. For, seeing every man for his part is a member of the whole fellowship of mankind, he must so keep his own place in the body where he liveth, that he neither put another out of his room, nor fail to supply his own, so that all things must be done in such sort to our neighbors as we would have them to do towards ourselves.

Which rule of nature is so true, so necessary, and so profitable to all men that when Christ gave to his disciples the precepts not only of this mortal and transitory life, but also of life everlasting, yet he said unto them (Luke vi:31), Et prout vultis ut faciant vobis homines, et vos facite illis similiter. "Even as you would that men should do unto you, do ye also likewise towards them." And St. Paul teacheth (I Thess. iv:6), that *if any man deceive his brother in any matter, God will revenge it.* Insomuch that it were better not only to suffer hurt and wrong than to do it, but also when he hath suffered it, rather to forgive it (I Cor. vi:5-6) than to pursue the injury in open court and judgment. How be it this later point indeed is of counsel and perfection, but, not to do any wrong to another, it is a commandment, which of necessity must be kept and observed. Neither is it hard to know by what means we may avoid to do wrongs, for as much as all manner of contracts and bargains that can chance in man's life have been so exactly debated, limited and distinguished certain thousand years past according to natural reason, that whereas there are many kinds of covenants and bargains, no one of them all can be broken by men, but they shall perceive that they do therein against the judgment of reason, and so their own conscience ought to control their deed. And he is not worthy to be named a man who, having the gift of reason, will behave himself as if he were a beast. Or why is it accounted of our Savior Christ so great a fault (Matt. v:22), without cause to call our brother fool, but because indeed it is a great fault if any man play the fool, or doth become as though he were not partaker of wit and reason?

For as it is a great reproach and slander to call him traitor, who is not known so to be, and as the reproach is so great, because the fault of treason is most great, even so is it a great reproach for a man, endowed

with reason, to be called a fool, because it is a great fault in him to do otherwise than reason would have him do. For when St. Paul called the Galatians foolish (Gal. iii:3) did he not then signify that they were extremely to be blamed for their gross understanding and opinion?

He that cometh to bargain with another man, either he hath a good intent or an evil. If it be evil, he is rather malicious than foolish; if it be good, seeing the kinds of bargaining are known, let him use some one of them. He may lawfully buy or sell, lend or borrow, let or take to hire, traffic in merchandise, or join in fellowship as he thinketh best for himself. But if he will, after five thousand years, wherein the world hath stood, and hath by common consent ordered and disposed all covenants which belong to man's life, if now he will, upon his own head devise a new kind of bargain, or else will change the former nature of the old bargains, doubtless (whether it be for lack of wit or of virtue) he is no meet man to live in any commonweal, or to be admitted to the society of reasonable men.

My talk goeth to this purpose, that the usurer may understand the first point of his injustice to be in that he useth a contract unknown to mankind, such as breaketh many other contracts, and is a monstrous device, more like to an idol, that is, to an idle imagination of his own covetous heart, than to any kind of covenant that men have hitherto invented, as it shall more plainly appear by that which followeth. And surely, when St. Paul doth call *covetousness the bondage or servitude of idols*, he there painteth out no man so much as he doth the usurer, to whom most properly that name doth belong, for many causes which shall appear by that time this discourse be ended.

In the mean season, if I prove the usurer to break the contract of giving to loan, which yet he doth and necessarily must use, I doubt not but any reasonable man will confess that he doeth against the law of nations, which assigned certain limits and bounds to that contract. And, consequently, that he is a great offender, as who doth injury to his neighbor, and doth not keep the rule of reason which God gave, as to this end, that we should live together, as it becometh reasonable creatures to live. And, surely, he that breaketh the sweet and gentle ordinance of God shall be sure in the end to be brought under the rule of His sever righteousness, and judgments, for that before he refused to live under His merciful order. And, so, he that would not do to another that which he would wish to be done unto himself shall suffer in himself justly that which he unjustly laid upon another.

THE SIXTH CHAPTER

That the usurer, in setting out his money for gain, doth and cannot but give his money to loan.

IT MAY BE that some man, reading this my declaration of the nature of giving to loan, will grant indeed that if the usurer intended to give his money to loan, he did amiss. But (sayeth he) perhaps the usurer is not of the mind to give his money to loan, but to make some other kind of bargain. For he is not bound, when he doth give out his money, only to intend to give his money to loan, seeing there are other kinds of bargaining made by consent of both parties, some of the which the usurer may and doth embrace.

To answer this objection, it is needful to show how the usurer, willy-nilly, only mindeth and doth give his money to loan. And yet, seeing he breaketh the whole nature and every point belonging to loan, it will follow thereof that he must and doth use that contract of nations which yet he doth not keep in any point, but utterly breaketh and abuseth the same. To give to loan by the law of all people and countries is to deliver presently to another man such stuff as is spent with the first natural and proper use thereof, with bond to have him repay so much and so good again of the same kind. Thus, the Greeks, the Latins, the Jews, the Philosophers, the Lawyers, the Divines, and generally all the heathens and Christians take to be the nature and true definition or description of giving to loan. Now, the usurer delivereth his money or corn presently to another man, the proper use of the which money, and the natural use of the which corn, is to be spent and alienated from the borrower when so ever he useth them. And the borrower is bound to repay the stock again, to wit, the money and the corn, as good, and as much, as he received. Therefore, the usurer doth and must needs use the contract of giving to loan, for his very fact and deed necessarily imports so much. And, if we go by name through all the other contracts that ever have been devised among men, it shall well appear that the said fact of the usurer can be taken to be no other contract, but only the contract of giving to loan. If it were any other contract in the world, it should be the contract of putting out to hire, for it seemeth that the user would set out his money to hire from month to month, or year to year, as

some men do their horses from day to day. But the usurer's deed cannot be that contract, for in putting out to hire, the thing which is set forth remaineth his own, and he only is lord and owner thereof who setteth it out, and the selfsame substance which was delivered is restored again to him without any change, as he is lord and owner of the horse, who setteth out his horse to hire. For he letteth out only the use of his horse to another man, reserving the proprieties and lordship to himself, and the very same horse is restored to him again.

But now when money is delivered to be used of another man, it is not possible that the deliverer should remain still lord and owner of the said self money, in such sort that the borrower should restore those very pieces which he had taken, for then he should not use the money at all, seeing that by using it, he changeth it, and putteth it away from him, so that he cannot have the same money again to restore it to the first deliverer thereof. Wherefore, when money is delivered to be used, it cannot possibly be the contract of setting to hire.

Moreover, the usurer is not of this mind himself, to have the money tarry his own still. For then the danger of leasing it should be his, also. But now it is the greatest ground of usury in that men will not hazard at all their principal sum of money(otherwise perchance they might have more gain, and that lawfully, too, in the trade of merchandise, either by themselves alone, or in fellowship together with others. But whilst they will, by all means, be sure of their principal, and will adventure nothing, they are doubtless of this mind, not to have it perish to their loss. If they will not have it perish from them, they must needs have it made his own money, who borroweth it, and to have him debtor, not of the very selfsame again, but of so much in quantity. For while the hundred pounds which I lend is his to whom I lend it, and while he oweth me not the selfsame hundred pounds, nor any one thing that can be pointed to, but another hundred in a general sum, thereby my hundred pounds are still safe, and can never perish. For no general quantity doth ever perish, but only the particular things which are within some certain place or circumstance. If, then, above all other things the lender will be sure of his principal, consequently his chief will and intent is necessarily to alienate the principal sum from himself, and to bring it to a general debt of a like sum in whatsoever other money or thing. So that, come what change shall to the borrower, the hundred pounds lent may not perish, because they are limited to where, and thereby they are subject neither to fire, nor to water, nor to enemies, nor to thieves.

If, then, the lender will have his principal safe in all events, and yet it cannot certainly be safe, except it be of a particular thing made a general debt, it must needs be that the lender desireth to have his money to be transferred and alienated from himself, and to be made his who borroweth it, to the end al the lass that shall happen may come to the borrower, and not to the lender. Which being so, he that borroweth my money doth not use now my money, but his own, for the money which is mine is a general sum of a hundred pounds and not that which I delivered. Otherwise, if itself tarry mine, as I may challenge my own horse or coat, when so ever I find it, so might I challenge my own hundred pounds. And then, though it had passed through a hundred men's hands, I might claim it of him who presently had it in possession, which is ridiculous to imagine, not only because I can not know my own money from other men's, but albeit I had a coin by myself (all which had been only lent by me and had been none otherways alienated), yet all traffic would be much hindered, or clean taken away, if he that selleth his wares with a good conscience for ready money should be afeared, lest he that lent the money to the buyer might lay hands on it again, whilst it were in the seller's possession.

By all these reasons it plainly appeareth that both the usurer would have his money to be made his own who borroweth it, and yet if he would with it otherwise, the very deed and the nature of the contract importeth so much, whereas in the contract of setting out to hire he still remaineth lord of the thing, who doth set it out. Therefore the usurer doth not, nor cannot set out his money to hire, but he only doth give it to loan.

Moreover, that which is set out to hire is used a long time together, as a house for many years, a horse for many days. But the use of money dureth no longer than whiles it is a-delivering to another man. That which is set to hire bringeth either fruit to the borrower, as lands do, or service, as houses do; but money serveth for nothing but to be spent, and that service it cannot do but once. That which is set forth to hire cometh home most times the worse for the wearing, but money is not the worse to the giver out thereof, because it hath the same weight and number and value when it is repaid which it had when it was delivered. For all which causes money cannot be set out to hire, but only is paid as debt, or given in alms, or given for exchange, or given to loan, and wheresoever it is properly used, it is made his to whom it is delivered.

THE SEVENTH CHAPTER

How heinous and how much against the nature of giving to loan, and against the law of all nations, the vice of usury is.

THAT the Reader may the better inform himself concerning the whole state of the matter, I will first set forth, severally, what belongeth to the contract of lending, and afterward I will show how usury doth break all those points which were provided by God for the commodity of mankind.

First of all, by a usurer I mean him who bargaineth or greedily expecteth for some advantage to arise above the principal corn, wine, or money which he did lend. This much presupposed, I say:

The first condition of giving to loan is that it must consist in the present delivery of that which is lent, otherwise, if the thing be not delivered, it may be a promise of lending, but a lending it cannot be.

Second, the thing mutuated or given to loan must needs be made his own, who borroweth it, otherwise it may well be accommodated, that is, the use of it may be only lent, but the thing itself is not given to loan, except it be made his who borroweth it.

Third, the thing given to loan must be made his freely who borroweth it, otherwise it should rather be sold or set to hire, than given to loan, if all that is done should not be done without any respect of lucre.

Fourth, he that borroweth is not bound to restore the very thing which he took, but only the value thereof, and that he is bound to do in most precise manner, by number, weight, or measure.

Fifth, when money is given to loan, the nature of it must be kept, which is only to serve for exchange or price of all other things, and not to make a gain of the penny itself.

Sixth, things are given to loan naturally for another man's sake who borroweth it, and not for his who lendeth.

Seventh, things given to loan should rather be given to loan to the poorest sort of men than to the richest.

Eighth, the contract of giving to loan was invented for the benefit of commonweals, that whilst he that had the thing did lend it to another who

had it not, by that means friendship might be maintained, and the riches of one might ease the lack of another.

Now, I say, all these former points of natural honesty and commodity are broken, or at the least defaced by the usurer, be the usury which he taketh, or which he looketh for, never so small.

Concerning the first point of all, it is proved before that every usurer is necessarily a giver to loan, and, therefore, he should keep the nature of giving to loan, but he hath broken it diverse ways.

It is thoroughly agreed upon between all men that he who borroweth ten pounds of me is bound to repay it again. Let us then consider how and why he is bound thereunto. Surely, natural reason showeth that he is bound to repay the ten pounds, because he took it of me with this intent and condition of mine, that he should restore as much in value again. But were not this intent of mine joined with the delivery of the money itself, he were not bound to repay it. For if it were delivered with this intent, to give it him, or else that he should only carry it to another man, then he should not be bound to repay it.

Again, if I delivered not the ten pounds, but only intended to make another man the debtor thereof, without delivering it to him at all, likewise no reason would that he should be bound upon my only intent, to pay that which he took not. Two things, then, must concur to make the borrower owe me ten pounds: the delivery of the money, and the intent to make him debtor of it. If any one of these two fail, he is no debtor.

How say we, then, in usury? Admit that I deliver ten pounds unto my neighbor with this intent, that he shall repay the value of the same ten pounds, and also ten shillings more by the year, so long as he keepeth it; I say this intent of mine cannot make him owe me the ten shillings by the year. For the contract of giving to loan is a real contract, that is to say, the obligation thereof dependeth only upon the thing which is delivered in the way of loan. So much, then, and no more is naturally owed by the way of giving to loan, as is delivered from hand to hand. But the ten shillings whereof we speak, was not at all delivered to my neighbor; therefore, he cannot owe it at all upon the ground of taking my ten pounds to loan. So, that if I either take, or in my heart look for the ten shillings as my debt, I do injury, and do sin against the commandment of God, who forbiddeth me not only to steal, but also *to covet another man's goods.* (Ex. xx.)

If, you say, that the other man consenteth to give me the said ten shillings, and therefore that it is no injury to take it, I answer that he consenteth not freely unto it, but as he doth, who giveth his purse unto a thief upon the highway for fear of a worse turn. For the borrower is only

therefore content to give the ten shillings above the principal debt, because the naughty manners of men have now brought matters to pass in such sort that without paying the usury, he should not have had the money. But if everything were as it ought to be, that is, if giving to loan were always free as it should be, then should no usurer require, neither any merchant customably offer, a yearly rent for the loan of money. But now, although the borrower seem willing to pay it, and therefore is thought to have no injury, yet indeed he payeth it no more willingly than he that is in a tempest doth willingly cast out his goods into the sea; that is to say, he chooseth to pay it because it would be worse with him if he paid it not, for he feareth that otherwise the money should be taken out of his hands. And, as the thief, to whom for safeguard of my life I deliver my purse, hath yet no right unto my money, but wrongfully withholdeth that which is not his, even so the usurer that extorteth a yearly rent of the money doth therein unjustly, and is bound in conscience to restore it again, except the borrower without all color or cloaking do frankly and freely give it him, which surely in this respect is seldom to be seen.

But *Christ came into the world to undo the works of the Devil* (I Jn. iii:8), and to set men again at liberty, that all false pretenses (of giving rewards for money borrowed) being taken away, he that borroweth may indeed have the use of the money so freely, as God and natural reason hath ordained it should be. Whereupon Christ said, *Date mutuum nihil inde sperantes* (Lk. vi:35). "Give to loan, hoping for nothing thereof." That is to say, of or above the loan. And in that meaning, St. Augustine sayeth (In Psalm. 36 Concio. 3.): *Si foener averishoim, id est, mutuam pecuniam tuam dederis, a quo aliquid plus quam dedisti expectes accipere: non pecuniam solam, sed aliquid plus quam didisti, sine illud triticum sit, sine vinum, sine oleum, sine quodlibet aliud, si plus quam dedisti expectas accipere: foenerator es, et in hoc improbandus, non laudandus.* "If thou set forth thy goods for usury, that is to say, if thou give him thy money to loan, of whom thou lookest to receive anything more than thou gavest, I say not only money, but anything more than thou gavest, whether that be wheat, or wine, or oil, or whatsoever thing else; if thou lookest to receive more than thou gavest, thou art a usurer, and in that behalf thou art to be reproved, and not to be praised." This much concerning the first point of giving to loan, which was that, by the nature of that contract, no more could be owed than was given and delivered by him that did give to loan.

Now, concerning the second point of giving to loan, it hath been sufficiently proved that the thing given to loan, though it be money, must be made his own goods, who borroweth it, so that the borrower is lord of

the money the selfsame however wherein it is delivered unto him by the way of loan. And how, I pray you, then, can usury possibly stand with this point? Is it reasonable that a man should pay for the use of that which is thoroughly his own? They are deceived who think that the borrower doth use their money. He doth not so. For the money is made his own by the very act of receiving it, and he payeth right well for it, inasmuch as he taketh it upon his own adventure, and bindeth himself generally to repay so much, whatsoever becometh of the particular money which he taketh.

If, then, the money which is used be not mine, but only a like general sum is owing to me in the stead thereof (as it was shown before), why should the borrower pay me for the use of that, which now belongeth not unto me? The sum which he oweth unto me is general; the sum which he occupieth is particular. If he pay usury for the general sum which is mine, it is injury, because he doth not occupy it. If he pay usury for the particular sum which he occupieth, it is also injury, for that sum he oweth not.

Therefore, if in right and truth we will make any man debtor unto us for the use of our money, we must provide that the money do tarry still ours, that is to say, we must let the merchant occupy it as our bailiff or factor, and so if it be lost, to bear the loss; and if it be saved, to partake of the gain. But as that is far from the usurer's purpose, so is it far out of the way, that the merchant who occupieth not the usurer's money, but his own, should yet reward the usurer for that which is now no more his. Again, admit the merchant did use the usurer's money; yet no reason would bear that he should pay a yearly rent for that which, being once used, is forever alienated from him. If the borrowed alienate but a piece of the money which he took, he useth but a piece. If he use it at all, he doth alienate all. If then he pay rent for the money before the alienation thereof, he payeth rent for it, before he doth use it. If he pay rent after the alienation, he payeth rent for it after that it is out of his use. If he pay rent for the time whiles he is a-using of it, seeing that is no longer than whiles he is a-delivering of it, by what justice can a yearly rent be due for a fact which dureth but a small moment? Thus, in all cases it is utterly unjust to pay any rent or pension for money, or any other like thing which was taken to loan.

Thirdly, whereas all giving to loan ought to be free, seeing the usurer is necessarily proved to give his money to loan, and yet his giving is not free, no excuse can be brought, but that the usurer breaketh this point also. And yet this point of all others pleaseth God most, insomuch that Christ exhorted men to this contract, bidding them give to loan, without hoping for anything thereof (Lk. vi:34).

We read not surely that Christ exhorted men to buy and to sell, or to follow the trade of merchandise. For He knew right well that all men are ready enough to make such exchanges as seem to be for their commodity, but because giving to loan is a free and liberal contract, whereunto few men are prone, therefore as He exhorted us to give alms, even so did He exhort us to give to loan.

And the vainglorious man offendeth God most grievously who, pretending to give alms, doth indeed, rather by vainglory with his penny dole, than exercise any charitable act; even so doth he much more grievously offend God who, pretending to give to loan, doth rather sell than give his money, there seeking for most filthy lucre, where even the heathens confessed no lucre could have place, as I showed before out of the civil law.

The fourth point of giving to loan is that the borrower is bound to restore that which he took, in most precise manner, to wit, by number, weight, or measure. How doth the usurer observe this point, when he taketh twelve for ten, three pounds for two, and five bushels of corn for four?

It is notable to see how the goodness of God hath defended and warded the contract of giving to loan, as Who foresaw that it, being the best and highest contract of all next to almsdeeds, yet shall be of all others most horribly abused.

All equality of exchanges and the value of all things is most exactly known by number, weight, and measure. And giving to loan consisteth only of such things as are numbered, weighed, and measured, so that no other contract is so certain, and so precisely bounded, or limited, as this of giving to loan.

Therefore, the more strong defense and guard God hath provided to keep equality and justice in this contract, the more unjust and the greater breakers of God's ordinances they are who, notwithstanding, require or hope for more in number, weight, or measure, than they did deliver.

Let us now come to the fifth point, which belongeth peculiarly to money alone. Many other things may be given to loan besides money, as wine, corn, oil, with suchlike, and usury may be committed if more than was given be received in any of them. But when money is given to loan (as in usury it cometh most times to pass) then is there a special deformity also in that behalf.

It is to be known that money was invented by the common consent of men, specially to serve man's necessity and commodity, in chopping and changing things to and fro (Aristotle's *Politics*). For, in the beginning, he

that lacked anything, as, for example, a pair of shoes, he went to another man that had shoes enough, and brought him such stuff whereof himself had store, as cloth, perhaps, or skins, or some like matter to make an equal exchange between them both. So that thing for thing was exchanged, and that was the most simple and natural kind of traffic between men. But experience declared that this way at length was incommodious, and would not serve every man's turn. For sometimes he that had shoes, which I lacked, had also cloth and skins as well as I, and then he was loath to take my cloth for his shoes, seeing that he had cloth enough of his own. For which cause wise men devised that some certain metal should serve the turn of all men, so that whoso needed any stuff, he should take such a kind of metal or coin (to wit, lead, or leather, and, at the length, brass) and for that he should receive of another man whatsoever he needed.

Thus, metal was at the first esteemed by consent, and delivered by weight, so that a pound of brass should be (for example) the price of a pair of shoes. And when it was found troublesome also, especially for them that went abroad, to carry such weight of metal about with them, and to stand long in weighing it, instead of a great deal of brass, a little silver, and less gold was at the length invented. Yea, then also it was farther devised that a certain coin or print should be set upon the silver or gold, so that we should not need always to weigh it, but that the very form should straight show the value thereof.

Money, then, was made to serve all exchanges, and to be alone the price of all other things, and therefore it ought to be used none otherwise, than that thing was used in whose place it came. But never was any covenant or exchange made for this end, that the thing which was thoroughly alienated should be increased to his advantage, who did alienate the same. For either a man giveth away some of his goods freely, and then nothing at all thereof is due to him again in this world, or else he changeth some of his goods for other things, and then the thing that he delivereth, whatsoever cometh of it, is only fruitful to him that receiveth it. But never was there yet such a gift or such an exchange heard of, wherein the thing which I delivered out of my lordship and propriety should thereby render the more fruit or profit to me again. For that whereof men will take profit, they use to keep in their own propriety, and so either to use it themselves, or to set it out to be used for a pension, and not to give it or exchange it utterly away from them.

But the usurer giveth away his money to another man, as it was proved before, and so doth it for this end, that his money may thereby bring him the more fruit and gain. Which is utterly against the end for which either

any other exchange, or money itself, was made. For it was made to bring all things to an equality and to be, as it were, a rule and measure, whereby the value of all other things might quickly be known and safely counterpoised. But now the usurer maketh money to serve for the greatest inequality that can be devised of man, for where the borrower did receive but ten, or some such certain number of crowns, he maketh him a debtor not only of so many, but no man is able to tell of how many, since if the borrower pay but two crowns over by the year, in one hundred years he shall pay for ten crowns two hundred crowns, and yet shall he still remain debtor of the ten crowns also. And all this is done of the usurer by those ten crowns which he did put away from himself, and made them another man's. Was ever any such thing heard of, that by making my goods to be another man's, I should thereby be the greater gainer? Yea, so far greater, that the gain should be without all measure or end? For those ten crowns may from age to age be only said to continue in the bank (as in some places it chanceth) and so within a thousand years they make increase of two thousand crowns.

Add, hereunto, that in case the poor man who borrowed the ten crowns does not pay his usury in ten years, he is then debtor of twenty crowns: of ten for the principal and of another ten for the usury, which the usurer begetteth and engendereth (as it were) to the intolerable loss of the borrower, and the excessive gain of himself, and yet these ten crowns be not his own all this while, although he pick out so great advantage of them. Yea, all this while they be nowhere at all. For in one moment they were consumed and spent by him that borrowed them, and in place of them an idol is conceived, which idol doth remain confusedly, not anywhere in nature and truth, but in name and imagination. For it is feigned that the ten crowns lie still in a certain bank and there do beget little ones, which again have other little ones. And whereas all other things die and perish, and many beasts which nature made apt to increase, by calamities prove barren, yet these ten crowns, which by nature were barren, and in truth are spent, remain still so fruitful in the usurer's vain imagination, and in the borrower's most grievous pension, that if the world should stand forever, they also should be immortal, and should neither die nor ever became barren.

See ye not this idol, which the Devil hath consecrated in the world? And he hath consecrated it against the nature of money, which was invented for other uses, and not at all for this.

Now followeth the sixth point. For whereas the contract of giving to loan was altogether instituted for his commodity who borroweth the thing

(as being a kind of gift for the time, and all gifts are instituted for the receiver's temporal commodity), yet the usurer intendeth to direct his giving to loan wholly for his own commodity, and therefore he tarrieth not until the merchant come to borrow his money of him; but he rather seeketh out a merchant who may take his money to usury, which is an evident perverting of God's ordinance, not only concerning the act of lending, but also concerning the end of the act.

Seventhly, whereas giving to loan was instituted for the relief of the poor, that he to whom I would not, nor was able, freely to give my money, yet that he might at the least take commodity by borrowing the same; now the usurer doth overthrow this point also, and seeketh for the most substantial merchant that he can hear of, as though it were an alms to cast water into the sea, or to help forward the richest merchant of all. And thus he abuseth the persons also, for whose sake the contract of giving to loan was instituted of God.

But, you will say, shall no man then lend anything to him that is rich? I say, not so. But a man may be rich in one thing, and poor in another. A man may be rich in gold and silver, yea, he may abound in victuals, in wine, and beer, yet perhaps he is without a cup of small ale, which the physician sayeth to be better for him than any other kind of drink. If, then, I lend this rich man a quart of my ale, I lend it to him as needing it, and as being poor in that behalf. But it were far otherwise if, whereas, he occupieth certain thousand pounds by the year, I would offer him my forty or fifty pounds in the way of loan. For here, seeing I offer that unto him, which would serve to set up another poor man, and seeing I do it not for his sake, but for hope of gains to myself, as trusting my stock to be sure in his hands, and looking for yearly rent thereof, in this case (which is the case of usurers) it may well appear that my intention is only to reap gains of that contract, and by such a one, to whom of all other I should least have lent my money.

For the last point of all, it is to be noted that not only he is naturally injured who for money, wine, corn, oil, or any like thing payeth the overplus, but also the common weal is extremely damaged thereby. For the merchant who taketh a hundred pounds of me, paying me by the year ten, or six, pounds over the principal sum, is constrained so to sell his wares that he may raise those ten or six pounds above his ordinary gain. So that in the length the poor man, who cometh to buy the said wares by piecemeal, is burdened with his usury, who had so much idle money that he was able to set it out to hire to another man. Now, in case the merchant, who taketh the money to loan, be not able to raise that gain himself, which

he giveth yearly to the usurer for his money, then by little and little he leaseth his credit until, at the last, he became plain bankrupt, and so he not only leaseth his principal who looketh to gain, but also many other men, who made lawful bargains with the said merchant are defrauded of their right and thereby made unable to keep touch with others, whereupon ariseth from man to man an infinite confusion and loss both of credit and of goods.

Furthermore, how many idle men doth usury cause to be in a realm? For whereas no gains is either more easy than that which is gotten with another man's travail, or else more certain than that which is without hazard of the principal (as at the least men think), he that can get once never so mean a stock of money, maketh account to live upon the fruits thereof, and so spendeth his time in sporting and playing; whereas if the said hope of usury were taken from him, he should be constrained to take some other trade of life, which might be more to his own honesty and to the profit of the common weal.

To be short, where usury is licensed openly, there God must needs be offended, because an unjust law contrary to His word and will is suffered to prevail. And, consequently, as no private man's offense is least unpunished at God's hand, so must the common weal, which permitteth so great an offense, look also for a common punishment to fall upon it, since God is infinitely just and letteth nothing grow so far out of order, but that if it will not abide under the order of his merciful government, it shall fall into the order of his severe punishment, lest anything that reasonably ought to be done might be left undone by his infinite wisdom and power.

Thus have we seen many causes why usury is unjust, but none at all why the lender may take any pension for his loan. If you say you lacked your money a long time, I answer that in case you had any known and certain loss thereby, which was not foreseen of you when you lent it, you may ask the saving of yourself harmless, because that was presupposed from the beginning that you would not give out your money to loan to your own hindrance. For as this contract of giving to loan can abide no gain, so needeth it not to sustain any loss.

But if the money would have lain idly by you all that time (as commonly it should have done, because they are either rich or fruitful, who give to loan), then you do an injury unto God in selling the time which is none of yours. For if you will have wages only because your money hath been a year in another man's hand, whereas if it had been in your own hands, it had been either locked up in a chest, or else committed to some hazard or peril, there is no cause why you should ask the said wages or pension, but

because so much time hath passed over, wherein he was your debtor and the measure of the said time was not of your gift unto your neighbor, but of God's gift unto you both. For selling of the which, you are like to give an account unto God.

Yea (but say you), my money had been safer in mine own coffer. I cannot tell you that. For then a thief might have stolen it, or fire might have consumed it. But now it is put out of all peril in his hands, who oweth a general sum of so much in quantity. Yea, but perhaps he will not be able to repay it. If you thought so, you would not lend it. For he that giveth his money to usury seeketh not the commodity of the borrower, but only, or principally, his own.

Now if, in the end, it chance that the borrower is not able to repay it, that is not any excuse to the usurer, who cannot ask money for that casualty, which he might utterly avoid by not lending his money at all, or if he will needs lend his money, he may either take sureties or pledges for the principal, without requiring any usury of the borrower, for the more usury the borrower payeth, the less he is able to repay the principal, insomuch as he is made the poorer by paying the usury. But if he paid no usury at all, he should pay that which he first borrowed.

THE EIGHTH CHAPTER

That the heathens condemned usury.

BY THE REASONS before named the very heathens were induced and persuaded that usury was against nature and, consequently, that it was a foul crime and a great sin. Insomuch that the great philosopher Aristotle speaketh thereof in this wise (Lib. I, *Politicorum*): *Optimo iure laborat adio negotiatio foeneratorum, quia ab ipso numo quaestum petit, non id propter quod inventus est, quipped qui gratia mutandi fuerat inductus. Etenim foenus auget numum, unde etiam coepit hoc homen. Similia porro sunt ea quae pariuntur gignentibus: in foenore numus paritur a numo. Quamobrem vel maxime praeter naturam est illa quaestus faciendi ratio.* "The traffic of usurers is worthily hated, because it seeketh gains upon the penny, and it seeketh not that for the which money was invented. For money was invented to make exchange withal, but usury (exchangeth not, but) increaseth the penny, whereof also it took his name (in Greek). Now those things which are begotten are like to them by which they are begotten. In usury money bringeth forth money: wherefore that kind of gaining is specially against nature."

The very same thing Plutarch, in a treatise which he wrote, exhorting men not to have to do with usurers (*Quod non oporteat foenerari*): *Quid, quod foeneratores naturalia quoque derident, quae asserunt, ex nihilo nil gigni posse: quandoquidem apud illos ex eo quod non est, neque unquam fuit, usura generatur. (Et post:) Longe plus foeneratores in suis ephemeridibus imponunt, scribentes misero illi tantum mutuasse, cum tamen multo minus acceperit. Siquidem mendacium causa lucri, non necessitate, neque ob indigentiam ab illis fieri solet, sed propter insatiabilitatem.* "The usurers do also mock at those rules of nature, which affirm, that of nothing, nothing can be begotten. But yet among them, usury is begotten of that, which is not, nor never was. The usurers put in much more in their account books, writing that they have lent such a poor man this much, whereas he yet hath taken much less. For they use to lie for gain's sake, not for necessity, or poverty (which were the less evil), but for insatiable greediness."

Thus are three great abuses by the wise men of the very heathens reproved in usurers. The first is, in that they against nature will make a barren thing (as money is) to bring forth, as it were, children, that is to say, pence and shillings; and this fault is common to all usurers. But the other

two are only committed by extreme practices of usury. The foremost is, in that they exact usury so long, that at the last the debtor payeth usury, not only for the principal sum, but also for the very usury itself. As thus: Let him borrow one hundred pounds, paying after the rate of four pounds in twenty pounds every year for the usury. If the first year he miss to repay his twenty pounds for the hundred, the second year he is debtor of six score pounds, and that year his usury is twenty-four pounds, wherein he payeth four pounds for the twenty which he never received, but only became debtor thereof by usury, and so every year after, if he omit to pay the usury, he shall pay not only for the rate of the hundred pounds, but also as if he had received all that which he ceaseth to pay. So that, whereas in all usury a barren thing doth bring forth, in this later kind that also doth bring forth, which is not only barren, but is nothing at all, nor never was in the natural truth of things.

The third fault in great usurers is when, to avoid the pain of the law, they color the matter so that they write, in the bills of debt, him to have borrowed of them a hundred pounds, who had but four score. When Cato, the grave senator of Rome, considered these great vices, he, being asked (Cicero, 2 *Offic.*), *What it was, to lend out money upon usury*, answered: *It is no better than to kill a man.* The which saying of his *Tullie* rehearseth both for Cato's praise and in the dispraise of usury.

THE NINTH CHAPTER

That the civil law doth not acknowledge usury to spring or arise of the nature of such things as are given to loan, but rather to be contrary thereunto.

FOR AS MUCH as some men pretend the defense of their usury by the civil law, which they say to be a sure defender of the law of nature, it is also requisite that we declare what the civil law thinketh in this behalf.

Usury hath his name of using, and thereby is meant the price or estimation of the use of a thing. And because we may use certain things, the substance of them remaining safe, as when we hire another man's ground, or dwell in another man's house, in that case it is lawful to pay usury for the use of the said house or lands. But when there is no use of a thing without the loss and putting away thereof, or when the thing is diminished in substance by the daily using of it, that is not properly *Usus*,

the use, but rather, as Cicero (in *Topicus*) and Ulpian call it, *Abusus*, the abuse, as if we should say in English, it is rather a wasting than a using.

Those things that may be used and yet remain safe may also render yearly rents or fruits, and the lord of them may give or bequeath the propriety and ownership of them to one, and the use and fruit or profit to another. Which thing cannot be done in those goods which are wasted and spent by the use of them, because the use doth diminish the substance itself. Whereupon Justinian sayeth (*Institut., de Usufruct.*): *Constituitur usufructus in fundo, et aedibus, et caeteris rebus, exceptus his quae ipso usu consummuntur. Nam hae res neque naturali ratione, neque civili recipiunt usumfructum, quo in numero sunt vinum, oleum, frumentum, vestimenta, quibus proxima est pecunia nunerata, namque ipso usu assidua permutatione quodammodo extinguitur. Ergo Senatus non fecit quidem earum rerum usumfructum (nec enim poterat) sed per cautionem quasi usumfructum constituit.* "Use and fruit is assigned in lands, houses, and other things, saving those which are wasted with the very use. For those things receive no use and fruit neither by natural, nor by civil, means, of the which sort wine, oil, corn, and garments are, to whose nature numbered (or ready) money approacheth next, because it is in manner worn in the very using of it by continual exchange. Therefore, the Senate (of Rome, which decreed concerning these matters) made not use and fruit of these things (for it was not able so to do) but is assigned as it were after a sort, how to use and to take profit of them," with a proviso, that he who had the use and fruit of any such things left or given him, should receive the things, and should bind himself to restore so much money again at his death (if it were money) or else the value of them, if they were wine, oil, or corn.

To our purpose it is to be noted that the lawyers confessed these things not to have properly any use and fruit which might be separated from their propriety, in so much that it was not possible to assign use and fruit upon them, verily because it was against nature so to do. And Caius sayeth (In *Pandectis de ususfruct. earum rerum quae usu cons.* lib. 2) in this very case whereof we speak: *Senatus consulto non id effectum est, ut pecunia ususfructus proprius esset. Nec enim naturalis ratio authoritate Senatus commutari potuit, sed remedio introducto coepit quasi ususfructus haberi.* "It is not brought to pass by the decree of the Senate, that there be a proper use and fruit of money. ***For natural reason could not be changed by the authority of the Senate,*** but a shift being found, there began, as it were, a certain use and fruit of money to be taken and accounted."

Thus, that which, by wit of man, might be devised in a worldly common weal was done for profit and commodity's sake against nature itself. But

that device which the Emperor speaketh of doth not properly appertain to usury, for there the question was only whether it might be brought to pass that a man, not being lord and owner of them, might yet take fruit and profit of those things which are wasted with the using. And when the lawyers had devised that it should be done, as it might be done, that is, with a proviso, to restore again the value of the thing after a certain time, they did then devise no more, but how he that had the use of the thing might in the meantime be debtor of it for the lord's safeguard, to whom the propriety belonged, not adding that he should pay anything for the use of that whereof he was debtor, for that is another question, and we shall see hereafter how it may be determined.

First, let us agree hereupon that it is in truth and in nature impossible to divide the use of those things which are given to loan from the propriety and ownership of them. But the civil law devised a shift, that the lord and owner, receiving a caution for the value, should suffer him to whom the profit was assigned, to enjoy the thing frankly and freely in the mean season. Now, this caution which was given to the lord and owner of those things, did stand to him in stead of his propriety. But if we look to the truth itself, the lord hath for the time lost the propriety of the oil, corn, wine, or money, which he delivered to the usufructuary, for the use and propriety of them cannot be separated.

If the civil law saw and confessed this much, whatsoever shift or proviso it made to frame the matter otherwise, once it was not done according to truth, but by witty means and counterpaces, which were not unlawful, so long as no man had injury by them. For the name only being changed, it might have been said thus: If any man will bequeath the use and fruit of wine, oil, or money, the hirer or executor shall be bound to lend the legatary so much upon an obligation to have the same quantity restored at his death or otherwise as the thing requireth. And, seeing that this were an honest legacy, the other also may have an honest meaning, if it be said: I bequeath the use and fruit of twenty pounds to such a man during his life. Neither doth this prove any wit, that usury was allowed by the civil law, but rather that it was judged for an impossible thing, if none other thing be done besides that, which the law of nature and of nations hath determined.

What say we, then? Doth not the civil law permit usury? I answer, that it permitteth it not as a thing that can arise of the contract of giving to loan, but expressly teacheth that usury must be set about by another way, or else it cannot be brought to pass at all, and that other way whereof the civil law speaketh is not able to discharge any man's conscience who shall take upon him to follow it.

Proculus, the lawyer, writeth thus (in *Pandectis de pandectis*, lib. 5, *Si ti decem.*): **If I give or deliver thee ten thousand, and bargain that thou shalt owe me twenty thousand: there ariseth no obligation in any more than in ten thousand.** *Re enim non potest obligatio contrahi, nisi quatenus datum sit.* For an obligation cannot be made, touching a thing, but so far forth as it is delivered. For when a man is bound by the delivery of the thing itself (as it cometh to pass in giving to loan), the obligation can be none other, than as far as the thing was given or delivered.

Likewise, Ulpian writeth (Lib. II, *in Pandectis de rebus creditis.*): *Si decem dedero, ut undecim debeas, Proculus putat, amplius quam decem condici non posse.* "If I give or deliver ten, for this end, to make thee debtor of eleven, Proculus thinketh that no more can be certainly demanded but ten."

Mark, in what sort these men speak. *There can be no obligation of debt above the sum that is delivered.* Which thing, since it is so, doubtless there can be no obligation of usury, no, not so much as by the civil law in the contract of giving to loan. For in usury the debtor is bound (at the least in the expectation of the usurer) to restore more than he took. Yea, farther, I say, that any such obligation, whereby more than was delivered should be looked for, is not only not contained in the contract of giving to loan, but it is also against the nature of that contract.

For if it were not against the nature thereof by a bargain made at the time of the contract, it would be so annexed and incorporated to the contract, that it should be accounted a part thereof. For the lawyers confess that whatsoever bargains (not contrary to that which is in hand) are made at the time of covenanting or of delivery, shall stand for good and the performance of them may be required by the proper action of the same contract. But seeing when I deliver ten to loan, and bargain for twenty, I cannot demand twenty by the same action, whereby I demand the ten which I delivered, it is clear that the bargain for twenty was such as could never be graced in the former contract of giving to loan. What then? Shall not usury be covenanted for, and also be demanded in judgment, by the civil law? Yea, but that must not be done by the force of giving to loan, nor by any bargain depending thereupon, or adjoined unto it. How then? Forsooth, there must be a form of words conceived besides the contract of giving to loan, in the which form of words the borrower shall answer and by promise bind himself to give for such a sum thus much by the month, or by the year. And then, by the civil law (I. *lecta, in Pandectis. Si certum petatur*), an action shall be given against him that promised such usury; an action, I say, not of loan, but of the solemn obligation or bond of words.

Thus the matter was patched up between the infidels in the old time. But if we shall be as men ruled by reason, what other thing in natural truth was that solemn form of words than a mere bargain? What skilleth it whether at the delivery of the ten pounds, I say, "Well sir, here are ten, but if you keep them this whole year, you shall render me twelve pounds for them, and so every year, after the rate, forty shillings for them," and he sayeth he is content, or else, "How say you, Sir, will you give me forty shillings for every year, wherein this ten pounds is not restored?" He answereth, yea. In truth and natural honesty, the former bargain differeth not from the latter, and yet by the former I had not been bound, and by the latter I am. Why so? Because it so pleased the citizens of Rome, who would no man to be bound by his bare words, except they were conceived in a solemn form of asking and answering. And by that form usury might be covenanted for, and was made due. Whereby we gain no farther, but that the wise men and lawyers, confessing usury to be against nature, yet would have it to be lawful, not by the law of nature, whence all good and right law is derived, but only by the law of Rome, which when it is not deduced from the law of nature, is no law, but only an idol or false pretence of law.

And yet those infidel Romans were so wise, and so naturally honest, as to confess that usury could not stand by nature, although being otherwise overcomed by covetousness, they sought how to make it lawful among them. And so is it fulfilled which St. Paul said of them (Rom. i-ii.): *Whereas they had known God by His creatures, they did not glorify Him as God, but vanished away in their own foolish devices, doing those things which themselves condemned as unlawful.*

But touching that which we had principally to prove, the civil wise men of Rome did not allow usury, as a thing that either did naturally belong to the contract of giving to loan, or else that might be annexed thereunto, but they permitted it otherwise, as also they did permit fornication and divorces. And yet the state of a usurer is so much worse than the state of a fornicator or of a harlot, because although the fornicator or harlot happen to make any filthy gain by setting their bodies out to hire, yet they are bound to penance only, and to the recompense of such slander as they have fallen into. But they are not bound to restore that money which they took for their vile service. For as the lawyer sayeth (*De codicem. ob turpem causam.* lib. iv): Turpiter fecit ab sit meretrix, sed non turpiter accipit cum sit meretrix. "The harlot doth filthily in being a harlot, but seeing she is a harlot, she taketh not her wages filthily." That is to say, by a filthy trade she yet maketh the money her own, as the which is due to her, when once she hath played the harlot.

But the usurer doth not make the usury his own at all, but he is bound to restore it to him, of whom he took it, as if he had stolen so much from him.

But now the men with whom we dispute will needs have usury to be a reasonable contract by the law of nature, because they think that their own money is used, and therefore that rent is due to them for it. Wherein they, being Christians, are more grossly deceived than ever the philosophers or civil lawyers were, both which well say that no such contract could stand in nature.

But as God, giving the two tables unto Moses upon the mount Sinai (Ex. xiii.), did in manner nothing else but renew again the law of nature, which was in manner worn out of the Israelites' hearts through evil education and custom, even so Christ came into the world to give us grace, whereby the said law of nature might be both exactly known and sufficiently observed of His members and servants; that law of nature, I say, which was at the beginning and which was not corrupted by particular customs or laws of evil men, that law which forbiddeth fornication, many wives, divorces, usury, simony, and such like abuses, as are now grown in use among corrupted men.

He, therefore, that either taketh of hopeth for usury upon that which is given to loan, is not of Abel's common weal, or a member of Christ (except he reconcile himself by doing due penance), but he is a member of the common weal of Caine, whence the invention of all perverse laws and earthly customs came.

If thou wilt be wise in God, make Him thy debtor, put thy money into His hands, Who will lay it up in Heaven for thee, and will give thee usury and overplus for it. *Foeneratur Domino, qui miseretur pauperis, et vicissitudinem suam reddet ei.* (Prov. xix.) "He that taketh pity of the poor, giveth his money to God upon usury, and God will give him his recompense."

THE TENTH CHAPTER

Certain examples of usury, whereby it may the better be known what is usury, and what is not, and of the restitution which the usurer is bound to make.

IF USURY be so contrary (as it hath been showed) to the most excellent virtue of alms deeds, and to the most charitable contract of giving to loan, what remaineth but that those who are hitherto free from that vice, should now the more detest it, and those who by ignorance or frailty are fallen into it, should repent and make restitution of that which was unlawfully gotten.

But for so much as every man is not able to understand the general doctrine of usury, unless it be most evidently opened unto him, I thought it good to make the matter yet more plain by certain examples and cases as followeth.

First, as I have showed before, all that is usury which is bargained for, or taken above the principal, which was given to loan.

Second, usury consisteth not only in money, but also in corn, wine, oil, or any other thing that is given to loan, as if I lend two bushels of corn at Easter, to receive three for it at harvest.

Third, not only the taking of anything above the principal, but also the looking for it, though it be not taken, doth make him guilty before God, who looketh or hopeth for it, by the reason of the loan. I say that he is thereby guilty before God, but he is bound to make no real restitution if he takes nothing of his neighbor.

Fourth, but it is otherwise, if any man give or offer anything, not in respect of the loan, but to show himself mindful of a good turn received. For that which is so offered, may be lawfully taken, without any usury committed, so that there be no fraud used therein, but that the intent and conscience of the receiver be upright and free in that behalf.

Fifth, when the borrower useth either yearly, or quarterly, or at certain times, to give always one certain thing, and that also in money, it worthily maketh the receiver to be suspected as a usurer. And therefore, it were not good so to do, if it were but for the saving of a man's good name, and for the avoiding of slanders and offenses. But yet whether the receiver be indeed a usurer or no before God, it dependeth altogether upon his

conscience, which, if it look not for the bribe, and likewise if he lent not his money for that end, or leave not the money therefore in the other's hands, he may be free from the vice of usury.

Sixth, I cannot easily devise how he should be excused from usury who, though he bargain for no gains, yet not tarrying till his money or stuff be borrowed of him, seeketh out a merchant of his own accord by whom it may be used, and taketh what so ever the merchant offereth him yearly. For his deed seemeth to import a mental usury, except he seek him out only for charity's sake, because he would not have his money lie by him idle, whereas it may do another man good.

Seventh, if I, having to do in other countries, and therefore causing the value of my money to be made over by a bill of exchange, do let my money lie in the exchanger's hand, to the end that I may receive more in every pound, then the just value by exchange cometh to (which is called giving to usance) it is the vice of usury. For the length of the time can never be any just cause why I should receive more than I delivered, since it is straight his money who receiveth it, and it standeth at his peril. And therefore he payeth me for the use of his own, which is unjust.

Eighth, who so selleth his wares the dearer, only because the money is not paid him out of hand, requireth that overplus of money only for the time's sake, and that is a kind of usury. For if the seller, who should have received (for example's sake) forty shillings for his ox, demand seven nobles, because he shall not be paid before the quarter day, he doth (as it were) lend the hirer forty shillings for so long time, to receive for it one noble overplus, which is evident usury.

Ninth, the like is if, contrariwise, I owe one hundred pounds at a certain day, do pay ten pounds the less, only because I pay it before the day. For the money which at the day should be due, is, as it were, lent for so long upon ten pounds in the hundred.

Tenth, he that, buying a piece of ground under the price, afterward setteth it forth to be hired of the seller, in such sort that he may receive (for example's sake) five or six in the hundred above that which he gave, committeth usury. For although it be lawful to receive gains and rents of a man's own lands, yet this land was not justly the buyer's, but rather he lent his money for usury, and cloaked the matter with the name of buying.

Eleventh, if I lend money upon the pledge of certain grounds or houses, taking up in the meantime the fruits of the same grounds or houses, and afterward receive my principal again, it is usury. For I ought to take the fruits no longer, then till I have my own principal and in that case not to

receive any other money, the rest is unjustly taken. But those are only to be accounted fruits which remain, all just burdens excepted and debated.

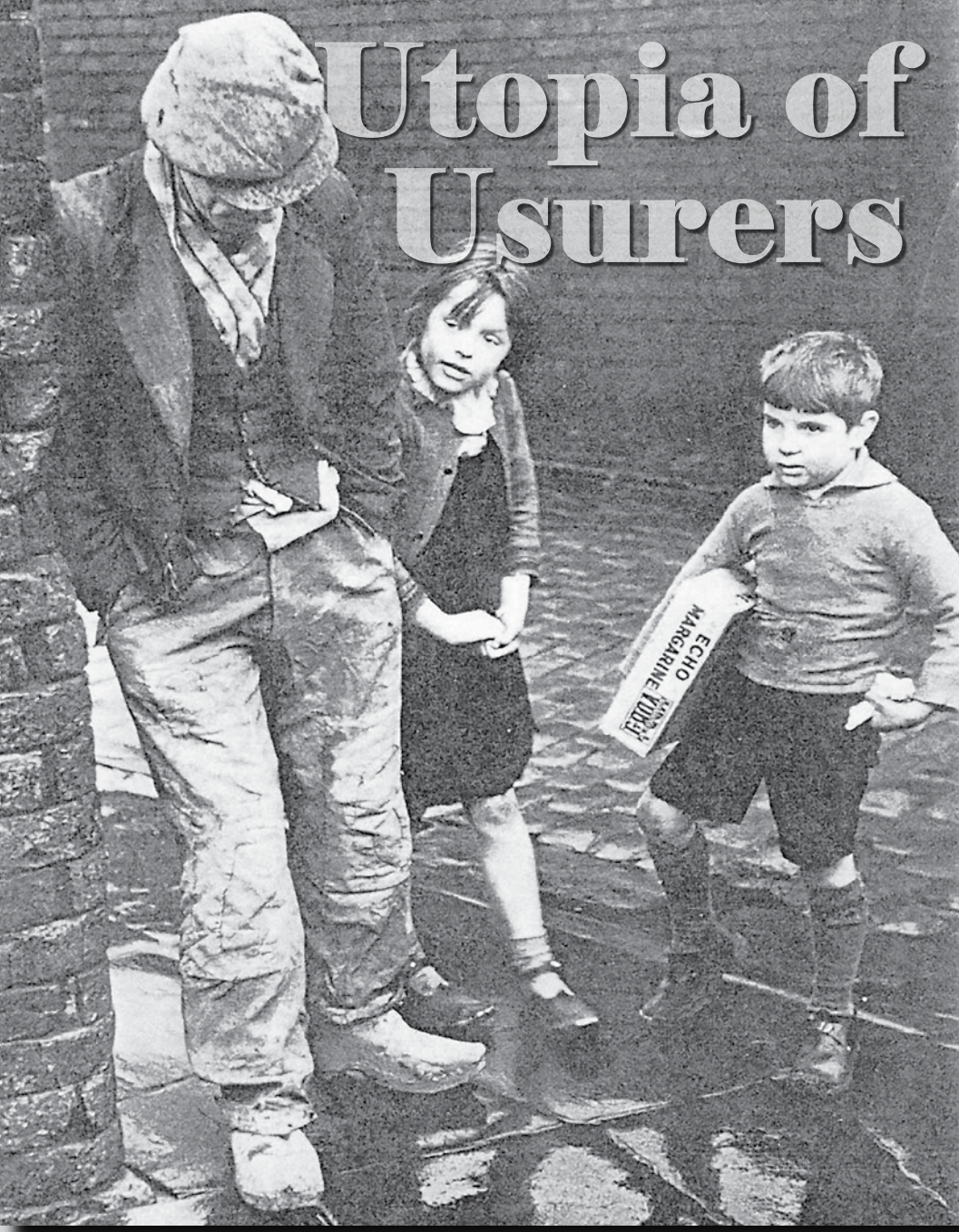
Twelfth, every danger of the money or cause of doubt doth not take away the vice of usury except the danger or doubt do consist rather in that which may happen in the price of the thing itself, than in the only respect of time. For who so ever taketh overplus in respect of time only that another keepeth his money, though he be content to adventure the peril of carrying that money over the sea, yet he thereby avoideth not usury, because his bargain groundeth upon the gains of that time wherein the money is none of his own.

Thirteenth, when any man hath committed usury, he is bound to make restitution to him, or his heirs, or assignees, of whom he took that unjust gain, except the party that hath right to that money do freely and without all constraint or circumvention forgive the debt. But who so will be sure that he is forgiven, I counsel him first of all to take his principal out of the merchant's hand, without putting him in hope to have it again, least if he ask forgiveness whilst the money lieth in his hands, he do force the merchant to forgive him, who feareth if he should not so do, he should no longer enjoy the money, but when he, having taken up his principal, hath the debt afterward freely forgiven him, then would I exhort him also rather to let the honest merchant freely to use his money, than that it should lie idle by him.

Thus have I briefly given, as it were, a taste of the matter of usury, as minding to provoke him that before thought little thereof, to be hereafter the more careful and fearful lest he abuse the contract of giving to loan, which God provided for the great benefit of our poor neighbors. And by these few examples, but especially by the reasons whereby usury was reproved in the seventh chapter, the Reader may conjecture, when he is in danger of usury, and when he is free from it. And when all other knowledge faileth, he may ask counsel of some learned and discreet man, who is able to show him that which lacketh in this treatise. For my chief purpose herein was only to show how great a vice usury is, even according to the law of nature, and how wary and careful men ought to be in avoiding and eschewing the same.

FINIS

Utopia of Usurers



G.K. CHESTERTON

Utopia of Usurers

To Mr. Aidan Mackey, Chesterton scholar,
English gentleman, and Distributist inspiration.
Our grateful thanks for your insight, your
contribution, and your friendship.

Utopia of Usurers

by

G.K. Chesterton

A Song of Swords

"A drove of cattle came into a village called Swords;
and was stopped by the rioters."
—Daily Paper.

In the place called Swords on the Irish road
It is told for a new renown
How we held the horns of the cattle, and how
We will hold the horns of the devils now
Ere the lord of hell with the horn on his brow
Is crowned in Dublin town.

Light in the East and light in the West,
And light on the cruel lords,
On the souls that suddenly all men knew,
And the green flag flew and the red flag flew,
And many a wheel of the world stopped, too,
When the cattle were stopped at Swords.

Be they sinners or less than saints
That smite in the street for rage,
We know where the shame shines bright; we know
You that they smite at, you their foe,
Lords of the lawless wage and low,
This is your lawful wage.

You pinched a child to a torture price
That you dared not name in words;
So black a jest was the silver bit
That your own speech shook for the shame of it,
And the coward was plain as a cow they hit
When the cattle have strayed at Swords.

The wheel of the torrent of wives went round
To break men's brotherhood;
You gave the good Irish blood to grease
The clubs of your country's enemies;
You saw the brave man beat to the knees:
And you saw that it was good.

The rope of the rich is long and long–
The longest of hangmen's cords;
But the kings and crowds are holding their breath,
In a giant shadow o'er all beneath
Where God stands holding the scales of Death
Between the cattle and Swords.

Haply the lords that hire and lend
The lowest of all men's lords,
Who sell their kind like kine at a fair,
Will find no head of their cattle there;
But faces of men where cattle were:
Faces of men – and Swords.

Table of Contents

PAGE

A Song of Swords....5

Preface....9

Utopia of Usurers

I. Art and Advertisement....15
II. Letters and the New Laureates....19
III. Unbusinesslike Business....23
IV. The War on Holidays....26
V. The Church of the Servile State....30
VI. Science and the Eugenists....32
VII. The Evolution of the Prison....35
VIII. The Lash for Labour....39
IX. The Mask of Socialism....44

The Escape....47

Other Essays

The New Raid....49
The New Name....52
A Workman's History of England....56
The French Revolution and the Irish....60
Liberalism: A Sample....64
The Fatigue of Fleet Street....68
The Amnesty for Aggression....72
Revive the Court Jester....76

The Art of Missing the Point.....81
The Servile State Again.....85
The Empire of the Ignorant.....89
The Symbolism of Krupp.....93
The Tower of Bebel.....96
A Real Danger.....100
The Dregs of Puritanism.....104
The Tyranny of Bad Journalism.....107
The Poetry of the Revolution.....111

Preface

THIS BOOK, important though it is, is not, in my view, the most appropriate for the newcomer to Chesterton. Much of its tone is out of his normal pitch of good-tempered argument and counter-argument, and could be misleading to someone who is not familiar with the flavour of his writing. He opens the first chapter with the warning, "I am in a rage," and his anger is holy anger. He does not hide it.

There are several reasons for my reservation. Chesterton had written a weekly article in the *Daily News* for twelve years, 1901 to early 1913, until political corruption in the then-governing Liberal Party, and that paper's refusal to condemn it (earlier, the editor, A.G. Gardiner, had refused to publish an article in which G.K.C. attacked the sale of Honours), led him as a matter of conscience to break his connection with the *Daily News*.

For the following eighteen months he wrote for the *Daily Herald*, which, although a Socialist paper, allowed him to attack Socialism almost as fiercely as he did Capitalism, and the articles collected in this book first appeared therein. He was an angry man, and in these pieces he lashed the enemies of the family and the poor.

Another factor was that, as throughout his life, he was grossly over-worked. In addition to his weekly article in the *Daily Herald*, he wrote a long weekly piece for the *Illustrated London News*, starting in 1905 and ending only with his early death, aged 62, in 1936; he was then also contributing to the *Eye-Witness*, edited first by Hilaire Belloc and then by his brother Cecil; and to *The New Age*; he was writing the stories for *Cassell's Magazine* which later appeared as *The Innocence of Father Brown*; a different series of Father Brown tales for *Storyteller*, and a great flow of articles, reviews and poems for many other journals.

Yet that daunting list refers only to his journalism and short stories. In the five years before these essays first appeared, his books included the hugely-influential *Orthodoxy*, his studies of George Bernard Shaw and of William Blake, the novels, *The Ball and the Cross*, *Manalive*, and *The Flying Inn*, the epic book-length poem, *The Ballad of the White Horse*, his magnificent defence of the family against politicians and planners, *What's Wrong With the World*, and the brilliant survey, *The Victorian Age in Literature*.

Dorothy Collins who, in 1926, came to Top Meadow as G.K.C.'s secretary, but quickly became as a daughter to him, and more especially to his wife Frances, who was unable to bear children, several times told me of Gilbert's astonishing (though not entirely unique) ability to write an article, essay or chapter whilst *at the same time* dictating something entirely different to her. He largely lost this capacity in the last few years of his life, but without it that colossal output could never have been possible.

He was, then, a desperately tired man even apart from problems of health, and he was increasingly depressed by the way society was moving toward ever-increasing social injustice, and by the looming threat of war, which broke over Europe in August, 1914.

In November of that year he was lecturing in Oxford when he was overcome by a fit of giddiness, close to a mental black-out, and was forced to leave the platform. Taken home, he started to write a letter to Bernard Shaw, but collapsed before he could finish it. For months he lay desperately ill, in a deep coma for most of that time, and often very close to death. It is with this background in mind that *Utopia of Usurers* should be read and understood.

Having said that, I emphasise that these essays are central to Chesterton's thought, underlining his indifference to literary fame for its own sake, or for the survival of his writing. His concern was to defend, in the name of Christ, the family and the ordinary man against those who, under a variety of guises and from a variety of motives, encroached ever more menacingly upon his liberty and integrity. He insisted always that it is the family and not the individual that is the true unit of the State.

As we know, to our cost, it is a process which continues even more viciously in our own day. When he writes that monopoly exists

"in order that men may be unable to get what they want; and may be forced to buy what they don't want," or "...what modern institution has a future before it? What modern institution may have swollen to six times its present size in the social heat and growth of the future? ...the one flowering tree on the estate, the one natural expansion which I think will expand, is the institution we call the Prison." Or read the chapter, "The Mask of Socialism," in which he treats of the way in which the private rich are able to use public money:

> ...this unprincipled vagueness about official and unofficial moneys by the cheerful habit of always mixing up the money in the pocket with the money in the till, it would be quite possible to keep the rich as rich as ever in practice, though they might have suffered confiscation in theory.
>
> [A minister] has a private house, which is also...a public house. It is supposed to be a sort of public office; though people do not generally give children's parties, or go to bed in a government office. I do not know where Mr. Herbert Samuel lives; but I have no doubt that he does himself well in the matter of decoration and furniture.
>
> ...there is no need to move any of these things in order to Socialise them. There is no need to withdraw one diamond-headed nail from the carpet; or one golden teaspoon from the tray. It is only necessary to call it an official residence.... I think it is not at all improbable that this Plutocracy, pretending to be a Bureaucracy, will be attempted or achieved. Our wealthy rulers will be in the position which grumblers in the world of sport attribute to some of the "gentlemen" players...some of these are paid like any professional; only their pay is called their expenses.

Or, as a last example, when he throws out, almost as an off-hand remark, "A school in which there was no punishment, except expulsion, would be a school in which it would be very difficult to keep proper discipline," does it not seem that Chesterton foresaw, and was commenting on, our own position not very far short of a century after he wrote those words?

Honesty makes it right to note that in one instance it seems that G.K's prescience has let him down, for in the chapter "The Lash for Labour," he speculates – though without committing himself – that

corporal punishment might in the future be used in the factory, as it was in earlier forms of slavery.

We know, of course, that the reverse has been the case, and those of us who are familiar with his uncanny (I could quote many astonishing examples) ability to see ahead with an accuracy quite beyond that of other commentators of his day, such as Shaw and H.G. Wells, both dated and never to be revived, must wonder why this lapse should occur.

My own view is that a development came about which Chesterton could not have foreseen: the swamping of public awareness, discussion and, therefore, action by the organs of the mass media. Every reader of this note will be aware of the relentless propaganda from newspapers, big-circulation magazines and, most unprincipled and potent of all, television; how sexual perversion, promiscuity and all things "liberal" are promoted; how the homosexual, the killer of the unborn, the humanist are almost always portrayed in not merely a favourable, but in an admiring light; and how, in Britain, no case against the surrender of our sovereignty to a German-dominated super-state is ever allowed on the television screen.

There are, certainly, pockets of resistance, but they are small, lacking the support from government, foundations or big business which is made available to the destroyers, and they find it impossible to interest any large number of ordinary people, even though these will be the ones to suffer most from the destruction of personal and national identity, and of family life.

I now make a prophecy of my own. I echo Chesterton's words on the first page of this book, "Like all healthy-minded prophets, I prophesy in the hope that my prophecy may not come true." On Tuesday, March 11, 2002, our Press reported a fresh attack on the family and on decency by our Labour Party government.

As part of its agenda in "supporting non-marital relationships, including homosexual ones, the government has cut off all funds to the charity Futureway Trust, which organises National Marriage Week" (I am quoting from the *Daily Telegraph*). Large sums, however, are allocated to "The Lesbian and Gay Foundation," to the "Project for Advocacy, Counselling and Education," set up to promote "lesbian and gay health and well-being," and to "Relate,"

a body with similar subversive aims, which is to be given over two million pounds of our money.

My prophecy is that although there will be protests from small organisations, a handful of letters in our better – or less bad – newspapers, the vast majority of people will accept this fresh insult with the same silent docility as they have accepted each previous injury from the State, from manic pressure-groups, and from the clergy, particularly the hierarchy, who have betrayed Christianity by not only allowing but promoting the jettisoning of dogma and the secularisation and trivialisation of our liturgy.

That is my prophecy, and I pray God that I will be proved wildly wrong.

There is, of course, nothing new in moves by those who would control us to stifle discussion and mislead peoples, and G.K.C. had no difficulty in foreseeing and condemning those moves. What he could hardly have envisaged was the sudden explosion of technology which would put the means of brain-washing and misinformation into virtually every home, classroom and workplace in the land, so that people have become distanced from reality and almost, in effect, drugged.

This, then, is why Gilbert Keith Chesterton is more greatly and urgently needed today than ever before; why those of us who are old have a genuine duty to introduce his sanity, his wisdom, and his holiness to the young people who are the main targets of these attacks.

In *Utopia of Usurers* we have, not Chesterton the exciting novelist, the poet or the literary critic, but, to borrow the phrase he himself used of William Cobbett, Chesterton exercising "the noble calling of agitator." When you have read it you will understand why no British publisher was courageous enough to issue it, and why to this day it has never been published in Chesterton's own country.

"But is not Christianity still with us today and were there not money-lenders in the eleventh century? Yes, but Christianity is as powerless today as money-lenders were despised then. Christianity is powerless now because it commands nothing but its altars. Financiers were powerless then because they commanded nothing but their gold and went about in fear of their skins. These things were all changed because religion and philosophy were changed."

—Eric Gill
Beauty Looks After Herself
1933

Utopia of Usurers

I. Art and Advertisement

I propose, subject to the patience of the reader, to devote two or three articles to prophecy. Like all healthy-minded prophets, sacred and profane, I can only prophesy when I am in a rage and think things look ugly for everybody. And like all healthy-minded prophets, I prophesy in the hope that my prophecy may not come true. For the prediction made by the true soothsayer is like the warning given by a good doctor. And the doctor has really triumphed when the patient he condemned to death has revived to life. The threat is justified at the very moment when it is falsified. Now I have said again and again (and I shall continue to say again and again on all the most inappropriate occasions) that we must hit Capitalism, and hit it hard, for the plain and definite reason that it is growing stronger. Most of the excuses which serve the capitalists as masks are, of course, the excuses of hypocrites. They lie when they claim philanthropy; they no more feel any particular love of men than Albu felt an affection for Chinamen.[1] They lie when they say they have reached their position through their own organising ability. They generally have to pay men to organise the mine, exactly as they pay men to go down it. They often lie about their present wealth, as they generally lie about their past poverty. But when they say that they are going in for a "constructive social policy," they do not lie. They really are going in for a constructive social policy. And we must go in for an equally destructive social policy; and destroy, while it is still half-constructed, the accursed thing which they construct.

The Example of the Arts

Now I propose to take, one after another, certain aspects and departments of modern life, and describe what I think they will be like in this paradise of plutocrats, this Utopia of gold and brass in which the great story of England seems so likely to end. I propose to say what I think our new masters, the mere millionaires, will do with certain human interests and institutions, such as Art, Science, Jurisprudence, or Religion – unless we strike soon enough to prevent them. And for the sake of argument I will take in this article the example of the arts.

Most people have seen a picture called "Bubbles," which is used for the advertizement of a celebrated soap, a small cake of which is introduced into the pictorial design. And anybody with an instinct for design (the caricaturist of the *Daily Herald*,[2] for instance), will guess that it was not originally a part of the design. He will see that the cake of soap destroys the picture as a picture; as much as if the cake of soap had been used to scrub off the paint. Small as it is, it breaks and confuses the whole balance of objects in the composition. I offer no judgement here upon Millais's[3] action in the matter; in fact, I do not know what it was. The important point for me at the moment is that the picture was not painted for the soap, but the soap added to the picture. And the spirit of the corrupting change which has separated us from that Victorian epoch can be best seen in this: that the Victorian atmosphere, with all its faults, did not permit such a style of patronage to pass as a matter of course. Michael Angelo[4] may have been proud to have helped an emperor or a pope; though, indeed, I think he was prouder than they were on his own account. I do not believe Sir John Millais was proud of having helped a soap-boiler. I do not say he thought it wrong; but he was not proud of it. And that marks precisely the change from his time to our own. Our merchants have really adopted the style of merchant princes. They have begun openly to dominate the civilization of the State, as the emperors and popes openly dominated in Italy. In Millais's time, broadly speaking, art was supposed to mean good art; advertisement

was supposed to mean inferior art. The head of a black man, painted to advertize somebody's blacking, could be a rough symbol, like an inn sign. The black man had only to be black enough. An artist exhibiting the picture of a negro was expected to know that a black man is not so black as he is painted. He was expected to render a thousand tints of grey and brown and violet: for there is no such thing as a black man just as there is no such thing as a white man. A fairly clear line separated advertizement from art.

The First Effect

I should say the first effect of the triumph of the capitalist (if we allow him to triumph) will be that that line of demarcation will entirely disappear. There will be no art that might not just as well be advertizement. I do not necessarily mean that there will be no good art; much of it might be, much of it already is, very good art. You may put it, if you please, in the form that there has been a vast improvement in advertizements. Certainly there would be nothing surprising if the head of a negro advertizing Somebody's Blacking nowadays were finished with as careful and subtle colours as one of the old and superstitious painters would have wasted on the negro king who brought gifts to Christ. But the improvement of advertizements is the degradation of artists. It is their degradation for this clear and vital reason: that the artist will work, not only to please the rich, but only to increase their riches; which is a considerable step lower. After all, it was as a human being that a pope took pleasure in a cartoon of Raphael[5] or a prince took pleasure in a statuette of Cellini.[6] The prince paid for the statuette; but he did not expect the statuette to pay him. It is my impression that no cake of soap can be found anywhere in the cartoons which the Pope ordered of Raphael. And no one who knows the small-minded cynicism of our plutocracy, its secrecy, its gambling spirit, its contempt of conscience, can doubt that the artist-advertizer will often be assisting enterprises over which he will have no moral control, and of which he could feel no moral approval. He will be working to spread quack medicines,

queer investments; and will work for Marconi[7] instead of Medici.[8] And to this base ingenuity he will have to bend the proudest and purest of the virtues of the intellect, the power to attract his brethren, and the noble duty of praise. For that picture by Millais is a very allegorical picture. It is almost a prophecy of what uses are awaiting the beauty of the child unborn. The praise will be of a kind that may correctly be called soap; and the enterprises of a kind that may truly be described as Bubbles.

II. Letters and the New Laureates

In these articles I only take two or three examples of the first and fundamental fact of our time. I mean the fact that the capitalists of our community are becoming quite openly the kings of it. In my last (and first) article, I took the case of Art and advertizement. I pointed out that Art must be growing worse – merely because advertizement is growing better. In those days Millais condescended to Pears' soap. In these days I really think it would be Pears[9] who condescended to Millais. But here I turn to an art I know more about, that of journalism. Only in my case the art verges on artlessness.

The great difficulty with the English lies in the absence of something one may call democratic imagination. We find it easy to realize an individual, but very hard to realize that the great masses consist of individuals. Our system has been aristocratic: in the special sense of there being only a few actors on the stage. And the back scene is kept quite dark, though it is really a throng of faces. Home Rule[10] tended to be not so much the Irish as the Grand Old Man. The Boer War[11] tended not to be so much South Africa as simply "Joe." And it is the amusing but distressing fact that every class of political leadership, as it comes to the front in its turn, catches the rays of this isolating lime-light; and becomes a small aristocracy. Certainly no one has the aristocratic complaint so badly as the Labour Party. At the recent Congress, the real difference between Larkin[12] and the English Labour leaders was not so much in anything right or wrong in what he said, as in something elemental and even mystical in the way he suggested a mob. But it must be plain, even to those who agree with the more official policy, that for Mr. Havelock Wilson[13] the principal question was Mr. Havelock Wilson; and that Mr.

Sexton[14] was mainly considering the dignity and fine feelings of Mr. Sexton. You may say they were as sensitive as aristocrats, or as sulky as babies; the point is that the feeling was personal. But Larkin, like Danton,[15] not only talks like ten thousand men talking, but he also has some of the carelessness of the colossus of Arcis;[16] "*Que mon nom soit flétri, que la France soit libre*."[17]

A Dance of Degradation

It is needless to say that this respecting of persons has led all the other parties a dance of degradation. We ruin South Africa because it would be a slight on Lord Gladstone[18] to save South Africa. We have a bad army, because it would be a snub to Lord Haldane[19] to have a good army. And no Tory is allowed to say "Marconi" for fear Mr. George[20] should say "Kynoch."[21] But this curious personal element, with its appalling lack of patriotism, has appeared in a new and curious form in another department of life; the department of literature, especially periodical literature. And the form it takes is the next example I shall give of the way in which the capitalists are now appearing, more and more openly, as the masters and princes of the community.

I will take a Victorian instance to mark the change; as I did in the case of the advertizement of "Bubbles." It was said in my childhood, by the more apoplectic and elderly sort of Tory, that W. E. Gladstone was only a Free Trader because he had a partnership in Gilbey's[22] foreign wines. This was, no doubt, nonsense; but it had a dim symbolic, or mainly prophetic, truth in it. It was true, to some extent even then, and it has been increasingly true since, that the statesman was often an ally of the salesman; and represented not only a nation of shopkeepers, but one particular shop. But in Gladstone's time, even if this was true, it was never the whole truth; and no one would have endured it being the admitted truth. The politician was not solely an eloquent and persuasive bagman travelling for certain business men; he was bound to mix even his corruption with some intelligible ideals and rules of policy. And the proof of it is this: that

at least it was the statesman who bulked large in the public eye; and his financial backer was entirely in the background. Old gentlemen might choke over their port, with the moral certainty that the Prime Minister had shares in a wine merchant's. But the old gentleman would have died on the spot if the wine merchant had really been made as important as the Prime Minister. If it had been Sir Walter Gilbey whom Disraeli[23] denounced, or *Punch*[24] caricatured; if Sir Walter Gilbey's favourite collars (with the design of which I am unacquainted) had grown as large as the wings of an archangel; if Sir Walter Gilbey had been credited with successfully eliminating the British Oak with his little hatchet; if, near the Temple[25] and the Courts of Justice, our sight was struck by a majestic statue of a wine merchant; or if the earnest Conservative lady who threw a gingerbread-nut at the Premier had directed it towards the wine merchant instead, the shock to Victorian England would have been very great indeed.

Haloes for Employers

Now something very like that is happening; the mere wealthy employer is beginning to have not only the power but some of the glory. I have seen in several magazines lately, and magazines of a high class, the appearance of a new kind of article. Literary men are being employed to praise a big business man personally, as men used to praise a king. They not only find political reasons for the commercial schemes – that they have done for some time past – they also find moral defences for the commercial schemers. They describe the capitalist's brain of steel and heart of gold in a way that Englishmen hitherto have been at least in the habit of reserving for romantic figures like Garibaldi[26] or Gordon.[27] In one excellent magazine Mr. T. P. O'Connor,[28] who, when he likes, can write on letters like a man of letters, has some purple pages of praise of Sir Joseph Lyons[29] – the man who runs those teashop places. He incidentally brought in a delightful passage about the beautiful souls possessed by some people called Salmon and Gluckstein. I think

I like best the passage where he said that Lyons's charming social accomplishments included a talent for "imitating a Jew." The article is accompanied with a large and somewhat leering portrait of that shopkeeper, which makes the parlour-trick in question particularly astonishing. Another literary man, who certainly ought to know better, wrote in another paper a piece of hero-worship about Mr. Selfridge[30]. No doubt the fashion will spread, and the art of words, as polished and pointed by Ruskin[31] or Meredith,[32] will be perfected yet further to explore the labyrinthine heart of Harrod;[33] or compare the simple stoicism of Marshall with the saintly charm of Snelgrove.[34]

Any man can be praised – and rightly praised. If he only stands on two legs he does something a cow cannot do. If a rich man can manage to stand on two legs for a reasonable time, it is called self-control. If he has only one leg, it is called (with some truth) self-sacrifice. I could say something nice (and true) about every man I have ever met. Therefore, I do not doubt I could find something nice about Lyons or Selfridge if I searched for it. But I shall not. The nearest postman or cab-man will provide me with just the same brain of steel and heart of gold as these unlucky lucky men. But I do resent the whole age of patronage being revived under such absurd patrons; and all poets becoming court poets, under kings that have taken no oath, nor led us into any battle.

III. Unbusinesslike Business

THE FAIRY TALES we were all taught did not, like the history we were all taught, consist entirely of lies. Parts of the tale of "Puss in Boots" or "Jack and the Beanstalk" may strike the realistic eye as a little unlikely and out of the common way, so to speak; but they contain some very solid and very practical truths. For instance, it may be noted that both in "Puss in Boots" and "Jack and the Beanstalk" if I remember aright, the ogre was not only an ogre but also a magician. And it will generally be found that in all such popular narratives, the king, if he is a wicked king, is generally also a wizard. Now there is a very vital human truth enshrined in this. Bad government, like good government, is a spiritual thing. Even the tyrant never rules by force alone; but mostly by fairy tales. And so it is with the modern tyrant, the great employer. The sight of a millionaire is seldom, in the ordinary sense, an enchanting sight: nevertheless, he is in his way an enchanter. As they say in the gushing articles about him in the magazines, he is a fascinating personality. So is a snake. At least he is fascinating to rabbits; and so is the millionaire to the rabbit-witted sort of people that ladies and gentlemen have allowed themselves to become. He does, in a manner, cast a spell, such as that which imprisoned princes and princesses under the shapes of falcons or stags. He has truly turned men into sheep, as Circe[35] turned them into swine.

Now, the chief of the fairy tales, by which he gains this glory and glamour, is a certain hazy association he has managed to create between the idea of bigness and the idea of practicality. Numbers of the rabbit-witted ladies and gentlemen do really think, in spite of themselves and their experience, that so long as a shop has hundreds of different doors and a great many hot and unhealthy underground

departments (they must be hot; this is very important), and more people than would be needed for a man-of-war, or crowded cathedral, to say: "This way, madam," and "The next article, sir," it follows that the goods are good. In short, they hold that the big businesses are businesslike. They are not. Any housekeeper in a truthful mood, that is to say, any housekeeper in a bad temper, will tell you that they are not. But housekeepers, too, are human, and therefore inconsistent and complex; and they do not always stick to truth and bad temper. They are also affected by this queer idolatry of the enormous and elaborate; and cannot help feeling that anything so complicated must go like clockwork. But complexity is no guarantee of accuracy – in clockwork or in anything else. A clock can be as wrong as the human head; and a clock can stop, as suddenly as the human heart.

But this strange poetry of plutocracy prevails over people against their very senses. You write to one of the great London stores or emporia, asking, let us say, for an umbrella. A month or two afterwards you receive a very elaborately constructed parcel, containing a broken parasol. You are very pleased. You are gratified to reflect on what a vast number of assistants and employees had combined to break that parasol. You luxuriate in the memory of all those long rooms and departments and wonder in which of them the parasol that you never ordered was broken. Or you want a toy elephant for your child on Christmas Day; as children, like all nice and healthy people, are very ritualistic. Some week or so after Twelfth Night, let us say, you have the pleasure of removing three layers of pasteboards, five layers of brown paper, and fifteen layers of tissue paper and discovering the fragments of an artificial crocodile. You smile in an expansive spirit. You feel that your soul has been broadened by the vision of incompetence conducted on so large a scale. You admire all the more the colossal and Omnipresent Brain of the Organizer of Industry, who amid all his multitudinous cares did not disdain to remember his duty of smashing even the smallest toy of the smallest child. Or, supposing you have asked him to send you some two rolls of cocoa-nut matting: and supposing (after a due interval for reflection) he duly delivers to you the five rolls of wire netting. You take pleasure in the consideration of a mystery: which coarse minds might have called a mistake. It consoles you to know

how big the business is: and what an enormous number of people were needed to make such a mistake.

That is the romance that has been told about the big shops; in the literature and art which they have bought, and which (as I said in my recent articles) will soon be quite indistinguishable from their ordinary advertizements. The literature is commercial; and it is only fair to say that the commerce is often really literary. It is no romance, but only rubbish.

The big commercial concerns of today are quite exceptionally incompetent. They will be even more incompetent when they are omnipotent. Indeed, that is, and always has been, the whole point of a monopoly; the old and sound argument against a monopoly. It is only because it is incompetent that it has to be omnipotent. When one large shop occupies the whole of one side of a street (or sometimes both sides), it does so in order that men may be unable to get what they want; and may be forced to buy what they don't want. That the rapidly approaching kingdom of the Capitalists will ruin art and letters, I have already said. I say here that in the only sense that can be called human, it will ruin trade, too.

I will not let Christmas go by, even when writing for a revolutionary paper necessarily appealing to many with none of my religious sympathies, without appealing to those sympathies. I knew a man who sent to a great rich shop for a figure for a group of Bethlehem. It arrived broken. I think that is exactly all that business men have now the sense to do.

IV. The War on Holidays

THE GENERAL PROPOSITION, not always easy to define exhaustively, that the reign of the capitalist will be the reign of the cad – that is, of the unlicked type that is neither the citizen nor the gentleman – can be excellently studied in its attitude towards holidays. The special emblematic Employer of today, especially the Model Employer (who is the worst sort) has in his starved and evil heart a sincere hatred of holidays. I do not mean that he necessarily wants all his workmen to work until they drop; that only occurs when he happens to be stupid as well as wicked. I do not mean to say that he is necessarily unwilling to grant what he would call "decent hours of labour." He may treat men like dirt; but if you want to make money, even out of dirt, you must let it lie fallow by some rotation of rest. He may treat men as dogs, but unless he is a lunatic he will for certain periods let sleeping dogs lie.

But humane and reasonable hours for labour have nothing whatever to do with the idea of holidays. It is not even a question of ten-hours day and eight-hours day; it is not a question of cutting down leisure to the space necessary for food, sleep and exercise. If the modern employer came to the conclusion, for some reason or other, that he could get most out of his men by working them hard for only two hours a day, his whole mental attitude would still be foreign and hostile to holidays. For his whole mental attitude is that the passive time and the active time are alike useful for him and his business. All is, indeed, grist that comes to his mill, including the millers. His slaves still serve him in unconsciousness, as dogs still hunt in slumber. His grist is ground not only by the sounding wheels of iron, but by the soundless wheel of blood and brain. His sacks are still filling silently when the doors are shut on the streets and the sound of the grinding is low.

The Great Holiday

Now a holiday has no connection with using a man either by beating or feeding him. When you give a man a holiday you give him back his body and soul. It is quite possible you may be doing him an injury (though he seldom thinks so), but that does not affect the question for those to whom a holiday is holy. Immortality is the great holiday; and a holiday, like the immortality in the old theologies, is a double-edged privilege. But wherever it is genuine it is simply the restoration and completion of the man. If people ever looked at the printed word under their eye, the word "recreation" would be like the word "resurrection," the blast of a trumpet.

A man, being merely useful, is necessarily incomplete, especially if he be a modern man and means by being useful being "utilitarian." A man going into a modern club gives up his hat; a man going into a modern factory gives up his head. He then goes in and works loyally for the old firm to build up the great fabric of commerce (which can be done without a head), but when he has done work he goes to the cloak-room, like the man at the club, and gets his head back again; that is the germ of the holiday. It may be urged that the club man who leaves his hat often goes away with another hat; and perhaps it may be the same with the factory hand who has left his head. A hand that has lost its head may affect the fastidious as a mixed metaphor; but, God pardon us all, what an unmixed truth! We could almost prove the whole case from the habit of calling human beings merely "hands" while they are working; as if the hand were horribly cut off, like the hand that has offended; as if, while the sinner entered heaven maimed, his unhappy hand still laboured laying up riches for the lords of hell. But to return to the man whom we found waiting for his head in the cloak-room. It may be urged, we say, that he might take the wrong head, like the wrong hat; but here the similarity ceases. For it has been observed by benevolent onlookers at life's drama that the hat taken away by mistake is frequently better than the real hat; whereas the head taken away after the hours of toil is certainly

worse: stained with the cobwebs and dust of this dustbin of all the centuries.

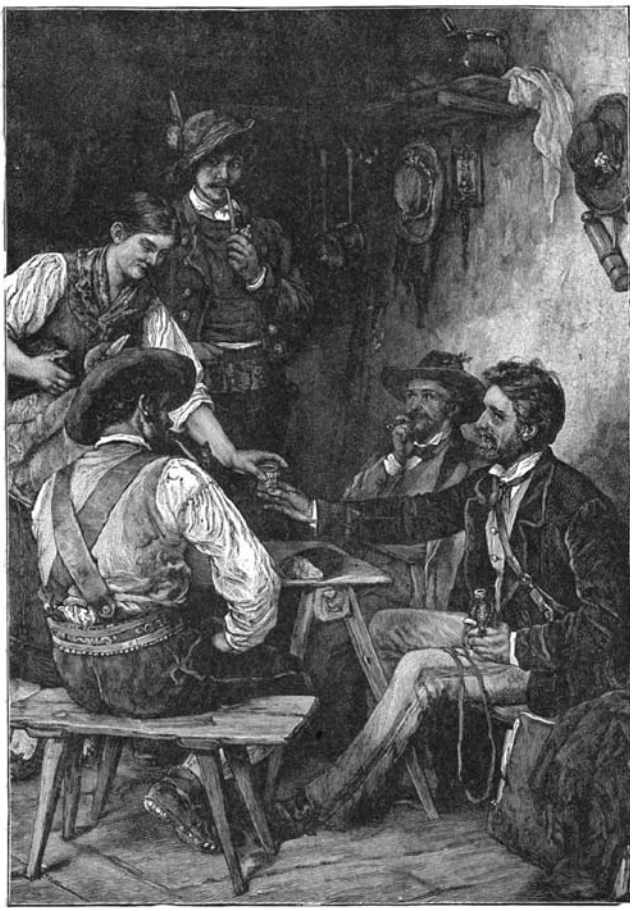
The Supreme Adventure

All the words dedicated to places of eating and drinking are pure and poetic words. Even the word "hotel" is the word hospital. And St. Julien, whose claret I drank this Christmas, was the patron saint of innkeepers, because (as far as I can make out) he was hospitable to lepers. Now I do not say that the ordinary hotel-keeper in Piccadilly[36] or the *Avenue de l'Opera*[37] would embrace a leper, slap him on the back, and ask him to order what he liked; but I do say that hospitality is his trade virtue. And I do also say it is well to keep before our eyes the supreme adventure of a virtue. If you are brave, think of the man who was braver than you. If you are kind, think of the man who was kinder than you.

That is what was meant by having a patron saint. That is the link between the poor saint who received bodily lepers and the great hotel proprietor who (as a rule) receives spiritual lepers. But a word yet weaker than "hotel" illustrates the same point – the word "restaurant." There again you have the admission that there is a definite building or statue to "restore"; that ineffaceable image of man that some call the image of God. And that is the holiday; it is the restaurant or restoring thing that, by a blast of magic, turns a man into himself.

This complete and reconstructed man is the nightmare of the modern capitalist. His whole scheme would crack across like a mirror of Shallot,[38] if once a plain man were ready for his two plain duties – ready to live and ready to die. And that horror of holidays which marks the modern capitalist is very largely a horror of the vision of a whole human being: something that is not a "hand" or a "head for figures." But an awful creature who has met himself in the wilderness. The employers will give time to eat, time to sleep; they are in terror of a time to think.

To anyone who knows any history it is wholly needless to say that holidays *have* been destroyed. As Mr. Belloc,[39] who knows much more history than you or I, recently pointed out in the *Pall Mall Magazine*,[40] Shakespeare's title of *Twelfth Night: or What You Will* simply meant that a winter carnival for everybody went on wildly till the twelfth night after Christmas. Those of my readers who work for modern offices or factories might ask their employers for twelve days' holidays after Christmas. And they might let me know the reply.



V. The Church of the Servile State

I CONFESS I cannot see why mere blasphemy by itself should be an excuse for tyranny and treason; or how the mere isolated fact of a man not believing in God should be a reason for my believing in Him.

But the rather spinsterish flutter among some of the old Freethinkers has put one tiny ripple of truth in it; and that affects the idea which I wish to emphasise even to monotony in these pages. I mean the idea that the new community which the capitalists are now constructing will be a very complete and absolute community; and one which will tolerate nothing really independent of itself. Now, it is true that any positive creed, true or false, would tend to be independent of itself. It might be Roman Catholicism or Mahomedanism or Materialism; but, if strongly held, it would be a thorn in the side of the Servile State. The Moslem thinks all men immortal: the Materialist thinks all men mortal. But the Moslem does not think the rich Sinbad will live forever; but the poor Sinbad will die on his deathbed. The Materialist does not think that Mr. Haeckel[41] will go to heaven, while all the peasants will go to pot, like their chickens. In every serious doctrine of the destiny of men, there is some trace of the doctrine of the equality of men. But the capitalist really depends on some religion of inequality. The capitalist must somehow distinguish himself from human kind; he must be obviously above it – or he would be obviously below it. Take even the least attractive and popular side of the larger religions today; take the mere vetoes imposed by Islam on Atheism or Catholicism. The Moslem veto upon intoxicants cuts across all classes. But it is absolutely necessary for the capitalist (who presides at a Licensing Committee, and also at a large dinner), it is absolutely necessary for *him*, to make a distinction between gin and champagne. The Atheist

veto upon all miracles cuts across all classes. But it is absolutely necessary for the capitalist to make a distinction between his wife (who is an aristocrat and consults crystal gazers and star gazers in the West End), and vulgar miracles claimed by gypsies or travelling showmen. The Catholic veto upon usury, as defined in dogmatic councils, cuts across all classes. But it is absolutely necessary to the capitalist to distinguish more delicately between two kinds of usury; the kind he finds useful and the kind he does not find useful. The religion of the Servile State must have no dogmas or definitions. It cannot afford to have any definitions. For definitions are very dreadful things: they do the two things that most men, especially comfortable men, cannot endure. They fight; and they fight fair.

Every religion, apart from open devil worship, must appeal to a virtue or the pretence of a virtue. But a virtue, generally speaking, does some good to everybody. It is therefore necessary to distinguish among the people it was meant to benefit those whom it does benefit. Modern broad-mindedness benefits the rich; and benefits nobody else. It was meant to benefit the rich; and meant to benefit nobody else. And if you think this unwarranted, I will put before you one plain question. There are some pleasures of the poor that may also mean profits for the rich: there are other pleasures of the poor which cannot mean profits for the rich? Watch this one contrast, and you will watch the whole creation of a careful slavery.

In the last resort the two things called Beer and Soap end only in a froth. They are both below the high notice of a real religion. But there is just this difference: that the soap makes the factory more satisfactory, while the beer only makes the workman more satisfied. Wait and see if the Soap does not increase and the Beer decrease. Wait and see whether the religion of the Servile State is not in every case what I say: the encouragement of small virtues supporting Capitalism, the discouragement of the huge virtues that defy it. Many great religions, Pagan and Christian, have insisted on wine. Only one, I think, has insisted on Soap. You will find it in the New Testament attributed to the Pharisees.

VI. Science and the Eugenists

THE KEY FACT in the new development of plutocracy is that it will use its own blunder as an excuse for further crimes. Everywhere the very completeness of the impoverishment will be made a reason for the enslavement; though the men who impoverished were the same who enslaved. It is as if a highwayman not only took away a gentleman's horse and all his money, but then handed him over to the police for tramping without visible means of subsistence. And the most monstrous feature in this enormous meanness may be noted in the plutocratic appeal to science, or, rather, to the pseudo-science that they call Eugenics.

The Eugenists get the ear of the humane but rather hazy cliques by saying that the present "conditions" under which people work and breed are bad for the race; but the modern mind will not generally stretch beyond one step of reasoning, and the consequence which appears to follow on the consideration of these "conditions" is by no means what would originally have been expected. If somebody says: "A rickety cradle may mean a rickety baby," the natural deduction, one would think, would be to give the people a good cradle, or give them money enough to buy one. But that means higher wages and greater equalisation of wealth; and the plutocratic scientist, with a slightly troubled expression, turns his eyes and pince-nez in another direction. Reduced to brutal terms of truth, his difficulty is this and simply this: More food, leisure, and money for the workman would mean a better workman, better even from the point of view of anyone for whom he worked. But more food, leisure, and money would also mean a more independent workman. A house with a decent fire and a full pantry would be a better house to make a chair or mend a clock in, even from the customer's point of view, than a hovel with a leaky

roof and a cold hearth. But a house with a decent fire and a full pantry would also be a better house in which to *refuse* to make a chair or mend a clock – a much better house to do nothing in – and doing nothing is sometimes one of the highest of the duties of man. All but the hard-hearted must be torn with pity for this pathetic dilemma of the rich man, who has to keep the poor man just stout enough to do the work and just thin enough to have to do it. As he stood gazing at the leaky roof and the rickety cradle in a pensive manner, there one day came into his mind a new and curious idea – one of the most strange, simple, and horrible ideas that have ever risen from the deep pit of original sin.

The roof could not be mended, or, at least, it could not be mended much, without upsetting the capitalist balance, or, rather, disproportion in society; for a man with a roof is a man with a house, and to that extent his house is his castle. The cradle could not be made to rock easier, or, at least, not much easier, without strengthening the hands of the poor household, for the hand that rocks the cradle rules the world – to that extent. But it occurred to the capitalist that there was one sort of furniture in the house that could be altered. The husband and wife could be altered. Birth costs nothing, except in pain and valour and such old-fashioned things; and the merchant need pay no more for mating a strong miner to a healthy fishwife than he pays when the miner mates himself with a less robust female whom he has the sentimentality to prefer. Thus it might be possible, by keeping on certain broad lines of heredity, to have some physical improvement without any moral, political, or social improvement. It might be possible to keep a supply of strong and healthy slaves without coddling them with decent conditions. As the mill-owners use the wind and the water to drive their mills, they would use this natural force as something even cheaper; and turn their wheels by diverting from its channel the blood of a man in his youth. That is what Eugenics means; and that is all that it means.

Of the moral state of those who think of such things it does not become us to speak. The practical question is rather the intellectual one: of whether their calculations are well founded, and whether the men of science can or will guarantee them any such physical

certainties. Fortunately, it becomes clearer every day that they are, scientifically speaking, building on the shifting sand. The theory of breeding slaves breaks down through what a democrat calls the equality of men, but which even an oligarchist will find himself forced to call the similarity of men. That is, that though it is not true that all men are normal, it is overwhelmingly certain that most men are normal. All the common Eugenic arguments are drawn from extreme cases, which, even if human honour and laughter allowed of their being eliminated, would not by their elimination greatly affect the mass. For the rest, there remains the enormous weakness in Eugenics, that if ordinary men's judgement or liberty is to be discounted in relation to heredity, the judgement of the judges must be discounted in relation to their heredity. The Eugenic professor may or may not succeed in choosing a baby's parents; it is quite certain that he cannot succeed in choosing his own parents. All his thoughts, including his Eugenic thoughts, are, by the very principle of those thoughts, flowing from a doubtful or tainted source. In short, we should need a perfectly Wise Man to do the thing at all. And if he were a Wise Man he would not do it.

VII. The Evolution of the Prison

I HAVE NEVER UNDERSTOOD why it is that those who talk most about evolution, and talk it in the very age of fashionable evolutionism, do not see the one way in which evolution really does apply to our modern difficulty. There is, of course, an element of evolutionism in the universe; and I know no religion or philosophy that ever entirely ignored it. Evolution, popularly speaking, is that which happens to unconscious things. They grow unconsciously; or fade unconsciously; or rather, some parts of them grow and some parts of them fade; and at any given moment there is almost always some presence of the fading thing, and some incompleteness in the growing one. Thus, if I went to sleep for a hundred years, like the Sleeping Beauty (I wish I could), I should grow a beard – unlike the Sleeping Beauty. And just as I should grow hair if I were asleep, I should grow grass if I were dead. Those whose religion it was that God was asleep were perpetually impressed and affected by the fact that he had a long beard. And those whose philosophy it is that the universe is dead from the beginning (being the grave of nobody in particular) think that is the way that grass can grow. In any case, these developments only occur with dead or dreaming things. What happens when everyone is asleep is called Evolution. What happens when everyone is awake is called Revolution.

There was once an honest man, whose name I never knew, but whose face I can almost see (it is framed in Victorian whiskers and fixed in a Victorian neck-cloth), who was balancing the achievements of France and England in civilization and social efficiencies. And when he came to the religious aspect he said that there were more stone and brick churches used in France; but, on the other hand, there are more sects in England. Whether such a lively disintegration

is a proof of vitality in any valuable sense I have always doubted. The sun may breed maggots in a dead dog; but it is essential for such a liberation of life that the dog should be unconscious or (to say the least of it) absent-minded. Broadly speaking, you may call the thing corruption, if you happen to like dogs. You may call it evolution, if you happen to like maggots. In either case, it is what happens to things if you leave them alone.

The Evolutionists' Error

Now, the modern Evolutionists have made no real use of the idea of evolution, especially in the matter of social prediction. They always fall into what is (from their logical point of view) the error of supposing that evolution knows what it is doing. They predict the State of the future as a fruit rounded and polished. But the whole point of evolution (the only point there is in it) is that no State will ever be rounded and polished, because it will always contain some organs that outlived their use, and some that have not yet fully found theirs. If we wish to prophesy what will happen, we must imagine things now moderate grown enormous; things now local grown universal; things now promising grown triumphant; primroses bigger than sunflowers, and sparrows stalking about like flamingoes.

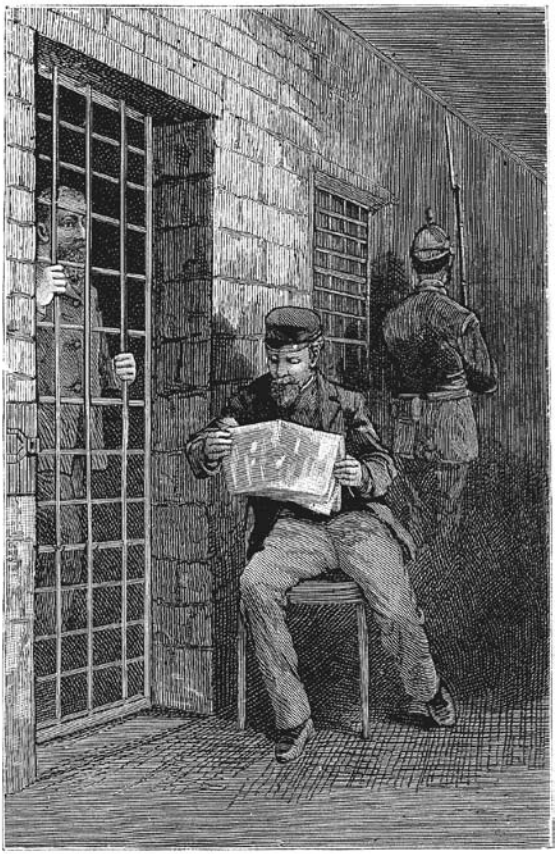
In other words, we must ask what modern institution has a future before it? What modern institution may have swollen to six times its present size in the social heat and growth of the future? I do not think the Garden City[42] will grow: but of that I may speak in my next and last article of this series. I do not think even the ordinary Elementary School, with its compulsory education, will grow. Too many unlettered people hate the teacher for teaching; and too many lettered people hate the teacher for not teaching. The Garden City will not bear much blossom; the young idea will not shoot, unless it shoots the teacher. But the one flowering tree on the estate, the one natural expansion which I think will expand, is the institution we call the Prison.

Prisons for All

If the capitalists are allowed to erect their constructive capitalist community, I speak quite seriously when I say that I think Prison will become an almost universal experience. It will not necessarily be a cruel or shameful experience: on these points (I concede certainly for the present purpose of debate) it may be a vastly improved experience. The conditions in the prison, very possibly, will be made more humane. But the prison will be made more humane only in order to contain more of humanity. I think little of the judgement and sense of humour of any man who can have watched recent police trials without realizing that it is no longer a question of whether the law has been broken by a crime; but, now, solely a question of whether the situation could be mended by an imprisonment. It was so with Tom Mann;[43] it was so with Larkin; it was so with the poor atheist who was kept in gaol for saying something he had been acquitted of saying: it is so in such cases day by day. We no longer lock a man up for doing something; we lock him up in the hope of his doing nothing. Given this principle, it is evidently possible to make the mere conditions of punishment more moderate, or – (more probably) more secret. There may really be more mercy in the Prison, on condition that there is less justice in the Court. I should not be surprised if, before we are done with all this, a man was allowed to smoke in prison, on condition, of course, that he had been put in prison for smoking.

Now that is the process which, in the absence of democratic protest, will certainly proceed, will increase and multiply and replenish the earth and subdue it. Prison may even lose its disgrace for a little time: it will be difficult to make it disgraceful when men like Larkin can be imprisoned for no reason at all, just as his celebrated ancestor was hanged for no reason at all. But capitalist society, which naturally does not know the meaning of honour, cannot know the meaning of disgrace: and it will still go on imprisoning for no reason at all. Or rather for that rather simple reason that makes a cat spring or a rat run away.

It matters little whether our masters stoop to state the matter in the form that every prison should be a school; or in the more candid form that every school should be a prison. They have already fulfilled their servile principle in the case of the schools. Everyone goes to the Elementary Schools except the few people who tell them to go there. I prophesy that (unless our revolt succeeds) nearly everyone will be going to Prison, with a precisely similar patience.



VIII. The Lash for Labour

If I were to prophesy that two hundred years hence a grocer would have the right and habit of beating the grocer's assistant with a stick, or that shop girls might be flogged, as they already can be fined, many would regard it as rather a rash remark. It would be a rash remark. Prophecy is always unreliable; unless we except the kind which is avowedly irrational, mystical and supernatural prophecy. But relatively to nearly all the other prophecies that are being made around me today, I should say my prediction stood an exceptionally good chance. In short, I think the grocer with the stick is a figure we are far more likely to see than the Superman or the Samurai, or the True Model Employer, or the Perfect Fabian Official, or the citizen of the Collectivist State. And it is best for us to see the full ugliness of the transformation which is passing over our Society in some such abrupt and even grotesque image at the end of it. The beginnings of a decline, in every age of history, have always had the appearance of being reforms. Nero not only fiddled while Rome was burning, but he probably really paid more attention to the fiddle than to the fire. The *Roi Soleil*,[44] like many other *soleils*, was most splendid to all appearance a little before sunset. And if I ask myself what will be the ultimate and final fruit of all our social reforms, garden cities, model employers, insurances, exchanges, arbitration courts, and so on, then, I say, quite seriously, "I think it will be labour under the lash."

The Sultan and the Sack

Let us arrange in some order a number of converging considerations that all point in this direction.

(1) It is broadly true, no doubt, that the weapon of the employer has hitherto been the threat of dismissal, that is, the threat of enforced starvation. He is a Sultan who need not order the bastinado,[45] so long as he can order the sack. But there are not a few signs that this weapon is not quite so convenient and flexible a one as his increasing rapacities require. The fact of the introduction of fines, secretly or openly, in many shops and factories, proves that it is convenient for the capitalists to have some temporary and adjustable form of punishment besides the final punishment of pure ruin. Nor is it difficult to see the common sense of this from their wholly inhuman point of view. The act of sacking a man is attended with the same disadvantages as the act of shooting a man: one of which is that you can get no more out of him.

It is, I am told, distinctly annoying to blow a fellow creature's brains out with a revolver and then suddenly remember that he was the only person who knew where to get the best Russian cigarettes. So our Sultan, who is the orderer of the sack, is also the bearer of the bow-string. A school in which there was no punishment, except expulsion, would be a school in which it would be very difficult to keep proper discipline; and the sort of discipline on which the reformed Capitalism will insist will be all of the type which in free nations is imposed only on children. Such a school would probably be in a chronic condition of breaking up for the holidays. And the reasons for the insufficiency of this extreme instrument are also varied and evident. The materialistic Sociologists, who talk about the survival of the fittest and the weakest going to the wall (and whose way of looking at the world is to put on the latest and most powerful scientific spectacles, and then shut their eyes), frequently talk as if a workman were simply efficient or non-efficient, as if a criminal were reclaimable or irreclaimable. The employers have sense enough at least to know better than that. They can see that a servant may be useful in one way and exasperating in another; that he may be bad in one part of his work and good in another; that he may be occasionally drunk and yet generally indispensable. Just as a practical schoolmaster would know that a schoolboy can be at once the plague and the pride of the school. Under these circumstances small and varying

penalties are obviously the most convenient things for the person keeping order; an underling can be punished for coming late, and yet do useful work when he comes. It will be possible to give a rap over the knuckles without wholly cutting off the right hand that has offended. Under these circumstances the employers have naturally resorted to fines. But there is a further ground for believing that the process will go beyond fines before it is completed.

(2) The fine is based on the old European idea that everybody possesses private property in some reasonable degree; but not only is this not true today, but it is not being made any truer, even by those who honestly believe that they are mending matters. The great employers will often do something towards improving what they call the "conditions" of their workers; but a worker might have his conditions as carefully arranged as a racehorse has, and still have no more personal property than a racehorse. If you take an average poor seamstress or factory girl, you will find that the power of chastising her through her property has very considerable limits; it is almost as hard for the employer of labour to tax her for punishment as it is for the Chancellor of the Exchequer to tax her for revenue. The next most obvious thing to think of, of course, would be imprisonment, and that might be effective enough under simpler conditions. An old-fashioned shopkeeper might have locked up his apprentice in his coal-cellar; but his coal-cellar would be a real, pitch dark coal-cellar, and the rest of his house would be a real human house. Everybody (especially the apprentice) would see a most perceptible difference between the two. But, as I pointed out in the article before this, the whole tendency of the capitalist legislation and experiment is to make imprisonment much more general and automatic, while making it, or professing to make it, more humane. In other words, the hygienic prison and the servile factory will become so uncommonly like each other that the poor man will hardly know or care whether he is at the moment expiating an offence or merely swelling a dividend. In both places there will be the same sort of shiny tiles. In neither place will there be any cell so unwholesome as a coal-cellar or so wholesome as a home. The weapon of the prison, therefore, like the weapon of the fine, will be found to have considerable limitations to its effectiveness

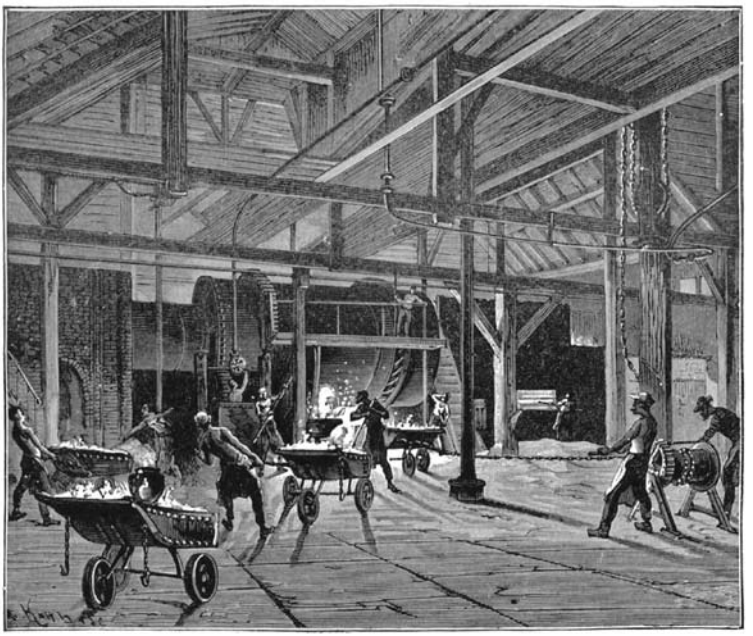
when employed against the wretched reduced citizen of our day. Whether it be property or liberty you cannot take from him what he has not got. You cannot imprison a slave, because you cannot enslave a slave.

The Barbarous Revival

(3) Most people, on hearing the suggestion that it may come to corporal punishment at last (as it did in every slave system I ever heard of, including some that were generally kindly, and even successful), will merely be struck with horror and incredulity, and feel that such a barbarous revival is unthinkable in the modern atmosphere. How far it will be, or need be, a revival of the actual images and methods of ruder times I will discuss in a moment. But first, as another of the converging lines tending to corporal punishment, consider this: that for some reason or other the old full-blooded and masculine humanitarianism in this matter has weakened and fallen silent; it has weakened and fallen silent in a very curious manner, the precise reason for which I do not altogether understand. I knew the average Liberal, the average Nonconformist minister, the average Labour Member, the average middle-class Socialist, were, with all their good qualities, very deficient in what I consider a respect for the human soul. But I did imagine that they had the ordinary modern respect for the human body. The fact, however, is clear and incontrovertible. In spite of the horror of all humane people, in spite of the hesitation even of our corrupt and panic-stricken Parliament, measures can now be triumphantly passed for spreading or increasing the use of physical torture, and for applying it to the newest and vaguest categories of crime. Thirty or forty years ago, nay, twenty years ago, when Mr. F. Hugh O'Donnell[46] and others forced a Liberal Government to drop the cat-o'-nine-tails like a scorpion, we could have counted on a mass of honest hatred of such things. We cannot count on it now.

(4) But lastly, it is not necessary that in the factories of the future the institution of physical punishment should actually remind

people of the jambok[47] or the knout.[48] It could easily be developed out of the many forms of physical discipline which are already used by employers on the excuses of education or hygiene. Already in some factories girls are obliged to swim whether they like it or not, or do gymnastics whether they like it or not. By a simple extension of hours or complication of exercises a pair of Swedish clubs could easily be so used as to leave their victim as exhausted as one who had come off the rack. I think it extremely likely that they will be.



"The great employers will often do something towards improving what they call the 'conditions' of their workers; but a worker might have his conditions as carefully arranged as a racehorse has, and still have no more personal property than a racehorse."

IX. The Mask of Socialism

THE CHIEF AIM of all honest Socialists just now is to prevent the coming of Socialism. I do not say it as a sneer, but, on the contrary, as a compliment; a compliment to their political instinct and public spirit. I admit it may be called an exaggeration; but there really is a sort of sham Socialism that the modern politicians may quite possibly agree to set up; if they do succeed in setting it up, the battle for the poor is lost.

We must note, first of all, a general truth about the curious time we live in. It will not be so difficult as some people may suppose to make the Servile State *look* rather like Socialism, especially to the more pedantic kind of Socialist. The reason is this. The old lucid and trenchant expounder of Socialism, such as Blatchford[49] or Fred Henderson,[50] always describes the economic power of the plutocrats as consisting in private property. Of course, in a sense, this is quite true; though they too often miss the point that private property, as such, is not the same as property confined to the few. But the truth is that the situation has grown much more subtle; perhaps too subtle, not to say too insane, for straight-thinking theorists like Blatchford. The rich man today does not only rule by using private property; he also rules by treating public property as if it were private property. A man like Lord Murray[51] pulled the strings, especially the purse strings; but the whole point of his position was that all sorts of strings had got entangled. The secret strength of the money he held did not lie merely in the fact that it was his money. It lay precisely in the fact that nobody had any clear idea of whether it was his money, or his successor's money, or his brother's money, or the Marconi Company's money, or the Liberal Party's money, or the English Nation's money. It was buried treasure; but it was not

private property. It was the acme of plutocracy because it was not private property. Now, by following this precedent, this unprincipled vagueness about official and unofficial moneys by the cheerful habit of always mixing up the money in the pocket with the money in the till, it would be quite possible to keep the rich as rich as ever in practice, though they might have suffered confiscation in theory. Mr. Lloyd George has four hundred a year as an M.P.; but he not only gets much more as a Minister, but he might at any time get immeasurably more by speculating on State secrets that are necessarily known to him. Some say that he has even attempted something of the kind. Now, it would be quite possible to cut Mr. George down, not to four hundred a year, but to four pence a day; and still leave him all these other and enormous financial superiorities. It must be remembered that a Socialist State, in any way resembling a modern State, must, however egalitarian it may be, have the handling of huge sums, and the enjoyment. For instance, the Prime Minister has a private house, which is also (I grieve to inform that eminent Puritan) a public house. It is supposed to be a sort of Government office; though people do not generally give children's parties, or go to bed in a Government office. I do not know where Mr. Herbert Samuel[52] lives; but I have no doubt he does himself well in the matter of decoration and furniture. On the existing official parallel there is no need to move any of these things in order to Socialise them. There is no need to withdraw one diamond-headed nail from the carpet; or one golden teaspoon from the tray. It is only necessary to call it an official residence, like 10 Downing Street.[53] I think it is not at all improbable that this Plutocracy, pretending to be a Bureaucracy, will be attempted or achieved. Our wealthy rulers will be in the position which grumblers in the world of sport sometimes attribute to some of the "gentlemen" players. They assert that some of these are paid like any professional; only their pay is called their expenses. This system might run side by side with a theory of equal wages, as absolute as that once laid down by Mr. Bernard Shaw.[54] By the theory of the State, Mr. Herbert Samuel and Mr. Lloyd George might be humble citizens, drudging for their four pence a day; and no better off than porters and coal-heavers. If there were presented to our mere senses

what appeared to be the form of Mr. Herbert Samuel in an astrakhan coat and a motor-car, we should find the record of the expenditure (if we could find it at all) under the heading of "Speed Limit Extension Enquiry Commission." If it fell to our lot to behold (with the eye of flesh) what seemed to be Mr. Lloyd George lying in a hammock and smoking a costly cigar, we should know that the expenditure would be divided between the "Condition of Rope and Netting Investigation Department," and the "State of Cuban Tobacco Trade: Imperial Inspector's Report."

Such is the society I think they will build unless we can knock it down as fast as they build it. Everything in it, tolerable or intolerable, will have but one use; and that use what our ancestors used to call usance or usury. Its art may be good or bad, but it will be an advertizement for usurers; its literature may be good or bad, but it will appeal to the patronage of usurers; its scientific selection will select according to the needs of usurers; its religion will be just charitable enough to pardon usurers; its penal system will be just cruel enough to crush all the critics of usurers: the truth of it will be Slavery: and the title of it may quite possibly be Socialism.

The Escape

We watched you building, stone by stone,
  The well-washed cells and well-washed graves
We shall inhabit but not own
  When Britons ever shall be slaves;
The water's waiting in the trough,
  The tame oats sown are portioned free,
There is Enough, and just Enough,
  And all is ready now but we.
    But you have not caught us yet, my lords,
    You have us still to get.
    A sorry army you'd have got,
    Its flags are rags that float and rot,
    Its drums are empty pan and pot,
    Its baggage is—an empty cot;
    But you have not caught us yet.

A little; and we might have slipped –
  When came your rumours and your sales
And the foiled rich men, feeble-lipped,
  Said and unsaid their sorry tales;
Great God! It needs a bolder brow
  To keep ten sheep inside a pen,
And we are sheep no longer now;
  You are but Masters. We are Men.

We give you all good thanks, my lords,
We buy at easy price;
Thanks for the thousands that you stole,
The bribes by wire, the bets on coal,
The knowledge of that naked whole
That hath delivered our flesh and soul
Out of your Paradise.

We had held safe your parks; but when
Men taunted you with bribe and fee,
We only saw the Lord of Men
Grin like an Ape and climb a tree;
And humbly had we stood without
Your princely barns; did we not see
In pointed faces peering out
What Rats now own the granary.
It is too late, too late, my lords,
We give you back your grace:
You cannot with all cajoling
Make the wet ditch, or winds that sting,
Lost pride, or the pawned wedding rings,
Or drink or Death a blacker thing
Than a smile upon your face.

d

The New Raid

THE TWO KINDS of social reform, one of which might conceivably free us at last while the other would certainly enslave us forever, are exhibited in an easy working model in the two efforts that have been made for the soldiers' wives – I mean the effort to increase their allowance and the effort to curtail their alleged drinking. In the preliminary consideration, at any rate, we must see the second question as quite detached from our own sympathies on the special subject of fermented liquor. It could be applied to any other pleasure or ornament of life; it will be applied to every other pleasure and ornament of life if the Capitalist campaign can succeed. The argument we know; but it cannot be too often made clear. An employer, let us say, pays a seamstress two pence a day, and she does not seem to thrive on it. So little, perhaps, does she thrive on it that the employer has even some difficulty in thriving upon her. There are only two things that he can do, and the distinction between them cuts the whole social and political world in two. It is a touchstone by which we can – not sometimes, but always – distinguish economic equality from servile social reform. He can give the girl some magnificent sum, such as sixpence a day, to do as she likes with, and trust that her improved health and temper will work for the benefit of his business. Or he may keep her to the original sum of a shilling a week, but earmark each of the pennies to be used or not to be used for a particular purpose. If she must not spend this penny on a bunch of violets, or that penny on a novelette, or the other penny on a toy for some baby, it is possible that she will concentrate her expenditure more upon physical necessities, and so become, from the employer's point of view, a more efficient person. Without the trouble of adding two pence to her wages, he has added two penny-worth to her food.

In short, she has the holy satisfaction of being worth more without being paid more.

This Capitalist is an ingenious person, and has many polished characteristics; but I think the most singular thing about him is his staggering lack of shame. Neither the hour of death nor the day of reckoning, neither the tent of exile nor the house of mourning, neither chivalry nor patriotism, neither womanhood nor widowhood, is safe at this supreme moment from his dirty little expedient of dieting the slave. As similar bullies, when they collect the slum rents, put a foot in the open door, these are always ready to push in a muddy wedge wherever there is a slit in a sundered household or a crack in a broken heart. To a man of any manhood nothing can be conceived more loathsome and sacrilegious than even so much as asking whether a woman who has given up all she loved to death and the fatherland has or has not shown some weakness in her seeking for self-comfort. I know not in which of the two cases I should count myself the baser for inquiring – a case where the charge was false or a case where it was true. But the philanthropic employer of the sort I describe is not a man of any manhood; in a sense he is not a man at all. He shows some consciousness of the fact when he calls his workers "men" as distinct from masters. He cannot comprehend the gallantry of costermongers[55] or the delicacy that is quite common among cabmen. He finds this social reform by half-rations on the whole to his mercantile profit, and it will be hard to get him to think of anything else.

But there are people assisting him, people like the Duchess of Marlborough,[56] who know not their right hand from their left, and to these we may legitimately address our remonstrance and a résumé of some of the facts they do not know. The Duchess of Marlborough is, I believe, an American, and this separates her from the problem in a special way, because the drink question in America is entirely different from the drink question in England. But I wish the Duchess of Marlborough would pin up in her private study, side by side with the Declaration of Independence, a document recording the following simple truths: (1) Beer, which is largely drunk in public-houses, is not a spirit or a grog or a cocktail or a

drug. It is the common English liquid for quenching the thirst; it is so still among innumerable gentlemen, and, until very lately, was so among innumerable ladies. Most of us remember dames of the last generation whose manners were fit for Versailles, and who drank ale or Stout as a matter of course. Schoolboys drank ale as a matter of course, and their schoolmasters gave it to them as a matter of course. To tell a poor woman that she must not have any until half the day is over is simply cracked, like telling a dog or a child that he must not have water. (2) The public-house is not a secret rendezvous of bad characters. It is the open and obvious place for a certain purpose, which all men used for that purpose until the rich began to be snobs and the poor to become slaves. One might as well warn people against Willesden Junction.[57] (3) Many poor people live in houses where they cannot, without great preparation, offer hospitality. (4) The climate of these picturesque islands does not favour conducting long conversations with one's oldest friends on an iron seat in the park. (5) Half past eleven a.m. is not early in the day for a woman who gets up before six. (6) The bodies and minds of these women belong to God and to themselves.

"Beer...is not a spirit or a grog or a cocktail or a drug. It is the common English liquid for quenching the thirst."

The New Name

SOMETHING has come into our community, which is strong enough to save our community; but which has not yet got a name. Let no one fancy I confess any unreality when I confess the namelessness. The morality called Puritanism, the tendency called Liberalism, the reaction called Tory Democracy, had not only long been powerful, but had practically done most of their work, before these actual names were attached to them. Nevertheless, I think it would be a good thing to have some portable and practicable way of referring to those who think as we do in our main concern. Which is, that men in England are ruled, at this minute by the clock, by brutes who refuse them bread, by liars who refuse them news, and by fools who cannot govern, and therefore wish to enslave.

Let me explain first why I am not satisfied with the word commonly used, which I have often used myself; and which, in some contexts, is quite the right word to use. I mean the word "rebel." Passing over the fact that many who understand the justice of our cause (as a great many at the Universities) would still use the word "rebel" in its old and strict sense as meaning only a disturber of just rule. I pass to a much more practical point. The word "rebel" understates our cause. It is much too mild; it lets our enemies off much too easily. There is a tradition in all western life and letters of Prometheus defying the stars, of man at war with the Universe, and dreaming what nature had never dared to dream. All this is valuable in its place and proportion. But it has nothing whatever to do with our case; or rather it very much weakens it. The plutocrats will be only too pleased if we profess to preach a new morality; for they know jolly well that they have broken the old one. They will be only too pleased to be able to say that we, by our own confession, are merely restless and negative; that we are only what we call rebels and

they call cranks. But it is not true; and we must not concede it to them for a moment. The model millionaire is more of a crank than the Socialists; just as Nero was more of a crank than the Christians. And avarice has gone mad in the governing class today, just as lust went mad in the circle of Nero.[58] By all the working and orthodox standards of sanity, Capitalism is insane. I should not say to Mr. Rockefeller[59] "I am a rebel." I should say "I am a respectable man: and you are not."

Our Lawless Enemies

But the vital point is that the confession of mere rebellion softens the startling lawlessness of our enemies. Suppose a publisher's clerk politely asked his employer for a rise in his salary; and, on being refused, said he must leave the employment? Suppose the employer knocked him down with a ruler, tied him up as a brown paper parcel, addressed him (in a fine business hand) to the Governor of Rio Janeiro and then asked the policeman to promise never to arrest him for what he had done? That is a precise copy, in every legal and moral principle, of the "deportation of the strikers." They were assaulted and kidnapped for not accepting a contract, and for nothing else; and the act was so avowedly criminal that the law had to be altered afterwards to cover the crime. Now suppose some postal official, between here and Rio Janeiro, had noticed a faint kicking inside the brown paper parcel, and had attempted to ascertain the cause. And suppose the clerk could only explain, in a muffled voice through the brown paper, that he was by constitution and temperament a Rebel. Don't you see that he would be rather understating his case? Don't you see he would be bearing his injuries much too meekly? They might take him out of the parcel; but they would very possibly put him into a mad-house instead. Symbolically speaking, that is what they would like to do with us. Symbolically speaking, the dirty misers who rule us will put us in a mad-house – unless we can put them there.

Or suppose a bank cashier were admittedly allowed to take the money out of the till, and put it loose in his pocket, more or less mixed up with his own money; afterwards laying some of both (at different odds) on "Blue Murder" for the Derby. Suppose when some depositor asked mildly what day the accountants came, he smote that astonished inquirer on the nose, crying: "Slanderer! Mud-slinger!" and suppose he then resigned his position. Suppose no books were shown. Suppose when the new cashier came to be initiated into his duties, the old cashier did not tell him about the money, but confided it to the honour and delicacy of his own maiden aunt at Cricklewood. Suppose he then went off in a yacht to visit the whale fisheries of the North Sea. Well, in every moral and legal principle, that is a precise account of the dealings with the Party Funds. But what would the banker say? What would the clients say? One thing, I think, I can venture to promise; the banker would not march up and down the office exclaiming in rapture, "I'm a rebel! That's what I am, a rebel!" And if he said to the first indignant depositor "You are a rebel," I fear the depositor might answer, "You are a robber." We have no need to elaborate arguments for breaking the law. The capitalists have broken the law. We have no need of further moralities. They have broken their own morality. It is as if you were to run down the street shouting, "Communism! Communism! Share! Share!" after a man who had run away with your watch.

We want a term that will tell everybody that there is, by the common standard, frank fraud and cruelty pushed to their fierce extreme; and that we are fighting *them*. We are not in a state of "divine discontent"; we are in an entirely human and entirely reasonable rage. We say we have been swindled and oppressed, and we are quite ready and able to prove it before any tribunal that allows us to call a swindler a swindler. It is the protection of the present system that most of its tribunals do not. I cannot at the moment think of any party name that would particularly distinguish us from our more powerful and prosperous opponents, unless it were the name the old Jacobites[60] gave themselves; the Honest Party.

Captured Our Standards

I think it is plain that for the purpose of facing these new and infamous modern facts, we cannot, with any safety, depend on any of the old nineteenth century names; Socialist, or Communist, or Radical, or Liberal, or Labour. They are all honourable names; they all stand, or stood, for things in which we may still believe; we can still apply them to other problems; but not to this one. We have no longer a monopoly of these names. Let it be understood that I am not speaking here of the philosophical problem of their meaning, but of the practical problem of their use. When I called myself a Radical I knew Mr. Balfour[61] would not call himself a Radical; therefore there was some use in the word. When I called myself a Socialist I knew Lord Penrhyn[62] would not call himself a Socialist; therefore there was some use in the word. But the capitalists, in that aggressive march which is the main fact of our time, have captured our standards, both in the military and philosophic sense of the word. And it is useless for us to march under colours which they can carry as well as we.

Do you believe in Democracy? The devils also believe and tremble. Do you believe in Trades Unionism? The Labour Members also believe; and tremble like a falling teetotum. Do you believe in the State? The Samuels also believe, and grin. Do you believe in the centralization of Empire? So did Beit.[63] Do you believe in the decentralisation of Empire? So does Albu. Do you believe in the brotherhood of men: and do you, dear brethren, believe that Brother Arthur Henderson[64] does not? Do you cry, "The world for the workers!" and do you imagine Philip Snowden[65] would not? What we need is a name that shall declare, not that the modern treason and tyranny are bad, but that they are quite literally, intolerable: and that we mean to act accordingly. I really think "the Limits" would be as good a name as any. But, anyhow, something is born among us that is as strong as an infant Hercules: and it is part of my prejudices to want it christened. I advertize for godfathers and godmothers.

A Workman's History of England

A THING which does not exist and which is very much wanted is "A Working-Man's History of England." I do not mean a history written for working men (there are whole dustbins of them), I mean a history, written by working men or from the working men's standpoint. I wish five generations of a fisher's or a miner's family could incarnate themselves in one man and tell the story.

It is impossible to ignore altogether any comment coming from so eminent a literary artist as Mr. Laurence Housman,[66] but I do not deal here so specially with his well known conviction about Votes for Women, as with another idea which is, I think, rather at the back of it, if not with him at least with others; and which concerns this matter of the true story of England. For the true story is so entirely different from the false official story that the official classes tell that by this time the working class itself has largely forgotten its own experience. Either story can be quite logically linked up with Female Suffrage, which, therefore, I leave where it is for the moment; merely confessing that, so long as we get hold of the right story and not the wrong story, it seems to me a matter of secondary importance whether we link it up with Female Suffrage or not.

Now the ordinary version of recent English history that most moderately educated people have absorbed from childhood is something like this. That we emerged slowly from a semi-barbarism in which all the power and wealth were in the hands of Kings and a few nobles; that the King's power was broken first and then in due time that of the nobles, that this piece-meal improvement was brought about by one class after another waking up to a sense of citizenship and demanding a place in the national councils, frequently by riot or violence; and that in consequence of such menacing popular action,

the franchise was granted to one class after another and used more and more to improve the social conditions of those classes, until we practically became a democracy, save for such exceptions as that of the women. I do not think anyone will deny that something like that is the general idea of the educated man who reads a newspaper and of the newspaper that he reads. That is the view current at public schools and colleges; it is part of the culture of all the classes that count for much in government; and there is not one word of truth in it from beginning to end.

That Great Reform Bill

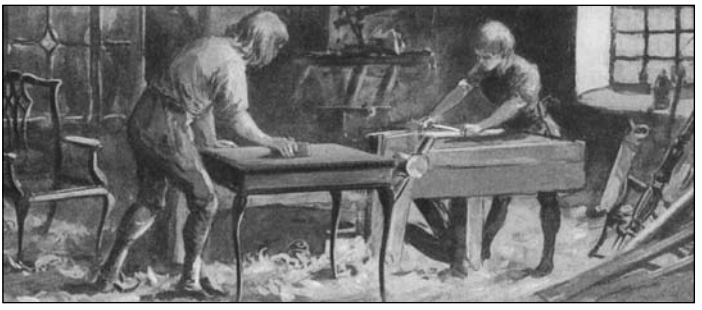
Wealth and political power were very much more popularly distributed in the Middle Ages than they are now; but we will pass all that and consider recent history. The franchise has never been largely and liberally granted in England; half the males have no vote and are not likely to get one. It was *never* granted in reply to pressure from awakened sections of the democracy; in every case there was a perfectly clear motive for granting it solely for the convenience of the aristocrats. The Great Reform Bill[67] was not passed in response to such riots as that which destroyed a Castle; nor did the men who destroyed the Castle get any advantage whatever out of the Great Reform Bill. The Great Reform Bill was passed in order to seal an alliance between the landed aristocrats and the rich manufacturers of the north (an alliance that rules us still); and the chief object of that alliance was to *prevent* the English populace getting any political power in the general excitement after the French Revolution. No one can read Macaulay's speech on the Chartists,[68] for instance, and not see that this is so. Disraeli's further extension of the suffrage was not effected by the intellectual vivacity and pure republican theory of the mid-Victorian agricultural labourer; it was effected by a politician who saw an opportunity to dish the Whigs, and guessed that certain orthodoxies in the more prosperous artisan might yet give him a balance against the commercial Radicals. And while this very thin

game of wire-pulling with the mere abstraction of the vote was being worked entirely by the oligarchs and entirely in their interests, the solid and real thing that was going on was the steady despoiling of the poor of all power or wealth, until they find themselves today upon the threshold of slavery. That is The Working Man's History of England.

Now, as I have said, I care comparatively little what is done with the mere voting part of the matter, so long as it is not done in such a way as to allow the plutocrat to escape his responsibility for his crimes, by pretending to be much more progressive, or much more susceptible to popular protest, than he ever has been. And there is this danger in many of those who have answered me. One of them, for instance, says that women have been forced into their present industrial situations by the same iron economic laws that have compelled men. I say that men have not been compelled by iron economic laws, but in the main by the coarse and Christ-less cynicism of other men. But, of course, this way of talking is exactly in accordance with the fashionable and official version of English history. Thus, you will read that the monasteries, places where men of the poorest origin could be powerful, grew corrupt and gradually decayed. Or you will read that the mediaeval guilds of free workmen yielded at last to an inevitable economic law. You will read this; and you will be reading lies. They might as well say that Julius Caesar gradually decayed at the foot of Pompey's[69] statue. You might as well say that Abraham Lincoln yielded at last to an inevitable economic law. The free mediaeval guilds did not decay; they were murdered. Solid men with solid guns and halberds, armed with lawful warrants from living statesmen broke up their corporations and took away their hard cash from them. In the same way the people in Cradley Heath are no more victims of a necessary economic law than the people in Putumayo.[70] They are victims of a very terrible creature, of whose sins much has been said since the beginning of the world; and of whom it was said of old, "Let us fall into the hands of God, for His mercies are great; but let us not fall into the hands of Man."[71]

The Capitalist Is in the Dock

Now it is this offering of a false economic excuse for the sweater that is the danger in perpetually saying that the poor woman will use the vote and that the poor man has not used it. The poor man is prevented from using it; prevented by the rich man, and the poor woman would be prevented in exactly the same gross and stringent style. I do not deny, of course, that there is something in the English temperament, and in the heritage of the last few centuries that makes the English workman more tolerant of wrong than most foreign workmen would be. But this only slightly modifies the main fact of the moral responsibility. To take an imperfect parallel, if we said that negro slaves would have rebelled if negroes had been more intelligent, we should be saying what is reasonable. But if we were to say that it could by any possibility be represented as being the negro's fault that he was at that moment in America and not in Africa, we should be saying what is frankly unreasonable. It is every bit as unreasonable to say the mere supineness of the English workmen has put them in the capitalist slave-yard. The capitalist has put them in the capitalist slave-yard; and very cunning smiths have hammered the chains. It is just this creative criminality in the authors of the system that we must not allow to be slurred over. The capitalist is in the dock today; and so far as I at least can prevent him, he shall not get out of it.



The French Revolution and the Irish

IT WILL BE LONG before the poison of the Party System is worked out of the body politic. Some of its most indirect effects are the most dangerous. One that is very dangerous just now is this: that for most Englishmen the Party System falsifies history, and especially the history of revolutions. It falsifies history because it simplifies history. It paints everything either Blue or Buff in the style of its own silly circus politics: while a real revolution has as many colours as the sunrise – or the end of the world. And if we do not get rid of this error we shall make very bad blunders about the real revolution which seems to grow more and more probable, especially among the Irish. And any human familiarity with history will teach a man this first of all: that Party practically does not exist in a real revolution. It is a game for quiet times.

If you take a boy who has been to one of those big private schools which are falsely called the Public Schools, and another boy who has been to one of those large public schools which are falsely called the Board Schools, you will find some differences between the two, chiefly a difference in the management of the voice. But you will find they are both English in a special way, and that their education has been essentially the same. They are ignorant on the same subjects. They have never heard of the same plain facts. They have been taught the wrong answer to the same confusing question. There is one fundamental element in the attitude of the Eton master talking about "playing the game," and the elementary teacher training gutter-snipes to sing, "What is the Meaning of Empire Day?" And the name of that element is "unhistoric." It knows nothing really about England, still less about Ireland or France, and, least of all, of course, about anything like the French Revolution.

Revolution by Snap Division

Now what general notion does the ordinary English boy, thus taught to utter one ignorance in one of two accents, get and keep through life about the French Revolution? It is the notion of the English House of Commons with an enormous Radical majority on one side of the table and a small Tory minority on the other; the majority voting solid for a Republic, the minority voting solid for a Monarchy; two teams tramping through two lobbies with no difference between their methods and ours, except that (owing to some habit peculiar to Gaul) the brief intervals were brightened by a riot or a massacre, instead of by a whisky and soda and a Marconi tip. Novels are much more reliable than histories in such matters. For though an English novel about France does not tell the truth about France, it does tell the truth about England; and more than half the histories never tell the truth about anything. And popular fiction, I think, bears witness to the general English impression. The French Revolution is a snap division with an unusual turnover of votes. On the one side stand a king and queen who are good but weak, surrounded by nobles with rapiers drawn; some of whom are good, many of whom are wicked, all of whom are good-looking. Against these there is a formless mob of human beings, wearing red caps and seemingly insane, who all blindly follow ruffians who are also rhetoricians; some of whom die repentant and others unrepentant towards the end of the fourth act. The leaders of this boiling mass of all men melted into one are called Mirabeau,[72] Robespierre,[73] Danton,[74] Marat,[75] and so on. And it is conceded that their united frenzy may have been forced on them by the evils of the old régime.

That, I think, is the commonest English view of the French Revolution; and it will not survive the reading of two pages of any real speech or letter of the period. These human beings were human; varied, complex and inconsistent. But the rich Englishman, ignorant of revolutions, would hardly believe you if you told him some of the common human subtleties of the case. Tell him that Robespierre

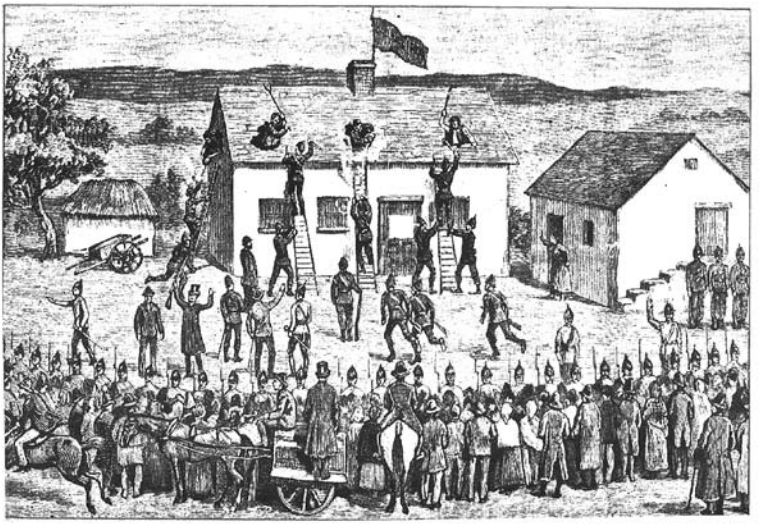
threw the red cap in the dirt in disgust, while the king had worn it with a broad grin, so to speak; tell him that Danton, the fierce founder of the Republic of the Terror, said quite sincerely to a noble, "I am more monarchist than you;" tell him that the Terror really seems to have been brought to an end chiefly by the efforts of people who particularly wanted to go on with it – and he will not believe these things. He will not believe them because he has no humility, and therefore no realism. He has never been inside himself; and so could never be inside another man. The truth is that in the French affair everybody occupied an individual position. Every man talked sincerely, if not because he was sincere, then because he was angry. Robespierre talked even more about God than about the Republic because he cared even more about God than about the Republic. Danton talked even more about France than about the Republic because he cared even more about France than about the Republic. Marat talked more about Humanity than either, because that physician (though himself somewhat needing a physician) really cared about it. The nobles were divided, each man from the next. The attitude of the king was quite different from the attitude of the queen; certainly much more different than any differences between our Liberals and Tories for the last twenty years. And it will sadden some of my friends to remember that it was the king who was the Liberal and the queen who was the Tory. There were not two people, I think, in that most practical crisis who stood in precisely the same attitude towards the situation. And that is why, between them, they saved Europe. It is when you really perceive the unity of mankind that you really perceive its variety. It is not a flippancy, it is a very sacred truth, to say that when men really understand that they are brothers they instantly begin to fight.

The Revival of Reality

Now these things are repeating themselves with an enormous reality in the Irish Revolution. You will not be able to make a Party

System out of the matter. Everybody is in revolt; therefore everybody is telling the truth. The Nationalists will go on caring most for the nation, as Danton and the defenders of the frontier went on caring most for the nation. The priests will go on caring most for religion, as Robespierre went on caring most for religion. The Socialists will go on caring most for the cure of physical suffering, as Marat went on caring most for it. It is out of these real differences that real things can be made, such as the modern French democracy. For by such tenacity everyone sees at last that there is something in the other person's position. And those drilled in party discipline see nothing either past or present. And where there is nothing there is Satan.

For a long time past in our politics there has not only been no real battle, but no real bargain. No two men have bargained as Gladstone and Parnell[76] bargained – each knowing the other to be a power. But in real revolutions men discover that no one man can really agree with another man until he has disagreed with him.



AN EVICTION OF PEASANTS BY CAPITALIST LANDLORDS IN COUNTY GALWAY, IRELAND DURING THE NINETEENTH CENTURY

Liberalism: a Sample

THERE IS a certain daily paper in England towards which I feel very much as Tom Pinch felt towards Mr. Pecksniff immediately after he had found him out. The war upon Dickens[77] was part of the general war on all democrats, about the eighties and nineties, which ushered in the brazen plutocracy of today. And one of the things that it was fashionable to say of Dickens in drawing-rooms was that he had no subtlety, and could not describe a complex frame of mind. Like most other things that are said in drawing-rooms, it was a lie. Dickens was a very unequal writer, and his successes alternate with his failures; but his successes are subtle quite as often as they are simple. Thus, to take *Martin Chuzzlewit* alone, I should call the joke about the Lord No-zoo a simple joke: but I should call the joke about Mrs. Todgers's vision of a wooden leg a subtle joke. And no frame of mind was ever so self-contradictory and yet so realistic as that which Dickens describes when he says, in effect, that, though Pinch knew now that there had never been such a person as Pecksniff, in his ideal sense, he could not bring himself to insult the very face and form that had contained the legend. The parallel with Liberal journalism is not perfect; because it was once honest; and Pecksniff presumably never was. And even when I come to feel a final incompatibility of temper, Pecksniff was not so Pecksniffian as he has since become. But the comparison is complete in so far as I share all the reluctance of Mr. Pinch. Some old heathen king was advised by one of the Celtic saints, I think, to burn what he had adored and adore what he had burnt. I am quite ready, if anyone will prove I was wrong, to adore what I have burnt; but I do really feel an unwillingness verging upon weakness to burning what I have adored. I think it is a weakness to be overcome in times as bad as these, when (as Mr. Orage[78] wrote

with something like splendid common sense the other day) there is such a lot to do and so few people who will do it. So I will devote this article to considering one case of the astounding baseness to which Liberal journalism has sunk.

Mental Breakdown in Fleet Street

One of the two or three streaks of light on our horizon can be perceived in this: that the moral breakdown of these papers has been accompanied by a mental breakdown also. The contemporary official paper, like the *Daily News*[79] or the *Daily Chronicle*[80] (I mean insofar as it deals with politics), simply cannot argue; and simply does not pretend to argue. It considers the solution which it imagines that wealthy people want, and it signifies the same in the usual manner; which is not by holding up its hand, but by falling on its face. But there is no more curious quality in its degradation than a sort of carelessness, at once of hurry and fatigue, with which it flings down its argument – or rather its refusal to argue. It does not even write sophistry: it writes anything. It does not so much poison the reader's mind as simply assume that the reader hasn't got one. For instance, one of these papers printed an article on Sir Stuart Samuel,[81] who, having broken the great Liberal statute against corruption, will actually, perhaps, be asked to pay his own fine – in spite of the fact that he can well afford to do so. The article says, if I remember aright, that the decision will cause general surprise and some indignation. That any modern Government making a very rich capitalist obey the law will cause general surprise, may be true. Whether it will cause general indignation rather depends on whether our social intercourse is entirely confined to Park Lane,[82] or any such pigsties built of gold. But the journalist proceeds to say, his neck rising higher and higher out of his collar, and his hair rising higher and higher on his head, in short, his resemblance to the Dickens' original increasing every instant, that he does not mean that the law against corruption should be less stringent, but that the burden should be borne by the whole

community. This may mean that whenever a rich man breaks the law, all the poor men ought to be made to pay his fine. But I will suppose a slightly less insane meaning. I will suppose it means that the whole power of the commonwealth should be used to prosecute an offender of this kind. That, of course, can only mean that the matter will be decided by that instrument which still pretends to represent the whole power of the commonwealth. In other words, the Government will judge the Government.

Now this is a perfectly plain piece of brute logic. We need not go into the other delicious things in the article, as when it says that "in old times Parliament had to be protected against Royal invasion by the man in the street." Parliament has to be protected now against the man in the street. Parliament is simply the most detested and the most detestable of all our national institutions: all that is evident enough. What is interesting is the blank and staring fallacy of the attempted reply.

When the Journalist Is Ruined

A long while ago, before all the Liberals died, a Liberal introduced a Bill to prevent Parliament being merely packed with the slaves of financial interests. For that purpose he established the excellent democratic principle that the private citizen, as such, might protest against public corruption. He was called the Common Informer. I believe the miserable party papers are really reduced to playing on the degradation of the two words in modern language. Now the word "common" in "Common Informer" means exactly what it means in "common sense" or "Book of Common Prayer,"[83] or (above all) in "House of Commons." It does not mean anything low or vulgar; any more than they do. The only difference is that the House of Commons really is low and vulgar; and the Common Informer isn't. It is just the same with the word "Informer." It does not mean spy or sneak. It means one who gives information. It means what "journalist" ought to mean. The only difference is that the

Common Informer may be paid if he tells the truth. The common journalist will be ruined if he does.

Now the quite plain point before the party journalist is this: If he really means that a corrupt bargain between a Government and a contractor ought to be judged by public opinion, he must (nowadays) mean Parliament; that is, the caucus that controls Parliament. And he must decide between one of two views. Either he means that there can be no such thing as a corrupt Government. Or he means that it is one of the characteristic qualities of a corrupt Government to denounce its own corruption. I laugh; and I leave him his choice.

"'Informer'...means one who gives information. It means what 'journalist' ought to mean. The only difference is that the Common Informer may be paid if he tells the truth. The common journalist will be ruined if he does."

The Fatigue of Fleet Street

WHY IS the modern party political journalism so bad? It is worse even than it intends to be. It praises its preposterous party leaders through thick and thin; but it somehow succeeds in making them look greater fools than they are. This clumsiness clings even to the photographs of public men, as they are snapshotted at public meetings. A sensitive politician (if there is such a thing) would, I should think, want to murder the man who snapshots him at those moments. For our general impression of a man's gesture or play of feature is made up of a series of vanishing instants, at any one of which he may look worse than our general impression records. Mr. Augustine Birrell[84] may have made quite a sensible and amusing speech, in the course of which his audience would hardly have noticed that he resettled his necktie. Snapshot him, and he appears as convulsively clutching his throat in the agonies of strangulation, and with his head twisted on one side as if he had been hanged. Sir Edward Carson[85] might make a perfectly good speech, which no one thought wearisome, but might himself be just tired enough to shift from one leg to the other. Snapshot him, and he appears as holding one leg stiffly in the air and yawning enough to swallow the audience. But it is in the prose narratives of the Press that we find most manifestations of this strange ineptitude; this knack of exhibiting your own favourites in an unlucky light. It is not so much that the party journalists do not tell the truth as that they tell just enough of it to make it clear that they are telling lies. One of their favourite blunders is an amazing sort of bathos. They begin by telling you that some statesman said something brilliant in style or biting in wit, at which his hearers thrilled with terror or thundered with applause. And then they tell you what it was that he said. Silly asses!

Insane Exaggeration

Here is an example from a leading Liberal paper touching the debates on Home Rule. I am a Home Ruler; so my sympathies would be, if anything, on the side of the Liberal paper upon that point. I merely quote it as an example of this ridiculous way of writing, which, by insane exaggeration, actually makes its hero look smaller than he is.

This was strange language to use about the "hypocritical sham," and Mr. Asquith,[86] knowing that the biggest battle of his career was upon him, hit back without mercy. "I should like first to know," said he, with a glance at his supporters, "whether my proposals are accepted?"

That's all. And I really do not see why poor Mr. Asquith should be represented as having violated the Christian virtue of mercy by saying that. I myself could compose a great many paragraphs upon the same model, each containing its stinging and perhaps unscrupulous epigram.

As, for example:— "The Archbishop of Canterbury, realising that his choice now lay between denying God and earning the crown of martyrdom by dying in torments, spoke with a frenzy of religious passion that might have seemed fanatical under circumstances less intense. 'The Children's Service,' he said firmly, with his face to the congregation, 'will be held at half-past four this afternoon as usual.'"

Or, we might have:— "Lord Roberts, recognising that he had now to face Armageddon, and that if he lost this last battle against overwhelming odds the independence of England would be extinguished forever, addressed to his soldiers (looking at them and not falling off his horse) a speech which brought their national passions to boiling point, and might well have seemed blood-thirsty in quieter times. It ended with the celebrated declaration that it was a fine day."

Or we might have the much greater excitement of reading something like this:— "The Astronomer Royal, having realised that

the earth would certainly be smashed to pieces by a comet unless his requests in connection with wireless telegraphy were seriously considered, gave an address at the Royal Society which, under other circumstances, would have seemed unduly dogmatic and emotional and deficient in scientific agnosticism. This address (which he delivered without any attempt to stand on his head) included a fierce and even ferocious declaration that it is generally easier to see the stars by night than by day."

Now, I cannot see, on my conscience and reason, that any one of my imaginary paragraphs is more ridiculous than the real one. Nobody can believe that Mr. Asquith regards these belated and careful compromises about Home Rule as "the biggest battle of his career." It is only justice to him to say that he has had bigger battles than that. Nobody can believe that any body of men, bodily present, either thundered or thrilled at a man merely saying that he would like to know whether his proposals were accepted. No; it would be far better for Parliament if its doors were shut again, and reporters were excluded. In that case, the outer public did hear genuine rumours of almost gigantic eloquence; such as that which has perpetuated Pitt's[87] reply against the charge of youth, or Fox's[88] bludgeoning of the idea of war as a compromise. It would be much better to follow the old fashion and let in no reporters at all than to follow the new fashion and select the stupidest reporters you can find.

Their Load of Lies

Now, why do people in Fleet Street[89] talk such tosh? People in Fleet Street are not fools. Most of them have realized reality through work; some through starvation; some through damnation, or something damnably like it. I think it is simply and seriously true that they are tired of their job. As the general said in M. Rostand's[90] play, "*la fatigue!*"

I do really believe that this is one of the ways in which God (don't get flurried, Nature if you like) is unexpectedly avenged on things

infamous and unreasonable. And this method is that men's moral and even physical tenacity actually give out under such a load of lies. They go on writing their leading articles and their Parliamentary reports. They go on doing it as a convict goes on picking oakum. But the point is not that we are bored with their articles; the point is that they are. The work is done worse because it is done weakly and without human enthusiasm. And it is done weakly because of the truth we have told so many times in this book: that it is not done for monarchy, for which men will die; or for democracy, for which men will die; or even for aristocracy, for which many men have died. It is done for a thing called Capitalism: which stands out quite clearly in history in many curious ways. But the most curious thing about it is that no man has loved it; and no man died for it.

"It is not so much that the party journalists do not tell the truth as that they tell just enough of it to make it clear that they are telling lies."

The Amnesty for Aggression

If there is to rise out of all this red ruin something like a republic of justice, it is essential that our views should be real views; that is, glimpses of lives and landscapes outside ourselves. It is essential that they should not be mere opium visions that begin and end in smoke – and so often in cannon smoke. I make no apology, therefore, for returning to the purely practical and realistic point I urged last week: the fact that we shall lose everything we might have gained if we lose the idea that the responsible person is responsible.

For instance, it is almost specially so with the one or two things in which the British Government, or the British public, really are behaving badly. The first, and worst of them, is the non-extension of the Moratorium, or truce of debtor and creditor, to the very world where there are the poorest debtors and the cruellest creditors. This is infamous: and should be, if possible, more infamous to those who think the war right than to those who think it wrong. Everyone knows that the people who can least pay their debts are the people who are always trying to. Among the poor a payment may be as rash as a speculation. Among the rich a bankruptcy may be as safe as a bank. Considering the class from which private soldiers are taken, there is an atrocious meanness in the idea of buying their blood abroad, while we sell their sticks at home. The English language, by the way, is full of delicate paradoxes. We talk of the private soldiers because they are really public soldiers; and we talk of the public schools because they are really private schools. Anyhow, the wrong is of the sort that ought to be resisted, as much in war as in peace.

Ought to Be Hammered

But as long as we speak of it as a cloudy conclusion, come to by an anonymous club called Parliament, or a masked tribunal called the Cabinet, we shall never get such a wrong righted. Somebody is officially responsible for the unfairness; and that somebody ought to be hammered. The other example, less important but more ludicrous, is the silly boycott of Germans in England, extending even to German music. I do not believe for a moment that the English people feel any such insane fastidiousness. Are the English artists who practise the particularly English art of water-colour to be forbidden to use Prussian blue? Are all old ladies to shoot their Pomeranian dogs? But though England would laugh at this, she will get the credit of it, and will continue: until we ask who the actual persons are who feel sure that we should shudder at a ballad of the Rhine. It is certain that we should find they are capitalists. It is very probable that we should find they are foreigners.

Some days ago the Official Council of the Independent Labour Party, or the Independent Council of the Official Labour Party, or the Independent and Official Council of the Labour Party (I have got quite nervous about these names and distinctions; but they all seem to say the same thing) began their manifesto by saying it would be difficult to assign the degrees of responsibility which each nation had for the outbreak of the war. Afterwards, a writer in the *Christian Commonwealth*,[91] lamenting war in the name of Labour, but in the language of my own romantic middle-class, said that all the nations must share the responsibility for this great calamity of war. Now exactly as long as we go on talking like that we shall have war after war, and calamity after calamity, until the crack of doom. It simply amounts to a promise of pardon to any person who will start a quarrel. It is an amnesty for assassins. The moment any man assaults any other man he makes all the other men as bad as himself. He has only to stab, and to vanish in a fog of forgetfulness. The real eagles of iron, the predatory Empires, will be delighted with this doctrine.

They will applaud the Labour Concert or Committee, or whatever it is called. They will willingly take all the crime, with only a quarter of the conscience: they will be as ready to share the memory as they are to share the spoil. The Powers will divide responsibility as calmly as they divided Poland.

The Whole Loathsome Load

But I still stubbornly and meekly submit my point: that you cannot end war without asking who began it. If you think somebody else, not Germany, began it, then blame that somebody else: do not blame everybody and nobody. Perhaps you think that a small sovereign people, fresh from two triumphant wars, ought to discrown itself before sunrise; because the nephew of a neighbouring Emperor has been shot by his own subjects. Very well. Then blame Serbia; and, to the extent of your influence, you may be preventing small kingdoms being obstinate or even princes being shot. Perhaps you think the whole thing was a huge conspiracy of Russia, with France as a dupe and Serbia as a pretext. Very well. Then blame Russia; and, to the extent of your influence, you may be preventing great Empires from making racial excuses for a raid. Perhaps you think France wrong for feeling what you call "revenge," and I should call recovery of stolen goods. Perhaps you blame Belgium for being sentimental about her frontier; or England for being sentimental about her word. If so, blame them; or whichever of them you think is to blame. Or again, it is barely possible that you may think, as I do, that the whole loathsome load has been laid upon us by the monarchy which I have not named; still less wasted time in abusing. But if there be in Europe a military State which has not the religion of Russia, yet has helped Russia to tyrannise over the Poles, that State cares not for religion, but for tyranny. If there be a State in Europe which has not the religion of the Austrians, but has helped Austria to bully the Serbians, that State cares not for belief, but for bullying. If there be in Europe any people or principality which respects neither republics nor religions, to which the political ideal of Paris is as

much a myth as the mystical ideal of Moscow, then blame that: and do more than blame. In the healthy and highly theological words of Robert Blatchford, drive it back to the Hell from which it came.

Crying Over Spilt Blood

But whatever you do, do not blame everybody for what was certainly done by somebody. It may be it is no good crying over spilt blood, any more than over spilt milk. But we do not find the culprit any more by spilling the milk over everybody; or by daubing everybody with blood. Still less do we improve matters by watering the milk with our tears, nor the blood either. To say that everybody is responsible means that nobody is responsible. If in the future we see Russia annexing Rutland[92] (as part of the old Kingdom of Muscovy), if we see Bavaria taking a sudden fancy to the Bank of England, or the King of the Cannibal Islands suddenly demanding a tribute of edible boys and girls from England and America, we may be quite certain also that the Leader of the Labour Party will rise, with a slight cough, and say: "It would be a difficult task to apportion the blame between the various claims which..."

Revive the Court Jester

I HOPE the Government will not think just now about appointing a Poet Laureate. I hardly think they can be altogether in the right mood. The business just now before the country makes a very good detective story; but as a national epic it is a little depressing. Jingo literature always weakens a nation; but even healthy patriotic literature has its proper time and occasion. For instance, Mr. Newbolt[93] (who has been suggested for the post) is a very fine poet; but I think his patriotic lyrics would just now rather jar upon a patriot. We are rather too much concerned about our practical seamanship to feel quite confident that Drake will return and "drum them up the Channel as he drummed them long ago." [94] On the contrary, we have an uncomfortable feeling that Drake's ship might suddenly go to the bottom, because the capitalists have made Lloyd George abolish the Plimsoll Line.[95] One could not, without being understood ironically, adjure the two party teams today to "play up, play up and play the game,"[96] or to "love the game more than the prize." And there is no national hero at this moment in the soldiering line – unless, perhaps, it is Major Archer-Shee – of whom anyone would be likely to say: "*Sed miles; sed pro patria*."[97] There is, indeed, one beautiful poem of Mr. Newbolt's which may mingle faintly with one's thoughts in such times, but that, alas, is to a very different tune. I mean that one in which he echoes Turner's conception of the old wooden ship vanishing with all the valiant memories of the English:

> There's a far bell ringing
> At the setting of the sun,
> And a phantom voice is singing
> Of the great days done.

There's a far bell ringing,
And a phantom voice is singing
Of a fame forever clinging
To the great days done.
For the sunset breezes shiver,
Téméraire, *Téméraire*,
And she's fading down the river... [98]

Well, well, neither you nor I know whether she is fading down the river or not. It is quite enough for us to know, as King Alfred[99] did, that a great many pirates have landed on both banks of the Thames.

Praise and Prophecy Impossible

At this moment that is the only kind of patriotic poem that could satisfy the emotions of a patriotic person. But it certainly is not the sort of poem that is expected from a Poet Laureate, either on the highest or the lowest theory of his office. He is either a great minstrel singing the victories of a great king, or he is a common Court official like the Groom of the Powder Closet. In the first case his praises should be true; in the second case they will nearly always be false; but in either case he must praise. And what there is for him to praise just now it would be precious hard to say. And if there is no great hope of a real poet, there is still less hope of a real prophet. What Newman[100] called, I think, "The Prophetical Office," that is, the institution of an inspired protest even against an inspired religion, certainly would not do in modern England. The Court is not likely to keep a tame prophet in order to encourage him to be wild. It is not likely to pay a man to say that wolves shall howl in Downing Street and vultures build their nests in Buckingham Palace.[101] So vast has been the progress of humanity that these two things are quite impossible. We cannot have a great poet praising kings. We cannot

have a great prophet denouncing kings. So I have to fall back on a third suggestion.

The Field for a Fool

Instead of reviving the Court Poet, why not revive the Court Fool? He is the only person who could do any good at this moment either to the Royal or the judicial Courts. The present political situation is utterly unsuitable for the purposes of a great poet. But it is particularly suitable for the purposes of a great buffoon. The old jester was under certain privileges: you could not resent the jokes of a fool, just as you cannot resent the sermons of a curate. Now, what the present Government of England wants is neither serious praise nor serious denunciation; what it wants is satire. What it wants, in other words, is realism given with gusto. When King Louis the Eleventh unexpectedly visited his enemy, the Duke of Burgundy, with a small escort, the Duke's jester said he would give the King his fool's cap, for he was the fool now. And when the Duke replied with dignity, "And suppose I treat him with all proper respect?" the fool answered, "Then I will give it to you." That is the kind of thing that somebody ought to be free to say now. But if you say it now you will be fined a hundred pounds at the least.

Carson's Dilemma

For the things that have been happening lately are not merely things that one could joke about. They are themselves, truly and intrinsically, jokes. I mean that there is a sort of epigram of unreason in the situation itself, as there was in the situation where there was jam yesterday and jam tomorrow but never jam today. Take, for instance, the extraordinary case of Sir Edward Carson. The point is not whether we regard his attitude in Belfast as the defiance of a sincere and dogmatic rebel, or as the bluff of a party hack and

mountebank. The point is not whether we regard his defence of the Government at the Old Bailey as a chivalrous and reluctant duty done as an advocate or a friend, or as a mere case of a lawyer selling his soul for a fat brief.[102] The point is that whichever of the two actions we approve, and whichever of the four explanations we adopt, Sir Edward's position is still raving nonsense. On any argument, he cannot escape from his dilemma. It may be argued that laws and customs should be obeyed whatever our private feelings; and that it is an established custom to accept a brief in such a case. But then it is a somewhat more established custom to obey an Act of Parliament and to keep the peace. It may be argued that extreme misgovernment justifies men in Ulster or elsewhere in refusing to obey the law. But then it would justify them even more in refusing to appear professionally in a law court. Etiquette cannot be at once so unimportant that Carson may shoot at the King's uniform, and yet so important that he must always be ready to put on his own. The Government cannot be so disreputable that Carson need not lay down his gun, and yet so respectable that he is bound to put on his wig. Carson cannot at once be so fierce that he can kill in what he considers a good cause, and yet so meek that he must argue in what he considers a bad cause. Obedience or disobedience, conventional or unconventional, a solicitor's letter cannot be *more* sacred than the King's writ; a blue bag cannot be *more* rational than the British flag. The thing is rubbish read anyway, and the only difficulty is to get a joke good enough to express it. It is a case for the Court Jester. The phantasy of it could only be expressed by some huge ceremonial hoax. Carson ought to be crowned with the shamrocks and emeralds and followed by green-clad minstrels of the Clan-na-Gael,[103] playing "The Wearing of the Green."

Belated Chattiness by Wireless

But all the recent events are like that. They are practical jokes. The jokes do not need to be made: they only need to be pointed out. You and I do not talk and act as the Isaacs[104] brothers talked and

acted, by their own most favourable account of themselves; and even their account of themselves was by no means favourable. You and I do not talk of meeting our own born brother "at a family function" as if he were some infinitely distant cousin whom we only met at Christmas. You and I, when we suddenly feel inclined for a chat with the same brother about his dinner and the Coal Strike, do not generally select either wireless telegraphy or the Atlantic Cable as the most obvious and economical channel for that outburst of belated chattiness. You and I do not talk, if it is proposed to start a railway between Catsville and Dogtown, as if the putting up of a station at Dogtown could have no kind of economic effect on the putting up of a station at Catsville. You and I do not think it candid to say that when we are at one end of a telephone we have no sort of connection with the other end. These things have got into the region of farce; and should be dealt with farcically, not even ferociously.

A Fool Who Shall Be Free

In the Roman Republic there was a Tribune of the People, whose person was inviolable like an ambassador's. There was much the same idea in Becket's[105] attempt to remove the Priest, who was then the popular champion, from the ordinary courts. We shall have no Tribune; for we have no republic. We shall have no Priest; for we have no religion. The best we deserve or can expect is a Fool who shall be free; and who shall deliver us with laughter.

The Art of Missing the Point

Missing the point is a very fine art; and has been carried to something like perfection by politicians and Pressmen today. For the point is generally a very sharp point; and is, moreover, sharp at both ends. That is to say that both parties would probably impale themselves in an uncomfortable manner if they did not manage to avoid it altogether. I have just been looking at the election address of the official Liberal candidate for the part of the country in which I live; and though it is, if anything, rather more logical and free from cant than most other documents of the sort it is an excellent example of missing the point. The candidate has to go boring on about Free Trade and Land Reform and Education; and nobody reading it could possibly imagine that in the town of Wycombe,[106] where the poll will be declared, the capital of the Wycombe division of Bucks which the candidate is contesting, centre of the important and vital trade on which it has thriven, a savage struggle about justice has been raging for months past between the poor and rich, as real as the French Revolution. The man offering himself at Wycombe as representative of the Wycombe division simply says nothing about it at all. It is as if a man at the crisis of the French Terror had offered himself as a deputy for the town of Paris, and had said nothing about the Monarchy, nothing about the Republic, nothing about the massacres, nothing about the war; but had explained with great clearness his views on the suppression of the Jansenists,[107] the literary style of Racine,[108] the suitability of Turenne[109] for the post of commander-in-chief, and the religious reflections of Madame de Maintenon.[110] For, at their best, the candidate's topics are not topical. Home Rule is a very good thing, and modern education is a very bad thing; but neither of them are things that anybody is talking about

in High Wycombe. This is the first and simplest way of missing the point: deliberately to avoid and ignore it.

The Candid Candidate

It would be an amusing experiment, by the way, to go to the point instead of avoiding it. What fun it would be to stand as a strict Party candidate, but issue a perfectly frank and cynical Election Address. Mr. Mosley's address begins, "Gentlemen,— Sir Alfred Cripps[111] having been chosen for a high judicial position and a seat in the House of Lords, a by-election now becomes necessary, and the electors of South Bucks are charged with the responsible duty of electing, etc., etc." But suppose there were another candidate whose election address opened in a plain, manly style, like this: "Gentlemen,— In the sincere hope of being myself chosen for a high judicial position or a seat in the House of Lords, or considerably increasing my private fortune by some Government appointment, or, at least, inside information about the financial prospects, I have decided that it is worth my while to disburse large sums of money to you on various pretexts, and, with even more reluctance to endure the bad speaking and bad ventilation of the Commons' House of Parliament, so help me God. I have very pronounced convictions on various political questions; but I will not trouble my fellow-citizens with them, since I have quite made up my mind to abandon any or all of them if requested to do so by the upper classes. The electors are therefore charged with the entirely irresponsible duty of electing a Member; or, in other words, I ask my neighbours round about this part, who know I am not a bad chap in many ways, to do me a good turn in my business, just as I might ask them to change a sovereign. My election will have no conceivable kind of effect on anything or anybody except myself; so I ask, as man to man, the Electors of the Southern or Wycombe Division of the County of Buckingham to accept a ride in one of my motor-cars; and poll early to please a pal — God Save the King." I do not know whether you or I would be

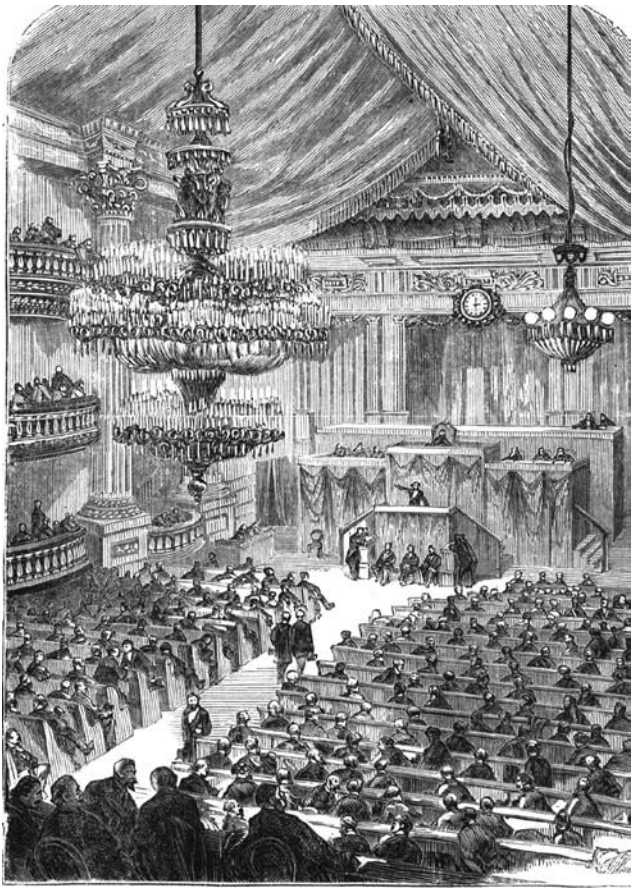
elected if we presented ourselves with an election address of that kind; but we should have had our fun and (comparatively speaking) saved our souls; and I have a strong suspicion that we should be elected or rejected on a mechanical majority like anybody else; nobody having dreamed of reading an election address any more than an advertizement of a hair restorer.

Tyranny and Head-Dress

But there is another and more subtle way in which we may miss the point; and that is, not by keeping a dead silence about it, but by being just witty enough to state it wrong. Thus, some of the Liberal official papers have almost screwed up their courage to the sticking-point about the bestial *coup d'état* in South Africa. They have screwed up their courage to the sticking-point; and it has stuck. It cannot get any further; because it has missed the main point. The modern Liberals make their feeble attempts to attack the introduction of slavery into South Africa by the Dutch and the Jews, by a very typical evasion of the vital fact. The vital fact is simply slavery. Most of these Dutchmen have always felt like slave-owners. Most of these Jews have always felt like slaves. Now that they are on top, they have a particular and curious kind of impudence, which is only known among slaves. But the Liberal journalists will do their best to suggest that the South African wrong consisted in what they call Martial Law. That is, that there is something specially wicked about men doing an act of cruelty in khaki or in vermilion, but not if it is done in dark blue with pewter buttons. The tyrant who wears a busby or a forage cap is abominable; the tyrant who wears a horsehair wig is excusable. To be judged by soldiers is hell; but to be judged by lawyers is paradise.

Now the point must not be missed in this way. What is wrong with the tyranny in Africa is not that it is run by soldiers. It would be quite as bad, or worse, if it were run by policemen. What is wrong is that, for the first time since Pagan times, private men are being forced

to work for a private man. Men are being punished by imprisonment or exile for refusing to accept a job. The fact that Botha[112] can ride on a horse, or fire off a gun, makes him better rather than worse than any man like Sidney Webb[113] or Philip Snowden, who attempt the same slavery by much less manly methods. The Liberal Party will try to divert the whole discussion to one about what they call militarism. But the very terms of modern politics contradict it. For when we talk of real rebels against the present system we call them Militants. And there will be none in the Servile State.



The Servile State Again

I READ the other day, in a quotation from a German newspaper, the highly characteristic remark that Germany having annexed Belgium would soon re-establish its commerce and prosperity, and that, in particular, arrangements were already being made for introducing into the new province the German laws for the protection of workmen.

I am quite content with that paragraph for the purpose of any controversy about what is called German atrocity. If men I know had not told me they had themselves seen the bayoneting of a baby; if the most respectable refugees did not bring with them stories of burning cottages – yes, and of burning cottagers as well; if doctors did not report what they do report of the condition of girls in the hospitals; if there were no facts; if there were no photographs, that one phrase I have quoted would be quite sufficient to satisfy me that the Prussians are tyrants; tyrants in a peculiar and almost insane sense which makes them pre-eminent among the evil princes of the earth. The first and most striking feature is a stupidity that rises into a sort of ghastly innocence. The protection of workmen! Some workmen, perhaps, might have a fancy for being protected from shrapnel; some might be glad to put up an umbrella that would ward off things dropping from the gentle Zeppelin[114] in heaven upon the place beneath. Some of these discontented proletarians have taken the same view as Vandervelde their leader, and are now energetically engaged in protecting themselves along the line of the Yser;[115] I am glad to say not altogether without success. It is probable that nearly all of the Belgian workers would, on the whole, prefer to be protected against bombs, sabres, burning cities, starvation, torture, and the treason of wicked kings. In short, it is probable – it is at

least possible, impious as is the idea – that they would prefer to be protected against *Germans* and all they represent. But if a Belgian workman is told that he is not to be protected against Germans, but actually to be protected by Germans, I think he may be excused for staring. His first impulse, I imagine, will be to ask, "Against whom? Are there any worse people to come along?"

But apart from the hellish irony of this humanitarian idea, the question it raises is really one of solid importance for people whose politics are more or less like ours. There is a very urgent point in that question, "Against *whom* would the Belgian workmen be protected by the German laws?" And if we pursue it, we shall be enabled to analyse something of that poison – very largely a Prussian poison – which has long been working in our own commonwealth, to the enslavement of the weak and the secret strengthening of the strong. For the Prussian armies are, pre-eminently, the advance guard of the Servile State. I say this scientifically, and quite apart from passion or even from preference. I have no illusions about either Belgium or England. Both have been stained with the soot of Capitalism and blinded with the smoke of mere Colonial ambition; both have been caught at a disadvantage in such modern dirt and disorder; both have come out much better than I should have expected countries so modern and so industrial to do. But in England and Belgium there is Capitalism mixed up with a great many other things, strong things and things that pursue other aims; Clericalism, for instance, and militant Socialism in Belgium; Trades Unionism and sport and the remains of real aristocracy in England. But Prussia is Capitalism; that is, a gradually solidifying slavery; and that majestic unity with which she moves, dragging all the dumb Germanies after her, is due to the fact that her Servile State is complete, while ours is incomplete. There are not mutinies; there are not even mockeries; the voice of national self-criticism has been extinguished forever. For this people is already permanently cloven into a higher and a lower class: in its industry as much as its army. Its employers are, in the strictest and most sinister sense, captains of industry. Its proletariat is, in the truest and most pitiable sense, an army of labour. In that atmosphere masters bear upon them the signs that they are more than men; and to insult an officer is death.

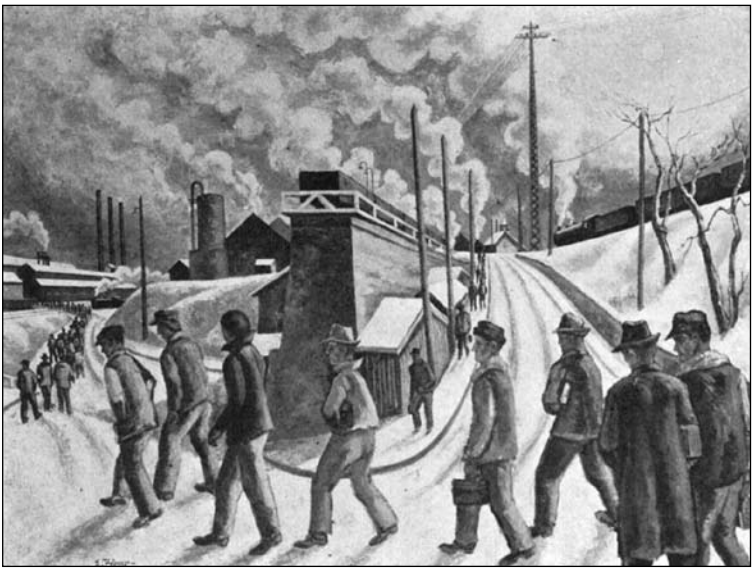
If anyone ask how this extreme and unmistakable subordination of the employed to the employers is brought about, we all know the answer. It is brought about by hunger and hardness of heart, accelerated by a certain kind of legislation, of which we have had a good deal lately in England, but which was almost invariably borrowed from Prussia. Mr. Herbert Samuel's suggestion that the poor should be able to put their money in little boxes and not be able to get it out again is a sort of standing symbol of all the rest. I have forgotten how the poor were going to benefit eventually by what is for them indistinguishable from dropping sixpence down a drain. Perhaps they were going to get it back some day; perhaps when they could produce a hundred coupons out of the *Daily Citizen*;[116] perhaps when they got their hair cut; perhaps when they consented to be inoculated, or trepanned, or circumcised, or something. Germany is full of this sort of legislation; and if you asked an innocent German, who honestly believed in it, what it was, he would answer that it was for the protection of workmen.

And if you asked again "Their protection from what?" you would have the whole plan and problem of the Servile State plain in front of you. Whatever notion there is, there is no notion whatever of protecting the employed person *from his employer*. Much less is there any idea of his ever being anywhere except under an employer. Whatever the Capitalist wants he gets. He may have the sense to want washed and well-fed labourers rather than dirty and feeble ones, and the restrictions may happen to exist in the form of laws from the Kaiser or by-laws from the Krupps.[117] But the Kaiser will not offend the Krupps, and the Krupps will not offend the Kaiser. Laws of this kind, then, do not attempt to protect workmen against the injustice of the Capitalist as the English Trade Unions did. They do not attempt to protect workmen against the injustice of the State as the mediaeval guilds did. Obviously they cannot protect workmen against the foreign invader – especially when (as in the comic case of Belgium) they are imposed by the foreign invader. What then are such laws designed to protect workmen against? Tigers, rattlesnakes, hyenas?

Oh, my young friends; oh, my Christian brethren, they are designed to protect this poor person from something which to those

of established rank is more horrid than many hyenas. They are designed, my friends, to protect a man from *himself* – from something that the masters of the earth fear more than famine or war, and which Prussia especially fears as everything fears that which would certainly be its end. They are meant to protect a man against himself – that is, they are meant to protect a man against his manhood.

And if anyone reminds me that there is a Socialist Party in Germany, I reply that there isn't.



"Such is the society I think they will build unless we can knock it down as fast as they build it. Everything in it, tolerable or intolerable, will have but one use; and that use what our ancestors used to call usance or usury."

The Empire of the Ignorant

That anarchic future which the more timid Tories professed to fear has already fallen upon us. We are ruled by ignorant people. But the most ignorant people in modern Britain are to be found in the upper class, the middle class, and especially the upper middle class. I do not say it with the smallest petulance or even distaste; these classes are often really beneficent in their breeding or their hospitality, or their humanity to animals.

There is still no better company than the young at the two Universities, or the best of the old in the Army or some of the other services. Also, of course, there are exceptions in the matter of learning; real scholars like Professor Gilbert Murray[118] or Professor Phillimore[119] are not ignorant, though they *are* gentlemen. But when one looks up at any mass of the wealthier and more powerful classes, at the Grand Stand at Epsom,[120] at the windows of Park Lane, at the people at a full-dress debate or a fashionable wedding, we shall be safe in saying that they are, for the most part, the most ill-taught, or untaught, creatures in these islands.

Literally Illiterate

It is indeed their feeble boast that they are not literally illiterate. They are always saying the ancient barons could not sign their own names – for they know less of history perhaps than of anything else. The modern barons, however, can sign their own names – or someone else's for a change. They can sign their own names; and that is about all they can do. They cannot face a fact, or follow an

argument, or feel a tradition; but, least of all, can they, upon any persuasion, read through a plain impartial book, English or foreign, that is not specially written to soothe their panic or to please their pride. Looking up at these seats of the mighty I can only say, with something of despair, what Robert Lowe[121] said of the enfranchised workmen: "We must educate our masters."

I do not mean this as paradoxical, or even as symbolical; it is simply tame and true. The modern English rich know nothing about things, not even about the things to which they appeal. Compared with them, the poor are pretty sure to get some enlightenment, even if they cannot get liberty; they must at least be technical. An old apprentice learnt a trade, even if his master came like any Turk and banged him most severely. The old housewife knew which side her bread was buttered, even if it were so thin as to be almost imperceptible. The old sailor knew the ropes; even if he knew the rope's end. Consequently, when any of these revolted, they were concerned with things they knew, pains, practical impossibilities, or the personal record.

But They Know

The apprentice cried "Clubs!" and cracked his neighbours' heads with the precision and fineness of touch which only manual craftsmanship can give. The housewives who flatly refused to cook the hot dinner knew how much or how little, cold meat there was in the house. The sailor who defied discipline by mutinying at the Nore[122] did not defy discipline in the sense of falling off the rigging or letting the water into the hold. Similarly the modern proletariat, however little it may know, knows what it is talking about.

But the curious thing about the educated class is that exactly what it does not know is what it is talking about. I mean that it is startlingly ignorant of those special things which it is supposed to invoke and keep inviolate. The things that workmen invoke may be uglier, more acrid, more sordid; but they know all about them. They

know enough arithmetic to know that prices have risen; the kind Levantine gentleman is always there to make them fully understand the meaning of an interest sum; and the landlord will define Rent as rigidly as Ricardo.[123] The doctors can always tell them the Latin for an empty stomach; and when the poor man is treated for the time with some human respect (by the Coroner) it almost seems a pity he is not alive to hear how legally he died.

Against this bitter shrewdness and bleak realism in the suffering classes it is commonly supposed that the more leisured classes stand for certain legitimate ideas which also have their place in life; such as history, reverence, the love of the land. Well, it might be no bad thing to have something, even if it were something narrow, that testified to the truths of religion or patriotism. But such narrow things in the past have always at least known their own history; the bigot knew his catechism; the patriot knew his way home. The astonishing thing about the modern rich is their real and sincere ignorance – especially of the things they like.

No!

Take the most topical case you can find in any drawing-room: Belfast. Ulster is most assuredly a matter of history; and there is a sense in which Orange resistance is a matter of religion. But go and ask any of the five hundred fluttering ladies at a garden party (who find Carson so splendid and Belfast so thrilling) what it is all *about*, when it began, where it came from, what it really maintains? What was the history of Ulster? What is the religion of Belfast? Do any of them know where Ulstermen were in Grattan's[124] time; do any of them know what was the "Protestantism" that came from Scotland to that isle; could any of them tell what part of the old Catholic system it really denied?

It was generally something that the fluttering ladies find in their own Anglican churches every Sunday. It were vain to ask them to state the doctrines of the Calvinist creed; they could not state the

doctrines of their own creed. It were vain to tell them to read the history of Ireland; they have never read the history of England. It would matter as little that they do not know these things, as that I do not know German; but then German is not the only thing I am supposed to know. History and ritual are the only things aristocrats are supposed to know; and they don't know them.

Smile and Smile

I am not fed on turtle soup and Tokay[125] because of my exquisite intimacy with the style and idiom of Heine[126] and Richter.[127] The English governing class is fed on turtle soup and Tokay to represent the past, of which it is literally ignorant, as I am of German irregular verbs; and to represent the religious traditions of the State, when it does not know three words of theology, as I do not know three words of German.

This is the last insult offered by the proud to the humble. They rule them by the smiling terror of an ancient secret. They smile and smile; but they have forgotten the secret.

The Symbolism of Krupp

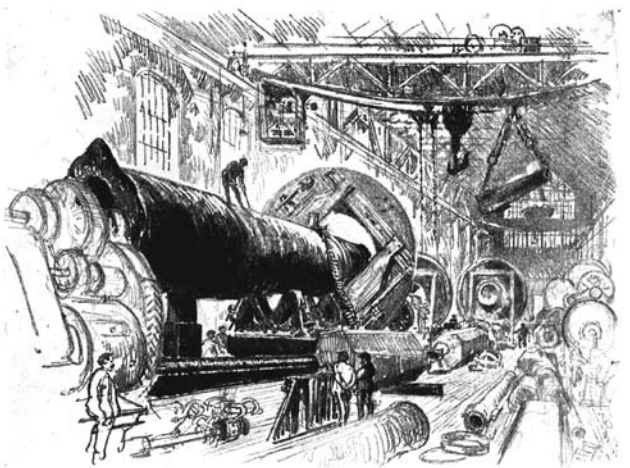
THE CURIOUS POSITION of the Krupp firm in the awful story developing around us is not quite sufficiently grasped. There is a kind of academic clarity of definition which does not see the proportions of things for which everything falls within a definition, and nothing ever breaks beyond it. To this type of mind (which is valuable when set to its special and narrow work) there is no such thing as an exception that proves the rule. If I vote for confiscating some usurer's millions I am doing, they say, precisely what I should be doing if I took pennies out of a blind man's hat. They are both denials of the principle of private property, and are equally right and equally wrong, according to our view of that principle. I should find a great many distinctions to draw in such a matter. First, I should say that taking a usurer's money by proper authority is not robbery, but recovery of stolen goods. Second, I should say that even if there were no such thing as personal property, there would still be such a thing as personal dignity, and different modes of robbery would diminish it in very different ways. Similarly, there is a truth, but only a half-truth, in the saying that all modern Powers alike rely on the Capitalist and make war on the lines of Capitalism. It is true, and it is disgraceful. But it is *not* equally true and equally disgraceful. It is *not* true that Montenegro is as much ruled by financiers as Prussia, just as it is not true that as many men in the Kaiserstrasse, in Berlin, wear long knives in their belts as wear them in the neighbourhood of the Black Mountain. It is not true that every peasant from one of the old Russian communes is the immediate servant of a rich man, as is every employee of Mr. Rockefeller. It is as false as the statement that no poor people in America can read or write. There is an element of Capitalism in all modern countries, as there is an element of illiteracy in all modern countries. There are some who think that the number

of our fellow-citizens who can sign their names ought to comfort us for the extreme fewness of those who have anything in the bank to sign it for, but I am not one of these.

In any case, the position of Krupp has certain interesting aspects. When we talk of Army contractors as among the base but active actualities of war, we commonly mean that while the contractor benefits by the war, the war, on the whole, rather suffers by the contractor. We regard this un-soldierly middleman with disgust, or great anger, or contemptuous acquiescence, or commercial dread and silence, according to our personal position and character. But we nowhere think of him as having anything to do with fighting in the final sense. Those worthy and wealthy persons who employ women's labour at a few shillings a week do not do it to obtain the best clothes for the soldiers, but to make a sufficient profit on the worst. The only argument is whether such clothes are just good enough for the soldiers, or are too bad for anybody or anything. We tolerate the contractor, or we do not tolerate him; but no one admires him especially, and certainly no one gives him any credit for any success in the war. Confessedly or unconfessedly we knock his profits, not only off what goes to the taxpayer, but what goes to the soldier. We know the Army will not fight any better, at least, because the clothes they wear were stitched by wretched women who could hardly see; or because their boots were made by harassed helots, who never had time to think. In war-time it is very widely confessed that Capitalism is *not* a good way of ruling a patriotic or self-respecting people, and all sorts of other things, from strict State organisation to quite casual personal charity, are hastily substituted for it. It is recognised that the "great employer," nine times out of ten, is no more than the schoolboy or the page who pilfers tarts and sweets from the dishes as they go up and down. How angry one is with him depends on temperament, on the stage of the dinner – also on the number of tarts.

Now here comes in the real and sinister significance of Krupps. There are many capitalists in Europe as rich, as vulgar, as selfish, as rootedly opposed to any fellowship of the fortunate and unfortunate. But there is no other capitalist who claims, or can pretend to claim, that he has very appreciably *helped* the activities of his people in war. I will suppose that Lipton[128] did not deserve the very severe

criticisms made on his firm by Mr. Justice Darling;[129] but, however blameless he was, nobody can suppose that British soldiers would charge better with the bayonet because they had some particular kind of groceries inside them. But Krupp can make a plausible claim that the huge infernal machines to which his country owes nearly all of its successes could only have been produced under the equally infernal conditions of the modern factory and the urban and proletarian civilization. That is why the victory of Germany would be simply the victory of Krupp, and the victory of Krupp would be simply the victory of Capitalism. There, and there alone, Capitalism would be able to point to something done successfully for a whole nation – done (as it would certainly maintain) better than small free States or natural democracies could have done it. I confess I think the modern Germans morally second-rate, and I think that even war, when it is conducted most successfully by machinery, is second-rate war. But this second-rate war will become not only the first but the only brand, if the cannon of Krupp should conquer; and, what is very much worse, it will be the only intelligent answer that any capitalist has yet given against our case that Capitalism is as wasteful and as weak as it is certainly wicked. I do not fear any such finality, for I happen to believe in the kind of men who fight best with bayonets and whose fathers hammered their own pikes for the French Revolution.



The Tower of Bebel

AMONG THE CLOUDY and symbolic stories in the beginning of the Bible there is one about a tower built with such vertical energy as to take a hold on heaven, but ruined and resulting only in a confusion of tongues. The story might be interpreted in many ways – religiously, as meaning that spiritual insolence starts all human separations; irreligiously, as meaning that the inhuman heavens grudge man his magnificent dream; or merely satirically as suggesting that all attempts to reach a higher agreement always end in more disagreement than there was before. It might be taken by the partially intelligent Kensitite[130] as a judgement on Latin Christians for talking Latin. It might be taken by the somewhat less intelligent Professor Harnack[131] as a final proof that all prehistoric humanity talked German. But when all was said, the symbol would remain that a plain tower, as straight as a sword, as simple as a lily, did nevertheless produce the deepest divisions that have been known among men. In any case we of the world in revolt – Syndicalists, Socialists, Guild Socialists, or whatever we call ourselves – have no need to worry about the scripture or the allegory. We have the reality. For whatever reason, what is said to have happened to the people of Shinak[132] has precisely and practically happened to us.

None of us who have known Socialists (or rather, to speak more truthfully, none of us who have been Socialists) can entertain the faintest doubt that a fine intellectual sincerity lay behind what was called "*L'Internationale*." It was really felt that Socialism was universal like arithmetic. It was too true for idiom or turn of phrase. In the formula of Karl Marx men could find that frigid fellowship which they find when they agree that two and two make four. It was almost as broadminded as a religious dogma.

Yet this universal language has not succeeded, at a moment of crisis, in imposing itself on the whole world. Nay, it has not, at the moment of crisis, succeeded in imposing itself on its own principal champions. Hervé[133] is not talking Economic Esperanto; he is talking French. Bebel[134] is not talking Economic Esperanto; he is talking German. Blatchford is not talking Economic Esperanto; he is talking English, and jolly good English, too. I do not know whether French or Flemish was Vandervelde's nursery speech, but I am quite certain he will know more of it after this struggle than he knew before. In short, whether or no there be a new union of hearts, there has really and truly been a new division of tongues.

How are we to explain this singular truth, even if we deplore it? I dismiss with fitting disdain the notion that it is a mere result of military terrorism or snobbish social pressure. The Socialist leaders of modern Europe are among the most sincere men in history; and their Nationalist note in this affair has had the ring of their sincerity. I will not waste time on the speculation that Vandervelde is bullied by Belgian priests; or that Blatchford is frightened of the Horse Guards outside Whitehall. These great men support the enthusiasm of their conventional countrymen because they share it; and they share it because there is (though perhaps only at certain great moments) such a thing as pure democracy.

Timour the Tartar,[135] I think, celebrated some victory with a tower built entirely out of human skulls; perhaps he thought *that* would reach to heaven. But there is no cement in such building; the veins and ligaments that hold humanity together have long fallen away; the skulls will roll impotently at a touch; and ten thousand more such trophies could only make the tower taller and crazier. I think the modern official apparatus of "votes" is very like that tottering monument. I think the Tartar "counted heads," like an electioneering agent. Sometimes when I have seen from the platform of some paltry party meeting the rows and rows of grinning upturned faces, I have felt inclined to say, as the poet does in the "The Vision of Sin"[136]—

> "Welcome fellow-citizens,
> Hollow hearts and empty heads."

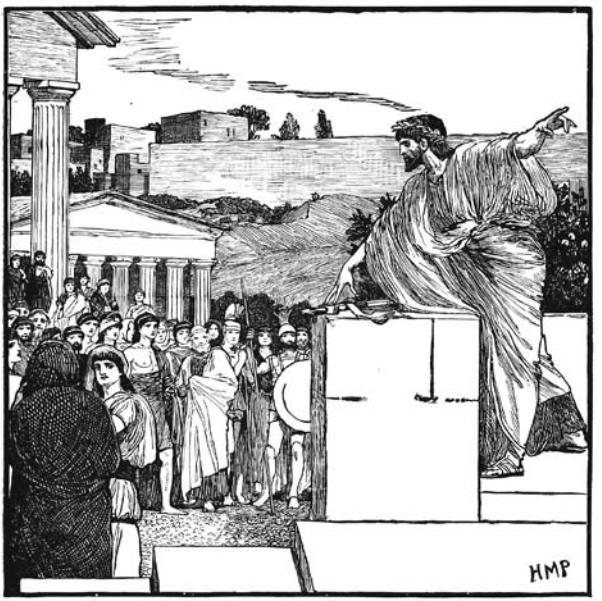
Not that the people were personally hollow or empty, but they had come on a hollow and empty business: to help the good Mr. Binks to strengthen the Insurance Act against the wicked Mr. Jinks who would only promise to fortify the Insurance Act. That night it did not blow the democratic gale. Yet it can blow on these as on others; and when it does blow men learn many things. I, for one, am not above learning them.

The Marxian dogma which simplifies all conflicts to the Class War is so much nobler a thing than the nose-counting of the parliaments that one must apologize for the comparison. And yet there is a comparison. When we used to say that there were so many thousands of Socialists in Germany, we were counting by skulls. When we said that the majority consisting of Proletarians would be everywhere opposed to the minority, consisting of Capitalists, we were counting by skulls. Why, yes; if all men's heads had been cut off from the rest of them, as they were by the good sense and foresight of Timour the Tartar; if they had no hearts or bellies to be moved; no hand that flies up to ward off a weapon, no foot that can feel a familiar soil – if things were so the Marxian calculation would be not only complete but correct. As we know today, the Marxian calculation is complete, but it is not correct.

Now, this is the answer to the questions of some kind critics, whose actual words I have not within reach at the moment, about whether my democracy meant the rule of the majority over the minority. It means the rule of the rule – the rule of the rule over the exception. When a nation finds a soul it clothes it with a body, and does verily act like one living thing. There is nothing to be said about those who are out of it, except that they are out of it. After talking about it in the abstract for decades, this is Democracy, and it is marvellous in our eyes. It is not the difference between ninety nine persons and a hundred persons; it is one person – the people. I do not know or care how many or how few of the Belgians like or dislike the pictures of Wiertz.[137] They could not be either justified or condemned by a mere majority of Belgians. But I am very certain that the defiance to Prussia did not come from a majority of Belgians. It came from Belgium one and indivisible – atheists, priests, princes

of the blood, Frenchified shopkeepers, Flemish boors, men, women, and children, and the sooner we understand that this sort of thing can happen the better for us. For it is this spontaneous spiritual fellowship of communities under certain conditions to which the four or five most independent minds of Europe willingly bear witness today.

But is there no exception: is there no one faithful among the unfaithful found? Is no great Socialist politician still untouched by the patriotism of the vulgar? Why, yes; the rugged Ramsay MacDonald,[138] scarred with a hundred savage fights against the capitalist parties, still lifts up his horny hand for peace. What further need have we of witnesses? I, for my part, am quite satisfied, and do not doubt that Mr. MacDonald will be as industrious in damping down democracy in this form as in every other.



A Real Danger

HEAVEN FORBID that I should once more wade in those swamps of logomachy[139] and tautology in which the old guard of the Determinists still seem to be floundering. The question of Fate and Free Will can never attain to a conclusion, though it may attain to a conviction. The shortest philosophic summary is that both cause and choice are ultimate ideas within us, and that if one man denies choice because it seems contrary to cause, the other man has quite as much right to deny cause because it seems contrary to choice. The shortest ethical summary is that Determinism either affects conduct or it does not. If it does not, it is morally not worth preaching; if it does, it must affect conduct in the direction of impotence and submission. A writer in the *Clarion*[140] says that the reformer cannot help trying to reform, nor the Conservative help his Conservatism. But suppose the reformer tries to reform the Conservative and turn him into another reformer? Either he can, in which case Determinism has made no difference at all, or he can't, in which case it can only have made reformers more hopeless and Conservatives more obstinate. And the shortest practical and political summary is that working men, most probably, will soon be much too busy using their Free Will to stop to prove that they have got it. Nevertheless, I like to watch the Determinist in the *Clarion* Cockpit every week, as busy as a squirrel – in a cage. But being myself a squirrel (leaping lightly from bough to bough) and preferring the form of activity which occasionally ends in nuts, I should not intervene in the matter even indirectly, except upon a practical point. And the point I have in mind is practical to the extent of deadly peril. It is another of the numerous new ways in which the restless rich, now walking the world with an awful insomnia, may manage to catch us napping.

Must Be a Mystery

There are two letters in the *Clarion* this week which in various ways interest me very much. One is concerned to defend Darwin against the scientific revolt against him that was led by Samuel Butler,[141] and among other things it calls Bernard Shaw a back number. Well, most certainly *The Origin of Species* is a back number, insofar as any honest and interesting book ever can be; but in pure philosophy nothing can be out of date, since the universe must be a mystery even to the believer. There is, however, one condition of things in which I do call it relevant to describe somebody as behind the times. That is when the man in question, thinking of some state of affairs that has passed away, is really helping the very things he would like to hinder. The principles cannot alter, but the problems can. Thus, I should call a man behind the times who, in the year 1872, pleaded for the peaceful German peasants against the triumphant militarism of Napoleon. Or I should call a man out of date who, in the year 1892, wished for a stronger Navy to compete with the Navy of Holland, because it had once swept the sea and sailed up the Thames. And I certainly call a man or a movement out of date that, in the year 1914, when we few are fighting a giant machine, strengthened with all material wealth and worked with all the material sciences, thinks that our chief danger is from an excess of moral and religious responsibility. He reminds me of Mr. Snodgrass, who had the presence of mind to call out "Fire!" when Mr. Pickwick fell through the ice.

The other letter consists of the usual wire-drawn argument for fatalism. Man cannot imagine the universe being created, and therefore is "compelled by his reason" to think the universe without beginning or end, which (I may remark) he cannot imagine either. But the letter ends with something much more ominous than bad metaphysics. Here, in the middle of the *Clarion*, in the centre of a clean and combative democratic sheet, I meet again my deplorable old acquaintance, the scientific criminologist. "The so-called evil-doer should not be punished for his acts, but restrained."

In forty-eight hours I could probably get a petition to that effect signed by millionaires. A short time ago a Bill was introduced to hold irresponsible and "restrain" a whole new class of people, who were "incapable of managing their affairs with prudence." Read the supporters names on the back of that Bill, and see what sort of democrats they were.

Now, clearing our heads of what is called popular science (which means going to sleep to a lullaby of long words), let us use our own brains a little, and ask ourselves what is the real difference between punishing a man and restraining him. The material difference may be any or none; for punishment may be very mild, and restraint may be very ruthless. The man, of course, must dislike one as much as the other, or it would not be necessary to restrain him at all. And I assure you he will get no great glow of comfort out of your calling him irresponsible after you have made him impotent. A man does not necessarily feel more free and easy in a straight waistcoat than in a stone cell. The moral difference is that a man can be punished for a crime because he is born a citizen; while he can be constrained because he is born a slave. But one arresting and tremendous difference towers over all these doubtful or arguable differences. There is one respect, vital to all our liberties and all our lives, in which the new restraint would be different from the old punishment. It is of this that the plutocrats will take advantage.

The Plain Difference

The perfectly plain difference is this. All punishment, even the most horrible, proceeds upon the assumption that the extent of the evil is known, and that a certain amount of expiation goes with it. Even if you hang the man, you cannot hang him twice. Even if you burn him, you cannot burn him for a month. And in the case of all ordinary imprisonments, the whole aim of free institutions from the beginning of the world has been to insist that a man shall be convicted of a definite crime and confined for a definite period. But

the moment you admit this notion of medical restraint, you must in fairness admit that it may go on as long as the authorities choose to think (or say) that it ought to go on. The man's punishment refers to the past, which is supposed to have been investigated, and which, in some degree at least, has been investigated. But his restraint refers to the future, which his doctors, keepers, and wardens have yet to investigate. The simple result will be that, in the scientific Utopia of the *Clarion*, men like Mann or Syme[142] or Larkin will not be put in prison because of what they have done. They will be kept in prison because of what they might do. Indeed, the builders of the new tyranny have already come very near to avowing this scientific and futurist method. When the lawyers tried to stop *The Suffragette*[143] from appearing at all, they practically said: "We do not know your next week's crime, because it isn't committed yet; but we are scientifically certain you have the criminal type. And by the sublime and unalterable laws of heredity, all your poor little papers will inherit it."

This is a purely practical question; and that is why I insist on it, even in such strenuous times. The writers on the *Clarion* have a perfect right to think Christianity is the foe of freedom, or even that the stupidity and tyranny of the present Government is due to the monkish mysticism of Lord Morley and Mr. John M. Robertson.[144] They have a right to think the theory of Determinism as true as Calvin thought it. But I do not like seeing them walk straight into the enormous iron trap set open by the Capitalists, who find it convenient to make our law even more lawless than it is. The rich men want a scientist to write them a *lettre de cachet*[145] as a doctor writes a prescription. And so they wish to seal up in a public gaol the scandals of a private asylum. Yes; the writers on the *Clarion* are indeed claiming irresponsibility for human beings. But it is the governments that will be irresponsible, not the governed.

But I will tell them one small secret in conclusion. There is nothing whatever wrong in the ancient and universal idea of Punishment – except that we are not punishing the right people.

k

The Dregs of Puritanism

One peculiarity of the genuine kind of enemy of the people is that his slightest phrase is clamorous with all his sins. Pride, vain-glory, and hypocrisy seem present in his very grammar; in his very verbs or adverbs or prepositions, as well as in what he says, which is generally bad enough. Thus I see that a Nonconformist pastor in Bromley[146] has been talking about the pathetic little presents of tobacco sent to the common soldiers. This is how he talks about it. He is reported as having said, "By the help of God, they wanted this cigarette business stopped." How one could write a volume on that sentence, a great thick volume called *The Decline of the English Middle Class*. In taste, in style, in philosophy, in feeling, in political project, the horrors of it are as unfathomable as hell.

First, to begin with the trifle, note something slipshod and vague in the mere verbiage, typical of those who prefer a catchword to a creed. "This cigarette business" might mean anything. It might mean Messrs. Salmon and Gluckstein's business. But the pastor at Bromley will not interfere with that, for the indignation of his school of thought, even when it is sincere, always instinctively and unconsciously swerves aside from anything that is rich and powerful like the partners in a big business, and strikes instead something that is poor and nameless like the soldiers in a trench. Nor does the expression make clear who "they" are – whether the inhabitants of Britain or the inhabitants of Bromley, or the inhabitants of this one crazy tabernacle in Bromley; nor is it evident how it is going to be stopped or who is being asked to stop it. All these things are trifles compared to the more terrible offences of the phrase; but they are not without their social and historical interest. About the beginning of the nineteenth century the wealthy Puritan class, generally the

class of the employers of labour, took a line of argument which was narrow, but not nonsensical. They saw the relation of rich and poor quite coldly as a contract, but they saw that a contract holds both ways. The Puritans of the middle class, in short, did in some sense start talking and thinking for themselves. They are still talking. They have long ago left off thinking. They talk about the loyalty of workmen to their employers, and God knows what rubbish; and the first small certainty about the reverend gentleman whose sentence I have quoted is that his brain stopped working as a clock stops, years and years ago.

Second, consider the quality of the religious literature! These people are always telling us that the English translated Bible is sufficient training for anyone in noble and appropriate diction; and so it is. Why, then, are they not trained? They are always telling us that Bunyan,[147] the rude Midland tinker, is as much worth reading as Chaucer[148] or Spenser;[149] and so he is. Why, then, have they not read him? I cannot believe that anyone who had seen, even in a nightmare of the nursery, Apollyon[150] straddling over the whole breadth of the way could really write like that about a cigarette. By the help of God, they wanted this cigarette business stopped. Therefore, with angels and archangels and the whole company of Heaven, with St. Michael, smiter of Satan and Captain of the Chivalry of God, with all the ardour of the seraphs and the flaming patience of the saints, we will have this cigarette business stopped. Where has all the tradition of the great religious literatures gone to that a man should come on such a bathos with such a bump?

Thirdly, of course, there is the lack of imaginative proportion, which rises into a sort of towering blasphemy. An enormous number of live young men are being hurt by shells, hurt by bullets, hurt by fever and hunger and horror of hope deferred; hurt by lance blades and sword blades and bayonet blades breaking into the bloody house of life. But Mr. Price (I think that's his name) is still anxious that they should not be hurt by cigarettes. That is the sort of maniacal isolation that can be found in the deserts of Bromley. That cigarettes are bad for the health is a very tenable opinion to which the minister is quite entitled. If he happens to think that the youth of Bromley

smoke too many cigarettes, and that he has any influence in urging on them the unhealthiness of the habit, I should not blame him if he gave sermons or lectures about it (with magic-lantern slides), so long as it was in Bromley and about Bromley. Cigarettes may be bad for the health: bombs and bayonets and even barbed wire are not good for the health. I never met a doctor who recommended any of them. But the trouble with this sort of man is that he cannot adjust himself to the scale of things. He would do very good service if he would go among the rich aristocratic ladies and tell them not to take drugs in a chronic sense, as people take opium in China. But he would be doing very bad service if he were to go among the doctors and nurses on the field and tell them not to give drugs, as they give morphia in a hospital. But it is the whole hypothesis of war, it is its very nature and first principle, that the man in the trench is almost as much a suffering and abnormal person as the man in the hospital. Hit or unhit, conqueror or conquered, he is, by nature of the case, having less pleasure than is proper and natural to a man.

Fourth (for I need not dwell here on the mere diabolical idiocy that can regard beer or tobacco as in some way evil and unseemly in themselves), there is the most important element in this strange outbreak; at least, the most dangerous and the most important for us. There is that main feature in the degradation of the old middle class: the utter disappearance of its old appetite for liberty. Here there is no question of whether the men are to smoke cigarettes, or the women choose to send cigarettes, or even that the officers or doctors choose to allow cigarettes. The thing is to cease, and we may note one of the most recurrent ideas of the Servile State: it is mentioned in the passive mood. It must be stopped, and we must not even ask who has stopped it!

V

The Tyranny of Bad Journalism

THE AMAZING DECISION of the Government to employ methods quite alien to England, and rather belonging to the police of the Continent, probably arises from the appearance of papers which are lucid and fighting, like the papers of the Continent. The business may be put in many ways. But one way of putting it is simply to say that a monopoly of bad journalism is resisting the possibility of good journalism. Journalism is not the same thing as literature; but there is good and bad journalism, as there is good and bad literature, as there is good and bad football. For the last twenty years or so the plutocrats who govern England have allowed the English nothing but bad journalism. Very bad journalism, simply considered as journalism.

It always takes a considerable time to see the simple and central fact about anything. All sorts of things have been said about the modern Press, especially the Yellow Press; that it is Jingo or Philistine or sensational or wrongly inquisitive or vulgar or indecent or trivial; but none of these have anything really to do with the point.

The point about the Press is that it is not what it is called. It is not the "popular Press." It is not the Public Press. It is not an organ of public opinion. It is a conspiracy of a very few millionaires, all sufficiently similar in type to agree on the limits of what this great nation (to which we belong) may know about itself and its friends and enemies. The ring is not quite complete; there are old-fashioned and honest papers: but it is sufficiently near to completion to produce on the ordinary purchaser of news the practical effects of a corner and a monopoly. He receives all his political information and all his political marching orders from what is by this time a sort of half-conscious secret society, with very few members, but a great deal of money.

This enormous and essential fact is concealed for us by a number of legends that have passed into common speech. There is the notion that the Press is flashy or trivial *because* it is popular. In other words, an attempt is made to discredit democracy by representing journalism as the natural literature of democracy. All this is cold rubbish. The democracy has no more to do with the papers than it has with the peerages. The millionaire newspapers are vulgar and silly because the millionaires are vulgar and silly. It is the proprietor, not the editor, not the sub-editor, least of all the reader, who is pleased with this monotonous prairie of printed words. The same slander on democracy can be noticed in the case of advertizements. There is many a tender old Tory imagination that vaguely feels that our streets would be hung with escutcheons and tapestries, if only the profane vulgar had not hung them with advertisements of Sapolio and Sunlight Soap. But advertizement does not come from the unlettered many. It comes from the refined few. Did you ever hear of a mob rising to placard the Town Hall with proclamations in favour of Sapolio? Did you ever see a poor, ragged man laboriously drawing and painting a picture on the wall in favour of Sunlight Soap – simply as a labour of love? It is nonsense; those who hang our public walls with ugly pictures are the same select few who hang their private walls with exquisite and expensive pictures. The vulgarisation of modern life has come from the governing class; from the highly educated class. Most of the people who have posters in Camberwell[151] have peerages at Westminster. But the strongest instance of all is that which has been unbroken until lately, and still largely prevails; the ghastly monotony of the Press.

Then comes that other legend; the notion that men like the masters of the Newspaper Trusts "give the people what they want." Why, it is the whole aim and definition of a Trust that it gives the people what it chooses. In the old days, when Parliaments were free in England, it was discovered that one courtier was allowed to sell all the silk, and another to sell all the sweet wine. A member of the House of Commons humorously asked who was allowed to sell all the bread. I really tremble to think what that sarcastic legislator would have said if he had been put off with the modern nonsense

about "gauging the public taste." Suppose the first courtier had said that, by his shrewd, self-made sense, he had detected that people had a vague desire for silk; and even a deep, dim human desire to pay so much a yard for it! Suppose the second courtier said that he had, by his own rugged intellect, discovered a general desire for wine: and that people bought his wine at his price – when they could buy no other! Suppose a third courtier had jumped up and said that people always bought his bread when they could get none anywhere else.

Well, that is a perfect parallel. "After bread, the need of the people is knowledge," said Danton. Knowledge is now a monopoly, and comes through to the citizens in thin and selected streams, exactly as bread might come through to a besieged city. Men must wish to know what is happening, whoever has the privilege of telling them. They must listen to the messenger, even if he is a liar. They must listen to the liar, even if he is a bore. The official journalist for some time past has been both a bore and a liar; but it was impossible until lately to neglect his sheets of news altogether. Lately the capitalist Press really has begun to be neglected; because its bad journalism was overpowering and appalling. Lately we have really begun to find out that Capitalism cannot write, just as it cannot fight, or pray, or marry, or make a joke, or do any other stricken human thing. But this discovery has been quite recent. The capitalist newspaper was never actually unread until it was actually unreadable.

If you retain the servile superstition that the Press, as run by the capitalists, is popular (in any sense except that in which dirty water in a desert is popular), consider the case of the solemn articles in praise of the men who own newspapers – men of the type of Cadbury[152] or Harmsworth,[153] men of the type of the small club of millionaires. Did you ever hear a plain man in a tramcar or train talking about Carnegie's[154] bright genial smile or Rothschild's[155] simple, easy hospitality? Did you ever hear an ordinary citizen ask what was the opinion of Sir Joseph Lyons about the hopes and fears of this, our native land? These few small-minded men publish papers to praise themselves. You could no more get an intelligent poor man to praise a millionaire's soul, except for hire, than you could get him to sell a millionaire's soap, except for hire. And I repeat that, though there

are other aspects of the matter of the new plutocratic raid, one of the most important is mere journalistic jealousy. The Yellow Press is bad journalism: and wishes to stop the appearance of good journalism.

There is no average member of the public who would not prefer to have Lloyd George discussed as what he is, a Welshman of genius and ideals, strangely fascinated by bad fashion and bad finance, rather than discussed as what neither he nor anyone else ever was, a perfect democrat or an utterly detestable demagogue. There is no reader of a daily paper who would not feel more concern – and more respect – for Sir Rufus Isaacs as a man who has been a stockbroker, than as a man who happens to be Attorney-General. There is no man in the street who is not more interested in Lloyd George's investments than in his Land Campaign. There is no man in the street who could not understand (and like) Rufus Isaacs as a Jew better than he can possibly like him as a British statesman. There is no sane journalist alive who would say that the official account of Marconis would be better "copy" than the true account that such papers as this have dragged out. We have committed one crime against the newspaper proprietor which he will never forgive. We point out that his papers are dull. And we propose to print some papers that are interesting.

The Poetry of the Revolution

EVERYONE but a consistent and contented capitalist, who must be something pretty near to a Satanist, must rejoice at the spirit and success of the Battle of the 'Buses.[156] But one thing about it which happens to please me particularly was that it was fought, in one aspect at least, on a point such as the plutocratic fool calls unpractical. It was fought about a symbol, a badge, a thing attended with no kind of practical results, like the flags for which men allow themselves to fall down dead, or the shrines for which men will walk some hundreds of miles from their homes. When a man has an eye for business, all that goes on on this earth in that style is simply invisible to him. But let us be charitable to the eye for business; the eye has been pretty well blacked this time.

But I wish to insist here that it is exactly what is called the unpractical part of the thing that is really the practical. The chief difference between men and the animals is that all men are artists; though the overwhelming majority of us are bad artists. As the old fable truly says, lions do not make statues; even the cunning of the fox can go no further than the accomplishment of leaving an exact model of the vulpine paw: and even that is an accomplishment which he wishes he hadn't got. There are Chryselephantine[157] statues, but no purely elephantine ones. And, though we speak in a general way of an elephant trumpeting, it is only by human blandishments that he can be induced to play the drum. But man, savage or civilized, simple or complex always desires to see his own soul outside himself; in some material embodiment. He always wishes to point to a table in a temple, or a cloth on a stick, or a word on a scroll, or a badge on a coat, and say: "This is the best part of me. If need be, it shall be the rest of me that shall perish." This is the method which seems so unbusinesslike to the men with an eye to business. This is also the method by which battles are won.

The Symbolism of the Badge

The badge on a Trade Unionist's coat is a piece of poetry in the genuine, lucid, and logical sense in which Milton[158] defined poetry (and he ought to know) when he said that it was simple, sensuous, and passionate. It is simple, because many understand the word "badge," who might not even understand the word "recognition." It is sensuous, because it is visible and tangible; it is incarnate, as all the good Gods have been; and it is passionate in this perfectly practical sense, which the man with an eye to business may some day learn more thoroughly than he likes, that there are men who will allow you to cross a word out in a theoretical document, but who will not allow you to pull a big button off their bodily clothing, merely because you have more money than they have. Now I think it is this sensuousness, this passion, and, above all, this simplicity that are most wanted in this promising revolt of our time. For this simplicity is perhaps the only thing in which the best type of recent revolutionists have failed. It has been our sorrow lately to salute the sunset of one of the very few clean and incorruptible careers in the most corruptible phase of Christendom. The death of Quelch[159] naturally turns one's thoughts to those extreme Marxian theorists, who, whatever we may hold about their philosophy, have certainly held their honour like iron. And yet, even in this instant of instinctive reverence, I cannot feel that they were poetical enough, that is childish enough, to make a revolution. They had all the audacity needed for speaking to the despot; but not the simplicity needed for speaking to the democracy. They were always accused of being too bitter against the capitalist. But it always seemed to me that they were (quite unconsciously, of course) much too kind to him. They had a fatal habit of using long words, even on occasions when he might with propriety have been described in very short words. They called him a Capitalist when almost anybody in Christendom would have called him a cad. And "cad" is a word from the poetic vocabulary indicating rather a general and powerful reaction of the emotions than a status that could be defined in a work of economics. The capitalist, asleep in the sun, let such long words crawl all over him, like so many long, soft, furry caterpillars. Caterpillars cannot sting like wasps. And, in

repeating that the old Marxians have been, perhaps, the best and bravest men of our time, I say also that they would have been better and braver still if they had never used a scientific word, and never read anything but fairy tales.

The Beastly Individualist

Suppose I go on to a ship, and the ship sinks almost immediately; but I (like the people in the *Bab Ballads*), by reason of my clinging to a mast, upon a desert island am eventually cast. Or rather, suppose I am not cast on it, but am kept bobbing about in the water, because the only man on the island is what some call an Individualist, and will not throw me a rope; though coils of rope of the most annoying elaboration and neatness are conspicuous beside him as he stands upon the shore. Now, it seems to me, that if, in my efforts to shout at this fellow-creature across the crashing breakers, I call his position the "insularistic position," and my position "the semi-amphibian position," much valuable time may be lost. I am not an amphibian. I am a drowning man. He is not an insularist, or an individualist. He is a beast. Or rather, he is worse than any beast can be. And if, instead of letting me drown, he makes me promise, while I am drowning, that if I come on shore it shall be as his bodily slave, having no human claims henceforward forever, then, by the whole theory and practice of Capitalism, he becomes a capitalist, he also becomes a cad.

Now, the language of poetry is simpler than that of prose; as anyone can see who has read what the old-fashioned protestant used to call confidently "his" Bible. And, being simpler, it is also truer; and, being truer, it is also fiercer. And, for most of the infamies of our time, there is really nothing plain enough, except the plain language of poetry. Take, let us say, the case of the recent railway disaster, and the acquittal of the capitalists interest. It is not a scientific problem for us to investigate. It is a crime committed before our eyes; committed, perhaps, by blind men or maniacs, or men hypnotised, or men in some other ways unconscious; but committed in broad daylight, so that the corpse is bleeding on our door-step. Good lives were lost,

because good lives do not pay; and bad coals do pay. It seems simply impossible to get any other meaning out of the matter except that. And, if in human history there be anything simple and anything horrible, it seems to have been present in this matter. If, even after some study and understanding of the old religious passions which were the resurrection of Europe, we cannot endure the extreme infamy of witches and heretics literally burned alive – well, the people in this affair were quite as literally burned alive. If, when we have really tried to extend our charity beyond the borders of personal sympathy, to all the complexities of class and creed, we still feel something insolent about the triumphant and acquitted man who is in the wrong, here the men who are in the wrong are triumphant and acquitted. It is no subject for science. It is a subject for poetry. But for poetry of a terrible sort.

LE DIABLE D'ARGENT.
(THE MONEY DEMON)

Notes.

[1] Probably a reference both to Sir George Albu, owner of the General Mining and Finance Corporation, a mining finance house formed to finance the mining operations which were initiated in conjunction with the South African gold rush of 1885; and to the use of cheap Chinese labor by the large South African mining interests (of which Albu's was one) ca. 1905.

[2] *Daily Herald*. Originally founded as *The World*, a "strike sheet" printed by London printers during the lockout of December, 1910, and renamed the *Daily Herald* in 1911. The paper continued as a strike sheet until the end of the strike in April, 1911, and was re-issued in April, 1912, after sufficient funds were raised by labor movement leaders. What made the paper famous almost immediately were the cartoons of Will Dyson (1880-1938), who was acclaimed by some of the period as the best English cartoonist since James Gillray of the 19th century.

[3] Sir John Everett Millais (1829–1896). Painter of French descent, he founded the Pre-Raphaelite Brotherhood with Rossetti and Hunt in 1848; became President of the Royal Academy in 1896. His most famous paintings are *Orphelia*, *Isabella* and *Pizzarro Seizing the Inca of Peru*.

[4] Buonarroti Michelangelo (1495–1564). Legendary painter and sculptor of the Renaissance period. His most famous painting is the Sistine Chapel in Rome; his most famous sculpture is *David*, which stands almost seventeen feet high.

[5] Sanzio Raphael (1483–1520). Master painter and sculptor of the Italian High Renaissance. He is best known for his Madonnas and his large figure compositions in the Vatican.

[6] Benevenuto Cellini (1500–1571). Famous goldsmith and sculptor with an equally famous foul temper. Wrote his informative *Treatise on Sculpture and Art of Goldsmithery* in 1568. Amongst his masterpieces are the gold and enamelled *Salt and Pepper Holder* (executed in 1543 in Vienna) and his bust of *Cosimo I* (1545).

[7] A reference to the Marconi case, which was an intricate case of Ministerial knowledge of Government intentions, contracts and share dealing by prominent public figures. The affair centered around the government's intention to build a chain of state-owned wireless stations, the decision to award the contract for the work to the Marconi Wireless Telegraph Company, and the purchase and sale – for large profits – of Marconi shares by government officials who were in a position to know the effects that the

awarding of the Marconi contract would have on its share price. The scandal erupted in 1912 and ran, violently, for some 18 months; it came to light principally as a result of Belloc's reporting in his paper, the *Eye Witness*.

[8] Medici. Famous patrons of the arts in the Florence of Renaissance Italy. Cosimo il Vecchio (1389–1464) patronized Ficino, Ghiberti, Brunelleschi, Donatello, Alberti, Fra Angelico, and Ucello, among others. His grandson, Lorenzo (1449–1492), further patronized such greats as Botticelli and Michelangelo; under his reign the city surpassed even the cultural achievements of the earlier period.

[9] A reference to A&F Pears founded in 1789, which was and is famous for its transparent soap. In 1862 a new partner, Thomas Barratt, employed what were then new advertising techniques. He sought and obtained Sir John Millais's permission to use his painting, *Bubbles*, on the soap wrapper – but the art world was outraged for years after the event. *Bubbles* is still the Pears logo.

[10] Home Rule. A proposal put on the table by the British government a number of times during the late nineteenth and early twentieth century, whereby the Irish would be a given a Parliament with various degrees of authority but which would always be subservient to the Imperial Parliament in London. The proposal was frequently made in order to assuage rising Irish nationalist and Irish Republican sentiment, but when it finally became law during World War I, it was immediately suspended pending the end of the war. Thereafter Dominion Home Rule was never taken seriously by Irish public opinion.

[11] The Boer War. Fought from 1899 to 1902. It was provoked by Lord Alfred Milner, British High Commissioner of the Cape Colony of South Africa, who wanted to bring the gold mines of the Dutch Boer Republics of the Transvaal and the Orange Free State under Imperial control. Ended with the Treaty of Vereeniging, but its lasting contribution was the creation, by the British, of the then-novel idea of the "concentration camp." During this war, over 25,000 Boers, mainly women and children, died in such camps.

[12] Jim Larkin (1874–1947). Abrasive and rather dictatorial leader of the Irish Transport and General Workers Union, which he founded in 1909 after splitting with James Sexton of the National Union of Dock Labourers as a result of the friction between them. Best remembered for his pivotal role in the 1913 Dublin Lockout which ended in failure.

[13] Joseph Havelock Wilson (1858–1929). General Secretary of the National Seamen's and Firemen's Union in the 1920s. When the "Strike Across the Empire" erupted in 1925 in Britain, Australia and South Africa, Wilson

perversely took the side of the ship owners, offering a 10% cut in seamen's wages! He was repudiated by his own members, and so resorted to recruiting non-union crews for the owners in order to break the strike.

[14] James Sexton (1882?–1945?). General Secretary of the National Union of Dock Labourers, during the period that the members grouped around Larkin broke away from the Union and, in January, 1909, founded the Irish Transport Workers Union.

[15] Georges-Jacques Danton (1759 –1794). A physically enormous man, with tremendous energy and wit; one of the most popular leaders of the French Revolution. His growing opposition to the dictatorship of Robespierre led to his being guillotined in 1793.

[16] Colossus of Arcis. A reference to Danton, born at Arcis-sur-Aube.

[17] "Let my reputation be damned that France might be free."

[18] William E. Gladstone (1809–1898). British Prime Minister four times between 1868 and 1894. Strongly Anglican in religion, he supported *laissez-faire* economics, but opposed Income Tax.

[19] Lord Richard Burton Haldane (1856–1928). Liberal MP from 1889 until he was appointed War Minister in 1905. Also served as Lord Chancellor in Asquith's government from 1912 to 1915. His Educational Reforms set up the basic structure of schooling still in operation in Britain.

[20] David Lloyd George (1863–1945). Elected Liberal MP in 1890, President of the British Board of Trade in 1906, and Chancellor of the Exchequer in 1908. Implicated in the Marconi scandal of 1912–1913; broke with progressive liberals in 1914 as a result of his refusal to oppose Britain's entry into WWI. Appointed Minister of Munitions in 1915; served as Prime Minister from 1916 to 1922.

[21] Kynoch's. An English explosives and munitions company factory. Chesterton may be referring to the now-forgotten explosion at the Kynoch Factory at Arklow, County Wicklow, Ireland in 1895.

[22] Sir Walter Gilbey (1831–1914). From a family that traded in wines and spirits; made Gilbey's Gin world famous. Created a Baronet by the Prince of Wales and founder of the Shire Horse Society.

[23] Benjamin Disraeli (1804–1881). British politician who was variously a Conservative, a Whig, a Radical and an Independent. Helped form the *Young England* group in 1842 which advocated an alliance between the working classes and the aristocracy; the doctrine appeared in his novels *Coningsby* (1844), *Sybil* (1845) and *Tancred* (1847). Became Prime Minister in 1868.

[24] *Punch*. Magazine founded in 1841 by Ebenezer Landells and Henry

Mayhew. A political and satirical journal which employed superb artists; was based on the French magazine, *Charivari*. It ceased publication in June 2002.

[25] The Temple. A reference to the Inner and Middle Temple, the two London Inns of Court for British barristers built on the site of the Temple constructed by the Knights Templar.

[26] Guiseppe Garibaldi (1807–1882). A violently anti-Catholic freemason who was heavily involved as soldier and guerrilla fighter in the Italian Risorgimento. Declared himself dictator in the name of King Victor Emmanuel II in Sicily in 1860 when he landed with 1,000 Redshirts. Ended life as a socialist.

[27] Charles Gordon (1833–1885). A popular British soldier who, according to Anthony Nutting's biography, became upon his death "a modern symbol of the soldier saint and Christian martyr." Opinion has since changed on this judgement. Died in Khartoum, Sudan, when the city was overrun by the armies of the Islamic Mahdi.

[28] Thomas Power O'Connor (1848–1929). Radical Irish journalist who founded *The Star* in 1887, though most of the work was actually done by his assistant, H.W. Massingham. The newspaper introduced the idea of the political cartoon for the first time. The paper ceased publication in 1960. He became an Irish nationalist MP in 1880.

[29] Sir Joseph Lyons. In the 1890's the Salmon and Gluckstein families went into the food and catering business, opening the first Lyons Tea Shop in 1894 in London. By the 1950s, it had become a chain of 200 shops, employing more than 30,000 people, and was a regular feature of British urban life.

[30] Harry Gordon Selfridge (1858-1947). American founder of "Selfridges," the West London Department store, in 1909, and which currently attracts some 17 million shoppers per year.

[31] John Ruskin (1819–1900). Artist, scientist, poet, environmentalist, philosopher and art critic in the Victorian period. He also taught Pre-Raphaelite drawing and was close to Rossetti, Hunt and Millais.

[32] George Meredith (1828–1909). Issue of a poor family who rose to be regarded as one of the finest poets and writers of the Victorian age. His first volume of poetry was published in 1851.

[33] Harrod's. World-famous department store located in Knightsbridge, London. Covering some 110,000 square meters over seven floors, it currently employs some 5,000 staff.

[34] A reference to Marshall & Snelgrove, fashion designers whose shop was established in London by James Marshall in the 19th century; it endured as

a department store roughly until the mid-20th century.

[35] Circe. The Dread Goddess in Greek mythology. Daughter of Helios – the Sun; had two children by the navigator, Odysseus.

[36] Piccadilly. A well-known commercial and entertainment district of Central London, England.

[37] *Avenue de l'Opera.* A street in central Paris, France.

[38] Shallot. A reference to the 1843 poem, *The Lady of Shallot*, by Alfred Lord Tennyson, wherein the subject of the poem is condemned to see the world through a mirror rather than through her own eyes:

> "And moving through a mirror clear
> That hangs before her all the year,
> Shadows of the world appear."

[39] Hilaire Belloc (1870–1953). Poet, novelist, critic, essayist and controversialist. A close friend of Chesterton, Legouis & Cazamian say of him in their *History of English Literature*: "Belloc's paradoxes are more careful than those of Chesterton; his manner is freer from tricks; while he has not the same vigor, he possesses a more varied and surer charm of expression."

[40] *Pall Mall Magazine*. A popular fiction magazine that featured writers such as H.G. Wells and John Buchan. It was founded by William Waldorf Astor in 1893 and sold to the Hearst family in 1914.

[41] Ernst Haeckel (1834–1919). Known as "Darwin's Bulldog on the Continent," he was notorious as a scientist who perpetrated numerous frauds in order to "prove" the theory of Evolution. Was the first to draw up "the family tree of mankind," filling out gaps between inorganic, non-living matter and the first signs of life with the non-existent "monera." Most famous fraud is the theory of embryonic recapitulation.

[42] Garden City. An industrial or other town land laid out systematically with spacious and garden-like surroundings. Examples are Letchworth and Welwyn Garden Cities in the Home Counties of England.

[43] Tom Mann (1856–1941). English Trades Unionist who variously flirted with Communist, Socialist, and syndicalist ideals. Active in major labor unions and leader of the transport workers strike in Liverpool in 1911, during which he published a pamphlet encouraging soldiers not to shoot striking workers. He was arrested for sedition after the strike and served only seven weeks of a six month sentence, thanks to public pressure which secured his release.

[44] *Roi Soleil* (Sun King). A reference to King Louis XIV of France (1638–1715) who chose the Sun as his emblem, which represented Apollo – the god of Peace and the Arts.

[45] Bastinado. A cane which is applied to the soles of the feet in order to punish or torture.

[46] F. Hugh O'Donnell. An Irish nationalist MP in the British House of Commons and co-founder of the Celtic Literary Society in 1893.

[47] Jambok. A non-lethal whip or lash used by peacekeepers and police. Probably of South African origin.

[48] Knout. A Russian scourge which, when applied, frequently kills.

[49] Robert Blatchford (1851–1943). A journalist in Manchester, England, who founded the Manchester Fabian Society in 1890. His Socialism was greatly influenced by William Morris, and his written works emphasized the importance of the Arts and values of the countryside. His patriotic socialism was reflected in such book titles as *Merrie England* and *Britain for the British*.

[50] Fred Henderson. A member of the Socialist League who was greatly influenced by William Morris. Opposed to top-down, state Socialism. He wrote *The ABC of Socialism*, the first chapter of which was adopted as an official policy statement by the Independent Labour Party.

[51] Alexander O. Murray, Master of Elibank. MP from a Scotland district beginning in 1905, and Liberal Chief Whip thereafter for the early part of the1900s; implicated in the Marconi scandal for his purchase of 3000 Marconi shares for himself and 3000 for the Liberal Party.

[52] Herbert Samuel (1870–1963). From an Orthodox Jewish family, he entered Parliament in 1902 and was later implicated in the Marconi scandal. First British High Commissioner in Palestine, where he laid the groundwork for the Balfour Declaration, and later Leader of the Liberal Party from 1931 to 1935.

[53] 10 Downing Street. Official residence of the British Prime Minister in London.

[54] George Bernard Shaw (1856–1950). English Literary figure and Fabian Socialist.

[55] Costermonger. A seller of fruit and vegetables from a barrow in the street.

[56] Consuelo Vanderbilt, Duchess of Marlborough (1877–1964). First child of railroad baron William K. Vanderbilt, who was married to Charles Richard John Spencer Churchill (9th Duke of Marlborough) in 1895. Interestingly, the marriage was annulled by the Matrimonial Court of Southwark, England, in 1926, a decision upheld by the Roman Rota the same year.

[57] Willesden Junction. An important railway station in north London.

[58] Nero (37–68). Adopted son of Roman Emperor Claudius, and himself Emperor from 54–68 AD. A bloody tyrant who led a degenerate life which ended in suicide.

[59] John D. Rockefeller (1839–1937). Head of Standard Oil Company, which he founded with partners in 1870, until 1911. The parent organization (Standard Oil Trust and later Standard Oil Company, New Jersey) was dissolved by law twice (1892 and 1911) for violation of anti-trust laws.

[60] Jacobites. Supporters of James II and his son James Stuart, "the Old Pretender," and of their right to the British throne. Support was based largely in Scotland and Ireland. There were several revolts in their favor, but the Stuart army, under Bonne Prince Charlie, was eventually annihilated at Culloden, Scotland in 1745. Not to be confused with the "Jacobins" of the French Revolution.

[61] Arthur Balfour (1848–1930). Elected to Parliament in 1874, he became leader of the House of Commons in 1892, and Prime Minister in 1902. Most famous for the Balfour Declaration which declared for a Jewish National Homeland in Palestine.

[62] Lord Penrhyn (1836–1907). Probably a reference to George Sholto Douglas-Pennant, the Second Lord Penrhyn. A Welsh Conservative MP and Anglican who sought to defend aristocratic privilege in the face of growing working class unrest. Renowned for having many enemies.

[63] Alfred Beit (1853–1906) A Jewish financier who became immensely rich on the diamond fields of South Africa . He worked closely with Cecil Rhodes, the founder of Rhodesia (now Zimbabwe).

[64] Arthur Henderson (1863–1935). Issue of poor Scottish family, he was an official with the Iron Founders Union. Entered Parliament in 1903 and became Chairman of the Parliamentary Labour Party. Was responsible for bringing about British diplomatic recognition of Soviet Russia. Awarded the Nobel Prize for Peace in 1934.

[65] Philip Snowden (1864–1937). Wesleyan and Temperance Movement member. Elected National Chairman of the Independent Labour Party in 1930, and elected a Labour MP in 1906. A popular speaker on Christian Socialism. Became Chancellor of the Exchequer in 1929, but was expelled from the Labour Party in 1931 for "unsocialist views."

[66] Laurence Housman (1865–1959). Younger brother of A.E. Housman. Prolific novelist and dramatist who had over 100 works published. Best remembered for *The Little Play of St. Francis*(1922) and *Victoria Regina* (1934).

[67] Great Reform Bill. An 1832 act of Parliament to reapportion representation and extend suffrage in a way more favorable to the cities of the

industrial north of England, passed in the wake of rioting, the worst of which occurred in Bristol in October, 1831. The voting restrictions and inequalities of the resultant constituencies, among other things, gave rise to the result to which Chesterton refers.

[68] Chartism. A movement which sought to address conditions suffered by the working classes following upon the Reform Bill of 1832 and lasting until 1848; named after *The People's Charter* which set forth the principles of parliamentary reform being demanded. Thomas Babbington, Lord Macaulay (1800–1859) was an essayist and historian, who made his name in writing history; was a Whig MP from Leeds from 1832 to ca. 1840. In 1842 Macaulay addressed Parliament to express his opposition to hearing the Chartists' second petition.

[69] Pompey (106–48BC). Famous military commander of the Roman Empire, known as "the Great." Married Julius Caesar's daughter in 70BC, but became Caesar's enemy after her death in 54BC. Civil war broke out within five years, and after Caesar defeated Pompey, he fled to Egypt, only to be murdered by order of Pharaoh, who was attempting to curry favor with Caesar.

[70] Cradley Heath. A town in the West Midlands of England, in the middle of Black Country, which is regarded as the "center" of the Industrial Revolution. Putumayo is a region of Columbia and Peru near the river of the same name. Chesterton is referring to the deaths of ca. 30,000 natives due to crop exploitation and the conditions of the forced labor imposed upon them, by the leaders of the Anglo-Peruvian rubber industry, for the harvesting of rubber during the late 19th and early 20th century. The "Putumayo Affair" was documented for the British government by Sir Roger Casement (1864–1916). Interestingly, Casement was later executed by the same government for treason due to his involvement in the Irish independence movement and the 1916 Easter Rising.

[71] Cf. 2 Kings xxiv:14.

[72] Honoré Gabriel Riqueti, Comte de Mirabeau (1749–1791). A notorious French philanderer of aristocratic stock, elected to represent Aix-en-Provence in the Third Estate during the pre-Revolutionary Estates General. He played a central role in the development of the French National Assembly and the drafting of the notorious Civil Constitution of the Clergy.

[73] Maximilien Robespierre (1758–1794). A lawyer elected to the Estates General in 1789, who attached himself to its extreme left wing. He became a member of the Committee for Public Safety in 1793, and instituted the Reign of Terror. Under his virtual dictatorship France was economically

devastated and large numbers went to the guillotine. He joined them in 1794.

[74] George James Danton (1759–1794). Influential lawyer and leader of the faction that brought about Louis XVI's arrest; he opposed the Jacobins during the Reign of Terror and was guillotined for so doing.

[75] Jean Paul Marat (1743–1793). A doctor and author who was a leading light of the French Revolution; son of an apostate, ex-priest father and French Protestant mother; he edited *The Friend of the People*, a Revolutionary paper, from 1789 to 1793.

[76] Charles Parnell (1846–1891). Protestant landlord who entered Parliament in 1875 and joined the Home Rule party. In 1879, he became President of Michael Davitt's Irish National Land League – which sought peasant proprietorship – becoming, thereby, the "uncrowned King of Ireland." In 1885, Parnell's Irish Parliamentary Party won a landslide victory, but his involvement with Mrs O'Shea in a messy divorce case split the Party and he died soon after.

[77] Charles Dickens (1812–1870). Prolific English author and journalist, and a fierce critic of the abuses of the capitalism of the early industrial revolution. He began as a shorthand reporter of Parliamentary debates, writing for *Doctor's Commons Courts*, and during his life he served as the editor of such journals as *Bentley's Miscellany, Household Words,* and *All the Year Round*. His novels include *The Pickwick Papers*, *Oliver Twist*, *Nicholas Nickleby*, *The Old Curiosity Shop*, *Martin Chuzzlewit*, *David Copperfield*, *Hard Times*, *A Tale of Two Cities*, and *Great Expectations*.

[78] Alfred Richard Orage (1873–1934). An influential English editor and social thinker. He became an elementary school teacher at Leeds, Yorkshire, in 1893, lectured on theosophy, and in 1900 helped found the avant-garde Leeds Arts Club. He moved to London in 1906 and became joint editor in 1907 of *The New Age*, and of which from 1909 until 1922 he was the sole editor and dominant spirit. Some years after he resigned from editorship of that journal, Orage began editing another one, the *New English Weekly*, which he continued to do until his death in 1934. T.S. Eliot remarked of him in a November, 1934, memorial issue of the weekly, "What was great about him was not his intelligence, fine as that was, but his honesty and his selflessness."

[79] *Daily News*. Conceived by Charles Dickens and founded by him in 1834 as a newspaper of radical opinion. First printed in 1846 under the editorship of Dickens and his friend, Douglas Jerrold (1803-1857). After only limited commercial success, Dickens handed the operation over to his friend John Forster, a more experienced journalist. Under his leader-

ship the paper saw contributions from such as Charles Mackay, Harriet Martineau, George Bernard Shaw, Henry Massingham, H. G. Wells, and G.K. Chesterton. By 1901 it was part of mainstream liberal opinion under the ownership of George Cadbury. The paper became the *News Chronicle* in 1930 when it was absorbed by the *Daily Chronicle* (*vide infra*), and ceased publication in 1960.

[80] *Daily Chronicle*. Founded in 1872, edited briefly by H. W. Massingham (1895–1899) and then by Robert Donald, who took charge in 1904. By 1941 Donald claimed that its circulation exceeded that of *The Times*, *Daily Telegraph*, *Morning Post*, *Evening Standard* and the *Daily Graphic* combined. The paper initially supported the radical wing of liberal opinion, opposing British entry into WWI. The paper was purchased under hostile circumstances by a group of David Lloyd George's associates, in response to Donald's decision to employ Sir Frederick Maurice as military correspondent. Maurice, a British Army officer, wrote letters to several newspapers exposing George's misrepresentation to Parliament of Britain's military strength in an effort to maintain support for the war effort, after Maurice was denied a military hearing. Donald resigned his editorship after the paper was purchased by George's colleagues, complaining that Lloyd George was trying to "corner public opinion." In 1930 the paper merged with the *Daily News* (*vide supra*).

[81] Stuart Samuel. Brother of Herbert Samuel, the British High Commissioner in Palestine, MP for an East London constituency, and head of the commission which investigated Polish anti-Jewish activity in 1919. Attacked by Henry Ford in his book, *The International Jew*, for seeking to suppress free speech in Poland. Stuart Samuel was a fervent Zionist.

[82] Park Lane. An expensive and residentially select area of central London near Hyde Park and Marble Arch.

[83] The Book of Common Prayer. The principal book of ritual used in the Church of England; assembled by Thomas Cranmer during the Reformation.

[84] Augustine Birrell (1850–1933). A barrister who entered Parliament in 1889. He piloted through the Education Bill in 1906, and became Secretary to Ireland from 1907 to 1916. In the wake of the Irish Easter Rebellion in 1916, he resigned. Wrote biographies of Charlotte Brontë, Marvell and Hazlitt.

[85] Sir Edward Henry Carson, Lord of Duncairn (1854–1935). Protestant lawyer who became MP for Trinity College, Dublin in 1892. Solicitor General for Ireland (1892) and England (1900–1905); Attorney General for Great Britian (1915–1916) in Herbert Asquith's government. Violently

hostile to Irish Home Rule, he became leader of the Irish Unionist Parliamentary Party in 1910, supported the paramilitary gun-running efforts of the Ulster Volunteer Force, and was in favor of the Partition of Ireland.

[86] Herbert Asquith (1852–1928). Lawyer who entered Parliament as a Liberal MP in 1886. Became Prime Minister in 1908. Introduced the Old Age Pensions Act and the 1911 Parliament Act which reduced the power of the House of Lords. He became the Earl of Oxford in 1925.

[87] William Pitt the Younger (1759–1806). With a talent for finance, he entered Parliament at the age of 27 after being refused a seat the year prior due to his youth; he later became renowned for his oratory. He sought to increase the power of the middle classes at the expense of the Crown. Became Prime Minister in 1783.

[88] Charles Fox (1749–1806). A dissolute individual who entered Parliament in 1768. Leading a chequered life, he supported the French Revolution and helped abolish the Slave Trade. Regarded by some as one of the greatest parliamentary debaters ever.

[89] Fleet Street. Until the 1980's the headquarters of most of the British daily national newspapers; located in east central London. Its decline began when Rupert Murdoch moved his important titles to Wapping in the East End of London.

[90] Edmond Rostand (1868–1918). French poet and dramatist, best known for his play, *Cyrano de Bergerac*. Elected to the *Académie Française* in 1901.

[91] *Christian Commonwealth*. Paper published by the Christian Social Union founded in 1889 by Henry Scott Holland to "investigate areas in which moral truth and Christian principles could bring relief to the social and economic disorder of society."

[92] Rutland. The smallest county in England.

[93] Henry Newbolt (1862–1938). Poet and novelist. Two volumes of important poetry, *Admirals All* and *The Island Race*, were published in 1897 and 1898 respectively. Regarded as an imperialist and jingoist whose poetry came into popularity especially at the outbreak of WWI. Was knighted in 1915 and wrote *The Naval History of the Great War* in 1920.

[94] Francis Drake (1540–1596). Variously described as a privateer or pirate. He was the first Englishman to circumnavigate the globe. Helped to defeat the Spanish Armada in 1588, which efforts earned him the nickname, "El Draque" – the Dragon. The quote is from one of Newbolt's poems, "Sir Francis Drake's Drum," written to glorify British naval history generally and Drake's place in it.

[95] Plimsoll line. A series of markings on the hull of a merchant ship indicat-

ing the maximum degree to which it can be safely loaded, introduced by Samuel Plimsoll (1824–1898), MP, and made binding in law by the British Board of Trade by 1890. Chesterton may be referring to Lloyd George's legislation, while head of the Board of Trade, which raised the Plimsoll Line 5 feet, ostensibly as a result of pressure from shipping interests that had powerful support in the House of Commons.

[96] A famous refrain from "*Vitai Lampada*" by Newbolt.

[97] Major George Archer-Shee (1894?–1914). A famous British veteran of WWI who in 1908, as a young Naval Cadet, was accused of theft and was successfully defended by Edward Carson; the trial attracted national attention in England. His story was immortalized in the play, *The Winslow Boy*, written by Terence Rattigan. The Latin phrase is from Henry Newbolt's poem, "Clifton Chapel," and in English reads: "[he died] as a soldier, and for his country."

[98] From "The Fighting *Téméraire*" by Newbolt. The *Téméraire* was a French ship captured and converted to English use; she came to the aid of Nelson's *Victory* at the Battle of Trafalgar and was thereafter known as the "fighting *Téméraire*." The verse of Newbolt's poem refers to the *Téméraire* being towed up the Thames in 1838 to be scrapped, a scene which was also the subject of a painting executed ca.1839 by J.M.W. Turner (1775–1851).

[99] King Alfred the Great (849–899). King of Anglo-Saxon England who fought the Vikings, most of whom reached various English cities by sailing up the Thames. During his reign he formulated a Code of Law and fostered religious and academic activity in the country; his name became a byeword for good government, education and religious piety.

[100] John Henry Cardinal Newman (1801–1890). Philosopher, Man of Letters and leader of the Oxford Movement in the Church of England. Became a Catholic in 1845, and a Cardinal in 1879. His most famous work – amidst a life full of writing and speaking – is *Apologia pro Vita sua*. He was a life-long enemy of Liberalism.

[101] Buckingham Palace. The official residence of the King/Queen of England when in London, opposite St. James's Park; it is protected by the Coldstream Guards.

[102] Chesterton here contrasts Carson's threats to oppose Irish Home Rule by violence, if passed through the British Parliament, with his acceptance of the post of British Attorney General under Herbert Asquisth in 1915.

[103] Clan-na-Gael. The oldest Irish Republican group in the world seeking a 32-County United Ireland, founded sometime between 1867 and 1870 in America; secretly known as the United Brotherhood. "The Wearing of the

Green" is a famous Irish folk song that tells of how people died for Ireland's right to be independent.

[104] Sir Rufus Isaacs (1860–1935) was British Attorney General (1910-1913) when he was implicated in the Marconi scandal (*vide supra*), as was his brother, Godfrey Isaacs, who directed the Marconi Company from 1910 until his death in 1925.

[105] St. Thomas à Becket (1118?–1170). Archbishop of Canterbury who came into conflict with King Henry II (reigned 1154–1189) of England over the submission of clergy to the civil law. Becket maintained, to safeguard the Church's independence, that clergy charged with criminal offenses should not be subject to the jurisdiction of civil courts but should be tried and punished by Church authorities only.

[106] Wycombe, Buckinghamshire. A town north west of London in one of the Home Counties of England.

[107] Jansenism. In spite of the definitions of the Council of Trent on the subjects of Grace and the Supernatural, Jansenius, Bishop of Ypres, claimed to find in the works of St. Augustine the true doctrine on Grace – thereby claiming that the true doctrine was being ignored or denied in the Church. His book to this effect, however, was only published two years after his death. Its doctrines were eagerly promoted by the Abbot of St. Cyran, forcing Pope Innocent X to condemn in 1653 five propositions taken from Jansenius's work.

[108] Jean Racine (1639–1699). French dramatist who was educated, ironically, by the Jansenists – ironically because the Jansenists disapproved of theatre. His early career was supported by Molière, but they later fell out. Racine became the Royal Historiographer in 1677.

[109] Henri de la Tour d'Auvergne Turenne (1611–1675). French General who took part in the Thirty Years War. Devoted to King Louis XIV of France. Killed at the battle of Salzbach.

[110] Francoise d'Aubigne, Marquise de Maintenon (1635–1719). She was a strong Catholic and renowned teacher who became governess to the children of Louis XIV, and in 1674 received her title of grace. She married the King in 1684 after the death of the Queen.

[111] Sir Alfred Cripps (1852–1941). The first Baron Parmoor; legal expert and politician.

[112] Louis Botha (1862–1919). Foremost military commander of the Boer forces during the war with the British Empire. Became Prime Minister of the Transvaal in 1907, and the first Prime Minister of a united South Africa in 1910. The early 1900s were a period of great turbulence in South

Africa, which witnessed the suppression of a general strike by mine workers through the imposition of Martial Law in 1914, and the military suppression of an attempted coup against the Botha government by Afrikaner nationalists in the same year.

[113] Sidney Webb (1859–1947). One of the leaders of the Fabian Society.

[114] Zeppelin. An airship, developed by Count Ferdinand Von Zeppelin (1838–1917) who sought to make air travel popular, and persuaded the German army to procure and deploy over 100 Zeppelins during WWI.

[115] Emile Vandervelde (1866–1938). Belgian Socialist who entered Parliament in 1894 and led the Belgian Workers' Party from then until his death. He played a leading role in the founding of the Second International (1889–1914). The Yser river runs from France into Northwest Belgium and exits into the North Sea; it was the scene of heavy fighting between Belgian and German forces during WWI.

[116] *Daily Citizen*. Socialist paper which represented, generally, the Labour Party, the Fabian Society, and the Independent Labour Party, published in London from 1912 to 1915.

[117] Krupps. A German family of armaments manufacturers, established by Friedrich Krupp (1787–1826), and vastly extended by Fritz Krupp (1854–1902), who was interested more in financial gain than in any other aspect of the operation.

[118] Prof. Gilbert Murray (1866–1957). Regius Professor of Greek at Oxford University, England. Wrote *The Five Stages of Greek Religion* and *The Interpretation of Greek Literature*. The most popular Hellenist of his age, he was, nonetheless, viciously attacked by T. S. Eliot for his work on Euripides. Eliot wrote: "It is because Murray has no creative instinct that he leaves Euripides quite dead."

[119] Prof. J. S. Phillimore (1873–1926). A renowned Catholic Professor and scholar, who wrote extensively on the Saints, religious music, the Bible and Philosophy. Edited *Sextus Propertius*.

[120] Epsom. One of the most famous horse racing courses in England. Located in the county of Surrey.

[121] Robert Lowe, Viscount Sherbrooke (1811–1892). In 1859, became Vice President of the Education Board and Chancellor of the Exchequer in 1868. Chesterton quotes the famous paraphrase of a statement he made during a speech on July 15, 1867, after the passage of the Reform Bill, referring to the need for the working masses – who are allegedly the masters in a democracy – to be educated sufficiently if they are to perform worthily their task of governing.

[122] The Nore Mutiny. A mutiny of British sailors which occurred between May 12 and June 13, 1797, at the Nore in the Thames estuary. The sailors wanted better conditions and a change of officers amongst other things. The leader, Richard Parker, and some 20 others were hanged for their participation.

[123] David Ricardo (1772–1823). British political economist. Broke from his Orthodox Jewish family background to found a government securities business in the City of London in 1793. Entered Parliament in 1819. Wrote *Essay on Profits* (1815), in which is contained his famous law of rent, and *On the Principles of Political Economy and Taxation* (1817).

[124] Henry Grattan (1746–1820). Irish Stateman who entered the Irish Parliament in 1775. Brilliant orator who sought to undo English control of the Parliament. Retired in 1797 after dissatisfaction with the progress of Catholic emancipation, epitomized by the failure of the *Catholic Relief Act* (1793) to allow Catholics to enter Parliament. Appeared in the Parliament in 1800 to denounce the Act of Union with England in what is generally considered to be his most outstanding speech.

[125] Tokay. A sweet aromatic dessert wine made near Tokaj in Hungary.

[126] Heinrich Heine (1797–1856). German Jewish poet who wrote *Lorelay* which was set to music by Silcher in 1837. He was taught by G. F. Hegel in Berlin, and had a great admiration for Napoleon, which admiration influenced his work.

[127] Hans Richter (1888–1976). German-born artist, one of the earliest members of the Dadaist Movement (1916–1919), a movement which was marked by nonsense and travesty, and which destroyed aesthetic art standards. Wrote *Dada: Art and Anti-Art*, and later became celebrated in the film world.

[128] Sir Thomas Lipton (1850–1931). Founded a grocer's shop in Glasgow (1871) and became hugely successful, turning his firm into a liability company in 1889, making shares of his then multi-store chain grocery company available for purchase by investors. His reputation for tea stems from his purchase of plantations in Ceylon to ensure a steady supply of tea for sale in his stores, a technique which he implemented for various other commodities. Regarded as a pioneer of advertising and marketing.

[129] Justice Darling. A British judge with a reputation for quick wit and clever remarks. He was the Presiding Judge at the 1918 trial of Pemberton Billing, which was for many years regarded as the English "trial of the century." Darling famously stated that "The Law Courts in England are open to all men like the doors of the Ritz Hotel."

[130] Kensitite. A supporter of John Kensit (1852–1902), an evangelical who founded the Protestant Truth Society in 1889 to combat ritualism in the Church of England; he was a well-known disrupter of church ceremonies.

[131] Prof. Adolf von Harnack (1851–1930). Son of a Lutheran scholar, famous for his unorthodox interpretation of biblical miracles; first President of the Kaiser Wilhelm Society. His reputation as a Protestant liberal intellectual was confirmed by his denial of the Virgin Birth, the Divinity of Christ, the Resurrection of the Body and the existence of demons. Wrote *A History of Dogma* between 1886 and 1898.

[132] Shinak. Literally, "sacred music." It is played in the Takaisensyeeyong region of Kyusyu, Japan, and relates to a legend regarding a Japanese deity who, annoyed with the behavior of a brother deity, secludes himself from the world, depriving it of Light, and allowing it to become infested with demons and disasters of all kinds.

[133] Gustave Hervé (1871–1944). French revolutionary socialist, anti-militarist, and founder, in 1905, of the weekly Socialist newspaper, *La Guerre Sociale*.

[134] August Bebel (1840–1913). German Marxist writer and politician inspired by Wilhelm Liebknecht. Entered the German Parliament in 1868, eventually representing the Social Democratic Party which he founded in 1869. Wrote *Women and Socialism* in 1883.

[135] Timour the Tartar. A popular figure in Victorian sagas for children, derived most likely from the character created by Matthew Lewis (1775–1818) in 1811.

[136] "The Vision of Sin." A poem by Alfred Lord Tennyson (1809–1892) published in *English Idyls, and Other Poems* (1842).

[137] Antoine Wiertz (1806–1865). Belgian Romantic painter and sculptor. Won the Prix de Rome in 1832. Inspired by Reubens and the medieval painters, his masterpiece is *The Beautiful Rosine*.

[138] James Ramsey MacDonald (1866–1937). Elected MP in 1906 for the Labour Representation Committee, which became the Labour Party the same year, and of which MacDonald was elected leader in 1911. Opposed to Britain's participation in WWI, for which policy he resigned from the party leadership, and for which he lost his parliamentary seat in 1918. Later Prime Minister from 1923 to 1924 and again from 1929 to 1935.

[139] Logomachy. A controversy over or turning on merely verbal points.

[140] *The Clarion*. A weekly socialist paper founded in 1891 by Robert Blatchford. It serialized his work, *Merrie England*, which in book form sold some 750,000 copies. It ceased publication in 1931, by which time Blatchford had

switched his support to the Conservative Party.

[141] Samuel Butler (1835–1902). Prolific Victorian writer, most famous for his novel *The Way of All Flesh* (1903); translated the *Odyssey* and *The Iliad* from Greek in 1899 and 1900, respectively. Fiercely attacked Darwin and his theory in his 1878 *Life and Habit*.

[142] John Syme (1872?–1955). Scottish police officer who agitated against abuse and incompetence within the Metropolitan Police of London. Founded the National Union of Police and Prison Officers in 1913; jailed numerous times for allegedly causing dissension within the ranks of police officers.

[143] *The Suffragette*. Newspaper of the Women's Social and Political Union, founded in 1903 by Emmeline Pankhurst; renamed *Britannia* in 1915 due to the outbreak of WWI.

[144] Lord John Morley of Blackburn (1838–1923). Edited the crusading liberal paper, *The Pall Mall Gazette*, from 1880 to 1883, when he was elected to the House of Commons; edited the journal of literature *Macmillan's Magazine* thereafter until 1885. A Liberal politician who was a strong supporter of home rule, and opposed the Boer war and Britan's entry into WWI. Created a peer in 1908. John MacKinnon Robertson (1856–1933). Scottish author, literary critic, and politician. Militant atheist who worked with notorious freethinker Charles Bradlaugh (1833–1891) in the National Secular Society of Britain (which Bradlaugh founded) and edited the *National Reformer* from Bradlaugh's death until 1893, when he began editing the *Reformer* and did so until 1904. Best known for two lengthy works on the history of freethought, and several which attempt to disprove the historical existence of Jesus Christ. MP from 1906 to 1918.

[145] *Lettre de cachet*. French legal document. It was private, sealed, and came directly from the king, and would order the recipient to proceed against a third party and impose such punishments as imprisonment or exile; the punished had no recourse to a court of law.

[146] Bromley is a town situated in the English county of Kent.

[147] John Bunyan (1628–1688). Puritan author most famous for his books *Pilgrim's Progress* and *Grace Abounding to the Chief of Sinners*.

[148] Geoffrey Chaucer (1343–1400). A soldier, diplomat and intelligence officer who made a permanent place for himself in the history of English literature with his never-completed work, *The Canterbury Tales*.

[149] Edmund Spenser (1552–1599). An Elizabethan poet of remarkable classical and religious learning. Most well-known is his epic poem *The Faerie Queen* (1580). He is buried at Westminster Abbey in London.

[150] Apollyon. "The angel of the abyss" (Revelations ix:11); the name is Greek for "destroyer" and is "Abaddon" in Hebrew.

[151] Camberwell. A town situated in the English county of Surrey and is now part of Greater London.

[152] George Cadbury(1839–1922). Son of John Cadbury (1802–1889), the dealer of tea and coffee, and later of cocoa and chocolate. He purchased the *Daily News* in 1901.

[153] Alfred Harmsworth (1865–1922). Better known as Lord Northcliffe, he purchased his first newspaper, *The Evening News*, in 1894 and turned in sufficient profit that he went on to found the *Daily Mail* in 1896 – and which is still one of the major British tabloids. He was, and is, widely regarded as the man who began the dumbing-down of newspaper readerships, by including in his paper innovations such as sports pages, "human interest stories," a women's section, and the large banner headline. He once said, "when I want a peerage I will buy one" – reiforcing the belief of many like Chesterton and Belloc that peers were largely created *by* and *for* money. A man of limited intellect, David Lloyd-George, described Northcliffe as "one of the biggest intriguers and most unscrupulous people in the country."

[154] Andrew Carnegie (1835–1919). Scottish-born industrialist who set up the Carnegie Steel Company in Pittsburgh in 1865, which he sold in 1900 to J.P. Morgan for $400 million. In 1889, he wrote *The Gospel of Wealth*, in which he asserted that all personal wealth which went beyond one's reasonable needs should be used for the benefit of the community. He set up, as a consequence, a series of foundations to promote philanthropic and educational projects. By the time of his death, he had given away some $350 million.

[155] Rothschilds. A reference to one of several descendants of Nathan Meyer Rothschild (1777–1836), son of Mayer Amschel Rothschild, who brought the Rothschild financial operation to London in 1798. N.M. Rothschild's sons were variously members of Parliament and heads of the London-based merchant bank N.M. Rothschild & Sons, which, among other things, financed the British government's purchase of the Suez Canal in 1875 and the startup of De Beers Corporation in 1894. During the 19th century it was a common dictum that "There is only one power in Europe, and that is Rothschild."

[156] Battle of the 'Buses. Probably a reference to a large-scale disobedience of the law which gave a monopoly of bus services in London to a couple of private companies; the individual, independent operators simply kept working

and eventually the government was forced to make large concessions.

[157] Chryselephantine. A term for a style of statue design in which the drapery is made of gold and the flesh of ivory. The technique was used to a limited degree in Egypt, Mesopotamia, and Crete, and extensively in Greece from the 6th century, B.C. Most famous in this style were the images of Athena and Zeus made respectively for the Parthenon and the temple of Zeus at Olympia.

[158] John Milton (1608–1674). English poet and author. Issue from a renegade Catholic family, and at various times in the Commonwealth government under Cromwell. His political assistant was later to be famous, too – Andrew Marvell. Best remembered for *Paradise Lost*.

[159] Harry Quelch (1858–1913). Self-educated socialist politician. He joined the Social Democratic Federation of H. M. Hyndman in 1881. When William Morris and others split from the SDF to set up the Socialist League, Quelch remained with Hyndman. Edited the SDF's journal, *Justice*, from 1886 to 1913. An active union man, he played an important role in the disturbances that took place on February 13th, 1887 in Trafalgar Square, London, when workers clashed violently with police. The event became known as "Bloody Sunday."

POLITICS/PHILOSOPHY/ECONOMICS/HISTORY

Utopia of Usurers

by G.K. Chesterton (1874-1936)

Utopia is a collection of over two dozen of Chesterton's most trenchant essays on *what* Capitalism is, and *how bad* it is, in both precise and readable terms. He cuts to the core, and tears away polite illusions and pathetic excuses, demonstrating that modern Capitalism stands condemned not only by the Catholic Faith but by every sane view of the world. Not for the ideologically squeamish, *Utopia of Usurers* is a book which Aidan Mackey has called "Chesterton's angriest!"

FEATURING A PREFACE BY AIDAN MACKEY, THE FOREMOST ENGLISH SCHOLAR OF CHESTERTON AND HIS WORKS.

Born in Manchester, England, in 1922, Aidan Mackey became a devotee of Chesterton at 14 when his brother challenged him to "read something useful." It is a firey passion that still dominates his life.

Along with H.D. Pepler and other notables, he founded the Distributist Association in 1947 and soon after became the editor of the journal, *The Distributist*, which saw publication from 1953–1960.

Mackey wrote *Mr. Chesterton Comes to Tea* (1979); *The Wisdom of GKC* (1986), currently being re-edited in a new edition for the Catholic Truth Society of England; and *Hilaire Belloc and His Critics* (1991). He was also instrumental in the recent establishment of the G.K. Chesterton Centre at Plater College, Oxford.

"MOST OF THE EXCUSES WHICH SERVE THE CAPITALISTS AS MASKS ARE, OF COURSE, THE EXCUSES OF HYPOCRITES." —G.K. CHESTERTON

G.K. Chesterton's writing career spanned some 35 years, during which he wrote nearly 100 books and thousands of articles in over 125 different periodicals. His command of the language and his power of clear and precise exposition made him one of the leading literary figures of early twentieth-century England.

ISBN 0-9714894-3-2

9 780971 489431

IHS PRESS

Non est enim potestas nisi a Deo

42.884

INTEREST AND USURY

BY BERNARD W. DEMPSEY

WITH AN INTRODUCTION BY
JOSEPH A. SCHUMPETER

ESTC

LONDON
DENNIS DOBSON LTD

First published in Great Britain in 1948 by Dennis Dobson Limited, 12 Park Place, St. James's, London, SW1. All rights reserved. Printed in Great Britain by Charles Birchall & Sons Ltd., Liverpool

64/R

In the case of money, we are dealing with something which is handled in our generation by methods that are extremely different from those in vogue a century or half a century ago. When there was a multitude of private banks, the system by which credit was issued may perhaps have been appropriate, but with the amalgamation of the banks, we have now reached a stage where something universally needed—namely money, or credit which does duty for money—has become in effect a monopoly. . .

The private issue of new credit should be regarded in the modern world in just the same way in which the private minting of money was regarded in earlier times. The banks should be limited in their lending power to the amount deposited by their clients, while the issue of newer credit should be the function of public authority.

This is not in any way to censure the banks or bankers. They have administered the system entrusted to them with singular uprightness and ability and public spirit. But the system has become anomalous, and, as so often happens when an anomaly has persisted through a long period of time, the result is to make into the master what ought to be the servant.

THE REVEREND WILLIAM TEMPLE

Archbishop of Canterbury
London, September 26, 1942

ACKNOWLEDGEMENTS

A book which, like *Interest and Usury*, has been a long time in the making and reflects much of the writer's intellectual formation is the result of far more influences than can readily be recorded. First of all, the author must acknowledge his indebtedness to members of his family and to his colleagues and superiors in the Society of Jesus, in particular to the Reverends John E. Cantwell, Stephen J. Rueve, Paul V. Kennedy, and Charles W. Mulligan for their patience and care in pruning a long manuscript and to the Reverends Leo C. Brown, Samuel H. Horine and Peter A. Brooks for their interest in the work.

More specifically, direct intellectual influence came from the late T. M. Ave-Lallemant of Marquette University and the Reverend Adam C. Ellis, of St. Louis University, and encouragement from Arthur Eli Monroe, Harold H. Burbank and Joseph A. Schumpeter of Harvard University. To Professor Schumpeter the author is especially grateful for the time and attention he has given to the study.

BERNARD W. DEMPSEY, S. J.

Department of Economics
St. Louis University
St. Louis, Missouri

INTRODUCTION

This book is an important contribution to the history of economic thought. In introducing it to the professional public I wish, first of all, to stress its distinctive merit. Economics as a field of intellectual interest boasts of a line of descent that can be traced from Aristotle to Francis Hutcheson, the teacher of Adam Smith. But theorists do not usually concern themselves with developments prior to the eighteenth century. For this there are no doubt excellent reasons: one of the most convincing ones is that most economists are not qualified to go much into the past because the requisite knowledge forms no part of their professional equipment. In consequence, a sort of tacit arrangement has evolved, according to which, with rare exceptions, the older stages are being dealt with by historians or philologists while economists are content to accept results at second hand, comforting themselves by assuming that the thought of remote times, though interesting as a part of a general picture of by-gone civilizations, is essentially "pre-scientific" and thus of no direct interest to scientific economics. Unfortunately, that is not always so; and whenever it is not, the historian, however competent as a historian, is at a disadvantage which, though different, is not less serious than the disadvantage under which a theorist labors when he tries to extract economic doctrine from Aristotle without knowing Greek and without understanding the world of ancient Greece.

Now Father Dempsey labors under no such disadvantage. Both the necessary tools of analysis are equally at his command. His training as a theologian and the cultural background which his Order gives to every member made it easy for him to read the scholastic thought on interest and usury without any danger of misunderstanding. Moreover, his professional training as an economist put the methods and results of modern professional analysis at his command. And his peculiar personal merit is that, being more impressed than anyone has been so far with the necessity of bringing to bear on the interpretation of the former a full complement of the latter, he worked out what really amounts to a treatise on modern interest theory before presenting his interpretation of that of the Schoolmen. This treatise, covering almost half of the pages of his book, has in fact a value of its own quite independent of the comparison that follows it.

The time-honored controversy on the nature and functions of interest that had almost died out has flared up again during the past decade. New points of view have emerged. Propositions diametrically opposed to some that used to command almost universal assent have been put forth. My impression is that, as a result, a majority of economists interested in the problem have modified their views. Needless to say, no agreement has been reached. The reason is not far to seek. Interest holds so central a position in the capitalist organism that it intrudes in practically every economic consideration or valuation. In consequence, the phenomenon of interest as such and any particular rate of interest are the result of so many factors that it is easy to evolve a distinctive theory by the simple device of stressing one of them at the expense of others. To illustrate by an example: in a sense, it is correct to say that interest is the price paid for inducing somebody to part with "cash." If people's propensity to hold cash suddenly changed, then the market rate of interest would certainly change also. But this indicates just one of the many conditions to which the equilibrium rate of interest must conform and does not in itself provide sufficient ground on which to build a theory of interest.

Understandable or not, however, that state of things is deplorable. For much of our outlook on economic life and on its most pressing practical problems depends upon the views about the nature and function of interest which we happen to hold. The critical analysis presented by Father Dempsey should therefore be welcome to many a reader beyond the narrow circle of specialists.

But to return to the comparison which he institutes with the views of his three representative Schoolmen, Molina, Lessius, and de Lugo. Most readers will be struck by their "modernity." Of course, they were *late* scholastics and lived in or near the centers of early capitalism. Before their eyes was a reality that, so far as the fundamental categories of the capitalist economy are concerned, did not differ so very greatly from ours. There were money markets and speculators. There was the negotiable paper, big business, high finance. If those Schoolmen rose from the dead today, they would readily understand our world and be quite prepared to take part in the discussion of its problems. This is not all. Their "modernity" extends to their methods of approach. They had, of course, much less material at their disposal than we have. But what there was of it they collected by observation and inquiry in a thoroughly objective spirit. They had not our techniques, statistical and theoretical. But the scope and logical character of their procedure did not differ from ours. As

Duhem's work in the history of physics has shown for another field, so Father Dempsey's work shows for the field of interest theory that their reasoning was truly scientific in nature. To many people this will be a discovery.

But how is this possible? Have we not heard, and does not Father Dempsey himself emphasize that, in aim and attitude, the thought of the Schoolmen was so different from the thought of the modern economist as to be incommensurable with it? Did they not speak from the citadel of an immutable faith and were they not exclusively concerned with canons of justice that were timeless in essence and meant to be asserted against mere facts, not to be derived from them? A simple argument, however, suffices to dispel the apparent paradox.

No moral principle in itself decides a particular issue of right or wrong. In order to arrive at a decision—that is to say, to pronounce that a given class of cases is to be subsumed under a given principle—it is first necessary to diagnose those cases. Such diagnosis requires analysis and this analysis in turn is essentially neutral with respect to the ultimate purpose for which it is undertaken. If a bacteriologist establishes some proposition about the behavior of some bacillus or other, that proposition will be valid or invalid quite irrespective of whether or not his intention is to serve a medical purpose. Similarly, economic analysis is economic analysis and valid or invalid autonomously, i. e., irrespective of whether or not its results are to form part of the material from which a moral judgment is to be derived. This judgment itself, of course, transcends the pale of empirical science, but its analytic component does not.

Hence, the mere economist is no more entitled to object to, or to criticize, such use of the results of economic analysis than he is entitled to object to, or to criticize, any other use that may be made of them. What he is entitled to object to is the all too common practice which allows the analysis to be vitiated by the purpose or interest for the sake of which it is undertaken. This, however, the Schoolmen did not do. And the three men selected by Father Dempsey are shining examples of correct practice not only in this but also in another respect.

More often than was the case a hundred years ago, we today hear pronouncements by leaders of religious communities of all types not only upon general issues of social right or wrong but also upon economic questions of a complex character. Admirable intention is practically always in evidence. But so is, also practically always, lack of familiarity with what the economic facts are and what they mean. This was not so with the

great Jesuits of the sixteenth and seventeenth centuries. They were no doubt judges and directors of consciences. Their fundamental system of belief was the same as that of the *Doctor Angelicus*. But, to put it bluntly, they always knew what they were talking about. Their pronouncements rested as much on a mastery of economic facts and of the relations between these facts—that is to say, of "theory"—as they did on that hyper-empirical system. This fact not only makes them interesting to the scientific economist. It also lends a weight to their pronouncements which those of modern ecclesiastics of all denominations very often fail to carry. Finally, it goes a considerable way toward explaining how so inflexible a system of fundamental belief was able to remain so flexible in its application to changing social patterns.

To the instance of interest and usury the above applies with particular force. Our time witnesses not only another revival of the theoretical controversy about interest but also another revival of the practical controversy about the reform of money and banking. Few people will be so foolish as to deny the existence of a moral aspect of it or the right of the churches to speak out about it. But those who wish to do so had better recognize in turn the rather technical nature of the subject. However far some of them may feel themselves removed from Father Dempsey in matters of theology, they might be well advised to peruse his book which, though with the restraint proper to a scientific study, indicates clearly enough how analysis may implement moral principle—in a spirit not unworthy of intellectual descent from Cardinal de Lugo.

JOSEPH A. SCHUMPETER

Professor of Economics
Harvard University
Cambridge, Massachusetts

CONTENTS

I
THE TERMS OF A COMPARISON 1

II
THE RATE OF NATURAL INTEREST 7

III
THE DISPLACEMENT OF INCOME 41

IV
ALTERNATIVE OPPORTUNITIES 63

V
THE PRICE OF MONEY 88

VI
LATE MEDIEVAL USURY ANALYSTS 114

VII
EQUIVALENCE AND THE CONTRACTS 130

VIII
VALUE AND USURY 148

IX
COMPARISON OF GENERAL PRINCIPLES 186

X
SPECIAL ANALOGIES 216

INDEX 230

CHAPTER I

THE TERMS OF A COMPARISON

This study attempts to compare two distinct schools of economic doctrine. Such a study may seem like a brave but useless effort; medieval and modern writers on interest apparently have little in common except the subject to which they address themselves. Their eras are so different and so distant that the intellectual influence of the one upon the other has been inappreciable. The economic circumstances of these eras are such that the practical problems involved, though fundamentally the same, cannot apparently be discussed from a common viewpoint.

Close inspection would seem to yield nothing more than a further catalogue of divergences. The two schools differ notably, if not irreconcilably, in purpose. The medieval writer scanned the facts to see what, given such and such conditions, was right and just. The modern writer looks at the facts to see what will be "sound policy." This involves a difference in emphasis that is quite important. Where the "School-man," late and early, stressed his preoccupation with justice and equity, current academic decorum frowns upon an urgent concern with what ought to be rather than with what is. The two schools differ in method as well as in purpose. Statistical data were scarce for the Schoolman even in the later decades of that era. He had to be content with statistical inference drawn from a sample so large and with characteristics so well defined and so well known as to render detailed enumeration superfluous. This limitation has the disadvantage of making the conclusions broad and generic; refinment to specific situations may be difficult. There is the advantage, however, that the conclusions are substantial and commend themselves to common sense. Fortunately for the sake of the comparison, we shall see that the method of statistical induction does not underlie many of the basic theorems of contemporary monetary theory.

Interest theory in both periods does present one characteristic in very marked degree. Writings on the subject are abundant. There are dozens

of modern economists, each with enough authority, accomplishment, and adherents to be included in any list of influential writers. So, too, around the year 1600 there was a large group of Scholastic moral philosophers, theologians, and canonists each with sufficient personal weight to be called a truly significant writer. Consequently, a difficult question of procedure arises; any attempt to deal with the unwieldy mass of both medieval and modern material would render this study both endless and unintelligible. The solution adopted has been to select certain writers in each period as typical of their times. In both the modern and late medieval schools, the writers, even though holding distinctively personal opinions on some complex, obscure, or disputed matters, nevertheless also adhere to a more or less well-defined body of principles and methods characteristic of their period and their school. The author of the present study has therefore sought theorists who, for all their individual and special characteristics, still address themselves to their problem in terms which are the common terms of a generally accepted technique. The writers here chosen thus constitute a "representative sample"—though it has no other quality of a statistical sample than its representativeness. Detailed reasons for the selection of each individual writer are to be found at appropriate points in the text.

To quarrel with the choices that have been made would, of course, be easy. Undoubtedly certain names that are missing could be substituted for some that are included, without loss to the typical quality of the group. But neither among the modern nor among the medieval writers could a completely different group replace the one selected without affecting its quality and without doing some damage to that characteristic which indicates why certain writers exemplify the mood of their generation better than others. Any other entirely different combination would mean that the group would be less representative of the principles, methods, and attitudes we seek to compare.

* * *

It need hardly be pointed out that when usury analysis is served up with literary elegance, with ingenious pictorial statistics, adroit satire and the posing of sly dilemmas, it behooves both the professional economist and the well informed citizen to be clear about what "usury" means and

about the precise historical content of a theory that was influential for centuries.[1]

"Usury" is a word that may readily become a battle-cry in any period of economic distress. When the first and chief disorders of which people are aware manifest themselves in monetary, banking, financial, fiscal, or price matters, usury may easily be invoked as a cover-all for the vague distrust of the process by which people feel they have been victimized. In these circumstances debt, both public and private, is an overwhelming fact and payments which in times more benign were light-heartedly undertaken come to be regarded as usurious.

Even in such circumstances, "usury" may be used in two quite distinct ways. It may be no more than an ugly word to toss about loosely as an expression of frustration felt by various economic classes; and "usurers" may well be a collective condemnation for all persons to whom money is owed. With these connotations of the terms we are not here concerned. But the word may also be employed to characterize a fairly definite set of principles, a species of analysis which seeks to ground itself on fact and to reach a practical conclusion consistent with its principles. In this sense, usury analysis has been dealt with since the war of 1914-1918 by two different groups of people. The first group to bring up the question was composed of professional economists who saw a kinship between the monetary and interest theory of the post-war world and that of the medieval world.[2] The writers of the second group are not exclusively professional economists. Able and sincere intellectual effort lie behind their views; they make a strong appeal to facts as well as to principles.[3]

The choice of representative writers is not the only problem that confronts us when we try to reduce the pertinent material to manageable proportions. Some matters interesting and instructive enough in themselves simply must be neglected.

How should the theory of consumption loans be dealt with? Must it receive separate treatment or may it be included in a theory which is concerned chiefly with production loans? Loans may be divided into two broad classes according to their purpose. The borrowed money may be used to purchase finished goods which are thus permanently withdrawn from the market and are destroyed in consumption. Or the money may be spent to buy unfinished goods with the express purpose of later returning the goods to market for sale in the hope of a gain on the transaction. The

goods may or may not have been transformed in the meantime. Evidently there are important differences in the nature of the interest payment on these two types of loans. Therefore, though the theory of interest for consumption and production loans may be made into one continuous and symmetrical theory (as Irving Fisher has done), the two types of loans will not be treated in quite the same way. Indeed, even a comprehensive theory including both will have two parts or phases. Many current writers on interest simply disregard consumption loans, in effect treating them merely as a deduction from the supply curve of savings available for business purposes, as so much dis-saving. If the demand and supply curves of savings both reflect the consumption uses—that is, if the consumption demand is viewed as added to the business demand, both together bidding for a given supply of savings—then the theory must allow for the fact. But it is much simpler to regard funds directed to consumption uses as never entering that market which the theorist seeks to explain.

In the consumption loan market, the declining marginal utility of income and variations in the utility of income at different times are considered an adequate explanation of interest. Circumstances are easily imagined in which a reasonable man would willingly pay $107 *a year hence* in order to have $100 *now*. Again, take the case of two neighbors living under almost identical standards of comfort on $1,500 a year. When one lends the other $100, the loss to the lender of the fifteenth hundred dollars is greater than the gain to the borrower of the sixteenth hundred dollars; and if the lender wishes to equalize this inequality, as he would, an interest charge is called for. Considerations such as these enter into the currently acceptable explanations of consumption-loan interest.

We shall not enter into a detailed discussion of consumption-loans for several reasons. First, the Scholastic explanation of interest centers on the status of the lender, and as in Fisher's analysis, includes both consumption and production loans in a single theory. Secondly, the Schoolmen did not think in marginal terms, although many of their ideas could without distortion be recast in those terms. For reasons which they regarded as adequate and which we will consider in due course, a sum of money borrowed a year ago, if strictly appraised, was fully equated to the same sum delivered today. Therefore, since the modern writers address themselves directly to loans for investment purposes without making a special case of consumption-loans, the author of the present study does not

make a special case of consumption-loans in his summary of the Scholastic doctrine.

The question of procedure regarding consumption loans is typical of a difficulty which pervades the entire modern side of the discussion. The Scholastics presented a doctrine which was consistent because it was based on a unified system of thought that enjoyed general acceptance. Among the modern writers, however, this structural unity is less complete; moreover, where it does exist, it is obscured by the fact that the modern writers take up a problem where it seems most expedient even though the issue involved at that point may be neither theoretically nor logically the most fundamental. Nevertheless, in spite of their various starting points, the author of this study has sought in the case of each writer to indicate those principles which are at once most basic and most characteristic. This prevents the presentation of a detailed theory. The controversial literature has been considered only where it seemed necessary to show that in spite of the challenge the elemental points of the theory were still tenable. However, no attempt has been made to bring out refinements of doctrine or statistical verifications, because to do so within the scope of this study would serve no purpose. There is no medieval counterpart with which to compare such elaboration.

The problems of method in constructing acceptable summaries are superadded to all the difficulties inherent in the subject of interest itself. These include the drawback that interest is defined under "stationary conditions" which are not themselves always well defined; the handicap that when interest as a price is discussed, "price of what" is not always clearly indicated; the disadvantage that in topics which involve both the fact and the rate of interest, such as savings, investment, capital, rents, profits, the fact and the rate are not sharply differentiated. Under these conditions, it is far from simple to formulate a summary, however limited to essentials, which all would accept as being truly characteristic of modern writers. Nevertheless, such a summary has been attempted. Whether or not the author of this study has succeeded is for the reader to judge as the argument proceeds. But the reader should bear in mind the limited scope of this study and the drastic requirements of relevance to the purpose in hand.

---

[1]Of course, an historical investigation of the development of usury analysis would be desirable for its own sake, especially in view of the astonishing statements that

abound in the introductory chapters and footnotes of modern writings on interest and money. For some reason or other, the more self-conscious a certain type of writer is about his "scientific method," the freer he feels in generalizing about authors whom it is clear he has not read, let alone studied. On occasion, the proponents of usury doctrine furnish the opportunity for uplifting moral observations. (Cf. Alfred Marshall, *Principles of Economics*, 8th ed., p. 586, note.)

[2]See Chapter IX below.

[3]See especially J. L. Benvenisti, *The Iniquitous Contract*, London, 1937, and *The Absent-minded Revolution*, London, 1938. Also Hilaire Belloc, *Usury*, pamphlet, London, 1931, and the review thereof by E. J. Coyne in *Studies*, Dublin, June, 1932; Hilaire Belloc, *Economics for Helen*, London, 1924, pp. 152-172, 199-211; Francis H. Drinkwater, *Why Not End Poverty?*, London, 1935, and *Money and Social Justice*, London, 1934; Reginald Jebb, various papers in the *Weekly Review*, London; Jeffrey Mark, *Analysis of Usury*, London, 1935, and *Modern Idolatry*, London, 1934; Robert McNair Wilson, *Defeat of Debt*, London, 1935, and *Promise to Pay*, London, 1934; Harold Robbins, *Sun of Justice*, London, 1938. Also various papers by R. Dana Skinner and Henry Somerville in the *Commonweal*, New York. These writers, though proceeding from different premises, acknowledge a fellowship with Frederick W. Soddy, *Wealth, Virtual Wealth and Debt*, New York, 1926.

CHAPTER II

THE RATE OF NATURAL INTEREST

The writings of Knut Wicksell furnish a handy point of departure for the present inquiry for several reasons. First of all, his analysis is quite complete; we are not confronted with the necessity of piecing together occasional papers. A general theoretical treatise and a special monograph on interest enable one to present his views without fear that the presentation may be fragmentary or not fully representative of his thought. His ideas, moreover, seem to have undergone no radical change in the course of the years, although they have frequently had the benefit of careful reconsideration. All things considered, his views are seasoned, well-rounded and free from improvisation. Finally, Wicksell has had a direct or indirect influence on almost all the writers in the field and the effect of his work is still growing. "His theory of money and interest, in particular, has been the foundation of modern monetary theory."[1]

Wicksell's main work on the subject under examination is *Interest and Prices*. In German the book bears the somewhat more instructive title, *Geldzins und Güterpreise*, which, with a sub-title may be translated thus: Interest on Money and the Prices of Goods—A Study of the Basic Determinants of the Exchange Value of Money. This wording places the emphasis most aptly; for Wicksell saw in the relationship of money and prices not only a sequence of economic causation noteworthy in itself but also an essential characteristic of modern economy, an element which, if not rightly appraised, could be the cause of grave disorder. Though we shall refer, when it seems useful, to other writings by Wicksell, *Interest and Prices* may be regarded as the complete expression of his views on interest. To the end of his life he himself considered it in that light.

Any modern national economy may be justly described as a credit economy. Borrowing and lending, if not strictly universal, are so widespread as to influence the whole of the economic process. Though it is goods which the borrowers need in order to fulfill whatever wants they may have, goods are rarely borrowed; indeed, in the domain of business

enterprise, they are practically never borrowed. "He who borrows money at interest does not, as a rule, intend to keep it but to exchange it at the first suitable opportunity for goods and services."[2] If the desired good could be borrowed directly the entrepeneur's needs would be met equally well, but the borrowing of goods "is never the case."[3] In a monetary economy, the buying and selling of those things toward which the buyer's attitude is fundamentally that of a borrower is a phenomenon of essential significance. "It is not as is so often supposed, merely the form of the matter that is thus [by the substitution of money-buying for goods-borrowing] altered but its very essence. For real capital goods can no longer be supposed to be actually borrowed and lent; they are now bought and sold."[4]

This attribute of modern economy—that all credit transactions are performed in money though their real object is the control of goods—is basic to Wicksell's thought and to it he attaches the highest importance.

"It is usually said that in modern communities, capital (of the mobile kind) is lent *in the form of money*. But this is a metaphorical and inexact manner of speaking which can easily lead to error. Liquid capital, which is what we are considering, or, in other words, goods, are never lent,—they are never given and taken by way of borrowing; they are simply bought and sold."[5]

"It is not true that 'money is only one form of capital,' that the lending of money constitutes a lending of real capital in the form of money, etc."

"Liquid real capital (*i.e.*, goods) are never lent (not even in a system of simple merchandise credit); it is money which is lent and the commodity capital is then *sold in exchange for this money*."[6]

"Money does not enter into the processes of production; it is in itself ,as Aristotle showed, quite sterile."[7]

This point is labored because it permeates Wicksell's entire work; any lesser emphasis would fail to reflect his attitude.

There are two things at work here, the relations of which are obviously of prime significance: (1) the amount of loanable funds, and (2) the amount of goods to be bought with borrowed funds and so used as to enable the borrower to repay his obligations. Some kind of unity must prevail over this duality, or the economic process will arrive at a terminus quite different from that expected by those who believe that the lending of money is the lending of capital in a different form. But in the first stage at least, there is no direct economic apparatus to maintain this equivalence.

"The supply of real capital is limited by purely physical conditions, while the supply of money is in theory unlimited, and even in practice is held [only] within

fairly elastic boundaries. . . . This is true even of merchandise credit, indeed to a marked degree. A lender cannot provide more goods than he actually possesses but he can provide any amount of money—in fact, he provides exactly the sum borrower promises to pay for the goods."[8]

Because of the possible divergence between money lent and goods purchasable by borrowers, economic transactions present an acutely schizoid temperament, one phase slow-moving and intractable, the other capable of assuming any numerical value in a short period of time. Wicksell, besides making the statement on his own account, twice quotes approvingly Emil Struck's proposition that in modern credit economy the supply of money is determined by the demand.[9]

The avoidance of economic nervous breakdown and the maintenance of the integrity of the economic process was regarded by Wicksell as an obviously desirable objective. In this connection he developed a small but impressive armory of analytical tools which he applied with success to both historical and theoretical situations. The following quotations make clear his views as to the nature of interest.

"If nevertheless, present goods and services *for which payment need be made only in the future* fetch on the average a higher price corresponding to the level of loan interest—and this is the essence of every loan transaction and every advance of money—this is due simply to the ordinary laws of interest, or to the fact that labor and land, *if their fruits are not to be consumed immediately, may assume such forms as to give them a greater (marginal) productivity, a greater yield in consumable commodities than in their present form.*"[10]

* * *

"He who borrows money at interest does not as a rule intend to keep it, but to exchange it at the first suitable opportunity for goods and services by the productive use of which he hopes to be able to acquire not merely the equivalent of their price but also *a surplus value which constitutes the real rate of interest and more or less corresponds to the interest on the loan which he himself must pay.*"[11]

* * *

"Interest *is* this surplus value, for experience shows that the replacement of a certain quantity of current labor and land by an equal quantity of stored up resources of a similar kind tends in many cases to increase productivity, and since we assume that the quantity saved is only sufficient for use in these cases (and not even in all of them), it follows that the marginal productivity of the saved resources of labor and land is greater than that of current resources—at any rate up to a certain point."[12]

"This marginal productivity, and the share in the product which it determines, provides in the first place a recompense for the actual capital used in production but *it also provides something more.* Under stationary conditions, the exchange value of goods and services necessarily remains unchanged year after year so that a person who in one year purchases land and labor in order to convert them into capital intended for production in the following year, can always count upon obtaining more product or value than he has himself paid out. *This surplus is called interest.* We thus arrive at the following definition: *'Capital is saved up labor and saved up land. Interest is the difference between the marginal productivity of saved up labor and land and of current labor and land.'*"[13]

* * *

"For in the interval of time thus afforded, the accumulated labor and land have been able to assume forms denied them in their crude state by which they attain a much greater efficiency for a number of productive purposes—as Böhm-Bawerk better than any other modern writer has analyzed and demonstrated in such a masterly manner. In this circumstance is also to be found the whole value-creating power of capital or its so-called productivity. What emerges is simply the importance of the time element in production. In the real sense, of course, only living human beings and self-perpetuating natural forces, especially the sun and the earth's physical and chemical forces are productive; only the original factors, man and nature. But the productivity of both becomes, or at any rate may become, greater if they are employed for more distant ends than if they are employed for the immediate production of commodities. As has been said, this increase in efficiency is a *necessary condition of interest,* it is the *source* from which it flows (just as the fruitfulness of the earth is the source of rent and the productivity of labor the source of wages). But it does not on that account regulate the rate of interest."[14]

That is to say, resources which are withheld from consumption make it possible to effect combinations which could not be effected if only currently available resources were obtainable. In such forms, they yield a net product either from natural maturing or seasoning or through human contrivance. The difference between the product of goods so withheld and transformed and currently available resources is interest. Wicksell, with his accustomed filial piety, feels that in this he has added nothing to Eugen von Böhm-Bawerk but a simpler and clearer exposition which was impossible before Böhm-Bawerk. Actually, he relegates Böhm-Bawerk's first and second reasons to determinants of the amount of capital accumulation; they affect the *rate* of interest rather than specify the phenomenon itself. The third reason, the technical superiority of present goods over future goods, he does not regard as a universal attribute of all goods. The exposition, moreover, gains in concreteness by being set forth as of past goods over present goods rather than of present goods over future.

These goods which, with the passage of time, have assumed or can as-

sume such forms as to give them a greater "marginal productivity, a greater yield in consumable commodities," Wicksell, for purposes of exposition, conceives as being borrowed *in natura* by the entrepreneur from the capitalists. And the entrepreneur then pays them out *in natura* in the shape of wages and rents.

"At the end of the period of production, out of his own product, either directly or after exchanging it for other commodities (relative prices being assumed to remain unaltered) he repays the natural loan received. If this procedure were adopted by all entrepreneurs who work with borrowed capital, there would be built up through competition a certain sum of interest to be paid to the capitalists which would itself be paid in goods of some sort. The amount (*Höhe*) of this interest would be determined by the 'supply and demand' for capital. The phrase does not, it is true, tell us much; but we can, to be sure, set an upper limit for the sum of interest referred to which has a somewhat more comprehensible meaning. The upper limit is the surplus which production (or the net proceeds of production in other goods) makes possible to be left over, above the sum of wages, rents, etc., paid out, a quantity dependent on the one hand upon the productivity of business, and on the other upon the level of wages and rents . . . . Evidently, the entrepreneur cannot pay more than this."[15]

On the "purely imaginary assumption" that "the phenomena of capital and interest . . . could take place without the intervention of money or credit," we find that when goods are thus lent *in natura*, and repaid in the same way, there is a definite limit to the sums available for interest payment without encroaching on funds already ear-marked for rents and wages (including managerial wages). This margin — whether considered as "surplus value," or as "real interest of actual business"—is natural interest; it is "the real yield of capital in production."[16]

As we proceed to a more accurate description of Wicksell's thoughts on the subject vexing problems of terminology arise. Prof. Arthur W. Marget, in a properly vigorous footnote, objects to the translation of Wicksell's *in natura* in German to mean "in kind."

"To render it by a phrase which fails to show its connection with the phrase 'natural rate' is to miss the significance of a linguistic accident, the consequences of which have been as amazing as, in my opinion, they have been deplorable. The most far-reaching of these consequences has been the identification of the 'natural rate' as the rate which would be set if real capital were lent *in natura*, with the natural rate in a sense in which the word natural has connotations attaching to the word in phrases such as the 'natural price'—that is, the equilibrium price of classical economics."[17]

Unfortunately, Prof. Marget does not explore the full consequences of his radical observation. Does the lending of goods *in natura* mean that

we are dealing with a crude barter economy, with only the most vague relative values as is sometimes assumed;[18] or with a barter economy with a well-applied though perfectly abstract *numeraire;* or with a money economy with a well-developed price system for final goods, in which only lending operations are *in natura?* Certainly, Wicksell supposed a well-developed system of relative prices accompanying his lending operations *in natura.* For those critics who dislike the idea of natural interest and attempt to disallow it, it is important to know both what Wicksell held and what he could logically hold. We shall return to this subject later.

Bound up with the concept of lending *in natura* is a kindred matter, perhaps even more critical. Wicksell's doctrine is commonly referred to as a theory of the "natural rate" and its relation to money rate. It is essential to know whether, for Wicksell, the "natural rate" was a definite conception *as a rate* (despite all the statistical difficulties involved) or whether he was concerned with a *sum* of goods which would be in itself quite well-defined. The latter conception, a sum of goods, might be quite specific, even though the vagueness of the other term of the ratio might make the expression of this sum as a rate very unsatisfactory. Which did Wicksell regard as important—an abstract ratio, or the sum of goods which would be one term of that ratio?

The trouble is that Wicksell's basic term "*der natürliche Kapital zins*" is so grievously equivocal. In strict literalness the phrase means simply "natural interest" and is so translated by some persons quite conversant with the text.[19] Yet by a metonomy so easy as to be practically inevitable, the same phrase may be translated as "the natural rate of interest."

The translator of the English edition renders "*der natürliche Kapitalzins,*" the title for chapter eight, as "The Natural Rate of Interest," which is quite defensible. So far so good. At the end of the first paragraph, he translates "*der jeweilige Stand des natürlichen Kapitalzins*" into "the current value of the natural rate of interest on capital." This raises the question as to whether the prolepsis involved in the first expression was prudent. Might not the second phrase simply be "The current rate (level, condition) of natural interest"? On the following page of the book occurs a paragraph in which Wicksell is clearly speaking of quantities, not rates; competition brings about not a certain rate of interest but "*Zinsbetrag.*" "*Die Höhe dieses Zinses*" (translated "the amount of this rate of interest") is not a ratio between two quantities, but a quantity, *der Überschuss . . . über die Summe . . . eine Grösse.* The same problem arises on page 152: "the immediate cause of the fall in prices is the same as in the case where

the quantity of capital and output remain unaltered; the immediate cause is the excess of the money rate of interest over the natural rate of interest. If no such divergence had existed . . . the quantity of "money" would have kept step with the quantity of goods." There is question of *Überschuss des Geldzinses über den natürlichen Kapitalzins* in the absence of which excess, *das "Geld"* increases evenly *mit den Waren.*

No one would wish to cavil at the translator's brave wrestling with an involved text; but there is something to be gained by knowing whether Wicksell maintained that there is a rate of interest which merits the title "natural" in any sense, or whether there is merely natural interest, *der natürliche Kapitalzins, der reale Ertrag des Kapitales in der Production.*[20] Natural *interest,* the real yield of capital in production, is a concept which one can readily allow without wishing to call any *rate* natural except by a sort of prolepsis, as when we say "back and forth," or put on "shoes and stockings."

Prof. Bertil Ohlin, in his introduction to *Interest and Prices,* after quoting from one of Wicksell's last papers, states: "These remarks are, in my opinion, worthy of the greatest attention. The question of the reaction of the monetary mechanism is placed in the background and the movement of prices is discussed in terms of total incomes and the total supply of commodities." Prof. Ohlin concludes that "even if there is equilibrium between saving and investments as commonly understood [this, he rightly adds, is not Wicksell's formulation], incomes and prices may rise or fall *ad libitum.* Thus one of the very foundations of Wicksell's original theory would have to be given up." Is it so clear that Wicksell here is admitting a fundamental change in his old analysis?

If the emphasis shifts and it is the interest alone which is regarded as natural, and if the rate of natural interest is regarded merely as a statistically unsatisfactory average of the "yield of real capital," much distress over the naturalness of the *rate* can be overcome. So much is certain. The expression natural *interest* should not be suppressed entirely in favor of natural rate; and if it is not, certain expressions seem to yield to translation as "natural interest" with a better grace, such as *mit der jeweiligen Rate des natürlichen Kapitalzinses* or *den beiderseitigen Raten des natürlichen Kapitalzinses* (between two countries). Allow that *Rate* is a poor word for rate; Wicksell did not hesitate to use it. And if Wicksell felt free to introduce such a term, then his most frequent expressions, *die Höhe* and *der Stand,* merely express the general "level of natural interest." *Das Wesen des natürlichen Kapitalzinses* does not sound well as "the nature of

the natural rate of interest" but does not jar if translated as "the essence of natural interest."

We do not now wish to draw from these observations any specific conclusions as to the interpretation of Wicksell's whole position. Prof. Ohlin's comment suggests a reinterpretation which is quite promising. Interest rate would then become not only a primary factor in price analysis but also a significant element in income distribution, and especially in maldistribution. For purposes of exposition the role of the interest rate as a factor in income distribution has been for the present excluded; it is nevertheless wholly Wicksellian.[21]

There remain expressions such as "*der natürliche Kapitalzinsfuss*" of which the *prima facie* translation is unquestionably "the natural rate of interest" and which could be given another version only after it had been clearly established that the adjective is properly associated with the noun interest and not with rate. A few bi-focal expressions would still defy precise clarity—for example: "*ein Unterschied zwischen den natürlichen Kapitalzinsen und der Rate des ausbedungenen Zinses.*"[22] Although such expressions seem to imply a direct contrast, they might be translated either way.

The purpose of our digression into matters of grammar and idiom, has been to rehabilitate the term "natural interest" as being integral to Wicksell's thought, and likewise to rehabilitate the expression "rate of natural interest" as being absolutely admissible, if not imperative. Certainly on the one occasion when Wicksell undertook to express himself in English, nothing he said would indicate that he set great store by the phrase "natural rate"; "ordinary rate" and "normal rate" sufficed for him, along with "average profits on capital."[23]

With "natural interest" established as an authentic Wicksellian term, we return to the main argument and recall that in a credit economy capital goods are now not borrowed but bought and sold. Wicksell is accentuating the importance of the distinction between a net real product to be paid as interest, and money payment; between that same net real product and a rate of money interest which may or may not call forth a volume of circulating media sufficient to keep goods and money in step.[24] Natural interest on capital is likewise "the profit which entrepreneurs would obtain if prices did not alter." The last phrase refers to a previous discussion of a theorem of Fisher's. As quoted above, it is "the real yield of capital in production," a surplus value, which cannot exceed that amount by which the total product (or its equivalent in other commodities) exceeds the

sum of the wages, rents, etc., that have to be paid out. More than that sum the entrepreneur cannot afford to pay for borrowed funds.[25]

"The natural rate is not fixed or invariable in magnitude. . . . In general, we may say, it depends on the efficiency of production, on the amount of fixed and liquid capital, on the supply of labor and land, in short on all the thousand and one things which determine the current economic position of a community; and with them it constantly fluctuates."[26]

"The natural rate of interest, the real yield of capital in production is like everything else exposed to change, sometimes very strong."[27]

The definition given in the introduction of *Interest and Prices* is repeated: "the rate which would be determined by supply and demand, if no use were made of money, and all lending were effected in the form of real capital goods. It comes to much the same thing to describe it as the current value of the natural rate of interest." There follows a repetition of the point that the real objects of the borrowing and lending are bought.

Thus far we have dealt with a rate or volume of natural interest not expressed in money, a real yield which entrepreneurs can pay and which would, under most perfect competition, be determined by the supply and demand for real capital if lent *in natura*. We now meet another concept, the "normal" rate. This rate is a *rate of money interest*. It expresses a given rate of natural interest—"that rate which corresponds to the [average] level of natural interest."[28] "The rate of interest at which the demand and the supply of saving exactly agree and which more or less corresponds to the expected yield on the newly created capital will then be the normal or natural, real rate. It is essentially *variable*."[29]

That a rate of money interest is meant is clear from the following: "this [marginal productivity] remaining the same, as indeed by our supposition it is meant to do, would it be at all possible for the banks to keep the rate of interest either higher or lower than its ordinary level prescribed by the simultaneous state of the average profit on capital?"[30] The normal rate is thus the direct monetary expression of the natural rate. In various places, especially when approaching formal definition, Wicksell uses the word "normal," but he has no misgivings about using less formal words to describe it: "previous," "current," "going"—*frühere, vormalige, übliche, marktübliche*. In his London lecture, "ordinary" is used interchangeably with "normal" in the very first paragraph, which contains a formal statement of his thesis. This normal rate, "the rate consistent with the then existing marginal productivity of real capital, or prescribed by the simultaneous state of the average profit on capital,"[31]—is here presented as

something of which the banks must take direct cognizance. It is therefore a money rate; the banks can set their "loan rate . . . above or below the normal rate which is in its turn connected with the natural rate."[32] The rate of natural interest prescribes the normal rate of (money) interest and dictates how the latter is to be varied, but the rate of natural interest is something "the alterations of which we, of course, cannot control but have only to comply with."[33]

Another attribute of the utmost significance is associated with the normal rate of money interest. "It [*i.e.*, the previous, normal rate] merely means that rate which having regard to the situation in the market would be necessary for the maintenance of a constant level of prices."[34] Unfortunately, that important quality is in the above passage described in ambiguous terms; it might just as well be translated as the rate "which is in itself, considering the market situation, appropriate for the maintaining of prices." We shall return later to the question of the full and accurate meaning of such passages. It is mentioned here so that the distinction between "normal" and "natural" may be borne in mind as we present Wicksell's examples.

At the end of his chapter on natural interest, Wicksell gives a summary of the fundamental idea of this phase of his work:

> "At any moment and in every economic situation there is a certain level of the average rate of interest which is such that the general level of prices has no tendency to move either upwards or downwards. This we call the normal rate of interest. Its magnitude is determined by the current level of the natural capital rate and rises and falls with it.
>
> "If, for any reason, the average rate of interest is set and maintained *below* this normal level, no matter how small the gap, prices will rise and will go on rising, or if they are in the process of falling, they will fall more slowly and eventually begin to rise.
>
> "If, on the other hand, the rate of interest is maintained no matter how little above the current level of the natural rate, prices will fall continuously and without limit."[35]

He had previously stated, in the very beginning of the chapter: "There is a certain rate of interest on loans which is neutral with respect to commodity prices, and tends neither to raise nor lower them. This is necessarily the same rate which would be determined by supply and demand if no use were made of money and all lending were effected in the form of real capital goods."[36] These propositions are repeated in the same or even more sweeping form in the *Lectures;*[37] in the British Association Lecture they are phrased as follows: "prices would rise and rise and rise without

any limit whatever . . . prices would fall and fall and fall without any limit except Zero."[38]

A word should be said here about Wicksell's insistence that in propositions like the above he is talking about the "general level of prices" and not about the relative prices of various goods. The relation between general and relative prices is bound up with that other relation between prices and the normal rate which we have held over for later treatment. Relative prices in his view tend to return to equilibrium after displacement; they are like a ball in the bottom of a bowl. The general price level does not tend so to return; it is like a cylinder on a smooth surface having no tendency to roll but, if moved, will roll indefinitely; and, if stopped, will stay in the new position—"a great and decisive difference."[39]

Wicksell was not concerned with explaining why commodity "x" costs more than that commodity "y" now, and less then. He was seeking an explanation of price movements that raise the whole index of average prices. If the explanation of a rise or fall in the price of a single commodity was a change in the demand or supply of it, what was the explanation of a rise or fall in the price of all goods?

"Every rise or fall in the price of commodity presupposes a disturbance of the equilibrium between the supply of and demand for that commodity, whether the disturbance has actually taken place or is merely prospective. What is true in this respect of each commodity separately must be true of all commodities collectively. A general rise in prices is therefore only conceivable on the supposition that the general demand has for some reason become, or is expected to become, greater than the supply."[40]

Wicksell tests his own analysis in a series of carefully constructed cases in which the various factors are combined in all the ways that might seem of practical importance and the successive steps are then laboriously spelled out.[41] The conditions for the economy he considered are very definite and restricted; it is stationary in all not expressly stated otherwise in each case. Long-term capital goods in particular are simply maintained without increase or decrease. Liquid real capital, however, has to be renewed each year and is maintained by capitalists at a constant amount and in such an economy as this, the quantity of consumption goods and the quantity of liquid real capital are identical as the latter item includes the consumption goods which capitalists receive each year as real interest and on which they maintain themselves during the successive production cycle. The period of production does not alter and is the same for every business—one year. Production is on an annual basis with an annual market providing

the only occasion on which goods are sold and distributed, debts paid and contracts made for the following year. Entrepeneurs work only on borrowed capital, borrowing the capitalists' money through a bank. The capitalists once a year are also dealers in commodities, momentarily owning the whole capital in the form of goods. On the market day, wages, rents, etc., for the coming year are paid out in advance and, with the money thus borrowed by entrepeneurs and paid out by them to the factors, the latter provide themselves with liquid real capital, *i.e.*, consumption goods, for the entire year ahead.

Eight cases are treated by Wicksell in his "Systematic Exposition of Theory." The first of these is a straightforward agreement of the rate of money interest and the rate of natural interest. A sum of money is borrowed by the entrepreneurs and paid to the factors; with it the factors buy back the product of the previous year as liquid real capital for the coming year. The capitalists spend the money interest to buy their share on which to live. If the sum borrowed were $1,000,000 and the rate of interest 7 per cent, the value of the annual product is $1,070,000 at the previous prices and there is no influence present to cause the prices to change. The value of the annual increment is equal to the sum paid as interest; the process repeats itself.

The second case deals with a rate of natural interest greater than the rate of money interest. Such an increase may arise from technical progress or from a relative increase in population causing a fall in the level of wages. The rate of natural interest rises, say, to 8 per cent; that is, the value of the annual product *at last year's prices* is now $1,080,000. The quantity is increased and prices have not changed. The bank, however, keeps its same rate of 7 per cent. The entrepreneurs may simply keep the liquid real capital, or they may sell it to the capitalists who get the needed additional funds from the bank. In neither case are prices altered in the first instance. But there is a tendency for expansion; entrepreneurs have a motive to bid up factor prices for the next year. But it can be only a tendency, for the fixed amount of durable capital makes expansion impossible. The entrepreneurs bid up factor prices for the coming year. If the process reaches its upper limit at once, $1,010,000 capital will be demanded from the banks. The banks can readily meet this demand and do not change their lending rate. If workers and landlords raise their demand for consumption goods to the full extent that money wages and rents have gone up, the increased demand is met by the same amount of commodity capital as before and all prices necessarily rise.

Case three is similar to case two except that the banks raise their lending rate to 8 per cent. The workers continue to enjoy the increase in wages; the return to the capitalist is now 8 per cent; the entrepreneur has no motive to expand; prices cease to rise but do not return to the previous level. The fourth case is the same as the second except that the process is traced through several cycles to emphasize the continuity and cumulative character of the process. These four cases are the core of Wicksell's theory. Various other cases are added in which "though the facts are essentially in agreement with the theory, they often present a somewhat different appearance. The reason is that a movement of prices which is being treated as an isolated phenomenon is in practice superimposed on some other and independent movement of wages, etc., dissimilar and possibly opposite in nature."[42]

In the fifth case the rate of natural interest rises owing to a decrease in real capital caused, for example, by war, and necessarily involving a fall in real wages. If the rate of money interest is adjusted, money wages and real wages fall together; otherwise money prices will rise. The sixth case is in Wicksell's opinion the one which actually prevailed in the nineteenth century; a progressive fall in the rate of natural interest caused by increasing capital accumulation is not met by a fall in the rate of money interest. Prices fall; wages, unaltered in money sum, rise somewhat but entrepreneurs, taking a loss on their commitments, must contract; for as much money as the capitalist can invest, however, he receives an increased real interest. In the seventh case, the fall in the rate of natural interest is met by a fall in the rate of money interest. Prices in this case will not rise, though the entrepreneurs are in a position to pay higher wages and rents. In the eighth case a rise in the rate of natural interest is offset by an equivalent fall in the rate of saving.

Much of modern monetary controversy has arisen from Wickell's cases. Though the fundamental process is a simple one, the issue is often confused by the tedious working out of the examples.

The first, second, and fourth cases in the first group present no difficulty. By any index number standard one would care to set up, and on any reasonable definition of the meaning of the level of prices, prices would have risen in the given circumstances. The sixth case likewise involves an inevitable fall in prices. The first case involves nothing questionable, for it is a simple construction of a perfectly stationary economy with a *de facto* constant money supply. But the challenging cases are the third and the seventh, in which, after a change in the rate of natural in-

terest, the rate of money interest is again adjusted to it and the movement of the price level ceases. The problem can be set forth even more clearly by fabricating a strong case which Wicksell does not discuss, in which the rate of interest on money loans would not be accurately determined at the time of the loan but would be set by the bank during the economic year as it becomes clear *post factum* what the rate of natural interest for the year is going to be. This precludes the possibility of any departure of the rate of money interest from the average rate of natural interest. What will be the behavior of the price level in this case?

The previous rate of interest (year O) would have been i (%).

The entrepreneurs borrow K ($1,000,000).

At the end of the economic year, they have a product of $K\ 1 + \frac{i+1}{100}$ ($1,080,000) at previously prevailing prices.

The rate for year 1 is thus *declared* to be $(i + 1) = 8\%$.

The banks will have created the additional funds necessary to purchase the increased product.

Capitalists and entrepreneurs are assumed not to alter their scale of living.

The remainder ($1,010,000) is again loaned out in additional dollars, and the corresponding additional goods are made available for purchase by the entrepreneurs, to be used as wages and rents, which, under competitive conditions such as those assumed, will rise in total sum but not in price.

Shall we say that, in this case, prices have risen? This and the third and seventh cases are among the situations possible under the terms of the description given by Wicksell on pages 104 and 105 of *Interest and Prices*, which is "incomprehensible" to Prof. Hayek.[43] These are the same pages cited by Prof. Mrydal in his effort to show that Wicksell cannot define the rate of natural interest as, in Myrdal's view, he seeks to do.[44] They are likewise the pages appealed to by William Fellner in his effort to prove that "there is no such thing as a natural rate of interest."[45]

On one simple index standard (Fisher's No. 1, the unweighted arithmetic average of price relatives) the price level will not have changed. There is no reason to suppose a notable change in the demand for any one commodity; for, under the given conditions, the amounts involved are not great; and, unless the elasticity of demand were very low indeed, the effect would be slight. Moreover, Wicksell is expressly willing to overlook these "continual disturbances in relative values." But there is "no apparent reason for any alteration in the general level of prices." A little give in the elasticity of demand here is offset by a little "give" in the

elasticity of supply there. Moreover, we are dealing with *average* prices which are related to an *average* rate of natural interest, which last is based on data that are not susceptible of satisfactory treatment as a good representative statistical average—the average profit above normal earnings for "enterprises." "Profit on capital is a far from uniform conception."[46] What are a few points this way and that among friends, Wicksell seems to say, so long as we are dealing with changes which are not progressive and cumulative? At least it is true that total wage and rent income buy today practically the same things they bought a year ago.

The matter might rest here with the conclusion that Wicksell had established his case for the severely simplified conditions he had set down but had not chosen an index number that would be very helpful in real life. Thus, we have here no other problem than the usual trouble as to what index numbers actually do measure and what, on some criterion, they ought to measure. But Wicksell in the same work had committed himself quite definitely to an index number by which "the percentage rise or fall in the average price level is obtained without any ambiguity,"[47] and he had allowed that commitment to stand almost verbatim in the latest editions of the *Lectures*, in which he refers specifically to Fisher's *Purchasing Power of Money*.[48] When summarized, Wicksell's statements on the purchasing power of money, as expressed in the second chapter of *Interest and Prices*, show that he considered the formulas of Laspeyre and Paasche (aggregatives with constant weights) as equally "natural and reliable."

In Wicksell's first case, in which the rate of money interest and the rate of natural interest were in perfect conjunction and, as in the second case, for example, where they certainly were not in conjunction, both of these indexes would perform as Wicksell states. In the first case, both p and q remain unaltered from year to year and the index stands firmly at 100. In the second case, q remains fixed from year to year but p progressively rises and the index with it. But what of the intermediate and critical cases where, the rate of natural interest having shifted, for example, through technical progress, the rate of money interest is simultaneously adjusted to it? Would the index remain the same?

In the year O, the pq sold by the capitalist-traders to the entrepreneurs for distribution as wages and rents for the coming year amounted to $1,000,000. At the end of the year the yield is $1,080,000, from which the capitalists take out the $70,000. This increased value figure arises from selling a larger output at the same price. But Wicksell's index number is likewise unaltered in this case for the same reason: the element which

is stated as changing, q, is taken as of a single year in both terms while the element which is stated as not changing, p, is taken from the years to be compared, so that the result is inevitably 1. The price level, thus described, has not changed.

What has changed, of course, is the ratio of the values of total product for the two years in question. The larger quantity sold at the same price gives a larger total value for year 1 than for year O. The price index is 100 and the value ratio is 101. But is it necessary, in order to say that the price level is steady, to hold also that the volume of transactions at that level is also unchanged? "For example, when heat is measured by degrees of the thermometer, it dos not follow that every rise in the column of mercury means a proportionate rise in the volume of heat itself."[49]

The nature and gravity of this problem would become even more apparent if we were attempting to construct indexes for the whole economy instead of for consumption goods alone; in that case, interest would have to be included in our index—though it never is. In which cases, then, would it be proper to say that interest as a price was unchanged: (a) if an increased product which would sell at $1,080,000 at previous prices were met in the market with $1,070,000, *i.e.*, capital of $1,000,000 plus $70,000 interest at 7 per cent; (b) or if it is met with $1,080,000, *i.e.*, $1,000,000 at 8 per cent declared *post factum?* In the first case, the abstract rate and the volume of money income received as interest would be unchanged, but the volume of real interest would be greater because each dollar of interest income would buy more. In the second case, the rate would be changed and the volume of interest money income would be changed; but each dollar of interest money income would buy the same as before, and this latter fact is one common criterion of unchanged prices.

If we do the first, "the rate of interest" is absolutely unchanged, $7\%/7\% = 100$; what has altered is the volume of interest income, which is determined quite as much by the sum of which we take a certain percentage as by the percentage itself. And it is the volume of interest income which is the significant factor for prices. If we follow the second course, the rate of interest has changed drastically (a 1 per cent change between 7 per cent and 8 per cent is a 14 per cent price change in the rate itself), but the volume of interest income, which is significant for prices, is the same as in the case where the larger sum was lent at the lower rate. Economists do not hesitate to lavish their contempt on badly weighted index numbers; but neither do they hesitate to use interest rates as a price and as a price series, regardless of the volumes "produced and sold" at

these rates, these volumes being the value weights which determine the importance of changes in this as in my index. I do not know of any attempt to compute an index of *the price of money weighted with the various volumes exchanged at the various prices,* and yet it is as a regulator of the *volume* of money that interest plays its chief role in price analysis. The attempt would have revealed some of the peculiarities of the demand for money and the elasticity thereof which are now being featured by some writers under the head of "anticipations." When we say that interest is changed or unchanged, do we mean interest as a pure number, an abstract price, or do we grant some influence to the corresponding value ratios of interest income with which these prices can be weighted? Until a uniform terminology is agreed upon, caution is needed in speaking of the incompatibility of Wicksell's several criteria.

Wicksell accepted Say's Law as an established and useful proposition. "Goods always set up a demand for other goods, as J. B. Say long ago demonstrated."[50] "We have accustomed ourselves, with J. B. Say, to regard goods as reciprocally constituting and limiting the demand for each other, and indeed ultimately they do so."[51] Relative prices, therefore, constituted no problem in the matter which Wicksell was discussing. After setting forth a case in which he has made natural and money interest precisely coincident he continues:

> "There is here nothing calculated either to raise or to lower prices. It is true that as a result of changes in the conditions of production, due for instance, to technical progress, first one and then another group of commodities will be obtainable with a smaller expenditure of labor and other factors of production and that this must cause continual disturbance in *relative* values. But there is no apparent reason for any alteration in the general level of *money* prices. *An increase in the supply of certain groups of commodities means an increase in the real demand for all other groups of commodities.* Why then should it bring about a fall in the average level of prices, it being assumed that money is obtainable in any desired quantity on terms which correspond to the *real advantages* entailed in the use of credit?"[52]

That Wicksell regarded his theory of the interest rate as being significant only for quite well-defined price movements is clear from numerous statements. "In the interests of accuracy, we have purposely avoided the statement . . . that money and natural rates should be *equal.* In practice, they are both rather vague conceptions."[53] It is a "permanent" discrepancy that interests him. The banks must not only alter their lending rate away from the "ordinary" level but must "keep it so for some years."[54] "There is the important fact that we are dealing with fairly plastic rela-

tionships" and though "an *exact* coincidence of the two rates is therefore unlikely . . . there is no reason for not expecting a sufficient degree of coincidence to prevent substantial fluctuations of prices."[55] Clearly, Wicksell did not regard his thesis as a helpful one for judging monthly changes; he considered it applicable for movements that endure because of an interest differential that endures "some years at least."[56] Perhaps nowhere does he show this more plainly than in his condition for the systematic exposition of theory:

"The length of the period of production is the same in every business . . . . Actually the period of production is not only very different in different branches of production, but in any given branch is variable. It is, as we have seen, this very circumstance, combined with the possibility of transferring capital from one business to another, that is responsible for the determination under conditions of free competition of the relative levels of real wages, of rent, and of the rate of interest itself."[57]

More than this, Wicksell seems to be willing to overlook an occasional "substantial" change so long as it is not "progressive and cumulative."

"Even if it were desired to associate this increase in the quantity of goods with a tendency for a fall in prices, the fall that could on such grounds be expected would be a very small one. [Actually the quantity change in question amounted to 1 per cent of annual output.] More important, it would, so far as I can see, occur only *once and for all,* and it would thus be put completely in the shade by the *cumulative* effects on prices that are to be ascribed to a difference between the two rates of interest [in this case making for a rise] . . . . We suppose that everything remains as before, or that, at most, as a result, for instance, of longer working hours, there is a certain non-cumulative increase in production of which the influence on prices is not *progressive* and will therefore, be neglected."

"The essential point is . . . that a permanent discrepancy between the actual rate and this rate exerts a progressive and cumulative influence on prices."

"So a fall in interest, even though it is casual and temporary, will bring about a perfectly *definite* rise in prices, which, whether it is big or small, will persist as a permanent feature even after the rate of interest has returned to its former level. If the rate of interest remains at a low level for a considerable period of time, its influence on prices must necessarily be cumulative";[58] and so on.

Other instances both casual and accented could be cited to show Wicksell's readiness to overlook non-cumulative changes, especially if they were small, but even if they were great.

We are now able to appraise the objections that have been brought against Wicksell's position. This appraisal is necessary lest we find ourselves bringing an exploded doctrine to our proposed comparison. The

objections take two forms: first, that Wicksell's construction is meaningless; and second, that his several criteria are incompatible.

Wicksell, apparently believing that he was setting forth a process so evident as not to be challenged, proposed his position in several alternative formulas. The rate of natural interest, though its characteristics could be described in other ways, has three principal properties. (In what follows, recall the ease with which Wicksell would substitute "previous" for "normal.")

(1) It is the rate "which would be determined by supply and demand if real capital were lent in kind (*in natura*) without the intervention of money."[59] (2) It expressed the real yield of capital in business. "This natural rate is roughly the same thing as the real interest of actual business."[60] These two definitions are combined: "The rate of interest at which the demand for loan capital and the supply of savings exactly agree, and which more or less corresponds to the expected yield on the newly created capital, will then be the normal, or natural, real rate."[61] (3) The natural rate "is neutral with respect to commodity prices and tends neither to raise nor lower them,"[62] "other things being equal[63]. . . if it [equilibrium] is not disturbed by other causes."[64]

The reason why there is a difference between the supply and demand for capital *in natura* and the supply and demand for money capital is that "money . . . is elastic in amount."[65] We may observe immediately that the rate which "is neutral with respect to commodity prices" is not necessarily the same thing as one which will "guarantee a stable price level."[66] Nor is the rate which "is determined by the supply and demand of real capital" the same thing as the rate which "equates" them.[67] The use of these expressions interchangeably obscures analysis of the direction of economic causation.

Prof. Myrdal, in his study of monetary equilibrium, seeks to revamp the Wicksellian process in order to enable him to employ his own devices of "expectations" and *ex ante* and *ex post* valuations. To introduce them, he analyzes the three conditions of equilibrium given above; and he has grave misgivings about all of them. But the burden of his criticism falls on the idea of a rate of natural interest itself. He maintains "that the hypothesis of the absence of all monetary transactions is by no means superfluous because irrelevant but rather that it is fundamentally incompatible with this argument . . .[68]

"Our conclusion, therefore, must be that credit and the money rate of interest have to be included even in the formula by which the natural rate of interest is defined. What could the logical meaning of the difference between monetary and natural rate of interest be if one really stuck to Wicksell's procedure—namely, to define one element of the comparison, the natural rate of interest, *only* for a hypothetical case which excludes *credit* contracts, and therefore, too, the other element of comparison, the money rate of interest . . . . The whole problem of money and the value of money which Wicksell wished to avoid in his construction of the natural rate of interest by relating it to physical productivity in a barter economy is, therefore, included in the analysis of the natural rate of interest after all."[69]

Myrdal's argument may be summarized as follows: Wicksell's natural rate is defined as the marginal increment in physical productivity.

[He] "assumes that if there is complete mobility a uniform time *agio* will develop throughout the whole system of price formation . . . The idea of a physical productivity presupposes that there is only a single factor of production besides waiting, and only a single product; and that, moreover, both are of the same physical quality. This idea is therefore of no use in realistic analysis since such assumptions, if made at all, exclude the possibility of progressive adaptation of the analysis to reality . . . . If, therefore, one wants to make the Wicksellian construction of the natural rate of interest really useful for monetary analysis, one has, in contradiction to Wicksell, to replace the concept of a physical productivity by that of an exchange value productivity."[70]

The rest is easy for Myrdal: if we must take exchange value relationships as our starting point, then the money rate of interest is in there from the outset. How Myrdal arrived at that point is another question. The unit of account could be abstract, he says, and "this does not mean in itself the introduction of credit contracts."

"But if we assume that the economic subjects replace some of their loan transactions *in natura* by credit contracts which they make in that calculating unit, then, of course, this unit requires the other properties of a monetary unit, too. This by itself does not destroy the argument, for the exchange value of the calculating unit itself being, in principle, irrelevant, the monetary unit as well as any other could be used in a loan contract. There is, however, quite an essential difference as soon as money time contracts are introduced."[71]

A great many things may well be observed concerning this argumentation. The first is that the method of "immanent criticism" might do well to be more specific in its references. This whole argument and chapter rest on three citations which amount to nothing more than specifying the chapters in Wicksell's work in which the subjects are discussed. Secondly, the argument itself involves two considerations: First, can a rate of interest emerge in a barter economy? and second, granting that it can,

can a transition be made from this "natural" economy to a money economy without destroying the concept?

In a barter economy, dealing with loans *in natura* and a system of relative prices, however clumsy, there can be no question that a borrower could calculate the value of a net product of a process involving saved-up resources. This net product is interest; and the reason why Wicksell speaks of this in the early part of the eighth chapter as a *sum* or *volume* and not a rate is clear. The rate in a non-monetary economy is difficult to express with precision.[72] If we introduce an abstract unit of account, the expression is easier and, on Myrdal's own admission, "does not destroy the argument." This is all Wicksell needs—that the superior *value* productivity of saved-up resources can be calculated in a barter economy. Technical productivity and value productivity are not exclusive concepts; the one is the condition of the other.

Granting the possibility of a rate of interest and a net value product in a barter economy calculated in "real" terms which can nevertheless be apprehended in value terms, can the concept be transplanted into a money economy without perishing? Myrdal thinks that it cannot, because such assumptions "exclude the possibility of progressive adaptation to reality"; the introduction of money contracts over time involves a "quite essential difference."

The answer is that Wicksell did not consider, and need not have considered that his natural economy approached his credit economy by progressive steps. The construction of an economy with loans *in natura* was a "purely imaginary" construction; "the intervention of money" alters "the very essence of the matter";[73] and certainly Wicksell's examples do not imply that he would exclude entrepreneurs' expectations of price movements from the calculation. "Economists frequently go too far when they assume that the economic laws which they have deduced on barter assumptions may be applied without qualification to actual conditions in which money actually effects practically all exchanges and investment or transfers of capital . . . . The use—or the misuse—of money may in fact very actively influence actual exchange and capital transactions."[74] What Wicksell does do is take one phenomenon, the rate of natural interest, which is a property of the physical characteristics of goods and man's subjective valuations of them, in a perfectly competitive market. The introduction of money to express these relationships may alter them quantitively in their monetary expression, but there is an underlying phenomenon to be expressed and this fundamental datum is not obliterated. The

underlying process is the originary[75] one, the one which enables the secondary one to be. If goods did not have the characteristic of producing a greater volume of goods in time, interest as a production factor would not exist. Though conditioned by its monetary expression, there remains an originary relationship to be expressed. After the first adjustment caused by the introduction of money, resulting in the more accurate expression of exchange ratios, the problem of monetary policy is to express these underlying relationships. However much relative prices may shift among themselves, Wicksell, arguing from an initial equilibrium condition, wishes the elasticity of the money supply to be equal to the elasticity of output as a whole.[76]

Accordingly, Wicksell did not define one term of his comparison for a barter economy and one term for a money economy and then proceed as though they were comparable. The *whole* "natural" process is absorbed into the money process, but that does not mean that it ceases to exert an influence. Nor is it illogical to make a comparison between a real term and a hypothetical one, between a case in the indicative mood and a case in the subjunctive mood. The whole theory of economic value and price is a system of choices between alternative courses. And there is no logical inconsistency in comparing one rate of interest and the price level associated with it, which would keep "goods and money in step," as goods and goods are inevitably in step in a barter economy. There are plenty of things which are concretely identified, one of them remaining logically antecedent to the other. The biological and medical sciences are constantly under the necessity of rendering their specimen in some way abnormal in order to examine it at all, and must distinguish in the total result effects which are due to normal processes and those which have been induced, though the experimenter never sees a normal process.

Wicksell's method is fundamentally a legitime use of an indispensable analytical instrument, of which Myrdal himself makes a questionable use while still wrestling with "technical productivity and relative prices." He has defined $i = y_2$, making the rate of money interest equal to the natural rate of interest; this implies the equation $c_1 = r_1$—that is, capital value equals the cost of reproduction of existing real capital. But when technical development takes place or a change in relative prices, we have $c_2 = r_2$, new capital values and new production costs. Therefore, r_1 must be altered by a "corrective factor" in order that it may be used in the comparison. The "corrective factor" represents as accurately as possible "the difference in the expected net return on a given sum if invested, on the one hand ac-

cording to the old method of construction, and on the other hand according to the new optimal method." But since i and y are symbols for the whole economy, there is here no question of any monopoly position, and nobody will be building the old assets. The demand for materials for the new combination will affect relative prices for the same materials, and the cost of building an asset by the old method will itself be altered. The "cost of an asset by the old method" is a conjectural one; it is what these assets *would* have cost. Yet this "definition is clear in theory."[77] By the same inevitable process Wicksell can speak of the rate of interest when goods are lent *in natura* even though they are not so lent. We can compare that rate with a money rate that *would* duplicate these relationships and one that would not. And even though those relations would have been altered once by the introduction of money, we may still employ the "originary" process as a term of a comparison.

The most notable difference that endures in a monetary economy as opposed to a barter economy, once the initial shift to more expeditious exchange at more accurate prices has been achieved, is the facilitation of hoarding in the face of the dubious future. Wicksell discusses this phase of money theory, citing from Macaulay's *History of England* the anecdote of Alexander Pope's father (an anecdote later utilized by John Maynard Keynes)[78] and makes the excellent point that even when functioning as a "store of value" money never wholly loses its character as a medium of exchange; the "store of value" aspect of the utility of money is merely a deferred exercise of its function as a medium of exchange. A person who hoards money against years when crops may fail may find that, when the time arrives, the cereal he had in mind to buy may, through some blight, have failed utterly. There may simply be none to be bought. His store of value has no value because the object of the exchange in which it was to mediate is non-existent. That warehouses can then be rented for practically nothing is of no help. A monetary store of value is a store of media of exchange as well or it is not a store of value.

Myrdal's dissatisfaction with Wicksell and the rate of natural interest arose from the fact that in the latter's system there is no place for "anticipations" which Myrdal rightly believes can play a decisive role in a modern credit economy. A commentator on these criticisms makes the further point that given certain conditions of "anticipation," a cumulative process in a barter economy is conceivable.[79] Of course, one so realistic as Wicksell did not wish to deny that wrong guesses would exist in any economy however "natural." A business man does not make his decisions

in a hermit's retreat nor withdraw into seclusion and proceed to formulate "anticipations" out of no pre-existing material. The study of the elasticity of supply and demand in the markets in which he buys and in the markets in which he sells is, though not by that name, one of the preoccupations of his life. Now in barter terms, if the business man should withhold from the market, for example, his competitor would be able in the first instance theoretically to buy cheaper and sell dearer; his "anticipations" then would have to be correct. In barter terms, where business men would be closer to the objective data of their industry, both the materials for correct forecast and the retribution for incorrect ones are more palpable because the elasticities of supply and demand can be learned by experience and have physical limits. But in money terms, with *elastic money supply*, "anticipations" may verify themselves. Instead of bringing this as a criticism of Wicksell, it would seem to be more accurate to say that one of his chief purposes was to emphasize the fact.[80]

The supply and demand for goods for any purpose, hoarding included, have objective restrictions; but when the demand for money can determine the supply, then any movement of prices is possible. Myrdal and Rosenstein-Rodan try to prove that progressive adaptation to a money economy is impossible. They start with an analysis of a few traders, for each of whom his good is his money; and then proceed to more traders, each of whom uses common money. This is irrelevant; Wicksell did not work with such a construction and did not need to. Myrdal and Rosenstein-Rodan also prove too much by failing to take proper account of that same factor of "anticipations" as altered by the money process. That these practical limits on a cumulative movement in a barter economy are significant is confirmed by the fact that Rosenstein-Rodan, in his otherwise exceptionally penetrating and thoroughgoing paper about the possible effects of "anticipations," never indicates any reasonable basis for such "anticipations" in a barter economy. "If we confine ourselves to saying that it is not actual (current) prices, costs, profits, etc., but expected prices, costs, profits which induce an entrepreneur to produce and in invest [and to hoard] we do not say very much unless we give some hint as to how these expectations are determined."[81] Minervan anticipations spring into the world full-panoplied from the head of Jove, except that there is no Jove.[82]

The second major criticism brought against Wicksell, not unrelated to the previous one, was that his third description of the rate of natural interest was incompatible with the first, and that therefore there was "no such thing as a natural rate of interest." Let us, before examining this ob-

jection, again observe that there is no question here of "guaranteeing" any price level; there was merely a normal rate of interest which was "neutral" with respect to prices. Ultimately, of course, any major shift in economic factors is in some way reflected in the rate of natural interest; and in this sense the rate of money interest must be adjusted to the rate of natural interest. But to assume that Wicksell guaranteed immediately to offset shifts in supply, such as a crop blighted within a short time, is quite unreasonable and unwarranted. The normal rate of interest was simply such as not to be of itself the initiating cause of price changes. If changes in other factors took place so quickly as not to be reflected in the rate of interest within a moderate time, that is another matter.[83]

This objection has a history as long as the book itself, having been raised by Prof. David Davidson in his review of *Interest and Prices* in the *Ekonomisk Tidskrift* for 1899, the year following publication.[84] The controversy is referred to by most of the writers on the problem of the natural rate.[85] Though Brinley Thomas states Davidson's objections in the latter's own words,[86] the more commodious formulations of Hayek and Haberler are easier to deal with.

"Wicksell goes on to argue that, if the market rate is below the natural rate, prices will rise; if it is above, prices will tend to fall. There is, however, a mistake in this last proposition as was pointed out for the first time by the Swedish economist, Davidson. In a progressive economy, where the volume of production and transactions rises, the flow of money must be increased in order to keep the price level stable. Therefore the rate of interest must be kept at a level low enough to induce a net inflow of money into circulation. The rate which stabilizes the price level is below the rate at which the demand for loan capital just equals the supply of savings."[87]

Prof. Hayek states his objection more aggressively:

"If one were to make a systematic effort to coordinate these ideas into an explanation of the trade cycle (dropping, as is essential, the assumption of the stationary state),[88] a curious contradiction would arise. On the one hand, we are told that the price level remains unaltered when the money rate of interest is the same as the natural rate; and on the other, that the production of capital goods is, at the same time, kept within the limits imposed by the supply of real savings . . . . In this case, stability of the price level presupposes changes in the volume of money; but these changes must always lead to a discrepancy between the amount of real savings and the volume of investment. The rate of interest at which, in an expanding economy, the amount of the new money entering circulation is just sufficient to keep the price level stable is always lower than the rate which would keep the amount of available loan-capital equal to the amount simultaneously saved by the public; and thus, despite the stability of the price level, it makes possible a development leading away from the equilibrium position."[89]

This is a comprehensive but awkward proposition which it may be worthwhile to restate and turn this way and that for a moment. Hayek's meaning seems to be that in an expanding economy, *i.e.*, a technically progressive one, where the volume of production is increasing, if enough new money is injected into the system to keep prices from falling, the result will be a lower rate of interest than that which would have equated the demand for capital and the simultaneous amount of saving. In this version, we can see the possibility that people would be receiving more interest though at a lower rate. Or we may state it thus: in an expanding economy, when prices tend to fall, the rate of interest which will equate the demand for and the supply of loan capital will be higher than the rate which would prevail if enough new money to keep the price level stable had been injected into the system.

The sense of these propositions seems to be that, when technical advance enables some product to be produced at a lower cost and competition therefore causes it to be sold at a lower price when at the same time the volume of money is not changed, then Hayek would expect the rate of interest to rise. The supply of money would be the same but the demand for it would be greater. But if the supply of money is expanded to maintain prices for the increased volume of goods, the rate of interest will not fall; and in Hayek's view, the supply and demand for loan capital will not be equated.

"In order that the supply and demand for loan capital should be equalized, the banks must not lend more or less than has been deposited with them as savings . . . (*i.e.*) they must never allow the effective volume of money in circulation to change. But in order that the price level remain unchanged, the amount of money in circulation must change as the volume of production increases or decreases. The banks could *either* keep the demand for real capital within the limits set by the supply of savings, or keep the price level steady. But they cannot perform both functions at once. Save in a society in which there were no additions to saving, *i.e.*, a stationary society, to keep the money rate of interest at the level of the equilibrium rate would mean that in times of expansion of production the price level would fall. To keep the general price level steady would mean in similar circumstances that the loan rate of interest would have to be lowered below the equilibrium rate."[90]

In an expanding economy, the introduction of superior methods means at first a rise in the rate of natural interest. Employing Wicksell's examples in round numbers, entrepreneurs would have borrowed $1,000,000 and capitalists would at the end of the year receive their $70,000 worth of interest at prevailing prices. Actually, the entrepreneurs could still retain

$10,000 worth of goods, which represents the increment in natural interest. There is $1,070,000 bidding for what would be, at previous prices, $1,080,000 worth of goods. Prices must fall. Yet the indexes approved by Wicksell would record no fall; the ratios of the value of total income for the two years would be 100, for $1,070,000 would be spent on total product both years. But let us suppose, as in the remarks made above about interest as a price and its place in price indexes, that our omniscient bankers had declared the rate of interest to be 8 per cent as they observed the course of production through the year; there would now be $1,080,000 bidding for $1,080,000 at last year's prices. But then the price level would not have changed either, for the reasons given above. This indicates the difficulty that policy-makers face in measuring any kind of interest with the tools at our disposal.

However, in the first instance described above, when the entrepreneurs simply impounded the surplus and did not offer it for sale to the capitalists they (the entrepreneurs, of course) would have made a substantial profit—the increment in natural interest—and would be willing to expand. The profit of $10,000 is used to bid up wages and rents, and entrepreneurs have the incentive and the capacity to borrow more money; if $1,010,000 is borrowed at 8 per cent entrepreneurs will make no profit or loss but will be content with the new position; if it is borrowed at the lower rate the impulse to expansion *is still present.*[91]

On Wicksell's own ground, there seems to be no problem. Actually the problem arises from the ambiguity which has already been discussed in connection with the definitions of prices and interest, and from the difficulty of trying to define price rises without reference to the quantities exchanged at those prices. The rate of interest is not a ratio between two sets of prices but between two value figures, between a capital sum and a volume of interest. In the case given, there has been an increase in productivity. Let us assume a case where an identical commodity is produced at less cost but in increasing quantity. This may be sold at previous prices if the rate of interest has meanwhile been adjusted,[92] so that the volume of interest income is equal to the value of the increment at previous prices. If the rate has not been adjusted, it cannot be so sold and prices must drop. Now Hayek's point is to keep the volume of available loan capital equal to the amount simultaneously saved by the public. He is disturbed by the fact that the change in natural interest has caused the previous savings to have a different value than was contracted for when it was borrowed. But on theoretical grounds alone, what criterion

is there by which to choose between the rate of interest which enables goods to be sold in the face of total income of $1,080,000, or a total income of $1,070,000, if as a matter of fact the net increment would have either value, depending on the monetary policy?

Returning to Wicksell's examples, entrepreneurs would have borrowed $1,000,000. At the end of the year, goods worth $1,080,000 at previous prices come into the hands of the entrepreneurs. The capitalists have $1,070,000 on deposit at the bank, their capital plus interest at 7%; the entrepreneurs owe the same sum. The entrepreneurs can withhold goods worth $10,000 at previous prices, and still pay all their debts; the capitalists withhold their $70,000 worth of goods at previous prices; and $1,000,000 is offered for sale to wage-earners and rent receivers. The entrepreneurs now borrow $1,010,000 from the banks because they can safely offer workers and rent receivers that much more in view of the increase in natural interest. They sell their extra share along with the rest at previous prices (that is, the entrepreneurs do not alter their level of consumption). In other words, goods worth $1,010,000 at previous prices are sold at previous prices. If the entrepreneurs borrow at 7%, this process repeats itself; if they borrow at 8%, the process stops. The $80,000 interest share would then go to the capitalists, and, assuming them not to alter their scale of consumption because of the increase in interest income, there would be no motive force changing the price level, for the rate of natural interest and the rate of money interest are in conjunction.

The reason for these peculiarities is that Wicksell has interest in mind primarily as an economic share, as a volume of goods to be translated at a price into a value figure. Hayek is thinking of interest as an abstract price, disregarding the volume of money which is "sold" at that price. Wicksell says that if $1,000,000 invested yields 8% of itself in terms of previous prices, then—if the money mechanism is to reflect and not deflect the process—it should be greeted by $1,080,000 in the market. Hayek says that if $1,000,000 produces what would have been $1,080,000 worth at previous prices, meet the product with $1,070,000 and let prices take the impact.

The rate of interest is not a ratio between prices *in abstracto;* it is a ratio of two value figures. The value of the national income in the examples given has risen; what has happened to the rate of interest? *Between what two value figures is it the ratio?* Is the *rate* of interest altered because the entrepreneurs can withhold a part of the increased product from the price structure till they have borrowed money enough to finance it?

Is the value of the interest share $80,000 at last year's prices or $70,000 at this year's prices? Or is the attempt to measure prices in isolation, and especially the abstract price, interest as a *rate* regardless of the sum lent at that rate, perhaps a "fundamentally irrational" process after all?[93]

Hayek may, on other grounds, insist that his procedure is socially more desirable, but he has not established that Wicksell's position is inconsistent. When the volume of natural interest varies, why can we say that it must be evaluated at the prices that will result from its sale rather than from the prices that were the basis of its production? The very factor about which there is debate is the one which controls the volume of funds which will buy it. We must have either "a movement of the price structure or a change in the effective quantity of money."[94] But having chosen one of these two, then, must we say that the choice of the other involves a "curious contradiction"?

In an addendum to the chapter on systematic exposition, Wicksell introduces the concept of *forced saving*.[95] He constructs a situation which is a departure from his previous condition of a one-year period of production. The banks now lend a portion of their credits for *two years* while the whole of their deposits remain fixed for *one year*. At the end of the first year, a somewhat smaller annual product will come on the market, for the product of the process absorbing the resources for two years will not as yet be completed. The capitalist dealers could use less than their full deposits and buy the product at previous prices. If, however, they use their whole deposit, prices must rise, the excess accruing to the producers of the one-year consumption goods and available to them as capital.

The real saving which is necessary for the period of investment to be increased is in fact "enforced—at exactly the right moment—on consumers as a whole,"[96] because a smaller amount of consumption goods is available for the consumption of the second year. At the termination of the second year, when the two-year production period comes to an end and the available quantity of consumption goods has increased correspondingly, consumers will receive some reward for their abstinence. "These considerations are of extreme importance in relation to actual economic events, but they are usually overlooked in the customary treatment of the theory of money, being regarded as relevant only to a natural economy."[97] If the capitalist dealers use all their available money on each occasion, as they are said to do, we have the following relations: The base year price is below year 1 price but equal to year 2 price; year 1,

therefore is above year 2. The base year quantity is above year 1 but year 2 quantity is greater than year 0 or year 1. Barring extraordinary shifts in demand, as Wicksell always did, the ratios of aggregate values for these combinations will always approximate 1, because when price goes up quantity goes down and vice-versa. An index, however, of year 1 on year 0 with constant weights whether base year or given year, will rise and we should say that the rate of natural interest is above the rate of money interest. But an index of year 2 prices over year 1 with constant weights, whether of year 1 or year 2, will go down and we should say the rate of natural interest is below the rate of money interest. But comparing year 2 with year 0 with constant weights, prices have not changed and we should say the rate of natural interest and the rate of money interest are equal; the money rate is normal.

Actually, the movement which took place has, during its course, little relation to a rate of *interest as an instrument of analysis.* To say, as we did, that the rate of natural interest and of money interest go up and down does not seem very reasonable, when between year 1 and year 2 (as opposed to year 0 and year 2) there has been no change in production functions. Yet the income value figures, which alone can furnish a basis for the computation of income, actually do change. What has happened is a displacement of income, the consumers receiving less in year 1 with possible partial compensation in year 2, the entrepreneurs receiving an unexpected gain in year 1 which is not wholly offset in year 2. On balance, the price level has not changed (employing Wicksell's index). Yet there has been an important alteration in the distribution of income which will indeed affect the rate of interest; but this may be only one of its belated effects and not the most important. However much, therefore, we may concede to Wicksell's analysis as isolating phenomena of the utmost consequence, for short-term problems he left work to be done toward a full understanding of these same phenomena.

We have now completed our survey of the objections against Wicksell's doctrine. The concepts, natural interest and stable prices had to be examined; the criticisms of Hayek and Myrdal and the objection of Davidson had to be faced. In closing, we must reiterate that the purpose in considering these points was not to pass final judgment on every analytical problem involved nor to pretend or attempt to answer them all. Since objections have been raised by writers of authority and ability, some notice of them was indispensable to insure that the summary of Wicksell which

we carry forward for the sake of comparison was not a summary of a shattered doctrine, no longer vital, distinctive or significant.

Fortunately, the simplicity of Wicksell's own style makes it possible to present a summary in very brief outline:

(1) "Labor and land, if their fruits are not to be consumed immediately, may assume such forms as to give them a greater (marginal) productivity, a greater yield in consumable commodities than in their present form."[98]

(2) "This difference [in time] is sufficient to justify the establishment of a special category of means of production . . . capital; for in the interval of time thus afforded, the accumulated labor and land have been able to assume forms denied them in their crude state by which they attain a much greater efficiency for a number of productive purposes."[99]

(3) "This increase in efficiency is the necessary condition of interest; it is the source from which it flows (just as the fruitfulness of the earth is the source of rent, and the productivity of labor, the source of wages). . . ."[100]

"We are to suppose that . . . the efficiency of production is always increasing (that is essential—for otherwise the natural rate would sink to zero)."[101]

(4) "Interest is the difference between the marginal productivity of saved-up labor and land and current labor and land."[102]

(5) "The rate of interest, as Adam Smith and Ricardo showed, is governed by the supply and demand for real capital."

The supply of real capital is increased by increased prosperity, increased legal security, increased forethought, a higher level of civilization. The supply is diminished relatively through increasing population, or absolutely through war or natural catastrophe. The demand for real capital is increased by technical advance.

(6) The size of the interest share is determined by its marginal productivity in relation to the other factors.

(7) If saved-up resources were lent *in natura*, this net yield would constitute the sum of interest.

(8) This sum of interest *can* be paid by borrowers without a shift in the relative distribution of normal incomes.

(9) In a money economy, saved-up resources are not lent *in natura*, or interest paid out of net yield. Saved-up resources are bought and sold.

(10) There is a rate of interest which corresponds to that which would be established if goods were lent and borrowed *in natura* and this rate would not of itself be a cause of disturbance of the general price level.

(11) The money rate which corresponds to this rate of natural interest is the normal rate.

(12) The actual market rate in a modern credit economy can diverge from the normal rate because of the expansibility of bank money, and with such expansion, the sum that entrepreneurs *can* pay diverges from what under contract they *must* pay.

(13) If the actual rate is less than the normal rate, the general price level will rise progressively and cumulatively.

Borrowers (entrepreneurs) gain a windfall profit measured by the degree of divergence.

(14) If the actual rate is greater than the normal rate, prices will fall progressively and cumulatively.

Borrowers (entrepreneurs) suffer a windfall loss measured by the degree of divergence.

(15) The extent to which Wicksell wished his analysis to proceed in terms of total incomes and their distribution is not clear; but Wicksell does not by any means exclude the income approach to price level analysis.

(16) Wicksell's analysis is relevant only for enduring changes in the general price level.

Wicksell neither ignored nor denied the significance of changes in relative prices. But they were not the object of his central analysis.

---

[1]John R. Hicks, *Value and Capital*, Oxford, 1939, p. 3.
[2]Knut Wicksell, *Lectures on Political Economy*, New York, 1934, Vol. II, p. 191. (Hereafter cited as *Lectures*, I or II.)
[3]Knut Wicksell, *Interest and Prices*, London, 1936, p. 102.
[4]*Ibid.*, p. 135.
[5]*Ibid.*, p. 102.
[6]*Ibid.*, p. xxvi.
[7]*Lectures*, II, p. 190.
[8]*Interest and Prices*, p. xxvi, with note.
[9]*Ibid.*, p. 110; *Economic Journal*, 17:66, p. 215.
[10]*Lectures*, II, p. 185. (Italics inserted.)
[11]*Ibid.*, II, p. 191.
[12]*Ibid.*, I, p. 153.
[13]*Ibid.*, I, pp. 153-154. (Italics in original.)
[14]*Ibid.*, I, p. 150. (Italics inserted.)
[15]*Interest and Prices*, p. 103.
[16]*Lectures*, II, p. 205.
[17]A. W. Marget, *Theory of Prices*, New York, 1938, p. 201, note 125.
[18]See William Fellner, "Savings Investment and The Problem of Neutral Money," *Review of Economic Statistics*, November, 1938, p. 185.
[19]Cf. Howard Ellis, *German Monetary Theory, 1905-1933*, Cambridge, 1934, p. 307.
[20]*Vorlesungen*, II, S. 234; *Lectures*, II, p. 205.
[21]See Wicksell's treatment of Tooke's thirteenth thesis as a piece of "positive elucidation" (*Interest and Prices*, p. 44) and Prof. Marget's elaboration of the relation of this to the income theory of prices. Marget, *op. cit.*, pp. 313 *et seq.*
[22]*Geldzins und Güterpreise*, S. 130.
[23]Since the objections which have been brought against the very concept of "natural interest" are bound up with views on the nature of the price level, we will postpone considerations of the objections until we have stated Wicksell's views on the meaning of stable prices.
[24]*Interest and Prices*, p. 152.
[25]*Lectures*, II, pp. 215, 191; *Interest and Prices*, p. 103.
[26]*Interest and Prices*, p. 106.
[27]*Lectures*, II, p. 205.
[28]*Interest and Prices*, p. 112.
[29]*Lectures*, II, p. 193.
[30]Knut Wicksell, "The Influence of the Rate of Interest on Prices," *Economic Journal*, June, 1907, p. 214.
[31]*Ibid.*, p. 211.
[32]*Lectures*, II, p. 208.
[33]*Economic Journal, loc. cit.*, p. 219.
[34]*Interest and Prices*, p. 100.

[35]*Ibid.*, p. 120.
[36]*Ibid.*, p. 102.
[37]*Lectures*, II, p. 200.
[38]*Economic Journal, loc. cit.*, p. 213.
[39]*Lectures*, II, p. 196.
[40]*Ibid.*, II, p. 159.
[41]*Interest and Prices*, pp. 136 *et seq.*
[42]*Interest and Prices*, p. 150.
[43]Friedrich A. von Hayek, *Monetary Theory and the Trade Cycle* (German edition, 1929), New York, 1932, p. 114, note.
[44]Gunnar Myrdal, *Monetary Equilibrium*, London, 1939, p. 52, n.
[45]*Loc. cit.*, p. 185.
[46]*Lectures*, II, p. 191.
[47]*Interest and Prices*, p. 9.
[48]*Lectures*, II, pp. 136-137.
[49]*Ibid.*, p. 128.
[50]*Interest and Prices*, p. 213.
[51]*Lectures*, II, p. 159. See further comments below in this connection.
[52]*Interest and Prices*, p. 105. (The italics in the second to the last sentence have been inserted.)
[53]*Ibid.*, p. 120.
[54]*Economic Journal, loc. cit.*, p. 213.
[55]*Interest and Prices*, pp. 106-107, 131.
[56]*Lectures*, II, p. 190.
[57]*Interest and Prices*, pp. 132, 136; cf. also pp. 106, 112.
[58]*Ibid.*, pp. 94-95, 120-121, 142-143.
[59]*Ibid.*, p. xxv.
[60]*Ibid.*
[61]*Lectures*, II, p. 193.
[62]*Interest and Prices*, p. 102.
[63]*Ibid.*, p. 120.
[64]*Lectures*, II, p. 193.
[65]*Interest and Prices*, p. 135.
[66]Myrdal, *op. cit.*, p. 38.
[67]*Ibid.*, p. 37.
[68]. . . *sondern vielmehr falsch* in the original.
[69]Myrdal, *op. cit.*, pp. 52-53.
[70]*Ibid.*, p. 50-51.
[71]*Ibid.*, p. 52.
[72]See A. E. Monroe, "The Standard of Value," *Quarterly Journal of Economics*, February 1932, pp. 251 *et seq.*, especially pp. 254, pp. 259-267.
[73]*Interest and Prices*, pp. 121, 135.
[74]*Lectures*, II, p. 6.
[75]"*Originär*" in the German text means "originary—causing to exist" (Webster's Dictionary); it does not mean "original" as translated in *Interest and Prices*, p. 134.
[76]*Interest and Prices*, p. 135.
[77]Myrdal, *op. cit.*, p. 72.
[78]John Maynard Keynes, *The General Theory of Employment, Interest and Money*, New York, 1936, p. 221; Wicksell, *Lectures*, II, p. 9.
[79]P. N. Rosenstein-Rodan, "The Coordination of the General Theories of Money and Price," *Economica*, August 1936, p. 272.
[80]*Interest and Prices*, pp. 110, 135, xxvi.
[81]Gottfried von Haberler, *Prosperity and Depression*, new and revised edition, Geneva, 1939, p. 252.
[82]Since it is not germane to this study, we neglect Myrdal's more general discussion of equilibrium as well as the accuracy of many views he imputes to Wicksell.

[83]We may remark here that much of Wicksell's theory could be recast in terms of a theory of real or natural wages, or a theory of real or natural rents which might serve to show the kinship between his theories and those of Irving Fisher. But it would be a useless exercise because, *de facto*, changes in the money supply are not bound up in the first instance with wages or rents. If the only credit were consumer credit, the analysis might become worthwhile.

[84]*Loc. cit.*, pp. 233-240.

[85]For example, Bertil Ohlin in his Introduction to *Interest and Prices*, p. x; Myrdal, *Monetary Equilibrium*, p. 129.

[86]Brinley Thomas, "The Monetary Doctrines of Professor Davidson," *Economic Journal*, 45:177, pp. 36-50.

[87]Haberler, *op. cit.*, p. 33.

[88]This, incidentally, is precisely what Wicksell refused to do, never regarding his theory of interest as an adequate theory of trade cycles.

[89]Frederick A. von Hayek, *Monetary Theory and the Price Level*, pp. 113-114. Cf. also his *Prices and Production*, second revised edition, London, 1935, pp. 22-31.

[90]*Prices and Production*, p. 27.

[91]We may as well observe from the start that much of the ambiguity arises from the different concepts of neutrality in the minds of the two writers. A money system (or a peaceable nation between two belligerents) may be neutral in either of two ways. An initial position may be taken which is then adhered to regardless of the shifts between the other two parties and their consequent relative shifts regarding the neutral. The absolute position is unchanged; the relative position is not. This may be called *negative* neutrality and is Prof. Hayek's choice. Or an initial position may be taken by the neutral which is then progressively altered to keep the neutral factor in the same relative position to the two other factors (here, money between the supply and demand for goods). In this case, the absolute position shifts but the relative position is maintained. This may be called *positive* neutrality and is Wicksell's choice. To him, money is neutral when it is altered to "keep step with goods." To Hayek, money is neutral when constant. An increase in money greater than the increase in goods would be regarded by both as a violation of neutrality.

[92]Wicksell admitted this possibility and considered it useful for policy-making, namely, that the gap between investment commitments and the appearance of the product on the market allows an opportunity for adjustment by the banks.

[93]Wassily Leontief, "Implicit Theorizing," *Quarterly Journal of Economics*, February 1936, p. 348.

[94]Fellner, *op. cit.*, p. 191.

[95]*Interest and Prices*, p. 154; cf. also *Lectures*, II, p. 6.

[96]*Interest and Prices*, p. 155.

[97]*Ibid.*, p. 156.

[98]*Lectures*, II, p. 185

[99]*Ibid.*, I, p. 150.

[100]*Ibid.*, I, p. 150.

[101]*Interest and Prices* p. 151.

[102]*Lectures*, I, p. 154.

CHAPTER III

THE DISPLACEMENT OF INCOME

There are several circumstances which would seem to suggest that Ludwig von Mises might well be omitted from our survey of modern interest theorists. First of all, he himself is not content with his own exposition, stating in a footnote to the second German edition of 1924 (which the special preface to the English edition of 1934 does not modify) that he employs the analysis of Böhm-Bawerk, though admittedly it fails to be completely satisfactory. However, he combines this condemnation with very laudatory remarks about the value of Böhm-Bawerk's study in preliminary terms. Secondly, such treatment as he does accord the subject in his *Theory of Money and Credit* and in *Geldwertstabilisierung und Konjunkturpolitik* is incidental.

On the other hand, even in his brief discussions Mises does not develop important germinal ideas, ideas which have been taken up by later writers. Furthermore he expressly bases what he has to say on Wicksell and it is from Mises and Wicksell that Hayek proceeds. And though Keynes' present position was once characterized by Mises as one of "unsurpassable naivete,"[1] Mises was one of the select company mentioned in the *Treatise on Money* as having glimpsed what Keynes had grasped. Despite the limitations mentioned, therefore, a discussion of Mises is useful in presenting a summary of the essential elements of modern interest theory and its relation to prices.

Up to that point in his treatise where Mises turns explicitly to the phenomenon of interest, he has been discussing changes in the value of money. For purposes of exposition, he has limited himself to an analysis of the changes in the purchasing power of money and their effects upon the prices of consumption goods. We now turn to the further question close to the core of the interest problem—do changes in the purchasing power of money affect consumption goods and production goods in the same way?

Interest is defined as "the margin by which the value of capital goods falls short of that of their expected product; its source lies in the natural difference of value between present goods and future goods."[2] If price variations of monetary origin affect production goods differently than they affect consumption goods, other things remaining the same, then they can lead to a change in the rate of interest; and if this be true, then banks that issue fiduciary media can through their credit policy affect the rate of interest.

"After the example of Wicksell, we designate that rate of interest which would be established through supply and demand if real capital goods were loaned *in natura* without the mediation of money, the natural rate of interest, and that rate which is demanded for a loan that consists of money or money substitutes, the rate of money interest. The banks can through progressive expansion of the issue of circulating media force down the rate of money interest to the level set by the cost of the banking business and thus, practically speaking, to nothing."[3]

Mises agrees with Wicksell that forces will be at work which will ultimately induce a coincidence of the two rates, and agrees, moreover, that their divergences will cause progressive and cumulative price fluctuations. But when Wicksell says that this "progressive and ultimately enormous rise of prices," as Mises paraphrases it, must force the banks sooner or later to raise their rates of interest, Mises does not follow.

The reason why Mises does not assent to the whole of Wicksell's analysis is that Wicksell gives no final reason why *in pure theory* the rate of money interest and the rate of natural interest must ultimately converge. He maintains, as is true, that Wicksell is dealing with a theoretical pure credit economy and that the reasons he assigns are not valid under such conditions. While it may be true that the problem of why the rates would under such conditions again converge is not settled by Wicksell, it is not true that Wicksell in the passages cited stated specifically that the reasons he gave would apply under purely theoretical conditions. The two cases cited by Mises as violations by Wicksell of his own assumptions are clearly labelled as departures from those assumptions. The first passage, on page xxvi of the Wicksell's preface, states frankly that therates would again agree in "the monetary system of actual fact"; and in the second case he speaks expressly not of his own abstract construction but of the concrete world, and regrets that the matter "requires a far more intimate insight into the secrets of banking technique than is at my disposal."[4] With these practical limits on credit expansion, gold and legal reserves, and the like, Mises quite agrees. We shall set forth Mises' general position and then take up

his analysis of the reasons of intrinsic theoretical necessity which ultimately force conjunction of the actual and normal rates of money interest.

Like Wicksell, Mises appeals to the authority of Aristotle, who, he is sure, was already asserting a commonplace on the "physical unfruitfulness of money,"[5] and to the authority of Adam Smith who regarded commodities employed as hard money as "dead stock which produces nothing."[6] He mentions also, though with less emphasis, that goods transactions *in natura* have long since ceased to be "usual." "An entrepreneur who wishes to acquire command over capital goods in order to begin a process of production must first of all have money with which to purchase them."[7]

Mises does, however, place the fullest possible weight upon another set of observations which involve very similar ideas.

"Credit transactions fall into two groups, the separation of which must form the starting point for every theory of credit and especially for every investigation into the connection between money and credit and into the influence of credit on the money prices of goods. On the one hand are those credit transactions which are characterized by the fact that they impose a sacrifice on that party who performs his part of the bargain before the other does—the foregoing of immediate power of disposal over the exchanged good, or, if this version is preferred, the foregoing of disposal over the surrendered good until the receipt of that for which it is exchanged. This sacrifice is balanced by a corresponding gain on the part of the other party to the contract—the advantage of obtaining earlier disposal over the good acquired in exchange, or what is the same thing, of not having to fulfill his part of the bargain immediately. . . . The second group of credit transactions is characterized by the fact that in them the gain of the party who receives before he pays is balanced by no sacrifice on the part of the other party. Thus the difference in time between fulfillment and counterfulfillment which is just as much the essence of this kind of transaction as of the other, has an influence merely in the valuations of the one party while the other is able to treat it as insignificant . . . . For the first group, the name Commodity Credit (*Sachkredit*) is suggested, for the second, the name Circulation Credit (*Zirkulationskredit*)."[8]

To this is joined a long explanation of the fact that money substitutes are complete and perfect deputies for money since no one wishes money as an object of ultimate consumption. One possessing a thousand loaves of bread could not dare issue more than one thousand tickets of claim on the bread, for when one claim is exercised the stock of bread is irrevocably reduced. Not so with money; the exercise of a claim against a stock of money does not result in any absolute diminution of the stock against which the claim is asserted. Mises adds the following penetrating observation to Wicksell's simple but effective thesis on the expansibility of bank credit.

"The fact that is peculiar to money alone is not that mature and secure claims to money are as highly valued as the sums of money to which they refer, but rather that such claims to money are complete substitutes for money and as such are able to fulfill all the functions of money in those markets in which their essential characteristics of maturity and security are recognized. It is this circumstance that makes it possible to issue more of this sort of substitute than the issuer is always in a position to convert, and so the fiduciary medium comes into being in addition to the money certificate."[9]

Wicksell's analysis proceeded from a given change in the actual rate of interest not consonant with the normal rate, to cumulative changes in prices resultant thereupon. Mises elaborates the intermediate step which, as we have seen, Wicksell did not ignore. "There is no direct connection between the rate of interest and the amount of money held by individuals who participate in the transactions of the market; there is only an indirect connection operating in a roundabout way through the displacement in the social distribution of income and wealth which occur as a consequence of variations in the objective exchange value [purchasing power] of money."[10] If it should come about that the new money were so distributed as in no way to alter the existing proportion between expenditures on consumption goods and production goods, no effect on the rate of interest would follow. But this is an extremely unlikely case in practice and difficult to describe with certainty in theory.

"Displacements of the social distribution of income and property constitute an essential consequence of fluctuations in the exchange value of money. But every variation in the distribution of income and property entails variations in the rate of interest." A total income distributed in large fractions to a small group and small fractions to a large group will produce a different rate of interest than the same income distributed evenly, for "generally speaking, individuals with large incomes make better provision for the future than individuals with small incomes. The smaller an individual's income is, the greater is the premium which he sets on present goods in comparison with future goods. Conversely, increased prosperity means increased provision for the future and higher valuation of future goods."[11]

When these displacements arise exclusively from monetary contingencies, they have added significant effects.

"Changes in the purchasing power of money do not operate directly upon the heights of the interest rate. An influence upon the rate of interest can enter indirectly in consequence of the fact that, as a consequence of changes in the value of money, the emerging displacements of income and wealth distribution affect savings

and thereby the formation of capital. If a depreciation of money favors the richer classes at the expense of the poorer, then its action presumably involves an increased formation of capital, since the prosperous classes give foremost consideration to saving and the more their income and wealth increase, the more they have left over. If a depreciation of money is induced by an expansion of circulating media, then if wages do not promptly follow the rising prices, the decrease in purchasing power would doubtless loose these forces in especially vigorous fashion. This is the *forced saving* which the most recent literature has rightly been pointing out so emphatically. . . . It is always conditional upon the data of the special case whether the displacements of wealth and income which induce increased savings actually are set in operation."[12]

"One of the elements that help to determine the rate of interest, the level of the national subsistence fund, is necessarily altered by the increase of savings. The greater the fund of means of subsistence in a community the lower the rate of interest. It cannot be asserted that an increase in the stock of money causes the rate of interest to fall and a diminution of the stock of money causes it to rise. Whether the one or other consequence occurs always depends on whether the new distribution of property is more or less favorable to the accumulation of capital."[13]

We shall meet these homely observations again, set forth as a fundamental psychological law and garlanded with the name of marginal propensity to consume.

Such results, however, are evidently long-range effects, as Mises states. The critical displacements of income are brought about by the differential gains and losses of entrepreneurs. The order of events is somewhat as follows: (1) loans at abnormal rates, (2) issue or contraction of money substitutes attendant thereupon, (3) positive or negative differential profits, (4) displacement of income. These movements endure as long as the purchasing power of money is being changed. "Thus variations in the rate of interest do not occur as immediate consequences of variations in the ratio between the demand for money and the stock of it,"[14] but as a consequence of the induced shifts in income. There can be no question of what Mises regards as the critical concept: the relation between falling purchasing power of money and income displacement affecting the rate of saving is reiterated over and over again.

We are now in a position to return to Mises' basic theoretical reasons why the actual rate must ultimately coincide with the normal rate in an economic situation where the banks are freed from the practical limitations on expansion—reserves, redemption funds, foreign flows, alternative industrial uses of the money metal, etc. The problem of whether the amount of fiduciary media could actually be indefinitely augmented is dismissed as "otiose," for the question under investigation is not whether the purchasing power of money and the rate of interest could be reduced to zero

but to investigate "the consequences that arise from the divergence (which we have shown to be possible) between the money rate and the natural rate of interest."[15] Previously he has disposed of the question as to whether or not income-displacements arising from an increase in circulation of fiduciary media might not as a matter of fact increase the size of the national subsistence fund. Mises feels safe in asserting without proof that the increase in the size of the national subsistence fund thus produced "can in no circumstances be very great."[16]

Banks, therefore, *can* grant credit on easier terms, *i.e.*, set the actual rate below the normal rate, and so augment the volume of fiduciary media through the stimulated demand for loans, thus causing the purchasing power of money to fall. But "the level of the natural rate of interest is limited by the productivity of that lengthening of the period of production which is just justifiable economically and of that additional lengthening of the period of production which is just not justifiable."[17] The rate of interest to be paid on the unit of capital requisite for a longer period must be equated with the marginal product of the longest period under consideration for adoption. A period of production so defined would utilize resources in such wise that the whole available subsistence fund would be necessary and sufficient for paying the wages of the laborers throughout the duration of the productive process.

But let the actual rate be below the normal rate thus defined and entrepreneurs can, and under competition must, enter upon the longer processes. This is true "despite the fact that there has been no increase in intermediate products and no possibility of lengthening of the average period of production." But an actual rate prevails which corresponds to a longer period so that a time *must* come when "the means of subsistence available for consumption are all used although the capital goods employed in production have not yet been transformed into consumption goods." Insofar as the fall in the rate of interest weakens the motive for savings the process is accelerated. And the day "must come when the means of subsistence will prove insufficient to maintain the laborers during the whole process of production that has been entered upon"; the inadequacy does not manifest itself suddenly in a complete and calamitous lack of consumption goods, imperilling human existence.[18] The quantity of consumption goods coming continuously on the market decreases, their prices rise and those of production goods which had previously risen, now fall or cease to rise.

Such a sequence is the fulfillment of Wicksell's axiom "the connecting

link is supplied by the level of *commodity prices*. The only possible explanation lies in the influence which is exerted on *prices* by the difference between the two rates of interest."[19]

Mises' version is this: "There is no direct connection between the rate of interest and the amount of money held by individuals who participate in the transactions of the market; there is only an indirect connection operating in a roundabout way through the displacements in the social distribution of income and wealth and so to prices."[20]

The sequence of events, then, is as follows: Activity in production induced by the less than normal rates on loans causes a rise in the price of production goods. The concomitant increase in wages causes also a lesser rise in the prices of consumption goods. But soon a counter-movement sets in; the prices of consumption goods rise. Against this movement the banks are powerless to prevent the two rates from moving into conjunction. They may accept the inevitable and move their lending rate to the appropriate level. If they do not, the value of money will continue to fall, and the steeply rising price level will cause still higher prices to be exchanged for a perceptibly depreciating currency, thus offsetting the supposed lower rate of interest. This is the process picturesquely but accurately described by Wicksell as the upward movement "creating its own draught."[21] The supply of money bidding for production goods is definitely disproportionate to the available supply of capital goods, in view of the actual economic choices of the community.

"Money is part of the private capital of an individual only if and so far as it constitutes a means whereby the individual in question can obtain other capital goods. . . . In reviewing the determinants of the rate of interest writers emphasize over and over again that it is not the greater or smaller quantity of money that is of importance but the greater or smaller quantity of other economic goods. To recon cile this assertion, which is undoubtedly a correct summary, with the other assertion that money is a productive good is simply impossible."[22]

The mere increase in money, though presumably falling into the hands of entrepreneurs, does not make possible a period of production other than that dictated by the supply of investible goods. A crisis-like phenomenon ensues, involving a capital loss on the resources invested in the excessively long processes; such resources cannot be transferred to their best allocations and they remain condemned to less economic uses.

The ratio between prices of production and consumption goods determined by the state of the capital market will be re-established. This will not be the same ratio as formerly prevailed because the action of the banks

has produced a different income distribution and, as noted above, some capital has been irrevocably committed to uneconomic uses. This is the course of economic events when banking policy allows circulating credit (that which at the time of the loan imposes no sacrifice on the lender) to run a course notably different from what would have been the conduct of commodity credit in which the gain of the borrower is balanced by a simultaneous sacrifice on the part of the lender.

Thus we have here not so much a criticism or correction of Wicksell as an extension of the theoretical completeness of his doctrine. Wicksell had been satisfied to prove that the proper course for the banks is to bring the two rates back into their equilibrium relationship, having in view current pragmatic limitations on the extent of credit expansion. Mises goes further and shows that, even if the banks do not bring the rates into conjunction, an inevitable reaction does so through the effect upon the rate of saving occasioned by the income displacement involved in forced saving. As was remarked, the following-through of these income disturbances is a type of analysis to which Wicksell is wholly sympathetic. And Mises' additions are logically complementary to the original and enabled him to apply the analysis more closely to the problem of business cycles.

Three things emerge when the actual rate is below the normal money rate and these three things we may regard as a summary of Mises' teaching insofar as it is pertinent to our limited purpose.

"A new issue of fiduciary media . . . indirectly gives rise to a variation in the rate of interest by causing displacements in the social distribution of income and property."[23]

"The level of the natural rate is limited by the productivity of that lengthening of the period of production which is just justifiable economically and of that which is just not justifiable economically."[24]

"The moment they [the banks] start to force down the money rate below the level of the rate of natural interest by the expansion of circulating credit, they divert the course of events off the way of equable development and produce situations which lead inevitably (*zwangslaufig*) to boom and crisis."[25]

In short, Wicksell emphasized that divergences of the actual and normal rates of interest produce cumulative and progressive movements in prices. Mises emphasized the income displacements and distortions of the price structure which the price shifts imply. The interest theory of Mises can be summarized as follows:

(1) Interest rests upon the technical superiority of saved resources over present goods. In general, Mises employs Böhm-Bawerk's construction with unspecified reservations. "Then only the difference in value between present goods and future goods

is taken into account, and this alone has an influence on the determination of the exchange ratio, *i.e.*, on the determination of the rate of interest."[26]

(2) Interest is the difference between the value of the prospective products of a capital good and the value of the capital good.[27] The "origin [of interest] lies in the natural difference of value between present and future goods." If prices of producers' goods rise farther and faster than the prices of consumers' goods, interest is zero.

(3) Variations in the ratio $\frac{\text{stock of money}}{\text{demand for money}}$ affect the rate of interest *permanently* through the displacements in the distribution of property and income which they evoke. If the new distribution alters the capacity to save, then the ratio between the value of present goods and future goods must be altered in favor of the latter and the rate of interest declines.

(4) These variations produce less remote effects by creating differential profits. These are the source of the ultimate income displacement. These differential gains enable and prompt entrepreneurs to pay higher rates of interst. The movements are in part due to the fact that variations in the value of money appear at different times in different parts of the economy.

(5) A falling value of money goes hand in hand with a rising rate of interest and a rising value of money with a falling rate of interest.

(6) These facts make possible and necessary a division of credit transactions into two classes, those which impose an *antecedent* sacrifice on the lender and those which do not impose such a sacrifice.[28]

(7) When loans are of the second class, the sacrifice is *consequent* and "the cost of creating capital for borrowers of loans granted in fiduciary media is borne by those who are injured by the *consequent* variation in the objective exchange value of money."[29]

(8) This Wicksellian process can be stopped at any time by having the banking system restore the equality between their lending rate and the rate of natural interest, this latter as now constituted by the new income distribution after displacement.

(9) Even if the initiative is not taken by the banking system equilibrium must ultimately be restored. The unwarranted loans induce adoption of an untenably long production period with rising prices for production goods. But the income generated is also being spent; "a time must come when the means of subsistence available for consumption are all used up, although the capital goods employed in production have not yet been transformed into production goods."

Friedrich A. von Hayek is the professed exponent of the Austrian tradition as expounded by Mises and Wicksell. His principal writings base themselves on the work of these two. Unfortunately, Hayek has not as yet given the world a thoroughgoing treatise to which we can turn for a developed and complete exposition of his views. Twice, however, he has published brief summaries of lecture courses which, while they may suffer from a lack at once of scientific exactness and of useful elaboration, have the merit of throwing into strong relief the broader principles on which

the analysis proceeds. While it is probably correct to say that the price complex rather than the rate of interest is his primary concern, the latter holds a place of sufficient prominence and has been sufficiently amplified to justify an examination of Hayek's views on the nature and sources of interest.

Perhaps the most characteristic note of Hayek's thought can be perceived in the first sections of his *Monetary Theory and the Trade Cycle.* The first hundred pages of that work are devoted to a survey of those theories of the cycle which have commanded some following among economists. Hayek has little positive fault to find with any of them, but all seem to suffer from the same privative defect. The various economic facts and sequences called into notice all doubtless have a role to play in a cyclical development; many are of obvious significance. But consciously or unconsciously, covertly or openly, all introduce into their theory "primary monetary changes,"[30] without which any explanation, however "real," is inadequate. "The automatic adjustment of supply and demand can only be disturbed when money is introduced into the economic system . . . . Every explanation of the Trade Cycle which uses the methods of economic theory . . . must therefore start by considering the influences which emanate from the use of money."[31]

As a loyal and convinced follower of the Austrian tradition, Hayek is willing to employ in his study that ungainly and paradoxical instrument known as the period of production. Wicksell and Mises shared this willingness but did not so employ it that the tenability of their position was obviously bound up with the proper functioning of this piece of apparatus. The period of production as defined by Böhm-Bawerk was a weighted average: labor-days, weighted by the duration of their products before ultimate utilization, divided by the total number of labor-days employed in the process.

$$\frac{\text{(labor-days)} \times \text{(days duration of products)}}{\text{(labor days)}} = \text{average production period.}$$

Since labor days appear in both numerator and denominator, the resulting average figure will be of the dimension of time as measuring the duration of the effects of labor expended before their utilization.[32] Such an average would appear to be a measure of the density of capitalization, of the degree to which the community in question, through choice or duress, has in the past put its resources into commodities which can be produced immediately, or into commodities which can be produced only

mediately. In general, the degree of im-mediacy is the same whether measured in time, or described in terms of "roundaboutness." But as techniques improve, especially in a field employing the fruits of scientific research, such as the chemical industry, the two meanings of "immediate" no longer move together; the more mediate processes in terms of stages may be the more immediate in time. Then the weighted average, with the big weights combined with the less enduring products, decreases as people devote more of their resources to mediate production. The period of production has been shortened even though increased, and by a judicious application of weights may be made to show a variety of vagaries.

Yet there can be no question that some such concept is indispensable to the analysis of capital and interest, for it is the problem of determining, not precisely the total principal sum upon which interest is to be paid, but of a further element which strongly influences this principal as an economic reality rather than as a mere number in a ledger. J. Marschak has stated: "The definition of the period of production given by Mr. Gifford seems to be all the more valuable as it proves if duly modified, to be identical with another interesting economic magnitude, *viz.*, the ratio of the total value of the existing commodities ('stocks') to the value of the current income (or consumption) ('flow')."[33] And Hayek employs the ratio of the volume of current production to the size of the productive apparatus. Some accurate description at least, if not precise measurement, of the dimensions of productive plants or production and utilization is indispensable to an economics which is interested in the relative proportions of currently available resources devoted respectively to production and consumption. The average period of production attempts to meet that need.

An involved and far-reaching controversy has smoldered for five years over this matter of computing the density of non-liquid capital. The bibliography of the discussion now includes dozens of titles. Though it can well be argued[34] that there has been no clear-cut joining of the issue on the central point, many useful additions have been made to common thought on the subject. Prof. Knight's contention that "there is no production process of determinate length, other than zero or all history,"[35] is not an easy one to answer; it is not very helpful either in attacking problems in which some ratios akin to those mentioned must be employed.

This meagre notice of the difficulties in the concept of period of production was indispensable for the reason that the three topics to which we turn next all involve this concept as an element; these topics are the mean-

ing of equilibrium, the way of money and credit with prices, and the sources of interest, according to Hayek.

"In a state of equilibrium"[36] there are three ratios which are equal: (a) the ratio of money spent for consumer's goods to money spent for producers' goods; (b) the ratio of the total demand for consumers' goods to the total demand for intermediate products necessary for their continuous production; and (c) the ratio of output of consumers' goods during a period of time to the output of intermediate products of all earlier stages during the same period. In other words, the demand for goods, the money expressing this demand, and the supply meeting this demand must all be proportionate. There seems to be no reason for not adding the fourth element—the monetary expression of the supply. The condition of equilibrium could then be described as equality of real *and* money demand *and* of real *and* money supply, which is indeed a complete equilibrium.

When Hayek attempts to define equilibrium from another viewpoint, the result is less happy. When all the above ratios are equal, we would presumably enjoy full employment of resources; else there would be obvious reasons for non-cumulative departures from the current position until there was reached "that final identity of total supply and total demand on which every conception of economic equilibrium is based."[37] Whatever may be the meaning of "full" in this connection, if these ratios are not equal we would have less than "*the full activity of elementary economic interconnections as shown by equilibrium theory.*"[38] "We have to start where general economic theory stops: that is to say at a condition of equilibrium where no unused resources exist." But when Hayek turns to conditions of disequilibrium, of a disproportion between the demand for consumers' goods and producers' goods so that there is introduced a period of production which is untenable, he invokes as one of the factors in the situation the fact that there will be new products; "some natural resources which formerly it was not profitable to use."[39] If we are starting from a condition of *real* equilibrium, all resources which can be used under existing technical conditions are taken as employed. The circumstance in which a rise in the price of capital instruments without as yet any rise in consumers' goods would make profitable the use of definitely inferior materials may not be inconceivable, but this is hard to visualize as a likely case of sufficient importance to merit consideration. Unused resources hitherto unprofitable became profitable and pertinent through changed production functions, which represent technical advance and a movement toward a new equilibrium.

In equilibrium, therefore, we have an average period of production and a corresponding price complex such that the flow of finished goods moving on to market is continuously equal to the demand for consumption goods; and the total of money income directed to the purchase of consumption goods is in due proportion to the amount of resources supplied by saving to maintain the existing productive capacity in such condition as to maintain the flow of consumption goods. As raw materials proceed from one stage to another, becoming more and more specified as they come closer to the ultimate form, there are margins in prices as between one stage and another *greater* than the mere value added by labor and subsidiary materials. "In a state of equilibrium, these margins are entirely absorbed by interest."[40] Capital goods have different values at different stages of production, and "the difference between these prices *is the only source of interest.*"[41]

In equilibrium, these differences exactly equal the sum of interest that is to be paid. This is summarized as follows:

"Every given structure of production, *i.e.*, every given allocation of goods as between different branches of production, requires a certain definite relationship between the prices of the finished products and those of the means of production. *In a state of equilibrium, the difference necessarily existing between these two sets of prices must correspond to the rate of interest,* and at this rate, just as much must be saved from current consumption and made available for investment as is necessary for the maintenance of that structure of production. The latter condition necessarily follows from the fulfillment of the former since the prices paid for the means of production plus interest can only correspond to the prices of the resulting products when, at the given prices and rate of interest, the supply of producers' goods is exactly adequate to maintain production on the existing scale. The price margins between means of production and products, therefore, can only remain constant and in correspondence with the rate of interest as long as the proportion of current income which at the given rate of interest is not consumed but re-invested in production, remains exactly equal to the necessary capital to carry on production. Every change in this proportion must begin by impairing the correspondence of price margins and the interest rate: for it influences both in opposite directions and so leads to further shifts in the whole structure of production, representing an adjustment to altered price relationships."[42]

But Hayek does not wish interest in this construction to be a passive residual. "One basic proposition" must be accepted if the analysis is going to get anywhere—"in a barter economy, interest forms a sufficient regulator for the proportional development of the production of capital goods and consumption goods, respectively . . . . In the absence of money, interest would effectively prevent any excessive extension of the production

of production goods by keeping it within the limits of the available supply of savings" so that "an extension of the stock of capital goods which is based on a voluntary postponement of consumers' demands into the future can never lead to disproportionate extensions." Such relationships yield "pure interest," for by "pure interest theory . . . we understand the explanation of that rate of interest which is not modified by monetary influences although paid, of course, on capital reckoned in money terms."[43]

In that condition of equilibrium in which the price margins between the various stages sum up for the process as a whole to the total interest paid (and payable *as interest*), we have that "natural" rate of interest at which "the demand for loan capital just equals the supply of savings" as Wicksell "correctly defined it once."[44] That rate is then the natural rate, which Hayek is far from repudiating; "on the contrary, an adequate explanation of 'natural rate' is the indispensable starting point for any realization of the conditions necessary to the achievement of equilibrium."[45]

Hayek certainly could not have been misled by the difficulties of rendering Wicksell into English, and he certainly does not confuse the rate which would prevail if goods were lent *in natura* with the classical equilibrium rate (for it is this to which he expressly objects). Nevertheless, his adoption of the term, while he refuses to apply it to Wicksell's chief definition and at the same time counts himself a Wicksellian disciple, is no aid to clarity. Especially is this true when the term "equilibrium rate" is also used in uncertainty as to whether the term applies to Wicksell's rate of natural interest or to his normal rate of money interest.[46]

We must return shortly to another intimately cognate problem, the relation of Hayek's doctrine to Wicksell's in the matter of price-levels. But some things may profitably be said here on a more basic point. If we can conceive of a barter economy in which all exchange and all loans were made in specific goods, the rate which would prevail would equate supply and demand and would also be an equilibrium rate. The equilibrating character would arise not from the fact that the lending of goods *in natura by and in itself* produces an equilibrium position, but because where loans were made thus directly without the mediation of money, the reciprocal gains and sacrifices of saving and spending, borrowing, and lending are concretely juxtaposed, and deviations from an equilibrium position more obviously and more directly carry their penalties with them. The rate of interest which would prevail if goods were lent *in natura* may in this sense be called an equilibrium rate, equating supply and demand.

In a money economy, we can conceive of a rate of money interest which

equates the supply and demand of real savings, and is an equilibrium rate in the sense that by and of itself it does not create any tendency to deviations nor raise any difficulties in the way of a return to the previous position, or of arrival at a new one, should changes in the data warrant it.

Now, would these two rates be the same? It seems that they would not, because, whatever other effect the "introduction of money" may involve, it must be conceded the role of expediting exchange and therefore facilitating lending, and both these more accurately and precisely computed. The rate of money interest, therefore, would differ from the rate of natural interest, but a uniform proportion would exist between them. They would, as it were, always differ roughly by a constant representing the net increase in economic efficiency caused by the introduction of money. I say *roughly* because the introduction of money would doubtless involve other secondary variations beyond the primary increase in efficiency.

In the discussion of Wicksell we have had occasion to anticipate one of Hayek's points. It seemed simpler to deal with the objection when the positive doctrine had just been set forth. The matter discussed was Hayek's denial that the rate of interest which would equate the supply and demand of real capital would be a causal influence making for change in the price level. The conclusion was that the incompleteness of the definition of "the" rate of interest as a price made the objection invalid against Wicksell.

There remains to be discussed an objection brought in turn against Hayek which involves the same conceptions. In a lengthy and somewhat impatient review of Hayek's *Prices and Production*, the able Piero Sraffa attacks the work over a wide front. Not all the exceptions he takes are pertinent to our limited purpose; we shall discuss only two.[47] Sraffa first reproaches Hayek for his insistence that "forced saving" must ultimately eventuate in the destruction or dissipation of some of the capital accumulated by this process, Sraffa insists that the beneficiaries might indulge in actual saving sufficient to make good the difference. "One class has for a time robbed another class of a part of their incomes; and has saved the plunder. When the robbery comes to an end, it is clear that the victims cannot possibly consume the capital which is now well out of their reach. If they are wage earners, who have all the time consumed every penny of their income, they have no wherewithal to expand consumption. And if they are capitalists, who have not shared in the plunder, they may indeed be induced to consume now a part of their capital by the fall in the rate of interest; but not more so than if the rate had been lowered by the "vol-

untary" savings of other people."[48] This sounds bad, especially when it is clear that by a judicious mixing of consumer and producer credit the process could have gone on indefinitely anyhow. The reaction is not necessary after all. Indeed, it would sound practically fatal if Hayek did not show in his response that the second part of the objection is an astonishingly good paraphrase of a statement made by himself in the German edition of the work being dissected.[49] But the direct answer to the objection is that "the essential point to note here is that the additional money is, in the normal course of things, lent to somebody who, at that lower rate of interest is willing to invest more money than before—and to borrow for this purpose."[50] If the new money is in the hands of such borrowers, then a time will come when the product of the capital goods thus accumulated will not reach a market yielding a price to cover the value of the capital goods when they were assembled; somewhere along the line instruments lose their value and, though physically intact, have been economically destroyed. We will carry over for a moment this objection and its defense; Hayek, with much good reason, assumes that new money goes into the hands of people who are not borrowing in order to hoard.

Sraffa's second objection concerns the use made of Wicksell's idea of natural interest. Sraffa sees an essential confusion in the "belief that the divergence of rates is a characteristic of a money economy; and the confusion is implied in the very terminology adopted, which identifies the 'actual' rate with the 'money' rate, and the 'equilibrium' rate with the 'natural' rate."[51] To substantiate this contention, Sraffa maintains:

> [There are] "as many natural rates as there are commodities . . . When a cotton spinner borrows a sum of money for three months and uses the proceeds to purchase spot, a quantity of raw cotton which he simultaneously sells three months forward, he is actually 'borrowing cotton' for that period. The rate of interest which he pays per hundred bales of cotton is the number of bales that can be purchased with the following sum of money: the interest on the money required to buy spot 100 bales, plus the excess (or minus the deficiency) of the spot over the forward price of the hundred bales."[52]

Several questions leap to mind. Where did the cotton spinner get the money? Will some wool manufacturer borrow less because this sum was lent to the cotton manufacturer so that some woolen worker will buy fewer cotton socks, or was it a net addition to previous effective money so that if banks are known to be expanding credit, the forward price of cotton is already a function of the present price and the rate of interest? The formula given amounts to Irving Fisher's formula for deriving "real" interest

from "money" interest in averages which as here applied tells us that, given a *rate of money* interest, the value of interest income may be expressed in terms of any commodity or group of commodities and may be expressed as a ratio of the previous value of that commodity. Sraffa continues:

"In equilibrium, the spot and forward prices coincide for cotton as for any other commodity; and all the (natural) or commodity rates are equal to one another and to the money rate. But if for any reason, the supply and the demand for a commodity are not in equilibrium (*i.e.*, its market price exceeds or falls short of its cost of production), its spot and forward prices diverge and the natural rate of interest on that commodity diverges from the natural rates on other commodities. Suppose there is a change in the distribution of demand between various commodities: immediately some will rise in price and others will fall; the market will expect that, after a certain time, the supply of the former will increase and the supply of the latter fall, and accordingly the forward price, for the date on which equilibrium is expected to be restored, will be below the spot price in the case of the former and above it in the case of the latter. In other words, the rate of interest on the former will be higher than on the latter. It is only one step to pass from this to the case of a non-money economy and to see that when equilibrium is disturbed and during the time of transition, the natural rates of interest on loans in terms of the commodities the output of which is increasing must be higher to various extents than the "natural" rates on the commodities the output of which is falling, and that there may be as many 'natural' rates as there are commodities."[53]

This is all very ingenious and amounts to saying that a price change can always be expressed as a percentage of itself or that, given a rate of interest, the interest income can always be expressed as so much worth of such a commodity. But to this Hayek has a direct and complete answer, on two scores. First of all, Hayek is talking of the precise case where a change in demand is *initiated* without any change in the conditions of cost of production or market price. Secondly, Hayek, with perfect justice, has "been assuming that the body of existing pure economic theory demonstrates that as long as we neglect monetary factors, there is an inherent tendency toward an equilibrium of the economic system."[54] In discussing Wicksellian economics, Sraffa blithely ignores Wicksell's "great and decisive difference" between the disturbance of a ball in the bottom of a bowl and the disturbance of a cylinder on a smooth surface. Sraffa is right in saying that "the essential consequence of a divergence between the demand and supply of consumption goods is common to monetary and non-monetary economies,"[55] that is, a change in price; but he is wrong in assuming that there is no difference in the subsequent course of events.

Thus, though Sraffa cannot prevail against Hayek directly, he is right in concluding that neither does Hayek prevail against Wicksell. "For there

is a 'natural' rate of interest which if adopted as bank-rate will stabilize a price level (*i.e.*, the price of a composite commodity): it is an average of the 'natural' rates of the commodities entering the price level, weighted in the same way as they are in the price level itself."[56] Now, if we allow this for any group of commodities, why not allow it for *all commodities*, as Wicksell did, unembarrassed by the statistical difficulties of such an average, of which he was fully aware? Thus vanishes Hayek's objection against Wicksell: "Whilst Wicksell might fall back for the criterion of his 'money' rate upon an average of the 'natural' rates weighted in the same way as the index number of prices which he chose to stabilize, this way of escape was not open to Dr. Hayek for he had emphatically repudiated the use of averages."[57]

Sraffa, it is true, limits his theory of "natural" interest to differences in the time utility of an unchanged commodity—surely not the best case to exemplify the nature of interest in a machine economy. But that limitation does not prevent us from legitimately employing his refutation of Hayek on this particular point.

Some consideration of the object pursued by Wicksell, Mises and Hayek may enable us to see the source of these misunderstandings, even if it does not enable us to reconcile them all. First of all, Wicksell was building a theory of long-term price movements; he did not have a theory of cycles and crises, regarding these as due to discontinuities in the rate of technological improvement, apparently whether financed by credit or not. Wicksell had in mind a period of sufficient length to permit averages to be fairly representative even though analytically rather unsatisfactory. Mises next did two distinct things. He elaborated a theoretical case that could be even more long-term than Wicksell's, and he also put his finger on the fact that once we depart from the theoretical sequence of annual markets, the income displacement occasioned by credit expansion moves across the economy from one group to the next irregularly, at the same time that the price level for the economy as a whole starts moving up. Hayek seized upon this last point and seeks to detail the process of income displacement in the short run. The logical economic sequence of the three writers is approximately the opposite of the order of their historical appearance. Hayek's processes come first, then Mises', then Wicksell's, except for Mises' long-term argument about the ultimate readjustment of the rate of money interest and the rate of natural interest even in the absence of restrictions on the power of a banking system to extend credit.

The essentials of Hayek's theory of interest can well be set forth in

terms of a sweeping objection brought against it by Keynes who considers that the whole thing "is exactly the wrong way around."[58] Hayek's discussion proceeds on some very severe conditions: If there is no unemployment of available resources, if there are no monetary disturbances and no forced saving, and if we can further assume that "goods moving towards consumption do change hands against money in equal intervals which correspond to our unit production periods," and that shifts in the structure of production are due not to advances in technique but only to changes in the organization of industry for the satisfaction of needs more distant in the future than those formerly served, then the margins between the various stages (apart from payments for wages and rents proper to that stage) represent interest and are indeed its only source. If we could conceive of time-using processes involving no payments for wages and rents after the first stage, then the entire price margin would be interest. The rate of interest is simply the rate that would equate the present value of the good in such and such a stage with the value of the good completed after such and such a lapse of time. Under these circumstances, changes in the relative prices of producers' and consumers' goods would be the same thing as changes in the rate of interest.

Keynes, it should be observed, introduces into the next propositions his own "highly psychological" definitions of marginal productivity and supply prices. (His psychological marginal productivity of capital is called the marginal efficiency of capital.) He continues: "The fact is then called to notice that a fall in the rate of interest is favorable to investment. Ergo, a fall in the ratio of the price of consumers' goods to the price of producers' goods is favorable to investment . . . . But of course, a lowering of the marginal efficiency of particular capital assets and hence a lowering of the schedule of the marginal efficiency of capital in general has exactly the opposite effect to what the above argument assumes. For investment is stimulated either by a *raising* of the schedule of the marginal efficiency of capital or by a *lowering* of the rate of interest."[59]

Now, an increase in saving does two things: It tends to lower the rate of interest by increasing the supply of saved-up resources and, by the same token, it tends to lower the *marginal* efficiency of capital. An increase of saving also tends to lower the price of consumption goods, inasmuch as less income is expended on the purchase of them. Now the fact that an entrepreneur can borrow at lower rates of interest may not be an inducement to invest if the drop in his costs, owing to the increased investment at the lower rates, will be more than offset by the drop in the price of the

ultimate consumption goods produced owing to the increased saving which lowered the rate of interest and owing also to the increased product resulting from the increased investment at the lower rates. Nevertheless, Keynes admits, as he should, that in long-term equilibrium special assumptions could be devised on which these conclusions would be justified; but, if the analysis starts with "prices . . . in slump conditions," to suppose that the "entrepreneur will in forming his expectations assume these prices to be permanent is certain to be misleading."[60]

But it is one thing to say that an extremely abstract argument from equilibrium conditions does not mean much when transported bodily to a concrete set of disequilibrium conditions; and it is quite another thing to say without reservation that Hayek has his conclusions exactly the wrong way around. And this is true especially when the disequilibrating variable is "expectations," which is coming, like money, to answer all things. "There is one point, however, which we cannot take for granted. The fact that in a state of equilibrium those price margins and the amounts paid as interest coincide does not *prove* that the same will be true in a period of transition from one state of equilibrium to another."[61]

The analytical system set forth by Hayek in the two sets of lectures referred to allows little place for the factor of "anticipations" that has just been mentioned; yet he is far from denying its usefulness.

> The principal difficulty of the traditional analysis evidently consists in its absolute abstraction from the element of time. An equilibrium concept which finds its essential application only in an economy which abstracts from time cannot be of great value. Happily, it is precisely in that order of ideas that there have been great changes in recent times. The premises . . . requisite for an equilibrium analysis consist essentially in the fact that all the persons involved foresee accurately future events of any importance, and that the foresight must not only include change in the objective data but also in the attitude of all other persons."[62]

This subject, insofar as it concerns us, will turn up elsewhere, at a place where it can be dealt with more easily. The passage is included here for the sake of the completeness of Professor Hayek's thought and for the statement which he gives of the scope of that foresight concerning which some assumption is to be made.

Before leaving Hayek, we should mention that his concern over the sharp dilemma of stable prices or the rate of natural interest, which alone divided his thought from Wicksell's, does not come to much in real life. "This does not exclude stabilization of some price level as a criterion for a policy which is a practical compromise between various conflicting pur-

poses. It seems to me quite likely that the stabilization of some average of prices of original means of production may be relatively the most practical maxim for the deliberate regulation of the quantity of money."[63]

---

[1]Ludwig von Mises, *The Theory of Money and Credit* (first German edition, 1912), tr. by H. Batson, London, 1934, p. 353. (Hereafter cited as *Theory*.)

[2]*Theory*, p. 339.

[3]Ludwig von Mises, *Geldwertstabilisierung und Konjunkturpolitik*, Jena, 1928, p. 49. (Hereafter cited as *Geldwert*.)

[4]*Interest and Prices*, p. 117. The passage cited by Mises (*Theory*, pp. 335-336) follows on p. 119.

[5]*Theory*, p. 88.

[6]*Ibid.*, p. 81.

[7]*Ibid.*, p. 340.

[8]*Ibid.*, pp. 264-265.

[9]*Ibid.*, pp. 267-268.

[10]*Ibid.*, p. 346.

[11]*Ibid.*, p. 347.

[12]*Geldwert*, S. 45.

[13]*Theory*, pp. 347-348.

[14]*Ibid.*, p. 349.

[15]*Ibid.*, p. 359.

[16]*Ibid.*, p. 351.

[17]*Ibid.*, p. 360.

[18]*Ibid.*, p. 362.

[19]*Interest and Prices*, p. 109.

[20]*Theory*, p. 346.

[21]*Interest and Prices*, p. 96.

[22]*Theory*, p. 90.

[23]*Ibid.*, p. 352.

[24]*Ibid.*, p. 360.

[25]*Geldwert*, s. 57.

[26]*Theory*, p. 307.

[27]*Ibid.*, p. 339.

[28]*Ibid.*, p. 264.

[29]*Ibid.*, p. 314. (Italics inserted.)

[30]Frederick A. von Hayek, *Monetary Theory and the Trade Cycle*, p. 95. (Hereafter cited as *Monetary Theory*.)

[31]*Ibid.*, pp. 101-102.

[32]Eugen von Böhm-Bawerk, *The Positive Theory of Capital*, translated with a preface and analysis by W. Smart, New York, 1930, p. 89.

[33]Jacob Marschak, "A Note on the Period of Production," *Economic Journal*, 44:173, March 1934, p. 146.

[34]Raymond J. Saulnier, *Contemporary Monetary Theory*, New York, 1938, pp. 261 *et seq.*

[35]F. H. Knight, "Professor Hayek and the Theory of Investment," *Economic Journal*, March 1935, p. 78.

[36]*Prices and Production*, p. 46.

[37]*Monetary Theory*, p. 93; cf. also p. 87.

[38]*Ibid.*, p. 90. (Italics in original.)

[39]*Prices and Production*, second revised and enlarged edition, London, 1935, p. 78.

[40]*Prices and Production*, p. 73.

[41]F. A. Hayek, "Reflections on the Pure Theory of Money of Mr. Keynes," *Economica*, August 1931, p. 278. (Italics inserted.)

[42]*Monetary Theory*, pp. 212-214.

[43]*Ibid.*, p. 203.
[44]*Ibid.*, p. 210.
[45]*Ibid.*, p. 201.
[46]For example, *Prices and Production*, pp. 23, 26.
[47]Piero Sraffa, "Dr. Hayek on Money and Capital," *Economic Journal*, 42:165, March 1932, pp. 42 *et seq.*
[48]*Ibid.*, p. 48.
[49]Frederick A. von Hayek, "Money and Capital: A Reply," *Economic Journal*, 42:166, June 1932, pp. 244-245.
[50]*Ibid.*, p. 241.
[51]Sraffa, *loc. cit.*, p. 49.
[52]*Ibid.*
[53]*Ibid.*, pp. 49-50.
[54]Hayek, *Reply*, p. 238.
[55]Sraffa, *loc. cit.*, p. 52.
[56]*Ibid.*, p. 51.
[57]Sraffa, *Rejoinder*, p. 251.
[58]Keynes, *The General Theory of Money, Employment and Interest*, p. 192.
[59]*Ibid.*
[60]*Ibid.*, footnote.
[61]Hayek, *Prices and Production*, p. 74.
[62]Frederick A. von Hayek, "Prevision de Prix, Perturbations Monetaires et Faux Investissements," *Revue des Sciences Economiques* (Liege), October 1935. Since reprinted as *Price Expectations, Monetary Disturbances, and Malinvestments* in *Profits, Interest and Investment*, F. A. Hayek, London, 1939. The above passage is on p. 139.
[63]Frederick A. von Hayek, "Uber 'neutrales Geld,'" *Zeitschrift für Nationalökonomie*, IV: 5, 1933, p. 66.

CHAPTER IV

ALTERNATIVE OPPORTUNITIES

As we turn from the direct line of immediate Wicksellian influence, problems of logical order arise which involve arbitrary decision. For purposes of exposition it seems well to start the second group with the theory of Prof. Joseph A. Schumpeter—partly because his theory of interest was early in the field, but principally because his theory is logically antecedent to the others in the sense that it begins from a most rigidly static state and moves forward to highly dynamic situations. Fisher and Keynes, moreover, have a strong affinity to Schumpeter, though Keynes is evidently much in debt to Wicksell. Important as Schumpeter's theory is, our treatment of it need not be lengthy, for his method of treatment allows the skeletal structure to be set forth briefly. This of course involves neglecting the many attractive prospects which his doctrine holds out in many departments of economic theory. The reasons for including Fisher and Schumpeter in one chapter will appear at the end of the discussion.

The economic process is conceived by Schumpeter as unfolding in an isolated community where private property prevails and a system of economic organization has been developed, with a division of labor and free competition. In this economy everyone lives in each period on goods produced in the preceding period. The market possibilities of the community are known by experience to all producers and annual production moves in a well-defined customary round. We may even imagine not only that the whole income-output-income of the community makes this round during each year, but also that with each resuming round the fruit of the employment of permanent sources of productive power seeks to reach the same consumer. We then have a complete circular flow. "The sellers of all commodities appear again as buyers in sufficient measure to acquire those goods which will maintain their consumption and their productive equipment in the next economic period at the level so far attained and vice versa."[1]

In such a circular flow of economic activity based on experience, there

is no impulse to spontaneous change on purely economic grounds. Change in the sense of adjustment to changes in objective data there would be, and quantitative change due to increase or decrease in population. But these would represent only more or less of the same things. The economy of itself calls forth nothing new.

In such an economy, Schumpeter further contends, net profit cannot exist for the reason that alternative lines of investment being absent, the available knowledge of the customary methods of production being common to all producers, "in general, no surplus value above the value of producers' goods can be attained. Or if one looks upon costs not as alternative employments forfeited but as the sum total of expenses, then the price totals for all true expenses (the personal services of the business man, and rents on property he owns included) must always equal the receipts obtained for the products. The economy in its perfect form operates without profit, not, that is, without result but without any income not imputable and imputed to the primary factors of producion. In an economy whose normal course flowed year in and year out through familiar well-worn channels, what grounds can there be for systematic undervaluation of means of production as compared with products? Competition on the one hand and imputation on the other must annihilate any surplus of receipts over outlays, any excess of the value of the product over the value of the services of the land and labor involved in it."[2]

Money in hand in these circumstances carries with it no premium, for when a system is in an equilibrium defined as the application of all resources to their optimum use, there is no advantage in the ability to control present resources.

"Within the circular flow and in a market which is in equilibrium, it is impossible with a given sum to obtain a greater money sum. However, I employ a hundred monetary units' worth of resources (including management) within the generally known and customary possibilities, I can obtain no greater receipts from them than exactly one hundred units. To whichever of the existing possibilities of production I may apply any hundred monetary units, I shall always receive for the product not more—possibly less, however—than a hundred monetary units. For that is precisely the characteristic of the equilibrium position that it represents the 'best' combination —under the given conditions in the widest sense—of the productive forces. . . . If I buy the services of land and labor with the hundred monetary units and with these carry out the most lucrative production, I shall find that I can market the product for exactly a hundred monetary units."[3]

Into the placid round of customary activities, development may enter. By development is meant here such economic change as may not be ap-

proached by infinitesimal steps from the previous situation. Development may mean the production of an entirely new good; the production of a new grade or quality of a familiar good; the production of a familiar good by a new process, by a new organization of the industry or of its commercial aspect; the opening of a new market, or of a new source of supply. In the circular flow, the person or persons in a position to initiate this development are under the necessity of diverting resources from their previous employments. In the theoretical construction, this is done exclusively (and in real life to no small degree) by means of credit. The essential function of credit is to implement a new demand without simultaneously creating a new supply of goods. "In our case, a different employment of the system's productive powers cannot be achieved otherwise than by a disturbance in the relative purchasing power of individuals. . . . For in the circular flow, there would be no idle stocks for the needs of the entrepreneur."[4]

In these circumstances the essential function of credit, when there are no saved resources unemployed, is made to stand out in hard outline. After a brief exposition of the mechanics of deposit creation, there is introduced a fundamental distinction between normal and abnormal credit in order to make perfectly clear the role it plays in the circular flow.

> "From this it follows that in real life total credit must be greater than it could be if there were only fully covered credit. The credit structure projects not only beyond the existing gold basis but beyond the existing commodity basis. Again this fact as such cannot very well be denied. Only its theoretical significance can be in doubt. The distinction between normal and abnormal credit is, however, important to us. Normal credit creates claims to the social dividend, which represent and may be thought of as certifying services rendered and previous delivery of existing goods. That kind of credit, which is designated by traditional opinion as abnormal also creates claims to the social product, which, however, in the absence of past productive services could only be described as certificates of future services or of goods yet to be produced. *Thus there is a fundamental difference between the two categories in their nature as well as in their effects.* . . . One embraces means of payment to which there is a corresponding contribution to the social product, the other means of payment to which so far nothing corresponds."[5]

The function of credit in the hands of entrepreneurs who are about to disrupt the prevailing optimum disposition but who possess no claim on the goods moving in the circular flow is paraphrased in many different ways. "Access to the social stream of goods before they have acquired a normal claim to it" appears again as a characteristic of the process. In so far as credit is created *ad hoc* for the entrepreneur and is not drawn for

the results from past productive services, it can backed by neither money nor goods. "Credit is essentially the creation of purchasing power for the purpose of transferring it to the entrepreneur, but not simply the transfer of existing purchasing power." Even the fact that a credit creation may be "covered" by some property owned by the entrepreneur does not "alter the nature of the process, *which consists in creating a new demand for, without simultaneously creating a new supply of goods.*"[6]

It follows from the views here sketched that in an economy without development there is no "capital" in the sense here used, "a sum of means of payment which is available able at any moment for transfer to entrepreneurs" to enable them to gain control over concrete goods. And there being no capital, there is no interest in the sense of a permanent income, constantly present in the economy, obtainable for the use of loan funds. Consumption loans there may be or monopoly gains, but there can be no loan which will positively and permanently enrich both borrower and lender, and consumption loans, government included, "do not constitute the great social phenomenon that needs explaining . . . interest on productive loans."[7]

Into the economic tranquillity of the established circular flow, with development enters the entrepreneur. To Schumpeter, the entrepreneur is a person of highly specialized function; he is the innovator, the spearhead of progress—only this and nothing more. He is not, as entrepreneur, possessed of resources, or money capital; but he possesses the *big idea*—the new economic combination which will enable his enterprise, once launched, to break into the closed circular flow by offering more for less and still be able to show a margin of profit because of the superiority of the innovation. It need not, of course, be explained that an innovation is not necessarily an invention in the mechanical sense. Joined with the big idea must be the temperament and personality of the pioneer, the willingness to try the untried in the face of difficulties, to convince the custodians of credit of his worth, to marshal and command his corps. If the entrepreneurs innovation be economically sound, that is, if it be a combination of resources really superior to the previous "best," then he can obtain a higher return for his product than the sum of credit which he borrowed to launch it.

"For the prices of the means of production were not determined with regard to this employment, but only with regard to the previous uses. Here, then, the possession of a sum of money is the means of obtaining a bigger sum. On this account and to this extent, a present sum will be normally valued more highly than a future sum.

Therefore, present sums of money—so to speak as potentially bigger sums—will have a value premium which will also lead to a price premium. *And in this lies the explanation of interest.*"[8]

The entrepreneur as entrepreneur has no means of initiating his new departure. Resources must be drawn from industry in general; and thus to divert them, the entrepreneur must have recourse to credit. If three conditions are fulfilled, the new enterprise will show a net surplus over costs and will find a place for itself in a new equilibrium position. The three conditions are: (1) the price of the product must not fall in the face of the new supply, or at least not fall so far as to offset the net product gained per worker; (2) the costs of the new combinatoin must be less than the cost of the resources dispensed with, or less than total revenue after deduction for the possible drop in price; (3) the advance in price induced by the added demand for raw materials must not, with the passage of time, come to offset the margin left by the first and second conditions. Under these circumstances, a surplus is *ipso facto* realized.

The opening of the new method by one entrepreneur makes possible new combinations by others. The innovation may be taken over bodily by other plants in the same industry; it may be adapted to other grades of the same product, or to other processes. The reorganization that becomes imperative throughout the whole industry may make expedient other adjustments long foreseen but not easily achieved in the normal round. The prospect of profit pervades a goodly section of industry and may occasion (though this is not the primary phenomenon) commitment in other fields which will prove untenable. Be that as it may, the same forces which produced the previous equilibrium of the circular flow are still active and the outcome must sooner or later be a new equilibrium. The true entrepreneur who has effectively introduced a genuinely economic new combination employing existing goods to greater effect, gains a temporary true profit; but attrition of this profit is inevitable. At first there is no liability to which this net surplus corresponds; but competition and imputation in the face of the increasing value of the resources concerned will bid up their prices until this surplus is no more, leaving the entrepreneur a return on his own efforts and on such natural resources as his profits may have enabled him to acquire, a return, that is, which is ultimately due to labor and land. Interest and profits have departed from the picture. "The ruling principles are always that the economic process, if unobstructed, first, does not tolerate value surpluses in the case of individual products, and secondly, always forces the values of the means of

production up to those of the products."[9] The ruling principles again rule.

"The static economy knows no productive interest";[10] this is not the same thing as denying the existence of interest in a modern economy. Interest is the child of development, and only with developments can it appear and endure. Under conditions of development, the economist can find for true interest a *source* from which it may flow, a *basis* on which it may be imputed to some type of contribution to production, and an *assurance* of its continued existence as a distinct source of income. Schumpeter then imposes these three requirements on various interest theories, notably the simpler natural productivity theories (seed corn and wine examples). If interest is a permanent net income flowing to a definite class or category of persons within the economy, any theory that sets out to explain this income must be able to answer satisfactorily three questions. (1) What is the *source* of this flow of goods? If it flows, there must exist some value from which it is drawn. (2) What is the *basis* of this disposition? If the interest income is not only there to flow, but does so, why does it flow to this particular category of individuals? (3) What is the cause of the *endurance* of this flow? This last is the critical question and at once the most difficult and the most striking. How does it happen that "interest is a net income which one can consume without impairing one's economic position"?[11] These questions are then placed before the well-known forms of the theory of interest, which, in Schumpeters' judgment, offer no satisfactory answer to the last question.

From this we turn to formulate six propositions which follow from "the first elementary conclusion that interest is a value phenomenon and an element in price."[12]

(1) "Interest flows essentially from the surplus values just considered;" that is, from the profits of development, the rewards of innovation. "This is only true of productive interest in the narrowest sense which does not include 'consumptive-productive' interest . . . a parasite on the body of wages and rent."

(2) Surplus values in development fall, as we have seen, into two groups; entrepreneurial profits, and those values which represent the repercussions, the secondary reactions of development. Lack of permanence prevents the latter from being an enduring source of interest. "Development then—in some way—sweeps a part of the profit to the capitalists. Interest acts as a tax on profits."

(3) The profit is evidently not interest either in whole or in part since it is by nature temporary. By the same token, interest does not adhere

to any class of concrete goods since surpluses adhering to concrete goods are by nature temporary. "Although it flows from a definite class of surplus values, no surplus value is *per se* interest."[13]

(4) In a communistic society interest in Schumpeter's sense would not exist, for the reason that the agent for which interest is paid simply would not exist in a communistic community. Though wages and rents as such would not be paid in a communistic economy, the services of land and labor would still be present; but not so with interest.

(5) "If entrepreneurs were in a position to commandeer the producers' goods which they need to carry their new plans into effect, there would still be entrepreneur's profit but no part of it would have to be paid out by them as interest. Nor would there be any motive for them to consider part of it as interest on the capital they expend."[14] Interest *must* be paid because the entrepreneur must call in the capitalist to help him remove the obstacle which private property in means of production, or the right to dispose freely of one's services, puts in their way. Interest *can* be paid because in the hands of the entrepreneur, possessed of the big idea, goods do yield a "surplus value of products over their costs."[15]

(6) "The surplus value which forms the basis of interest, being a value surplus, can only emerge in a value expression. . . . Interest is an element in the price of purchasing power regarded as a means of control over goods."[16]

"They [surpluses of the value of products above the values of the quantities of production goods embodied in them] owe their existence to some special circumstance which raises the value of products above the equilibrium value that the commodities in question would have in the circular flow. The character of such surpluses as a net return, and as a source of a flow of goods, is thereby *ipso facto* established just as much as it would be in the case of systematic under-valuation of future goods."

There is a happy and explicit emphasis in Schumpeter's treatment, upon the necessity of being very clear about the source of interest. A government loan for example may cause very attractive bonds to be sold to eager buyers; the money thus raised may be spent on some non-economic purpose. What is the source of interest to be paid on this debt? Plainly there is none: the money is taxed out of wages and rents and, though coming to the bond-holders in the form of an interest payment, does not represent a new *source* though it may represent a new *form* of

income. In the chapter on "Entrepreneurial Profit" repeated examples are given to show that the true source of profits is the employment of existing goods to greater effect.[17] Upon this basis of profit the phenomenon of interest rests. The sale of glass beads to aborigines at incalculable profit is an entrepreneurial act but "the source dries up sooner or later." In another place, monopoly profits, which *prima facie* might be confused with true entrepreneurial profits, are discussed and segregated from those profits which may form a basis for interest income. In this case, there is "a surplus over costs."[18] which endures because of the monopolistic character of the enterprise. In the case of true interest this same surplus over costs, arising from the successful introduction of a new combination of factors embodying a more effective combination of existing resources, forms the source of interest. Nevertheless, by and of itself it cannot endure; it will dissolve under the influence of competition and imputation.

The phrase "forced saving" does not appear in Schumpeter's text, but the process is described in full detail and is shown to be inherent in the financing of new enterprises by the creation of credit. In a footnote, von Mises is credited with having coined "the extremely happy expression 'forced saving' for this process."[19]

"The process amounts to compressing the existing purchasing power. In one sense, no goods and certainly no new goods correspond to the newly created purchasing power. But room for it is squeezed out at the cost of previously existing purchasing power." The concept of forced saving, very close to the axis of Schumpeter's analysis, is notable for several reasons. First of all, the extremely simplified conditions of equilibrium in his skeletal circular flow—in which not only are the same goods produced in the same way in each annual round but flow to the same buyers to be paid for with currency in unchanging amount—causes the outlines of the process of forced saving to be set forth in sharp relief. Secondly, the distinction between the movements due to true development and those due to secondary repercussion are more easily separated. Finally, Schumpeter's analysis is further notable in that he seems to regard forced saving as practically unavoidable and, on balance, probably beneficial. The burden Schumpeter is willing to lay upon the shoulders of forced saving has not diminished with years, though he wishes to emphasize that its primary impact falls rather on the purchasing power of "other firms" than on the purchasing power of "other households." He has epitomized his theoretical construction in its dy-

namic aspect in three conditions which may sound odd but are "tautologically true" for the kind of world from which he begins his analysis: (a) "Entrepreneurs borrow all the 'funds' they need both for creating and operating their plants, *i. e.*, for acquiring both their fixed and their working capital. (b) Nobody else borrows. (c) Those 'funds' consist in means of payment created *ad hoc.*"[20]

In such a setting, these propositions are a mere "analytic scaffolding" later to be removed, but the relation which they set forth between "credit creation" and innovation will remain when the scaffolding is torn down. "This relation, which is fundamental to the understanding of the capitalist engine, *is at the bottom of all the problems of money and credit,* at least as far as they are not simply problems of public finance."[21] A comparison with the same process at work in a socialist state without entrepreneurs reveals how the additional order for goods, sent by the new firm to the factors of production, comes as a net addition to previous orders which, for the moment, stand unchanged; but the two together act to produce a "real levy" on previously existing purchasing power.

Quite aware that this constructon is a rather stark skeleton, Schumpeter's latest work essays a summary which seeks to do two things: to present his abstract model in closer approximation to practical business life, and to set forth the points in which that theory coincides with propositions upon which there is rather general agreement. However superficial and uninforming the statement may be, all would assent to the statement that "interest is a premium on present over future means of payment, or as we will say *a potiori,* balances"—the latter being the preferred term to "deposits" in circumstances where nothing may have been deposited. In his own terminology, "interest—more correctly, the capital sum plus interest—is, to use our turn of phrase, the price paid by borrowers for a social permit to acquire commodities and services without having previously fulfilled the condition which in the institutional pattern of capitalism is normally set on the issue of such a social permit, *i. e.*, without having previously contributed other commodities and services to the social stream."[22] Perhaps it should be mentioned here that this definition, though complete in itself, actually prescinds from the further practical and important condition—whether the claims so acquired by the entrepreneur are acquired from some person who possesses a normal claim or whether they represent a net addition to total claims. If the proposition is to remain on non-controversial

ground, the possibility would have to be admitted that a true entrepreneur might come by claims originated in a "normal" way.

Prescinding from, without in any way denying the importance of, consumer credit (government included), it is clear that in the sphere of business, innovation furnishes the profit which is the typical reason for the entrepreneur's willingness to borrow at interest, regarding "present dollars as a means of getting more dollars in the future . . . for business will pay a positive interest if a present sum can be so used in commerce and industry as to yield a greater sum in future, zero interest if the most lucrative operation within the horizon of business men is expected to yield, all costs counted, no more than the sum required to carry it out and negative interest, if, as is sometimes the case, nothing they can do will cover costs." And borrowing is, moreover, "in the situation of an entrepreneur the typical means of getting those present dollars."[23] These propositions, so vital to his own position, seem to Schumpeter to be in themselves common sense to any realistic observer of the capitalistic process.

The ready agreement on the gross facts makes controversy center on the conclusion drawn from these facts: namely, that, consumer borrowing apart, "the only source of interest payments and the only 'cause' of the fact that positive interest rates rule in the markets of capitalist society" are the gains arising from the impact of innovation. The grounds for this opinion, sketched above, he does not care to review; but instead he sets down three propositions which he regards as inescapable and which again he thinks will not readily be denied. They also provide handles for situations not otherwise easily dealt with.

(1) "The thesis that the capitalist class lives on a return which, except for the financing of consumption derives from innovation or processes directly induced by innovation, and would hence disappear, if economic evolution ceased, is of some importance for what may be termed the economic sociology of capitalism."

(2) "Although it is possible to deny that innovation is the only 'cause' of interest within the realm of production and commerce, it is not possible to deny that this cause is sufficient to produce it in the absence of any other . . . . Whoever dissents from the writer's view would have still to admit that cause into his picture of reality." (Critics who concede to this theory "that entrepreneurs' 'demand for capital' is normally the most important single factor in the behavior of interest" are thus making a greater concession to Schumpeter's theory than they realize.)

(3) "Though some superficial influences may obscure the picture, the author is confident that his analysis of the facts will demonstrate that this theory has, at a minimum, the pragmatic value of dealing with the facts as no other theory can do and without invoking the aid of any other theory."[24]

On another point Schumpeter is less willing to make concessions. The first definition of interest specified it as a purely monetary process; upon this thought he insists, "Interest actually is, not only on the surface but essentially, a monetary phenomenon and . . . we lose it if we try to pierce that surface . . . It is a payment for balances with which to acquire commodities and services, not for the commodities and services that may be bought with those balances."[25] That theorem, Schumpeter contends, is not to be denied, for two weighty reasons: first, because it answers the facts, and secondly, because with it is bound up another proposition essential to the theory. Profits are a temporary manifestation constantly being drawn off into the rewards of the basic factors, into wages and rents. They do not as such inhere permanently in any physical collection of goods called a firm or plant, but tend constantly to be broken down and imputed directly to the factor from which they take their rise. Nevertheless, because it is money that is lent and not goods, the money, on being repaid, can be lent elsewhere. Because profits are not permanently embodied in "real capital," the lender, receiving back his principal, is under no obligation to leave it with the industry in which innovation is being absorbed. Being a lender of *money* he is always able to transfer to a new train just being made up as the one he is on slows down. "The lender may still secure a permanent income by shifting his money from opportunity to opportunity as each of them arises,"[26] and interest as a net income that can be consumed without being destroyed is explained. From these considerations emerges an idea of interest, or rather of its departures from equilibrium value of zero, as a "*kind of coefficient of tension in the system,* which more nearly than any other single figure expresses the degree of disequilibrium present."[27] We should recall here that equilibrium was maintained when every factor was being applied to its "best" use.

This monetary phenomenon of interest is determined in the "money market" by borrowers (governments, commercial borrowers, etc.) and lenders, mainly banks—the money market, incidentally, being one with well-defined properties of imperfection and monopolistic competition. Now a theory of interest which runs in "real" terms must shift gears to run in "money" terms.

"The necessity of reconciling a non-monetary theory with obvious facts of the sphere of money and credit is, in particular, responsible for the idea that there are two kinds of interest rates, a 'natural' or 'real' one which would exist in a barter economy and which represents the essence of the phenomenon, a permanent net return from physical means of production and a monetary one, which fundamentally is

but the former's reflex in the monetary sphere . . . . Its role in the thought of our own time is due to the teaching of Knut Wicksell . . . . For us, however, there is no such thing as a real rate of interest, except in the same sense in which we speak of real wages."[28]

The question, however, may fairly be asked whether the difference between these two views is as decisive as appears on first statement. We may recall the observation made above that Wicksell's theories could be recast in terms of a rate of real wages and rate of real rents; but it would not be worth the effort of recasting, since it is not variations in the rates of wages or rents but variations in the rate of interest which in the first instance are associated with changes in the volume of "funds." This is true both as a matter of fact and, in the analysis of Wicksell and Schumpeter alike, as a matter of principle. Schumpeter emphasizes that "no realistic meaning attaches to the statement that, in the latter [*i.e.*, the capital market as opposed to the money market], 'capital (= some kind or other of producers' goods) is being lent in the form of money.' "[29] To Wicksell this same statement, if not positively meaningless, was a "metaphorical and inexact way of speaking which can easily lead to error."[30] There were few things Wicksell liked to emphasize more than that goods were bought and sold; *money* was lent and borrowed. Wicksell, too, put the motive force of his economy in the hands of entrepreneurs as such, persons from whom all other economic function had been abstracted. And the motive force of their borrowing was the quest of profits, in the absence of which the rate of natural interest fell to zero. The rate of natural interest was an average of profits, the combining of goods in some more desired fashion, the effecting of which required that the entrepreneur, as such penniless, acquire control of the needed resources.

This brief account is not meant to hint a synthesis of the work of these two original economists. It is intended merely to show that, in formulating a common body of modern doctrine for purposes of comparison with an earlier doctrine, we are quite justified in including the doctrines of both in the same survey and are justified in seeing in them a broad field of overlapping agreement.

Irving Fisher's place in a discussion of interest theories needs neither explanation nor defense. Probably no one else since Böhm-Bawerk has treated the *whole* problem with more marked success or with wider acceptance of his findings. As the theory of interest is interpreted in a stricter sense, Fisher's theory has much in common with the other principal writers discussed, as will be seen shortly. For this central core of doctrine he claims

no originality, but seeks to base his work squarely and explicitly on Böhm-Bawerk. The distinctive characteristics of his work lie in two particulars. First, his concept of interest as income is extremely broad, and, with the cognate concept of capital, can be extended to cover the whole field of economics, furnishing an explanation of all types of receipts save capital gains and losses. Secondly, Fisher very early under the title *Appreciation and Interest*,[31] faced the problem of the difference between real and money interest and treated it with great analytical and statistical thoroughness. That our discussion of Fisher will be the briefest of all the writers reviewed does not in any way imply that his teaching may be lightly taken. Quite the contrary. The condensed statement is entirely due to Fisher's own repeated summaries and his insistence in all his writings that his meaning be unmistakably clear.

Many economic problems may be cast in various forms of objective and subjective factors, utility or cost being the generic categories under which the sundry special problems can usually be subsumed. Fisher takes a quite definite position in this matter as far as interest is concerned, and puts *income*—that is, ultimate personal satisfaction—in the position of final importance as the ruling concept. "Income is the alpha and omega of economics." There are, of course, excellent grounds for this viewpoint. All the arguments against the "subjective" and therefore "unscientific" character of utility, which attack its defiance of measurement, do not argue out of existence the simple fact that it is the prospect of income, and the prospect of maximizing income that motivates all economic reality; "real income" is that series of "final physical events in the outer world which give us our inner enjoyments."[32] "Cost of living," the outgo of goods and funds of economic value, is a very objective reality as well as a satisfactory money measure of the real income obtained for the outgo.

Savings and debts, however, may cause real income and money income to diverge; and with the presence of saving and debt emerges the problem of capital and interest. Saved resources as capital goods are the *source* of real interest income, the flow of services. But in money terms the process must be reversed; the real income has a specific money value in the market; it is this money value capitalized at the given rate of interest which determines the money value of the capital and is, so to speak, the *source* of capital money values. "The bridge or link between income and capital is the rate of interest as the percent of premium paid on money at one date in terms of money to be in hand one year later. Theoretically, of course, we may substitute for money in this statement wheat or any other

sort of goods."[33] Fisher sees no distinction between the problem of explaining why there is interest at all, and explaining the rate of interest; for him this resolves itself into the problem of explaining a rate of interest of positive and negative values, and of value zero. His program is merely to explain what that rate of interest is at which current income from capital goods is discounted, and why. Hence we cannot seek to isolate the "source" of interest in the same sense as we have sought to do with others.[34]

Therefore, individuals who are in receipt of income economize in the use of it, and by saving and borrowing are able within limits to alter the size of the successive amounts available for consumption uses at various times. The resultant price which is paid for *income now,* rather than *income then,* is the rate of interest. The determination of this rate depends upon three sets of factors: the first, subjective; the second, objective; the third, the interaction of the two.

The subjective principle Fisher calls the "impatience principle" by which he wishes to signify exactly what Böhm-Bawerk meant by *agio* and time-preference. The term is, admittedly, nor particularly happy and could be replaced just as well by its opposite, "patience." The elements included under this head are those usually found in discussions of the determinants of the rate of saving, or of the supply of capital, real or otherwise. Men in their economic life are "impatient" only in the sense that the deferring of the enjoying of income does not take place except for a sufficient reason. And circumstances are easily envisioned where "impatience" is negative. But since economic prudence in the ordinary course of human affairs calls for some provision for the future, and in many cases allows that the future income may be greater than the present, human patience and impatience cause men, as opportunity offers, to rearrange the configuration of their incomes so as to yield a maximum total income. An individual's actual and prospective income, its size, time period, and its certainty or uncertainty, together with the market rate, are for each individual the factors in determining the decisions which the economically prudent individual will make.[35]

These subjective factors are summarized by Fisher in a very concise manner, under three different sets of conditions: a) that in which the income disposable is certain and rigid; b) that in which income is certain and adjustable over time (that is, the individual is able to borrow and lend); c) that in which the income stream is neither certain nor rigid in amount. Going directly to the third case, c, as being the practical one, "each person's rate of time preference depends upon his uncertain and

optional income stream as chosen by him as per opportunity principle B and then modified by loans as per impatience principle B." That is, having made the best "guestimate" he can of the probable shape of his income in future, he then chooses the income stream which at the market rate of interest yields the greatest present value. This "empirical" principle is to be taken with "the principle of maximum desirability." Having found the shape of income stream which will yield him the greatest present value but which may not be in the time sequence in which he wishes to enjoy his income, "each person modifies by loans his chosen and uncertain, anticipated income stream converting it into the form most wanted." Thus with income certain (whether fixed or variable in amount), his rate of time preference would equal the rate of interest; but with uncertainty entering, "his rate of time preference tends towards the particular rate of interest pertaining to the particular set of risks involved."[36]

Over against these subjective considerations of the individual economizer stand the opportunities to invest, the objective factor in the possible choices of savings and debt. They include those elements usually discussed under the head of marginal productivity of capital, or technical superiority of present goods, saved-up resources, roundabout methods, and the like. The "rate of investment opportunity" is also called the "rate of return over cost" and, as such, is the "most distinctive factor" in "all that is most typical in the theory of the rate of interest,"[37] and 'plays the central role on the investment opportunity side of interest theory."[38]

Several alternative definitions of this decisive magnitude are given; it is "the hypothetical rate of interest which if used in calculating the present worth of two options compared would equalize their differences (cost and return)."[39] By cost is meant the comparative loss from one's income stream at first; by return is meant the comparative gain which accrues later by reason of the same substitution; and the significant rate is that which, "employed in computing the present worth of the whole series of differences between two income streams (some differences being positive, some negative), will make the total zero."[40] "An investment opportunity is not all the same thing as a loan, nor is the rate of return over cost the same thing as the rate of interest. They are rather the objective considerations in the state of industry and commerce which make it possible for "an individual to modify his prospective income other than by merely lending or borrowing."[41]

The criterion of whether or not a given transaction and the consequent commitment of funds is an investment opportunity or a loan is the resultant

effect on the rate of interest. If the rate of interest is unaffected by the investor's act (as when a person buys government bonds or other widely held securities), there is question of a loan; if a person can vary the rate of return by increasing the scale of his own operations there is question of a true investment opportunity.

"The rate of return over cost, under the law of diminishing returns is thus far more elementary and primeval than the rate of interest, and however encrusted that rate of return may become with other elements which grow out of modern market conditions, it is still the basic objective condition underlying our problem. Thus the rate of return over cost is distinguished from the rate of interest (1) by varying with the extent of an individual's investment, (2) by being consciously recognized as thus variable and controllable by the individual, (3) by being therefore a personal and individual matter and not altogether a public market matter, (4) by being directly related to producing as contrasted with trading."[42]

The conditions which govern the rate of return over cost "concern production and technique rather than trade . . . and deal not with the market place but with nature, environment, and the refractory conditions which surround and hamper us in our efforts to secure income."[43] They underlie the rate of interest: they are the facts of which lenders and borrowers must take account.

As will be evident at once, the factors so described are close relatives of the factors determining Wicksell's rate of natural interest and not-too-distant cousins of those "superior combinations of existing resources" which Schumpeter's entrepreneurs introduce into the tranquil routine of the circular flow. So long as there exists more than one readily available use for our resources, and the opportunity of substituting one such use for another, "not simply by borrowing and lending but by changing the use of one's capital,"[44] we are not yet in the circular flow; investment opportunity exists; there is variety in the rates of return over cost which are present to income receivers as available options according to which they can vary the time shape of their income streams. "The essential point . . . is that the possibility of more than one use of our resources affords opportunity to invest by substituting one such use for another. When there is such a choice of alternatives . . . there is a differential sacrifice or investment of income during the earlier years for the sake of a differential return later. The fact that such alternative uses of labor, land and capital exist, introduces on the scene the whole subject of "productivity."[45]

The operation of investment opportunity in isolation can best be

understood by considering society as a whole. Society or a complete community cannot alter its income stream by merely lending or borrowing, for there is no source to which to turn. When we view the whole of society as one person or, let us say, as an isolated self-supporting ranch, we see the principle of investment opportunity at work without any admixture of trading, lending and borrowing, buying or selling. Though society cannot, by merely lending and borrowing, draw on resources other than its own to increase the total utility of its income, it can however rearrange what it has and modify indefinitely the proportions of its present production devoted to income now rather than to income then.

"But beyond a certain point, every addition at one period must be at the cost of a subtraction at some other period. If future income is added, the increment so added is a return on and at the cost of a decrement in less remote income. The rate of return over cost is thus a social phenomenon of great social significance. There are two and only two ways in which society may affect the present cost and the future return. It may affect the present cost by exerting more present labor or by abstaining more from consumption; and it may realize the future return over that cost either in the form of more future consumption or less future toil. Both the present and the future adjustments are effected by changing the use made of capital instruments including land and human beings."[46]

These objective factors in the determination of the rate of interest are very briefly summarized by Fisher under the head of "Two Investment Opportunity Principles"; and likewise under three sets of assumptions: a) that no range of choice is possible when the rate of interest from this viewpoint is zero; b) that each person has a limited range of options according to how he uses his labor and other resources and that the income from these optional courses is certain; and c) that each person has a limited range of optional income streams according to how he uses his labor and other resources and that the incomes from these optional sources are not certain. This empirical principle is met by a "principle of maximum net worth" such that, in the first case, one must simply accept the income available and alter its shape only by loans. In the second case, where the optional uses of labor and other resources make possible a choice, each person will select the income stream of greatest net worth as reckoned by the market rate of interest. Then if the options offered differ by only small gradations, in the case of certain returns from optional employments the anticipated and realized marginal rate of return over cost (found by comparing the best and next best options) must equal the rate of interest. But when the income streams arising from the exercise

of alternatives are uncertain, then the anticipated marginal rate of return over cost computed in the same way may not be realized and but tends toward the particular rate of interest pertaining to the particular set of risks involved.[47]

All persons possessing income come into the loan market with their given income streams and with their own views as to its desired shape. Present and future income are thus exchanged until each person's degree of "impatience" is brought into equality (or in the face of uncertainty, tends to equality) with the market rate. In making these arrangements, they are confronted with a given range of options, yielding income streams of varying characteristics grounded ultimately on the rate of return over cost; and the selection of the options of greatest present worth will bring the anticipated (but under uncertainty, not necessarily realized) rate of return over cost into equality (or tendency to equality) with the rate of interest. These sentences summarize the first two principles of opportunity and impatience. The rate which will ultimately prevail is that which will clear the market by equalizing supply and demand; "that is, for every time interval, the additions to some individual" incomes caused by borrowing or selling must balance the deductions from others caused by lending or buying. Secondly, according to the "Principle of Repayment," the loans must be equivalent in present worth to repayments; or, more generally, "the additions to any individual's income brought about by borrowing or selling in some time intervals must be equivalent in present worth to the deductions from his income in other time intervals brought about by lending or buying." These two sentences embody the two "Market Principles" necessary to complete the process of the determination of the rate of interest.[48]

These factors ("principles"), though adequate to determine the rate of interest, are so interdependent as to seem to involve the real reasoning in a circle. Fisher anticipates the difficulty and states it concisely. The rate of interest depends on individual rates of impatience; the rates of impatience depend on the time shapes of individual income streams; the choice of these time shapes of income streams depends on the rate of interest. In short, therefore, the rate of interest depends on the rate of interest and we are nowhere. Stated differently, the rate of interest is determined by the supply and demand for loans (given an investment opportunity situation): but the supply and demand for loanable funds depend on the rate of interest.[49]

Fisher first approaches the problems by giving extremely simple ex-

amples of simultaneous equations, some of which can yield no answer because, one being derivable from the other, they are actually the same equation; others do yield solutions because, though stated in kindred terms they are actually independent and not derivable from each other. But there is no direct answer here to the problem posed, for the reason that it has not been made clear that the above propositions are not derivable from one another. The process of determining the rate of interest in a market is then traced out, starting with 5 per cent, which calls forth more money than will be borrowed, *then* to 4 per cent, which calls forth more borrowers than lenders and finally to 4½, at which rate *a double condition* is fulfilled. "*Not only* will each individual choose the best use of his capital—that having the highest present worth—*but also* at the same time, the demand and supply of loan engendered by all such chances will exactly clear the market, *i.e.*, the bids and offers at the given rate will be equal."[50]

The solution is correct and involves no circularity, the rate of interest with which we begin and that with which we end are not the same rate of interest—one, so to speak, is yesterday's and one is today's. Thus we are dealing not with a circle but with an historical sequence. The necessary data for the equations are specified only through a process. *Some* rate does exist which will yield equations, but *which* rate it is becomes apparent only in the course of time. Though the time interval is shorter, the logic is the same as if we should say that a community is as good as its schools and the schools as good as the community, and imply by this that it would be impossible for one generation to build a different school system for the *next* generation. If, further, there is thought to be indeterminacy because more will be offered at, say 5 per cent, than will be taken, and less at 4 per cent than is wanted, we must remember that we are not here dealing with perfectly random and divergent forces but with the actions of economizing individuals, both borrowers and lenders, seeking to maximize their ultimate incomes; that is, there is actually a force at work outside the terms stated which draws the two together.

The double condition just stated employs the first of the two market principles. The second market principle, the principle of repayment, stated above, would bear more scrutiny than Fisher gives it and could bear a larger burden than Fisher lays upon it. Taking the two principles together, let us suppose that through credit expansion, or market imperfection, "the additions to some individuals' incomes caused by borrowing or selling *do not* (instead of must) balance the *deductions* from others caused by lending or buying; let us suppose "that accordingly the loans

are *not* 'equivalent' in present worth to repayments or . . . that the additions to any individual's income brought about by borrowing and selling in some time intervals 'are not' equivalent in present worth to the deductions from his income in other time intervals brought about by lending or buying." Or let us suppose that this equality is restored only after catastrophic adjustments in prices when the evidences of indebtedness may have long since passed into hands other than those of the original borrowers. Fisher is, of course, not unaware of such a situation's potentialities; few people have been more conscious of it or more vocal about it. But a more extended analysis of it right within his theoretical structure would have raised the question as to when, if ever, an equilibrium rate of interest does prevail in a modern credit economy.

This manner of stating the problem of appreciation and interest would have made Fisher's doctrine appear to be much closer to that of Wicksell than the actual structure of the treatise would allow. Of course, the problem is not neglected or minimized; but, as the treatment proceeds in *The Theory of Interest,* it is brought in later, as a subsequent adjustment that can independently and logically be made by hindsight. The underlying ideas which found his conviction that such adjustment is necessary run in terms almost identical with Wicksell's. "If the money standard were always stable with reference to goods, the rate of interest reckoned in terms of money would be the same as if reckoned in terms of goods."[51] In other words, the rate of money interest would be equal to the rate of natural interest.[52] Fisher, however, does not state his case thus as a divergence of natural and money interest or even as a distinction between nominal (money) interest and real interest, but generalizes his case most broadly on a different footing.

> "The theoretical relation existing between interest and appreciation implies that the rate of interest is always relative to the standard in which it is expressed. . . . We need then to distinguish between interest in terms of money and interest in terms of goods";[53] but since we are theoretically free to select any commodity or group of commodities as our monetary standard, and since we are certainly free to keep our books in any sort of goods-units we wish—butter, beer, barley, or even bonds—it follows that "there are theoretically just as many rates of interest in goods as there are forms of goods diverging in value."[54]

Thus we meet in one of Fisher's older books the idea which Straffa invoked against Hayek: "If money did not exist and loans were made in terms of all sorts of commodities, there would be a single rate which satisfies the conditions of equilibrium, but there might be at any one moment

as many natural rates of interest as there are commodities, though they would not be equilibrium rates."[55]

Working with a concept such as this, what becomes of the real rate of interest?

> "Is there then no absolute standard of value in terms of which real interest should be expressed? Real income, a composite of consumption goods and services, in other words a cost-of-living index . . . affords a practical objective standard. By means of such an index number, we may translate the nominal or money rate of interest into a goods rate or real rate of interest, just as we translate money wages into real wages [except] that we must translate from money into goods not only in the present when the money is borrowed but also in the future when it is repaid."[56]

In this case the problem of divergence of money interest and natural interest resolves itself into the index-number problem of measuring the value of interest income at different price levels.[57] We almost lapse back into Wicksell's terminology: "The money rate and the real rate are normally identical; that is, they will, as has been said, be the same when the purchasing power of the dollar in terms of the cost of living is constant or stable."[58] If Fisher's Ideal Index for consumption goods registers 100 year after year, that "normal" identity of real and money interest has not been violated.

However, the appearance of similarity between the innumerable goods-rates and the rate of natural interest is greater than the reality. The two concepts are not by any means identical, nor are they such as to be easily separated entirely. First of all, "this translation of the rate of interest from one standard into another does not determine *the rate of interest in any standard whatever;* for it assumes that the rate in *some one* standard is already known, and merely enables us on the basis of this known rate to calculate the rates in other standards."[59] The rate of natural interest, however, has reference to that *difference* between cost and return which can accrue to the one who, by combining various resources, exploits successfully some investment opportunity in the face of a given set of prices. His net gain may then be translated into any "standard" that he wishes; but the interest thus expressed has no simple or necessary relation to the prices of any particular commodities, though some commodities' rates may be, of course, affected by his action. However intimately intertwined, interest on or in goods or money, and appreciation of goods or money are not the same phenomenon.

Radically, the problem here involved is one of changes in the value of money—that is, of rising or falling prices—during the terms of the loan,

so that the sums paid as interest and principal in the course and at the conclusion of the loan represent purchasing power over goods different from the original principal or the interest payment contracted for at the time of contracting. Since the relative value of goods and money is constantly changing—in credit inflation notably and importantly, in hyperinflation vastly and dramatically—there is always present in loan transactions an element of appreciation or depreciation. In any given case, it makes no difference whether we say that money has appreciated or goods depreciated; the operation is strictly correlative. The fact that we usually speak of such matters from the standpoint of money arises from an especial characteristic of money. "It is important to emphasize the fact that the limits imposed on the rates of interest and appreciation come from the possibility of hoarding money without loss. If money were a perishable commodity, like fruit, the limit would be pushed into the region of negative quantities." The emphasis upon this quality of money and its associated property of liquidity is attributed by Fisher to Karl Menger.[60]

"The exact theoretical relationship between the rate of interest measured in any two diverging standards of value, and the rate of foreseen appreciation or depreciation of one or other of these standards" has been worked out by Fisher in all his leading works on the subject, but the details need not concern us here. Likewise, he has attempted statistical measurement of the actual course of depreciation, a procedure which has found less favor among his colleagues because of the methodological difficulty of "spreading the lag" of an inflationary or deflationary operation over a period of time. That the effect is not instantaneous is evident; but the duration of the effect is not susceptible of accurate measurement for lack of a satisfactory basis from which to measure the trend, if any.[61]

Wicksell's method on this point was to emphasize, *within his theoretical structure*, the source and course of monetary appreciation and depreciation. Fisher, greatly emphasizing the importance of the fact, still grounds his interest theory on two "market principles" which are tantamount to an identity of real and natural interest. Corrections for the actual divergence are then introduced *post factum*, save to the extent that depreciation is foreseen and allowed for in contracts, which is admittedly not very often. But these elements are never made *intrinsic* to the theory of interest as they are with Schumpeter and Wicksell.[62]

A great merit of Fisher's method must be emphasized. Fisher in no way minimizes the "objective" element in interest theory; indeed, he feels that if he has contributed anything of worth, it is in strengthening Böhm-

Bawerk on the technical or productivity side. Yet, because he gave such proper importance to the concept of final, personal income, his analysis in *The Rate of Interest* was regarded as being unduly subjective. He sought to meet that unwarranted criticism in his second book, *The Theory of Interest.* This misunderstanding brings to the fore one of the strongest points of Fisher's position. Without in any way understating the "productive" factor, he has formulated a theory in which consumption loans can be treated symmetrically with industrial and commercial loans. A man may be in such position that an altered time shape of his income will yield a greater total utility to him, though actually yielding a smaller money income at both points of time under regard. The transaction is "profitable" to the consumption borrower even though in money terms there is a net outgo. We can thus have interest by altering only the time shape of income or we can have interest by altering the time shape through loans *and* altering the manner of employing the resources loaned.

With this in mind, we may close with an explanation of why Schumpeter and Fisher were included in the same chapter. Together with Wicksell, they were earlier described as the three persons who since Böhm-Bawerk have impressed their own modes of thought on contemporary theory. We must begin by lopping off the points on which there is no contact. Schumpeter prescinded entirely from the question of consumption loans as not presenting the challenging problem. Fisher, though treating them, showed that they could in theory be dealt with simply. With this factor eliminated, Fisher's theory centers around the shape of his investment opportunity curve. Schumpeter begins his theory in circumstances which make that curve a point; "where there is no alternative income stream, there can be no comparative cost or return, and therefore no rate of return over cost."[63] Fisher, on the other hand, without pushing the process to its final theoretical limits as does Schumpeter, holds strikingly similar views on the role of invention and innovation in increasing investment opportunity, on the initial profit and the ultimate tendency for it to be absorbed and to lower the rate of interest, though Fisher does not develop this case to its logical extinction.[64] This similarity in two writers whose method seems to be so vastly different is singled out as an especial example of the propriety of trying to find a fund of common doctrine as a basis for comparison.

---

[1]Joseph A. Schumpeter, *Theory of Economic Development* (first German edition, 1911), Cambridge, 1936, p. 8.

[2]*Ibid.*, p. 160.

[3]*Ibid.*, p. 190.
[4]*Ibid.*, p. 96.
[5]*Ibid.*, pp. 101-102.
[6]*Ibid.*, pp. 106 *et seq.* Notice should be taken of the fact that the point here designated by Schumpeter as the essential note of credit creation is the same as that designated by Wicksell as the cause of cumulative price rises entailed in departures from the rate of natural interest. "Every rise or fall in the price of a particular commodity presupposes a disturbance of the equilibrium between the supply of and the demand for that commodity. What is true in this respect of each commodity separately must doubtless be true of all commodities collectively. A general rise in prices is therefore only conceivable on the supposition that the general demand has for some reason become, or is expected to become greater than the supply." *Lectures*, II, p. 159.
[7]*Ibid.*, p. 157.
[8]*Ibid.*, p. 190. (Italics in original.)
[9]*Ibid.*, p. 150.
[10]*Ibid.*, p. 158.
[11]*Ibid.*, p. 159.
[12]*Ibid.*, pp. 173-177.
[13]*Ibid.*, p. 175.
[14]*Ibid.*, p. 177.
[15]*Ibid.*, p. 181.
[16]*Ibid.*, pp. 183, 184.
[17]*Ibid.*, p. 133.
[18]*Ibid.*, p. 169.
[19]*Ibid.*, p. 109.
[20]Joseph A. Schumpeter, *Business Cycles, A Theoretical, Historical and Statistical Analysis of the Capitalist Process*, New York, 1939, Vol. I, p. 110.
[21]*Ibid.*, p. 111. (Italics inserted.)
[22]*Ibid.*, p. 123. Cf. also: "by credit, entrepreneurs are given access to the social stream of goods before they have acquired a normal claim to it." (*Theory of Economic Development*, p. 107.) "The entrepreneur is also a debtor in a deeper sense as may be emphasized here; he receives goods from the social stream—again in principle—before he has contributed anything to it. In this sense he is, so to speak, a debtor of society. Goods are transferred to him to which he has not that claim which alone gives access to the national dividend in other cases." *Op. cit.*, p. 102.
[23]*Ibid.*, p. 124.
[24]*Ibid.*, pp. 124-125.
[25]*Ibid.* It is interesting to notice the diverse emphasis placed on the interpretation of a set of facts about which there is no disagreement: "He who borrows money at interest does not, as a rule, intend to keep it but to exchange it at the first suitable opportunity for goods and services." (Wicksell, *Lectures*, II, p. 191.) At an identical stage of the process Schumpeter accents the fact that the interest is paid on the money, not the goods; while Wicksell stresses the fact that it is the goods that are wanted, not the money.
[26]The fact that innovation is transitory does not mean that it must be momentary. A really sweeping and radical innovation may take generations to absorb; also, the same enterprises may, and very many do, find the means of paying interest in an almost unbroken series of minor innovations somewhere (not necessarily in the physics or chemistry of production) in their organization.
[27]*Ibid.*, p. 126.
[28]*Ibid.*, p. 127.
[29]*Ibid.*, p. 129.
[30]*Interest and Prices*, p. 102; cf. also pp. 135, xxvi.
[31]Publication of the American Economic Association, 1896.
[32]Irving Fisher, *The Theory of Interest, as Determined by Impatience to Spend Income and Opportunity to Invest It*, New York, 1930, p. 6; cf. also p. 280.

[33]*Ibid.*, p. 13.
[34]Cf. *ibid.*, p. 67.
[35]*Ibid.*, p. 71.
[36]*Ibid.*, p. 226.
[37]*Ibid.*, p. 497.
[38]*Ibid.*, p. 155.
[39]*Ibid.*
[40]*Ibid.*, p. 168.
[41]*Ibid.*, p. 498.
[42]*Ibid.*, p. 499.
[43]*Ibid.*, p. 499.
[44]*Ibid.*, p. 143.
[45]*Ibid.*, p. 150.
[46]*Ibid.*, pp. 500-501.
[47]*Ibid.*, p. 226.
[48]*Ibid.*, p. 226; cf. also pp. 119, 122, 495.
[49]*Ibid.*, p. 144.
[50]*Ibid.*, p. 147. (Italics inserted.)
[51]*Ibid.*, p. 36.
[52]Perhaps it is worth noting that one of the writers quoted by Fisher on the history of the doctrine of appreciation, William Douglass, a physician, in a pamphlet published in Boston in 1740, put the difference thus: "In autumn A. 1733, silver was 22/s. per oz.; by large emissions of paper money, it became 27/s. in the autumn of A. 1734; *i.e.*, 22 per cent loss of principal; and the lender to save his principal requires 28 per cent *natural interest* for that year. Thus *the larger the emissions, natural interest becomes the higher.*" Irving Fisher, *The Rate of Interest*, New York, 1907, p. 84.
[53]*Theory of Interest*, p. 42, and *Rate of Interest*, p. 84.
[54]*Theory of Interest*, p. 42, and *Rate of Interest*, p. 84.
[55]Piero Sraffa, "Dr. Hayek on Money and Capital," *Economic Journal*, 42:165, March 1932, p. 49.
[56]*Theory of Interest*, p. 42.
[57]"What one really wants to know is whether 'living'—ordinary consumption—has become dearer or cheaper . . . . It seems to me therefore that the ideally correct procedure for observing and measuring the general price level is to confine the calculation to objects of direct consumption but over this range to make it as complete as possible, including not only commodities but rents of houses, certain services, and the like. If the same money income serves at two different points of time to provide equally for the needs of nourishment, clothing, house-room, amusement, travel, and the like, it is in accordance with ordinary usage to say that the purchasing power of money has remained constant." Wicksell, *Interest and Prices*, p. 16.
[58]*Theory of Interest*, p. 42.
[59]*Ibid.*, p. 45.
[60]*Ibid.*, p. 216.
[61]See, for example, Frederick C. Macaulay, *Some Theoretical Problems Suggested by the Movements of Interest Rates, Bond Yields, and Stock Prices in the United States Since 1856*, New York, 1938, pp. 163 *et seq.*, especially p. 170, note, and Appendix B, pp. A311 *et seq.*
[62]We may note here that the chief difference between Schumpeter and Wicksell lies in their expository constructions and the resulting emphasis rather than in any radical divergence in principle. Wicksell, in his theoretical apparatus, though admitting the possibility of the entrepreneurs' holding interest gains in the form of goods, normally operates his construction so that interest goes to the lender even when the entrepeneur is continually led on in the hope of profits. Schumpeter, under the more severe conditions of the circular flow, operates his construction so that the "profits" go to the entrepreneur, with interest acting as a tax on those profits.
[63]*Theory of Interest*, p. 184.
[64]*Ibid.*, pp. 341 *et seq.*

CHAPTER V

THE PRICE OF MONEY

John Maynard Keynes may well be the most influential economist of this generation. His ideas are better known and more widely discussed than those of any other living economist. But this popularity is not due to the lucidity of his style; his writing does not lend itself to clear and simple summary. Key words,—for example, profits, savings, investments—appear in his works in esoteric senses. According to Noah Webster efficiency means capacity to do something well. To Keynes the marginal efficiency of capital is not a matter of productive capacity but of expectations. On examination, the expectations reduce to a sort of average state of mind. An average state of mind without perceptible objective basis determining it is a fairly elusive concept not readily associated with efficiency.

The sweep of Keynes' ideas is by no means conducive to accurate analysis; his reach far exceeds his grasp. In one of his small books, there is overhauled not only the theory of wages and interest, but the whole theory of prices, in equilibrium and transition, with lengthy asides on depreciation and costs, the trade cycle, mercantilism, and stamped money, social philosophy, and fiscal policy. Much "psychology" of doubtful pertinence is included. It is not amiss to point out that his concern over the propensity of Americans to think the same thing at the same time was not borne out by the reaction here to the cryptograms of his latest book. Keynes doesn't hesitate to ask his fellow economists to abjure much of what they have learned: the "classic" theory is a "nonsense theory"; Marshall was right in his judgment of the "uselessness" of Böhm-Bawerk's analysis; Mises, Hayek, and Robbins have "their conclusions exactly the wrong way around"; the more sophisticated studies of the theory of prices are a "haze where nothing is clear and everything is possible."[1]

Wicksell's rate of natural interest, which to Wicksell was "essentially variable," and which in the absence of innovation would be zero, is to Keynes "merely the rate of interest which will preserve the status quo."[2]

Keynes employs the concept of "period of production" in terms of "time units of notice of change in the demand for it (the product) that have to be given if it is to offer it maximum elasticity of employment."[3] This, he concedes, is not identical with the usual definition but it "seems" to him "to embody what is significant in the idea." All these singularities are complicated by the fact that the book was obviously written in haste and represents not a carefully integrated study but a loose-jointed series of observations of varying quality, the summary of which is a hazardous task.

Keynes' theory thus presents two distinct questions. What is his own position? What relation does his position bear to some previous not accurately defined classical position with which he believes himself at variance? Neither of these questions allows succinct answers. The second point, though it seems to mean much to Keynes, is really of small account for our purpose and need not detain us long. Keynes has two faults to find with the classical position.

"Classical theory premises that wage-rates tend to adjust themselves to demand and supply conditions in such wise that *involuntary* unemployment, other than such as is due to industrial fluctuations, cannot exist. . . . There is no possibility of calling to the aid of production, capital and labor which would otherwise have been unemployed. Until recent times there can be little doubt, at all events so far as this country is concerned, that this premise of the classical theory was realized in fact. Since the war, however, there is reason to believe that wage-earners have succeeded in maintaining average rates of real wages higher than are in existing conditions, compatible with *full employment*. . . . The mere possibilitiy makes it necessary to examine the matter . . . from a more *general* standpoint than has hitherto been common, distinguishing (1) cases in which the classical premise is satisfied and (2) cases in which it is not satisfied."[4]

This is a good statement of Keynes' principal objection to the "classicists," of whom he regards Arthur Cecil Pigou as the outstanding contemporary exponent and most typical delinquent. As an objection against the "classical" position and Pigou, the above quotation would be much more impressive if it were found in Keynes' own writings rather than in a work, by no means recent, of Pigou.

On one other important particular does classical theory become "nonsense theory."

"For the assumption that income is constant is inconsistent with the assumption that these two curves [demand curve for capital and supply curve of savings] can shift independently of one another. If either of them shift, then, in general, income will change."[5]

"The amount of income of the interest-receiving classes depends on the quantity of the advances made by them and on the rate of discount—that is on the rate of

interest. . . . Just as interest figures more largely in the present value of a five-year note than in that of a one-year note, so interest figures more largely in a community where the period of production is long and the capital per laborer is large. The inequalities of income tend in this sense to become greater as total incomes become larger."[6]

"From this it is perhaps not an unjustifiable inference that there is a large volume of saving at the margin. The steadiness of the rate of interest through so long a period of striking changes both in the uses and the accumulation of capital would seem to point to a steadying cause—a marginal supply price to which the rate of return on the whole has adjusted itself. That supply price to be sure, is likely to be affected in the future by the very fact of large accumulation, or at least by those general industrial and social conditions which accompany large accumulation. The increase in the number of persons belonging to the well-to-do classes, and in their incomes, causes saving and investment to be greater in volume and to entail less sacrifice. The marginal supply price may sink in the course of the next twenty of fifty years to some such rate as two per cent. . . . Accumulation proceeds fast and promises to continue to proceed fast. . . . So ingrained is the habit of accumulation among the prosperous classes of modern society that it seems to proceed irrespective of the rate or interest."[7]

These passages are not taken from an advanced polemical work but from a very old and seasoned standard textbook. Though their author, Frank W. Taussig, by no means draws the same conclusions from observations of this sort as Keynes does, such quotations make it extremely unlikely that all the older authors completely overlooked the possibility that interest was a function at least in part of the level of income, and especially of the distribution of income at any particular level of total output. Such passages make one question the statement that "the classical theory not merely neglects the influence of changes in the level of incomes but involves formal error."[8] We may therefore properly proceed to a direct exposition of Keynes' own theory without concerning ourselves with its possible relations to some putative classical theory, except insofar as Keynes' method of exposition involves such reference. We will then accept his presentation without comment as to its historicity.

Keynes' position on the relation of interest and money is set forth in two substantial works. *A Treatise on Money*, written in 1930, and *The General Theory of Employment, Interest and Money*, written in 1935. Both works have occasioned widespread disputation, in part because of the ideas contained in them, but more because of the invitations to economists to "change their trousers," and to abandon a nebulous congeries of unfortunate things on which Keynes was "brought up."

The first of these two works was a noteworthy study but not a startling one. In the parts with which our present examination is concerned, the

book contained nothing essential that was not familiar to readers of Knut Wicksell and Dennis H. Robertson.[9] Savings and investment were set forth as capable of divergence. The rate of interest prevailing when they were in equality was the "natural rate of interest," which tended to re-establish itself. Expansion of the means of payment (practically, bank deposits) could induce "forced saving" and produce "windfall" profits; such windfall profits were excluded from the definition of income, and as long as the volume of money was increasing, prices and profits would rise indefinitely *à la* Wicksell. "According to my own definition, 'sound credit conditions' would of course be those in which the market-rate of interest was equal to the natural rate, and both the value and the cost of new investment were equal to the volume of current savings."[10] To the maintenance of these "sound credit conditions," Keynes' practical proposals were directed. The discount rate, open market operations, and variation of reserve requirements were so to be marshalled as to keep the flow of money such that "the price level of output as a whole exactly corresponds to the money rate of efficiency earnings of the Factors of Production."[11] Keynes had already stated that he meant "identically the same thing by the three expressions: (1) the community's money income; (2) the earnings of the factors of production; and (3) the cost of production,"[12] excluding profits from cost, income, and earnings alike. This leaves us a *Treatise* fundamentally simple and intelligible in structure, the outlines of which were not obscured by Keynes' great practical knowledge of financial matters or his flair for graphic and caustic prose.

Between 1930 and 1935, however, a great deal happened in the monetary world by which Keynes too was impressed. His reconsideration of his position produced *The General Theory of Employment, Interest and Money.* In that work windfall profits have been restored to a place in income, cost, and earnings, with the somewhat paradoxical conclusion that therefore savings and investment must be equal; for they are but different aspects of the same thing, or rather they are different names for the same thing. This result is achieved by altering, without notice, the time dimension of the process, while notice was served only that terminology was being altered. The *Treatise* is a straightforward Wicksellian analysis of *antecedent* inequality of savings and investment due to a net addition to the means of payment. The *General Theory* views the process both *principiative* and *terminative* simultaneously—which is somewhat disconcerting. The effects of changes in the supply of money are narrated consecutively, while taking for granted the equality of savings and investment which is actually but a

future *consequent* equality. Barring extreme cases where a currency breaks down never to recover, it is always true that the ultimate *consequent* value of investment will equal the sum of the antecedent voluntary saving *and* the *consequent* forced saving.[13] This terminal equality must result; the materials used in production evidently were not consumed. The non-consumption is the sum of forced saving and free.

Keynes' way of describing this is to say that it is the level of incomes which equates savings and investment.

> "Savings and Investment are the determinates of the system, not the determinants. . . . When investment changes, income must necessarily change in just that degree which is necessary to make the change in saving equal to the change in investment. . . . The level of income must be the factor which brings the amount saved to equality with the amount invested."[14]

The very grammar of such sentences reveals the *consequent* character of the equality. The apparatus which produces this equality between two things which are inevitably and by definition equal, and which "cannot differ"[15] from each other, is called the multiplier. It is the ratio between the income *consequent* upon new investment and the *antecedent* value of new investment, $\left(\frac{dY}{dI} = k\right)$, and on Keynes' definitions, ignoring time sequence, can be shown to be equal to the inverse of the rate of saving; that is, if a community saves 1/10 of its income, the multiplier is ten. This is the familiar principle of acceleration set forth in such analytical circumstance that it can be given a fairly precise mathematical quantitative value. Keynes' point of view, which enables him to seize in one grasp both the beginning and the end of a sequential process as of one point in time, also enables him to include both voluntary and forced saving in the "saving" which the multiplier equates to investment. Keynes allows that if this process started from equilibrium and full utilization of resources, the multiplier would be a measure of forced savings. That he does not elaborate the same ratios as a decelerator in periods of contraction is significant and instructive in what purports to be a general theory.

The years between the *Treatise* and the *General Theory* were years of universal price collapse, not only in countries with fiscal difficulties but also, perhaps especially, in the United States, of whose ultimate solvency there was then no reasonable doubt. In conditions of falling prices, the possession of money is preferable to the possession of commodities for the cogent reason that money appreciates as goods depreciate. Hoarding on

the down phase of a business cycle is a familiar phenomenon. This circumstance, the object of one of Irving Fisher's earliest studies, Keynes erects into a special parameter of the rate of interest along with the two familiar ones, the rate of saving (appearing through its complement, the propensity to consume) and the productivity of capital (appearing under the name of "efficiency" which, however, is not an attribute of goods but a psychological state of business men, their "expectation" of proceeds). If general prices are expected to rise, liquidity preference is low; if general prices are expected to fall, liquidity preference is high; and if people don't know what on earth to expect next, it will probably be high anyway. If we could set it down *a priori* that changes in the value of money would be ruled out of the discussion, then liquidity preference as an independent variable would not exist and Keynes' analysis would coincide with Fisher's.[16]

The "psychological" definition of marginal efficiency of capital as "expectation of proceeds" causes the line between liquidity preference and productivity to be obscured. If the marginal efficiency of capital is low and going lower, that in itself can explain any degree of reluctance to make new commitments if one is free to hold cash. But this expectation of proceeds may have to do with factors affecting the supply prices of certain individual goods or it may have to do with factors which affect individual goods only secondarily as part of a general movement. These two cases are quite distinct and it is only with reference to the latter that liquidity preference is significant. From this we may see that Keynes' marginal efficiency of capital differs from Fisher's rate of return over cost in that Fisher regards it as true but regrettable that, *in the cumulative upward phase of a cycle,* prospective changes in the value of money do not sufficiently condition the inclination to invest, and, methodologically, Fisher corrects for these variations after the fact. Keynes, on the other hand, accords liquidity preference a dominant place in the beginning of the analysis and also believes, probably correctly, that *on the cumulative downward phase of a cycle* prospective changes in the value of money, through liquidity preference, do strongly affect the volume of investment.

Keynes has at various times given definitions of the rate of interest, as well as compendious descriptions, which are helpful in coming to an understanding of his analysis; perhaps the most illuminating sidelight on the theory as a whole is the statement that the rate of interest is a "highly psychological phenomenon";[17] "its actual value is largely governed by the prevailing view as to what its value is expected to be."[18] Inasmuch as no

other economic variable has been handled by the methods of impersonal and objective mathematics as has the economic theory and business practice of interest, it is distinctly unsettling to learn that there is nothing high or low but our thinking makes it so.

Two definitions may be set down as being of a more formal and deliberate character than the others. "The rate of interest is the reward for parting with liquidity for a specified period . . . the price which equilibrates the desires to hold wealth in the form of cash with the available quantity of cash."[19] Such statements exemplify Keynes' contention that his theory is but an elaboration of the common sense of the matter, the price of money in hand, the premium that must be paid the lender by the borrower to make the lender part with generic wealth for a specific debt, "the inverse proportion between a sum of money and what can be obtained for parting with control over the money in exchange for a debt for a stated period of time."[20] Employing a favorite analytical construction, Keynes restates the same proposition thus: "The money rate of interest is nothing more than the percentage excess of a sum of money contracted for forward delivery . . . over what we may call the spot or cash price of the sum thus contracted for forward delivery."[21]

The rate of interest thus defined as "the price of hoards,"[22] "the premium which has to be offered to induce people to hold their wealth in some form other than hoarded money,"[23] is conceived as operating as follows: "The function of the rate of interest is to modify the money prices of other capital assets in such a way as to equalize the attraction of holding them and holding cash. . . . The rate of interest on a loan of given quality and maturity has to be established at the level which in the opinion of those who have the opportunity of choice—*i.e.*, of wealth holders—equalizes the attractions of holding idle cash and of holding a loan."[24] In other words, the price of capital goods new and old must be low enough so that, in view of the prospective return, some one is willing to buy them. And since the value of the asset depends on its prospective return, which is dependent upon the ability present in the community to buy the ultimate product, if previously earned income is being withheld from the market and hoarded, the prospect of attractive earnings is not great and the price of the asset must be scaled down. But if additional money is made available, the rate of interest will be lower, the capitalized value of assets higher, new assets will be produced, and income and consumption will rise. "It is not the rate of interest but the level of incomes . . . which insures this equality . . . of saving and investment."[25]

The most striking characteristic of this theory of interest is that the rate of interest can change in the most drastic fashion while the production functions of the goods desired in the community remain unaltered. Ultimately, a sufficiently broad and enduring change in the community's income may change demand enough to affect the relative supply of commodities and thus change the production functions themselves, but in the first instance this need not be true at all. Secondly, the question arises as to what determines these mercurial shifts in the desire to hold money rather than goods. In a community where any economic progress was being made, there would always be a positive premium on investment; beyond pocket-money and till-money, and a moderate sum "just in case," there would be no reasonable motive for not taking the premium available on funds one did not care to spend on consumption.

Given the rate of consumption, Keynes' rate of interest is determined by four principal factors. On the demand side, there is the demand for money for investment purposes, and the demand for money for hoarding purposes; that is, given the demand for money for consumption-spending purposes, there is the demand for money for investment-spending purposes and the demand for non-spending purposes. The demand confronts a supply composed of two elements, the supply of voluntary savings from previous income, and the supply of new funds which have never been income or cost and which *will be* the income to equate saving and investment. Of these the volume of consumption is not subject to violent shifts, having an astonishing stability even in the most acute depression. The investment demand on a purely technical basis is tolerably calculable. This leaves hoards and abrupt changes in the money supply as the significant variables to explain large short-term changes in the rate of interest.

"What has attracted attention has been the *quantity* of money which has been hoarded; and importance has been attached to this because it has been supposed to have a direct proportionate effect on the price level through affecting the velocity of circulation. But the quantity of hoards can only be altered if the total quantity of money is changed or if the quantity of current money income (I speak broadly) is changed; whereas fluctuations in the degree of confidence are capable of having quite a different effect, namely, in modifying, not the amount that is actually hoarded but the amount of the premium which has to be offered to induce people not to hoard. And changes in the propensity to hoard, or in the state of liquidity preference as I have called it, primarily affect not prices but the rate of interest; any effect on prices being produced by repercussion as an ultimate consequence of a change in the rate of interest."[26]

Exception might be taken to the first sentence of this statement, especially to the phrase "direct proportionate effect." Though they might not

be so emphatic about the *exclusive* effect on prices through effect on the rate of interest, few economists would care to deny either the fact or its importance. But they would be slow to regard it as a theory of interest; it is rather an abnormal case of a discontinuous supply curve of available funds. Any theory of interest must be able to explain the sequence of adjustment to such a change, but to regard this special case as the whole theory is scarcely warranted. Since the volume of available hoards is largely under the control of the monetary authority, the decision to hoard or not to hoard reduces largely to gambling on which way the Federal Reserve Board worm will turn. On this view, the obvious solution would seem to be to eliminate this eccentric factor and to do in real life what textbook writers have usually done in formulating their theory of interest—set the supply curve of funds either as given, or changing at a calculable rate according to objective criteria. Keynes marches stalwartly up to this conclusion but dismisses it with the statement that "at this point we are in deep water," to which is added an irrelevant quotation about a duck.[27] The logic seems to be that an abruptly fluctuating variable that makes accurate pricing practically impossible becomes less obnoxious if you make it the center of your system and use it to make other less volatile variables fluctuate to your liking.

The foregoing notes have been a necessary introduction to a summary of Keynes' theory of interest, which summary he has fortunately supplied[28] with great brevity and conciseness and with the focus of attention more directly on the phenomenon of interest itself than on the concomitant variations in income and employment. With the introductory notes and this compendious statement, we can set forth Keynes' theory of interest in its relevance to the object of the present study.

In his essay on "The Theory of the Rate of Interest," Keynes has set down four propositions which he believes are acceptable to classicists and are not "in any way open to doubt." The language may not always be the same as that of the earlier classical writers but the difference in form is not intended to imply difference of content.

(1) "Interest on money *means* precisely what the books on arithmetic say that it means; that is to say, it is simply the premium obtainable on current cash over deferred cash, so that it measures the marginal preference (for the community as a whole) for holding cash in hand over cash for deferred delivery. No one would pay for this premium unless the possession of cash served some purpose, *i.e.*, had some efficiency. Thus we can conveniently say that interest on money measures the marginal efficiency of money measured in terms of itself as a unit."

A note calls attention to the fact that this description of marginal efficiency of capital differs slightly from a previous definition: "The relation between the prospective yield of a capital asset and its supply price or replacement cost, *i.e.*, the relation between the prospective yield of one more unit of that type of capital and the cost of producing that unit."[29] The difference lies in the fact that the new definition implies that "market value" may be substituted for replacement cost without significant change in meaning.

There is the further observation that the content of the idea of "marginal efficiency of capital" means the same thing as Irving Fisher's "rate of return over cost." Fisher had defined the rate of return over cost as a "hypothetical rate of interest which if used in calculating the present worth of the two options compared would equalize them or their differences (cost and return). . . . The cost is literally the difference it makes today and the return is the difference it makes in the future."[30] This idea of marginal efficiency Keynes defines "more precisely . . . as being equal to that rate of discount which would make the present value of the series of annuities given by the returns expected from the capital assets during its life just equal to its supply price."[31] Though Fisher would be the last person on earth to belittle the effect on the rate of interest of monetary appreciation and depreciation, it should be noted that at this point, while Keynes is speaking of an "expectation of proceeds," Fisher's examples at the same stage of the analysis were of increments due to natural physical growth—*e.g.*, of cutting a forest, "assuming an unchanging price of $1 a cord."

(2) "Money is not peculiar in having a marginal efficiency measured in terms of itself. Surplus stocks of commodities in excess of requirements, and other capital assets representing surplus capacity may indeed have a negative marginal efficiency in terms of themselves but normally capital assets of all kinds have a positive marginal efficiency measured in terms of themselves."

As Fisher had put it: "There are therefore, theoretically, just as many rates of interest expressed in terms of goods as there are kinds of goods diverging from one another in value."[32] This marginal efficiency of an asset in terms of itself can be reduced to marginal efficiency in terms of money. Let q be the physical productivity of the asset in goods or services; let c be the carrying cost of the asset in terms of itself and l be the potential convenience or security afforded by the power of disposal over an asset for a given period. Then q—c plus l is the own rate of interest of any commodity "in terms of itself as a standard." If a' and a'' be the

expected appreciation or depreciation of houses and wheat respectively, then a' plus q' is the house rate of money interest (c and l being regarded as negligible) and a''—c' is the wheat rate of interest (q and l being regarded as negligible) and the money rate of money interest is l'' (q'' and c'' being regarded as negligible). In equilibrium, a' plus q', a''—c'', and l''' will be equal; apart from equilibrium, demand for houses, wheat, or money will be greatest as q', a''—c'' or l''' is greatest.[33]

One is tempted to restate this and say that investment will expand in houses, wheat, or money according to which of these three factors a, c, and l, is largest; and if we can call hoarding "investment in money' or loaning to oneself, *then* saving and investing would always be *antecedently* equal and the action of the multiplier would produce a *consequent* equality but between two different magnitudes.

(3) "The effort to obtain the best advantage from the possession of wealth will set up a tendency for capital assets to exchange in equilibrium at values proportionate to their marginal efficiencies in terms of a common unit."

Let r be the money rate of interest, that is, the marginal efficiency of money in terms of itself, the premium which someone is willing to pay to entice money from its actual holder, and y, the marginal efficiency of a capital asset A in terms of money. "Then A will exchange in terms of money at a price such as to make $y = r$." This is a very interesting proposition. In a state of complete and rigid equilibrium, where optimum disposal of assets has been reached and nobody is inclined to sell an asset or to buy one, $r = o$ for the possession of money yields no advantage; nobody is willing to pay a premium to entice money; yet physical assets seem to yield some net return; so that $y = o$, unless Keynes wishes to recast his theory in Schumpeter's terms. When cost-reducing innovations are being introduced, with constant money supply, *holding* money offers no advantage or is definitely uneconomic, yet the value of y is at first increasing and then decreasing. Money has a negative marginal efficiency in terms of itself and a positive marginal efficiency in terms of other things. If a price fall has been initiated and may be calculated to continue, for the duration of the decline, y is negative but r, the marginal efficiency of money in terms of itself, *if subsequently* spent on consumption or production near the trough, may be very great.

(4) "If the demand price of our capital asset A thus determined is not less than its replacement cost, new investment in A will take place, the scale of such investment depending on the capacity available for the output of A, *i.e.*, on its elasticity of supply, and on the rate of which y, its marginal efficiency, declines as the amount

of investment in A increases. At a scale of new investment at which the marginal cost of producing A is equal to its demand price as above we have a position of equilibrium. Thus the price system resulting from the relationships between the marginal efficiencies of different capital assets including money, measured in terms of a common unit, determines the aggregate rate of investment."

Up to this point we are, in Keynes' opinion, covering common ground not open to objection; the data thus far presented establish "that relative prices (and under the influence of prices, the scale of output) move until the marginal efficiency of all kinds of assets are equal when measured in a common unit; and consequently that the marginal efficiency of capital is equal to the rate of interest." But the four propositions thus far elaborated "tell us nothing as to the forces which determine what this common level of marginal efficiency will tend to be." The "orthodox" position requires two further propositions which are implicit in its doctrine that "the forces which determine the common value of the marginal efficiency of various assets are independent of money which has so to speak no autonomous influence, and that prices move until the marginal efficiency of money, *i.e.*, the rate of interest falls into line with the common value of the marginal efficiency of other assets as determined by other forces." The implications of this need only to be stated to appear inadequate.

(5) "The marginal efficiency of money in terms of itself has the peculiarity that it is independent of its quantity. In this respect it differs from all other capital assets. This is a consequence of the quantity theory of money strictly stated. . . . Thus unless we import considerations from outside, the money rate of interest is indeterminable, for the demand schedule for money is a function solely of its supply." "Nevertheless, a determinate value for r (the marginal efficiency of money in terms of itself) can be derived from the condition that the value of an asset, A, of which the marginal efficiency in terms of money is y, must be such that $y = r$. For, provided we know the scale of investment, we know y and the value of A, and hence we can deduce r. . . . In other words, the rate of interest depends on the marginal efficiency of capital assets other than money"

Proposition 5 assumes the scale of investment known; this requires a further proposition. "The scale of investment will not reach its equilibrium level until the point is reached at which the elasticity of output as a whole has fallen to zero." The "orthodox" system may then be summarized thus: (a) The rate of interest determines the rate of saving. (b) The rate of saving determines *the equilibrium rate of aggregate investment,* corresponding to that level of output for a further increase in which the elasticity of supply is zero. (c) The scale of investment determines the marginal efficiency of capital to which the rate of interest must be equal.

"The marginal efficiency of money in terms of itself is independent of its quantity." Here is a very intriguing proposition. It would almost seem to deny any meaning to *marginal* efficiency. In general, the marginal concept is a differential one measuring the relative gain or loss from additions of one small unit to a previous stock. If the marginal efficiency of money does not vary as additional units are added, it would seem that the marginal efficiency is not only independent of the supply but is also zero. After a certain point is reached, the curve of total efficiency flattens out and the marginal efficiency of additional units is zero. The efficiency of each additional unit is the same as that of all previous units and the efficiency of the whole is not increased. "This is a consequence of the Quantity Theory of Money strictly stated." This means, as Keynes explains, that a point can be reached such as that in the equation PT= MV, where increases in M will result only in changes in P, since T will have reached a maximum fixed by technical consideration, *i.e.*, full and maximum employment in the existing state of the practical arts. That is to say, any amount of money can be absorbed in higher prices, if no further possible adjustment of assets will yield a greater product. If a ten percent increase in the volume of money causes promptly and directly a ten percent increase in prices, then the marginal efficiency—the expectation of proceeds —from holding the same proportion of the larger as of the smaller is in no way altered. The marginal efficiency of money is independent of its supply and is zero. This may be true; whether this is exactly what one would call a "strict interpretation" of the quantity theory is another question.

To remedy this defect of the "orthodox theory," Keynes feels the need of supplementing propositions 5 and 6 with the following:

5K The marginal efficiency of money in terms of itself is in general a function of its quantity (though not of its quantity alone), just as in the case of other capital assets.

6K Aggregate investment may reach its equilibrium rate under proposition 4 above before the elasticity of supply of output as a whole has fallen to zero.

The import of 5K seems to be that we are not always in a situation where an increase in the quantity of money will express itself, not only in prices, but also in causing the quantities of goods offered (and therefore employment and income)to vary. We shall return to propositions 6K presently.

Not to violate our program of prescinding from the historicity of

Keynes' views of the "classics" but to point out the relation on this point between his methods and Wicksell's, two very characteristic quotations from the latter may here be fitly repeated. "The supply of real capital is limited by purely physical conditions, while the supply of money is in theory unlimited and even in practice is held only within fairly elastic boundaries."[34]

"In the foregoing, I have merely wished to point out the folly of supposing that circumstances in which, as in the case of concrete commodity prices, there is an essential relation between two things—goods and money—can never be satisfactorily explained from the point of view of the changes undergone by only one of them, in this case goods without reference to the other money. It is moreover evident that it would be useless to dwell on the question at all if this view were not in fact so widespread not only in business jargon but also in scientific literature, especially German. In one respect however, this view is justified and serves a purpose in more detailed investigations into the causes of price changes. Every rise or fall in the price of a particular commodity presupposes a disturbance of the equilibrium between the supply and demand for that commodity, whether the disturbance has actually taken place or is merely prospective. What is true in this respect of each commodity separately must doubtless be true of all commodities collectively. A general rise in prices is therefore only conceivable on the supposition that the general demand has for some reason become, or is expected to become, greater than the supply. This may sound paradoxical because we have accustomed ourselves, with J. B. Say, to regard goods themselves as reciprocally constituting and limiting the demand for each other. And indeed *ultimately* they do so; here, however, we are concerned with precisely what occurs *in the first place*, with the middle link in the final exchange of one good against another which is formed by the demand of money for goods and the supply of goods against money."[35]

This passage in the sixth chapter of volume two of the *Lectures*, section 6, "The Defects of the Quantity Theory"; section 9 of the same chapter contains the "Positive Solution," the theory of natural and money interest and their divergences.

A "zero elasticity of supply for output as a whole" is a difficult concept in an economy like our own where numerous forms of economic advance have not yet been fully applied and absorbed, and where there always exists, at least in some corners of the economy, real possibilities of different, more effective, and more desirable combinations of resources. Practically, "zero elasticity of supply for output as a whole" means to Keynes a situation in which "an increase in demand in terms of money will lead to no change in output, that is to say, prices will rise in the same proportion as the money demand rises." "Zero elasticity of supply for output as a whole," is simply the condition described as "full employment," a situation in which, if $MV = \Sigma pq$, and M is increased, q cannot be increased and the equation

is balanced only through changes in p—"The Quantity Theory of Money strictly stated."

Actually, many sub-equilibrium situations can be encountered in which an increase of credit at the disposal of entrepreneurs will lead to an expansion in which the equation will be made to balance by changes in p and q and conceivably in q alone, a situation in which the "Quantity Theory," as understood by Keynes, would be inoperative, and where, under proposition 6K, the marginal efficiency of money will not be independent of its supply. Moreover, a situation can readily be visualized in which price would be declining, and both p's and q's would reflect the diminishing money supply. In such cases, money acquires a special value of its own, an advantage over all other forms of wealth; in the first instance, because it enables the holder to stand ready to cut into the economic circle whenever he chooses to exchange his cash for those assets which he judges will be likely to appreciate as equilibrium is approached; and in the latter case, because to hold the money itself is to hold the only asset which is approaching in a declining price situation. In acute inflation, when people get rid of money in the quickest possible way, this quality of money is seen in sharpest outline. In various economic conjunctures, the preference for holding money as opposed to goods, or vice versa, may be seen to be reasonable, but it is not always independent of the quantity of money.

But how can there arise these disequilibrium situations whose existence and importance no one can question or has questioned? "Great unemployment," says Schumpeter, "is only the consequence of non-economic events —as, for example, the World War—or precisely of the development which we are investigating," *i.e.*, of innovation financed by credit expansion.[36] We may add a third, which is usually a concomitant of one or both of the others; Marshall once characterized it as "the risk of civil tumult,"[37] and in another place stated Schumpeter's principle the other way around "For indeed, the only effective remedy for unemployment is a continuous adjustment of means to ends, in such way that credit can be based on the solid foundation of fairly accurate forecasts: and that reckless inflations of credit—the chief cause of all economic malaise—may be kept within narrower limits."[38] Non-economic events such as a World War can distort a price complex beyond recognition for two reasons, first, the actual distortion of the direction of productive effort—overnight, the relative importance of various endeavors is completely upset; secondly, the shift is financed by credit expansion, or the issue of irredeemable bills on a wholesale scale. Both procedures produce two important effects—price move-

ments large in extent and erratic in character, and income displacements of great volume. In the case of important innnovations (not necessarily mechanical inventions or geographical discoveries, but fresh starts in any department or level of economic activity), these same two forces are at work in the same way, though less abruptly, and they are commonly less extensive. When, however, all these are combined in one generation —war, widespread innovation, and monetary and fiscal expansions and contractions—the existence of unemployment is not a difficult matter to explain.

In the course of such a movement, money commands two premiums, one because it enables the innovating or expanding entrepreneur to preempt actually saved resources which he is able so to employ as to pay all costs and interest and still show a profit, another because the innovation, *in so far as it is financed by credit,* induces a price rise; so that for a time anyone can buy resources and employ them at a profit. The first of these cases offers no insoluble problems either of interest or unemployment; the second, though a money problem, is not primarily a problem of interest, but of prices.

Quite conceivably, an oft-repeated process of financing wars and innovations by created bank credit, with industry cooperating fairly closely with banks, might sweep the profits of the financing of wars and of successful introduction of innovations, as well as continuing interest on credit funds, into the hands of a relatively small section of the population; the remaining large section of the population, though strongly affected by rises and falls in wages, income, and the cost of living, would have little voice in the direction of economic events, the rate of interest having little direct effect upon their savings, and their savings having little direct effect upon the rate of interest. The relatively small group possessed of large resources, being hereditary custodians of loanable funds, would occupy the enviable position (now even in the short run) of being able to hold off from a market that was not to their liking, and in many cases of making their own market.[39]

With such a cleavage in the economy, with the supply and demand for bank funds largely in the same hands, and with the supply of labor being in no position to adjust itself to a real demand, the under-employment equilibrium envisaged by Keynes is a real possibility. But it cannot be a permanent equilibrium; the authority of the state will be invoked to intervene on social grounds, just as the authority of the state was employed in the first instance to foster a loan system which swept the benefits

from the control of saved resources to those who had not saved. When the prevailing legal usage allows a practice which tends strongly to redistribute wealth by displacing income and (on Keynes' own showing) inevitably entails an appeal to public authority for relief, is it possible to "take as given . . . the social structure including the forces other than the variables set forth below which determine the distribution of the national income"?[40]

In view of these rather obvious facts, Keynes' attitude toward forced saving seems a little anomalous. In the *Treatise*, he conceded that this phrase had "some affinity to the difference between investment and 'saving' in the sense in which I there used the latter term."[41] Of this affinity, Keynes now has his doubts.

> "It is clear that 'forced saving' in their sense is a phenomenon which results directly from, and is measured by, changes in the quantity of money or bank credit. . . . But an attempt to extend this perfectly clear notion to conditions of less than full employment involves difficulties. . . . At any rate, I am not aware of any attempt having been made by modern writers who are interested in 'forced saving' to extend the idea to conditions where employment is increasing."[42]

The burden of these observations plainly bears upon important truths. Is it any less obvious or less true that no modern writer, Keynes included, has explained the under-equilibrium stalemate he describes without reference to *previous* forced saving? The post-war economic impasse follows upon a century and a half of income displacement arising from saving forced by private and public agencies for the emission of money substitutes, culminating in a period of war financed by forced saving on a gigantic scale. This is hardly the stage at which to abandon forced saving as a fruitful concept. Keynes' "multiplier" is an application of the same variables that figure in forced saving, to a situation in which the value figure Σpq is altered principally through changes in q. It is not a *substitute* for "forced saving" as an analytical procedure, but its analogue, to which forced saving is logically and historically antecedent. Would "under-employment equilibrium" be conceivable in a community where an initial fairly even distribution of income prevailed, and all loans were made by a mutual system so that all rewards of curtailed consumption accrued to the persons curtailing their consumption? If not, then forced saving on the way up from a position of full employment, the multiplier on the way up from a position of less than full employment, and the decelerator on the way down from a full-employment-forced-saving situation, all remain relevant to our present situation, which is so

different from the one in which the benefits of saving go to the savers.

Therefore, Keynes' views on employment, interest, and money, however important they may be as a practical matter, add little to our knowledge of general theory of interest. The highly special (though socially important) case of post-war dislocation is presented as composing an essential part of the general case, as though all possible causes of fever must be included in an explanation of normal temperature. Keynes' program of making investment largely a function of the state is not a proposition which is to be accepted or rejected on economic grounds alone, or even primarily, and comes perilously close to acceptance of an abnormal condition as normal.[43] One can accept much of Keynes' economic analysis, and share much of his exasperation with current social conditions, and still believe that politicians will not be guides, philosophers, and friends superior to "sound" and "liberal" bankers.

Perhaps no section of Keynes' analysis has called forth more favorable comment than his emphasis on "expectations." The Swedish economists since Wicksell have been exploiting this factor with some success and Keynes has taken it unto himself, but we have thus far neglected it. Upon his chapter "Long Term Expectation," Keynes has not only expended the considerable analytical powers of the man who wrote the *Treatise on Probability* but also all the mordant rhetorical chemistry of the man who wrote the *End of Laissez Faire;* all the acid bottles were at his elbow. The chapter proceeds on a "different level of abstraction from most of the books."[44] That level of abstraction is at times extremely lofty, as when we are asked to distinguish between the probability which we predicate of a certain forecast, and the confidence with which we make the predication. There is some "psychological" factor at work here, above and beyond one's reaction to objective data, which enables one to make an objective analysis of the elements involved, and then when the analysis is over, from some source independent of the data to endow it with a further property.

No one with a memory of the last twenty-five years can doubt that the public mood is an important factor in economic and business policy. Even Marshall had allowed a place for "anticipations" and "confidence" in relation to changes in the purchasing power of money;[45] no one cares to deny that promoters' plans interact one upon the other; forward buying of raw materials by one industry for objective considerations peculiar to itself will alter the conditions of supply in some other industry to which these considerations are not relevant. But the direction and scale of activity in the second industry are affected withal. Nevertheless, apart from

such obvious business facts, the matter as expounded by Keynes is fundamentally an epistemological question. In the illustration he uses—of the competition for selecting the six prettiest faces from a hundred photographs—the competitor will win if he picks not the six whom he thinks prettiest but the six that he thinks others are likely to think prettiest. In this case, an example is selected in which there *may* be no final criterion, but the girl with no nose would be a poor bet. Can we shift the procedure to economics and agree that economic decisions likewise have *no* final economic basis, that the careful investigator has *no* means of judging whether a certain railroad will make money or not? Are there *no* economic situations in which objective economic evidence will compel the same decision from all observers? If there are none, then classical economics has indeed been a fraud and a sham, and Marxist, Gesellian, and Keynesian as well.

Now there can be no question that in a world in which economic decisions are dominated by non-economic considerations, the objective evidence to guide decisions may be lacking. In a world where the status of one metal, important in a monetary way to several large countries, depends on politics in a few American states, and the price of another metal, more important to more countries, may depend on the political exigencies of one man, or the ability of a group of men to filibuster till midnight—in such a world the business man may lack an objective basis for a decision. Likewise, when the world market for various commodities may depend on the opinion of one man concerning the prospects for the world revolution, or racial purity, then the "state of expectation" may be a very volatile affair because of the almost complete lack of a basis for a decision. Or the volume of money available to finance business or support the government bond market may depend on the proximity of the next election, to the consternation of "economic" men.

Granting all this to be true, that important economic variables are subject to arbitrary reversal according to no calculable formula, what concern is it of the economist *as economist?* If in a given situation objective economic evidence on which to base decisions is simply lacking, does this mean that the economist must change his theorems, or simply admit that with many weighty factors in an unsettled state he simply does not know *a priori* which propositions will apply? Keynes long ago complained that the "orthodox" economists set themselves too easy a task when they were satisfied to announce that after the storm the sea would be calm again. The simile is a good one. A man may be a very good

sailor, able to make the most of any wind that blows, big or little, but in the midst of a squall with a dozen non-economic cross currents blowing God knows where, he may be wise to pull in his sail and devote his attention merely to keeping off the rocks in sight.

Returning then to Keynes' analytical construction, what is the "role of anticipations"? There is first the question of non-economic events which, nevertheless, involve economic repercussions. The importance of these factors does not force on the economist the role of prophet or "social psychologist." He must be prepared to analyze the probable course of the event after the fact; and to analyze the manner in which this course will be altered when different proportions of the community make commitments based (a) on the supposition that the event, *e.g.*, a profits tax program, will take place, (b) on the supposition that the event will not take place. If one cares to go at it with sufficient care, such hypothetical propositions can be elaborated, but they will always await the specification of the non-economic factor to determine which formula becomes significant by having its hypothesis fulfilled. Forecasting which hypothesis will be fulfilled is the work of the columnist, not the economist.

When the problem is limited to the properly economic, the difficulty is not so complicated. The peculiar proposition that "the marginal efficiency of money is independent of its supply" harks back to Wicksell's proposition, quoted from Emil Struck, and repeatedly used: "Money is continually becoming more fluid and the supply of money is more and more inclined to accommodate itself to the level of demand. . . . The 'supply of money' is thus furnished by the demand itself."[46] "The supply of real capital is limited by purely physical conditions while the supply of money is, in theory, unlimited and even in practice is held [only] within fairly elastic boundaries. . . . A lender cannot provide more goods than he actually possesses but he can provide any amount of money—in fact, he provides exactly the sum the borrower promises to pay for the goods."[47] In other words, as we saw in Chapter II, there is one element in the price system where "p" has no relation to "q"; when persons desire money with which to control present resources, the increasing marginal utility of money in hand is not reflected in any increase in the price of the "product." The quantity may be expanded greatly so as to "sell" at the same rate of interest, "p"; or the quantity may be altered but slightly, and the rate of interest, "p," rise sharply. And any intermediate position between the two is possible. Interest then is a price in a wholly different sense than any other price, a fact which will be revealed by an attempt

to define the rate of interest *at a single point or stretch of time* in terms of Σpq, as we can with other prices. Keynes is far from being ignorant of this, as is evident from those passages where he says that "money has both in the long and in the short period a zero, or at any rate a very small elasticity of production."[48] The marvel of Keynes' position is that, after dramatizing the effects of erratic money supply and the resultant difficulty or impossibility of accurate pricing, his practical recommendations involve putting the government into the production of money (and so, of income) on a large scale. Nowhere are any convincing reasons given for ignoring the opposite policy of reducing the number of variables and changing the supply of money and the rate of interest, its price, only in terms of objective criteria which would be calculable in the same way as other economic variables. This would not eliminate "errors," or do away with "anticipations." But it would maximize that "element of real knowledge,"[49] the existence of which Keynes does not deny. The "truth" from which "errors" represent a departure would become much more definite and the relevant "anticipations" would be based on cost and market-analysis more, and less on the Senators from the silver states or the probable effect of W.P.A. funds on elections in closely contested precincts.

Since Keynes' *Treatise* moved wholly in a Wicksellian world, we should expect that one of the simplest ways of setting forth his present position would be to note the points of agreement and difference with Wicksell's doctrine of the rate of natural interest. Strangely enough, this is not an easy thing to do. Wicksell employed three intelligible ideas: (a) the rate of natural interest; (b) the rate of money interest; and (c) the normal rate of money interest, which was that rate of money interest which expressed the prevailing rate of natural interest and was not an initiating cause of cumulative changes in general prices. The price level concerned was the "cost of living"; "what one really wants to know is whether 'living'—ordinary consumption—has become cheaper or dearer."[50] The reasons why this apparently helpful approach to Keynes' mind is disappointing is made clear by considering a few phrases in the following quotation.

> "In my *Treatise on Money* I defined what purported to be a unique rate of interest which I called the *natural rate* of interest—namely, the rate of interest which, in the terminology of my *Treatise*, preserved equality between the rate of saving (as there defined) and the rate of investment. I believed this to be a development and clarification of Wicksell's 'natural rate of interest' which was according to him the rate which would preserve the stability of some, not quite clearly specified price level."[51]

Keynes believed his doctrine of a rate which would preserve equality to be a development of Wicksell's doctrine of the rate at which the supply and demand of real capital were equated and at which, by the same token, there would be no cause for a cumulative rise or fall in an index of the cost of living. This is clearly not the same thing as to "preserve the stability of some, not quite clearly specified, price level."

These relations are further perplexed by the introduction of a variety of new rates of interest. Keynes conceives of a whole family of *natural* rates, which eventuate from any given volume of employment but which do not clear the market either of factors or funds. Their "naturalness" (bearing in mind Prof. Marget's observation) seems to arise wholly from their "equilibrium" character, which here means a quasi-stable sub-equilibrium situation. Next we meet a *neutral* rate of interest (neutral, presumably, with reference to prices) which is the *natural* rate prevailing under conditions of full employment and which receives the further name of "optimum" rate. "The neutral [and apparently optimum neutral] rate of interest can be more strictly defined as the rate of interest which prevails in equilibrium when output and employment are such that the elasticity of employment as a whole is zero."[52] This definition reveals the fateful circumstance in which the "classical" theory was remiss. "This theory assumes either that the actual rate of interest is always equal to the neutral rate of interest in the sense in which we have just defined the latter, or alternatively that the actual rate of interest is always equal to the rate of interest which will maintain employment as some specified constant level."[53]

Now what can be made of this? Without taking on the whole classical world, we may say that Wicksell assumes that the actions of economizing individuals bring relative prices into equilibrium; and further, that in the absence of autonomous changes in the money supply, a general level of prices is reached from which there is no tendency to depart. The premium people are willing to pay for the volume of money on which this price level is based is the normal rate of interest. But if autonomous changes in the money supply intervene (and it is by changes in the rate of interest that their intervention is occasioned), then the general price level, though operating perforce through individual relative prices, can be said to have a movement of its own. Upon this basis arose the criticism of Wicksell that his theory came to nothing—if prices were rising the rate of money interest was too low, if they were falling it was too high. If the rate of interest is such that the volume of money does not "keep step with the volume of goods,"—that is, for example, if it increased faster—then money

is depreciating, liquidity preference is below normal, the rate of money interest is below the rate of natural interest, and prices are rising. If the rate of interest is such that the volume of money emanating from the banking system is less than the correlative volume of goods, then money is appreciating, liquidity preference is above normal, prices are falling, and the rate of money interest is above the rate of natural interest.[54] In a period of price collapse, when no investment is being made, the rate of natural interest may be said to be less than zero; but a simpler and more realistic statement would be that, for the time being (and usually for non-economic reasons), it is non-existent; the market is closed, just as we cannot quote a customer rate for the period of the 1933 bank holiday.

This is not saying much about the relation of Keynes' reconsideration to Wicksell's thought, but it brings out again the methodological importance of Keynes' simultaneous grasp of the antecedent and consequent. Wicksell viewed the effect of a given rate of interest as arising from a given volume of antecedent voluntary saving. He then considered the effect on incomes and through incomes on the price level, first of additions to the volume of money which corresponded to no net increase in the volume of goods being brought to market, and second of subtractions corresponding to no deduction from the volume of goods being brought to market. Such changes produced certain effects on prices and thus on income total and income distribution; from this new income and distribution and rate of interest and corresponding volume of money, a new calculation could be made. In these circumstances, liquidity preference and the volume of funds, concerning which that preference is to be exercised, are a calculable function of the rate of interest and of the income at the stated dates. But when the income is viewed *uno actu* in both roles and the *consequent* equality of saving and investment, "the determinates of the system," is regarded as a significant analytical factor in determining the volume of hoarding which will equate them, then we are indeed in deep water and the relation between the two sets of ideas cannot be neatly set forth; for the distinction between investment from income and investment not from income has been entirely blurred.

From 1896 to 1914, the nations of the Western World were in a rough trading equilibrium. The economy was by no means static, either intensively or extensively, but the change was of an intelligible order both in kind and degree. From 1914 to 1921, that rough equilibrium was utterly shattered, not only economically but politically and socially as well. Since 1921 we have been groping toward a new equilibrium and we bear the

additional burden of the lop-sided income distribution which is so prevalent, especially in Keynes' own country. Without in any way minimizing the human hardship entailed, twenty years is not a long time to repair the devastation of a World War. Especially is this true when the forced saving of wartime and all its other maladjustments are superimposed on many decades of the forced saving which Marshall so characteristically and cautiously described as "quiet loans from the public to the banks."[5] Keynes' under-employment equilibrium is a plateau on the road back, temporary unless the same causes recur.

Economically speaking, this may be put as follows. The conditions of equilibrium include some set of arrangements for the maintenance of life and property; economic equilibrium, however abstract, is not suspended in a vacuum. If a large number of people are excluded from access to resources because of the maldistribution of income, public authority intervenes and by taxes of some sort maintains the unemployed, immediately introducing a strong new element making for realignment. And this, as said above, is not an exogenous factor but one inherent in the situation from the start.

Keynes has produced a theory of interest in which the rate of interest may change while all production functions are unaltered. Such changes can arise only from non-economic sources. When they arise, hoarding on the one hand and forward buying on the other are endowed with special advantages. The advantages, however, are not unlimited; unless we wish to deny all objectivity to economic relations, a point is soon reached where the money comes out of hoards, because on any conceivable *durable* arrangement the assets are really worth more than the price to which they will have fallen. This is true on economic grounds but "because of this fundamental dependence of the economic aspect of things on everything else, it is not possible to explain economic change by previous economic conditions alone. For the economic state of a people does not emerge simply from the preceding economic conditions but only from the preceding total situation."[6]

---

[1]John Maynard Keynes, *The General Theory of Employment, Interest and Money*, pp. 179, 176, 192, 292.

[2]*Ibid.*, p. 243.

[3]*Ibid.*, p. 287.

[4]Arthur Cecil Pigou, *A Study in Public Finance*, London, 1928, pp. 218-220. (Italics inserted.)

[5]*General Theory*, p. 179.

[6]Frank W. Taussig, *Principles of Economics*, New York, 1916, Vol. II, p. 204.

[7]*Ibid.*, pp. 26-27. Keynes' references to Taussig are from pages 20 and 29; *General Theory*, p. 176.

[8]*General Theory*, p. 179.

[9]This place is as appropriate as any to express regret that Robertson's own position, though partially known from a long series of influential papers and a few very brief monographs, has never been presented in a systematic study of the rate of interest. That Keynes is in his debt is clear; but a full exposition of the views of a writer with Robertson's many merits is desirable for its own sake.

[10]John Maynard Keynes, *Treatise on Money*, London, 1930, Vol. II, p. 350.

[11]*Ibid.*, Vol. I, p. 155.

[12]*Ibid.*, Vol. I, p. 123.

[13]"Consequent" upon the processes *initiated* by the changes in the money supply. In the preceding sentence we introduced the Scholastic Latin adverbs *principiative* and *terminative*. These furnish the neatest expression of the ways in which a consecutive process may legitimately be regarded from different time points of view—but not both ways at the same time.

[14]*General Theory*, pp. 184, 179.

[15]*Ibid.*, p. 64.

[16]That the common ground and the agreement on central principles is great, Keynes readily admits. See below.

[17]*General Theory*, p. 202.

[18]*Ibid.*, p. 203.

[19]*General Theory*, p. 167.

[20]*Ibid.* Since Mises was one of the few tentatively admitted to the company of the elect in the *Treatise* (Vol. I, p. 171), the following sentence is interesting: "Their doctrine . . . regards interest as compensation for the temporary relinquishing of money in the broader sense—a view indeed of insurpassable naivete. Scientific critics have been perfectly justified in treating it with contempt; it is scarcely worth even cursory mention." Mises, *Theory of Money and Credit*, p. 353.

[21]*General Theory*, p. 222.

[22]John Maynard Keynes, "Alternative Theories of the Rate of Interest," *Economic Journal*, June, 1937, p. 250.

[23]John Maynard Keynes, "The General Theory of Employment," *Quarterly Journal of Economics*, February, 1937, p. 216.

[24]"Alternative Theories," *loc. cit.*, p. 250.

[25]*Ibid.*

[26]"The General Theory of Employment," *loc. cit.*

[27]*General Theory*, p. 183.

[28]John Maynard Keynes, "The Theory of the Rate of Interest," in A. D. Gayer, ed., *Lessons of Monetary Experience*, New York, pp. 145-153.

[29]*General Theory*, p. 135.

[30]Fisher, *Theory of Interest*, pp. 155, 157; cf. also p. 168.

[31]*General Theory*, p. 135.

[32]Fisher, *Theory of Interest*, p. 42.

[33]Summarized from *General Theory*, pp. 225-229.

[34]Wicksell, *Interest and Prices*, p. xxvi, with note.

[35]Wicksell, *Lectures*, II, p. 159.

[36]*Theory of Economic Development*, p. 67.

[37]Alfred Marshall, *Principles of Economics*, eighth edition, London, 1930, p. 365.

[38]*Ibid.*, p. 710.

[39]John R. Hicks closes *Value and Capital* (Oxford, 1939, p. 302) on the following dubious note: "One cannot repress the thought that perhaps the whole Industrial Revolution of the last two hundred years has been nothing but a vast secular boom, largely induced by the unparalleled rise in population. If this is so, it would help to explain why, as the wisest hold, it has been such a disappointing episode in human history." Is not the cumulative income displacement a much simpler explanation of the same facts and the same disappointment?

[40]*General Theory*, p. 245.

[41]*Ibid.*, p. 79.
[42]*Ibid.*, p. 81.
[43]"I expect to see the State which is in a position to calculate the marginal efficiency of capital goods on long views and on the basis of the general social advantage taking an ever greater responsibility for directly organizing investment." *General Theory*, p. 164.
[44]*Ibid.*, p. 149.
[45]Marshall, *Principles*, pp. 594, 710.
[46]Wicksell, *Interest and Prices*, p. 110.
[47]*Ibid.*, p. xxvi with footnote.
[48]*General Theory*, p. 230.
[49]*Ibid.*, p. 153.
[50]Wicksell, *Interest and Prices*, p. 15.
[51]*General Theory*, p. 242.
[52]*Ibid.*, p. 243.
[53]*Ibid.*
[54]Normal liquidity preference would be that determined by the motives for holding cash other than changes in the average price level.
[55]Alfred Marshall, *Money, Credit and Commerce*, London, 1929, p. 72.
[56]Schumpeter, *Theory of Economic Development*, p. 58.

CHAPTER VI

LATE MEDIEVAL USURY ANALYSTS

The purpose of this study is to compare two sets of interest theories. Having completed a survey of the pertinent writings of influential modern economists, we now turn to medieval writers on the same subject. Our problem is to find a presentation of usury analysis that will be sound and fair and yet not draw us hopelessly far afield. This is not an easy task; the area to be covered abounds with formidable difficulties.

In historical extent, the field is vast. Medieval writers freely employ Aristotle as a source of both principles and information; to start with Aristotle and review the development of usury analysis up to any point that might appropriately be called the end of the Middle Ages would cover a span of about seventeen hundred years. These years embrace the work of the great writers of classic pagan antiquity, of the Church Fathers and their study of the various Scripture texts where usury is mentioned. The same centuries saw the beginning of canon law in the early Church Councils, the appearance of the early compilations of civil and canon law by Gaius, Ulpian, Paulus, and Papinian in the second and third centuries, the revival of the Roman law in the twelfth century by Irnerius at Bologna and the concomitant work of Gratian in the canon law, the appearance of authentic collections of decrees such as that of Pope Innocent II in 1210. The same centuries saw the rise of the great Scholastic leaders—Albertus Magnus, Thomas Aquinas, Bonaventure, John Duns Scotus. The period is so long and so rich that no one can hope to summarize it adequately.

The "Middle Ages" is a very equivocal term. Does St. Augustine (d. 430) belong to the Middle Ages? In a sense he must, for medieval writers knew him well and took his lead on important questions. When, for purposes of this discussion, did the Middle Ages end? Usury remained rigidly forbidden in France until the Revolution (October, 1789); the guilds were legally flourishing institutions until the same time. The idea of John Calvin, Charles du Moulin, and Claude de Saumaise that

usury was not evil in itself but only in its excess, was not new, having been a standard textbook objection since the days when the Albigensian heretics had been answered by Antoninus; and the same view had been held by the Greek schismatics. The question of the rate in this connection was considered beside the point by the straight line of Scholastic tradition; if usury was wholly wrong, then a little usury was no more right than a little murder. The introduction of Calvin's ideas in the late sixteenth century wrought no change in medieval thought. The Roman law had allowed moderate interest from time immemorial, but this was not considered relevant by the usury analyst. On the other hand, if we look for a break in external conditions, the fall of Constantinople (1453), the discovery of the New World, and the rise of the national states seem equally acceptable as a point at which to end the Middle Ages.

Nevertheless, it can scarcely be doubted that there did exist a characteristic analysis and attitude that can be summarized as being typical of medieval thinking. There came a time when that view was no longer practically effective and when indeed it was no longer actively cultivated by scholars. If we can find a school which flourished before usury analysis ceased to be a practical consideration for business men and yet flourished late enough to have the benefit of the work of the giant figures of moral science like Aquinas and Antoninus; and if moreover, we find a school which considered itself at one with this tradition, which reverenced and received it, not seeking a new set of principles with which to attack its problems, we will have found a means of setting forth a manageable brief of usury analysis.

Our labor may safely be shortened in one other respect. Theoretically, usury analysis rested upon four sources of principles: (1) natural reason and natural law,[1] (2) civil law, (3) canon law, (4) Scripture and authentic church teaching. Each of these sources added problems to the discussion of the canonist or moralist, as to the nature, for example, of the punishment due to a person unquestionably convicted of usury, or as to which tribunal had primary jurisdiction, or as to what sort of law ultimately determined the illegality. But, contrary to what might easily have been true, these sources added nothing fundamental to the discussion; they did not bring in quite new elements to cause the whole discussion to take a different turn. As far as the radical problem was concerned —is usury wrong, and if so why? and under what conditions is a loan, otherwise usurious, legitimate?—the answer given was no different than if the canon and civil law and the councils were silent. Not that the

medieval writer would not have listened to them respectfully had these sources said something new on this basic subject; but they had not. On a specific contract Lugo chides Scotus for giving as a reason for its unlawfulness that it is forbidden by divine law—"which is not to the point since the whole wickedness of usury proceeds from the natural law."[2] By this limitation, our unwieldy material can be trimmed to tractable dimensions and, though certain interesting points will thus be lost, we shall be enabled to gain in clarity and precision; despite some loss of completeness, substantial accuracy can be perfectly maintained. In this way, moreover, our comparison with contemprary writers is facilitated in that there is no irreconcilable conflict of basic principle: both parties proceed from truths known from natural reason alone. No significant evidence adduced by Scholastic writers from sources other than the analysis by reason of observed facts will be employed.

Later than 1700, a representative group of characteristic usury analysts will not be found, for obvious reasons. By this time the forces which would ultimately establish the ascendancy of secularism in the intellectual world were well advanced and the ecclesiastically founded university was well on the way to losing both its wealth and its independence to the bourgeois-ruled national states. By 1750, this would be practically achieved. But if we move back one hundred years to 1600, we can find an atmosphere which for the purpose of our investigation is satisfactory. By that year, the universities were under state control only in England. In the Germanies there was division, but many well-established schools remained as they had been. Their basic concepts and principal instruments were the same Scholastic and positive method in philosophy and theology which was traditional. There was progress and change, but it was by way of accretion and amendment, not of overthrow and substitution. The skeleton of the corpus of knowledge was considered sound.

For an economic investigation, the period just before 1600 is most inviting. The writers whom we shall discuss considered themselves absolutely at one with the medieval way of thinking. All three wrote, if not strictly in form, at least very definitely in practical content, a commentary on Thomas Aquinas. In connection with each subject they asked themselves what the Church, the Fathers, and the classics had to say on it. Yet they steadily adhered to Thomas' axiom that evidence on authority is, in principle, the weakest of valid arguments; and one of these writers scornfully quotes column after column of opinions for the benefit of those more impressed by the "number of authors than the weight of their argu-

ments."[3] Yet, and for our purposes this is invaluable, the distinctly medieval apparatus was brought to bear upon problems that were becoming modern in their connotation. By 1600 the New World was a century old, and in that year the East India Company was born. But usury continued to be a practical matter of controversy in all countries. The markets of the world broadened beyond the hopes or dreams of the wildest speculation; yet Europe still did business in its wonted way. The market and the fair were still the prevailing method of distribution; agriculture and handicraft remained the prevailing method of production; sailing ships on waterways and caravans on highways continued to be the chief means of transportation. Financial methods in notes and exchange were well developed, but they represented no radical departure over the methods of two hundred years before.

As characteristic of this period which faced the beginnings of modern problems with traditional analytical devices, we have selected three men. The oldest was born in 1535 and the youngest died at the age of 77 in 1660. Each wrote a treatise *De Justitia et Jure*, "On Justice and Right," of which the principal part is devoted to a discussion of the justice of those contracts of exchange which seemed of sufficient practical significance to merit treatment in a work which was meant to be helpful in the workaday world. In these discussions there is no hint that the authors suspected any waning in the influence of usury doctrine, or saw in current practice any higher ratio of violations than they judged had always existed. The problem is treated thoroughly and completely as a matter of the utmost importance, one of the authors remarking on a certain point that while the doctrine propounded seems sound, it is a novelty, and novelties should be admitted with caution in a matter where the practical consequences are so great. Yet their standards of novelty may seem to us rather lax. A practice was novel which had no place in the discussion of the Roman law, though in 1590 it might be several hundred years old.[4]

In short, these men manifest two qualities which make them useful to our purpose; first, to them usury was a living thing about which right ideas were essential, and for the correct understanding of which they were willing to spend their very best intellectual efforts; secondly, they did not consider that they brought to this work anything strikingly new. Their work was of a piece with that of Aquinas and Antoninus of Florence. The external conditions might change; the problem might be presented in a new form; the extrinsic titles (of which more anon) might occur more often; monetary methods might apply to more transactions than formerly;

or the same transactions might take place over a wider area; but absolutely the same principles ruled. Their assignment was to apply those principles truly and honestly.

Luis Molina was born in the year 1535 in the province and city of Cuenca in Castile, of excellent family; though not of great wealth or of the higher nobility he was, nevertheless, *muy calificado*.[5] Of his youth little is known. At an early age he studied at the University of Alcala, where he distinguished himself as a scholar; but he left the university to enter the Society of Jesus in 1553, at the age of eighteen.[6] His studies were continued in Portugal, at Lisbon, Coimbra, and Evora. He emerged a doctor of theology and taught first at Coimbra, but later (1570) at Evora "at the instance of the Cardinal Infante Don Henry of Portugal who founded that university and wished, by the person and learning of Father Molina, to bestow prestige upon it."[7] Here Molina taught theology for twenty years and was not, during this whole period, engaged in any other activity. Yet this "little man of frail appearance"[8] came to exert an influence so great that Count Don Juan Borgia, Major-domo of the Empress Maria of Austria, wrote in 1601 to Pope Clement the Eighth that Molina was regarded "as the oracle of this kingdom."[9]

In 1588 Molina published his "Concord of Grace and Free-Will" (*Concordia Liberi Arbitrii cum Gratiae Donis*, etc., Lisbon, 1588). The work became promptly known throughout Europe, the Lisbon edition being quickly followed by others—Cuenca, 1592; Lyons, 1593; Venice, 1594; Antwerp, 1595; and many others thereafter. Molina's teaching in that work touched off one of the classic controversies in the history of theological studies. As early as 1594, the intellectual strife had become so sharp that Pope Clement VIII imposed an armistice. Between 1598 and 1607, a series of "Conferences on Grace" (*Congregationes de Auxiliis*) were held at Rome, in which the points were argued before special commissions appointed by the Pope. In 1607, Pope Paul V terminated the conferences, and the controversy was re-opened with the limitation that no one was to call an adversary in this dispute a heretic or in any other way impugn the orthodoxy of the contending parties. This was tantamount to approval for Molina, who had been attacked as a dangerous innovator.

In 1590, Father Molina left his professorial chair at Evora and returned to his native city of Cuenca to devote himself to writing. The first published work of this period was a commentary on the first part of the *Summa Theologica* of Thomas Aquinas. But from the start he had planned the work we are to study, *De Justitia et Jure*. Its first volume, and the

shortest one, appeared at Cuenca in 1593; the second volume, and the one upon which we principally rely, was published in that city in 1597. In 1600, Molina was summoned to Madrid to take over a chair of moral science founded by the Princess Doña Juana; but after six months there, he died on October 12, 1600, at the age of sixty-five. The first half of his third volume was published in that year but the publication of the rest of the six volumes was completed only after his death, by the College of Madrid.

The treatise *On Justice and Right* is divided into three major parts: (a) "Justice in General," (b) "Commutative Justice," and (c) "Jurisdiction." These, however, are of very unequal length, the second being far larger than the other two combined. The first consists of only 13 disputations while the second has 760 disputations on external goods (in which occurs the discussion of ownership and contracts, especially the contracts of exchange), 106 disputations on personal goods, and 51 disputations on one's reputation and good name. The last contains 73 disputations. The four volumes of the Cologne edition contain 3031 pages which, for a total number of 1003 disputations, yield an average length of three folio pages for each disputation. Our present concern is mostly with the 760 disputations of the second treatise, on commutative justice relating to external goods and the contracts of exchange.

Our purpose here is to supply the background of the works we are to study. We will consider the witnesses as to the authority enjoyed by Molina—for, regardless of our own opinion of the value of his work, the critical question is whether he may be regarded as the representative of the usury tradition. Was his work in the *De Justitia et Jure* widely and well received by persons who adhered to that tradition? Can we rely upon his testimony as giving a normal example? Andrades reports that "the president, counsellors, and the judges of many courts, even those of the *Corte*, all consulted him as an oracle on most serious affairs and esteemed his opinion as of old the opinions of Plato were esteemed by his followers who, when they heard *ipse dixit*, that he had said it, were silent, neither contradicting nor responding any opinion of their own. The esteem of Father Molina at the court was the same and he was followed and respected by all the judges."[10] The preface to the Cologne edition echoes the same praise: "So great was his authority, and so highly was he valued in the courts and among the lawyers, that, without the assistance or access to other authors, his authority brought light upon the truth, settlement to the cases and an end to contention."[11] One authoritative

moralist, Juan Cardenas (1613-1684), was bold enough to declare him *major omni exceptione,* which means that on disputed points one was always safe in following Molina's opinion, no matter what reasons or authorities could be quoted against him. August M. Knoll, a scholar who has devoted much time to a study of interest theory in this and other periods, places him "in the first line" of the thinkers of this period, along with Lessius and Lugo among others.[12]

Quotations of this kind testifying to Molina's great reputation not only as a dogmatic theologian but as a moralist as well could be multiplied indefinitely by consulting a sufficient number of writers on the history of Scholastic theology and philosophy. Yet consideration must be given to the fact that he is not cited in the studies, such as they are, of the explicitly economic thought in Spain at the time. The silence with which writers like Molina have been treated by students professedly investigating the period (barring a few specialists like Knoll and Endemann) is too striking to be ignored. A few such studies should be considered. One recent writer states:

"Economic science, under the influence of moralists, theologians, and jurists guided by a care for the public weal, faltered once more at the formulation of principles. Cristobal de Villalon, Luis de Alcala, Saravia de la Calle, Tomas de Mercado supply abundant indications of the grandeur of Seville, of the markets of Spain, France, Italy, and Flanders, and of commercial usages. Dominic Soto, Juan de Medina, Miguel de Giganta, a physician, Cristobal Perez de Herrera bring to the scrutiny of the problem of poverty and the supervision of beggary the treasures of their faith and erudition. Covarrubias y Leiva, the prince of Spanish jurists, studied the monetary system and discussed the authority of the king in money matters, the lawfulness of interest, the exchanges . . . yet the writings of these various writers display more of ethics than of economics."[13]

With the exception of Covarrubias y Leiva, from whose writing no quotation is given, all the authors cited are referred to in Spanish works; whereas most of them, and conspicuously Dominic Soto, have more substantial Latin treatises covering the same matter. There are, no doubt, sound methodological considerations dictating this circumscription of the field as to authors, works, and the distribution of emphasis within the works. But the student who seeks to make use of another's study would feel more at ease if the canons of the method specifying the terms of scientific eligibility had been detailed in greater fullnes.

Luis Molina is favorably, though rather oddly, mentioned by Frederico Rahola, who expressly studied the Spanish economists of this period: "We may mention at the same time [as Dominic Soto's *De Jure et Justitia*]

Father Mercado and Fr. Luis Molina who published his *Grace and Free Will* in 1588 in Lisbon, a book which fought against slavery and the manner of acquiring the slaves."[14] This statement makes the reader pause for several reasons. Tomas Mercado wrote a little handbook on contracts covering, in part, the same ground as the larger works we are to analyze and presenting many instructive details of financial and mercantile practice. Berindoague speaks of this quality of Mercado's work in the passage just cited, as does E. J. Hamilton.[15] That Mercado's status as an economist should be made to stand chiefly on his views of the slave trade is curious. Even more puzzling is Rahola's reference to Molina. The *Concordia* which he cites is an abstruse study of one of the most vexatious and complex points in speculative theology; it is addressed exclusively to the theological scholar. References to slavery would not be inconsistent with the tone of the book, which advocates the maintenance of human freedom on all levels. But the subject of slavery as such receives no attention in the book.

If one were interested in Molina's views on slavery as an economic problem, there are, in the first volume of the Cologne edition of the second treatise of the *De Jure et Justitia,* nine disputations devoted to slavery under the topic of ownership. Two of these are distinctly factual—Disputaion 24, " The places from which slaves are brought to Portugal," and Disputation 25, "Slaves in Portuguese commerce." These indicate that Molina's position as an economist (and the same applies in measure to the other to writers) may not, in the past, have been based on a proper study of those works on which that reputation, if it amounts to anything at all, must rest. Persons thoroughly familiar with Molina's writings place the stress quite differently and find material for it in works other than his work on *Grace and Free Will.* Vansteenberge points this out: "As a legal theorist . . . he was able to throw light on the question of the relation of Church and State and on the economic questions which arose in the acute conditions of his time. The multitude of applications which he makes of his principles is such that with the sole aid of his books a picture, broad but still accurate, of the social conditions of his time could be drawn."[16]

Endemann had said as much years before, that Molina's writing had "an unquestionably realistic coloring" which imparted to it a "definite convincing quality."[17] No other conclusion could possibly be drawn by anyone who had read his disputation on the slave trade, the wool trade, the coinage of Spain and Portugal, taxation, and the practice of bankers,

both deposit and exchange. These are long essays embodied in the text where he regards it as useful for the correct statement of the moral problem. Many people wondered that a man of such cloistered life could have so much knowledge of the business world, but the great personages mentioned by name in the text as having raised this or that problem and the many more not named indicate that the knowledge was recognized. The learned doctor did not draw his information only from those who consulted him, but sought it out from those who could give it, like the master of the mint at Cuenca. He tells of others whom he tracked down; for example, discussing the effect of credit on prices, he says, "Among the various people I consulted I found one who, though not an educated man, possessed great experience and good judgment; he gave as his considered opinion that such business was usurious and unjust."[18] Molina, however, very modestly deprecated his great knowledge of economic affairs; he pointed out that in cases where injustice was not apparent and a custom or trade practice was accepted by upright men, there probably was a valid title somewhere, for "the merchants understand these things better than the doctors."[19]

One substantial authority says of Molina, "He loved to mark out new roads and to seek for new by-paths in the old writers."[20] This was the basis of the objection against his *Concordia* (Grace and Free Will) which objection, it will be recalled, was not sustained. Of his *Right and Justice* it does not seem to have been true at all. But an accurate judgment on this must await careful examination of his immediate predecessors; we shall speak briefly of this later.

By the side of Luis Molina, we place Leonard Lessiüs (Latinized from de Leys), a Fleming, born in the small town of Brecht in Belgium on October 1, 1554. He was the son of a devout and well-established middle-class family, who, early perceiving the boy's ability, planned a career for him as a merchant.[21] At the age of 14, he entered the University of Louvain where he received the doctorate in philosophy three years later in 1571. The following year he entered the Society of Jesus, and after three years' further study taught philosophy at the University of Douai, an unusual assignment for one not yet ordained or finished with his ecclesiastical studies. Douai was largely populated with refugees from England, and Lessius here acquired a knowledge and interest in things English which he retained throughout his life.

After six years at Douai, he was sent to Rome for his theological studies, which were taken under the direction of Francisco Suarez, the

Doctor Eximius whose monumental treatise on "Law" is in the course of publication by the Carnegie Foundation. Upon the completion of his studies he returned to Louvain, where he taught theology continuously for fifteen years, 1585-1600. Still a young man, though plagued with innumerable ailments, he devoted the remaining twenty-three years of his life to study and writing. His work on *Efficacious Grace* in 1610 established his reputation as a dogmatic scholar. He also produced a series of doctrinal and ascetical works usually quite short and notable for clarity and economy of expression. Among these works is one against the theory of the divine right of kings of James I of England which was his contribution to the controversy between Cardinal Bellarmine and the ponderous royal pedant. Some of these works, such as the one on Providence, were translated even into Chinese, and have been re-edited as late as 1869. Justus Lipsius, most influential classicist of the Low Countries, held Lessius in unbounded admiration. His fellow-countrymen concurred in Lipsius' judgment and a research institute in Louvain today bears the name, *Museum Lessianum,* posterity agreeing with his contemporaries that "Lessius stands by good right as one of the most eminent theologians of the 17th century. Suarez, Molina and Vasquez were happy to have recourse to his brilliance in the solution of the great problems of grace."[22]

Unlike Molina, however, Lessius' claim to fame is not primarily in the field of dogmatic theology but rather in the realm of moral science. His great work is his treatise on *Right and Justice* published first at Antwerp in 1605, with editions quickly following at Louvain, Lyons, Paris, and in 1617 at Venice, which is the edition at hand. There were twenty editions during the author's life. Though by no means trying to cover as many topics as Molina (to whom he constantly refers as "that most learned man"), Lessius' book contains but 609 pages which also include brief discussions on the other cardinal virtues, Prudence, Temperance, and Fortitude, subjects Molina did not touch. Lessius bears out the promise given in his preface:

> "I have not followed the order of questions in St. Thomas entirely, especially in what pertains to justice, because there are so very many things which he either does not treat at all, or but briefly and in passing. . . . I have sought brevity, so pleasing to many, looking for those things which seem more choice or illuminating either for use or theory. . . . I have passed over the opinions of obsolete authors, or have touched upon them briefly. In matters that are clear I have thought it superfluous and annoying to the reader to cite many authors; in doubtful questions, I have not passed them over as far as it seemed worth the effort; but after quoting expressly a

few of the more celebrated authors, I have quoted the rest in brief, indicating the name and the place which in particular is being cited. . . . Always I have endeavored to obtain perfect clarity."

Though never diffuse as Molina, Lessius does give good passing examples of the matter he is discussing from the practice of the merchants of Antwerp and Brussels. His information on the markets of Northern and Western Europe is perhaps superior to that of Molina for his country. Lessius acquired this knowledge at first hand. As de Ghellinck says: "'This work [*De Jure et Justitia*], composed with great accuracy, shows best the soundness of judgment, the common sense, and clearness of mind which distinguishes Lessius. The chapters on interest and other commercial subjects are epoch-making in the treatment of these difficult subjects. Lessius was especially consulted by the merchants of Antwerp on matters of justice."[23]

This judgment of a modern Belgian authority on the history of thought in Europe is characteristic of the opinion of Lessius' work by all who have known it at first hand. His successor in the chair of moral science at Louvain, after three hundred years, selects the phrase "most outstanding" as the one to characterize his predecessor among the moral theologians at the time. This reputation was not gained slowly or posthumously, as is evident from the following comment, published at Paris twenty years after Lessius' death:

"First of all, his *Book on Justice and Right and the Other Cardinal Virtues* caused universal amazement by its combination of insight and brevity. When this book was first seen in Spain, it was regarded almost with contempt because of the brevity it manifested. But when it was carefully studied it was so satisfactory that for its sake other more prolix though otherwise praiseworthy works . . . were almost despised. Lessius himself confessed the great labor involved in this slender publication, greater indeed than if he had produced three huge volumes on the same matter. The Christian world witnesses how well it liked this terse insight by the fact that besides French, German and Italian editions, the publishing house of Plantin [in Antwerp] had to toil to get out six editions in a very short time. The law courts were not silent where the praise of this book was concerned; they wanted to take rules of law from it. Albert the Pious, surely the wisest among the sovereigns of Belgium of his time, along with his sword, always kept Lessius' book on justice on the table before him as his most trusted counsellor when he held hearings, to show that his decisions were buttressed by the arms of Austria and the wisdom of Lessius."[24]

Our third source of authoritative information of the Scholastic analysis of usury is a quite different sort of person. John de Lugo was born in Madrid in the year 1593, of a noble family originally from the town in Galicia which bears the family name. The year following the child's birth,

the family moved to Seville and spent more time there than anywhere else. For this reason Lugo sometimes refers to himself as *Hispalensis* though Seville was not the town of his family or the site of his principal labors. In 1597, he took the bachelor's degree at the University of Seville, and spent the following year in Madrid with his father who represented the municipality of Seville on matters of importance at court. In 1599, he and his brother went to the University of Salamanca for a course in law.

Up to this time there had been nothing exceptional about his life, save that he was regarded as a student of some ability and promise, but not notable enough to indicate a brilliant career. In 1603, he entered the Society of Jesus and, after completing his theological studies at Salamanca, went on to his teaching, first in philosophy at Medina del Campo, and then in theology at Valladolid in 1616. These five years at Valladolid established his reputation as a scholar. "His fame and good report went through all Spain, and from Spain to the Indies, and to all of Europe, until, when it reached Rome, that city wished to have so great a teacher for itself."[25]

Lugo was summoned to Rome in 1621, where he taught theology continuously for twenty years and became known as one of the leading thinkers of his day; indeed, he came to be known as "one of the most eminent theologians of modern times,"[26] "an original and independent genius, one of the masters of modern theology"; copies of his lectures "were sought as a rare favor by theological scholars from afar."[27]

Urged on all sides to write, he began to do so in 1633; and the final products of his pen cover almost the whole range of theology, both dogmatic and moral. His fourth work, *Right and Justice* (*De Justitia et Jure*), came to the notice of Pope Urban VIII, who created him a Cardinal. From then on much of his time was devoted to administrative duties. As a Cardinal he was notable especially for his care of the poor, among whom he dispensed quinine (then newly discovered) at his own expense. He was an active member of various congregations and commissions of Cardinals. He died in Rome in 1660.

Lugo's value for our present investigation lies in two things. Though his historical and descriptive material is not as abundant as that of Lessius, to say nothing of Molina, it is well selected and especially useful in that his examples are taken from the markets and exchanges of Italy. De Ghellinck states that the knowledge of civil law Lugo had gained as a young man at Salamanca greatly aided the practical value of his work on *Right and Justice*. But he is worthy of a place beyond this because of his supreme authority as a moralist. Many writers regard him, in disputed questions of moral science, as *major omni exceptione*. St. Alphonsus

Liguori (1696-1787), who by universal consent stands alongside Thomas Aquinas as the great figure in the history of moral theology, says of Lugo "that after Thomas Aquinas himself, he is easily the most eminent."[28] It would be hard to conceive of higher praise than this for a student of moral philosophy and theology.

For our purpose, it is useful to have a man who has unquestionably constructed one of the cornerstones of the Scholastic tradition, so that we can be certain that Lessius and Molina in their desire to be close to the market place did not depart in any matter of principle. As a matter of fact, the differences between them are negligible and occur on points of refinement that are of no consequence. His work differs in structure from the others only in that he omitted matter that is obviously common ground; or, at most, he is content with brief summaries on such points. He says on a particular topic what might be said of his whole work: "Molina treats of this at great length; we point out briefly only what is more necessary";[29] and he often interposes the remark, "Molina writes on this diffusely." He limited himself to discussing at length only those points on which he felt that he had something definite to add, but this was invariably in extension of the common doctrine and not in opposition to it.

It would be easy to find substitutes for individual members of the trio we have selected. The most obvious candidate would be the Dominican genius, Dominic Soto (1494-1560), already twice referred to, imperial theologian of Charles V at the Council of Trent and the intellectual light of Salamanca when that university was the axis of the learned world. He would be a desirable addition or substitute for the further reason that his work is just a bit earlier; his treatise on *Right and Justice* was published at Salamanca in 1556. The only reason for the omission is his inaccessibility. I have seen but one copy of Soto in the United States, after inquiry at many likely places, and that copy could not readily be obtained for long study. Molina, Lessius, and Lugo refer to Soto constantly. Another author whose writings have their value is Tomas de Mercado, O.P., *Suma de Tratos Y Contratos* (Seville, 1571), also referred to above; but the book has never been regarded as outstanding and is very brief. Such a list of perfectly satisfactory alternatives might easily be extended; Martin Azpilcueta (called Navarrus), Ferdinand Castrapalao, Luis de Alcala, Diego Covarrubias, Paul Laymann, and Luis Lopez—each could be included with the utmost propriety.

On the other hand, it would be difficult altogether to omit the three we have chosen from any selection of a large group to represent traditional usury analysis at the point of its highest development. Their place, their

authority, and their typicalness of the sixteenth and seventeenth centuries are too great. The selection brings with it other obvious advantages. These three express the viewpoints of Spain, the Low Countries, and Italy. Moreover, they are writers of different characteristics—Molina, wishing to cover every phase of a subject historically and descriptively, as well as analytically; Lessius likewise inclined to the graphic and concrete but constantly pruning his material so as to emphasize the essential points; Lugo, pre-eminently the theorist but limiting his discussion to practical points of special difficulty. Finally, the authors come in sequence, each writing with his predecessors' work before him, frequently quoting their opinions; and all of them use St. Thomas Aquinas as a central core, thus making both comparison and synthesis much easier.

The testimony of later writers may well conclude our reasons for choosing Molina, Lessius, and Lugo. The following quotations are from more recent writers, either historians or moral theologians:

"Lessius' judgment on most serious scientific matters was sought by the most learned men of his age, Suarez, Vasquez, Molina, and others. Paul V, Sixtus V . . . St. Francis de Sales . . . St. Charles Borromeo . . . held him in highest regard. St. Alphonsus counted him as one of the classic doctors. Lugo [was] outstanding for his vast knowledge and esteemed by all; Molina [was] the most celebrated."[30]

"Monographs of greater moment on moral topics were . . . on Right and Justice [by] . . . Soto, Lessius, Lugo."[31]

"The principal theologians who were active at this period were, heading the rest . . . Molina . . . Lessius . . . Cardinal de Lugo."[32]

"A number of famous names follow at this period. Luis Molina is . . . even more famous as a moralist than as a dogmatic theologian. . . . The greater leading theologians, like Frances Vittoria, Dominic Soto, Bartholomew Medina, Dominic Bannez, Francis Suarez, John de Lugo, Leonard Lessius were both dogmatic and moral theologians."[33]

"Thus it was that after Lessius and Lugo had achieved an extraordinarily high level, moral theology on questions of economic ethics sadly declined at the end of the 18th and in the 19th centuries."[34]

"Just a word on the authority of the principal moralists. . . . St. Thomas holds the first place . . . then his distinguished followers and expositors are held in great regard, especially Suarez, and that great genius of moral science, De Lugo, and others of highest merit in moral matters, Soto, Molina, Sanchez, Lessius, Castrapalao, the School of Salamanca."[35]

A detailed analysis of the relation of these writers to their proximate and remote intellectual forbears would be instructive and very interesting

reading. The period just before the one we have selected should be investigated. John Major, John Nider, Sylvester Mazelino, John Medina, Cardinal Cajetan, St. Antoninus of Florence all need to be studied together and in relation to their followers and predecessors. In one sense there seems to have been no progress since Thomas Aquinas in any matter of radical import. Apparent innovations by writers of high authority like Antoninus of Florence and Thomas de Vio (Cajetan) are rejected as inadmissible by later writers. Changes in terminology or the order of the treatises cause apparent differences. But, in reading the later writers, "one must recognize that in their discussions of interest the question is put in exactly the same way by the older Schoolmen even though they do not always explicitly state it."[36] Yet there must have been points at which the shift of circumstances caused a change in the attitude toward some form of contract, or at which some analyst added something definite to the analysis of price and value. Unfortunately, we are not in a position to make any very definite statements on this. Surely there must have been progress; we find the subjective and objective factors in price well outlined, as early as the thirteenth century, by Albertus Magnus and Scotus. This section of the history of economic doctrine remains to be written. Meanwhile, let Molina, Lessius and Lugo suffice as representative samples.

---

[1]Natural reason and natural law in the Scholastic sense, not to be confused with any chimerical "law" in a supposititious "state of nature."

[2]Lugo, 26:72. The treatises *On Right and Justice* are variously divided in the various authors. Molina has many disputations but none of great length; these are subdivided into numbered paragraphs. A reference to Molina will be cited as follows: 333:3, that is, disputation 333, paragraph 3. Lessius employs books, chapters, *dubitationes*, and numbered paragraphs. The books may be ignored since we shall be almost exclusively in the second book and will indicate when this is not the case. Each chapter has one set of paragraph numbers regardless of the intervening *dubitationes*. Thus a reference to Lessius will be given: 22:22, that is, chapter 22, paragraph 22 of book 2. Lugo employs very long disputations subdivided into sections. The sections, however, may be safely ignored for there is one sequence of paragraph numbers for each disputation regardless of the intervening sections. Thus the reference above means disputation 26, paragraph 72.

[3]Lessius, 25:23.

[4]Molina, 308:10; Lessius, 20:119 *et seq.*

[5]*Varones Ilustres*, Alonso de Andrades, Madrid, 1666, *Vida del muy religioso y sabio Doctor el Padre Luis de Molina*, pp. 784 *et seq.*

[6]*The Enciclopedia Universal Ilustrada Europeo-Americana* (Barcelona Hijos de J. Espasa, no date) states that Molina also studied civil law after his college work. (Tom. XXXV, pp. 1464-1465.)

[7]Andrades, *op. cit.*, p. 789.

[8]E. Vansteenberge (University of Strasbourg), in *Dictionnaire de Théologie Catholique*, Paris, 1926, Vol. 10, Part 2, Col. 2091, *s. v.* "Molina."

[9]Andrades, *op. cit.*, p. 796.

[10]Andrades, *op. cit.*, p. 808.

[11]*De Justitia et Jure,* R. P. Ludovici Molina, *Coloniae Allobrogum,* 1759. The conventional title of these treatises, *De Jure et Justitia,* is literally, *On Right and Justice,* or equally well, *On Law and Justice.* The authors themselves are not consistent in the order of words, putting either noun first. We will hereafter drop the preposition.

[12]August M. Knoll. *Der Zins in der Scholastik,* Vienna, 1933, p. 71.

[13]Henry Berindoague, *Le Mercantilisme en Espagne,* Paris, 1929, pp. 57-59.

[14]Frederico Rahola, *Economistas Espanoles de los Siglos XVI y XVII,* Barcelona, 1885, p. 44.

[15]E. J. Hamilton, *American Treasure and the Price Revolution in Spain,* Cambridge, 1934, p. 295, note.

[16]Vansteenberge, *loc. cit.*

[17]W. Endemann, *Studien in der Romanisch-Kanonistischen Wirtschafts—und Rechtslehre,* Berlin, 1874, p. 50.

[18]Molina, 360:7.

[19]Molina, 407:7.

[20]Sommervogel-De Backer, *Bibliotheque des Ecrivains,* Liege, 1872, Cols. 1331-1332.

[21]J. E. Nieremberg, *Vidas Exemplares,* Madrid, 1647, p. 452.

[22]P. Bernard in *Dictionnaire de Théologie Catholique,* Paris, 1926, Vol. IX, Part 2, Cols. 453-454; *s.v.* "Lessius."

[23]J. de Ghellinck, *Catholic Encyclopaedia,* New York, 1926, Vol. IX, p. 193; *s.v.* "Lessius."

[24](Leonard Schoofs) *De vita et moribus R. P. Leonardi Lessii,* Paris, 1644, pp. 38-39, No. 23.

[25]Andrades, *op. cit.,* p. 663.

[26]De Ghellinck, *loc. cit.,* Vol. IX, p. 418, *s.v.* "Lugo."

[27]Bernard, *loc. cit., Cols.* 1071-1072.

[28]*Theologiae Moralis Sancti Alphonsi Mariae de Ligorio,* Editio Nova (Gaudé), Rome, 1907. Tomus 2us, Bk. III, Treatise V, Ch. II, Dubitatio I, Par. 522, p. 56.

[29]Lugo, 31.

[30]J. B. Ferreres, *Compendium Theologiae Moralis,* fifteenth edition, Barcelona, 1932, Vol. I, pp. xxviii, xxix.

[31]B. H. Merkelback, *Summa Theologiae Moralis,* Paris, 1935, Vol. I, Introduction.

[32]Aertnys-Damen, *Theologiae Moralis,* Turin, 1932, Introduction.

[33]M. Grabmann, *Die Geschichte der Katholischen Theologie seit dem Ausgang der Vaterzeit,* Freiburg, 1933, pp. 170, 180.

[34]Oswald von Nell-Breuning, "Fortschritte in der Lehre von der Preisgerechtigkeit," in *Miscellanea Vermeersch,* Vol. I, p. 95.

[35]J. Ubagh, *Theologia Moralis,* Sarmiento, 1935, p. 3.

[36]Oswald von Nell-Breuning, *Börsenmoral,* Freiburg, 1928, p. 55.

CHAPTER VII

EQUIVALENCE AND THE CONTRACTS

A later chapter will attempt a systematic exposition of the late medieval moralist's concept of usury. That concept was not an isolated one, not something known necessarily and instinctively from proximate data, but an integral part of a well-developed body of thought. Accordingly, certain leading principles of the Schoolmen's social doctrine need to be summarized in their bearing on the question of usury. The subjects treated in the present chapter have this in common—that they are necessary preliminaries to the understanding of usury analysis, or that they at least shed useful light on the scope, methods, or fundamental principles of that analysis.

The nucleus of the economic study of the medieval moralist was the contract of exchange. Exchange was taken in a somewhat wider sense than good usage would approve today. "By the word, exchange, is signified in general any burdensome contract, for in all of these there is a certain exchange, as is clear in the contracts of purchase, loan, hire, and the like."[1]

However great or penetrating the insight into economic processes, this remained but a by-product of the moralist's primary concern—namely, to determine, under a given set of conditions, which exchanges were equitable and therefore permissible and which were not. The basic procedure involved not only a theory of law, of equity and of justice, but also a theory of economic value. Moreover, there was presupposed a theory of just and equitable ownership. The Schoolmen's task was to explore those qualities of things justly owned which determine their value in exchange.

Since contracts of exchange are not conceived as taking place in a vacuum but in a market, community, or province—each with its realistic adjuncts of custom, tacit understanding, and, most of all, with accepted ideas on ownership, fair trading, and the place of trade in a philosophy of life—we cannot dispense with some prefatory remarks on these matters.

The institution of private property was regarded by every scholastic moralist as incontestably of natural right. True ownership and the right of disposal over both movable and immovable goods were within the moral capacity of every man by the fact of his status as a human person. That the earth and its productive capacities are for man's use needed no proof.

"Men are the masters by natural right at least of all things under the heavens and of the light and the forces of the heavens; for by the very fact that the author of creation in the first constitution of things set up all things under the heavens for man's sake, for his sustenance and use and other service (as the nature itself and order of these things clearly shows), by that very fact, I say, he constituted man the master of them all. The very nature and order of things and the natural light of reason witness that it is of natural right for man to be master of all those things we mention."[2]

A passage such as this establishes the first and rather broad conclusion that the earth and its capacities are for men in general. Though the final conclusion of the argument will leave a well-defined right of private property for the individual, that right will never be wholly independent of this elementary consideration that the whole earth is for all men. The Schoolmen saw no contradiction between a strict right of ownership and the accepted axiom that "in the beginning all things were common." Quite the contrary, it was because things were for all men that private property was introduced.

"In what sense is it true, as it is common custom to say, that by natural law all things were common goods and that it is by the law of nations (*jus gentium*) that the division of goods was made? The sense is this: Regarding the first constitution of things when God founded and gave things to human kind in common with nothing to be appropriated by anyone, and regarding further the law as it then was before anything whatever was introduced by the positive law of nations, all things were then common in the sense that it would have been against the natural law to keep anyone from the use of anything whatsoever. This would have been an injustice to such a one for all things would have been common to him and to all other men. God gave things to human kind in such a way that He neither bade them to hold those goods in common nor forbade the division of them among men. Especially, if the passage of time and the condition of mankind demand it; then surely, when after the fall into sin when right reason demanded it, men had the power to make a division and actually did make one. This division of goods made for the better administration of goods and also for the maintenance of peace, for if all things were universally common, the peace could by no means have been maintained."[3]

This insistence upon the communal quality of property may seem to involve a difficulty, since modern Scholastic writers commonly state simply that the right of private property is a natural right, that the division of fundamentally common goods took place by natural law. Molina reviews

the difficulty at some length, citing all the ancient philosophers, the Scripture, the Fathers, the Roman Law. The apparent difficulty is but one of the points of departure. Absolutely speaking, and regarding a world in which life might or might not have been raised to a supernatural level, and in which there might or might not have been a subsequent descent from that level, all things in the beginning would be common. Narrowing the field to the kind of world we live in, though the basic thought of the primary destination of all things for the human community remains the radical one and an active condition permeating the whole doctrine of private property, yet, given the world we have, private property is of natural law. This is not to be taken in a positive and preceptive sense that there *must* be private property, for some exceptional communities witness the contrary; it is to be taken in the permissive sense that there *may* be private property, that it is in itself perfectly just and lawful and for the most part an imperative practical necessity. Lessius disposes of the difficulty succinctly. To the proposition that private property is of natural law, he replies as follows:

"Thirdly, it may be objected: [The division of goods founded in common] is of natural law, for right reason dictates whatever is absolutely necessary for the peace of humankind. Therefore it is of natural law. *Response:* In this sense, it can be granted that it is of natural law even though in the other sense, it be denied. For natural reason does not dictate the absolute necessity of it. In a single community, a policy can be instituted in which practically everything remains common, as among the Anabaptists in Moravia."[4]

These passages put a critical emphasis upon the nature of the institution of private property as a means of achieving the obvious first purpose of the productive capacities of the earth—to wit, the sustenance of all members of the human family. This universal quality of goods owned must be kept in mind when we approach the subject of just price of particular goods based on common evaluation. The two-fold disposition of the basic economic factors, men and goods, in the division of labor and the division of property are both social phenomena, each arising from the interdependence of men and each promoting that interdependence. From these passages, too, emerges the sense of a famous article of Thomas Aquinas (2a 2ae Q. 66, art. 7) quoted and commented upon by all three of our authors and strikingly emphasizing the social bearings of private ownership.

"*Whether one in extreme, or even in serious, need may lawfully take the goods of another surreptitiously.* It must be noted: He who is involved in this necessity may not make use of another's property before he has asked for help and explained his

distress, and is quite convinced that he will get nothing. If there is a probable hope that by a request in a becoming way the article will become yours, then you do not seem to be reduced to such need that you are forced to take another's goods surreptitiously. But a man of reputable position is not bound to beg from door to door. This is allowed by the law of nations (*ius gentium*) when no other way of meeting the need offers itself. . . . I say then, in the first place, anyone placed in utmost need may take the goods of another for which he has the utmost need for the preservation of his own life. This is the common opinion of the doctors.

"*Proof:* In the utmost need, 'all things are common,' as the accepted axiom has it. Not that ownership is immediately transferred thereby (as Navarrus rightly proves), but they are common as far as the right of use is concerned; so that anyone under the stress of such straits may take and appropriate anything whatsoever which is necessary to him in that degree and aid himself and those close to him by its use. The reason for this is that the purpose of inferior things is to be of service to man in his necessities, that through them man can preserve and safeguard his life. Therefore, this right belongs to all men by nature. Nor can the division of goods, introduced by the law of nations, take away that right. For the law of nations does not overturn the law of nature but presupposes it, especially in what is so very necessary for the maintenance of life. That division must be regarded as having been made in such a way as to reserve to each one the natural right to whatever is necessary to safeguard life. Otherwise the division would not have been made in a rational manner. . . . Such taking is not theft or robbery, since the owner is not rightly unwilling that it be taken; he is bound to assent since you are making use of your right. . . . Thus in the division and assignment of things by which it was brought about that no one has a right against the things of another, this tacit condition must always be understood, 'unless extreme or certainly very great necessity makes demands.' Otherwise, the division would have been made contrary to reason and equity. The case is different with common necessities, not very grave, which are very frequent, and thus do not compel that the division and assignment made by the law of nations must be violated. Otherwise, everything would be full of thieving, and peace among men could not be maintained."[5]

When goods are exchanged, the value which they have in exchange is, like the right of property, private and personal, but not only or exclusively private and personal. Justice and equity, virtues of social human persons, rule the acquisition and possession of goods and any subsequent trading of goods so acquired and possessed. This must always be borne in mind if we are to grasp exchange as the Scholastics saw it, with any genuine insight into their meaning. "Desbuquois is certainly right when he sees in the common valuation an illustration of the general medieval principle (already set forth in the discussion on property) that goods have imposed on them a social condition and no free and unrestrained right of disposition over them exists."[6]

As for the forms of justice, the second of the pillars in the structure of scholastic social thought, justice is essentially social, being always *ad*

alterum, involving someone else. Three capital forms are considered; these are *commutative justice*, governing the relation of man to man, *distributive justice*, governing the relation of the community to the individual person, and legal or *general justice*, governing the relation of the individual person to the community. This last form has in the past thirty years been rehabilitated under the name of social justice. We do not attempt here to elaborate the obligations of general justice. After a few examples distinguishing distributive from commutative justice, we will consider the latter, which is justice in the strict and formal meaning of the word and which is the form of justice having competent jurisdiction over the field of exchange and thus over questions of usury.

Distributive justice is of wide economic application, and may not be lost sight of in regulation of the public economy. The example of a forced loan is used by all three of our authors to exemplify a critical point on the meaning of cessant gain,[7] a term of which we will make much use; and the case exemplifies also the domain of distributive justice, and the way in which the commonwealth may be bound in justice in its dealings with the member persons. A sovereign may lay a forced loan on the merchants of the community in a time of public emergency; but the whole burden may not remain on the merchants simply because they could be reached more easily than the other groups within the community.

"The merchants could contract with the king about the emergent loss and the cessant gain, and the king himself, though no contract intervened, would be bound to restore it to them over and above their money. And if the king could not pay, he would be bound to force all the other elements of the commonwealth to contribute to payments, for all parts of the commonwealth are equally bound according to some proportion to contribute to the good of the commonwealth. That money was taken from the merchants because the compelling necessity of the state gave no opportunity that it be demanded and collected from all elements of the community. Though necessity may occasion this, surely it would be an injustice to burden some elements in the commonwealth more than others by taking all the money from them despite the fact that it was taken with the intention of restoring."[8]

The wisdom and utility as well as the justice of fixing the price of grain was a practical and urgent problem in Spain around the year 1600. Here it serves to furnish us with another example of distributive justice. The poor indeed are to be cared for in time of shortage, but by the commonwealth as a whole and not exclusively at the expense of the owners of grain. Distributive justice does not allow the burden to fall unevenly.

"Equity does not allow, for the relief of some members of the commonwealth for the common good, that some be burdened more than others but all should contribute,

burdening each in a certain proportion according to their wealth and position. Therefore, it is wrong to burden only the owners of the grain, forcing them to sell their grain below the lowest just price which in the very nature of the case equity demands."[9]

"To serve the common good, it is not equitable that one element of the commonwealth be burdened more than others which can in their own degree and proportion contribute."[10]

Thus distributive justice must be a primary consideration in determining economic policy insofar as that falls to public authority in the promotion of the common good. Violations of it may involve the public official in grave sin, and the studious pursuit of it will be no small aid in furthering the common prosperity.

But the contracts of exchange, those of our present study, are not the sphere of distributive justice. The attainment of equality in exchange is the work of commutative justice (*commutare*—to exchange). Commutative justice rules over the relation of man to man, one individual to another, and is justice *par excellence;* it requires perfect equality between the things exchanged and is relentless, moreover, in its demand; for a violation of commutative justice forever binds till restitution has been made to repair the inequality. Commutative justice is, of course, a virtue, an abiding attitude prompting acts by which one seeks always to yield to another his due; it is the quality of a person, and only in a secondary sense is it applied to a price, a rate, a wage, or contract.

"To establish due proportion and equality through those actions by which men communicate among themselves is *per se* honest and in accord with right reason and therefore a virtue. . . . This virtue rightly disposes man to man in their mutual functions and exchanges, for it prompts one to will and to do what one owes to another."[11]

This virtue is classically defined as the constant and abiding will to render to each that which is his, according to an equality. Much of the treatises on justice and right is concerned with determining what things are equal, and this obviously involves a theory of value, price, and money. Molina once summarily states in passing, "Commutative justice consists in equality as to value between price and object."[12]

The scroll on the title page and on the first page of volume two, the volume which is devoted to the contracts of exchange, bears the maxim *Quod tibi fieri non vis, alteri non feceris,* which means "Do not do to another what you do not want done to you."[13] This negative form of the golden rule is the essence of commutative justice. Loans and exchanges arise from that necessity which human nature imposes of living in community. The obvious advantages of division of labor, as well as division

of property, prompt specialization; and with it arises not merely the casual exchange of occasional surpluses but the permanent mutual dependence which is at once the cause and the effect of man's social-economic life.

"Purchase and sale were not used of old, but direct exchange. Those who needed grain gave wine for it or oil, of which they had plenty, and so of other things. But since that was troublesome and difficult, money was brought into use that it might be the common payment in contracts and other things began to be sold by means of money."[14]

"We read that in the beginning there existed among men only the usage of exchange by which they traded for grain, oil for honey, a cow for a horse, shoes for a house and so of other things, each one exchanging something which he did not need so much for something which he did need. In such an exchange, one article was not more of the nature of money nor more of the nature of goods than the other and the parties to the contract were not specified by different names. Later, however, because of the inequality of things, as shoes and houses, or a cow and a horse, etc., and because often many did not need the things of which others had plenty, money was invented and introduced to make easier the exchange necessary for the maintenance of life and human society, inasmuch as no one is sufficient unto himself but needs the things and work of others."[15]

Exchange in this view is not merely a convenience nor a happy evolution from a lower state to a more efficient mode of life allowing of increased production. Exchange is fundamental to human society; it is natural in the sense that it so obviously meets human needs that intelligence will seek it out and use it. Exchange is a natural necessity to human nature in order that society move on that level which is consonant with man's obvious aptitude and exigency. As man freely but inevitably builds a society around him ("inasmuch as no man is sufficient unto himself") so within that society man will inevitably exchange, not from any internal or external compulsion but from a direct rational grasp of his own human nature in relation to a concrete practical situation. In such transactions in which men communicate in social life, it is "in accord with right reason," and therefore "natural" and "just," that the exchange be at an equality. Both parties need the social framework within which they operate. Each needs the goods of the other. Each wishes and intends to get the full value of what goods he has to offer. Neither has the right to subordinate the other to his purposes. Commutative justice will see that this full value is received, all of it, but not more.

Exchange thus arises from man's personal needs, but a personal need that is not distinct from his need for society. The principle of Thomas Aquinas is accepted by all.

"Purchase and sale are seen to have been introduced for the common utility of both parties, since one needs the goods of the other. . . . But what was introduced for the common good ought not to be more of a burden on the one than on the other; and so the contract between them ought to be established according to an equality."[16]

The completeness of the agreement on basic approach is well demonstrated in the following passage from Molina, against Durandus and, what is a little surprising, against St. Antoninus of Florence, on the question of how great a departure from the just price had to be before it became a sinful matter:

"The common opinion of theologians and jurists . . . rightly states the contrary, namely, that anyone who goes outside the limits of the just price or the value of an article, in buying, selling, hiring, or in making any other contract whatsoever, sins, and is bound to restore up to the limit of the just price or the value of the article, even though the departure was not above or below one half of the just price. . . . Thus St. Thomas, 2a 2ae Q. 77, art. 1, Cajetan, Conrad, John Medina, Navarrus, Covarrubias, and very many others whom Covarrubias and Navarrus cite. This can be proven first of all by the reason of St. Thomas. Purchase and sale and other like contracts, as Aristotle writes in the first book of the Politics, were introduced for the common utility inasmuch as each has need of the goods of the other and vice versa. But what was introduced for the common utility ought not to be a burden to one rather than the other, for the natural law demands what it prescribes—that you do not do to another that which you rationally do not want done to you. But it would be a burden on one rather than on the other if equality were not maintained between the article and the price or between whatever things are exchanged, and it would be against commutative justice, the function of which it is to set up equality in exchange."[17]

This is not a paradox—that an institution which serves my private individual advantage should have been introduced for the common good. The double aspect of exchange is the inevitable sequel of the double aspect of the division of goods and the division of labor. Much is made of economic interdependence, which is the expression in one sphere of the natural exigency of human personality for society.

"No province has plenty of everything; but from one province many things must be transported to another; and indeed it is often necessary to carry many things from one part to another of the same province. The individual is unable to do this because of poverty, because not all are capable of it, and finally because if everyone transported necessities for himself alone far greater expense would be incurred to obtain them than is incurred when necessities are brought by various persons."[18]

The need of social exchange is as great for one party as for the other; therefore if the purpose of this institution is to be achieved, one party is not to be burdened more than the other. Justice in exchange is preserved when each party receives as much as he gives and gives as much as he

receives, *i.e.*, the exchange must be according to an equality, and an equality not of weight and number but of value.

"Justice is not served if each workman in exchange for another's product, which he needs, yields the product of his own trade which someone else likewise needs, as if a builder of houses might yield the shoemaker a house for a shoe. But rather in each single thing it is the value which is to be considered, of which (as Aristotle says in the place cited) money has been constituted the measure and guarantor. As long as this value is rendered to an equality, other workmen in turn will render their own products to those who need them. The exchanges must be made to an equality in order that they be just. If one unit of one good is exchanged directly for one unit of another, and one good exceeds the other in value, the difference is made up in money. Likewise if several units of one good are given for a single unit of another, the difference is made up in money. And when goods are exchanged for money, as happens in the contract of purchase and sale, the values must be equated. . . . If these reciprocal values are equated . . . then commutative justice is the same thing as reciprocity."[19]

An apparently serious difficulty would seem to stand in the way of any practical usefulness of this principle of equivalence in exchange. Admittedly no one comes to market for the purpose of giving away his goods. He seeks to obtain something which is more useful to him than what he has, in other words, something which possesses greater value for him. Yet this apparently is precisely what the principle of equivalence in commutative justice would forbid. Though the marginal principle was not perceived, of course, the simple but important truth was grasped, that the producer of a single commodity values his large stock of shoes, or wine, or oil less than the things he needs for himself or family; "things are valued with reference to their various uses" and "abundance makes the value decline."[20] Two important ideas emerge from this. Whatever may be the value of a commodity to an individual for his personal use, the values which are to be equated in exchange are those set up by common evaluation. This, and not the special valuation of the individual, is the ruling one in exchange. Accordingly, the dictum that "exchange was introduced for the common good" may be seen in its two-fold meaning: (1) for the mutual and reciprocal advantage of both parties (preserved by maintaining equality of values in the exchange); (2) for the advantage of the whole community (if goods of various useful values are exchanged in the community until their use values and exchange values balance all around, the fullest advantage has been obtained from the division of property and the division of labor, both of which had the purpose of reducing the face of the earth to man's greater service).

One corollary of the doctrine of exchange justice which is invariably

insisted upon must be noted here. In any contract of exchange, the thing for which a consideration is given must, without exception, be the property or quality of the seller. The title by which one receives a price for something from another must be resident in the seller; the necessity of the buyer confers no title on the seller to receive more than the common price. This is of the utmost importance in the matter of usury, but it applies as well to all contracts of exchange. The buyer's need does not confer a title on the seller; neither does the buyer's ability to use the thing bought. Any special advantage of the buyer does not of itself and in the first instance affect the common price of the good or service in question; and therefore it confers no right on the seller to hold up the buyer for a higher price. If the advantage be not special but general, then of course it would affect the common price, and the higher valuation would be legitimate.

Quite logically, however, this rule does not work the other way. If I have something which I prize above its exchange value, and which someone wishes to buy (Lugo gives the example of an ancestral home of great sentimental value), that fact is a quality of me, the seller, and if someone wishes to buy the thing, I may charge for the greater deprivation to me. All three authors state this principle.

"That one may not accept a higher price by reason of the advantage or gain of the buyer is proved from the fact that the advantage is not something of the seller's but the buyer's; therefore the seller may not accept payment of it; otherwise he would sell what is not his. Thus St. Thomas and with him the doctors commonly."[21] "Notice however that one may not sell a thing for more because of some special utility or necessity of the buyer (as many conscienceless people do). Thus St. Thomas in this article and the doctors commonly. The reason is that no one can sell that which belongs to another to that other. But that utility is the buyer's, not the seller's, and arises from a circumstance of which the seller is not the cause."[22]

"The regard of the buyer for the object or his special need cannot be sold. . . . The reason is that all these things belong to the buyer, not to the seller, and he cannot sell what is not his."[23]

Having set forth the general background of social economics with which the moralists approached their problem, it remains to describe the contracts which were their more direct concern. Much that these writers regarded as of critical significance we pass over entirely—such matters as the kinds of persons legally able to enter a contract; the formalities necessary for a valid contract; the point at which a contract is completed and terminated; the conditions under which a contract may be rescinded; the legal status of various contracts in the countries in which each writer is interested; the status of minors, wards, incompetents, the communal prop-

erty of husband and wife, etc.; the competent authority to interpret and enforce a contract, or to specify a generic one. Data for all these are drawn from reason, Roman law, the current civil and canon law, Scripture, and ecclesiastical and general history.

A contract is defined by Lessius as: "*A practical, external manifestation of one to another generating an obligation from the consent of the parties agreeing.*" A broader definition, useful in some contexts, reads: "*A contract is a mutual agreement generating an obligation in at least one of those agreeing.*" The principal division of contracts is into "named" and "unnamed" contracts.

"A named contract is one which has a special and proper name by which it is distinguished from others, as purchase, sale, loan (*mutuum*), hire, association (partnership), loan of accommodation (*commodatum*), pledge or mortgage, deposit, and the like. An unnamed contract has no special name but only the generic one. There are four kinds of such contracts: 'I give that you may give'; 'I give that you may do'; 'I do that you may give'; 'I do that you may do.' If you give Peter bread for wine it will be an unnamed contract, 'I give that you may give.' It is not purchase or sale because there is not given a price for the goods; nor is it a *mutuum*, because an article of the same kind is not received after a certain time; nor is it a contract of rent or hire, because a price is not given for use or labor. But one thing is given for another, neither of which is the price of the other. If one should say 'it is an exchange,' I reply that this is true; but exchange is a generic name, not a specific one; it fits both purchase and loan and thus does not constitute a contract as a named contract.

"Contracts are also divided into lucrative and onerous or burdensome. A lucrative contract is one in which nothing is to be paid in return, as a promise, gift, loan of accommodation (*commodatum*), etc. . . . Will and legacy which will someday be a sort of gift may be included in this. . . . An onerous contract is one in which something must be returned or performed in place of the thing given. Such a contract may transfer the complete ownership as in the case of a loan (*mutuum*), purchase, etc.; or the ownership as to use only, as in the case of a fief or emphyteusis; or the usufruct or use, as in the case of rent and hire; or it may bestow security, as in a pawn, mortgage, or surety-bond. The rest of the contracts may be reduced to these as a contract of *census* to a purchase, a deposit to one of hire, etc."[24]

The definitions of the commonest named contracts are here set forth for the sake of reference and in order to avoid numerous footnotes later on. One special relationship determining the precise difference between two common contracts needs to be made clear. The definitions are all from Lessius in the chapters bearing the name of the contract, but were compared in each case with the other two authors. Since all three writers base their definitions on the Roman law, differences between them are verbal. The formal designation of a contract may, it should be noted, be applied

loosely but not incorrectly to (1) the thing which is the material object of the contract, (2) the contract itself, and (3) the obligation arising from the contract. But when the term is used with scientific accuracy it applies strictly to the contract itself.

The contracts by which ownership is transferred may be listed as follows:

Promise (*promissio*)—a deliberate and spontaneous obligation of fidelity made to another concerning some good object within the bounds of possibility.

Gift (*donatio*)—the act of a donor which is in itself sufficient to transfer ownership.

Exchange (*permutatio*)—any onerous contract.

Loan (*mutuum*)—the delivery of an article (the qualities of which are fixed in number, weight, or measure) with the intent that it immediately become the property of the one receiving it with the obligation to restore an article of like kind and quality.

Purchase (*emptio*)—an agreement concerning price in return for merchandise.

Sale (*venditio*)—an agreement concerning merchandise in return for price.

Annuity rent (*census*)—the right to receive an annual payment from some property or person.

Monetary exchange (*cambium*)—the exchange of money for money. (*Cambium* is verbally the same as *permutatio* but is limited by usage to monetary exchange.)

Hire or rent (*locatio*)—a contract by which a person or object is granted at a price for its use or product; (*conductio*)—contract by which a person or thing is obtained for its use or product at a price. Just as one and the same contract is called on the one side purchase and, on the other, sale, so one and the same contract, on the one hand, is *locatio*, which is similar to sale and, on the other, *conductio*, which is similar to purchase, for one buys the work or product of the thing or person.

Emphyteusis—the granting of the ownership of an immovable thing regarding its use only, while the direct ownership is retained, under the obligation of some payment to the direct proprietor, either perpetually or during the lifetime of one or more persons, or for a specified time, which may not be less than ten years.

Fief—differs from *emphyteusis* only in that there is no payment but the obligation of manifesting loyalty and personal service.

Association (*societas*, roughly, partnership)—an agreement of two or more entered into for the purpose of contributing something for the common use or profit.

The contracts thus far enumerated transfer the ownership of the object of the contract, at least the ownership as to use (*dominium utile*). The following contracts do not transfer ownership:

Deposit (*depositum*)—a contract by which something is handed over for safekeeping.

Loan of accommodation (*commodatum*)—the free grant of something regarding its use alone for a definite time. It differs from *mutuum* in that ownership is not transferred, that the identical article is to be returned, that it may apply to immovable as well as movable goods, for one can loan his house on a loan of accommodation.

Praecarium is a loan of accommodation for an indefinite time, that is, at the will of the lender.

Surety (*fidejussio*)—the assumption of another's obligation by which one obliges one's self to fulfill that obligation if the principal debtor does not do so.

Insurance (*assecuratio*)—a contract by which one takes upon himself the risk of some one else's property, binding himself, either gratis or for a definite payment, to compensate for the property if it be lost.

Pledge or pawn (*pignus*)—something granted to a creditor as surety.

Hypotheca—a pledge to a creditor, not by actual delivery but by an agreement concerning it.

While these categories are in themselves rigid, even a slight variation of the conditions may cause a transaction involving the same material object to pass readily from one classification to another. For example, the contract of deposit by which one undertakes the safekeeping of another's property may easily become a loan of accommodation if the depositor grants the use of it to the one in whose safekeeping it is. A contract of a loan of accommodation—for example, of a horse or a house—may readily become a contract of hire or rent if, instead of being freely granted, a consideration is demanded. Similar changes may easily be devised.

In the case of *mutuum*, this question of classification and accurate definition is a cardinal one. Understanding of the Schoolmen's analysis of usury largely depends upon an understanding and an easy, ready application of the distinction between a loan of *mutuum* and a loan of accommodation. Upon this distinction depends the question of ownership at a stated moment of the good being loaned, and upon the ownership depends the right to the product of that good. Thus, granting that one may not accept anything for a loan of *mutuum*, it may be argued that the acceptance of a compensation merely changes the type of contract. What would have been a *mutuum* has now become a contract of hire and the question of usury has been sidestepped; for, as we shall see, usury, by common acceptance, is nothing more nor less than "gain from a loan of *mutuum*." Navarrus apparently sought to avoid the difficulty by introducing into his definition the words *usu consumptibilis*.

"I do not say *usu consumptibilis* (*i.e.*, a thing which is consumed by use) for if I lend you a pound of brass or silver, it is a true *mutuum;* yet the use of such a thing is not consumption or alienation. . . . Thus what Navarrus says, Ch. 17, No. 206, is not true, namely that a *mutuum* is found only in those things which are consumed by use; although it is true that for the most part it is found in these. Those things are said to be consumed by use, when the use of them is consumption (as oil or wine) or alienation (as money). These things are said by jurists 'to take on the function' (*accipere functionem*) because one can fill the place of another (*fungi vice alterius*) as grain for grain, or money for money."[25]

Certain writers have said, in attempted extenuation of usury theorists, that the Schoolmen sought to prohibit interest on consumption loans. But Molina, Lessius, and Lugo are far from willing to make that a central factor. The important characteristics of a *mutuum* are two: (1) that the ownership of the thing loaned passes with the loan, and (2) that payment is to be made not by returning the identical article but one of the same kind. When the important qualities of things are "fixed in number, weight, or measure," there is no purpose in insisting upon the identical object loaned being returned, since such standardized objects readily work, one in place of another. This is obviously true of consumption goods but not exclusively. Two schools, for example, might supplement each other's supply of folding chairs by making gratuitous loans as occasional need for each arose. If the folding chairs in both schools were of the same standard model, there would be no purpose in exercising care to return the same chairs. The loan would be of a standard fungible good but not of a consumption good, and the loan would be a *mutuum*. And, during the loan, the lending school would own no chairs but would have claim on the borrowing school for the number of chairs of the same condition as were borrowed. Our authors also use the example of a goldsmith or silversmith who needs a certain amount of metal to finish a particular piece on which he is working. A neighboring workman with a little excess supply might let him take a few ounces for a few days at no charge, provided the same weight and fineness were returned. The loan would unquestionably be a loan of *mutuum*, though the object of the loan could not be called a consumption good.

Molina does not include the notion of consumption good in his definition of *mutuum*, in which the crucial point is the transfer of ownership, which is practicable because we are dealing with a fungible good. He stresses the note that in a *mutuum* the element of time is essential; otherwise a simple exchange would result. In the discussion he adds:

> (The Roman law) wishes the matter of a *mutuum* to be things the qualities of which are fixed by weight, number, or measure, and which are used up in consumption, as are money, grain, wine, oils, and other things of the sort. The word *consumption* includes also the use of a thing by alienation; for which reason, when something is paid for with it, or it is exchanged for something else, or given away, or lent, it is said, with reference to the one giving it, to be consumed, inasmuch as by such use the ownership of it passes to another. Notice here in passing that in a loan of money the value which it has as money is the thing principally taken account of; surely the same kind, or quality, or goodness is to be regarded as returned if money of the same value is repaid, though it be not of the same material."[26]

It would seem that though Molina, with the Roman law, regarded a *mutuum* as practically concerned with consumption goods, nevertheless this is not the point which is, in principle, determining. The critical factor is the transfer of ownership, which is bound up with the fungibility. This should be clear from the following:

"Let me warn, first of all, that if one argues as follows that usury is by nature unlawful, the reasoning is inadequate proof. 'To receive something beyond one's capital is against the principle of a loan (*mutuum*). Therefore, usury is unlawful.' It is inadequate because, while it is contrary to a loan of *commodatum* to receive something for the use of the thing loaned, yet it does not follow that it is always illicit to receive something for the use of an article. It merely follows that the principle of a loan of *commodatum* has been destroyed and, so long as what is received is a moderate price, the contract becomes a just contract of hire. . . . And so (it is argued) to receive something beyond the capital destroys the principle of a loan of *mutuum*. The reason [for this inadequacy] is that a *mutuum* is based upon this point, that something is given for use which immediately becomes the property of the one receiving it, who later restores merely in kind or quality. The fact that it may be agreed that something further be paid does not destroy that other fact in which the nature of a *mutuum* consists."[27]

Lugo notices the observations of both writers and raises difficulties about defining what qualities can be said to be fixed in number, weight, and measure. Ultimately he dismisses the matter apparently as not being worth investigating and returns to the fundamental position that it is the transfer of ownership which is decisive. But surely the examples which he gives, that sometimes even building materials might be sufficiently constant in form to become the object of a *mutuum*, amply indicate that, in his opinion, the norm of "consumption goods" does not go to the heart of the matter, which for him rests entirely in the transfer of ownership.

The Schoolmen were under the same necessity as any other group of economic analysts of laying down some sort of condition for the scope of the economic conduct of the subjects whose actions they were discussing. In order to make conclusions on price and exchange contracts significant and valid, the non-economic must be ruled out; there must be no question of a gift in the matter of price; or, in other contracts, no question of indifference on one side as to whether there is actual equality or not, which might be the equivalent of making a gift. The condition which is laid down and which is constantly reiterated is that their economic subjects are "prudent." Molina repeatedly appeals to the actions of a "prudent merchant."[28]

Lessius speaks of the just price as "constituted by natural prudence" and, like Molina, assumes the conduct of prudent merchants. On one occasion Lugo uses the expression "economic prudence" in a context where it

can scarcely be limited to its ancient classical meaning of purely domestic administration. The case is one in which the superior knowledge that public officials may have is of economic value, the case of how they may use it and how they may not use it. Of one such case where the use of the knowledge is permissible he says, "it is an act of economic prudence which is ordained toward private advantage, and therefore it is no abuse that the act be directed to such advantage." Molina also uses the phrase "prudent economic reason."[29] The condition of prudent economic action is regarded as being constantly operative; a merchant is anxious to make the most profitable use of his resources that he lawfully can. Lugo assumes in his economic subjects "that virtual intention which a diligent business man seems to have, for if he were asked he would say that this is his mind and intention in every contract"—namely, "that general intention in such a business of gaining by every just title which he can."[30]

Prudence is a virtue of the intellect by which we know in any current business what is proper and what is not. Prudence demands such care and diligence as the condition of person and the importance of the business require; for it is the part of prudence to consider all the circumstances and all the things necessary to the intended end, and to apply them in a suitable manner, place, and time. All this concerns natural prudence (as opposed to supernatural) and depends upon the knowledge, from the light of natural reason, of practical principles. Natural economic prudence regards the administration of one's own goods and household. Prudence comprises in its scope foresight, reasoning power, willingness to learn, shrewdnes, circumspection, and caution.[31] These were the qualities of the late medieval or early modern economic man, or at least were those which the moralist presumed him to possess. Natural prudence is a practical virtue and a non-committal one, not involving too many philosophical presuppositions. It has its points as a substitute for that widely accepted bit of economic metaphysics of elusive content—economic "rationalism."

At the outset of this chapter, we said that the Schoolmen's economics always remained a by-product, however important, of his first concern, exchange justice. A joint product would perhaps be the better expression. They would have been little interested in economics that achieves autonomy at the expense of vitality; but they were willing to devote much thought and investigation to an economics that was practically co-extensive with the field of right and justice. If one sets out to discuss the whole range of human rights, including rights and duties within civil organization, there is little of economics that does not enter the problem somewhere. But their economics could never become a geometry exercise; it would always re-

main a series of case studies in which general, accepted convictions are applied to situations never far removed from particular markets. In this sense the Schoolmen were institutional economists. They applied their analysis to the accepted ways of doing things and scrutinized human exchange agreements in the light of their historical origin and their meaning and content for the men who used them. The problems they discussed in the second part of their treatises on *Right and Justice* largely reduce to questions of fair return and reasonable value in a set of concrete circumstances. To them there was no methodological dilemma between value and price on the one hand and group behavior on the other; these were things which in their view of justice were always associated.

The institutionalism of John R. Commons rather than that of Thorstein Veblen or Walton Hamilton approaches the Schoolmen's technique. Indeed, the question may be fairly asked whether Commons, if he had pursued further his historical investigations according to the principle of continuity, would not have found much that he was looking for in the period just preceding his starting point. Despite certain aberrations, the writings of John Locke, with whom Commons begins, contain a very high percentage of Scholastic commonplaces. The question may also fairly be asked whether much of what Commons found that was useful to his investigation was not Scholastic residue. The principle of continuity as Commons uses it is characteristic of the Schoolmen's method. Controversy may be sharp, as when Molina says that an exchange differential may arise in money even when there is no difference in "material, form, or the public seal impressed thereon, no matter what John Medina may say to the contrary."[32] Such differences, though numerous and acute, all took place within a common area which all admitted was solid ground. Almost every disputation—except those purely factual, historical, or descriptive—after retailing the opinions of opponents, will continue with the phrase "the contrary opinion, however, is common and correct." The Schoolmen were historians, traditionalists; past and present institutions were analyzed sympathetically, if critically. They did not make their subjects fit their presuppositions. The Roman law, Old Testament history, the pagan classics (especially the works of Aristotle and Cicero), the views of the Church Fathers, contemporary civil law—all were grist for the analytical mill. In such sources, they were convinced, there was some good, something to be learned.

Participation in an inherited fund of communal knowledge can scarcely be overstressed as a trait of Scholastic thought. The mice and horses and the slave-girl and rare book of Augustine's discussion of just price are quoted by everyone; the wine and oil and grain, the examples of *mutuum*

in the Roman codes, are used by every commentator. Joseph in Egypt is the stock example of the rights and wrongs of forward buying. Aristotle's enumeration of the advantages of money, Cicero's words on the meaning of natural law—all these have been worked together into a view of social exchange which is regarded as sound in principle and beyond controversy. With tools and materials derived from such varied sources, tested by many generations of scrutiny and debate, the Schoolmen derived their institutional economics of private property, common value, just price, obligation of contracts, commutative and distributive justice, monopoly, taxation, and usury.

---

[1]Lessius, 23: 1.

[2]Molina, 18: 8. See also Lessius, 4: 52, 53.

[3]Molina, Treatise I, Disputation 4: 8. Unless otherwise noted, all citations in Molina are from Treatise II.

[4]Lessius, 5: 10.

[5]Lessius, 12: 66-72. On this matter see the title in the bibliography under the name Clare Q. Riedl.

[6]J. B. Kraus, *Scholastik, Puritanismus und Kapitalismus,* Munich and Leipzig, 1930, pp. 55-56, quoting Abbe G. Desbuquois, *Semaine Social de France,* Paris, 1911, pp. 168 *et seq.*

[7]"Cessant (*obs., rare*), that ceases to act," *Oxford Dictionary.* To avoid cumbersome circumlocutions and to have a phrase symmetrical with the often-recurring "emergent loss," the use of the word "cessant" seems justified. Compare "incessant."

[8]Molina, 315: 4.

[9]Molina, 364: 3.

[10]Molina, 365: 9.

[11]Lessius, 1: 2.

[12]Molina, 365: 10.

[13]Cf. Gospel according to St. Matthew, Chapter 7, verse 12.

[14]Lugo, 26: 1.

[15]Molina, 336: 1. The Aristotelean echo in this and similar passages is strong and obvious.

[16]*Summa Theologica,* 2a 2ae Q. 77, Art. 1, Corpus.

[17]Molina, 350: 5.

[18]Molina, 339: 5.

[19]Molina, Treatise I, 13: 3.

[20]Molina, 347: 3; 348: 4.

[21]Molina, 348: 6.

[22]Lessius, 21: 31.

[23]Lugo, 26: 43.

[24]Lessius, 17: 1-4, 16 sq.

[25]Lessius, 20: 4. Brass and silver are mentioned in the Roman law as examples of things constant in weight and measure.

[26]Molina, 299: 3.

[27]Molina, 304: 3.

[28]For example, Molina, 315: 11, *et passim.*

[29]Lugo, 26: 144; Molina, 342: 11.

[30]Lugo, 25: 181. The same thought is in Lessius, 20: 103.

[31]Lessius, *De Prudentia, passim.* This brief treatise of eleven pages immediately precedes the treatise on justice in Lessius' volume.

[32]Molina, 398: 1; cf. also the refutation of Scotus' cost theory in the next section: also 325: 5, 350: 5.

CHAPTER VIII

VALUE AND USURY

The positive presentation of the Schoolmen's analysis of usury presents several tactical problems. The basic internal logic involved is very simple, but the mere statement of it reveals the difficulty of adequate exposition. Commutative justice requires that exchange be between equal things. In a loan of *mutuum*, in which ownership is transferred from the start, to return more than the principal, *in the absence of special circumstances and considering the bare essence of the transaction*, is to render the two terms unequal and the contract unjust. However, in real life, bare essences do not go about unadorned; they have important accidental habiliments and they have acquired important relations to other things. In the case of a *mutuum*, when the object of the loan is money, the foremost consideration is not of the object but of its value. A setting forth of usury analysis, therefore, must be preceded by some Scholastic ideas on value and price. This is contrary to the order in our authors, who discuss *mutuum* first and then purchase and sale. They did this for two reasons; first, because the most difficult points concerning contracts of exchange occur in the discussion of the *mutuum* and they could thus use for all later discussions the principles set down; and, secondly, because they could presume in their readers a fair knowledge of their theory of value and just price. For the same reason we must reverse the process and set forth first their doctrine on value, price, and money. We are aided in this by the fact that Thomas Aquinas, on whom all three have their eyes as they write, proceeded in this order, and also by the fact that the two problems are so intimately intertwined. Many, we might say most, cases which were condemned as unjust purchase and sale, or other exchange, were so condemned because of an implicit *mutuum*.

For the sake of clarity and the avoidance of misunderstanding, let us insist from the start that there is no question here of a preoccupation on the part of the Schoolmen with a rigid, objective, just price based on the

immutable essence of things. Though statements of this sort were common years ago, there was never any historical ground for them.[1] Happily, they are met more rarely today. Not only was this a view to which they conceded nothing—"The value of things is not considered as resident in their entity but in their utilities and advantages";[2] it was a view which they considered almost unheard-of. Conrad and John Medina found one, a certain Henry Oita, a Scholastic of microscopic influence, who taught it, or at least who implied in a case of sale with repurchase agreement that the price could in no way be altered because the nature and substance of the article were unchanged. "This singular opinion," says Lugo, "is deservedly rejected by everybody, because the value of things is not derived from their nature alone considered in itself but with reference to human uses; and this utility decreases when a buyer receives an article without full power to dispose of it as he wills."[3]

The basis of value is utility (*utilitas*) or convenience for human use (*commoditas in usus humanos*) and price is regarded as varying directly with value. This utility, as might be expected from the preceding chapter, is not at all the personal utility of a single buyer. The division of property and the division of labor still bear upon them the mark of their destination for the service of all.

"First of all, it must be observed, the just price of things is not judged from the nature of things in themselves with reference to their nobility and perfection, but inasmuch as they serve human use and are thereby valued by men and have their price in the commerce and exchange among men. Indeed, precisely for this were they granted to men by God and for these uses did men divide the ownership of them among themselves, when in the beginning all things were common."[4]

Value, in an exchange which in commutative justice must be at an equality, is the result of the valuation of the whole community. The phrase "according to the common valuation" (*secundum communem aestimationem*) is without doubt the most frequently occurring expression in the treatises; and this appraisal must be genuinely common, "for value, as we have said, rises and falls not with the valuation of this one or that one but with the common valuation."[5] Lugo frequently adds a word to this standard phrase speaking of the *communis aestimatio fori*, that is, the common valuation of the market, implying that fair price is only arrived at in open market. Once he expands the idea: "The just price must not be taken from a private valuation but from the common and popular valuation at which the article sells for so much in the common market when it is openly set forth for sale."[6] When a just price has been arrived at, the value of the goods will be the same as that "at which they would be valued at a public

valuation if they were openly displayed in the market place with the whole town coming together at the voice of the town crier."[7]

A common market is one from which monopoly is absent; from which is excluded, as we shall see, "every machination and effort of merchants by which they bring it about that they alone either have the sale of something or sell at a certain price," and in which price is based "on the common valuation, made in good faith, entered upon without conspiracy or trickery, in view of the supply or scarcity of goods, buyers, and sellers, and other circumstances."[8] A just price and one which arises when "monopoly has been excluded" are closely related ideas.[9]

The common evaluation of the market, merely because it does not depend upon the opinion of any single individual, does not by any means always work hardship on the buyer. In general, no one is forced to sell (apart from circumstances in public emergencies), so that in those cases in which the owner's valuation is above the common one there would be no sale. The case is quite different when the higher valuation is in favor of the buyer; the standard example of such a situation is the purchase of a horse, generally regarded as unmanageable but which I know how to handle. In this case, I can in justice buy for a small price a horse which to me may be very valuable. The common valuation is the correct one and I obtain the advantage of my special skill. The same principle applies in cases where the seller, because of accidental private information or some particular ability in judging the market, knows that the price will soon fall. He may sell at the present common price, provided he does not lie about the facts or in any other way directly deceive, and provided also that he does not have this knowledge *ex officio* so that, though actually private, it *ought* to be public. "The knowledge of some individuals does not do away with the common valuation."[10] "The private knowledge of the seller does not change the common opinion and valuation; it is sufficient for prudence that the valuation be based on circumstances commonly known."[11] Lugo, of course, accepts this position but is even more emphatic, insisting that, provided it has not been produced by falsehood or by silence on the part of those bound to speak, the common valuation yields a just price even though some could with reason call the valuation not only "imprudent" but "foolish."[12]

However useful such points may be in indicating the place of subjective factors in the Schoolmen's analysis, they are not the common determinants of value in the market. In other words, the subjective valuations are considered generally to be prudent and based on accurate knowledge.

[Lessius summarizes the factors affecting price as] "the circumstances with which the common evaluation of things rises and falls. Some concern the goods themselves as abundance, scarcity, or their necessity and utility; some concern the sellers, as their labor, expenses, risks, and losses in obtaining, assembling, and storing the goods, and also, the manner of selling, namely, whether they are willingly offered or sold on request; some concern the buyers, whether they be few or many, and whether there be an abundance or shortage of money."[13]

Molina adds other factors or puts the same ones from a different viewpoint:

"The transfer of goods from a place where the supply is greater to a place where there is a shortage is reason why the just price should rise. Likewise the improvement of an article whether by human industry, or by nature as when an animal in the hands of a seller, grows and comes to a right age makes the price of it increase. Likewise to sell something bit-by-bit and piece-meal in the way that those whom we call retailers are wont to sell makes its price go up. Things are as a rule sold cheaper than when they are sold piece-meal."[14]

The Schoolmen's view as to the real determinants of price is well illustrated by their reaction to the rule laid down by one of their foremost predecessors, the light of the Franciscan Order, John Duns Scotus (1265-1308), who had formulated a rather severe doctrine of costs ruling price. Molina continues in the passage cited above:

"From what has been said thus far, it is perfectly evident that that rule of Scotus is false, which Major followed.[15] They say that the above is not the just price of goods in the hands of a merchant. One must compute (they say) all the expenses which they incur in buying, transporting, or preserving such goods, and then the just compensation for the industry and labor expended and the risks to which they have exposed themselves, just as if having been hired for a wage, they served the commonwealth in this affair.[16] If the article is sold at the price corresponding to this, more or less, this will be the just price for all; and if it notably exceeds it, it will be unjust to the extent of the excess. From this they infer that if a merchant's boat is sunk by some accident or the goods are taken by thieves[17] or the building is burned in which the goods are stored, he may compensate himself by selling dearer in the commonwealth the rest of the goods. That this rule and its corollary is false is perfectly clear from what has been said thus far and thus it is commonly rejected by the doctors, among whom are Soto . . . John Medina . . . Covarrubias, and Conrad. The price of goods is not to be gauged by the gains of merchants or their losses but from the common appraisal of them in the place where they are sold, in view of all the current circumstances. And this is true whether through ill-luck or lack of skillful dealing they gain little or even suffer loss, or with good luck and energetic trading they make a great gain."[18]

It is beyond doubt that Molina recognized costs as an important factor in price formation. In his discussion of the legitimacy of trade he lists

the service to the commonwealth in supplying some commodity and the costs incurred therein as a legitimate title to recompense. The fact that there are men who specialize in merchandising brings about a reduction in costs and therefore in price. In fixing the price for a public monopoly which has been granted because otherwise the commodity would not be supplied, the actual outlays of the monopolist are one factor to be considered in settling the legal price. In the question of whether selling on credit is grounds for a change in price, the fact that it may lower costs by making storage charges unnecessary and may make possible quantity sales which involve less "labor and expense" is taken into account.[19] In speaking of the price-fixing on grain, of which in general he held no high opinion, he says:

"Very many of those who own grain are farmers to whom it sometimes happens in a year of bad crops, that when account is taken of all the outlays they have made and the labor and industry they have applied, a measure of grain stands at a far greater price than that at which it is directed to be sold. Equity in no way allows this. Further, there is injustice to the farmers in the fact that other goods in time of scarcity of goods and plenty of buyers, go up in price according to the scarcity of the goods and the great number of buyers; but grain, which they prepare with so great labor and so great cost, and with so great utility to the commonwealth, they are not allowed to sell at a price which, from the nature of case, its scarcity and the great number of buyers demands."[20]

Lugo is somewhat more reserved than Molina in his condemnation of Scotus.

"Scotus . . . and Major say [the same cost rule as above]. This rule falls short first of all because if some merchant shall have suffered a great loss by shipwreck or by theft in transporting goods he might lawfully demand a higher price for them than that at which they are sold by others. This is wrong since the goods are not commonly so valued but can be had at a lower price. Secondly, those who are not merchants neither must nor can observe that rule but must measure the just price otherwise. . . . Thirdly, it often happens that without great risk or expense someone will chance to bring goods to a place where there is a shortage and the need of these goods is great and in this case because of the crowd of buyers and the shortage of goods, they may justly be sold at a high price."[21]

Yet Lugo, too, in discussing price regulation, finds recourse to Scotus' rule convenient. To Lugo there is "a powerful argument" in the following principle, credited to Molina from the passage above:

"First of all, in order that the rate be just, account must be taken of the costs and expenses and a moderate profit (*sumptuum et expensarum et lucri moderati*) which is a sort of wage of one who serves the commonwealth. Therefore, when in a whole province, the costs incurred by a seller are greater than the price set, the price is unjust."[22]

The writers commonly say that merchants whose business it is to earn their living by selling may lawfully ask a higher price than someone who makes a sale only occasionally, or of something upon which he came by chance as, says Lessius, "a mechanic or soldier" might sell. Some writers say that this is grounds for selling above the just price, but such reasoning does not please Lugo:

"The first case is mentioned by everybody. When a person sells as a regular business (*ex officio*), as merchants commonly do, he may for this reason sell at a higher price to make money for his own maintenance because the fact that they attend to the assembling, storing, and distributing the goods and the fact that they give up other occupations and sources of gain can be appraised at a price. . . . But strictly speaking this is not selling above the true value, for in evaluating the common price of goods, attention is paid to these costs and profits of merchants and the common and natural price arises for all of these. . . . Recall what was said above, that a merchant cannot compensate himself for expenses he has incurred when other merchants who have incurred smaller expenses commonly sell the same goods at a lower price. He must reckon it his bad luck that he has brought goods at a great outlay to a place where their common price was less."[23]

This recourse to the principle of cost implies that Scotus' rule needed careful restatement rather than rejection. It is hard to see how one can thus appeal to the cost principle as an element in the estimation of the common price and still deny it some place in the theory of value.

Lessius comes closest to an integrated statement on the matter:

"One may charge a higher price by reason of labor and expense which one has undergone in getting, transporting, and storing goods; that is, if goods have not a price set for them. If they have, then the merchant can take account of extraordinary expenses in the setting of the price at the time when it is first fixed, as we see in the case of goods brought through dangerous places where there is need of military escort against freebooters. But this is not to be understood of expenses incurred by reason of misfortune or imprudence. The case is different if goods already have their own price at which they are generally sold; then the merchant is bound to sell at that price or to keep the goods. . . . But in arriving at a price of this kind account has already been taken of the expenses which are ordinarily and usually incurred. But if the merchant's expenses have been greater, that is his hard luck, and the common price may not be increased for that reason, just as it need not be decreased even if he had no expenses at all. This is the merchant's situation: just as he can make a profit if he has small expenses, so he can lose if his expenses are very large or extraordinary."[24]

Thus amended, one might almost say that Scotus' rule had been readmitted to full standing; but actually it has not been thoroughly interwoven with the subjective factors which the authors wish to emphasize. This indeed is a calamity, for Scotus' idea certainly has a great deal in it; and only the too rigid statement enabled the later writers to include ex-

treme cases under the rule and make it look foolish. If Molina had been a little less severe with Scotus, the latter's cost theory, plus the ideas on income of Albertus Magnus with which Scotus was perfectly familiar, could have been composed into a rounded system. Had these ideas been refined by employing the superior knowledge of the later writers on the actual price-forming factors in the market, a complete system of social equilibrium could have been developed. However, the chance was lost. "It makes little difference to the commonwealth that money be in this one's hands rather than that one's."[25] We must be content to say of the late medieval moralist that his theory of economic value allows weight to all the principal objective and subjective factors of cost and utility and that price formation on the subjective-objective market analysis was well understood but had not yet been fully fused into a system.

Two standard points remain to be commented upon. All conceded that the just price was not a fixed unique figure but had a range of lenient, moderate, and rigorous degrees, also called lowest, mediate, and highest. The civil law gave grounds for action only if the just price had been departed from by 50%, but the theologians insisted that any violation whatever was on the conscience of the offender. The amount of play allowed by the three degrees of the just price was obscure, but between 10% and 15% of the average price in a market seemed to be an acceptable figure, although, strangely, the higher the amount involved the smaller the percentage range. If the price is 10, then the lowest just price will be 9 or 8½ and the highest 11 or 11½; but if the price is 100, then the lowest will be about 95 and the highest 105. Actually, the theologians did not expect controversies about the justice of prices to be a daily matter. In a well-conducted market one could accept the going price. But it was also considered a real and vital doctrine which could and should be applied to prevent extortion or exploitation, especially in cases where a seller sought to profit by the needs of others.

Legally fixed prices, especially on grain, are discussed at length by all, but the underlying ideas are simple and clear. "The law cannot make something which is actually worth 20, worth only 10."[26] The price set by public authority may, like the price of monopolists, be "irrational"[27]—just as it is "irrational . . . to set up equal prices for things of unequal value."[28] The proper field for public price-fixing is much more limited. Given the natural price, it may be useful, in order to avoid disputes and to simplify business, for public authority to specify one price within the range of the natural price, as the legal just price. Or in cases where natural price is

arrived at accurately only with great difficulty, not because of basic conditions of demand and supply, but because of peculiar market conditions, such as a product that is hard to identify or easily simulated, or because the terms of sale are complicated, as in the case of annuities, then a public legal price based on the natural and clarifying it is useful and economic. More generally, of course, the greater the number of prices fixed by some sort of public decree, the easier it would be to judge by comparison the justice of prices not so fixed.

Specific cases of special factors affecting the just price are introduced and serve to illustrate the general principles. For example, is it permissible to sell at a higher price on credit? On the one hand, selling on credit is equivalent to an increased supply of money and may cause "a sort of increase of the just price by reason of the deferred payment which is the cause of an increase of the number of buyers; so that the just price rises, or rather, because of that method of sale, does not go down."[29] On the other hand, if the employment of credit enables the seller to sell in greater volume, it results in a saving to him of storage costs, but may also involve new risks of collection. This and the opposite case of lower price for early payment and many other selling arrangements are discussed; but since the solution turns on the implicit *mutuum* to the buyer in case of deferred payment and to the seller in case of early payment, we postpone the discussion until we have treated of usury.

Our three authors have a great deal to say on the nature and functions of money; strangely, however, they do not expressly define it.[30] The introduction of money to serve as a standard of value is accepted as it is stated by Aristotle; and it is by the introduction of money that purchase and sale become a special contract since before money, there could be only simple direct exchange. In the same definition of Aristotle is contained the idea of money as a store of value and as a standard of deferred payments, but the insistence is upon the fact that these functions all facilitated exchange.

Money narrowly and strictly considered as money cannot be sold and therefore has no price;[31] if there is a price for money it must arise from some circumstance bound up with the transaction and not from the money considered as such. A price for money may also arise from a discrepancy between any pair of the various kinds of the value of money; and since there are many different kinds of value of money, there can be many prices.

The value of money is distinguished on two different sets of qualities. First, when speaking less accurately and merely in passing, a distinction is made between the intrinsic and extrinsic value of money. The intrinsic

value depends upon the metal content of the coin, its weight and fineness, and also upon the public seal by which the metal becomes a coin. Opposed to this is extrinsic value, which depends upon many circumstances. This distinction is not developed, however, and is used in passing when the meaning is clear from the context.

The essential characteristics of money are elaborated on another basis by distinguishing the formal and material value of money. The material value of money is the value of the raw money metal, or a value based on some physical characteristic such as the shape or the seal which gives it value as a curio or as an historical document. But "the principal distinguishing characteristic of money is not derived from the material but from the value by which it is formally constituted in the nature of money."[32] This formal value which makes money to be such is of two kinds: legal or pragmatic, and natural. The legal or pragmatic value, which may also be established by custom, has regard to two matters principally: (1) the relation of the various coins among themselves, especially of the major coins to the minor coins of small material value, and (2) the legal status of coins in the settlement of debt—in modern terminology, its legal tender quality. Of far greater importance is the other type of formal value, the natural value of money. This natural and formal value of money is of two kinds, intrinsic which is dependent upon the material value, and extrinsic which depends upon the circumstances in which the money is used. The legal value supposes the natural value in coins of any material worth, and will never be above the formal natural value though it may on occasion be below it.[33]

"When money is coined and a price determined for it, the material is never worth more, in view of all the advantages that could be obtained from it, than the price imposed on it. It is less, for from the material whence the money is coined is taken the expenses incurred in coinage, and the tax is paid, if there be one to be paid the sovereign. Foolish indeed would be the sovereign who would impose a smaller price upon money he ordered to be coined than the current value of the material from which it was made."[34]

These kinds of value of money may be shown in their relationships thus: (A) Material; (B) Formal, 1. Legal (or Pragmatic), 2. Natural (intrinsic and extrinsic).

The value of money based on all the factors involved is greatly affected by the supply. Precisely as in the case of the just price of goods, "other things being equal, the greater the supply of money is in any place, the less it is worth there for buying things and for obtaining other things which are not money. Just as an abundance of goods makes them go

down in price when the amount of money and the number of merchants remains the same, so too an abundance of money makes goods go up in price while the number of goods and merchants remains the same, and causes the very money in itself to become cheap."[35] This difference in value of money can arise when no factor other than the quantity of money varies, and refers not to change in the relative desirability or purchasing power of one coin rather than another, but to the money supply as a whole.

"Not this or that sort of money . . . but all the money taken together is worth more in one place than all the money of another place taken together is worth in this second place, when a comparison is made of an equal quantity of money of one place with an equal quantity of the other place, notwithstanding that the money in both places is of the same material in quality and quantity, or weight and of the same seal, and that the same value has been imposed on each in comparison with other coins of the same place. This value, we say, does not arise from the money itself but from circumstances; it is very inconstant and variable according to changing circumstances; it is not unique and indivisible but has a just latitude, no different than the value of goods."[36]

The change in the value of money owing to its quantity is discernible not only in comparisons between the money supply in two places at the same time but also in the same place at two different points of time, as Molina's comments on Spanish prices indicate and as Lessius remarks. "The whole of the money at one time is worth more or less both with respect to things for sale in the same place, and with respect to money which is in other places."[37] In this sense, money may be said to have a price, just like other goods, for "price is not money only but also loss or risk, or privation of gain upon all of which a price can be set."[38]

The third factor affecting the value of money is the demand for it—"a greater need of money in one place than another, whether to buy goods there or to transport them there, or because of war expenses, or the presence of the Royal Court or anything else." The nature of this need and the reason why merchants are willing to pay a price for its fulfillment we shall investigate presently.

An exposition of the Schoolmen's views on value and money insofar as they are pertinent to a discussion of usury must, of course, treat the question of the sterility or productivity of money. Though Aristotle is a respected authority, I find no reference to that "dictum" of his that money was a sterile thing, which is sometimes cited as being the basis of the Schoolmen's doctrine; two classic passages from the Fathers (St. Ambrose on Tobias, chapters 12 and 13, and St. Basil's *Second Homily on Psalm 14,* paragraph 5) are paraphrased by Lessius as stating that "though money is

by nature perfectly sterile, yet by the industry of the greedy, it surpasses in fecundity all living things."[39] These considerations, however, are not employed in the argument. Lessius and Lugo both speak of the withdrawal of money from business as a reduction of it "from a productive condition to a sterile condition."[40] Lugo allows that money may be sold "when it is not considered formally as money."[41]

There can be no question that money in itself was considered unfruitful, but the phrase "in itself" must be interpreted very narrowly. A loan of money may confer obvious advantages but "that advantage does not arise from the money except insofar as it is subject to the borrower's industry and the borrower's risk."[42] A person who has wrongly acquired a good which is non-productive in itself, chiefly money, may still be entitled to any gain made by the possession, though bound to return the article itself or its equivalent value. "The reason is that things of this sort are not productive (*fructifera*) in themselves but only insofar as they are subject to the industry of the business man (*negotiantis*)."[43] Money thus subject to the business man's activity and diligence undergoes a change in value relatively to money not so placed. "Such money . . . insofar as it is subject to your industry in order to gain by it, is worth more to you than it is considered in itself; for it is, as it were, the fruitful seed of gain by industry, in which the gain itself is contained virtually as in a seed; and therefore, more may be asked for it than it is worth by and in itself (*ipsa per se*)."[44] We can therefore say that money in itself is not a productive good; but, as far as this principle is concerned, the circumstances in which money can be considered *by and in itself* may be very rare or very frequent.

Merchants (*mercatores, negotiantes*) seem to have little knowledge of money considered in itself. They say "they always hold their money ready for business (*paratam negotiationi*).[45] "They say, we are merchants who make our gain with our money and have it always set out in business"; it is the "tool of our trade subject to our industry."[46] Even a "frightened merchant" who consulted Molina was confident of that. "You understand," said he, "that the tool with which we merchants do business and make our gain is money, and the more money we have the more business we can do and the greater gains we can make."[47] Molina did not object to the principle, but wished that the individual be carefully questioned to find out if the case was actually such that the principle applied. Lessius frankly concedes that "theoretically . . . money is the tool of the merchant's trade," but advises caution in applying the principle in practice.[48] In Lugo, an important adjective has been added: "this is common enough among mer-

chants whose chief tool of trade is money."[49] If, as quoted above, "price is not money alone but also loss or risk or privation of gain," then the privation of one's tools is certainly something upon which a price can be set; and this money-in-the-concrete commands a price which money-in-the-abstract does not, just as the sale of a tool by a storekeeper is one thing and the sale of a tool which a workman is using is another thing. This is the analogy on which an argument for cessant gain is based in the passages cited.

Returning, then, to the question whether money is a productive good, what would be the Schoolman's answer? He would not like to have to reply yes or no flatly, because he is willing to say that in some cases it is and in some cases it is not. One can scarcely regard money as being the "seed of gain"[50] in any circumstances and still declare flatly that it is not a productive good. Regarding a papal document concerning annuities (*census*), Lugo states: "It is not enough that it be *per accidens* productive as is money which has been set out in business."[51] Money is fruitful, *per accidens*, in certain concrete situations, but not in itself; the best single statement on this point is Lugo's remark that "we must all allow that money is different from other productive goods,"[52] where he places money among productive goods but still in a class by itself.

In order to confer a special value on money in addition to its strict value as money in itself, *actual* commitment to business was not held necessary. It was possible that mere opportunity might cause money to have this special value to a single individual, or that in some market widespread and generally known opportunity might cause money to have that quality in the common appraisal. Then a new price would arise, which can be described as a price for money-in-the-concrete, or as payment for the privation of money. Lugo discusses the case of one who had withdrawn money from business some time back and whose money had lost its special value "because the opportunity of trading and gaining has passed." To the person's own loss, he has "brought back the money from a fruitful condition to a sterile one." The special value of the money arose from the presence of the opportunity. Many further examples are given "in which the money is of greater value because of the opportunity of trading and gaining."[53] The presence or absence of these opportunities for trade and gain is very important in the matter of exchanges, because this is one of the reasons for the greater value of money in one place rather than in another. "This difference in the unequal value money has in different places does not arise only from the intrinsic value . . . or the legal value . . . but from the ex-

trinsic value . . . because in the place to which it is sent there are more opportunities for trade and gain."[54]

The merchants of Antwerp set great store by their "tools" and made much of being deprived of them.

> [This explains] "the practice of the Bourse (*Bursa*) or Peristyle of Antwerp, where the merchants gather every day and take account of the abundance or shortage of money, of the number of exchanges, of the amount of merchandise and all other sources of gain in which there is need of present money. Then either by themselves or their agents they establish the price for the privation of money. Merchants who lend may demand this price for the reason that they are deprived of their money for such and such a time and may not call it back before the time agreed. This price is sometimes 6% per year and sometimes 7%, 8%, 9%, 10%, 11%, or 12%; more than 12% they are forbidden to demand by the Constitutions of Charles V, given at Brussels on the 4th of October, page 767. . . . Moreover, any merchant seems to be able to demand this price in that same place even though there is no gain of his that stops because of his loan. This is the just price for the privation of money among merchants; for the just price of an article or obligation in any community is that which is put upon it by that community in good faith for the sake of the common good in view of all the circumstances. This price is put in that way; therefore it is a just price. When a price is put upon some article or obligation for just causes which are commonly present, I may demand that price for the reason that the object is commonly so evaluated, even though for me such an obligation is no burden, even though it is actually an advantage. Therefore, even if through the privation of money for a year there is no gain of mine that stops and no risk of capital, because such a price for just causes has been put upon this privation, I may demand it just as the rest do."[55]

The special value of money arising from opportunity available may become so widespread in some places and circumstances that in that market a true, common, just price for the privation of money can be established. Then, so long as the price is fair, the individual may make use of it even though the general circumstances which justify the price be absent in his personal situation.

In the beginning of the present chapter, and in the preceding one as well, attention was called to the difficulty of the structure and sequence of this material. Our concern is with the contract of *mutuum*, the justice of which depends upon the equality between the thing given and the thing received. This is a value problem, and the value problem finds its fullest treatment in the discussion of purchase and sale and the just price of goods. As pointed out, however, as soon as we depart from simple direct sale for cash, the difficulties are identical with those of the usury problem, for the anticipated or postponed payment is an implicit or virtual loan.[56] There is no logical necessity in the sequence of treating these different transactions, since the underlying principles are always the same. A useful prin-

ciple which applies to several contracts may be elaborated by one author under one head and by another author under a different head. Unquestionably a principle developed and applied first in one connection is illuminated by its application to some new transaction. For this reason, it is very useful, and a practical necessity, to discuss briefly two contracts besides those of *mutuum* and purchase and sale. They both involve matters which are of the greatest utility in understanding the Schoolman's attitude toward the two contracts in which the same principles, economic value and money value in particular, are applied. The contracts are those of *census* and *cambium*. The contract of *census* or "annual revenues" (Lessius) was a contract of purchase of the right to receive an annual payment from some property or person. The contract of *cambium* was the contract of monetary exchange, both foreign and domestic such as existed in the United States prior to the Federal Reserve Act.

Both of these contracts raise many interesting questions but we will investigate them only as they bear more directly on our problem, and especially on the matter of the value of present money. In general, the contract of annual revenues was justified on the grounds that, as one could buy a whole field, or orchard, or olive grove for a specific price, though its future fruits might be indefinitely great and would ultimately amount to more than the given price, so too one could buy a right to a part of the produce of that field for a definite price. Sometimes the annual revenue was in natural produce, but frequently it was in money; so that one would invest in a property in this way and receive an annual payment. The rates on these annuities were frequently fixed by law, though they were considered to have a natural just price, which was estimated at about 3%-5% on an irredeemable annuity and 7%-20% on a redeemable one.

"But a *census* is not justified by the fact that present money is exchanged for future money which is of less value, for this would justify usury for the same reason."[57] As is evident from the fact that the *census* was a common practice, the sale of future goods was accepted as permissible and practical; and especially in the case of inheritance was it clear that a price could be set on future goods which, because of uncertainty and risk, were valued less than present goods. But the same idea could not be transferred directly to an annuity to be paid in money. Conrad is quoted and answered; he had argued that a purely personal annuity, not secured by any specific property, was "in Scholastic rigor" permissible, but for practical considerations should be forbidden by civil law. "Conrad argues thus .... As far as advantage and man's use of the money is concerned, a

hundred gold pieces, present and in hand, is of greater value than a hundred gold pieces to be paid in installments (*per partes*) through ten or thirty years. Therefore, a hundred gold pieces, to be paid in annual payments, may justly be bought for a price to be paid at once smaller than the sum of a hundred gold pieces." Molina replies: "To the second argument it must be said that, although one hundred present gold pieces are worth more to one using them for business purposes than the same number of future gold pieces, in themselves they are not worth more nor in themselves are they productive."[58] Lessius, too, frequently speaks of the "advantage of present money,"[59] which carries "many . . . opportunities . . . which a future good has not." Nevertheless, the argument in this form was not admitted for the reason that this greater value of money "present and in hand" was extrinsic to the money itself.

Closely related to this problem was the theory of the just price of foreign exchange and—what was, in substance, practically the same type of transaction—the sale of notes (*chirographa seu libranciae, ut vocant*) at a discount. The intimate relation of the three transactions, annuity and foreign exchange and the sale of notes at a discount, is apparent from the fact that they were all exchanges of present money "present" both temporally and locally for the right to receive money "absent," either temporally or locally. Foreign exchange was widely practiced; and Lessius gives the whole list of actual quotations on the Antwerp market for December 7, 1600. Foreign exchange was justified readily, first, on the grounds of service charges and, secondly, on the grounds of the real difference in the value of the money. The sale of all three of these "rights to receive money" was justified by the greater *extrinsic* value of present money. The principles involved in all three cases may be set forth in Lessius' discussion of the sale of notes, or as Lugo prefers to call them, "liquid debts" (*debita liquida*). Says Lessius:

> "I take it for granted that such rights can be bought at a price lower [than their face value], if the payment is difficult to obtain, or doubtful, or obtained only with trouble. But the whole difficulty is, if none of these things is present, and if such rights are considered only in themselves, can they be bought for less? . . . One opinion says they can, that of Panormitanus . . . Innocent . . . Cajetan . . . Navarrus . . . Bellarmine. . . . *Proof:* Such rights, when they are offered for sale like merchandise, in the common judgment of men are appraised at a lower value than present money; as is evident from experience, because present money furnishes control over many things which these rights do not supply. Therefore they may be bought at a lower price. The conclusion is evident because that is to be regarded as the just price of anything offered for sale which the common evaluation of men puts upon it. And if in other things the common evaluation establishes a just price, why not in these notes?

"You may object: The fact that men commonly value these notes less, is due to the necessity of those who must have cash. But this is not the valuation of a prudent man and therefore may not be used; otherwise, if someone were ready to pay double because of his necessity, it would be permitted to take double. But it may be answered, denying the conclusion, that practically every valuation depends on some necessity to which men are subject and would have no value if that necessity did not exist; as is clear in the case of medicines, foods, buildings, and their materials. The need which determines the particular value of a thing does not need to be universal; the need of a large number or of nearly all is sufficient. Just so are those rights prudently valued at a lower estimate, since they are less necessary than present money and do not furnish a capacity for gain and other advantages. It makes no difference that you in particular do not care whether you have present money or a note; that is merely *per accidens*. The price of a thing does not depend upon your valuation but upon the common valuation; just as, though you have no need of medicine, you may nevertheless sell it at a common price.

"Secondly, if such rights are not worth less than present money, then the sales of personal annuities, which are accepted in many places, are unjust. . . . To condemn as evil the practice of many provinces would be hard indeed."[60]

Nevertheless, Lessius will not allow the sale of these notes at a discount for the simple reason that all the real causes of the lower valuation of the notes (or the *census*, or bills of foreign exchange) are reducible to the conditions—various difficulties or uncertainties of collection—which in the first sentence of the discussion were assumed to be absent. In this conclusion, Lugo strongly concurs:

"A liquid debt of 100 gold pieces, which involves no difficulty or vexation in collection and no risk, is worth indeed the full 100 gold pieces. If, therefore, only 90 are given for it now, a just price is not given but an unequal one. . . . But in my opinion this controversy is theoretical rather than practical. In practice, debts of this sort are hardly ever bought but there intervene, at least in the common opinion, risk of nonpayment, fear of trouble and expense, emergent loss and cessant gain, and the like, which justify the purchase at a price lower than the debt itself. Where can there be found today a debt so safe that in security it equals present money?"[61]

The quotations in the last few paragraphs on the sale of rights to receive money have been taken from the authors' chapters on just price, exchange, and *census*. Yet, obviously, these all involve the problem of what modern economics calls interest. This preliminary view was necessary before turning directly to the subject of usury; for we, like the authors themselves, must be able to use highly relevant matter which appears under distinct but related heads. They did not view usury as an isolated problem. *Mutuum* was just one of the many contracts of exchange, but one that was especally likely to become intertwined with the others, perhaps

involving usury. For this reason, some view of the place of money in other contracts was necessary.

Mutuum was defined in the preceding chapter as "the delivery of an article the qualities of which are fixed in number, weight, and measure with the intent that it immediately become the property of the one receiving it with the obligation to restore an article of like kind and quality." This definition was elaborated for the purpose of bringing out the difference between a *mutuum* and other similar contracts. It was brought out that, though in practice the object of a loan of *mutuum* would commonly be a fungible or a consumption good, neither of these points was essential to a transaction of *mutuum*. Very durable materials could be lent and be the material of a *mutuum*, especially if they were fungible; and non-fungible goods could become the object of a *mutuum* by agreement—for example, a friend could lend me a horse and not care if the same animal were returned so long as he received one about as good. But when anything is loaned in such a way that the title of ownership passes to the borrower, so that the article becomes his and he is bound only to return the equivalent, then the contract is a *mutuum*.

This essential point is obviously of paramount significance where money is concerned. First of all, with money as with many other consumable and fungible goods, the first use is the last; and with the use the ownership must go. There is no purpose in a loan of money if the borrower does not have complete dominion over it. Secondly, in the case of money, "observe that in a loan of money it is the value which it has as money that is chiefly taken account of; since the same kind, quality, and goodness is considered returned if money of the same value is returned."[62] Money is the object *par excellence* of a loan of *mutuum*, for with unimportant exceptions money cannot be loaned except on *mutuum* and it enjoys the highest fungibility.

The contract of *mutuum* is, as Lugo says, very simple in itself, as is clear from the definition and the examples. It is the most ordinary loan transaction, in which for whatever reason, the lender either cannot or does not retain the ownership of the thing lent but must be, or is, content to receive back not the thing lent but its equivalent. The entire difficulty concerning the *mutuum* hinges on the question of usury. "The whole justice or injustice of a *mutuum* consist in this, that usury does or does not intervene."[63]

The fullest definition of usury is that of Lugo. Usury is "gain immediately arising as an obligation from a loan of *mutuum*. . . . If the gain does not arise from a *mutuum* but from purchase and sale, however unjust, it is

not usury; and likewise if it is not paid as an obligation due but from good will, gratitude, or friendship, it is not usury."[64] The discussion of the definition is brief, for there seems to be no disagreement whatever on the point. Everyone agrees as to what usury is. However, they do discuss, first, by what sort of law it is forbidden—natural law, divine positive law, civil law, or canonical law; and second, for what reason it is forbidden by the natural law. The second practically reduces to the first because, at the time of which we write, the position was almost universal—"the common opinion of theologians and canonists"—that usury was forbidden by the natural law, and by this alone. Positive ecclesiastical legislation especially enjoining clerics from the practice of usury, and declaring it to be sinful for anyone, cleric or lay, to practice it, rested fundamentally on the natural law rather than on divine positive legislation. Lugo emphasizes that it is well to be clear on this, not only because of the practical importance of the matter but because a point that was missed by the "most learned Roman jurists," who had a good understanding and high respect for natural law, may involve a certain amount of difficulty.

The central proof that usury is contrary to the natural law and the evidence upon which all reliance rests is easily presented. Three standard objections are then answered. Lugo's syllogism is the shortest.

> "In the exchange of one thing for another, it is contrary to justice to receive more than the article is worth, unless some other title intervene by reason of which that additional something may be justly received. But he who receives usury beyond the principal receives more than that which he gave is worth. Therefore he sins against justice. The major premise and the conclusion are manifest. The minor premise is proved: If you gave ten and receive back ten, you have already received as much as what you gave was worth. If therefore you receive 12 you are receiving more than the value of the thing given."

He then very briefly indicates how the commonly admitted titles, to which we will shortly turn, can actually intervene, and adds, "It is usury, therefore, only if it is received for the mere loan."[65]

There were three standard objections to this position, urged by various writers in the past but rejected by general consent as to their insufficiency. They are, first, that the lender may charge for the advantage accruing to the borrower; secondly, that a charge may be made for the use of the money; thirdly, allowing that no charge may be made for the use of the money, a charge may be made for the obligation of not demanding the return of the money for a given period, say a year. The first of these difficulties is readily disposed of; it is an example of the principle insisted

upon in the matter of just price. The advantage or benefit to the buyer or borrower is no title of the seller or lender. Title to possession must be a quality of the one who wishes to vindicate his right to possession, not of the buyer or borrower of that object. Otherwise one for example could charge a high price to the rich man because of his capacity to pay. The whole concept of community evaluation and common price would be dissolved.

The second standard objection to the usury thesis states that, though nothing may be taken for the money itself, still something may be taken for the use of the money loaned. Lugo says:

"But this is contrary to justice. When something passes into the full ownership of another, by that very fact there passes to him the full right of using it; nor does this right increase the price of the thing itself. When the just price of something is computed, the whole thing with the right to use it is appraised. Thus, when you sell a horse at a just price you cannot demand something additional for the right to use the horse; for all this is considered when the value of the horse is judged. If, therefore, you transfer the full ownership of money to the borrower and so bind him to pay the full value of the money, you can not later demand something further for the use. The reason is two-fold. The money itself with the full right of use is not worth anything more than, for example, 100; therefore, if you demand 110, you demand more than the money together with its use is worth. Furthermore, no one owes anything for the use of his own property since that use belongs to the owners. If, therefore, the transfer of the ownership of 100 gold pieces is not worth anything else than 100 gold pieces, and from that transfer there arises necessarily the right of using such money, then, in consequence, if you demand something further for the use itself, you are demanding it over and above the full value; for, to be sure, you are selling to that person the use of his own property, which is not equitable."[66]

The third objection to the argument of the intrinsic unlawfulness of usury is somewhat more formidable. Molina regards it as new, unheard-of, and dangerous.[67] Its proponents claim for it the authority of Thomas Aquinas. This is hard to believe. The list of its advocates is short but of high authority, consisting really of three names. Lugo quotes Lessius as seeing some probability in it; but it should be remembered that in the case cited above he was discussing not a general proposition but the very limited and special market of the "community of merchants" of the Antwerp Bourse. The theologians, however, commonly repudiated it. The objection runs as follows:

[One who makes a loan, according to Lugo] "by that very fact, deprives himself of something that can be appraised at a price, namely, the capacity of using his own money throughout the year for business or lawful gain. Just as, by reason of cessant gain, something beyond the capital may be asked, so also can something be asked by reason of the obligation to be without the capacity for making gain. Not only is the

cessant gain assessable at a price but also the very capacity to make gain is assessable, even though one was not as a matter of fact going to use that capacity and was not going to make any gain. If you have a field which you do not cultivate or intend to cultivate or lease, and if someone is willing to obligate you not to cultivate that field for two or three years because this works to his advantage, you may lawfully accept a payment for undertaking this obligation, not indeed by reason of the cessant gain, of which there was none, but because the obligation not to gain is assessable in itself."[68]

The effect of this objection, if it were valid, would be sweeping indeed, for it would mean that no one would ever be guilty of usury unless he were so stupid as not to know the lawful titles and the merely verbal differences which would save him from usury in any loan he cared to make. But forebodings of evil are, as Lugo remarks, no answer to the argument which demands that its claims be faced.

The first answer given, and one which is sufficient for those who concede that usury is contrary to natural law, is that such a privation of capacity to gain, or, what is the same thing, the postponement of the recall of the money is inherent in a loan of *mutuum*. A *mutuum* must be for some period of time; otherwise it would be a meaningless exchange of money for money under conditions in which the exchange could serve no purpose. The privation of the indeterminate faculty of gaining is inherent in the *mutuum;* in the absence of any other title it founds no new right, but is merely another way of saying that a loan has been made. And, indeed, by the bare loan, assuming out of existence all true extrinsic titles, all risk, or cost, or loss, or alternative opportunity for investment, or intention to invest in any way, the lender is in no worse position by the fact of the loan and has no grounds for compensation. In Lessius' case, all the men concerned were on the same market, where the privation of money might be conceived as having a common price (though Lessius did not concede it); but the present discussion does not proceed on that circumscribed plane. Its scope is more general.

Lugo feels the need of a more direct attack and makes it as follows: "If a lender by giving over 100 units deprives himself of the capacity of trading and gaining with that money and later there is returned to him an equal sum of money with the capacity of trading and gaining with that, then the capacity which he recovers is equal to that of which he previously deprived himself for a time just as the money returned is equal to the money originally given."[69] One may argue further that if the loan had not been made, and the lender had not bound himself not to ask it back, he would have had the capacity to gain this year and he would also have had it the following year. But having made the loan, though he has that capac-

ity for the following year, he is deprived of it for this year. Therefore he remains uncompensated for this year. Lugo replies:

"The money returned in the following year with the power of using it for all time thereafter is not of less value than the money given this year with like power. Both capacities are regarded by men as of identical worth and price. This is perfectly evident in all other matters. If you sell your estate or field today, you deliver it with the power to cultivate it and to gather the product. But if you do not sell your field this year but next, with the power of cultivating it thereafter, you do not have to take something off the price; but you may sell your field this year for what you would have sold it last year. Therefore, the power of making use of the field for all time thereafter is not of less value than the same power was a year ago, even though it be not given now with that capacity of making use of it for the year past."[70]

The reasonableness of that argument is shown by the fact that if this position were not correct, the price of all immovable goods would have to be lowered every year, because they are always being sold with a smaller capacity for use than they had possessed previously. When immovable goods are sold without restriction as to their future use, the fact that their past use is not included in the sale is, in the common evaluation of men, regarded as of no consequence. The case is different with goods which deteriorate with time, as a vineyard grows old or an annuity for life becomes each year less valuable; but this is not the usual and certainly not the universal and necessary status of money itself. The argument of the adversaries would be valid only if it were somehow possible, having borrowed 100 pieces of money with the capacity to trade and gain with it, to return the 100 pieces stripped of that capacity. This would apparently involve rather complicated conditions, which there is no reason to suppose are commonly verified. The analogy of the owner of the field which he agrees not to cultivate is not complete; for when the right to cultivate is sold, that is the end of the transaction and the owner has no further obligation to restore to the buyer. In a loan, the money and the right to use it are given up, and the money and the right to use it must be restored—and that under such conditions of unlimited future use that the money retains as much value as it had before. "If today you sell a jewel to Peter and next year wish to buy it back, Peter may ask the same price from you because, though he does not give back to you the power to use it for the year just passed which you delivered to him, nevertheless, the jewel with the power to use it for all time thereafter is worth just as much as it was before."[71]

This apparent difference of opinion between Lessius and Lugo is worth a little probing for the light it throws on their approach to the problem of

interest. Each has reached consistent conclusions for the case he is discussing; but the cases differ in important respects. In Lessius' discussions (Chapter 20: 119 *et seq., On Usury;* Chapter 21: 65 *et seq., On Purchase and Sale;* Chapter 22: 15 *et seq., On Annual Revenues*), he is examining a narrow but active and highly organized market, in which, though for a particular merchant there might be no business opportunity in immediate sight, yet in the market as a whole such opportunities were constantly arising; so that a true common price for "the privation of money" on the part of the lender and for the money itself on the part of the borrower might emerge. In other words, opportunities for lawful and gainful transactions in such a market would be so frequent that the merchant who bound himself not to recall his money for a certain period might easily be binding himself to forego a first-class opportunity. And in lesser degree this could apply to one not a merchant, as we shall see, provided a true common price had legitimately been established.

Lugo, on the other hand, is discussing the case in very general terms, from which all alternative opportunities for lawful gain by the use of money have been sharply excluded; a case where there is no question of an organized market and a true common price, where the bare loan stripped of all conditioning factors is considered between two isolated individuals. In these circumstances the return of the money loaned and the right to use it equates with the loan of the money and the right to use it. Lugo establishes that, as a universal proposition, the privation of one's money for a certain time is not a valid title for payment. Lessius concedes that, under certain elaborate conditions, it may be, or at least that such a view has an element of true probability in it. Each view on its own level is consistent with the general Scholastic principles of both.

That usury is contrary to the natural law demanding equality in exchange is the core of the traditional Scholastic argument and is the answer to the standard objections brought against the doctrine. The cases we have just reviewed contain little that is new, and that little concerns form principally. Molina does refer to the idea of a title founded in the "privation of money itself" as being "new, unheard-of, and dangerous enough." Nevertheless Lessius, on the intimately related question of the sale of notes at a common rate of interest, can cite approving authorities all the way back to "Panormitanus" (that is, Nicholas de Tudeschi, O.S.B., 1386-1445, Archbishop of Palermo), and "Innocent" (that is, Sinibaldo de Fieschi, a scholar of note who became Pope Innocent IV, d. 1254), as well as to the less remote Cardinal Cajetan (Thomas de Vio, O.P., 1469-1534). Cajetan's

opinion on this matter is perhaps the reason for Juan Medina's saying that the followers of Aquinas held this opinion. This matter of the "privation of money" is nevertheless handled and settled by the accustomed methods; and by these methods and principles, in the opinion of the authors, the matter stands or falls.

Though this closes the formal and analytical treatment of the intrinsic evil of usury, the authors in passing, and while treating of other matters, set down brief summary statements that show how they look at the matter practically. Molina, for example, says, "Look and see if in that contract a *mutuum* enters, either formally or virtually; and if it does, whether a gain is sought from that *mutuum*. If it is, then that contract is usurious and such gain is usury; if not, then it is not usury, however just or unjust otherwise."[72] Speaking of the obligation to restore on the part of one who has received usury, he observes that ownership of a thing paid as usury is not transferred because "it is given as a price for something which is not worth a price."[73] Lugo employs several succinct phrases in which the kernel of the matter is summarized. "The whole evil in usury arises from injustice, inasmuch as the goods of another are taken without a title."[74] The treatment of the question of the sale of "liquid debts" evokes this:

> "Only from the passage of time, excluding every other risk or loss, the value of the debt cannot decrease. Usury otherwise would be licit, for if 100 to be paid after a year is not worth as much as 100 received today on loan, the borrower could be obliged to return 110 after the year in order to maintain the equality between what is given and what is received. To this can be reduced all the reasons by which the malice of usury is proved, for they are all based on the fact that the value of money due is not lessened solely by the interval of time. Either the antecedent proposition must be admitted or it must be denied that usury is, by the natural law, illicit. . . . If a debt were liquid (*debitum esset liquidum*) and to be recovered without any difficulty and risk, that right (to money) would in no way be of less value than the money itself, nor could it lawfully be bought for less."[75]

The method of the Schoolmen in treating the question of price in all the contracts of exchange is well exemplified by this passage in the treatise on purchase and sale, where an excellent summary on usury occurs and is followed by an example from foreign exchange. We have already quoted Lugo on the contract of annual revenues, to the effect that the contract of *census* is not justified "by the fact that present money is exchanged for future money which is of less value, for this would justify usury for the same reason." He later gives the same thought greater emphasis and importance: "The evil of usury consists in the fact that present money is sold

for a larger amount of future money (*vendatur pecunia praesens pro majori pecunia futura*) and, in consequence, at a price above the proper value."[76]

Thus the central axiom from which usury analysis sets forth is that in a loan of *mutuum* the object borrowed must be returned "to an equality"—to an equation of values. The passage of time considered absolutely by itself does not alter the value of money; and, therefore, when the only difference between money loaned and money returned is a difference merely in time and nothing else whatsoever, then present money and future money do not differ in value. Accordingly, there is no title by which the lender may receive anything beyond the principal lent. However, any circumstance which does alter the value of money *to the lender* or because of which he incurs a cost on the occasion of the loan may found a title to compensation. These titles were called "extrinsic" as being something apart from the money itself but yet involved in the loan transaction when viewed concretely and as a whole. They were not extrinsic to the particular loan; but since a loan may be made in which these titles are absent, they are extrinsic to the essential idea of a loan.[77] These titles are the notorious "subterfuges" by which the medieval canonist sought to "evade" the "prohibition of usury."

The basic titles are two, emergent loss and cessant gain (*damnum emergens, lucrum cessans*)—that is, a loss arising *to the lender* because of the loan or a gain which *the lender* has been making which stops or does not materialize because of the loan. All other titles, risk of the capital, penalty by agreement, delay in payment are directly reducible to these. Moreover, the two basic titles are but different aspects of the same thing; and in this sense cessant gain is reducible to emergent loss. "Notice here that cessant gain may also be called emergent loss, if the word, loss, is taken in a wide sense, for not to obtain a gain which one lawfully could have obtained but which one foregoes can with perfect right be called a loss in goods which one otherwise would have had."[78]

"There are three chief titles, which can cleanse a *mutuum* from the stain of usury: emergent loss, risk, and cessant gain; and these three can be comprehended under one, emergent loss. Risk and stoppage of gain are losses of a sort, which, however, are usually distinguished for the sake of clearness. . . . Emergent loss, taken in a strict sense, is distinguished from cessant gain by the fact that emergent loss causes detriment to goods possessed; but cessant gain causes a loss of goods which you expect to possess but do not."[79]

It is a loss in that "the stoppage of gain is a quasi-expense or quasi-cost incurred in favor of the one seeking the loan."[80]

Gain *immediately* arising as an obligation from a bare loan of *mutuum* may not be taken; if taken, it is usury. This rigid position, in itself, says nothing whatever about the existence of other circumstances, not essential to the loan yet concretely identified with it, which may furnish a sound basis for a title to compensation. Such circumstances are called titles for the same reason that today we speak of a title to property; they are facts upon which is based a moral claim to ownership or compensation. In the case of a *mutuum* they found a title because, whatever charity may dictate in some circumstances, justice alone does not require that my status be rendered worse for someone else's benefit. "Legitimate interest"[81] is not taken as compensation for the loan of *mutuum* itself but must be justified "by a far different title on the occasion of the loan."[82] We may say of legitimate interest in general what Lugo says of a particular case:

> "The whole question is seen to reduce to one of fact: do these heads (cessant gain, emergent loss, and risk) intervene or not? We do not deny that when these circumstances do actually intervene, the contract can be justified on these heads. . . . We only say that when these circumstances are excluded . . . the contract, from the nature of the case, is not lawful."[83]

We may add that "it should be observed that emergent loss and cessant gain are commonly called interest."[84]

In order that the extrinsic facts may furnish a basis for a title to compensation, it must be clear that the *mutuum* is actually the cause of the loss or cost to the lender. Not only must the *mutuum* be the genuine occasion of this loss or cost, but there must be no other circumstance in the loan offsetting that cost. The amount of the compensation is limited to the *net* loss or cost. Suppose I have 100 units of money. I can use them in my own business in trade so as to make a gross profit of 20 units which, after expenses of 5 units involved in the business are deducted, will yield a net profit of 15. If, however, I forego trade and put my 100 units of money out upon loan, my cessant gain can still be only 15. If a merchant makes a virtual loan to his customers by carrying them on credit, he may raise the price of his goods if he has an actual need of present money for current expenses.[85] But if selling on credit prevents an otherwise inevitable fall in the just price, or cuts his selling cost by increasing the number of buyers or the size of the individual sale, he may not profit by both titles but must set the one against the other.[86] The loss or cost or cessant gain "must regard the transaction as a whole."[87]

That cessant gain may be said to be present in the case of money loans, the money must, first of all, have been more or less definitely set aside for

business purposes, or for the purchase of a productive good and the owner must have no other idle money.[88] The cessant gain must also be properly evaluated inasmuch as it was not a certainty but an expectation, and its value will depend on the degree of that probability. Finally, both the emergent loss and the cessant gain must be of such character that they can be assessed at a price.[89]

The simplest case of emergent loss is a direct cost incurred in order to make the loan. I am willing to lend money to you, but to do so I must travel to another city where the money is and bring it back. I may charge for my time, labor, and expense in doing this, which are a loss to me emergent from the loan. Otherwise, one would not "maintain himself without loss" (*servare se indemnem*), as commutative justice permits him to do. Similarly, all the expenses connected with making a loan, which would be a loss to the lender if not indemnified, are lawful interest, such as any labor and expense in counting or proving the money when given or returned, expense of keeping accounts, or, in some loans, of legal formalities or difficulty in recovering the principal. The value of things which I own and retain may decrease because I have made a loan: my house or place of business may deteriorate because money set aside for repairs has been lent; or provisions for my family or materials for my trade may have to be bought in an adverse market because I have lent my free funds. The difference is a loss to me occasioned by a loan. Or, lacking ready money for current expenses, I may be forced to sell some of my property. A merchant forced to borrow at interest because he is carrying customers on credit may recoup the difference from the customers. If my money is actually dedicated to trade or industry, and I actually withdraw it, this may be not only a cessant gain founding a title on that score but may even involve me in a positive loss; if so, I am entitled to interest on that account also. Even money which had definitely been set aside, not for business, but hoarded for precautionary purposes, may command interest, if the loss of this reserve can be regarded as a true disadvantage. The loss finally must be of economic significance so that by some means or other it at least *could* be assessable at a common price.[90]

Cases of cessant gain that could not be restated to make them sound like emergent loss are not many. All titles to legitimate interest are reducible to these two; and these are the positive and negative aspects of the same thing, namely, the lender's economic status as affected by positive expenditure of what he has, or negatively by failure to receive what he would otherwise have got. If a man is engaged in business or trade, and

money is withdrawn from his operations which are thus definitely curtailed in order to make a loan, he may claim a cessant gain for which he may justly be indemnified. If one is not personally engaged in business but has money in annuity rents, or property which is rented, or owns productive property—farms, pasture, forest, mines—and these must be sold in order to make a loan, there is cessant gain. Or one may not himself be active in business but may have money in trade by means of partnership (*societas*) in which he supplies the capital and another the industry; if money must be withdrawn from this enterprise in order to make a loan, then there is cessant gain which would base a title to legitimate interest. If a workman, or more especially one engaged in direct primary production such as a fisherman or a hunter, were asked for a loan of his tools or other instruments of his trade, he might lawfully set the price at the value of his reasonably expected catch or product; so, too, a man who has no fixed place for his money but puts it here and there as profitable occasion arises, may set a reasonable price, legitimate interest, on money, the tools or instruments of his trade, if because of a loan he is deprived of these opportunities of gain. In all of these cases, the same matter can be explained by saying that, in such circumstances, the money in question is worth more to the lender than money which is considered strictly in itself; and just as the lender may not take advantage of the borrower's need or opportunity, neither need he yield up his own advantage and opportunity without compensation. But the Schoolmen did not take the step of saying that money in itself had these qualities, no matter how prevalent these circumstances might become.

Two titles which are particular cases of emergent loss are singled out for special mention in the same way that cessant gain and emergent loss are distinguished for the sake of exposition. They are, first, risk of one's capital, and, second, delay (*mora*) and penalty by agreement (*poena conventionalis*). Risk on capital was accepted as a title for the reason that when one embarks on a highly uncertain undertaking, it is evidently lawful for either the lender or the borrower or owner using his own goods or money to insure himself against loss with some person outside the transaction at a rate varying with the hazard. If an outsider can thus appraise the risk at a price, then a lender may ask compenstion directly for assuming it. The circumstance that the money may ultimately be returned intact does not alter the fact that for the duration of the loan his economic position has been rendered to this extent less secure, and for forfeiting this security he may lawfully ask a price. Delay founded a title when failure

to pay promptly caused the lender inconvenience and by that delay there arose a loss; so that after the passage of time, emergent loss became operative, even though the loan was at first *gratis*.

For this reason Lessius does not discuss delay (*mora*) separately but subsumes it directly under emergent loss. There is some indication in the authors that it was in this way that emergent loss first came to notice, and that having one's money kept indefinitely, even when one had no other intention than to spend it, might be a genuine inconvenience which one was not in justice bound to bear. Penalty by agreement concerns much the same circumstances, except that the lender's wish to have his money by a certain date is foreseen and provided for contractually from the start. In this case there is no need that any alternative investment be at hand, but simply that the owner of the money have a real desire to use it. All authors warn their readers that while these titles are perfectly valid in themselves, and in some cases the simplest and most direct examples of an inconvenience to a lender, they must be scrutinized to make sure that the case is not fictitious. The inconvenience to the lender must be actual, or a probable expectation which one might reasonably wish to forfend. The delay must be real (that is, not negligible in time, as a mere half-day) and culpable; the penalty must be "moderate and reasonable," else there is reason to suspect that this legitimate title is being counterfeited to disguise a usurious transaction.[91]

The vigor of the Schoolmen's exclusion of time as a determining factor may call for a little explanation. First of all, the attention centered on it by modern writers causes us to wish to know the reason for the apparent omission; and, secondly, the Scholastic writers in their discussions seem to include and allow many of the influences which modern writers assign under the caption, time. The lesser value of future goods generally, though not universally, was readily admitted, as well as the lesser value of a series of annuity payments arithmetically equal to the original purchase price. The lesser value of a debt, even of a liquid debt, readily converted into cash is admitted. The lesser value of goods requiring time in which to mature is readily conceded, and the just price or present value of an immature good in relation to its ultimate value is discussed. Cajetan's application of this simile to debts, by which he justified a lower price for a "green" debt than for a "ripe" or "mature" one, is analyzed at great length. Time is a factor in the price of goods sold on credit, in the price of annuities, in the rates charged by the "pious funds" (*montes pietatis*).

If all these factors were allowed individually, why was the Scholastic

at such great pains to rule out time? He realized quite well the influence of time on all material things. The reason seems to be, not the crudity of the Schoolman's concept of time, but the perfection of it. From the earliest days of Scholastic philosophy and theology, and even in positive theology, the problem of God's eternity and timelessness had forced attention on the problem of the nature of time. With such a refined concept in mind, and facing the problem of the exchange of values to an equality, they laid their emphasis on the fact that time in and by itself alters no values. With time may come changing circumstances, especially increasing risk, by which values are altered. These circumstances may found new titles or invalidate old ones. But the Schoolman consistently and characteristically insisted that this was the question of fact that required investigation and was to be probed in each case. As indeterminate appeal to the passage of time alone was of no avail.

The volume of legitimate interest that could be taken in the communities with which the Schoolmen were familiar, and which they had in mind as the practical object of their writing, depended entirely on the degree to which the extrinsic titles were verified. There is nothing in usury analysis to prevent a great deal of legitimate interest from being taken if the facts upon which titles may be founded are, in reality, of frequent occurrence. Though the general tenor of Molina's treatise implies that the circumstances upon which titles to lawful interest may be based must be quite general (otherwise there would be little point in some of the topics discussed), yet he rarely singles out this fact for comment, as the other two authors do. Passages like the following, however, would not be hard to duplicate:

> "To the extent that the Genoese buy wool with payments made before delivery, they take care to lower the price paid, saying that they always have their money on exchange, or in some other business and that, for this reason, the earlier they pay it out the more cessant gain there is; and to that extent they lower the price of the wool they buy because of the earlier payment. An indication that this is actually the case is the fact that the Genoese themselves willingly raise the price one or two *reals* in each unit weight, provided they pay the whole price at the time of the receipt of the wool; and especially if, for at least half the price, there is a further interval of three months."[92]

Lessius, likewise, and perhaps even more than Molina indicating that some titles are of very common occurrence, does not make any observation on the matter. In speaking of the reasons which may have led Molinaeus (*du Moulin*) to his opinion that very low rates were not usurious, Lessius gives as his own opinion, first of all, that the lawyers may regard the prob-

lem in the same way as the regulation of other problems of vice is regarded, namely, that greater evils will be avoided by toleration and regulation than by downright prohibition. He adds: "As far as the lawyers are concerned, I think that they readily understand that usury considered formally is not lawful; but they allow some moderate usury both because of the public good and because some title is often involved; though their opinion is not to be admitted in this that they allow such usury as generally just and licit."[93]

Lugo, on the other hand, furnishes many parenthetical remarks by which he indicates that he believes that the presence of facts upon which admissible titles are based is very general indeed. Though he certainly nowhere lays it down as a universal proposition that the existence of such titles may be taken for granted, except in certain markets which are very well developed, his statements would almost add up to that. In these circumstances, it is significant that he would not take the step. In speaking of certain re-purchase agreements, the essential characteristics of which might well extend to other contracts, he says: "Some say that contract is not lawful unless there intervene the title of cessant gain. . . . I believe that the title of cessant gain commonly intervenes and that for this reason the practice of those who make such contracts is justified."[94]

The controversy about the sale of notes at a discount was dismissed as more "theoretical than practical" because "hardly ever" are such notes sold without the intervention of some title. Later the usual titles are enumerated and stated to be reasons "which commonly intervene and justify such purchase," and "are practically always found."[95] When merchants have to wait for payment on their goods, they "commonly suffer cessant gain or risk and trouble in recovering their money." So true is this that, despite the implicit *mutuum* in the postponed payment, the general prevalence of these titles may cause goods thus sold on credit to have a common just price different from goods sold on other terms.[96] An argument that a specific transaction was lawful in itself without regard to the titles is answered by the retort that "in this case, recourse has already been had to those heads mentioned above, cessant gain, emergent loss, and risk . . . which frequently are found."[97] In relation to foreign exchange the observation occurs that cessant gain and emergent loss are "commonly present" among merchants, or at least "common enough."[98]

From statements such as these it is safe to conclude that in the authors' view the volume of legitimate interest was very great indeed. But there never came a time when it was not necessary to scrutinize the titles, how-

ever commonplace or widespread they might seem to be. Their fundamental concepts—that it was not the borrower's but the lender's need and use of the money that justified taking compensation; that money absolutely by and in itself had only one value and that value was not altered by the mere passage of time—these concepts continued to rule. The emphasis was kept on the examination of the factors, extrinsic to money, which might cause it to have a special value upon which a lawful title to interest might be based.

Except in the relatively simple cases of risk bearing and of a direct or indirect cost incurred by the lender on the occasion of the loan, titles to receive interest usually involve the "quasi-cost" of cessant gain.[99] That cessant gain was like a cost to a man who actually withdrew capital from his business may be clear enough; but what of a case involving free funds which were not as yet applied to any business project? Would it be possible to lend these with a legitimate interest charge? In this case, the title rests upon the presence within the lender's range of gainful uses for money —that is, of alternative opportunities. Lugo introduces the idea into the definition of cessant gain: the loss of the opportunity of gaining by means of your money.[100]

Throughout the treatises on *Right and Justice,* alternatives are repeatedly mentioned which would probably be open to fairly large numbers of the persons concerned, alternatives by which they could reasonably claim cessant gain. There follows a brief catalogue of those avenues of licit profit which are possible alternative investments to commitments actually made.

I. *Trade in general.* This is almost invariably mentioned when the discussion concerns merchants directly. (*e.g.*, Molina, 315: 9.)

II. *Purchase of a productive good.* "Fields, houses, rivers, woodlands, mountains, harbors, streams, veins of metal, and the like from which return may be expected." (Lessius, 20: 84, 21: 77; Lugo, 25: 88, 27: 84.)

III. *Partnership.* By this means any person could put his money in business and make a gain upon it. The critical difference between this and the *mutuum* is that, in the contract of association or partnership (*societas*), the money remains in the ownership of the trader. This has its own section in each of the authors. (As an alternative investment, *e.g.*, Lugo, 25: 186.)

IV. *Foreign and domestic exchange.* (Molina, 259: 15, 417: 1; Lessius, 20: 123; Lugo, 26: 110.)

V. *Annual rents.* (Molina, 315: 9; Lessius, 22: 102; Lugo, 27:44.)

VI. "*Loca montium*" (which can perhaps best be translated as "shares in a fund"). The funds were of three kinds:

(a) *Montes pietatis*, pious funds designed directly for the subvention of the very poor.

(b) *Montes mixti*, which were likewise for the relief of the poor, but which also accepted money on long-term deposit for loan at low rates to small business borrowers.

(c) The third type is in theory reducible to a *census*, and occurs when "some community, or sovereign, or some one of the barons needs a large sum of money all at once which they could not readily collect except from various persons; and they erect a fund to which they assign revenues in taxes, or some other immovable, productive property. . . . They then sell, for example, a thousand shares in the fund which are taken by the purchasers for 100 gold pieces each . . . ; and each share yields the buyers 4 or 5 or more a year."[101]

These *montes* require in the first instance a title to receive interest in the person who contributes to the fund (if he is actually to receive interest, which in the strict "pious fund" he did not). However, once established, such shares could lawfully be sold, and, in consequence, would have to be bid against by a prospective borrower since, so long as any title was available, the security of the shares (*loca*) might be more attractive as an investment alternative. And if the fund (*mons*) were established on a productive property it could be bought outright without alternative title to interest, since no *mutuum* would be involved.[102] Taken all together, these circumstances by which extrinsic titles may come into being make it seem very plausible that in any European center of even moderate size, the number of persons who could reasonably claim cessant gain would be a sizable fraction of the population, and the volume of legitimate interest would be large.

Analysis of the forces by which "the rate of interest" comes into being is not undertaken by the authors, though many specific rates are mentioned. The rate of interest on *census* or annual rents is most often mentioned as being 7% on a redeemable *census*, and 3% on an irredeemable *census*. The personal *census*, not attached to any specific real property, was not lawful in Spain but was legal in the Low Countries, France, and Germany; it sold "commonly" at rates from 5% to 6¼%, according to the terms on which it could be taken up. Spanish deposit bankers are reported as paying 6% and 7% on deposits. Merchants who had sold goods on credit granted as high as 8% or 9% discount for payment before the

date agreed upon, according to the number of months by which the payment was anticipated. A note of face value of 100 sold at 97 or 98 if payable within two years, but could sell as low as 50 without injustice if the security was bad. Six-month loans in Antwerp were made at rates from 7% to 12% per annum but were used only by merchants, because by keeping money busy on the exchanges one could easily make 12%-14% and sometimes as much as 20% or 30% if one had that combination of "skill, luck, and work" required in that business. The "pious funds," strictly so called, loaned money at 6% to 10%, and "even much less than this"—in some cases, 1% and 2%. This was a notable service of social charity, for the loan sharks, to whom such borrowers would otherwise have turned, charged 33%, 44%, and 45%. Open usurers in Rome were held by law to 18%. Lessius speaks of 5% insurance rates but Lugo regards 3% as high. In the "mixed funds" and those founded by communities, sovereigns, and barons, the holders of the *loca* or shares received 4% and 5% on their money. A merchant using his own money expected to make from 12% to 20% a year on it, and therefore was quite willing to take in silent partners under the three-fold contract by which they were guaranteed a fixed return and the merchant could keep the rest. In such cases the fixed return to the silent partner was from 4% to 6¼%. The frequency with which Lessius singles out 6¼% as the highest rate on loans from which risk has largely been eliminated seems to imply that that rate appeared to him for some reason as about what money or rather "the privation of money" was worth.[103]

As already pointed out, we find no formal treatise on the factors that determine "the rate of interest"; this was beyond the scope of the Schoolman's treatise on contracts. More than that, it did not enter into his view of things; there was no such thing as "the rate of interest." There existed profitable alternative employments for money; these he was interested in evaluating in order to determine the justice of certain contracts. Even when these alternative opportunities had become very abundant, so that a common price for money had actually emerged, he still did not look at it as a rate of interest. He might readily allow that cessant gain in one field may depend on alternatives open in another, but he did not regard these various factors as combining to produce a single price. His attention was fixed on "true interest" (*verum interesse*) on emergent loss and cessant gain, the source of legitimate interest.

From two discussions, we can gather some useful hints as to how the Schoolmen might have approached the problem had it been posed in that

way. The contract of *census* or annuity rents commanded a just price just as anything else did. This just price, a minimum price, of a *census* could be fixed by law, and often was; or it could be left to find its own natural, common, just price. The legal just price, of course, was not to be out of line with the natural one. "According to difference in place, the greater or less supply of money, and the opportunity of trading or buying other productive things, not only does the natural price of a *census* vary but the legal as well. Thus the price of a perpetual but redeemable *census* used to be 10 for 1 annually (that is, it yielded 10%); later the price went up generally to 13, 14, 15 for one. Finally, as the number of buyers increased and the supply of money became greater, the price was increased to 20 to 1 annually. Every day we see even this price increased when the census is established on good and sound security."[104] Lessius and Lugo are in almost verbatim agreement that the just price of a *census* is derived "from the relation to the price of productive goods, fields, houses, woodland. At the price at which one can buy a productive good, which yields 100 gold pieces after expenses have been deducted, one may also justly buy (even a little below that) the real irredeemable *census* that depends upon that good."[105] The price may be a little less because the right to share in the product of a property is, in general, less valuable than outright ownership; though Lugo remarks that in some cases the security may deteriorate with time, in which event the right, which binds the owner as well as the property, may be more desirable than full direct ownership.

The price of a *census* reacted to the state of trade when the price was not fixed by law. In estimating the just price of a *census*, it had to be considered "whether or not business was in a very flourishing condition in that district" (*utrum in ea provincia multum vigeat negotiatio*). Flourishing business makes present money more highly valued and the *census* valued lower. Finally, the abundance or scarcity of money must be considered, for a shortage of money makes a *census* cheap, as experience of recent years in Belgium shows."[106] This refers to the irredeemable and real *census*. With the redeemable *census* the case may be different, "because business is so flourishing that many want a personal redeemable *census* since they can easily make as much or more in the three contracts of merchants' partnership and that without any trouble."[107] An obligation from which they can later withdraw will be willingly accepted when they feel that the money may later be used profitably in some other way. When this redemption feature enters either as a concession to one side or both, it affects the price of the *census*. "This obligation can be a great drawback to him (the

buyer of the *census*, i.e., the lender of the money) because even though opportunities of employing the money most usefully may present themselves, yet he cannot recall it. Yet the seller (*i.e.*, borrower) can refund it, even when it is useless to the buyer (lender) or even involves a loss, as when the price of money is increased, or when there is a great supply of money and no productive goods are for sale."

A lender does not like to have his money returned when there is no profitable alternative use for it, either because the price of an annuity is high or because the interest rate is low, or simply because generally good business causes people to keep whatever productive goods they may own. The alternative was to place your money in partnership, either directly or through the three-fold contract. The discussions of the obligations of trustees and guardians, who seem to have been quite numerous, indicate that there was a well-developed sense of the relation of the income derivable from these two sources and the advantage of shifting from one to another. While the gains of merchants themselves were known to vary widely, the rates on the triple contract did not, being limited to around 4%, 5%, and 6%, and, in Lessius' case, to his favorite 6¼%.

"The greater number of opportunities for trade and gain" was among the reasons why the value of money would be greater in one place than in another,[108] and why persons who had disposable funds would put their money on exchange instead of buying an annuity or going into trade with an insured return.

These inter-relations might be traced out more tenuously but with perfect propriety and realism to the other outlets for the use of money enumerated above. They do not demonstrate any act of faith in the working of forces toward an equilibrium, because the Schoolman did not put the problem in these terms. They do, however, indicate the things to which the prudent man gave consideration in placing his money. These facts and their inter-relations were important because they determined to what extent the title of cessant gain or emergent loss might be valid *for him*. They indicate to what extent "true" and "legitimate interest" might exist in a community and they manifest a substantial grasp of the factors which determine the extrinsic productivity of money in any community.

---

[1]B. W. Dempsey, "Just Price in a Functional Economy," *American Economic Review*, 35: 3, September 1935.
[2]Molina, 385: 17, *utilitates et commoditates.*
[3]Lugo, 26: 189; cf. Molina, 348: 2, 3.
[4]Molina, 348: 2.
[5]Lugo, 26: 47.

[6]26: 94.
[7]Lessius, 21: 76.
[8]Lessius, 21: 144, 147; Molina, 348: 3.
[9]Lugo, 26: 122.
[10]Molina, 354: 3.
[11]Lessius, 21: 40.
[12]Lugo, 26: 141.
[13]Lessius, 21: 7.
[14]Molina, 348: 7.
[15]*I.e.*, John Major, also called "Scotus" (1478-1548) taught at Paris and wrote a commentary on the "Sentences" of Peter Lombard, as had Duns Scotus.
[16]The recurring phrase, "labor and expense," should not cause us to forget that labor was usually remunerated according to a guild scale and the expense was paid out to other industries similarly organized in which independent workers used their own tools. *Industria* as opposed to *labor* was work approaching that of the entrepeneur for which the levels of remuneration were not set by any vocational organization.
[17]Since Lugo, in discussing the same point, enumerates theft after shipwreck, *capta est a furibus* seems to be an admissible reconstruction of the untranslatable text *casta ex ab Rustibus.*
[18]Molina, 348: 8.
[19]Molina, 339: 1, 5; 345; 355: 6; 357.
[20]Molina, 364: 3.
[21]Lugo, 26: 41.
[22]Lugo, 26: 53.
[23]Lugo, 26: 88.
[24]Lessius, 21: 29.
[25]Lugo, 26: 55, 149; also Molina 365: 9.
[26]Lugo, 26: 55.
[27]Lessius, 21: 152.
[28]Molina, 401: 10.
[29]Molina, 357: 3, 4.
[30]In his discussion of the virtue of liberality, Lessius gives what seems to be a definition of money based on Aristotle's *Ethics*, Book 4, Chapter I. But despite the word used, it is clear from the context in both Aristotle and Lessius that money here means wealth or property generically and not money in any technical economic sense.
[31]Though commonly accepted by the authors, this axiom is nevertheless denied by Lessius when presented in the course of a formal scholastic argument. "Money is not salable because it is the price and measure of all other things. . . . As to the minor premise, I deny that money cannot be sold if it is distant in space or involves difficulties." Lessius, 22: 26.
[32]Lugo, 25: 124.
[33]Molina, 336, 354, 401, 406, 410, 507; Lessius, 22: 26, 23: 34; Lugo, 25: 124.
[34]Molina, 401: 9.
[35]Molina, 406: 2.
[36]Molina, 410: 1.
[37]Lessius, 24: 34.
[38]Lugo, 27: 52.
[39]Lessius, 20: 1; also Lugo, 25: 10.
[40]Lessius, 20: 88; Lugo, 25: 91.
[41]Lugo, 26: 1.
[42]Molina, 304: 12.
[43]Molina, 327: 5, 361: 13. We may note here the difficulty in rendering accurately the words *negotians, negotium, negotiatio.* Strictly, they should refer to buying and selling operations in which the commodity remains practically unchanged. Yet they are freely used in the texts for cases where the commodity is notably altered in time, place, or form utility. The term, *negotians*, is used in broad opposition to *artifex*, or

opifex, craftsman, or to farmer, and includes everything that we would include under the heading of "business," as opposed to direct physical production.

[44]Lessius, 20: 80; 20: 88.

[45]Lugo, 25: 87.

[46]Molina, 316: 11, *instrumentum.*

[47]Molina, 404: 11; 417: 1.

[48]Lessius, 20: 94. In 20: 123, he uses the principle without reservation: "since money is the tool of business."

[49]Lugo, 28: 54.

[50]Lessius, 20: 88.

[51]Lugo, 28: 69.

[52]Lugo, 26: 98.

[53]Lugo, 25: 91, 87.

[54]Lugo, 28: 41.

[55]Lessius, 20: 124.

[56]"Even a pure barter of present commodities for future commodities . . . can be similarly reduced to a spot transaction, a forward transaction and a money loan." J. R. Hicks, *Value and Capital* (Oxford, 1939), p. 141.

[57]Lugo, 27: 54.

[58]Molina, 385: 2, 7.

[59]Lessius, 21, 22, *passim.*

[60]Lessius, 21: 65.

[61]Lugo, 26: 96.

[62]Molina, 299: 3.

[63]Lugo, 25: 1.

[64]Lugo, 25: 6.

[65]Lugo, 26: 10.

[66]Lugo, 25: 10.

[67]But recall what was said above about standards of novelty.

[68]Lugo, 25: 18.

[69]Lugo, 25: 21.

[70]Lugo, 25: 21.

[71]Lugo, 25: 24.

[72]Molina, 303: 7.

[73]Molina, 306.

[74]Lugo, 25: 185, 252.

[75]Lugo, 26: 96, 97.

[76]Lugo, 27: 11.

[77]If we admit the idea of a market in which the privation of money has a common price, these titles might be considered as intrinsic to loans in such a market.

[78]Molina, 314: 5.

[79]Lugo, 25: 70.

[80]Lugo, 25: 94, *quasi expensa et sumptus.*

[81]Molina, 314: 1, *interesse legitimum.*

[82]Molina, 325: 3.

[83]Lugo, 27: 34.

[84]Lessius, 20: 68, *interesse.*

[85]Lugo, 26: 108, *aliqua pecunia praesenti indigeant ad sumptus occurrentes.*

[86]Molina, 357: 3.

[87]Lessius, 25: 89.

[88]Lessius, 20: 86, *pecunia otiosa;* Molina, 318: 3.

[89]Molina, 314-318; Lessius, 20-22; Lugo, 25: 70 *et seq.*

[90]*Ibid.*

[91]Molina's catalogue of the hints employed by a lender demanding usury but afraid to say so is worth recording: ". . . As if he should say to the borrower: 'You know what the custom is'; or 'I trust that this money of mine won't come back empty-handed'; or 'Don't forget that I am depriving myself of my money and I am a man with children,' or something of the kind." 303: 10.

[92]Molina, 359: 15.
[93]Lessius, 20: 32. The reference to Molinaeus is in section 31, "Car. Molinaeus, *lib. de commerciis,* num. 6 *et sequent.*"
[94]Lugo, 25: 136.
[95]Lugo, 26: 96, 26: 97, 27: 27.
[96]Lugo, 26: 107. (Lugo refers to Lessius, 26: 56-58.)
[97]Lugo, 27: 34.
[98]Lugo, 28: 54.
[99]Lugo, 25: 94.
[100]Lugo, 25: 86. The Latin words are *opportunitas* or *occasio lucrandi.*
[101]Lugo, 25: 197.
[102]Lugo, 25: 136, 197 *et seq.*
[103]Molina, 393, 417. Lessius, 20: 88, 96, 107, 124, 126; 21: 57, 68, 74; 22: 61, 76, 61; 25: 84. Lugo, 25: 187, 196; 27: 16; 28: 60, 70; 30: 43.
[104]Lugo, 27: 44.
[105]Lessius, 22: 102.
[106]Lessius, 22: 102.
[107]Lessius, 22: 104-5.
[108]Lugo, 28: 41. This referred "not to the intrinsic value which it might have because of better metal, nor because of the greater legal value."

CHAPTER IX

COMPARISON OF GENERAL PRINCIPLES

The material for a comparison of modern monetary theory and mature usury analysis was present from the day in 1898 that Knut Wicksell published his *Geldzins*. When, in 1907, Irving Fisher issued his *Rate of Interest* and, in 1911, Joseph Schumpeter's *Theory of Economic Development* appeared, all the elements of modern saving-investment study were assembled, together with all the terms needed for a comparison of the two sets of ideas. These three works, to which more recent writers have admittedly added little or nothing, emphasize the unity of the pricing system, in which interest must be included. In addition to the study of the determination of a rate of pure interest viewed as a cost, they applied themselves to the problems of interest as a capitalization factor, and as a factor in determining the volume of means of payment. Thus they came to interest as an element in general prices. To the Scholastic, likewise, interest was a special case of just price, and its contingency upon the presence of emergent loss (in the wide sense, including risk and cessant gain) bound it up with the prevailing price complex and made the theory of pricing one.

These modern works, moreover, boldly stated things upon which the earlier writers of the English classical school and the late Scholastics *seemed* to be at variance. To the recent writers, as to Aristotle, money was quite "sterile,"[1] which is at least a mode of speech that would not have sounded well coming from the defenders of the productivity of money. Schumpeter returned to another axiom of the Scholastics which had long been considered as gravely erroneous; he said, "There is, in general, no real continuous growth of value with the passing of time as a primary and independent phenomenon."[2] This is a proposition of which Molina, Lessius, and Lugo would heartily approve. That interest is a phenomenon arising among economic objects and subjects precisely insofar as they are durable, that time is our external expression and arbitrary measure of this durability, does not necessarily involve an alteration in such relations of those

enduring objects and subjects such as to yield a net surplus over the values imputed directly to the factors. Time may or may not be the occasion of such a surplus; it is always a condition, but *per se* never a cause. The factors which operate in durable objects and alter their relative values must be examined in detail; they cannot be bunched under the noncommittal head of "time."

Irving Fisher complains that the welcome received by his substitution of "impatience" for "agio" and "time preference" caused his emphasis on "productivity" to be almost completely overlooked, and an almost absolutely subjective theory to be ascribed to him.[3] For this reason, he coined the expression "investment opportunity" to denote the technical magnitude "r," "the rate of return over cost." The change was a happy one for purposes of comparison with earlier writing; for it brings into prominence the relative character of "productivity," that in order to be a lasting source of interest this productivity must involve some superiority over alternative production functions. The relinquishing of these alternatives is the occasion of emergent loss in its wider sense and, in the Scholastic view, both the source and title to interest. When the superior alternatives are absent, r is o; the "market line" has an angle of 45 degrees or a slope of 1; there is neither investment opportunity nor can there be emergent loss. Fisher's new terminology brings to light grounds for comparison long present but easily overlooked.

Even though the writings of these three may be regarded as the foundation of a distinctively modern theory of interest and prices, they were most modest concerning claims to originality. Wicksell's filial piety has been mentioned before; he was always at pains to emphasize the continuity of what he was saying with strictly classical tradition. He was vindicating Ricardo against Tooke. Schumpeter and Fisher attribute their doctrines to Böhm-Bawerk, even when the latter viewed his intellectual grandchildren without enthusiasm. Fisher habitually recast his doctrine this way or that to indicate its kinship with some other writer where the likeness may not be apparent.[4] Perhaps this modesty prevented recognition of the fact that their revisions and extensions of previous teaching has brought about a substantial re-orientation of the problem as a whole; so that now there did exist a common ground with Scholastic teaching making possible an instructive comparison.[5]

A comparison between the two types of interest theory as summarized is confronted with most serious obstacles, some of them only apparent and avoidable with care, but others more persistent. First of all, the economy

upon which the Scholastics based their observations was not, even in the early seventeenth century, a highly integrated and sensitive one. Arbitrage, for example, was apparently practiced between financial centers but obviously without telegraphic or cable transfers; all forms of transport and communication were slow. Lag and delayed reactions therefore were the normal tenor of economic life in this field and in all others. Nevertheless, the principles of foreign exchange do manifest a concept of equilibrium toward which there was a real tendency for prices to move, however leisurely.[6] The difference between the medieval world and the modern world, in this respect, is one of degree. Financial centers then as now were more quickly responsive to changes in price data than the hinterland. But is the sluggish reaction of the hinterland to a world center today essentially different from the sluggish response of a medieval hinterland to its metropolis? As transport and communication have improved, merchants have sought to extend an integrated price system over a far greater area; as the means of overcoming lags and frictions improve, new lags and frictions have been taken on. Can we say that the co-ordination of markets like Antwerp and Florence or Seville is of a wholly different order from the co-ordination of markets like London and Winnipeg or Hong Kong? The modern markets are the more responsive, but it may well be that a theory covering the earlier markets might easily be extended by amendment to cover the modern markets. That the change in physical extension necessarily decrees the abandonment of the older theory is not clear.

Secondly, the volume of goods passing through the circle of monetary exchange is far greater today than in medieval times. Direct exchange, working on various kinds of shares whose value might never be expressed in money, loans and payments in kind, was almost certainly far more common then than now. Therefore, a formula expressing economic relationships in money prices—and thus an interest rate expressed as a per cent of money capital—was a much less meaningful figure for the economy as a whole than it is today. Nevertheless, the problem of the inclusive range of the price system, though quantitatively altered, remains a real problem today. We are never certain in annual average prices how large an element they may contain of goods and prices newly brought within the price system, or to what extent they are conditioned by transactions outside the price system. Not only does imperialism build rambling additions to the price structure, but even within communities highly organized at the center the intensive range of the price system alters from time to time, though probably the general trend is toward more and more complete coverage of

transactions by monetary exchange. A little thought on the local history of some of the "141 principal cities," especially in the St. Louis, Minneapolis, Kansas City, and Dallas districts, will indicate how useful is the warning of the Federal Reserve Board that later figures are not comparable with earlier ones.[7] Yet no one would conclude that this intensive and extensive growth in the range of monetary influence necessarily require a *new type* of monetary theory or principle with which to handle it. No more need we expect the same in medieval analysis. If the cities, from the great market towns down to cities the size of Bescançon, were well organized with a money price system and were thoroughly familiar with loans and credits, then the fundamental problems of interest and money were there to challenge the analyst; and later extension of the field need not invalidate his analysis.[8]

Thirdly, there can be little doubt that the centuries since 1600 have seen a vast increase in the volume of manufactured capital goods. The factory equipped with elaborate and expensive machinery is perhaps the salient concrete difference between a town then and now. But the various forms of natural capital—land, forests, quarries, mines, water-power, useful animals—all had to be priced somehow; and ships, docks, mills, buildings, wagons, and coaches presented problems in capital valuation differing in no essential respect from the valuation of modern machine goods. The most complex machine presents no essentially different valuation problem than the pricing of a good pair of millstones.

There is, therefore, no *a priori* consideration precluding comparison of the two sets of theories, or warning that the operation will be useless and meaningless. These differences in the scope within which the doctrines were intended to apply, and the differences in reaction time in Western economy, must be borne in mind; if they are applicable, a general comparison may be instituted.[9]

The Scholastic position may be summarized by saying that a loan which brought no antecedent loss or sacrifice to the *lender* could not be the foundation of a title to interest to that lender. If the loss emergent upon that loan because of forfeited benefit or opportunity was a personal loss to the lender he could charge for it. If such an emergent loss was prevalent in the economic community in which that person lived, he might also make a charge for that loss, even though he did not personally suffer a specific loss; for in these circumstances that would be the common price of this "privation of money." Evidently such a community would be one

in which economic progress was fairly rapid; else no such price for present money would be paid.

In a community in which there was no economic progress, a community which had settled down in the remote past to an established mode of life, a community in which no practical alternative rearrangement of these economic factors would occur to anyone, there would be no industrial or economic purpose in borrowing. The alternative arrangement of factors brought about by the greater control made possible by the borrowing would, by hypothesis, be less productive than its predecessor. There would be no source from which to pay interest, and the operation would not be repeated. "A world can be conceived in which the opportunities for the profitable investment are so small that people are willing to entrust their capital to governments and other stable recipients without expecting any reward other than the security of a full return on demand. In such a world interest would be unknown."[10] On the other hand, a saver might withhold a sum from current income. The price of this year's produce would be lower and he would get a smaller share. Later, however, when he would cut back into the expenditure stream he would, in that year, get a larger share. But so far as the consequences of his saving are concerned (that is, not introducing price changes from meteorological causes, for example, into the years selected), there would be no net gain; he would have enjoyed the fruits of his income at different times; but *per se* the common value of the income would not have been greater. Likewise, if he had lent his savings meantime, barring the element of risk, there would have been no emergent loss in the loan. And since there is no reason in such an economy for assuming that risk, there is no one to pay for it. In such an economy, the rate of interest is zero, and titles to interest in the Scholastic sense do not exist; in Fisher's phrase, the rate of return over cost is zero. We have an example of Schumpeter's static state with established circular flow: "However I employ a hundred monetary units' worth of resources (including management) within the generally known and customary possibilities, I can obtain no greater receipts from them than exactly a hundred monetary units."[11]

At the opposite end of our scale, however, we can conceive a community with many opportunities for economically superior combinations for its resources if these resources can be released from present employments. If, in such a community, a person saves part of his current income and refrains from consuming it, he is releasing part of the community's resources, which in such a community he could readily have applied to pro-

ductive purposes capable of yielding a net value surplus, a *gain.* If he relinquishes this opportunity in favor of another, there is an evident cost to him: "By cost is meant the comparative loss from one's income stream at first by substituting one use of capital for another,"[12] *i.e.*, the emergent loss. *A fortiori,* if there is a positive withdrawal of resources from actual present employments, there is a cessant gain. "Money is part of the private capital of an individual only if and insofar as it constitutes a means by which the individual in question can obtain other capital goods,"[13] that is, insofar as the privation of it involves the emergent loss of this opportunity to get productive goods.

It is taken for granted, up to this point, that there is no gap between saving and investing, that money withheld from income promptly goes back to market to buy some counterpart of the goods relinquished, and that in a going community this is a fairly continuous process. Saving and investing are *principiative* equal in the sense that the value of the savings and the value of the new investment goods are the same, and that the income withheld from expenditure is approximately the same fund applied to investment; so that the rate of money interest is the expression of the rate of natural interest. Ultimately, when the new product or the old product at new and lower cost has found its way into the price system, saving and investing will have become *terminative* equal at new levels of valuation—which merely means that all capital assets, after the price complex has shifted in response to the product of new investment, are owned by some person who controlled saved-up resources. Regarding the assumed equality of saving and investing, one is justified, under the conditions given, in merely asking, "Why should they not be equal?

From these general considerations of relations between modern writers and Scholastic usury theorists, we proceed to a more detailed discussion of attitudes on certain theorems concerning interest. The attempt is made to formulate propositions which, *in some sense,* would be admitted and employed by all the modern writers summarized. We shall then seek to discover what would be the attitude of the medieval writers on the same propositions. Two things must be borne in mind in employing such a method. First, with reference to the modern writers, it must be constantly recalled that though a given proposition may be used by different writers and admitted as valid, we do not imply that the proposition holds the same place in the theoretical construction of each. Schumpeter, in particular, habitually begins his analysis on a totally different logical plane from that of the other writers. Therefore, while each writer would allow such a

proposition as true, valid, and useful, we do not imply that the application or the penumbra of connotation is the same for all.

Secondly, with reference to the earlier writers, there is no reason to suppose that we shall find their ideas couched in parallel propositions or terms immediately or even proximately comparable. The task is to take what they wrote and see as best we can what it means to them, and then compare it with the statement of modern writing on the same phase of the economic process. In this procedure there is a double hazard to bedevil the investigator, two errors to be avoided if the historical and analytical validity of the study is to be maintained. First, the desire or expectation of finding a fruitful comparison must not beguile us into reading into the authors things which are not there. We must not make them say things they did not or would not say. Secondly—and equally—*a priori* considerations of what they were able or unable to say should not cause us to read out of them what they actually did say. The goal is to see, first, what as a matter of record they did say, and, second, on *their* terms, what they meant by it.

I. *Money interest, apart from that on consumption loans, rests upon an underlying relationship of productive factors, such as can yield a net value surplus, a profit.*

This rudimentary idea is found in some form or other in all the modern writers discussed, and indeed in any modern writer except one holding a pure exploitation theory.

"He who borrows money at interest does not as a rule intend to keep it but to exchange it at the first suitable opportunity for goods and services by the productive use of which he hopes to be able to acquire not merely the equivalent of their price but also *a surplus value which constitutes the real rate of interest.*"[14]

"An entrepreneur who wishes to acquire command over capital goods and labor in order to begin a process of production must first of all have money with which to purchase them. . . . The demand for capital takes on the form of a demand for money. But this must not deceive us as to the nature of the phenomenon. . . . Despite its obviousness, this perception of the physical unfruitfulness of money was a necessary step on the way to full realization of the problem of capital and interest . . . [and] the development of the problem of the money rate of interest into the problem of the 'natural' rate of interest."[15]

"Every given structure of production, *i.e., every given allocation of goods as between different branches and stages of production,* requires a certain definite relationship between the prices of finished products and those of the means of production. In a state of equilibrium, the difference necessarily existing between these two sets of prices must correspond to the rate of interest."[16]

"It is true that in every case corresponding to money interest, that is, to the premium on purchasing power, there is a premium on goods of some kind. It is true

that goods and not 'money' are needed to produce in the technical sense. . . . Interest is an element in the price of purchasing power regarded as a means of control over production goods."[17]

"We have seen that, theoretically, the rate of interest should be subject to both a nominal and a real variation, the nominal variation being connected with changes in the standard of value and the real variation being that connected with other and deeper economic causes."[18]

"It is characteristic of instrumental capital (*e.g.*, a machine) or of consumption capital (*e.g.*, a house) which is in use that its yield should normally exceed its carrying cost, whilst its liquidity premium is probably negligible; . . . and of money that its yield is nil, and its carrying costs negligible but its liquidity premium substantial."[19]

These quotations indicate the conviction that interest can and will be paid by borrowers when the relation of productive resources in the economy is such that he who has present funds with which to acquire resources is able to combine the resources so acquired in such a manner that their cost is less than their value, except for the sum to be paid as interest.

The central circumstance which transmuted usury into legitimate interest was the presence of an emergent loss to the lender. In business transactions, the significant form of pure interest (*i.e.*, abstracting from risk) was that special case of emergent loss called cessant gain. The characteristic property of cessant gain was the foregoing of the expected "increment" which the lender anticipated from the use of his own funds.[20] Though the gain is not always thus spoken of as an increase or surplus, the use of the word *gain* itself, which occurs innumerable times, carries with it an essential idea of a net surplus. Lessius gives the examples of having to sell naturally productive property in order to make the loan; here the idea of a surplus is clearer. The case of the fisherman selling his anticipated catch under the condition that he does not fish is used by all. "On exactly equivalent grounds, a merchant who has a sum of ready money for trading from which, as subject to his industry, he expects a certain gain, may lawfully demand the estimated value of the gain which ceases because he made the loan."[21] That is, no emergent loss, no interest; and in specifically business transactions, no cessant gain, no emergent loss and no interest. And if the underlying relationship of productive factors is such that the person already possessed of money in hand could not employ it in any way that would yield "increment" or value surplus, then on Scholastic grounds there would be no interest permissible; and on the ground of the moderns there would be neither the motive to borrow nor, on a business loan, a source from which to pay interest. The basic position from which the older and earlier writers proceed is the same. The conditions in which the

one would allow moral existence of interest are broadly those in which the other would recognize its emergence on economic grounds.

II. *The rate of interest would be zero in an economy in which all saved resources were employed in maintaining productive capacity without improvement in its technical efficiency; that is, in an economy in which both the motive and the opportunity for superior alternative methods of the application of resources are absent.*

Some such theorem as this follows from the preceding, being the negative aspect of that "relationship of underlying factors." Its place in the theory of Wicksell, Schumpeter, and Fisher is clear. In the case of the others there remains a question as to the designation of the return accruing from instrumental goods even when any *differential* advantage has been worn away by competition. If it be conceded that these may be called rent, then there is no problem. The reason for the inclusion of the proposition here is to bring out that, as already shown, it was commonly "the opportunity of gain (*occasiones et opportunitates lucrandi*) which, on the part of the borrower, motivated and, on the part of the lender, justified loans at interest. The rents spoken of above would be completely compensated for in the just price of a natural productive good, and there would be no motive for borrowing to acquire such a good, as the discussions of the just price of a *census* reveal. Thus, in the absence of such "opportunities for gain," there would be no "legitimate interest" (*legitimum interesse*); for the mere possession of money opens the door to no source of net income surplus from which interest can be paid. The lender, therefore, in parting with such money could not incur an emergent loss and, least of all, a cessant gain. Thus there could be no possibility of a valid extrinsic title to interest, and within the limits of this case the rate of interest would be zero.

III. *Rates of interest represent the common market estimate of the advantage of present control of resources for various lengths of time, and produce a balance between the superiority in income yield of the marginal unit of saved resources and the marginal unit of resources not saved (insofar as the opportunity for superior employment is open to both borrower and lender.)*

This proposition is a highly speculative one, inasmuch as the market in which this price is determined is gravely imperfect. The funds offered for loan at different rates, for different periods, and with different types of collateral security are not a homogeneous product by any means; but at least certain classes are sharply differentitated. Call loans, for example, are a poor substitute for guaranteed mortgage bonds or Federal Farm

Mortgage Corporation bonds. Moreover, the agencies offering loans for sale are not directly competitive in a theoretical sense but operate in a series of partly sheltered, partly overlapping markets. The possibility that some of the agencies may be able to finance the demand as well as the supply of their product we hold over for a moment. Despite these forces inhibiting the full efficacy of the process stated above, the process remains at work while being altered; that is, these factors condition the manner in which the process works but do not simply supplant it.

"It is a well-recognized principle of this kind that in the last analysis, the money rate of interest depends upon the supply of and demand for capital . . . that the rate of interest is regulated by the profits from employment of the capital itself. . . . The accumulation of capital consists in the resolve of those who save to abstain from the consumption of a part of their income in the immediate future."[22]

"The margin by which the value of capital goods fall short of that of their expected products constitutes interest; its origin lies in the natural difference of value between present goods and future goods."[23]

"For everyone there is a limit beyond which the magnitude of the sacrifice in the present economic period must exceed the magnitude of the increase in utility in the next. . . . The result of our discussion up to this point may be expressed in terms of the marginal theory, just as in the case of any price-determining process. On the one hand, interest will be equal to the profit of the 'last entrepreneur.' . . . We can say, then, that interest must in every case be equal to the smallest entrepreneurial profit that will actually be realized; with this statement we approach the usual interpretation. On the other hand, interest must be equal to the value estimate of a last or marginal capitalist for his money."[24]

The proposition given above is a one sentence summary of Fisher's six principles, the two investment opportunity principles, the two impatience principles, and the two market principles.[25] We cannot as yet conveniently summarize Keynes, since he does not regard as fruitful any statement which does not include a term for the special price of money as such, though, insofar as the price of money is an expression of the demand for credit for investment purposes, he would not object to the proposition as far as it goes.

The absence of a developed marginal concept among the Schoolmen prevents us, of course, from finding any precise analogy to the proposition given. Moreover, the Scholastic writers did not consider the accurate determination of the *rate* of legitimate interest as directly in their province. Once the Schoolmen had isolated those cases in which an emergent loss in the wider sense existed, and in which therefore *some* interest was legitimate, the appraisal of the economic value of the loss was left to the judgment of prudent men in a fair market. The factors which affect the valua-

tions of prudent men have been summarized in the section on just price and have their most obvious applications here in the valuation of annuity-rents, the just price of goods yielding a natural increase, and the loss emergent upon the "privation of money" to those for whom money is the tool of their trade. The considerations affecting those valuations, though expressed with less precision than in the modern writers, are of exactly the same order—the price declining with dwindling demand or increasing supply, and rising as demand increases because favorable opportunities for investment are more numerous and the supply of funds withdrawable from other purposes becomes scarcer. But a rate of interest which expresses the common market valuation of the average opportunity current in the community to make a gain by the use of funds saved and loaned, would be satisfactory to the Schoolmen; for, if arrived at in a fair market, it would be an index of emergent loss.

IV. *The source of interest is the margin between value and costs made possible by control of resources in the hands of those able to combine them in more efficient ways; for this, time is a "condicio sine qua non." But processes longer in time are not necessarily the more economic.*

"If, nevertheless, present goods and services *for which payment need be made only in the future* fetch on the average a higher price corresponding to the level of the rate of loan interest—and this is the essence of every loan transaction and every advance of money—this is due simply to the ordinary laws of interest, or to the fact that labor and land if their fruits are not to be consumed immediately *may* assume such forms as to give them a greater (marginal) productivity, a greater yield in consumable goods than in their present forms."[26]

"But surely an explanation of the causes which make investment more or less attractive should form the basis of an analysis of investment. Such an explanation can, however, only be reached by a close analysis of the factors determining the relative forces of capital goods in the different successive stages of production—for the differences between these prices is the only source of interest." "Now so far I have not expressly referred to the price margins which arise out of these relative fluctuations of the prices of the products of successive stages of production. . . . In a state of equilibrium these margins are entirely absorbed by interest."[27]

"Interest is a premium on present over future purchasing power. . . . Hence, if the mere passage of time had a primary effect upon valuation and if what reality shows us to be its influence were not merely an unanalyzed fact which fundamentally rests in turn upon the existence of interest which is again to be explained on other grounds this line of argument would be in itself quite satisfactory, even though in my opinion it brings us into many a conflict with the actual course of the economic process. Purely logically it would be free from objection. But the passing of time has not this independent primary effect. . . . There is, in general, no real continuous growth of value with the passing of time as a primary and independent phenomenon."[28]

"Thus the expression 'rate of return over cost' is applied to the comparative merits

of two alternative income streams. I repeat that by *cost* is meant the *comparative loss* from one's income stream at first caused by substituting one use of capital for another, and by *return* is meant the *comparative gain* which accrues *usually later* by reason of this same substitution. The cost is literally the difference it makes *today*, and the *return* is the *difference* it makes in the future—the first *negative*, the second positive."[29]

"The meaning of 'marginal efficiency of capital' of which I make use . . . was first introduced into economic theory by Irving Fisher in his *Theory of Interest* (1930) under the designation, 'the rate of return over cost.'"[30]

There are two sets of considerations to impel scrutiny of the above proposition. The views of the Schoolmen have been regarded as egregiously defective in the conception of time as an economic factor.[31] The later medieval writers whom we have considered, like their earlier predecessors, do not concede to time an *autonomous* role *independent* of such forces as may require time in which to operate. The forces which can produce a net value surplus must reside in durable agents or agents with enduring effects, but, given that fact, the presence or absence of interest depends upon the evaluation of those durable objects; and the mere fact of duration is not an explanation of interest in any sense. For this reason, it is useful to bring out the fact that modern writers, while admitting, as they obviously must, that interest is a phenomenon concerning the *duration* of economic processes, likewise point out reservations concerning the inevitability of pure interest with the mere passage of time. This is a position which coincides with that of the Schoolmen, who held that there is no value surplus automatically generated in durable objects by their continued duration; the emergence of such a surplus is the special case which requires explaining. Secondly, Fisher's statement, which Keynes accepts literally and to which the others on principle have no reason to object, brings out that, if a positive rate of interest is to emerge, a cost is incurred in the withdrawal of income from its destined use in order to substitute it in some other use where it may yield a surplus. That is, in a going economy with various alternatives available, the lender does incur a loss emergent upon the loan; a borrower will not borrow unless the alternative use he has in mind will more than cover such loss. A positive rate of interest appears when and to the extent that there is emergent loss to the lender; and in an economy which is not stationary that loss takes the form of cessant gain. For the generation of the value surplus by which the borrower can economically compensate for that loss, time is required.

V. *Loans of funds which involve an antecedent sacrifice to the lender, other things being equal, produce a different price complex and disposition*

of resources from those which do not so impose a sacrifice; that is, loans made from funds which have been income affect the price complex differently from those which, not having been income, can involve no antecedent sacrifice.

"If we take as our starting point the view that a lowering of the loan rate below the normal rate (determined by the existing demand for capital and the volume of saving) in itself tends to bring about a progressive rise in all commodity prices . . . then all monetary phenomena would be extraordinarily clear and simple and at the same time the obligation of the banks to maintain the rate of interest in agreement with the normal or real rate of interest would be obvious. . . . Banks are not, like private persons, restricted in their lending to their own funds or even to the means placed at their disposal by savings. . . . If the banks lend their money at materially lower rates than the normal rate as above defined, then in the first place saving will be discouraged and for this reason there will be an increased demand for goods and services for present consumption. . . . The profit opportunities of entrepreneurs will thus be increased. . . . The prices of consumption goods will begin to rise. . . . *Neither is it [the price rise] distributed uniformly over the whole range of commodities, at any rate, not at first.*"[32]

"Credit transactions fall into two groups . . . [those which] impose a sacrifice on that party who performs his part of the bargain before the other does [and those in which] the gain of the party who receives before he pays is balanced by no sacrifice on the part of the other party."[33]

"The criterion by which we may distinguish these circulating credits from other forms of credit which do not act as substitutes for money is that they give to somebody the means of purchasing goods without at the same time diminishing the purchasing power of somebody else." "But does not the mere fact that money incomes increase throughout this process prove that more is being invested than is being saved (*i.e.*, that money that has not been earned in production becomes available for expenditure on products)"?[34]

"From this it follows, therefore, that in real life, total credit must be greater than it could be if it were only fully covered credit. The credit structure projects not only beyond the existing gold basis but also beyond the existing commodity basis. . . . The distinction between normal and abnormal credit is, however, important for us. Normal credit creates claims to the social dividend, which represent and may be thought of as certifying services rendered and previous delivery of existing goods. That kind of credit, which is designated by traditional opinion as abnormal, also creates claims to the social product, which, however, in the absence of past productive services, could only be described as certificates of future services or of goods yet to be produced. Thus there is a fundamental difference between the two categories, in their nature as well as in their effects. Both serve the same purpose as means of payment and are externally indistinguishable. But the one embraces means of payment to which there is a corresponding contribution to the social product, the other means of payment to which so far nothing corresponds—at least, no contribution to the social product even though this deficiency is often made up by other things."[35]

"The rate of interest must be such as to clear the market, that is, equalize supply and demand. That is, for some time interval the additions to some individuals' incomes

caused by borrowing or selling must balance the deductions from others caused by lending or buying."[36]

"Expressed in the language of my *Treatise on Money* [the new argument] would run: the expectation of an increased excess of Investment and Saving, given the former volume of employment and output, will induce entrepreneurs to increase the volume of employment and output."[37]

As heretofore remarked, Keynes' ability to look in both directions at once makes it difficult to express in his own words the antecedent and consequent relations involved in his thought. Yet in some cases the implication is closer to the surface than others, as in connection with his most recent ideas; these are stated in terms of the *Treatise* which proceeded on Wicksellian lines.

The utility of this proposition lies in the clarity with which it brings out a basic theorem concerning which there is a large degree of agreement in principle and the most complete disagreement on its practical significance. Though not all might agree with Mises that the distinction given "must form the starting point for every theory of credit and especially for every investigation into the connection between money and credit and into the influence of credit on the money prices of goods,"[38] yet the concept does hold a pivotal position in the theories of all. This is so obvious as to need no elaboration. On the practical applications, however, there is wide divergence. Wicksell, Mises, and Hayek take strong positions for the elimination of the possibility of loans involving no antecedent sacrifice. Schumpeter does not commit himself specifically but seems to feel that up to a point the good outweighs the evil. Fisher, of course, has always been a "stable money" protagonist but has not fitted this point into his theory of interest. Theoretically, he corrects actual rates by changes in the price level to arrive at a real rate. But the real rate thus arrived at is frequently the rate on a different volume of money from the rate prevailing at the first term of his comparison and may involve interest on substantial sums of money that would have been lent in violation of his market principle quoted above. Keynes takes a wholly different point of view and regards wholesale income displacement by money creation in political hands as the solution.

The Scholastic outlook on such a process would be simple and clear. We have here a case of loans in which, *ex hypothesi*, not only is there no antecedent emergent loss to the lender, but there can be none. Unless we were dealing with a case of public authority where impending calamity justified the invoking of the ultimate limits of social authority for the com-

mon good, the Schoolman's position on this point would be uncompromising; no emergent loss (in its broad, inclusive sense), no interest. But in spite of this divergence on practical policy, it is instructive that this theoretical case, in which modern writers unanimously see a fertile source of economic dislocation, is one which the scholastic writers would see as plainly usurious.

VI. *Money loans made out of funds which have never been income and which therefore involve no antecedent emergent loss impose a consequent loss on persons other than the lender from which their economic validity is derived.*

"In the next chapter, we shall be discussing, incidentally, some of the ensuing consequences. They are the more interesting in that they run completely counter to the ordinary view. For instance, it can be seen that credit institutions by supporting long-term enterprises can to some degree *force* the necessary real capital out of the public. . . . The *real saving* which is necessary for the period of investment to be increased is in fact *enforced*—at exactly the right moment—on consumers as a whole for a smaller quantity than usual of consumption goods is available for the consumption of the second year."[39]

"An increase in the stock of money in the broader sense caused by an issue of fiduciary media means a displacement of the social distribution of property in favor of the issuer."[40]

"The use of a larger proportion of the original means of production for the manufacture of intermediate products can only be brought about by a retrenchment of consumption. But now this sacrifice is not voluntary and is not made by those who will reap the benefit from the new investments. It is made by consumers in general who, because of the increased competition from the entrepreneurs who have received the additional money, are forced to forego part of what they used to consume."[41]

"If now credit means of payment, new purchasing power in our sense, are created and placed at the entrepreneur's disposal, then he takes his place beside the previous producers and his purchasing power, its place beside the total previously existing. Obviously, this does not increase the quantity of productive services existing in the economic system. . . . The process amounts to compressing the existing purchasing power. In one sense, no goods and certainly no new goods correspond to the newly created purchasing power. In the first place, the purchasing power of previous producers in the market will be compressed, then the purchasing power in the market for consumption goods of those people who receive no adequate share in the increased money incomes resulting from the entrepreneur's demand. This explains rising prices in the boom."[42]

Forced saving has never played a formal part in the writings of Irving Fisher, though it is an idea to which he would have no objection whatever on principle and he has expressed his indebtedness to writers for whom the concept is fundamental. His emphasis has been on the processes which take place *after* forced saving.[43] In this he has been followed by Keynes,

with the important difference that contemplation of the sequelae of forced saving led Fisher to stable money and an espousal of the Chicago 100% Reserve plan, whereas it led Keynes to an espousal of monetary manipulation in the hands of the State. As noted above, Keynes' line of reasoning about fixed or stable money supply led to a quotation about a duck. Perhaps, having attained his "full" employment condition, Keynes would again take a view consonant with the proposition given. But by beginning his analysis at a point which cannot be explained without reference to previous forced saving, he is able to relegate its influence at his chosen stage to a minor and apparently not very illuminating role.

"Forced saving in their sense is a phenomenon which results directly from, and is measured by changes in the quantity of money or bank-credit. . . . But an attempt to extend this perfectly clear notion to conditions of less than full employment involves difficulties. . . . At any rate, I am not aware of any attempts having been made by the modern writers who are interested in forced saving to extend the idea to conditions where employment is increasing."[44]

Of course, nothing in the writings of the Schoolmen directly corresponds to thoughts such as these. Loans of the type spoken of in the proposition were precisely those of which they disapproved; and an elaborate analysis of the course of prices and interest under such conditions would have seemed no more worthy of their attention than the analysis of an economy in which most incomes were built up by theft. The reason for its inclusion, however, is to call attention to the fact that, in order to explain the rates of interest which do prevail in modern economies, recent writers have still had recourse to a concept of emergent loss. The funds which are the occasion of forced saving would not be worth borrowing if they could not receive their economic validation from the consequent emergent loss which they bring about. And, in general, antecedent emergent loss attendant upon the making of a loan is not a disequilibrating factor; the loans commonly regarded as producing a cumulative departure from equilibrium are only those which involve consequent loss exclusively. Keynes' anomalous position arises from his simultaneous view of the process *principiative* and *terminative;* saving and investing always equate if we count both antecedent and consequent loss emergent upon the loan. How the processes which interest Keynes could come about if loans were never made save those involving only *antecedent* emergent loss is a matter upon which we await enlightenment.

VII. *There is, therefore, a valid and useful—though as yet imperfectly described—distinction between natural interest, in the determination of*

which changes in the volume and value of money, broadly understood, are not active, independent variables and money interest in which changes in the volume and value of money are active independent variables.

The expression of these interest phenomena as abstract rates *per cent* is logically difficult because, at the times for which the interest is being computed, precisely that has altered of which we seek so much *per cent.*

"There is a certain rate of interest on loans which is neutral with respect to commodity prices, and tends neither to raise nor to lower them. This is necessarily the same as the rate which would be determined by the supply and demand if no use were made of money and all lending were effected in the form of real capital goods."[45]

"Wicksell distinguishes between the Natural Rate of Interest or the rate that could be determined by supply and demand if actual capital goods were lent without the mediation of money, and the Money Rate of Interest, or the rate of interest that is demanded and paid for loans in money and money substitutes. The money rate and the natural rate of interest need not necessarily coincide since it is possible for the banks to extend the amount of their issues of fiduciary media as they wish and thus exert a pressure on the money rate of interest."[46]

"An adequate explanation of that 'natural rate' is the indispensable starting point for any realization of the conditions necessary to the achievement of equilibrium and for an understanding of the effects which every rate of interest actually in force exerts on the economic system."[47]

"For us, however, there is no such thing as a real rate of interest, except in the same sense in which we speak of real wages; translating both the interest and capital items of any loan transaction into real terms by means of the expected variations in an index of prices, we may derive an expected, and by performing the same operation *ex post,* an actual rate of interest in terms of command over commodities."[48]

"In the second approximation—which as we have just noted contains all that is most typical in the theory of rate of interest—the distinctive factor is the rate of return over cost, or the investment opportunity rate. This is also the most difficult factor to picture, isolate, and disentangle from the rate of interest which it helps determine. . . . The investment opportunity rate is distinct from the market or loan rate of interest because an investment opportunity is distinct from a loan."

"If the monetary standard were always stable with reference to goods, the rate of interest reckoned in terms of money would be the same as if reckoned in terms of goods. When, however, money and goods change with reference to each other—in other words, when the money standard appreciates or depreciates in value in terms of goods—the number expressing the two rates of interest, one reckoned in terms of money and the other reckoned in terms of goods, will be quite different. Moreover, the former or money rate, the only rate quoted in the market, will be influenced by the appreciation or depreciation."[49]

Keynes, in his *Treatise,* employed Wicksell's natural rate as the axis of his system. Now, by taking his position exclusively in a world suffering from departures from the natural rate in this sense, he sees around him myriad "natural" rates corresponding to the various levels of employment

at points where the elasticity of employment is less than zero. This model, it will be observed, still employs Wicksell's rate as the standard from which the other phenomena are specified. The equilibrium from which we have departed and the rate of interest associated therewith remain the core of the system. It would be a valuable contribution to have Keynes' account of how the primary departure, the first schism between income and costs, takes place without invoking consequent emergent loss.

There is no necessity for us here to enter into contention as to the exclusively correct definition of the rate of natural interest. It is sufficient to note that there is such a natural rate, at least in the same sense as there are real wages as opposed to money wages. The two concepts have certain relationships; so that in the absence of technical advance, if funds which have never been income are placed in the hands of entrepreneurs, money wages will tend to rise and real wages to fall with no increase in employment; but the rate of money interest may even fall and yet the total share of interest may rise, because the rate is now being paid on a much larger volume of funds. And it is sufficient to observe that the rate of natural interest, the real yield of capital in a community which has not fully exploited every alternative advance in efficiency available would bear a recognizable correspondence to the common cessant gain entailed in foregoing such exploitation oneself and lending one's claim on the community to some one else. The average investment opportunity in the community and the average cessant gain attendant upon the relinquishing of it are at least prime components in any definition of the rate of natural interest. And though aberrations may be produced in other ways, unquestionably, when funds go to market, *funds which never having been income* can involve no antecedent cessant gain, then surely there is a departure of the rate of money interest from the rate of natural interest, no matter how we choose further to specify the phenomenon. That is, the absence of cessant gain is a clear case of a condition which, when present in a community, all regard as a source of imbalance.

VIII. *Loans contracted out of funds notably larger in volume than the volume prevailing when there was formed an equable price complex with reference to which the loans were made may produce a price complex such that a large proportion of loans, either new or previously outstanding, cannot be paid.*

"The amount of this rate of interest would be determined by the supply and demand for capital. . . . It is possible to set for this rate of interest an upper limit which has a more palpable significance. This limiting value is the amount by which

the total product exceeds the sum of wages, rents, etc., that have to be paid out. . . . It is clear the entrepreneur cannot pay more than this. . . . Little need now be said about the opposite movement of prices which must be set in operation when the lending rate remains permanently *above* the natural rate [and the volume of means of payment is then curtailed]. Not only will the entrepreneurs now fail to obtain any surplus profit but they will suffer losses."[50]

"The increased productive activity that sets in when the banks start the policy of granting loans at less than the natural rate of interest at first causes the prices of production goods to rise while the prices of consumption goods, although they rise also, do so only in a moderate degree, *viz.*, only insofar as they are raised by the rise in wages. . . . But soon a counter movement sets in; the prices of consumption goods rise, those of production goods fall. That is, the rate of interest on loans rises again, it again approaches the natural rate. . . . It will no longer be profitable to conduct this enterprise. Whatever may now occur, whether the business is stopped entirely or whether it is carried on with smaller profits, in either case—not merely from the individual point of view but also from that of the community—there has been a loss of value."[51]

"Only so long as the volume of circulating media is increasing can the money rate of interest be kept below the equilibrium rate; once it has ceased to increase, the money rate must, despite the increased total volume in circulation, rise again to its natural level and thus render unprofitable (temporarily at least) those investments which were created with the aid of additional credit."[52]

"The average time which must elapse before the new products appear . . . fundamentally explains the length of the boom. This appearance of the new products causes a fall in prices which on its part terminates the boom, may lead to a crisis, must lead to a depression, and starts all the rest. . . . The appearance of the results of the new enterprises leads to a credit deflation because entrepreneurs are now in a position and have every incentive to pay off their debts; and since no other borrowers step into their place, this leads to a disappearance of the recently created purchasing power just when its complement in goods appears."[53]

"I venture the opinion, subject to correction on submission of further evidence, that in the really great booms and depressions of the past, each of the above named factors has played a subordinate role as compared with two dominant factors, namely, (1) overindebtedness (especially in the form of bank loans) to start with, and (2) deflation (or appreciation of the dollar) following soon after; also that where any of the other factors do become conspicuous, they are often merely effects or symptoms of these two. . . . We may deduce the following chain of consequences . . . a fall in the level of prices . . . a like fall in profits . . . complicated disturbances in the rate of interest, in particular, a fall in the nominal rates of interest, that is, the rates expressed in terms of money, and a *rise* in the real rates of interest, that is, rates translated into terms of commodities which money will purchase."[54]

"The boom which is destined to end in a slump is caused, therefore, by the combination of a rate of interest which in a correct state of expectation would be too high for full employment, with a misguided state of expectation which, so long as it lasts, prevents this rate of interest from being in fact deterrent. A boom is a situation in which optimism triumphs over a rate of interest which in a cooler light would seem to be excessive."[55]

Since the Schoolmen did not think in terms of anything like a theory of cycles, the reasons for the inclusion of the foregoing statements are of a different sort than the reasons for passages preceding. The reason is that the Scholastic position insists on existence of antecedent emergent loss as a warrant for interest. Modern writers take antecedent and consequent loss together as more or less the same phenomenon, notably Keynes, much less notably Schumpeter, and Robertson even less so. There is the danger of giving the impression that these movements are more or less compensatory, that they do not after all make so much difference, especially if they be the occasion of the introduction of really economic innovations which will increase real incomes all around in the long run. This danger is present even in the case of Keynes, despite the fact that his cheap money policy is expressly designed to bring out a redistribution of wealth. The quotations given above indicate that there is no necessary symmetry between these two, that the consequent loss may differ in extent and dispersion from the antecedent loss which would have produced the same volume of investment. There is no theoretical or practical reason why they should be regarded as compensatory.

The citation from Keynes carries with it another thought. Why these waves of optimism which seem to be the generators of ill-fated booms? Do business men do their anticipating in a void, or is there one erratic variable that defies calculation? If business men were forced to bid competitively to entice money from alternative uses and compensate fully for the loss emergent on the withdrawal, the danger of spontaneous combustion would be beneficially lessened.

Our modern authors have all, at one time or another, sought to define the rate of interest and the role of money in the economy in terms which implied conditions either of definite equilibrium or of a course of equable development; so that the transit involved in a passage from an old to a new equilibrium position would be direct and non-cumulative; the new position would be the definable limit of a definite process. To Wicksell, for example, this meant that the supply and demand for real capital were equal (and the monetary mechanism furnished an accurate register of both). Mises and Hayek would assent to this, adding more explicit consideration of the fact that the relative disposition between present and deferred consumption and the income displacements thereby entailed must be voluntary, lest a distorted structure of production result. The limits of his theoretical construction do not bring this type of description to the fore in Schumpeter's work, but a balance-sheet equality between contributions to and

claims on the social dividend lies behind. Fisher's formulation is sharply outlined in his double market principles of clearing the market: "additions to some person's real incomes must equal the subtractions from others," and the principle of repayment: that this equivalence must be of present values. Keynes employed a Wicksellian concept in his *Treatise* and still uses it as the terminus of his ascent from minor equilibria.

To look to the Schoolmen to compose these different views of the same processes when the moderns have not been able to do so themselves would be asking altogether too much. But it is worth indicating that *none* of these conditions can be fulfilled, if loans are taking place to which no antecedent emergent loss attaches. If there be no emergent loss whatever, then demand for real capital exceeds supply, income is displaced and the economy is operating on two sets of irreconcilable conditions. The balance of claims and contributions will be lost. Obviously, the additions to some people's real incomes are not equal to subtractions from others. Even Keynes might be included in this, because he could justify his loans on the ground that though they involved no antecedent loss neither did they impose a consequent one, because by increasing employment they increase real income all around. This could be done if Keynes had not picked up his story in the middle, where his economy was still bewildered from the last imposition of consequent emergent loss.

Since there can be no *antecedent* equality of saving and investing when the above conditions are not fulfilled, and since the above conditions would not be fulfilled in cases where no emergent loss to the lender corresponded to the loan, we do find a radical kinship between the Scholastic analysis of usury and the modern savings and investing analysis of price movements. The circumstances in which the Scholastic would allow that a source of legitimate interest exists are those in which, when the demand and supply of savings are equal, when all savings are invested, and when there is no investment which does not correspond to a subtraction from previous income, that is, to funds which have previously been cost and which therefore have found their place in the pricing system. In such cases, the rate of return over cost, the rate of natural interest, and the average emergent loss in the community express ideas with a great deal in common.

Wicksell liked to insist that the telling difference between his pedagogical economy in which goods were lent *in natura*, and the world in which we live, was that the production goods there considered as being lent are in reality no longer lent. Money now is lent and production goods are

bought and sold. The value productivity of the physical goods is an objective set of relationships. If money does not so change hands as to express accurately these value relationships, then the relations themselves are *altered* rather than expressed by the money sums paid for them.[56] When investment is made with funds that have never been income and, before being income, have never been cost, such a derangement is theoretically inevitable. Such funds are *sui generis* in the economy. They have for their holder the same potency as previous income but they are not such. We may call them pseudo-income, funds which yield to the one controlling them dominion over resources, just as income does; but, never having been cost to anyone, they are not derived from the economic process. These funds are the offspring of the second class of credit transactions spoken of by Mises—those in which "the gain of the party who receives before he pays is balanced by no sacrifice on the part of the other party. . . . and results for him in no reduction of satisfaction."[57] And when investment is financed with funds that have never been income and which, therefore, could not possibly involve *antecedent* emergent loss or cessant gain, then there may well be *lucrum ex mutuo*, since someone is enabled to cut into the market and buy at current prices before the effect of the injection of this pseudo-income has had opportunity to operate. If the purchase of the investment goods proves to have been ill-advised, the actual borrower may not be the recipient of the gain he has occasioned. But somewhere in the economy, "windfall gains" will appear on someone's books; the economic *process* then has operated to produce "a gain from a loan" even though no person could be shown to have been guilty of usury. Again we have the effect of usury without the personal fault. The usury is institutional, or systemic.

Thus far we have confined ourselves to the situation in which the pressure of the loan operation on the price level was upward. The injection of pseudo-income, involving no cost and thus no emergent loss, generated price rises and a displacement of incomes based on earlier costs.[58] But the process in the first instance need have caused no *positive, absolute* monetary loss since prices were rising. Transmitting the question of why this pressure reverses itself, we need only turn to experience to realize that the opposite situation is very real. We can have and have had a conjuncture in which the extinction of loans and the annihilation of funds upon which they were based has generated a cumulative rise of pseudo-costs, manifested chiefly in the writing down of the value of assets either sold under pressure or, even though not sold, obviously of less earning power to their

owners. Can the Scholastic analysis be applied so as to illuminate this process?

Directly, of course, it cannot be so applied. Deflation did not present itself to them as an acute problem. Inflation they knew both as caused by debasement and by new metal; they probably did not perceive the inflationary tendency of the banking methods developing in their day. Debasement they disapprove except under such circumstances as would warrant a tax of equal severity and incidence, and this, moreover, in the face of some impending disaster to warrant using the more expeditious but less just means. Inflation as they knew it did not necessarily generate a perceptible reaction. An attempt to derive some light as to how they might have viewed such a process is, therefore, not a direct application of their teaching.

When the pressure was upward, the windfall gains generated by injection of pseudo-income, the resultant forced saving by which the new funds were made economically valid, and the consequent depreciation of money were seen to be a process upon which the Scholastic would frown at *its very first step*, namely, the gain from a loan of funds that, not being income, could not involve emergent loss to the lender. If the loans and created funds upon which they were based were *all in the hands of one man,* the Scholastic would not approve of *that one man* calling all the loans simultaneously, inducing distress selling and an avalanche of pseudo-costs with resultant lower values, and then buying in the assets. That, too, would be gain from a loan; and to make one's own price by calling a loan would be no less reprehensible than charging a higher price for a good which the seller financed by a loan involving no emergent loss. Though the Schoolmen were not confronted with the problem, we may well believe that they would have condemned such a practice as heartily as they would condemn the depreciation of money by sending pseudo-income to market.

There are several substantial reasons for this conclusion. First of all, the Schoolmen had a strong sense of the pricing process as a social matter; the just, common, or natural price arose from community *participation* in the market. And this view was bound up with their doctrine on private property. The goods which come to be priced still bear the mark of the social destiny of all goods. A man could be forced to sell goods which he might be holding for a higher price, if the common good demanded it. Could he not *a pari* be obliged to sell money which he would be holding for lower prices of goods? Moreover, the Scholastic doctrine implied accurate pricing and favored anything that would promote this. A person selling a

good at a price higher than the common price because of some emergent loss or cessant gain was required to state this fact to the buyer, lest the latter be led into error concerning the true price. Moreover, though they do not to this writer's knowledge set it forth as an explicit assumption that the value of money is undergoing no radical change during a communal pricing process, it is not an unfair conclusion from their treatment of other problems of money to say that they would have been willing to make it explicit had it been a practical problem for them.

In order to maintain the symmetry of their equations, some recent writers have introduced the view of regarding sums not loaned, that is, income not spent on either consumption or investment, as loaned to one's self. At first sight this may seem a bizarre notion, especially when in the face of a declining price level there is no intention of making a commitment for some time and therefore no possibility of interest. Nevertheless, other considerations indicate that a good point is contained in this formulation. When under stable conditions earnings are reinvested, computing an interest charge on one's own investment as a cost is a common enough procedure though it amounts to lending to one's self. A *masse de manœuvre*, in order to seize upon the opportunity that may knock but once, is considered good practice in many mercantile and financial enterprises and an interest charge may be carried against it. Quite conceivably a merchant might borrow money from a bank in a period of falling prices, for the sole purpose of being able to cut into the market when the price fall is over; or perhaps his own support might end or help to end the decline. If a merchant withheld earnings with the same intent, it seems not so odd after all to regard the operation as a loan to himself.

If we admit this procedure, the relation of Scholastic analysis to the modern group becomes clearer and more direct when liquidity preference is high in a period of contraction and falling prices. If usury be *gain from a loan* (*lucrum ex mutuo*), as it was formally defined, then the gain from this loan to one's self is of the same character as the gain from pseudo-income when expanding loans were inducing windfall gains. The extraction of gain from the use of pseudo-income and from the imposition of pseudo-costs are symmetrical processes.

This analysis is interesting also for the reason that the concepts so much employed in recent controversy—forced saving, the principle of acceleration, and the "multiplier"—describe the relation of the same variables in different phases of an economic sequence. If the relation called the "multiplier" operates from an initial condition of full employment, it expresses

itself primarily in prices; the elasticity of supply being theoretically zero, quantities cannot respond. If the process of loaning pseudo-income begins in conditions of under-employment of resources, it will express itself primarily in quantities, prices remaining as they are until the slack is taken up. We need a correlative expression for the deflationary process—the deceleration of income velocity as liquidity preference rises and induces pseudo-costs marking down the value of assets.[59] If the Scholastic would consider the first process as being off the reservation, there seems to be no reason why the second would not also be so considered. That such a concept of loans to oneself should present itself as a mathematical device is interesting too; for it implies that if money does not go back to market within some customary period, the social status of these funds is altered, and a new view, both economically and morally, must be taken of gains accruing to such funds. Evidently such a view would not have been alien to the Schoolmen's view of the pricing process.[60]

We may conclude from this that a Scholastic of the seventeenth century viewing the modern monetary problems would readily favor a 100% reserve plan, or a time limit on the validity of money. Interest may be viewed as a problem in the just price of money. A medievalist would not know how to approach a problem of just price when the supply was wholly unpredictable, as the supply of money is in a modern community. When the supply of money is conditioned in large measure by arbitrary decisions which are not rationally calculable, then the common appraisal becomes mere guesswork and should be treated under the heading of games of chance (*ludus*). A fixed money supply, or a supply altered only in accord with objective and calculable criteria, is a necessary condition to a meaningful just price of money. The Scholastic would not merely welcome a return to "cloakroom banking" (in Edwin Cannan's phrase), but would approve a sign "not responsible for goods left over one year."

But an observation of another sort may be made on the possible attitude of a usury analyst to the downward spiral of deflation. If loans were made only of funds risked out of previous income, could such a progressive condition ever arise? Spontaneous fluctuations in the rate of saving there might be and corresponding adjustments in the rate of interest and shifts in the direction of economic activity; but no movements that, once set in motion, have no tendency to come to equilibrium. The advantages and disadvantages of saving under these circumstances are tolerably well defined; the volume of money to be bid for is definite; there is no reason why a new price level and new rate of interest might not be

achieved. If cumulative price surges induced by pseudo-income were avoided, the problem need never arise; nor would cumulative price shrinkage follow in its wake. As Schumpeter says, "The only cause of depression is prosperity." The fact was remarked in discussing the first cases mentioned above, where an initial equilibrium condition of savings and investment was obvious. And the question was asked, why should not the condition be regarded as fulfilled? In the realm of the strictly economic, where do the notable shifts affecting liquidity preference come from if not from changes in the money supply? Hoardings from motives of personal precaution or from miserly abnormalities are not likely to be economic factors capable of maintaining their general effectiveness in the face of shifts in banking policy affecting the future prices of assets. The Scholastic would not regard the general downward spiral as something to be included in the "general" case. He would seek the source of the aberration from the normal as Wicksell did and take his stand on the elimination of the disturbing factor at its source. The money market is characteristically one of monopolistic competition, with multiple discrimination through the various rates. Price formation in such a market is extremely difficult to follow. Add to this the fact that the supply is subject to profound, abrupt, and arbitrary changes which also affect at once the value of the whole outstanding supply which is never diminished by consumption. Add to this the further fact that the quality of the supply may be altered as well as its quantity. Why should the economist hope for a simple principle with which to analyze such a market?

One of the great reasons why cumulative price declines can come to pass in modern economy is that large aggregates of disposable funds are in the hands of relatively few people; and even in those cases where the ownership is less concentrated, the disposal of the funds may be in relatively few hands. Whether or not Keynes is right in seeing this fact as a result of a deep-seated psychological bent, a rising propensity to save, the fact remains that a small fraction of the community can, by taking to cover in the face of an untenable price situation, induce a progressive decline in which they alone stand to profit. As has been remarked, this is a point which the Schoolmen quite overlooked; to them the distribution of income seemed to be important only in a secondary way, if at all. Nevertheless, it is a fair question for the theorist and a legitimate investigation for the historian to ask whether or not the present highly skewed distribution of income would have developed had Röpke's definition of the rate of natural interest always been carried out in real life.[61]

Apart from enrichment of politicians by confiscations, and exploitation of natives in imperial areas, whence do the modern aggregates of free capital funds arise if not from profits of credit-financed innovations, including the periodic innovation of military enterprise requiring the complete re-direction of the economy, with credit-financed windfalls to those holding assets with special wartime values? "What is usually meant by the size of the savings of a modern nation is nothing but the sum of those profits from development which never become elements of income."[62] If innovation had always paid a full just price for the saved resources employed to the persons whose income-curtailment furnished the savings and upon whom the consequent emergent loss descended, how different would distribution of income be from what it is? What its shape would be we may not say, but we can safely hold that it would be very definitely less askew than it is. And the importance of liquidity preference as a special factor would be much less.

Thus it may be concluded that these conjunctures have notable points in common: conjunctures under which the Schoolmen would say a gain from a loan would be usury and the conjunctures which the Wicksell-Schumpeter train of thought sees as the source of a disequilibrium. If the principles which the Schoolmen applied *primarily to persons* are applied to a *process* and the usury then is regarded as "institutional," then the fundamental affinity is strong.

But here, I think, the likeness between usury analysis and modern monetary theory ends. The modern authors reviewed, possibly because of the optimistic outlook on the ultimate benefits of forced saving,[63] look to monetary authority for the determination of policies yielding the greatest good to the greatest number. Questions of banking policy are beyond the scope of the present study, but we may safely say that banking policy of this type would not appeal to the Schoolmen. Rights and wrongs were personal matters, and to obscure them by a perpetual shifting back and forth of exchange values in the vain hope of working them into some more equitable pattern would not coincide with their view. Just and natural price was to be arrived at on a fair open common market, the market regulated so as to make it an accurate register of the choices of the persons bidding. Anyone familiar with the Scholastic theory of the origin and limitations of civil authority, of the rights and duties of individual persons, of the relation of Church and State, and the origin and limitations of the right of property, of government and taxation and the consent of the governed and taxed, and of the primacy of commutative justice and its re-

morseless tenacity, will readily see what their attitude might be and the reasons for it. The role of government in social justice is to create conditions in which the citizens, not simply as such but as responsible persons, can readily recognize and fulfill their obligations in commutative justice. Its role is not to attempt to fulfill these obligations. Schoolmen would be extremely reluctant to leave to any group the manipulation of the price and volume of money according to no objective standard.[64]

---

[1]Wicksell, *Lectures*, II, p. 191; Mises, *Theory of Money and Credit*, p. 88.

[2]Schumpeter, *Theory of Economic Development*, p. 171.

[3]Fisher, *Theory of Interest*, p. ix.

[4]Cf. *ibid.*, p. 443, note, and p. 450, on Wicksell; pp. 518-519, on Walras.

[5]In the following sections, there is no suggestion of a continuity of intellectual influence from the late Scholastics to contemporary writers. Whatever may have been the case in the day of John Locke or even of David Hume, the impulse had long spent itself. The most cursory survey of most statements made about "Canonist" teaching by modern writers permits of only one conclusion. The moderns knew next to nothing about them.

Whatever may have been the reason for the failure to apprehend a degree of similarity to Scholastic doctrine in this group, it was not observed until the appearance in 1930 of the *Treatise on Money*, by John Maynard Keynes. The relations of Keynes' thought to Schumpeter are given in a footnote on p. 171 of Vol. I; the book as a whole is an Anglicized Wicksellian process. Later Keynes credited Fisher with having put his finger on the really fruitful concept. (Cf. Keynes, "Theory of the Rate of Interest," in Gayer, ed., *Lessons of Monetary Experience*, p. 145.) The point upon which comment was aroused was that of possible divergence between the volume of saving and investment, an alternative way of saying that the rates of natural and money interest may diverge. The emphasis was not on the more theoretical of Wicksell's cases but upon that in which forced saving emerges.

[6]The concept of equilibrium implicit in Scholastic analysis is not that of an analogy with physical forces working toward some new equation in which each impulse is offset by one equal and opposite, but rather that of *balance* in the accountant's sense, in which there corresponds to each asset some equity based on contribution and cost. Cf. Wesley C. Mitchell, *Business Cycles*, New York, 1927, p. 462.

[7]*Statistical Abstract of the United States, 1938*, Washington, 1939, footnote 2, p. 278, Table No. 303.

[8]The truth of this observation is exemplified by the place given to similar considerations in Hayek's theory of prices and money; cf. Lecture IV, *Prices and Production*.

[9]Like the modern writers with whom we deal, we are concerned with the problem of borrowing for industrial and commercial purposes. Personal borrowings for the sole purpose of adjusting the time shape of income present no special problem. Also, like the modern writers with whom we deal, we limit the discussion to transactions on pure credit terms, prescinding from the great *practical* qualifications placed on the theoretical analysis by the course of gold production and price, legislative changes in banking law, and the like. Likewise, except when speaking expressly of "anticipations," we assume the absence of flagrant errors and resultant gross misdirection of resources.

[10]Alfred Marshall, *Money Credit and Commerce*, p. 73.

[11]Schumpeter, *Theory of Economic Development*, p. 189.

[12]Fisher, *Theory of Interest*, p. 157.

[13]Mises, *Theory*, p. 90.

[14]Wicksell, *Lectures*, II, p. 191.

[15]Mises, *Theory*, pp. 340, 88.

[16]Hayek, "Reflections on the Pure Theory of Money of Mr. Keynes," *Economica*, 11: 33, August 1931, p. 278.

[17]Schumpeter, *Theory of Economic Development*, p. 184.

[18]Fisher, *Theory of Interest*, p. 493; cf. also pp. 282, 499.

[19]Keynes, *General Theory*, p. 226.

[20]Molina, 314, *incrementum*.

[21]Molina, 315; also Lugo, 25: 71, 86; and Lessius, 20: 86.

[22]Wicksell, *Lectures*, II, pp. 190-192.

[23]Mises, *Theory*, p. 339. The brevity and indirect quality of the citations from Mises on some propositions arises from the fact that he does not discuss *ex professo* the theory of interest but is concerned with other problems of the relation of interest and money. On this particular point the same is true of Hayek.

[24]Schumpeter, *Theory of Economic Development*, pp. 193-194.

[25]Fisher, *Theory of Interest*, pp. 148-149.

[26]Wicksell, *Lectures*, II, p. 185. (The word "may" was not italicized in the original.)

[27]Hayek, *Economica*, 11: 33, August 1931, p. 280; *Prices and Production*, p. 73.

[28]Schumpeter, *Theory of Economic Development*, pp. 156, 170-171.

[29]Fisher, *Theory of Interest*, p. 157. (The words, "usually later," were not italicized in the original.)

[30]Keynes, "The Theory of the Rate of Interest," in Gayer, ed., *Lessons of Monetary Experience*, p. 145.

[31]Cf. Böhm-Bawerk, *Capital and Interest*, p. 23. The monograph to which Böhm-Bawerk refers is not the work of Thomas Aquinas but of Giles (Aegidius) Lessines, probably written in the year 1285. See M. Grabmann, *Die Werke des hl. Thomas v. Aquin*, S. 352, par. 16; M. Grabmann, "Aegidius von Lessines," *Divus Thomas*, 2 (1924), pp. 35-54; E. Hocedez, "La Date du *De Usuris* de Giles de Lessines," *Ephemerides Theologicae Lovanienses*, 4 (1926), pp. 506-512. Böhm-Bawerk does not remark as he should that the point here made about "time" applies properly *in solo actu mutui primo et per se*. *Sancti Thomae Aquinatis Opera*, Parmae, ex typ. P. Fiaccadora, 1864, Tomus decimus septimus. (Opuscula theologica et philosophica tam certa quam dubia) Opusculum LXVI, *De Usuris in Communi et De Usurarum Contractibus*, pp. 415-417.

Henry Pesch, commenting on Böhm-Bawerk's principle, "present goods are as a rule worth more than future goods of like kind and number" (Positive Theory of Capital, p. 237) makes the following observation based on Schreiber: "A pupil of St. Thomas Aquinas, Giles Lessines, had already in another form, called to notice the influence of time on the valuation of goods. '*Res futurae per tempora non sunt tantae existimationis, sicut eaedem collectae in instanti nec tantam utilitatem inferunt possidentibus, propter quod oportet quod sint minoris existimationis secundum justitiam.*" (Pesch, *Lehrbuch*, Bd. V, p. 671.) "Future goods are not valued as highly as the same goods assembled and immediately available, nor do they afford the same utility to their owners. For this reason they must be regarded as of less value according to justice." The passage quoted occurs with several paraphrases in the *Opusculum* cited, p. 426.

[32]Wicksell, *Lectures*, II, pp. 201, 194-195. (Italics in last sentence inserted.)

[33]Mises, *Theory*, p. 264.

[34]Hayek, *Prices and Production*, p. 114; *Profits, Interest and Investment*, p. 43.

[35]Schumpeter, *Theory of Economic Development*, pp. 101-102; cf. footnote same page.

[36]Fisher, *Theory of Interest*, p. 149

[37]Keynes, *General Theory of Employment, Interest and Money*, p. 78.

[38]Mises, *Theory*, p. 264.

[39]Wicksell, *Interest and Prices*, pp. 111, 156.

[40]Mises, *Theory*, p. 349; cf. also pp. 206 *et seq.* and pp. 346 *et seq.*, and *Geldwert*, S. 45.

[41]Hayek, *Prices and Production*, p. 57; cf. also "A Note on the Development of Forced Saving," *Quarterly Journal of Economics*, 47: 1, November 1932, p. 234. Reprinted in *Profits, Interest and Investment*, pp. 183 *et seq.*

[42]Schumpeter, *Theory of Economic Development*, pp. 108-109 with note.

[43]Actually, it is difficult to see how, when balances are being created, Fisher's First Market Principle ("What was borrowed equals what was lent") can be fulfilled. He should therefore have included forced saving at a logically earlier point in his analysis.

[44]Keynes, *General Theory*, pp. 80-81.

[45]Wicksell, *Interest and Prices*, p. 102.

[46]Mises, *Theory*, p. 355.

[47]Hayek, *Monetary Theory and the Trade Cycle*, p. 201.

[48]Schumpeter, *Business Cycles*, Vol. I, p. 127.

[49]Fisher, *Theory of Interest*, pp. 36-37, 497.

[50]Wicksell, *Interest and Prices*, pp. 104, 150.

[51]Mises, *Theory*, pp. 363-364.

[52]Hayek, *Monetary Theory and the Trade Cycle*, p. 176.

[53]Schumpeter, *Theory of Economic Development*, p. 233.

[54]Fisher, *100% Money*, pp. 106-109.

[55]Keynes, *General Theory*, p. 322.

[56]Need we remark once more that there is no necessary simple connection between the "own-rates" of goods and the rate of natural interest which might arise from combinations of commodities with such and such "own-rates"?

[57]Mises, *Theory*, p. 264.

[58]Cf. Bulletin No. 2 on *Post-War Planning*, "After the War—Full Employment," National Resources Planning Board, Jan. 1942, p. 5, "Costs and income are just opposite sides of the same shield." This proposition is laid down as evident and as fundamental in post-war policy. Costs and income may be opposite sides of different shields, one made of real goods, the other made of paper. The economic significance of pseudo-income, money which never having been income cannot involve emergent loss, is of great practical importance.

[59]Along the lines being developed by Prof. James W. Angell; see the bibliography and especially his "The General Dynamics of Money," *Journal of Political Economy*, 45: 3, June 1937, pp. 289 *et seq.*

[60]Though, as is clear from the statement of Scholastic doctrine, "expectations of loss and gain" (*spes lucri vel damni*) and the proper evaluation of them were given much consideration, we have not introduced them here for the reason that the Scholastics did not regard them as an *independent* variable, as some recent writers do. Expectations were based on the objective data, which on the average were correctly appraised.

[61]"The rate which would establish itself if the volume of credit in the community were built up solely out of real savings and not out of additional credits besides." Röpke, *Crises and Cycles*, London, 1936, p. 114.

[62]Schumpeter, *Theory of Economic Development*, p. 199.

[63]Cf. Howard Ellis, *German Monetary Theory, 1905-1933*, Cambridge, 1934, p. 402.

[64]The circumstance should be noted here that though we have limited the discussion to commutative justice and to considerations drawn from reason alone (since that was the most convenient way of dealing with usury), additional reasons and motives upon which the Scholastic might draw in order to persuade participation in the social process of pricing are not so limited. In addition to commutative justice, the virtues of social justice, personal charity and social charity, both natural and supernatural, liberality and munificence, all furnish new motives for staying in the market when "loans to one's self" might seem to be more profitable.

CHAPTER X

SPECIAL ANALOGIES

A recrudescence of usury analysis on a scientific basis first appeared in the British *Economic Journal* in the form of a series of comments on Keynes' *Treatise on Money* which, it was contended, contained in but slightly different form ideas which were characteristic "Canonist" teaching. The burden of the first of the succession of comments may be summarized as follows:

"The cardinal point made by Mr. Keynes is the distinction between Saving and Investment, between the saving of money and its conversion into capital goods. Saving without investment is not a service to production and the saving of money does not by itself cause any conservation of products, but their waste or their disposal at lower prices and the slowing down of productive activity. The continuity of the economic process requires that purchasing power should be exercised as it is received, otherwise the demand for goods falls below the supply and we find ourselves in the depressing company of unemployment, falling prices, and business losses. . . . The saving is sterile from the standpoint of the community, though it may be profitable to the individual who apart from any interest earnings may watch his idle money grow in purchasing power through the fall in general prices. . . . It is an inescapable conclusion from the Keynesian analysis that interest is the villain of the piece. . . . The fundamental distinction between Saving and Investment which Mr. Keynes makes renders it equally fundamental to distinguish between Interest and Profit and between Money and Capital. It is here that Mr. Keynes is brought into the camp of the Canonists. Professor Cassel in his *Nature and Necessity of Interest* criticized the Canonists and opposed them with the principle that interest is paid for the use of capital, not for the use of money. Now the Canonists never quarrelled with payments for the use of capital, they raised no objection to true profit, the reward of risk, ability, and enterprise, but they disputed the identification of the lending of money with the investment of capital and denied the justice of interest as a reward for saving without investment. . . . The Canonist principle was that sharing in trade risks made an investor a partner, a co-owner of capital, not simply a money lender, and gave a title to profit."[1]

So far so good, but we have not traveled very far. The approval by the "Canonists" of receipt of compensation for the assumption of risk was but a very small segment of their teaching and is in principle but a special case of emergent loss; since for the duration of the loan at least, even

though the final outcome be profitable, goods subject to a risk are of less value than goods not so subject. This may help us to an understanding of why interest must be paid; but it is of little avail in telling us why people are willing and able to pay it. When the contract is not one of loan (*mutuum*) but of partnership (*societas*), the whole question of usury merges into the question of the just price of the asset involved. One of the merits of the Scholastic position was its ability to approach questions both of loan and valuation with one set of principles. To imply that the view of the Schoolmen was a fruitful one only in the case of a contract of partnership is scarcely an adequate application of their doctrine. Moreover, when the practical suggestion arising out of these observations is the abolition or substantial lowering of interest on savings deposits, we are left with the feeling that a hopeful beginning has brought us nowhere.

Somerville's comments called forth responses from Edwin Cannan, B. P. Adarkar, B. K. Sandwell, and John Maynard Keynes published in the following issue of the *Economic Journal* (March 1932). There is little in these comments to warrant repetition. Adarkar and Sandwell view the whole business with a bilious eye and supply some strong comments on "Canonist" doctrine which get no closer to the medieval teaching than Ashley. Sandwell suggests that "the Canonist doctrine seems to afford a splendid springboard for the transition to a full Soviet economy";[2] this is a truly remarkable conclusion. But Cannan's comments are of a different order. He distinguishes between "saving up" ("the accumulating of income-yielding things") and "saving on"—on tobacco, for example—an act of mere negative "refraining from expenditures"; he grants that if "saving is conceived as mere refraining from expenditure, interest as a consequence of saving becomes both mysterious and indefensible. Why should anyone be paid something *per annum* for 'having abstained'?"

> "Abstinence is not necessarily a virtue and, besides, there are many virtues which bring in no income. . . . If saving is conceived as saving up money, the case against interest as a consequence of saving is also black. Saving up money is 'hoarding,' always condemned even by economists, and (unless there is an oversupply of money being issued from the mines or elsewhere) it leads to a general fall of prices and all sorts of inconveniences such as were and are now enduring owing to the hoarding propensities of American and French banks."[3]

Somerville's error, in Cannan's opinion, was that he assumed that interest was paid on savings in the mere negative sense of refraining from expenditure. In view of Somerville's emphasis on the importance of the price of capital assets, this scarcely seems to be the point; but in view of

his suggestion about lowering interest payments on saving deposits, it is perhaps a fair score. Having put his finger on an instructive symptom, Somerville did not follow through to a complete diagnosis but allowed his thought to be sidetracked on to a minor issue.

Keynes, in his contribution to the symposium, neatly seized upon Cannan's admissions quoted above, and insisted that an act of personal saving need not in any way lead to an increase in assets; but "if an increment of saving by an individual is not accompanied by an increment of new investment . . . then it *necessarily* causes diminished receipts, disappointment, and losses to some other party, and *the outlet* for the saving of A will be found in financing the losses of B."[4] This is, however not quite the point that Somerville is making as far as the "Canonists" were concerned, though it may be true enough in itself and pertinent to that part of Somerville's paper where he speaks of the place of savings and investment. Keynes feels this and suggests that the "Canonists," impressed by the fact that "in the circumstances of their time, saving generally went with the creation not of assets but of debts," were trying to devise practical normative rules to keep savings and assets associated. This, too, may be possible; but surely nothing is more risky than lending one's money in non-productive enterprises, which would seem to warrant a rather high rate of interest on Keynes' terms. Somerville limits his case to interest titles based on the assumption of risk in the contract of partnership, and wishes to bind together the receiving of interest and the bearing of risk. Keynes, on the other hand, deplores the fact that savings go into debts rather than assets. Yet the Scholastics readily admitted the possibility of risk (*periculum sortis*) in the buying of a debt. Thus far a shadowy analogy has been glimpsed but no issue has been squarely joined.

Somerville closed the discussion in the June issue of the *Economic Journal,* giving many sound reasons why modern theorists had little reason for looking down their noses at usury analysis, giving a less felicitous exposition of "Canonist" teaching but coming back solidly to his original observation which he and Keynes feel has not been adequately disposed of, though it does not quite seem to fit in anywhere. Regrettably, Someville felt that he "need not here consider exceptions based on extrinsic titles like *lucrum cessans,*" limiting his case thereby to one set of transactions which present no great theoretical problem. If a natural object has an annual product, the owner may gather the fruit, and he may charge a price for a share in the participation of that fruit. And, of course, the person buying that share may garner the fruit of his new ownership.

"The merit of the Canonist theory is that it kept clearly in mind the fact that interest is a charge for the use of money, not a yield from the investment of capital. It is an error of modern theory to treat interest as the price of, or return from, capital. Money is not capital, it is not even 'representative capital,' though it is potential capital, but the lender of money does not make the change from potency to act. Capital exists only as capital goods, and the service of converting money loans into capital, of using it productively, of Investment in Mr. Keynes' word, is performed by the borrower when it is performed at all. . . . The great support which Mr. Keynes gives to the Canonists I take to be this: his strong distinction between Saving and Investment shows that it is theoretically wrong to treat money as representative capital and lending as Investment. Interest is the price paid for the use of money, it is not the yield of capital. The marginal productivity of capital, proved or assumed, may be one of the factors that go to determine the rate of interest but interest has no necessary relation with capital productivity."[5]

Upon this dogged but inconclusive refrain the controversy closed.

Another writer participated in the discussion but from a different point of view. Lawrence Dennis of New York found in the teaching of the "Canonists" better arguments for the cancellation of the war debts than he could find among the British neo-classicists who were urging cancellation. To preach war-debt cancellation and cling to traditional doctrines about thrift and credit and interest does not seem consistent to Dennis, and he questions both the expediency and justice of enforcing "unconditional promises of interest payments regardless of the use made of the borrowed money or of the ensuing course of events."[6] "Destructive credit deserves more attention than it has received and at least as much attention as productive credit." The implication of this is that "Canonist" teaching would not allow interest for an unproductive purpose, and eminently not for a specifically destructive purpose like war. But this is not borne out by the facts. War loans, as we have seen and will see again shortly, were regarded as lawful by Scholastic writers, and like modern writers they used these loans as examples because of their simple and direct character. They certainly did not condemn war loans solely because of their destructive purpose. The alternatives open to the lender, not the needs or purposes of the borrower, determined the legitimacy or illegitimacy of interest. The reason why a Scholastic writer might view modern war debts with concern would not arise from the object of the loan.

Keynes returns to the charge himself in his latest reconsideration of his views.

"I was brought up to believe that the attitude of the Medieval Church to the rate of interest was inherently absurd and that the subtle discussions aimed at distinguishing the return on money-loans from the return to active investment were merely

jesuitical attempts to find a practical escape from a foolish theory. But I now read these discussions as an honest intellectual effort to keep separate what the classical theory has inextricably confused together, namely, the rate of interest and the marginal efficiency of capital."[7]

This statement contains a truth, but one very poorly presented. To a Schoolman, the marginal efficiency of capital would be another name for the loss emergent or gain cessant upon the relinquishing of money, the true cost of the alternative opportunities. In communities where these alternatives were numerous and would be competed for, there would arise a common price based on the community appraisal of an average profit opportunity, an average rate of marginal profit from investment. If injustice is to be avoided, this common estimate of marginal profit must equal the rate of interest. But, though the Scholastic norms required that these two coincide, the Schoolmen did not regard them as identical; obviously a usurious contract could exist in which the rate of interest differed from this common appraisal of profitable investment opportunity, *i.e.*, the marginal efficiency of capital. But though this possibility of *de facto* divergence meant that the *concepts* are distinct, it may be very misleading to say that the *Scholastics* labored to keep them separate when *concretely* their whole purpose was to keep them together. A high marginal efficiency of capital meant a true emergent loss to him who relinquished capital goods or the money means to them. The just price of present money, the rate of interest, was therefore high and a consistent Scholastic would work to keep it up, and to allocate the benefit to him to whom in commutative justice it was due, namely, to the one who incurred the emergent loss. Keynes is right in the distinction which he draws; but the use he makes of it is so different from the Scholastic application that it might readily be the source not only of confusion of ideas but also of imputation to the Schoolmen of ideas directly contrary to what they held.

In addition to the more general theoretical analysis of whatever kinship there may be between the Wicksell-Schumpeter-Fisher theories and the Scholastic doctrine on usury, certain cases may be considered which, though limited and partial, have some fairly definite resemblance to concrete modern situations.

The simplest example of which the Scholastic could think to exemplify the principle of cessant gain was that of a forced loan imposed by a monarch who compels merchants to part with their cash in hand, to withdraw money from their business, to sell assets at a loss, and drastically to curtail their operations. That such compulsion might be justifiable from the

standpoint of the monarch when the community was confronted with some calamity was regarded as conceivable, if not probable; granted the possibility of such a public crisis, only in the mercantile community could cash be found free to be mobilized readily. But regardless of the conceivable justice of this first step, not only was the loan to be paid back to the merchants but it was to be paid back with interest compensating them fully for their emergent loss. This was regarded as a clear-cut situation and as such was used for illustrative purposes. The merchants had actually incurred the loss; and therefore (though the monarch might, of course, tax the whole community to pay back the loan, and in this event the merchants would be taxed their share as part of the community) to the merchants alone must go the compensation for the loss actually incurred. *Antecedent* to any effect of this transaction on the price structure, the merchants have been deprived of money which to them had an extrinsic value greater than its nominal value. This value, too, must be restored.

A modern government confronted with a situation demanding an expeditious mobilization of funds does not descend upon the mercantile community. There is no *antecedent* emergent loss in the modern process, though the ultimate effect, the *consequent* emergent loss, will embarrass someone in much the same way as the older direct method. The following quotation outlines the essentials of the method in one historical case. "The government's monetary requisitions were adequately met by a fund of deposit currency, and the procedure employed—payment by credit, redeposit of funds, and exemption from reserve requirements—replenished this fund as required or desired by the emission of certificates of indebtedness without corresponding withdrawal or curtailment of banking credit in other quarters. The deposit currency created in this manner is not unfairly described as fiat—not a deduction from an existing limited stock but the provision of a new unlimited supply with no limitation short of the remote check of an ultimate gold reserve. . . . There could obviously be no credit or monetary strain or dislocation incident to a borrowing device when the accompaniment of that device was a mechanism which supplied for the asking a practically unlimited fund of the thing borrowed."[8]

This volume of deposit currency represents not so much a loan as a levy upon the holders of currency and deposits. They are the ones from whom the validity of the new fund is drawn through losses expressed in higher prices to be paid for goods when the new funds go to market, as they promptly do. "But that is not all. Besides drawing too much of what the government needs from the poor as compared with the rich, finance by

bank credits also causes a large transfer of real income from one set of people (mainly the receivers of fixed incomes) to another set of people."[9]

How can the Scholastic line of reasoning be applied to modern war financing? The modern state is under no necessity, as was Charles II, to stop the exchequer; but under war conditions it can borrow at its own rates and supply the means of lending to itself. Quite apart from the separate question of the interest on securities in which the indebtedness may ultimately be funded, no modern nation makes any attempt at allocating the compensation for the loan upon those whose emergent loss consequent upon the loan was the actual source of the economic validity of the new funds.

In the second instance, when a war loan bond is sold and is paid for out of funds created *ad hoc,* we have a two-fold phenomenon: first, the acquisition of an asset (the claim embodied in the bond) without any corresponding deduction from income or capital—in other words, without emergent loss or cessant gain by the new owner of the new bond; second, in the case of all persons who participate in wartime profits, we have a *lucrum ex mutuo,* arising from the fact that the lending operations cause a rise in the price of products of wartime industry. Thus even a person who might otherwise claim an emergent loss cannot at the same time also benefit by the rise in prices from the expansion of government credit, and on balance have any emergent loss. The question of presence or absence of emergent loss, it will be recalled, was not to be judged from the loan in the abstract but "from the business as a whole."

In modern states, with any degree of financial concentration, once this process was started, differentiation of claims would be practically quite impossible, with prices rising all around in irregular degree and the incidence of the *consequent* emergent loss quite unascertainable. But we may safely say that the Scholastics would again stand firm at the very first step of the operation; compensation for the transfer of the money and money equivalents to the state shall not be made except to those who have borne the cost of the efficacy of the newly evoked funds. And, secondly, no one may make a gain from a loan by lending money to the government to buy his own products at a higher price.

Mises laid great and proper emphasis on the income displacement occasioned by issues of new money, which have a cost trifling in comparison with their value and which bear no relation to previous income and costs. Wartime income displacements are, as is evident, very great. If the volume of circulating media were not expanded, the rate of interest the state would

have to pay would be very great indeed; but the rise in prices would be smaller and differently distributed. Both the subsequent interest receipts and the gains from control of present money would be in many more hands. Analysis along these lines rather than "destructive loans" would have illuminated Dennis' obscurities about war loans and related it to Scholastic analysis. The cessant gain and emergent loss that merited compensation after the war and its prices have passed will have been absorbed and dissipated. Payment of interest on obligations that represent no fundamental title regardless of the good will of present holders may well prove an impossible process. Among the reasons for this is the configuration of the income displacement, the effects of which, as previously noted, have probably been underestimated.

The second case suggesting itself directly from the authors and bearing some relation to modern situations is the implicit loan involved in those sales in which payment was not made until some appreciable time after the delivery of the article sold, or in which payment was made some appreciable time before the delivery of the article bought. The first case studied by the Schoolmen was an implicit loan (*mutuum virtuale*) by the seller to the buyer, and the second an implicit loan of buyer to seller. If one chose to do either of these things, well and good; he might do so, but on the occasion of such a loan there were two things he might not do: he might not take explicit interest on the money thus implicitly loaned, and he might not raise the price if he waited for his money or lower the price if he got the money before the delivery of the goods, thus making a gain which, though not expressed as interest, was nevertheless a gain due to the loan. Speaking on general principles and assuming the absence of extrinsic titles, both of these practices were absolutely prohibited. They were forbidden because either would be *lucrum ex mutuo*. (It is useful to insist here that the gain forbidden as unlawful interest by usury analysts need not appear in customary interest formula as so much per cent, though it could be so expressed, especially as discount.) But in the cases given, the unlawful gain from a loan of *mutuum* was the sum of money represented by the difference between the price of the goods as it would have been without the implicit loan and the price as actually contracted for.

When, however, the loan implicit in payments at times other than that of contracting involved an emergent loss either to him who paid for goods before he received them or to him who having delivered goods waited for payment, then the buyer or seller suffering the loss might reimburse himself in the price; for now the extrinsic titles are present. The emergent

loss could take any of the forms mentioned in the previous chapter: direct loss, such as assuming carrying costs on goods sold but not yet paid for; cessant gain involved in profitable alternatives relinquished; any risk assumed, including the risk of default; any cost incurred in collection difficulties—all these were various forms of loss emergent upon the implicit loan. The legitimacy of interest under these conditions as well as its illegitimacy in their absence were alike the "common opinion of the doctors." Moreover, the examples cited indicate that such circumstances were not rare; else why should the factors from Genoa give a better price to the wool grower whom they did not have to finance than to those whom they did? Or why should the merchants of Antwerp, having agreed to wait for their money, grant discounts of 8% and 9% if the buyer paid before the time originally agreed upon? Prudent merchants would do this only because alternative opportunity or profitable employment awaited their sound and readily available funds; that is, because the original implicit loan had actually involved them in emergent loss.[10]

At first sight, it may seem that what common ground there is between these late medieval transactions and their modern counterparts would be of little significance. A contemporary merchant or manufacturer who finances his buyers does so only at a cost, expressed either directly in his interest payment to some lender or indirectly in the loss of alternative uses of his money. And every business man is convinced that he can make good use of money in hand. Therefore, when he finances his buyers, he is always involved in an emergent loss or cessant gain; in a competitive world the concessions that would have to be made would tend strongly to equal the rate of pure interest plus administrative costs and compensation for any special risk in this particular transaction. Therefore, a merchant who keeps up the price of his product by financing his buyers is, in a modern competitive economy, almost automatically in the clear as far as Scholastic analysis is concerned.

Nevertheless, a significant similarity is discernible, though the intervention of the banking system may introduce an additional step which obscures the likeness. A modern merchant or manufacturer sells goods, say to retail stores, and grants 90-day terms. Meanwhile, he must have money to carry on his operations, for which he appeals to his banker. The loan which he receives may involve either of two types of funds. It may be, first, money already withdrawn from active bearing on the market, personal savings earmarked for non-expenditure. In modern economy, such a sum automatically represents a curtailment of expenditure from previous income and a cessant

gain, in that the person who voluntarily curtailed expenditure from income normally has many investment opportunities of various sorts. On the other hand, the sum lent by the bank may represent a net addition to effective current purchasing power, if all the conditions be fulfilled under which this is possible.[11] In this second case, price has been maintained by a loan to which no antecedent emergent loss by any specific person or enterprise corresponds. There is, nevertheless, ultimately a consequent emergent loss suffered by the persons who buy this financed good at the higher price with no compensating gain in the prices of other commodities. Or, speaking more generally, there is a loss in the value of their money with reference to the financed commodity, for which there is no compensatory gain in the value of their money with reference to other commodities as there would have been had the loan employed funds whose assemblage represented an antcedent emergent loss, that is, if the loan represented an assignment of funds withdrawn from previous income for which there awaited profitable investment alternatives. In Mises' phrase, this is not one of the transactions "which are characterized by the fact that they impose a sacrifice on that party who performs his part of the bargain before the other does."[12] The borrower in this case has goods transferred to him "to which he has not that claim which alone gives access to the national dividend in other cases . . . *i.e.*, past productive services."[13] "Money that has not been earned in production becomes available for expenditure on products."[14]

The incidence of the *consequent* emergent loss may be quite concentrated or extremely diffused. A small group of persons may find their income-expenditure schedules radically deranged; or a very large number of persons may find prices so slightly altered that the change from this source would be lost in price changes arising from other factors. Likewise the gain from this loan, a loan unaccompanied by emergent loss or cessant gain, may be so distributed as not to be of great moment to any single party. The merchant may have paid out most of his margin in interest; the interest may have been a small item in the banks' total income. Yet an erratic element has been introduced into the pricing process; someone has entered the market for the common appraisal with a significant handicap; there is some price which is not a common price and somewhere a gain from a loan to which no adequate title corresponds. No single person perhaps would be convinced by a Scholastic author of the sin of usury. But the *process* has operated usuriously; again we meet systematic or institutional usury.

On the other hand, as in the first case, when the sums invested represent a contraction of expenditure from previous income, then the costs of the new alternative project will be accurately integrated with the old; then the value of the new investment equals the value of the antecedent emergent loss; then the rate of money interest will be the expression of the common money value of the rate of natural interest—the rate of average surplus value of available alternatives. "For the prices of the means of production were not determined with regard to this employment but only with regard to previous uses. Here, then, in the possession of a sum of money is a means of obtaining a bigger sum. On this account and to this extent, a present sum will be normally valued more highly than a future sum. Therefore, present sums of money—so to speak as potentially bigger sums—will have a value premium which will also lead to a price premium. *And in this lies the explanation of interest.*"[15] If an individual borrower apply his funds in a way which is not only superior in value productivity to the alternatives relinquished, but is also superior to the average minimum surplus value productivity of the projects to which funds are being newly applied—and at which, therefore, it is worthwhile for anyone to borrow—then such a borrower may of course have a profit margin after paying all proper compensation for risk and emergent loss. Such gain from a loan by a *borrower* did not concern the Scholastic moralist: this was congruous compensation for a special skill, a violation of no one's rights. Gain from a loan by a *lender* was the thing upon which they fixed their scrutiny.[16]

The general theory of the Scholastic view of the price of evidences of debt has been set forth in the historical section of usury analysis, where we found that most of the factors conceded a place in modern analysis were at least recognized, if not fully integrated. One case, however, merits special mention in connection with the cases just discussed. The question is this: If the evidence of my own indebtedness is for sale in the open market at a notable discount, may I buy it in? We follow Lugo's discussion. The debt could be bought below par by some third person, if the low price represented the true estimate of the market, regardless of the causes of the low price. Therefore, it is argued by a few, the debtor himself could buy it in at the low price, just as anyone else might; for the low price is based on a true common appraisal, and there is no question of usury because this is a straight case of purchase and sale. There might thus be a question of unjust price; but the price is just by hypothesis; usury is not involved. Therefore, the transaction is unexceptionable. All other writers hold that the deal is illicit.

Lugo thinks that a distinction should be made. A debt may sell at a notable discount for two very different sets of reasons: first, circumstances which are in no way the result of the debtor's action; second, circumstances which may in greater or less degree be the result of his action. In the first case, the debtor himself may profit by objective market circumstance as well as any other; and the more so if the earlier payment be the cause of any emergent loss to him. But in the second case, if the low price of the debt be the result of any action of his (for example, if he has let it be known that he will make difficulty about payment), then he may not buy it in, because this is a circumstance which he is bound in justice to remove. And if he does buy it in, it is a usurious transaction; for to trade 90 now for 100 due then is equivalent to lending the seller of the note 90 to be redeemed at 100 a year hence. For example: "I infer from this first of all that public agents and royal ministers, whose business it is to receive royal moneys and to pay the creditors of the king, sin against justice when they buy these debts from creditors at a low price and later receive full payment from the king. Just as the king may not buy them at a lower price, so neither may the ministers."[17]

What is thus true of the purchase of one's own obligations would, perfectly *a pari*, be true of the sale of them—which raises some nice questions of a central bank making a market for government securities, and about open market operations in general. But modern sovereignties have notoriously indelicate consciences. Let us consider rather a bank with unemployed reserves which acquires an asset, paid for with a deposit to the credit of the former owner. A credit expansion ensues in which the bank is, at the least, one of the cooperating factors. The credit expansion results in the depreciation of whatever circulating medium the bank deals in. Prices rise; the asset appreciates. The bank absolves its debt by paying out on the deposit a currency of lesser value. Let us suppose further that the bank were to sell the asset thus acquired and, having sold the asset, to participate in a contraction of credit. The relation of this to Lugo's debtor making his own terms of payment is clear. The kinship with the case in which one makes the favorable price of an asset one wishes to buy is clear. In each case, we have made a transit from a directly personal operation to a process involving the cooperation of many persons, some perhaps unwittingly. But the effect is the same as if only one person were involved —an asset is surrendered to some person whose title to it has a peculiar color; or some asset held has yielded up some of its value. A process, if not *per se* usurious, has operated usuriously; some lenders have gained

from a loan without the corresponding emergent loss in some form on which a title might be founded.

We return thus by a different route to the general conclusion that we reached before. The modern situation to which theorists have applied the concepts of divergence of natural and money interest, divergences of saving and investment, divergences of income disposition from tenable patterns by involuntary displacements—all these have a sufficient common ground with late medieval analysis to warrant the expression, "institutional usury," for the movements heretofore described in the above expressions.

---

[1]Henry Somerville, "Interest and Usury in a New Light," *Economic Journal*, 41: 164, December 1931, pp. 646 *et seq.*

[2]*Economic Journal*, 42: 165, March 1932, p. 134.

[3]Prof. Cannan is perhaps a little less than fair to the abstinence theorist. Abstinence may not necessarily be a virtue, but it is a necessary condition of real saving, and if real savings are to exist and be invested, abstinence, whether a virtue or not, may require the prospect of gain to be forthcoming.

[4]*Loc. cit.*, p. 135. (Italics in original; the word "'necessarily" seems to be needlessly inclusive.)

[5]Henry Somerville, "Usury and Standstill," *Economic Journal*, 42: 166, June 1932, pp. 322-323.

[6]Lawrence Dennis, *loc. cit.*, p. 312.

[7]Keynes, *General Theory*, p. 352.

[8]Jacob H. Hollander, *War Borrowing*, New York, 1919, pp. 141-142.

[9]Arthur Cecil Pigou, *Political Economy of War*, London, 1921, p. 108. The British mechanism of forced loans corresponding to the American outlined above is given on page 96 of this same work, taken from *The Interim Report of the Committee on Currency and Foreign Exchanges.*

[10]With one problem in this category, the late Scholastics wrestled valiantly but in vain. They did not succeed in applying their principles concisely to a market with two characteristics: (1) a market in which all the goods come on the market at the same time or within a very short time, so that it is practically impossible to expect the merchants to have a sufficiently large supply of cash to buy the whole; and (2) a market in which therefore the price which ruled was a price *entirely* or *almost entirely* determined by sales on credit terms. The arrival of the fleet from the New World was an example of this, when goods of great value would come on the market in large quantity at a single stroke. If the importers had to sell only for cash and within a short time, the price of the goods would be very low indeed. Yet when the merchants who bought the goods transported them into the provinces and other countries, they would have a stable price far above this. This second price was undoubtedly the just price. Yet the price at the port would certainly fall unless the importer was willing to wait for his money. Yet deferred payment was an implicit loan; and to maintain price by an implicit loan was certainly *lucrum ex mutuo*, gain from a loan of *mutuum*, and therefore usury. Many, perhaps most, writers of established authority condemned the practice outrightly as plain usury and quoted merchants as agreeing that it was usurious. If it could be shown that the importer, for example (similar things were true of any good that came on the market in a single abrupt supply, *e.g.*, crops), by reason of the implicit loan suffered an emergent loss, or cessant gain, or risk of loss of the goods, or trouble in collection, or anything of the sort estimable at a price, then again there was n problem. "But taking all this for granted, the great difficulty is whether those goods which are commonly sold only on credit or 'on term' (*ad terminum*) may licitly be sold at a greater price than the highest price at which they would be sold for cash. The question arises concerning certain goods which are

brought in great quantity, from the Indies, for example, and other places, to the great market towns and are immediately divided among various competing merchants to whom they could not be sold for cash; *nor* can those bringing in the goods wait until all the goods are disposed of gradually and bit by bit but they must distribute them immediately in great quantity in order to return to their own countries." Lugo, 26: 105.

After reviewing the contributions of Molina and Lessius and adding some of his own, Lugo concludes that this contract, *in the absence of clear extrinsic titles*, will always remain a "troubled" affair. Upon inspection, all of the various solutions proposed by the authors quickly reduced to an emergent loss or cessant gain of some sort, which in this particular case had been excluded by hypothesis. The reason for the exclusion was the fact that the practice flourished in some ports and markets without apparent reference to any actual emergent loss or cessant gain. Lugo attempts an answer by distinguishing two senses in the axiom that the just price in a contract is that prevailing at the time of delivery and not at the time of contracting. He emphasizes what no one had denied, that the probable future price may be a factor in present just price; but he is not satisfied with the result. The difference can perhaps be composed by saying that on principle the case was unanswerable in the absence of emergent loss; but in the kind of ports where this discussion was relevant, emergent loss was actually more prevalent than either the moralist or the business man realized—a question of fact rather than of principle. This interpolation seems justified when we recall that all the solutions proposed, *assuming the absence of emergent loss*, were always found, upon analysis, to involve emergent loss. If this is correct, then there could have been applied the same reasoning used by Lessius concerning the Antwerp Bourse. The case is complex enough under any theory of interest, and is instructive here in demonstrating the inability of the Scholastics to handle a case on any terms other than those which we have characterized in the text as the ones essential to their position.

[11]We need not recount a process now generally familiar. Cf. C. A. Phillips, *Bank Credit*, New York, 1920, Chapters 3 and 6; Lauchlin Currie, *Supply and Control of Money in the United States*, Cambridge, 1934, Chapter 6; and W. Randolph Burgess, *Reserve Banks and the Money Market*, New York, 1936, pp. 6-9.

[12]Mises, *Theory of Money and Credit*, p. 264.

[13]Schumpeter, *Theory of Economic Development*, pp. 101-102.

[14]Hayek, *Profits, Interest and Investment*, p. 43.

[15]Schumpeter, *Theory of Economic Development*, p. 190.

[16]Such profit margins, of course, introduce a "Blondinian" element into the price *averages*. This is not undesirable nor a cause of cumulative disturbance, and is much preferable to a tight-rope *price level* upon which "Blondinian" policy-makers try to maintain themselves.

[17]Lugo, 26: 101-102.

INDEX

Abstinence, 217
Adarkar, B. P., 217
Albert the Pious, 124
Albertus Magnus, St., 114, 128, 154
Albigensians, 115
Alcala, 118
de Alcala, Luis, 120, 126
Ambrose, St., 157
Anabaptists, 132
de Andrades, Alonso, 119, 128
Angell, J. W., 215
Antecedent and consequent, equality, 92, 98, 112, 206; sacrifice, 49, 197, 199, 201, 206, 221, 222, 225
Anticipations, 25, 29, 60, 93, 105, 107, 213, 215
Antoninus, St. of Florence, 115, 128, 137
Antwerp, 124, 188; Bourse of, 160, 162, 166
Aquinas, St. Thomas, 114, 115, 116, 132, 136, 166
Aristotle, 43, 114, 146, 147, 155, 157, 186
Augustine, St., 114, 146
Azpilcueta, Martin, See Navarrus

Basil, St., 157
Bellarmine, St. Robert 123, 162
Belloc, Hilaire, 6
Benvenisti, J. L., 6
Berindoague, Henry, 129
Besancon, 189
Böhm-Bawerk Eugen von, 10, 24, 41, 48, 50, 187
Bologna, 114
Bonaventure, St., 114
Borgia, Count Don Juan, 118

Cajetan, Cardinal, Thomas de Vio, 128, 137, 162, 169
Cambium, contract of, 161
Calvin, John, 114
Capital, 8, 10, 47, 66, 74, 193; marginal efficiency of, 93, 97, 100, 113, 197, 220; valuation, 181, 189
Capitalism, 72, 147
Cardenas, Juan, 120
Cassel, Gustav, 216
Castrapalao, Ferdinand, 126
Census, contract of, 161sq, 178, 181
Cessant defined, 147
Cessant Gain, See Gain
Charles II, 222
Charles V, 126, 160
Circular flow, 63
Clement VIII, Pope, 118
Coimbra, 118
Common good, 138; market, 150; valuation, 149
Commons, John R., 146
Competition, 64
Concordia, Molina's, 118, 121, 122
Commutative Justice, See Justice
Congregationes de Auxiliis, 118
Conrad, 137
Constantinople, 115
Consumption Loans, 3, 143sq, 192, 213; goods, 47, 53, 59, 142, 144
Continuity, princple of, 146, 213
Contract defined, 140, 141sq
Cost, pseudo, 210; emergent loss as quasi, 178, 220; Scotus' rule of, 151
Council of Trent, 126; Church Councils, 114
Covarrubias y Leiva, Diego, 120, 126, 127
Coyne, E. J., 6
Credit, economy, 7, 66; circulating, 43, 48, 198; creation, 65, 71, 81, 86, 91, 103, 200, 205, 208, 212, 221, 229; commodity, 43; normal and abnormal, 43, 65, 198

Dallas, 189
Davidson, David, 31, 36
Debts, liquid, 162, 163, 170, 177; war, 134, 219, 222sq, 228
Delay (*mora*), 174
Dempsey, B. W., 182
Dennis, Lawrence, 219, 223
Desbuquois, G., 147
Displacement of income, See Income Distribution
Division of labor and property, 63, 131, 132, 137, 149
Douai, 122
Drinkwater, Francis H., 6
Duns Scotus, John, See Scotus
Durandus, 137
East India Company, 117

Efficiency, marginal of capital, 88, 97, 100, 113, 197, 220
Ekonomisk Tidskrift, 31
Ellis, Howard, 38
Emergent loss, See Loss
Endemann, Wm., 120, 121, 129
Entrepeneur, 66sq, 70, 86, 87
Equilibrium, 48, 52, 57, 60, 64, 86, 100, 102, 103, 108, 111, 186, 192, 203, 205, 210; in Scholastic writers, 182, 186, 213
Evora, 118
Exchange, 136sq, 145, 165, 170, 188; contracts defined, 130; foreign, 162, 170, 188
Expectations, 25, 29, 60, 93, 105, 107, 213, 215

Fathers of the Church, 114, 116, 132, 157
Fellner, William, 20
Ferreres, J. B., 129
Fisher, Irving, 20, 63, 74sq, 85, 93, 186; and Keynes, 112; and Schumpeter, 85; and Wicksell, 40
Florence, 188
Functions, production, 52, 95, 111
Funds, pious and mixed, 175, 179

Gain, cessant, 71; as quasi cost, 178, 220
Gaius, 114
Genoese factors, 176, 224
de Ghellinck, J., 124, 125, 129
de Giganta, Miguel, 120
Goods, consumption, fungible, 142; immovable, 168
Grabmann, M., 129, 214
Gratian, 114
Guilds, 114

Haberler, Gottfried V., 31
Hamilton, E. J., 121, 129
Hamilton, Walton, 146
Hayek, Frederick W., 20, 31, 36, 49sq, 59 82; and Wicksell, 58, 186
Henry, Don, Cardinal Infante, 118
de Herrera, Cristobal Perez, 120
Hicks, John R., 38, 112, 184
Hoarding, 56, 94, 96, 211; as loans to oneself, 209
Hocedez, E., 214
Hollander, J. H., 228
Hume, David, 213

Impatience principle, 76, 80
Imputation, 64
Income, 13, 75, 92, 94, 200, 203, 210; and saving, 89; displacement and distribution, 36, 44, 48, 90, 103, 110, 112, 154, 199, 205, 211, 222, 228
Income, pseudo, 203, 207, 210, 212
Index numbers, 19, 40, 83, 87, 109; Paasche and Laspeyre, 21sq, 35
Innocent II, Pope, 114
Innocent IV (Sinibaldo de Fieschi), 162, 169
Innovation, 64
In natura, 11, 25, 27, 37, 54, 206
Irnerius, 114
Installment payment, 162, 223
Institutionalism, 145
Institutional usury, 212, 225, 228
Interest defined, 42, 94, 96; summaries, 192sq; source of, 196; source and basis, 68; as sum and as rate, 34, 199; natural interest, 12sq, 82, 87
Interest, legitimate titles to, 172sq, 180; volume of, 176, 182
Interest, rate of, 36, 76, 80, 83, 93, 115, 179, 196; as price, 5, 34, 55, 94; medieval rates, 160, 162, 179, 181, 182; equilibrium, 54, 56, 99; natural, 12, 14, 23, 54, 56, 73, 88, 91, 108, 202; neutral, 109; normal, 15, 37, 46; optimum, 109; "own," 56, 83, 97, 215; real, 56, 82, 97, 199, 202, 215; convergence of rates, 42, 45
Investment, alternative opportunities, 64, 77sq, 85, 159, 169, 178, 180, 182, 185, 187, 190, 194, 203, 224

James I of England, 123
Jebb, Reginald, 6
Joseph in Egypt, 147
Juana, Princess Dona, 119
de Jure et Justitia, 117, 119, 125, 129, 146, 178; divisions of, 128
Justice, forms of, 134; distributive defined, 134; commutative defined, 135, 138, 145, 173, 215, 220; social, 134, 213, 215; *jus gentium*, 133

Keynes, John M., 29, 41, 59, 88sq, 217; and Wicksell, 63, 108
Knight, F. H., 51
Knoll, August M., 120, 129
Kraus, J. B., 147

Laspeyre's Index, 20
Law, natural, explained, 128, 131, 167, 169; Roman, 114, 140, 143, 146, 147
Laymann, Paul, 126
Leontief, Wassily, 40
Lessius (de Leys) Leonard, 122sq
Liguori, St. Alphonsus de, 126, 129
Liquidity, 84, 94, 97sq; preference, 93, 110, 210; normal liquidity preference, 113

Lisbon, 118
Loans, consumption, 3, 85; forced, 209, 220, 228; to oneself, 209, 215
Locke, John, 146
Lopez, Luis, 126
Loss, emergent, defined, 171, 198; antecedent, 49, 197, 199, 201, 206, 221; consequent, 222, 225
Lugo, John de, 116, 124sq

Macaulay, Frederick C., 87
Major, John, 128, 183
Marget, Arthur W., 11
Maria, Empress of Austria, 118
Mark, Jeffrey, 6
Market coordination, 188; money, 73, 190, 195, 211
Marschak, J., 51
Marshall, Alfred, 6, 112, 113, 213
Mazelino, Sylvester, 128
Medina, John de, 7, 120, 128, 137, 146, 170
Menger, Karl, 84
Middle Ages, 114, 115
Mises, Ludwig v., 41sq; convergence of rates, 42; summary, 48; and Wicksell, 58, 186
de Mercado, Tomas, 120, 121, 126
Merkelbach, B. H., 129
Molina, Luis, 118sq
Money, definition and forms of, 155; values of, 156, 162, 182, 183; productivity of, 157sq, 182; tool of trade, 160, 167, 184; neutral, 16, 40, 60, 62; substitutes, claims to money, 43, 44; quantity theory, 100, 157; supply of, 9, 48, 100, 107
Monroe, A. E., 39
Montes, 175, 179
du Moulin, Chas. (*Molinaeus*), 114, 176, 185
Multiplier, 92, 209
Mutuum defined, 140, 142, 148, 164; and value, 160
Myrdal, Gunnar, 20, 25, 36

Navarrus, 126, 137, 162
Negotium (*negotians*, *negotiatio* explained), 183
von Nell-Breuning, O. v., 129
New World, 117, 228
Nider, John, 128
Notes, sale of, 162, 177
Novelty, standards of, 117, 184
Numeraire, 12, 27

Ohlin, Bertil, 13
100% Reserve Plan, 201, 210
Opportunity, alternative investment, 77, 79, 159, 178, 182, 185, 187, 190, 194, 203, 224

Paasche's Index, 20
Panormitanus, 162, 169
Papinian, 114
Partnership, contract of (*societas*), 174, 216
Paulus, 114
Period of production, 46, 50, 89
Pesch, Henry, 214
Pigou, Arthur Cecil, 89, 228
Plantin, 124
Prices, 35, 38, 47, 58, 61, 66, 86, 91, 93, 96, 108, 186, 197, 203, 226, 229; price fixing, 134, 154; just price, 133, 136sq, 208; at time of delivery not of contract, 229; factors affecting just price, 149, 151; range of system, 154sq, 187sq; cumulative movements of, 17, 24
Principiative-Terminative, 91, 112, 121, 191, 201
Production functions, 52, 95, 111
Productivity of money, 9, 37, 157, 158
Property, private, 131, 133
Prudence, economic, 123, 144sq
Propensity to consume, 93
Pseudo-income, 203, 207, 210, 212
Pseudo-costs, 210

Quantity theory, see money

Rahola, Frederico, 120
Rate of return over cost, 77, 97, 187, 196
Rationalism, 145
Ricardo, David, 37, 187
Riedl, Clare Q., 147
Risk, 174
Robbins, Harold, 6
Robbins, Lionel, 88
Robertson, Dennis H., 91, 112, 205
Roman Law, See Law
Röpke, Wm., 211, 215
Rosenstein Rodan, P. M., 30

Sacrifice, antecedent, 49, 197, 199, 201, 206, 221, 222, 225; consequent, 49; differential, 78
St. Louis, 189
Salamanca, 125, 127
Sandwell, B. K., 217
Saravia de la Calle, 120
Saulnier, Raymond J., 61
de Saumaise, Claude (*Salmasius*), 114
Saving, forced, 35, 55, 70, 91, 104, 111, 200, 212

Usury in Christendom

^^^

No Man Can Serve Two Masters

For either he will hate the one, and love the other; or else he will hold to the one, and despise the other. Ye cannot serve God and mammon.[i]

Matthew 6:24

For the Kingship of Christ

Adveniat regnum tuum: fiat voluntas tua, sicut in caelo et in terra.

TABLE OF CONTENTS

1. Introduction

2. Biblical, Patristic and Magisterial Teaching

3. Precursor: Usury in Catholic Florence

4. Usury and Simony in Catholic Germany

5. The Reformation: Usury Pro and Contra

6. A Faithful Irishman

7. Agents of the Money Power

8. A Quality of Life

9. “Jewish” Usury

10. Epilogue

11. Appendix I: St. Anthony Padua & the Usurer

12. Appendix II: Bishop Jewel Smites Usury

13. Appendix III: Timeline of Papal Usury

14. Appendix IV: Dogma of the Council of Trent

15. Glossary of Terms

16. Bibliography

Yahweh, who shall abide in thy tabernacle? Who shall dwell in thy holy hill?…He that does not ask interest on loans, and cannot be bribed to victimize the innocent.

Psalm 15: 1 and 5.

Psalm 15 is sometimes explained away by the apologists for usury as being a reference only to the "ideal person," just as some Catholic theologians since the Renaissance have established a loophole in Christ's command to "lend expecting nothing in return" by qualifying it as a "counsel of perfection" and equating it with His instruction to sell everything and give it to the poor, "if thou would be perfect." [ii] Unfortunately for the usury apologists, Christ did not connect perfection with his command to lend freely.

The upright man is law-abiding and honest…He never charges usury on loans, takes no interest, abstains from evil…It is Yahweh who speaks.

Ezekiel 18: 5; 8-9

"The natural form therefore, of the art of acquisition is always, and in all cases, acquisition from fruits and animals. That art, as we have said, has two forms: one which is connected with retail trade, and another which is connected with the management of the household. Of these two forms, the latter is necessary and laudable; the former is a method of exchange which is justly censured, because the gain in which it results is not naturally made, but is made at the expense of other men. The trade of the petty usurer is hated most, and with most reason: it makes a profit from currency itself, instead of making it from the process (i.e., of exchange) which currency was meant to serve. Currency came into existence merely as a means of exchange; usury tries to make it increase (as though it were an end in itself). This is the reason why usury is called by the word we commonly use (the word *tokos*, which in Greek also means breed or offspring); for as the offspring resembles its parent, so the interest bred by money is like the principal which breeds it and it may be called 'currency the son of currency.' Hence we can understand why, of all modes of acquisition, usury is the most unnatural."

Aristotle (350 B.C.) [iii]

“When asked,“What is to be said of making profit by usury?’ Cato replied, ‘What is to be said of making profit by murder?”

Cicero (44 B.C.) [iv]

“Whenever you have the intention of providing for a poor man for the Lord’s sake, the same thing is both a gift and a loan, a gift because of the expectation of no repayment, but a loan because of the great gift of the Master who pays in his place, and who, receiving trifling things through a poor man, will give great things in return for them. ‘He that hath mercy on the poor, lendeth to God.’ Do you not wish to have the Lord of the universe answerable to you for payment?”

St. Basil, circa 370 A.D. [v]

"Si quis usuram accipit, rapinam facit, vita non vivit."

("If someone takes usury, he commits robbery, he shall not live")

St. Ambrose, *De bono mortis* (ca. 386 A.D.)

"*Usura radix omnia malorum.*" [vi]

("Usury is the root of all evil")

St. Edward the Confessor, King of England

As monarch, St. Edward (circa 1003-1066), the last Saxon King of England, banished all who charged interest on loans. Usurers who remained in England were subject to the confiscation of their property and declared to be outside the protection of the law (i.e. outlaws). [vii]

A few months before his death, Edward's usury-free England, "was a rich and prosperous kingdom…Later generations did right to appeal to the good old laws of King Edward. He had become a symbol of a way of life which refused to die…" [viii] King Edward was canonized in 1161. His feast day on the traditional Roman Catholic calendar is October 13.

"Usurae arte nequissima ex ipso auro aurum nascitur."

("By the detestable art of usury gold gives birth to gold").

Gratian,[ix] *Decretum* D.47, c.8

“Usury is generally prohibited because if it were allowed all manner of evils would ensue…It is clear that practically every evil follows from usury.”

Pope Innocent IV (1200 - 1254)
Commentaria super libros quinque Decretalium[x]

“In these days prevailed the horrible nuisance of the *Caursines* (bankers), to such a degree that there was hardly any one in all England, especially among the bishops, who was not caught in their net. Even the king himself was held indebted to them in an incalculable sum of money. For they circumvented the needy in their necessities, cloaking their usury under the show of trade, and pretending not to know that whatever is added to the principal is usury, under whatever name it may be called…”

Matthew of Paris, *English History* (1255) [xi]

"…new orders of itinerant friars like the Franciscans and Dominicans organized preaching campaigns, traveling from town to town, village to village, threatening (usurious) moneylenders with the loss of their eternal souls if they did not make restitution to their victims."

David Graeber, *Debt: The First 5,000 Years*

"These mendicant friars supplemented the Lateran texts with their own…horrifying tales about the ghastly, agonizing fates awaiting all usurers in the eternal fires of Hell….The impact of the Franciscan and Dominican preaching orders also served to convince most secular governments of their sworn duty to enforce the anti-usury bans with harsh, pitiless vigor. Further strengthening the anti-usury campaign were the papal *Decretales* that Pope Gregory IX…issued in 1234. They commanded all Christian rulers to expel all usurers and to nullify all wills and testaments of unrepentant usurers."

John Munro [xii]

“Usury cries to the children of prodigality in the streets, ‘All you that will take up money or commodities on your land or possibilities, so as to banquet, riot and be drunk, come unto us and you shall be furnished; for gain we will help to damn both your souls and our own.”

Thomas Nashe, *Christ’s Tears Over Jerusalem* (1593)

Usurers “live in idleness: for usury, as one well saith, is gainful idleness; they walk inordinately, seeking gain by a trade of sin, even as the common thief or baud (pimp) doth: for what is a usurer but as (St.) Bernard saith, *fur legatis*, a thief…The Philosopher matches the usurer with the baud: and to the same purpose observe the coherence, Deut. 23: 18-19.”

George Downame, *Lectures on XV Psalm* (1604).

"And yet in these days, if that men have riches,
Though they be hangmen, usurers or witches,
Devils-incarnate, such as have no shame
To act the thing that I shall blush to name,
Does that disgrace them one whit? Fie, no.
…There is no shame for rich men in these times,
For wealth will serve to cover any crimes…"

George Wither, *Abuses Stript and Whipt* (1613) [xiii]

“Nature has established all things under the sun; a certain term and pitch, when they shall make stay of increase and when they shall be multiplying; the land, if it lacks a jubilee, will in time grow heartless; houses if not repaired will decay; trees will stop bearing and cattle breeding when they grow old. Men’s labor and skill will fail with the passing of years. Only the usurer’s money doth multiply infinitely. And this is not unnatural?” [xiv]

Roger Turner, *The Usurer’s Plea Answered* (London, 1634)

“There is one species of this price or reward…when money is lent on a contract to receive not only the principal sum again, but also an increase by way of compensation for the use; which generally is called *interest*…the enemies to interest…hold…any increase of money to be indefensibly usurious. And this they ground as well on the prohibition of it by the law of Moses among the Jews, as also upon what is said to be laid down by Aristotle, that money is naturally barren, and to make it breed money is preposterous, and a perversion of the end of its institution, which was only to serve the purposes of exchange and not increase. Hence the school divines (scholastic theologians) have branded the practice of taking interest as being contrary to the divine law both natural and revealed; and the canon law has proscribed the taking any, the least, increase for the loan of money, as a mortal sin.”

Sir William Blackstone, *Commentaries on the Laws of England: Book the Second* [xv]

“Do you think Wordsworth could have written such poetry, if he had ever had dealings with money lenders?”

Percy Bysshe Shelley [xvi]

“Hegemony flows from the financial markets…and the whole of national and international life is increasingly organized around the model of speculation and debt.”

Richard Seymour (2011)

“This is the prejudice against all heresies: that that thing is true, whatsoever was first; that is corrupt, whatsoever came after.”

Concilium Nicinum

1

Introduction

This book is concerned with examining how the money-lovers entered and then occupied the Church.

After the Nativity, Last Supper, Crucifixion and Resurrection narratives in the New Testament, there is perhaps no more galvanizing or electrifying image than that of Jesus Christ driving the money-changers out of the Temple (John 2: 15-15; Matthew 21: 12-13). This confrontation is a gospel commentary on greed in general: "We see here how strong is the love of gain — the ruling passion of mankind. Not even the sacredness of the temple, the presence of God, the…ceremonials of religion, deterred them from this unholy traffic. So wicked men and hypocrites will always turn religion, if possible, into gain." [1]

The question is seldom asked, however, what was it that made the money-changing unholy? What specific form of avarice was in operation which brought down the righteous wrath of Jesus Christ?

In the first century A.D., to make an offering, pilgrims, as a matter of necessity, had to change foreign money into the half-shekel. "It is not easy to see the changing of coins (for the benefit of pilgrims to the Temple) as an abuse, unless those engaged in the practice were charging an unjust commission." [2]

According to the First Century A.D. oral traditions of the Pharisees as committed to writing in Mishna Sheqalim 1:3-6, money changers who had "set up in the Temple" exacted "surcharges" for their services.

The battle we will examine consists, in part, of an economic theology that addressed a major moral conflict: a rising merchant class and its obligation to engage in commerce and exercise property rights in accordance with God, who is the supreme owner of all property, over which mankind has only stewardship. Here we encounter the battle with man-made philosophies of cupidity, such as libertarianism and "free market" capitalism, which assert an absolute right to use and dispose of property as the owners see fit. The Church historically ruled that no one had an absolute right to retain a surplus of wealth which others may need. Consequently, all forms of commerce and acquisition of wealth had to be conducted with due regard for the mutual needs of one's neighbors. These needs had a moral claim on the property, goods and other material resources of the property owner and merchant. This is largely incomprehensible to Christians today, for whom the right to pursue wealth is a fundamental axiom of their existence. "As long as I become affluent honestly, what is the problem?" they ask. The problem is that, in matters of money, contemporary "Christianity" represents a drastic departure from the spirit of the original Biblical, patristic and ecclesiastic foundation, out of which grew Christendom and the civilization of Europe. Call your pursuit of wealth whatever you like, but don't degrade the morals and ethics of Jesus Christ by calling it Christian.

"The evil of usury was taken for granted, because the practice was forbidden in the Scriptures. The divine commands repeatedly in the Bible sufficed for the guidance of those generations. But usury meant the taking of gain for the use of money…How then could trade be justified, for certainly trade involved selling at a profit? This was a real difficulty of conscience which was argued throughout the Middle Ages. The normal answer was invariably the same. You may trade at a profit, you may not trade *for* profit. Your object must not be primarily to make a profit, but primarily to either earn your living or to help your fellow-men. It is…a matter of intention. This intention was essential, theologians believed, because it gave a purpose, and therefore a limitation, to the making of money. To make money for gain was wrong because there could be no limitation to it: never could there be a reason to cease making money, never, therefore, a limit to the amount of your money, whereas…once you had provided adequately for yourself and your own, whatever remained over and above was not yours at all, but belonged to the poor. It must be given to the poor. There was attached to it a *jus pauperum*.[3] The rich man might select his particular form of charity, but to some charity, divine or human, all superfluous wealth must go. To the mind of the Middle Ages this satisfied the teaching of the Scriptures: the substitution of a moral purpose for mere indefinite making of money." [4]

Christianity does not grant license to human nature. The license of the human being to sin is forbidden. Fornication is regarded as one of the most exquisite pleasures of our times and many modern people believe that only a fool would fail to take advantage of a situation where the opportunity arose with a man or woman of outstanding looks and personality. To the carnal mentality of the "natural man" it would be insane to do otherwise. Christianity is at war with this fallen human nature. This is its founding premise, from the Book of Genesis onward. What the carnal mentality often considers to be natural, practical and even necessary, constitutes the "wages of sin" for the soul that has been regenerated by the grace of Jesus Christ. Christianity is counter-cultural or it is nothing. For the better part of fifteen hundred years the Church made war on any compromise with Christ's Truth. Since then it has, in certain respects, cut a deal with the spirit of the world and the god of this world.

How do we account for beliefs that were not sold to the highest bidder, or merchandized according to a determinism that rules revolutionary change to be inevitable and irresistible, and where considerations of "practicality" and "being reasonable" did not result in obfuscations of the backbone of the Faith? According to that Faith, all charging of interest on loans of money is theft. How is it that moderns are astonished at the abhorrence of a moral allowance for theft?

It is the most serious kind of nullification to tamper with a law that comes from the Word of God and was upheld by the Church for fifteen centuries. The law against usury was gradually whittled away. The Renaissance and later era Roman Catholic Church was able to camouflage the overthrow. Permission for usury was mostly granted ad hoc, as a practical, bureaucratic and administrative matter. The more it became the custom and practice of Catholics, the more the ancient Biblical and ecclesiastic laws against usury were derogated and eventually totally nullified. A similar stratagem was used by Pope Paul VI in 1969 to eliminate the centuries-old Tridentine Mass of Pope Pius V, which had been in near-universal use throughout the Church.

Paul VI did not explicitly forbid the Tridentine Mass; he would have been hard pressed to justify such a ban on so venerable a rite. Rather, the Tridentine Mass was suppressed by means of a Machiavellian stratagem: a positive act rather than a negative one, the nearly universal promulgation of Pope Paul's New Mass. In addition to the cunning means by which the Tridentine Mass was nearly abolished in the pontificate of Paul VI, tradition-minded Catholics are alert to the changes in doctrine concerning religious liberty which were promulgated at Vatican II:

"…souls concerned for their eternal welfare must understand as fully as possible…the (Second Vatican) Council declares that by reason of the dignity of his nature, the human person has the right to practice the religion of his choice. Accordingly society must protect religious liberty and organize the peaceful co-existence of the various religions. These are invited to take part in ecumenical dialogue, since they all possess their own part of

truth.…Thus the doctrine of religious liberty, as expressed in the Conciliar document *Dignitatis Humanae* no. 2, contradicts the teachings of Gregory XVI in *Mirari Vos*, of Pius IX in *Quanta Cura*, of Leo XIII in *Immortale Dei* and of Pius XI in *Quas Primas*. The doctrine expressed in the Dogmatic Constitution *Lumen Gentium* no. 8, according to which divine Providence uses non-Catholic sects as means of salvation, contradicts the teachings of Pius IX in the *Syllabus,* of Leo XIII in *Satis Cognitum* and of Pius XI in *Mortalium Animos*. These novel doctrines which along with many others contradict the formal and unanimous teachings of Popes before the Council, can only be qualified in the light of Catholic dogma as heretical." [5]

One wonders whether "souls concerned for their eternal welfare" must understand as fully as possible that local bishops from the 1500s onward, with the cooperation of the Vatican — and later, popes of the 16th, 18th, 19th and 20th centuries such as Leo X, Benedict XIV, Pius VIII and Benedict XV — redefined usury and lifted the ban on it as part of a gradual process of betrayal of Christ and His Church by heretical popes; a process initiated in 1515 by Medici Pope Leo X who permitted usury for a "good cause" (assistance to the poor), using a double contract as a thinly veiled disguise for the mortal sin which, after one thousand fifteen hundred years, suddenly was not.

There is nothing unprecedented about the overthrow of Catholic dogma at the Second Vatican Council. Catholic dogma on the abominable crime of usury was overthrown by a process of osmosis beginning in earnest in the late 15th century. The novel doctrine that interest on loans of money is not sinful contradicts the unanimous teachings of popes and councils before the Renaissance. It therefore can only be viewed as heretical.

Pope Paul VI was not the first pope guilty of heresy according to traditional reasoning. All those Renaissance popes who consented to the use of the technique of gradualism for the quiet overthrow of the ancient truth about usury, and those popes who altered the definition, teaching and understanding of usury — Benedict XIV, Pius VIII and Benedict XV — and *all subsequent popes who did not correct the egregious error of their predecessors and restore the Church to its original dogma on usury, are, it would seem, guilty of heresy*.

Even otherwise eminent popes bear this guilt since, by their inaction, they upheld a precedent for revolutionary change. In view of these suppressed facts, what happened at Vatican II and in the post-Conciliar era under Paul VI and subsequent popes is neither surprising nor strange. Having dumped God's law against usury it became open season on any other sacred dogma thenceforth.

Like the Catholic laity of Tudor England who formed the majority of the population of the England of King Edward VI and who were coerced into abandoning the Latin Mass, the vast majority of Catholic laity had next to nothing to do with the erosion and eventual abolition of the Catholic dogma on usury, or for that matter, Vatican II religious liberty, or Pope Paul VI's New Mass. Culpability falls almost entirely upon the bishops and popes. The laity are only culpable in so far as they submitted to the revolutionary changes, due to their exaggerated and inordinate concept of obedience to the hierarchy — an "obedience" which encumbered them to such an extent that they forsook their duty to sufficiently love Jesus Christ by upholding the integrity of His Gospel (John 14:15).

The money changers entered Christ's Church long ago, but for some odd reason, tradition-minded Catholics haven't been nearly as vigilant about this heresy as they have been about "religious liberty" and the New Mass. The idea that heretical popes are only a modernist phenomenon is a fairy tale, and it may be that this myth is too dear to the hearts of certain Catholics for them to abandon it. [6]

Modernism bloomed in the 20th century, but its roots are deep in the Renaissance. The results are that the Church itself now acts as Shylock through its "Vatican bank" and cognate financial operations, engaging in widespread usurious practices.

Double-Talking Encyclical

While there are documents indicating the derogation of the laws against usury, extant ones are few and far between. One such text, the cunning encyclical *Vix Pervenit,* seemingly opposed to usury, and issued by Pope Benedict XIV, was a double-talking document which is quoted by some Catholic opponents of usury to supposedly demonstrate that the papacy was completely opposed to usury as late as the year it was issued, 1745. These enthusiasts have failed to read or sufficiently note and comprehend Benedict XIV's "fine print," which established a gaping loophole for usury and more ominously, promoted a radical new definition of what usury denoted:

"We do not deny that at times together with the loan contract certain other titles — which are not intrinsic to the contract — may run parallel with it. From these other titles, entirely just and legitimate reasons arise to demand something over and above the amount due on the contract……it is essential…to avoid extremes, which are always evil. For instance, there are some who judge these matters with such severity that they hold any profit derived from money to be illegal and usurious…"

But of course "holding any profit derived from money to be illegal and usurious" had been the teaching of Holy Scripture and the Universal Church for fifteen hundred years. *Any profit* derived from a loan of money was deemed illegal and usurious. Pope Benedict XIV in his *Vix Pervenit* encyclical on loans, filled with pious exhortations to combat usury *according to his new understanding of it,* engaged in a revolutionary overthrow of the traditional definition of usury as that definition had been known. He lent his authority to the of-repeated lie which asserts that God and the Church never condemned "moderate" interest on money.

Where there is truth, there is Christ and His Church. Any church claiming to be of Christ that rejects or conceals the truth is not of His sheepfold. This book is an examination of the delusions and historical myths which have crippled our minds to such an extent that we cannot root out subversive forces in the Church because we know next to nothing about the rise and progress of those forces, even though many of us *think we know*.

Tradition-minded Catholics, for example, are alert to the dangers of ecumenism and the overthrow of *Extra Ecclesiam nulla salus*. These Catholics painstakingly trace and analyze the malefactors and the false philosophies and theological errors which inspired and directed them, yet when it comes to the revolutionary changes to usury law that arose with the connivance of certain popes, they are grossly ignorant and apathetic. In some flagrant cases, both Catholic and non-Catholic historians and commentators have misled Protestants into believing that it was the early Protestant Reformation that gave rise to usury and served as its main source of propagation.

In these pages we intend to pursue the spirit of Christ by pursuing the spirit of truth no matter where it leads or who may be offended by the shattering of cherished illusions. We cannot unmask the evil that afflicts our age without good counter-intelligence. Such good information will reach as far back as the eve of the Renaissance to track an occult conspiracy inside the Roman Catholic Church which manifested in a number of covert ways, and whose overt manifestation was the gradual relaxation and eventual abolition of the historic ban on usury, while shrewdly shifting the burden of culpability for that betrayal onto early Calvinists and Lutherans.

The notion that permission for usury sprang from the seedbed of Protestantism is a tissue of ignorance dispelled by an examination of a few of the salient facts of history which those who disseminate this buncombe have not bothered to do, yet they run their mouths and word processors with fierce conviction.

During the time of the Protectorate which administered the kingdom under England's first fully Protestant monarch, the boy-king Edward VI, the laws of England were returned to their immemorial Catholic position on usury, last implemented by the English Catholic King Henry VII in 1495. *All interest on money* was declared illegal. [7] The Protestant Edward VI's law banning usury is one of the most stirring jeremiads against this mortal sin ever legislated in Christendom.

An Act Against Usury
Edward VI

"…For as much as usury is by the word of God utterly prohibited as a vice most odious and detestable as in divers places in Holy Scriptures it is evident to be seen which thing is by no godly teaching, and persuasions can sink into the hearts of divers greedy, uncharitable and covetous persons of this realm, nor yet by any terrible threatenings of God's wrath and vengeance that justly hang over this realm for the great and open usury therein daily used and practiced, they will forsake such filthy gain and lucre, unless some temporary punishment be provided and ordained in that behalf. For reformation whereof be it enacted by the authority of this present parliament, that from the first day of May, which shall be in the year of our Lord 1552, the said act and statute concerning only usury, lucre, or gain of or for the loan, forbearing, or giving days of any sum or sums of money, be utterly abrogated, void and repealed. And furthermore be it enacted by the authority aforesaid, that from and after the first day of May next coming, no person or persons of what estate, degree, quality or condition, soever he or they be by any corrupt, colorable or deceitful conveyance, slight or engine, or by any way or mean shall lend, give, set out, deliver, or forbear any sum or sums of money to any person or persons, or to any corporation or body politic to or for any manner of usury increase, lucre gain, or interest to be had or hoped for over and above the sums so lent, given, set out, delivered or forborne, upon pain of forfeiture of the value, and well of the sum or sums so lent, given, set out, delivered or forborne, as also of the usury, increase, lucre, gain or interest thereof. And also upon pain of imprisonment of the body or bodies of every such offender or offenders, and also to make fine or ransom at the King's will and pleasure."

The Protestant supporters of King Edward VI's prohibition, termed usury "*praeter naturam*" (unnatural), "*idem ac hominem occidere"* (equivalent to manslaughter), "*proxima homicidi"* (next to homicide), "*malum in se"* (wrong in itself), and "damnable."

"Protestants like Latimer, Ponet, Lever and Crowley had no more mercy for the money-lender than had been shown by Cardinal Morton when he harangued parliament on the subject a half a century before, and they had all written or spoken against usury. The social doctrine rehearsed by Edward VI, with their emphasis on the need of controlling the operations of merchants and financiers, reflected the conventional mistrust of the monied interest; the (Protestant) clergy were demanding that usurers should be punished, as in the past by the canon law…The gentry…had no intention of undertaking a crusade to protect the moneybags of financiers who had squeezed them and the peasants impartially…(King Edward VI's) Act of 1552 as to usury… repealed (Henry VIII's) Act of 1545 (permitting usury), and forbad the taking of any interest whatever, under pain of imprisonment and fine, in addition to the forfeiture of principal and interest. Henceforward a pious nation was to live up to to the declaration of its parliament that, '…all usury is by the word of God utterly prohibited; a vice most odious and detestable, as in diverse places of Holy Scripture is evident to be seen.' The statute of 1552 did no more than re-enact principles which had been accepted for centuries…" [8]

The history of humanity's need for a raft of illusions salved by palliatives is a dismal one. A Roman Catholic Church aware of Original Sin should admit the original sin of its support for interest on money, and the constellation of evils that have evolved from it. Instead, the Church has kept usury intact while it dealt, sometimes dramatically, with symptoms. Leo XIII's 1891 encyclical *Rerum Novarum* ("On Capital and Labor"), was a brilliant and moving call for social justice for workers. It did all it could, within the empire of usury, to aid the plight of laborers. *Rerum Novarum* inspired Catholic activists from Peter Maurin to Rev. Fr. Charles Coughlin, both of whom led mass movements against the tyranny of plutocracy in the twentieth century, and helped to align the Catholic Church in America with poor people and workers, even as the Church founded schools and hospitals such as Sacred Heart in Spokane, Washington, which for more than a century turned no one away from first class medical treatment for want of the ability to pay. *Rerum Novarum* did as much as possible to call on western society to end the oppression of working men and women, *except to abolish usury according to the original meaning:* any *interest on loans of money*. As a result, in the twenty-first century the sentiments behind *Rerum Novarum* are in retreat in the Catholic world and throughout the West. Usury and the Money Power are riding higher than ever because *usury cannot be reformed or palliated*. If we desire a Christian society, usury must be abolished. What is the use of calling for chastity while operating a prominent house of prostitution frequented by millions — and while absolving others of any sin in connection with its operation? One cannot campaign for Biblical justice for the poor and laborers while operating a house of usury, or while absolving others of sin in connection with its operation. The Roman Catholic Church has operated countless charities and philanthropies seeking to minister to what are, objectively, victims of usury. The usurers themselves relish this arrangement. They wreck people's lives and the Church picks up the pieces, ministering to the victims of debt peonage, while calling for a less oppressive rate of usury — rather like calling for a less immodest prostitute.

I salute the Catholic concern for the poor and the laborers, from the early church, through to St. Francis of Assisi and Dorothy Day. But until the root of the disease is addressed, the palliation of symptoms makes Catholics partners with Shylock in rendering the ravages of the mortal sin of usury slightly less onerous.

This failure of vision and will is exacerbated by the bait-and-switch which places the onus of the evil of usury on the Protestants. Catholics and Protestants are on both sides of the usury issue. Many prominent theorists of usury economics were and are Protestants. The same can be said for Catholics. But there are two crucial differences. 1. *Protestants first learned to accept usury from the bad example of influential Catholics*. 2. *Many notable Protestant theologians in the era of the early Reformation were steadfast opponents of usury in any form*. In addition to constituting the sin of false witness, scapegoating Protestantism or "Puritanism" for initiating usury in Christendom serves to absolve Catholics of the desperate need *to study the actual history* of the subversion of the Church, which was perpetrated, then as now, by Churchmen themselves. Only when Catholics take an axe to the *root* of the evil existing in their own ecclesia, rather than imagining that the root lies elsewhere, can they advance the restoration of the original and authentic Catholic teaching on interest on money, and seriously impede the financial monster now plaguing humanity.

Furthermore, when Protestants are relieved of the burden of the myth that usury was a founding principle of the sixteenth century Reformation, they are more likely to join with Catholics in pursuing with renewed vigor the reinstatement of the ecclesiastical category of interest on money as mortal sin.

S.C. Mooney, a leading contemporary Protestant opponent of interest on money, states, "What is being argued here is not a new idea, or a new interpretation of Scripture. It is the historic position. This is not a call to strike out in a new direction; it is a call to return to faithfulness to God. If we do not repent and return, we may expect more of God's discipline upon us, for He loves us and will discipline us to conform us to the image of Christ."

Usury is but one of many scourges wrought by the love of money and the empire of the Money Power which that ardor fosters. To understand how extreme is usury, let us recall that God did not intend that His people would be indebted for ten or twenty years *even if the loans were interest free*. Under the Biblical concept of the Jubilee, no indebtedness would last longer than the sabbatical seventh year. In the year after the last of seven such sabbatical years (7 x 7 = 49 years + 1), a Jubilee was to be declared and all debts canceled. Jesus Christ declared that He came to proclaim the Jubilee (the "acceptable year"). The key Jubilee passage from Leviticus (25:10) was engraved on the Liberty Bell in Philadelphia, Pennsylvania by the Founders of the United States of America.

What was our western world like before the debt-economy?

Thorold Rogers, Professor of Political Economy at Oxford University in the middle of the 19th century wrote: "At that time (i.e. the Middle Ages) a laborer could provide all the necessities for his family for a year by working fourteen weeks." G.N. Clark in his *The Wealth of England from 1496 to 1760,* writes of the medieval doctrine "that in all transactions a just price ought to be paid. This might be explained so as to mean very little more than that a seller committed a sin if he took more than the correct price…but it was often explained so as to condemn something more than simple cheating… it meant that the market price ought to be just and that meant that it ought to depend on the cost of production and not on unfair competition or on the power of the monopolist. There was a special sphere in which the doctrine of a just price took a form very natural in peasant society: in the sphere of finance it took the form of condemning usury…Indeed, Magna Carta had much to say about the evils of usury and sought to protect the property of the widow, the weak and the helpless from money-lenders. Thus it was that the fiery 19th century historian William Cobbett, after visiting Winchester Cathedral and marveling at its beauty, told his son: 'That building was made when there were no poor wretches in England called paupers…when every laboring man was clothed in good woolen cloth and when all had plenty of meat and bread …"

Thus we have a picture of a well-fed, prosperous community, working commercially, or for gain, about one third of the year and with dozens of holidays a year (vacation days in honor of God or a saint, or a momentous victory). It was a time when Englishmen called their land "Merry England," when they owned their property with allodial title (irrevocably free and clear), instead of paying "rent" as property owners do now in America in the form of property taxes to the government.

It was in the Middle Ages of Europe when the magnificent Gothic cathedrals were constructed with voluntary subscription and labor, edifices of such beauty and power as to amaze the modern onlooker. Dozens were constructed, all without mortgages or debt of any kind; without usury. A society without usury is nowadays derided as inevitably backward, if not impossible. Those who visit the medieval Gothic cathedrals of Britain and Europe gaze upon massive edifices of splendor and proportion which we, with our usury and technology, have yet to equal.

It is interesting that the Protestant writer Gary North, who at one time was one of the leading false prophets of the 1999 Y2K panic ("the end of civilization as we know it"), is also on record justifying usury.[9] North regards the Old Testament's prohibition of usury against the poor (Exodus 22:22) as a justification for interest to be taken from brethren who aren't poor. Roger Fenton in his 1612 *A Treatise of Usurie* answers this error: "Immediately before this law of usury in Exod. 22:22, there is a law for widows and children: 'Thou shalt not trouble any widow or fatherless child.' Does it therefore follow that we may trouble a married woman or a child that has a father?"

The Critical Distinction Between Ger and Nokri

In a second example, Mr. North cites the permission to exact usury of foreigners in Deut. 23:20. He notes that this permission is coupled with another directive against the oppression of "strangers," and he draws the conclusion that interest-taking cannot be inherently oppressive, since oppression of strangers is prohibited in Leviticus 19:33-34 and interest-taking of strangers is permitted in Deut. 23:20.

In this case the premises of his argument are faulty, since his interpretation is built only upon the English text as found in the King James translation. *The "strangers" who are not to be oppressed in Leviticus are quite different from the "foreigners" of whom we may take usury in Deuteronomy* . In Leviticus the Hebrew term used is *ger*, and is sometimes given as "sojourners" in newer translations. In a parallel text, in Exodus 23:9 we read, "You shall not oppress a *ger*…for you were also *ger* in the land of Egypt." The *ger* were what we usually think of today as an "immigrant," i.e. someone from another country.

The key distinction is that the *ger* were not hostile to the Israelites in whose land they dwelt. As a condition of residing in another land they agreed to abide by the laws of that land. Thus, ancient Israel accommodated non-Israelites so long as they lived according to the laws of God. On the other hand, the "foreigners" spoken of in Deuteronomy were, as designated in Hebrew, *nokri*. In all usage of this term in the Old Testament, the *nokri* were wicked, detestable pagans, with whom God's people must not intermarry and whose gods they must not embrace. (Gen. 35:2; Ex. 23:23; Deu. 17:15; Josh. 24:23; I Sam. 7:3; Neh. 9:2,13:3). Israel was dedicated to unrelenting warfare against the *nokri*. Usury is a weapon of warfare.

Most Christians today would find it abhorrent even to consider mounting a holy war against enemies of our faith. Let us at least be equally horrified to consider participating in the warfare of usury against our own brethren. In his excellent book *Usury: Destroyer of Nations*, S.C. Mooney confronts the usury advocacy of Gary North and another prominent Protestant theologian, the late R.J. Rushdoony, both of whom argued the theory, which we will confront again later in these pages, that the Old Testament's usury proscriptions are qualified to protect only the poor from usury. Yet in Deuteronomy 23:19-20 there is no mention of the poor in the general prohibition:

"You shall not charge interest on loans to your brother, interest on money, interest on food, interest on anything that is lent for interest. You may charge a foreigner interest, but you may not charge your brother interest, that the Lord your God may bless you in all that you undertake in the land that you are entering to take possession of it."

For fifteen centuries this Bible passage was understood by the Church to mean exactly as it reads: zero interest on loans whether to the wealthy or the indigent. From the Renaissance onward however, modernist heretics created two loopholes in Deuteronomy 23: that it only condemns high interest rates and that it only applies to the poor. [10]

S.C. Mooney: "Those who teach that a 'rich/poor' distinction qualifies God's law on usury commit an inconsistency, which subverts their method of qualifying the law on that basis. Deut. 15: 1-11 declares God's law on the remission of debts every seven years. This law is parallel in form to the law on usury…the statute on the remission of debts provides that, 'From a foreigner you may exact it, but your hand shall release whatever of yours is with your brother' (Deut. 15:3).

"…usury, which is generally unlawful, is especially unlawful and dangerous in the case of the poor…the poor are mentioned in these cases…in order to call attention to those most subject to oppression. The mention of a certain type of class of person does not imply that the law does not hold in the case of those not mentioned…The language involving the 'poor' in the Exodus and Leviticus texts has been noted. The statute on the remission of debts similarly exhorts: 'If there is among you a poor man of your brethren, within any of the gates in your land which the Lord your God is giving you, you shall not harden your heart nor shut your hand from your poor brother, but you shall open your hand wide to him and willingly lend him sufficient for his need, whatever he needs. Beware lest there be a wicked thought in your heart, saying, 'The seventh year, the year of release, is at hand,' and your eye be evil against your poor brother and you give him nothing, and he cry out to the Lord against you, and it become sin among you.' (Deut. 15:7-9).

"Amazingly, the very ones who claim that the mention of the poor in Exodus 22:25 and Leviticus 25:35 qualifies the usury statute, also bluntly state, without any qualification, that all debts are to be cancelled after six years…R.J. Rushdoony espouses the 'poor/rich' distinction as a qualification of the usury statute, and yet in the same volume states, '…no man is allowed to tax his own future by means of debt. The length of a debt is limited to six years (Deut. 15: 1-4). No man has a right to mortgage his future, since his life belongs to God.' [11]

"Gary North, another proponent of the 'poor/rich' distinction as a qualification of the usury law has said, '…a six year debt limitation is the maximum that is morally legitimate (given the provisions of the sabbatical years regarding the cancellation of all debts…)' [12]

"How is it that these scholars can find an inference in Exodus 22:25 and Leviticus 23:35 that usury is lawful in many cases, and yet fail to find a similar inference in Deuteronomy 15: 1-11? Why do they not hold that only the debts of 'poor' brethren are to be cancelled, and infer from this that it is lawful for one to continue to exact the debts of the 'rich'? The present writer agrees with their views concerning the remission of debts, particularly as cited above. The wonder is that they do not similarly expound on the usury statute, which is given in similar form."[13]

Mr. North's theory about the non-oppressiveness of usury based on its Old Testament use on "strangers" was not original. We find it in later Calvinist publications, such as *Willison's Example of Plain Catechising Upon the Assembly's Shorter Catechism* , published in Dundee, Scotland in 1737: "*Q.* But were not the people of Israel discharged to take any usury or profit for lent money from their brethren? Deut. xxiii. 19. *A.* …for strangers, who had another way of living, the Israelites were allowed to lend upon usury, and to share with them in their profits. Deut. xxiii. 20, which shews that the taking of interest is not oppressive in itself; for they are frequently prohibited to oppress a stranger, and yet allowed to take usury from him."

Richard Baxter, 1673: "Now I prove that such usury is not forbidden by God…It is expressly allowed to be used to strangers, Deut. xxiii. 19, 20, to whom nothing unjust or uncharitable might be done; only such a measure of charity was not required towards them as unto brethren." [14]

Baxter is regarded as one of the most learned and eminent Puritan exegetes of the latter half of the seventeenth century, yet here he is composing flimsy rationales on behalf of the Money Power, in the name of the Bible. He is preaching revolution — calling usury charitable and just — when in fact, "Usury was an act of murderous hostility, warfare by other means, licensed against the peoples who the Israelites were attempting to destroy, but unthinkable among people who had to live amicably together." [15]

Baxter's predecessor, the distinguished Puritan theologian Robert Bolton, forcefully restated the Biblical and patristic doctrine which Baxter, North and most modern thinkers who call themselves Christians have muddled, distorted and nullified: "Not so much as the least usury was lawful to a brother, whether he were rich or poor. If the Scriptures had put such a difference between the poor and the rich, as between the Israelite and the Canaanite: to the rich thou mayest, but to the poor Thou shalt not lend upon usury, then the case were clear. But Deut. 23: 19-20 God makes opposition, not between the poor and the rich, but between an Israelite and a Canaanite. For by stranger in that place, is meant the Hittites, the Gergashites, the Amorites, the Canaanites, the Perisites, the Hivites and Jebusites…these the Jews were commanded to destroy, Deut. 7:12. And usury was as teeth given them and allowed by God to eat them up withal." [16]

Charging interest on loans of money to Christians, or for that matter to any neighbor, turns the whole world into a population of strangers, which is what we have in our time; what Thomas Hobbes termed *bellum omnes contra omnia* (the war of all against all). In this market, called "free" (because it has been cut loose from the chief restraint on greed, the ban on usury), we devolve from the Lord's chosen people under the gospel dispensation, to a sub-human species defined mainly by our selfish appetites and acquisitions: we devolve into the "consumer," *homo economicus*.

Christ's Parable of the Talents

The Parable of the Talents is often taken to indicate Christ's approval for usury, [17] although for fifteen centuries the Church did not teach such a grotesque and superficial interpretation, but plumbed the depth of the parable for the lesson Our Lord was seeking to impart: it is the *hard man* who expected his money to be put out at usury.

Luke 19:12-24: "He said therefore, A certain nobleman went into a far country to receive for himself a kingdom, and to return. And he called his ten servants, and delivered them ten pounds, and said unto them, Occupy till I come…And it came to pass, that when he was returned, having received the kingdom, then he commanded these servants to be called unto him, to whom he had given the money, that he might know how much every man had gained by trading.… And another came, saying, Lord, behold, here is thy pound, which I have kept laid up in a napkin: For I feared thee, because thou art an austere man: thou takest up that thou layedst not down, and reapest that thou didst not sow. And he saith unto him, Out of thine own mouth will I judge thee, thou wicked servant. Thou knewest that I was an austere man, taking up that I laid not down, and reaping that I did not sow: Wherefore then gavest not thou my money into the bank, that at my coming I might have required mine own with usury? And he said unto them that stood by, Take from him the pound, and give it to him that hath ten pounds."

The substantive point of the parable is that Jesus' statements are made in reply to the mentality of the servant who called him a "hard man" (in the Greek *austere*, i.e. harsh). The servant is terming his master, Jesus, a hard, ruthless man. The advice to put money at interest is based on an if/then proposition. The wicked servant had slandered his master in a feeble attempt to justify his own laziness. *If Christ is a cruel master,* then the servant is justified putting the money at interest.

The parable is not advocating usury, it is giving a lesson in the evil effects of being imprisoned by one's own bad thoughts. The key to understanding the parable may be found in Jesus' statement in Luke 19:22: "By your own words I will judge you, you worthless slave …"

Bible scholar Ted Weiland: "…Note first that in addition to accusing the nobleman of being an austere or hard man, the wicked servant also accused him of taking up what he had not lain down, and reaping what he had not sown. In other words, he had accused his master of being a thief. Immediately following these false accusations, the master responds, 'Out of thine own mouth will I judge thee, thou wicked servant. Thou knewest that I was an austere man, taking up that I laid not down, and reaping that I did not sow. Wherefore then gavest not thou my money into the bank, that at my coming I might have required mine own with usury?'

"In other words, if as a servant, he considered his own master a thief, then as a servant of a thief, the very least he could have done was steal for his master in a way that would not have put him at any risk – by putting his money in a bank that paid usury. The Geneva Bible notes on Luke 19:23 concur: (e) 'To the bankers and money changers. Usury or loaning money at interest is strictly forbidden by the Bible (Ex 22:25-27; Deut. 23:19-20). Even a rate as low as one per cent interest was disallowed, (Nehemiah 5:11).'

"This servant had already told two lies. First he said the master was an austere or harsh man. This is a lie, for the Lord is merciful and gracious. Next he called his master a thief because he reaped where he did not sow. Finally the master said to him, why did you not add insult to injury and loan the money out at interest so you could call your master a 'usurer' too! If the servant had done this, his master would have been responsible for his servant's actions and guilty of usury.

"Geneva Bible Notes (1599) Yashua (Jesus) did not alter the law on usury, but validated it. He identified usury for exactly what it is – theft plain and simple. The parable of the talents also puts an end to the hypothesis that usurious business loans are acceptable. The word 'bank' in Luke 19:23 is translated from the Greek word *trapeza*, from which our English word 'trapeze' is derived – a circus apparatus that, at the best, is very risky. It is the same Greek word used in Matthew 21:12, translated as tables – as in the tables of the money changers that Yashua (Jesus) overthrew – which was followed by His chasing their owners with a scourge out of the Temple." [18]

Christ's Parable of the Unjust Steward and the Mammon of Unrighteousness

"And he said also unto his disciples, There was a certain rich man, which had a steward; and the same was accused unto him that he had wasted his goods. And he called him, and said unto him, How is it that I hear this of thee? give an account of thy stewardship; for thou mayest be no longer steward.

"Then the steward said within himself, What shall I do? for my lord taketh away from me the stewardship: I cannot dig; to beg I am ashamed. I am resolved what to do, that, when I am put out of the stewardship, they may receive me into their houses. So he called every one of his lord's debtors unto him, and said unto the first, How much owest thou unto my lord? And he said, An hundred measures of oil. And he said unto him, Take thy bill, and sit down quickly, and write fifty.

Then said he to another, And how much owest thou? And he said, An hundred measures of wheat. And he said unto him, Take thy bill, and write fourscore.

"And the lord commended the unjust steward, because he had done wisely: for the children of this world are in their generation wiser than the children of light. And I say unto you, Make to yourselves friends of the mammon of unrighteousness; that, when ye fail, they may receive you into everlasting habitations" (Luke 16: 8-9).

"When Christ tells his followers to 'make friends of the unrighteous Mammon,' the word he uses (*Mammonas*) does not literally refer to a god or idol. It means rather 'the covetous man,' and was often rendered into Latin as *cupidus*. Christians are not asked to 'make friends' with him literally, but figuratively; they are to be like him in the sense that they should adopt the same acquisitive attitude toward figural and spiritual 'riches' as the covetous man does toward literal and earthly riches." [19]

Jesus did not commend the man's dishonesty. He calls him "unjust." He only used him as an illustration to show that even the most wicked sons of the world are shrewd enough to provide for themselves against coming troubles. Christians ought to be more shrewd because they are concerned with eternal matters.

"Proclaim liberty throughout the land to all the inhabitants thereof." Leviticus 25:10

Gary North charges that strict abstinence from all forms of usury will create a homeless people. This is true only in a nation full of mutual strangers and enemies, where no one would loan freely to his brother as God requires (Deut. 15:7-8; Matt. 5:42). On the other hand, how much homelessness would there be if borrowers were required to buy their houses only once, and not three times over? In the economics of the New World Order, one has a vested interest in his neighbor's perpetual need to borrow. In the economics of authentic Christianity, one loans freely to his neighbor because he has a vested interest in his neighbor's freedom and prosperity. Borrowing money can be a boon to families seeking homes to purchase and businessmen wanting to expand. But even loans without interest can become a problem if they result in long-term bondage to debt, since "the borrower is slave to the lender." (Proverbs 22:7). This is why the Bible ordained that loans were to expire within seven years, and in the Jubilee Year they were completely expunged, captives were freed and the land returned to the initial holders (not to banks, but to those with allodial title).

"You shall count off seven Sabbaths of years, seven times seven years…Then you shall make proclamation with the blast of the horn…you shall make proclamation with the horn throughout all your land. And you shall make holy the fiftieth year, and proclaim liberty throughout the land to all the inhabitants thereof. It shall be a Jubilee to you, every one of you shall return to your own ancestral holding, every one of you, to your family…You shall not sow, nor reap what grows, nor gather the grapes of the unpruned vines… And the land shall not be permanently sold, for the land is mine." Lev. 25: 8-23.

In a nation without a Jubilee, the government has ultimate title to all property, and the people have no claim to their own land. It is given away at will by usurping overlords, not just to the obedient and needy *ger,* but to the hostile and evil invader, the *nokri*.

It would be easy for modern people to dismiss the Jubilee year as an irrelevant atavism from the Stone Age of Old Testament times, were it not for the fact that some of the patriots who founded these United States believed it to be both relevant and binding. They also understood it to be more than just an every 50th year observance. They saw the year in which the success of the American Revolution was assured, as being the "acceptable year of the Lord," the Jubilee: "With the end of the American Revolution and the Treaty of Paris of Sept. 3, 1783, there was jubilation in the streets. The future looked bright…Many people even…believed that their debts had been dismissed when the war ended." [20]

Leviticus 25 was not only inscribed on the Liberty Bell, it was the campaign platform of laborers in Great Britain, led by Thomas Spence (1750-1814).[21] "Spence employs specific biblical passages to develop the concept of the Jubilee, the imagery of the old society's destruction…From Leviticus 25 Spence derived the Jubilee idea, whereby every fifty years each family recovers whatever land and property it had lost, as the entire society has a year-long sabbath or sabbatical…The land, owned by God, is subject to religious law and morality….one informing context for Spence's writing, then, is the message of social justice from the Pentateuch, prophets, and New Testament…Another of Spence's informing contexts…was the provincial radicalism of northeastern England in the period of protests against enclosures…The local squires tried to enclose the Newcastle commons (located on a moor) but protests…were able to repel these encroachments on ancient rights. This controversy formed the core of Spence's political ideology, as he based his 'plan' on parochial ownership of land and sharing of rents, a version of the very idea of a commons…Spence's land plan is 'little more than the Newcastle Town Moor Act writ large…" [22]

Spence was a member of the Presbyterian High Bridge Chapel, led by the firebrand Rev. James Murray, whose 1768 pamphlet, *Sermons to Asses*, demanding radical social justice on Biblical principles, went through five editions and was reprinted in Philadelphia, Pennsylvania in 1774. Rev. Murray's mission was the education and organization of the British Christian people "concerning their civil and religious rights; in 1779 he lectured on the divine right of subjects to admonish their sovereigns…His *Sermons for the General Fast Day* (1781) include trenchant remarks on the corruptions of government…the right of resistance to oppressive and unjust laws and the justice of the American (revolutionary) cause." [23]

The modern liberal churches have persuaded the people that the Bible is a series of quaint parables and generic do-gooderisms with little practical application to economics or government. When government is mentioned in the more conservative churches it is in terms of supporting buccaneer capitalists and greed-is-good Right wing politicians who talk pro-life family values while they serve the Money Power, by removing all obstacles to its growth and suzerainty. This writer resides in a region where the principal "Christian" newspaper in circulation is *The Capitalist Papers*. They have turned God into a bookkeeper who tracks their profits and merchandise and they don't see the blasphemy of their action because their shepherds are as ignorant as they are.

The authentic Biblical teaching about debt and finance, crime, punishment, imprisonment and how men are to govern, is strangely unknown or criminally falsified in this "information age" of ours, where the information is largely controlled, as our elections are, by the Money Power's ministers of Satan. The lovers of money are not prime targets of the "Religious Right." The mortal sin of greed is barely an issue for these deceitful workers. Yet, pray tell, what corrupts a nation and a people more than the love of money?

2

The Biblical, Patristic and Magisterial teaching on Usury

"Certainly, if the criterion of truth, as regards any doctrine, be that of St. Vincent of Lerins — that it has been held in the Church 'always, everywhere, and by all' — then on no point may a Christian of these days be more sure than that every savings institution, every loan and trust company, every bank, every loan of capital by an individual, every means by which accumulated capital has been lawfully lent even at the most moderate interest…is based on deadly sin…"

—Andrew Dickson White, co-founder and first President of Cornell University [24]

As we write these words everywhere Americans and Europeans toil under a mountain of usurious debt: students, parents of young families, the elderly, sick and infirm. Nationally, the *New York Times* reports that college students in the U.S. have "debt topping $1 trillion." [25]

In Idaho in 2012, a state that prides itself on its "Christian and conservative Republican ideals," an interest rate of up to 400% is permitted to "Payday" loan sharks by the Idaho legislature. Few priests or preachers in this heavily churched state have any thundering denunciations of this predation; nor do they impart the doctrine of the Word of God and His Law concerning this ungodly oppression — what the Church historically termed *turpe lucrum* (shameful gain). What we have in our time among "Christians," even though they are well-versed in the laws of God and the traditions of His Church, is willful opposition to the established truth of God concerning money and interest on money, amounting to a determined and malicious hatred of His truth. We have tens of millions of "Christians" of this description and they are going to continue in their pursuit of interest on money even after this book is published and even if it should gain a vast audience, because to such people *God Himself sends spiritual blindness*. Their sin against Truth is so aggravated that God punishes it with final blindness and impenitence (II Thess. 2: 9-12). Without repentance there can be no forgiveness, and remission of sins is not obtained.

Interest on Loans of Money The root and branch of the Money Power

Modern Protestants, Catholics, Mormons and Mennonites [26] are all guilty of this grotesque disobedience to God. Most would be appalled by a whorehouse in their midst, but live placidly among the banks and other houses of thievery which rob the people of their future through parasitic gain. Let us state from the outset that interest on money loans is the root and branch of the Money Power. This was known to the Church from its founding by Jesus Christ, until the dawn of the sixteenth century. Like many other bedrock Biblical and ecclesiastical truths held by the Church for centuries and now overthrown — the sanctity of marriage between a man and a woman and the fertility of the married couple in bringing forth the offspring God ordained to be born — we are now taught that all the saints, councils and popes for more than 1,000 years had it wrong and misunderstood money and God's Word concerning it. By the light of modernity we are taught a new understanding and a new ethic amounting to a revolutionary heresy. It is from this revolt by heretics who invaded the Church that numerous other evils have followed in its wake. Rightly was it said that the love of money is the root of evil, yet today we chase after wraith-like symptoms and wonder why we are consistently set back, while the mutinous modernist agenda gains victory after victory for the agents of diabolic rebellion. It was prophesied of old that if interest on money became legal in society and the Church, then a plague of unnatural acts would eventually also become legal. Though most twenty-first century western people would scoff at the connection, the prophecy is being fulfilled.

Satan is an inveterate liar who abuses language for his own evil purposes. Satan's language is "Ambiguous and with double sense deluding." (*Paradise Regained*, I. 435).

The usurers are so ashamed of themselves that they have stooped to falsifying the Word of God to make it appear that God said what He did not say concerning interest on money. By this means, they excuse their usury and salve their bad consciences. The NIV (New International Version)'s false translation of Ezekiel 18:8 reads as follows: "He does not lend at usury or take *excessive* interest." [27]

The translator of the preceding passage is a mendacious counterfeiter of the very Word of God. God's Word in Ezekiel 18:8 concerning the mark of a God-fearing man actually reads in accurate translation: "He does not charge usury on loans and takes no interest."

God does not qualify the word "interest" by preceding it with the word "excessive" but the NIV Bible falsifiers do. Who benefits from this fraud? Who will suffer eternal damnation because of it?

By deceitfully defining usury as "excessive" interest on loans of money, the Roman Catholic Church in the 21st century puts forth the image of itself as being an opponent of usury: "Although the quest for equitable profit is acceptable in economic and financial activity, the recourse to usury is to be morally condemned. 'Those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family indirectly commit homicide, which is imputable to them…The Magisterium uses strong and clear words against this practice, which is still tragically widespread, describing usury as 'a scourge that is also a reality in our time and that has a stranglehold on many peoples' lives." —*The Compendium of the Social Doctrine of the Church*, (2005) paragraph #341.

Through covetousness shall they with feigned words make merchandise of you. —II Peter 2.

The advocates of mortal sin created an escape clause for their betrayal of the Gospel

While it is often said that the dogma of the Roman Catholic Church is unchanging, truth to tell, the Renaissance Church did overthrow the dogma on usury. This is disputed by many eminent Catholics; sad to say, they are in error. From the earliest period, the whole weight of the Church was brought to bear against *all* gain made from lending — not just on "unjust" interest. Since the Renaissance, both Protestant and Catholic usurers, to assuage their consciences, have redefined usury as a "high rate of interest." This falsification is nothing more than a ruse that has credibility due to ignorance.

By usury we are not referring to the Newspeak, mind-washed falsification of that term, redefined to assuage the conscience of the crooks, but rather we harken to how Christian patriarchs from the first century A.D. to the year 1500 understood it: *any interest* on a loan. Biblical scholar Ted Weiland:

"Usury and interest are one and the same thing…Usury is just an ingenious way of stealing. It 'creates out of nothing' (something only Yahweh can do), or with a stroke of a pen the illusion of money by which others are exploited and economically enslaved: 'The rich ruleth over the poor, and the borrower is servant to the lender.' (Proverbs 22:7)…When usury is involved, the weight of this slavery is compounded many times over…'Woe to him that increaseth that which is not his! How long? And to him that ladeth himself with thick clay! Shall they not rise up suddenly that shall bite thee, and awake that shall vex thee, and thou shalt be for booties (plunder) unto them? (Habakkuk 2:6-7).

"Thick clay tablets were what ancient Babylon used to engrave their usurious loan contracts. Borrowers were literally laden with weight. Today, the weight is worse, in that most people are laden with usury their entire lives, so much so that many, upon their deaths, pass their outstanding debts on to their children. Habakkuk 2:7 warns that usurers rise up and bite. The word 'bite' is translated from the verb form of *neshek*, which means interest on debt. Debt is bad enough. But interest-encumbered debt will rise up and bite you….Usury helps divert the wealth of a nation to the ungodly….In *Days of Praise*, John Morris claimed that Christians are prohibited from charging high interest: 'In financial matters, we must not lend money at high interest… Both *Webster's Dictionary* and *Bouvier's Law Dictionary* define 'usury' as exorbitant and excessive interest: '1. the practice of lending money at an exorbitant interest rate. 2. an exorbitant amount or rate of interest. The excess over the legal rate charged to a borrower for the use of money.'

"But whose morality are we going to follow – *Webster's* and *Bouvier's*, or Yahweh's? Who gets to decide what is exorbitant or excessive? *Bouvier* defined usury as the 'excess over the legal rate….' – but who gets to decide what the 'legal' rate is? Legal is anything that man has legitimized, whereas lawful is what Yahweh permits. Had Bouvier used the word 'lawful,' instead of 'legal,' the excess over the lawful rate charged to a borrower is any interest whatsoever!

"The Bible never says anything about exorbitant, excessive, or high interest, only interest period. A meager one percent usury was exorbitant in Nehemiah's estimation (Nehemiah 5:1-13). No doubt he would have considered even a hundredth of one percent to be excessive, as it should also be to anyone desiring to return to Yahweh's morality.

"Typically man's legislation is for the purpose of making illegal what Yahweh has made lawful, or making legal what Yahweh has made unlawful. *Bouvier* so much as admits to the same regarding usury: 'Originally, the word was applied to all interest reserved for the use of money; and in the early ages taking such interest was not allowed.'

"The 1828 edition of *Webster's American Dictionary of the English Language* attests to the same in its definition of usury: 1. Formerly, interest; or a premium paid or stipulated to be paid for the use of money. 2. In present usage, illegal interest; a premium or compensation paid or stipulated to be paid for the use of money borrowed or retained, beyond the rate of interest established by (man's) law.'

"Has Yahweh's morality changed or has man simply attempted to usurp His place as King, Judge, and Lawgiver (Isaiah 33:22)? Yahweh has not changed (Malachi 3:6) and, therefore, neither has His morality as codified in His laws. Contrast the fickle nature of man's legislation to the unfailing permanence of Yahweh's laws. Under man's law, if he chooses to change the legal rate, what might not be usury today may very well be usury tomorrow. Under Yahweh's law, any interest is usury and is condemned as theft perpetually. Yahweh's laws are fixed, whereas man's legislation is ever-changing and predisposed to the transient whims of man….The *Easton's Bible Dictionary* provides the biblical definition of usury: Usury: the sum paid for the use of money, hence interest; not, as in the modern sense, exorbitant interest." [28]

Usury is derived from the Latin word *usura,* defined as "a sum paid for the use of money." [29]

"The Fathers are unanimous in regarding all interest as usury, and, therefore, as a species of robbery." [30]

"Whatever exceeds the amount owed is usury." St. Ambrose, *De Tobia* (4th century).[31]

"Usury occurs when more is demanded back than what is given." Council of Nymwegen (9th century).

"…the condemnation of interest taking was part of the unanimous *consensus patrum*…It was not until the sixteenth century that 'usury' was redefined as high interest rates." [32]

"He then made a definition of usury, showing that it was the taking of any reward or sum above the due debt."—Thomas Wilson, Member of the English Parliament, 1571.[33]

In spite of these historic definitions of what constituted usury in Christendom for more than a millennium, we will see that the guilty parties who later revolted against the *consensus patrum* of Christian civilization did so on the excuse that usury never had been considered merely as interest on money but rather, usury had been defined as excessive interest. Interpretive subtleties and loopholes have carried the field and now undergird the nearly universal conception of what constitutes usury. By this imposture the advocates of permitting mortal sin created an escape clause for their betrayal of the Gospel. Interest on money is today in Christendom everywhere permitted so long as it is "not exorbitant" and modern Catholics and Protestants masquerade as campaigners against usury because they campaign against "Payday loans" and 400% interest rates.

Usury and the Fathers of the Early Church

Clement of Alexandria: "The issue of usury made its first appearance in Christian literature in Clement's *Paidagogos* (circa A.D. 197), an instruction for new converts on Christian conduct in daily matters…Concerning the 'just man,' Clement quotes Ezekiel: 'His money he will not give on usury, and he will not take interest…This subject is taken up again some years later in the second book of his major work *Stromateis*." [34]

Tertullian considers the subject of interest in his treatise on the theology of the New Testament, *Adversus Marcionem*, where he teaches that the Gospel does not abolish the law of the Old Testament, *it exceeds it*. Tertullian writes of the just man, "He hath not…put out his money at interest, and will not accept any increase — meaning the excess amount due to interest, which is usury."

St. Cyprian of Carthage: Offers proofs in his *Testimoniorum (Ad Quirinum)* that interest taking is prohibited by the law of God.

In the early fourth century, Canon 20 of **the Council of Elvira** prohibited all clerics and laymen from participating in the sin of taking interest on

loans, under penalty of excommunication.

St. Jerome in his *Commentaria in Ezechielem* stated that the prohibition against usury among the Israelites had been made universal by the New Testament. He affirmed that all interest on money is forbidden. "One should never receive more than the amount loaned."

Hilary of Poitiers in his *Tractatus in Psalm XIV*: "If you are a Christian, why do you scheme to have your idle money (*otiosam pecuniam*) bear a return and make the need of your brother, for whom Christ died, the source of your enrichment?"

St. Basil in his second Homily on Psalm 15 (Septuagint): "This sin is denounced in many places in Scripture. Ezekiel accounts the taking of interest and receiving back more than one gave as being among the greatest evils,[35] and the Law specifically forbids this practice: 'You shall not charge interest to your relative or your neighbor.' [36] And again the Scripture says, 'Guile upon guile, and interest upon interest.' [37] A certain Psalm says, regarding a city that prospers amidst a multitude of evils, 'Interest-taking and guile are never absent from its squares.' [38] And now the prophet identifies this very thing as the characteristic of human perfection, saying, 'They do not lend money at interest.'

"…for those who set rates of interest, their money is loaned and bears interest and produces even more…*It is from this tendency to multiply that this kind of greed derives its name…loans are said to 'bear' interest on account of the great fecundity of evil* …The offspring of interest one might even call a 'brood of vipers'…you should have nothing to do with this monstrous creature." [39]

St. Basil then launches into an extended admonition against borrowing money, on the responsibility to repay a loan, and the virtues of frugality and living within one's means. He further states: "Listen, you rich people, to the kind of counsel I am giving…on account of your inhumanity…If you must seek a return on your investment, be satisfied with what comes from the Lord…You should expect the characteristics of philanthropy from the true Philanthropist. As it is, the interest you receive back shows every characteristic of extreme misanthropy…

"Do not refuse anyone who wants to borrow from you,' and 'do not lend your money at interest;' these commandments from the Old and New Testaments[40] were given so that you might learn what is for your benefit, and thus depart to the Lord with a good hope, receiving there the interest upon your good works, in Christ Jesus our Lord, to whom be glory and dominion forever and ever." [41]

St. Gregory of Nyssa in *Contra usurarios* (circa 379 A.D.) calls down on him who lends money at interest the vengeance of the Almighty. He further states, "…lending at interest can be called 'another kind of robbery or bloodshed…since there is no difference in getting someone's else's property by seizing it through covert housebreaking and acquiring what is not one's own by exacting interest." Gregory of Nyssa describes the lender at interest as a "poisonous serpent" and an evil, beast-like spirit. Referring to the words of the *Pater Noster* prayer of Jesus Christ — "Forgive us our debts, as we forgive our debtors" — Gregory asks, "How can you pray like this, oh usurer? How can you make a request from God in good conscience since he has everything and you do not know how to give?"

In *De beneficentia*, Gregory of Nyssa excoriates evil-doers who hypocritically practice outward acts of piety such as fasting. In doing so he employs terms associated with usurers: "Renounce dishonest profits! Starve to death your greed for Mammon! Let there be nothing in your house that has been acquired by violence or theft. What good is it to keep meat out of your mouth if you *bite* your brother with wickedness….What kind of piety teaches you to drink water while you hatch plots and and drink the blood of a man you have shamefully cheated?"

For St. Gregory of Nazianzus the usurer is a sinful parasite, "gathering where he had not sowed and reaping where he has not strawed" (*Oratio*). Cataloguing a list of mortal sins, Gregory of Nazianzus states, "One of us has oppressed the poor, and wrested from him his portion of land, and wrongly encroached upon his landmark by fraud or violence, and joined house to house, and field to field, to rob his neighbor of something, and been eager to have no neighbor, so as to dwell alone on the earth. Another has defiled the land with usury and interest, gathering where he had not sowed…" (Oration 16)

St. Ambrose in his aforementioned work *De Tobia*, written in 380 A.D., declared that the taking of interest on loans of money is equivalent to murder. He declared usury to be a mortal sin in *De officiis ministrorum* and *De Nabuthe.* In *De bono mortis* Ambrose stated that usurers will suffer eternal damnation. In *De Tobia* Ambrose described the usurer as a "monster" and "devil" even when lending at 1% interest ("the hundreth"): "Money is given, it is called a loan; it is termed money at interest, it is designated capital; it is written down as debt; this huge monster of many heads causes frequent exactions; the usurer names the bond, he speaks of the signature, he demands security, he talks of a pledge, he calls for sureties; he claims the legal obligation, he boasts of the interest, he praises the hundreth…*The devil is a usurer…the Savior owed nothing but He paid for all…The usurer of money…exacts his hundreth….the Redeemer came to save the hundreth sheep, not to destroy it*." [42]

This "devil" epithet is etymologically justified. As we have noted, in Old Testament Hebrew *Neshek*, from the root *NShK* means to "bite" and signifies usury; *Nahash*, from the root *NkHSh* denotes serpent.

St. John Chrysostom taught that usury was shameless: "What can be more unreasonable than to sow without land, without rain, without plows? All those who give themselves up to this damnable culture shall reap only tares. Let us cut off these monstrous births of gold and silver; let us stop this execrable fecundity."

Pope St. Leo I: In his encyclical *Ut nobis gratulationem*, of 444 A.D: "Some people put out their money at usury in order to become wealthy. We have to complain of this, not only with regard to those in clerical office, but we likewise grieve to see that it holds true of lay people who wish to be called Christians. We decree that those who are found guilty of receiving this *turpe lucrum* (shameful gain) should be severely punished."

St. Augustine denounced the sin of interest on money in *De consensu evangelistarum*.

In 789 A.D. **Charlemagne** in his *Admonitio Generalis* prohibited usury by all people, laymen as well as clerics, throughout the lands of the Holy Roman Empire, citing the following authorities: "(1) the Council of Nicea, (2) the above mentioned letter of Pope Leo, (3) the *Canones Apostollorum*, and (4) Scripture." [43] The Catholic Council of Aix-la-Chapelle promulgated Charlemagne's *Admonitio Generalis* as church doctrine.

In Charlemagne's Capitulary of Nijmegen of March, 806 he defines usury in clause 11 as "claiming back more than you give; for instance, if someone has given 10 *solidi* and asks for more than 10 in return, that is usury." Clause 16: "Lending (*foenus*) consists in providing something; the loan is fair and

just when one demands no more than what he provided."

Charlemagne imposed heavy fines for usury.

King Alfred the Great (849-899) ordered that the charging of interest on loans of money was illegal throughout England. Those who received revenue from usurious loans were to forfeit their property. Christian burial was denied to them.

Unanimous Teaching of Popes and Councils Before 1500

This unanimity of the Early Church Fathers brought about a crystallization of hostility to interest-bearing loans into numberless decrees of popes, councils, monarchs and legislatures throughout Christendom. The Canon law was shaped in accordance with these prohibitions, which were enforced by the **the Council of Arles** in 314 and the **Council of Nicea** in 325: "Because many of the Ecclesiastical Order, being led away by covetousness and desire of base gain, have forgotten the Holy Scripture which saith, 'He gave not his money upon usury,' do exercise usury, so as to demand every month a hundredth part of the principal, the holy synod thinks it just that if any take such use, by secret transaction, or by demanding the principal and one half of the principal for interest, or contrive any other fraud for filthy lucre's sake, let him be deposed from the clergy and struck out of the list." [44] (Council of Nicea, canon XVII).

Although it is claimed by apologists for usury that the Nicean Council only condemned usury among clerics and not the laity, canon XVII also quoted Psalm 15: "Lord, who shall dwell in thy tabernacle? He that hath not put out his money to usury." Psalm 15 does not qualify God's criterion for who shall dwell with Him. Anyone who practices usury will not be admitted. It was not by accident that the Council of Nicea referenced Psalm 15's total rejection of any usury practiced by anyone.

The 12th canon of the Council of Carthage (345) and the 36th canon of the Council of Aix (789) declared it to be sinful for anyone to charge any interest on money. Every great assembly of the Church, from **the Council of Elvira** in 306 to that of **Vienne in 1311**, condemned lending money at interest. The fount of Canon Law in the Middle Ages totally banned all interest on loans. [45]

Medieval Struggle Against Interest on Money

"The greatest rulers under the sway of the Church — **Justinian**, in the Empire of the East; **Charlemagne**, in the Empire of the West; **Alfred in England**; **St. Louis in France** — yielded fully to this dogma. In the ninth century Alfred went so far as to confiscate the estates of money-lenders, denying them burial in consecrated ground; and similar decrees were made in other parts of Europe. In the twelfth century…St. Anselm proved from the Scriptures that the taking of interest is a breach of the Ten Commandments. **Peter Lombard**, in his *Sentences*, made the taking of interest purely and simply theft.[46] **St. Bernard**, reviving religious earnestness in the Church, took the same view.

Pope Urban III in his ruling on three cases of usury, reiterated the declaration that the passage in St. Luke forbade the taking of any interest: "Your devotion has sought our opinion on (1) whether he who will not lend unless he is assured of receiving in return more than he lent — although there is no explicit agreement to this effect — should be treated in the internal forum as if he was a usurer; (2) whether he is guilty of the same offense (of quasi-usury) who again, without a formal agreement — refuses to postpone settlement of a debt unless he receives some profit and likewise (3) a merchant who sells goods on credit for a much higher price than he would receive if the price were paid immediately. The truth of the matter in all three cases is clear in the gospel of Luke (6:35) where it is said 'Lend, expecting nothing in return.' Since all usury and increase is forbidden in the law, such men should be considered evil-doers on account of their intention to profit and effectively compelled in the penitential forum to restore what they have received."

Pope Alexander III declared that the prohibition in this matter could never be suspended by dispensation.

"Infallible utterance"

"…This idea was still more firmly fastened upon the world by the two greatest thinkers of the time: first, by St. Thomas Aquinas, who knit it into the mind of the Church…and next by Dante, who pictured moneylenders in one of the worst regions of hell….**Pope Clement V** declared that if any one 'shall pertinaciously presume to affirm that the taking of interest for money is not a sin, we decree him to be a heretic, fit for punishment.' This infallible utterance bound the dogma with additional force on the conscience of the universal Church.

"…Nor was this a doctrine enforced by rulers only; the people were no less strenuous. In 1390 the city authorities of London enacted that, 'if any person shall lend or put into the hands of any person gold or silver to receive gain thereby, such person shall have the punishment for usurers.' And in the same year the Commons prayed the king that the laws of London against usury might have the force of statutes throughout the realm…In the fifteenth century the Council of the Church at Salzburg excluded from communion and burial any who took interest for money, and this was a very general rule throughout Germany…

"This theological hostility to the taking of interest was imbedded firmly in the canon law. Again and again it defined usury to be the taking of anything of value beyond the exact original amount of a loan; and under sanction of the universal Church it denounced this as a crime and declared all persons defending it to be guilty of heresy." [47]

In England "there had been a long series of enactments — the statutes of Alfred, of William the Conqueror, of Henry II, of Henry III, of Edward I, of Edward III, and of Henry VII — which were…penal enactments prohibiting the lending of money upon any interest whatever, under punishment more or less severe ranging from forfeiture of chattels, lands and Christian burial under Alfred, to a loss of all substance, whipping, exposure in the pillory, and perpetual banishment under William the Conqueror…"[48]

St. Anselm (1033-1109), Archbishop of Canterbury, in his *Homilia in Lucam* forbad interest on loans of money, declaring them tantamount to robbery.

St. Albert the Great ("Albert Magnus," "Doctor Universalis"; 1193-1280): Albert was the teacher of St. Thomas Aquinas; he wrote, "Usury is and

always has been, without any doubt a mortal sin, according to the natural law as well as the written law" (III Sent. dist. xxxvii, art. 13).

St. Bonaventure (1221-1274), Professor of Theology at the University of Paris. Superior General of the Franciscan Order; bishop and cardinal. He declared the breeding of sterile money through the taking of interest, mortal sin and unnatural gain: *"Pecunia quantam est de se per seipsam non fructificat.*"

Henry Goethals of Ghent ("Henricus Gandavensis," 1217-1293). Leading theologian and author of the treatises on economics and commerce *Mercimoniis et Negotiattionbus,* and *Quaestiones Quodlibetales*. In the latter he demonstrated from the Bible and the Fathers that the Church forbids interest on money because it is evil *per se*, and not due to any ecclesiastical declaration or canon law. The iniquity of usury is made so by divine law and is not subject to alteration.

Alexander of Alexandria (ca. 1268-1314). Superior-General of the Franciscan order and author of *Tractatus de Usuris*. A native of Lombardy in northern Italy, he had his work cut out for him since his homeland was replete with the usurious banking operations of its Italian "Lombards." (The heart of banking operations in London, England were, until very recently, headquartered for centuries on "Lombard Street"). [49] Alexander condemned interest on money from both the divine and the natural law.

History of the ecclesiastical laws of England: "Usury in a strict sense seemeth to be a contract upon the loan of money, to give the lender a certain profit for the use of it, upon all events, whether the borrower make any advantage of it, or the lender suffer any prejudice for want of it, or whether it be repaid on the day appointed or not. …Manifest usurers are forbidden to make testaments themselves or to dispose of their goods by their last wills… unless he satisfy for the usury; so (too) they are forbidden to reap any benefit by the testament of others, or to be capable of any legacy of goods….Canon 109: If any offend their brethren by usury, the churchwardens…shall faithfully present every such offender, to the intent that he may be punished by the severity of the laws, according to his deserts and such notorious offenders shall not be admitted to holy communion, until they be reformed. In general it is said by the ecclesiastical laws, if a man be a manifest usurer, not only his testament is void (as hath said), but his body, after he is dead, is not to be buried amongst the bodies of other Christian men, in any church or churchyard, until there be restitution, or caution tendered, according to the value of such goods. By the laws of King Alfred it was ordained that the chattels of usurers should be forfeited to the king, their lands and inheritances should escheat to the lords the fee…" [50]

The dogmatic Third Lateran Council
(1179)

Canon 25:

"We therefore declare that notorious usurers should not be admitted to communion of the altar or receive Christian burial if they die in this sin."

This decree of the Third Lateran Council was not a man-made disciplinary law such as the Church prohibition against consuming meat on Friday. The Roman Catholic Church's law concerning charging interest on loans of money was based on the immemorial practice of the Church from its inception, rooted in the Word of God and confirmed by the unanimous teaching of the Magisterium. Any sin sufficient to prevent a Catholic from receiving Holy Communion (the Eucharist), constitutes a transgression so grave it was judged to be "mortal" — subject to eternal punishment after death if not confessed and forgiven before death. Are any twenty-first century lenders who charge interest on loans denied Communion in the Roman Catholic Church? The answer is a resounding no. The modernist Roman Catholic Church that evolved from out of the time when the Renaissance popes began to rot the Church from the inside-out with their whittling of God's law on usury, stands convicted of denying, suppressing and overthrowing one of the oldest statutes of the original and true Catholic Church, which also happens to be the law of God Himself as committed to Holy Scripture. The admirers of the occupants of the papacy from the Renaissance era onward have seldom scrupled to admit that the pontiffs' betrayal of the sacred dogma of interest on money was highly derogatory to the general merit of the papacy.

Pope "Gregory IX (1170-1241) was elected to the papacy in 1227…Gregory's pontificate was marked by a continuous battle against heresy as indicated by the constitutions inserted into the *Corpus iuris canonici*, among which was included the ruling *Naviganti de usuries*. This famous ruling condemned all known forms of usury…" [51]

The Constitution of the (Third) Lateran Council against usurers to be "inviolably observed"

In 1274, the Second Council of Lyons, at which **Pope Gregory X** presided, reaffirmed the dogma of the Third Lateran Council against all interest on money and ordered that Council against usurers was to be "inviolably observed."

Fourteenth General Council of the Catholic Church: Lyons II

Constitution 26

"Desiring to check the canker of usury which devours souls and exhausts resources, we command that the constitution of the Lateran Council against usurers be inviolably observed under threat of divine malediction. And since the fewer the opportunities given to usurers the more easily will the practice of usury be destroyed, we decree by this constitution that no community or association, nor any individual, whatever their office, rank or status, shall permit strangers and nonresidents of their estates, who publicly practice or wish to practice usury, to rent offices for this purpose on their territory or to retain those that they already have, or permit them to dwell elsewhere, but they shall expel all known usurers from their territory within three months and shall not permit their return in the future. No one shall lease or under any other title whatsoever let them have the use of their houses for the purpose of practicing usury. Those who act otherwise, if they are churchmen, patriarchs, archbishops, or bishops incur suspension; individuals of lower rank incur excommunication, and communities and other associations arc placed under interdict. If, through obstinacy, they despise these censures for

more than a month, their territories shall be placed and remain under interdict so long as the usurers remain there. If, however, they are laymen, then, notwithstanding any privilege, let their ordinaries restrain them from such excesses by ecclesiastical censure.

Constitution 27

Even though notorious usurers have made definite or general provision in their wills regarding restitution in the matter of illegally charged interest, church burial shall nevertheless be denied them till full satisfaction has been made to those to whom it is due, if they are available; in case of absence, to those who are authorized to act for them. If these also are absent, it is to be made to the ordinary of the locality, or to his vicar, or to the testator's parish priest, in the presence of witnesses residing in that parish (in this case the ordinary, vicar and rector may by the authority of this constitution receive in their name and in the presence of witnesses a pledge on which legal action may be based), or at the request of the ordinary a pledge concerning the restitution to be made may be given to a competent notary. If the amount of usury received is known, this is always to be expressed in the aforesaid pledge, otherwise the amount is to be determined by him who receives the pledge. However, he may not knowingly fix this amount at a lower figure than what he believes to be the correct one, otherwise he shall be bound to make satisfaction for the remainder.

All religious and others who dare in contravention of this constitution to admit notorious usurers to ecclesiastical burial, we decree that they incur the penalty prescribed by the Lateran Council against usurers.

No one may witness the wills of notorious usurers, and no one may hear their confession or give them absolution, unless they make full restitution or give a satisfactory pledge to that effect, in so far as their resources permit. Wills of notorious usurers that do not follow this injunction are *ipso jure* invalid. [52]

By 1215 there was no question that the charging of any interest on loans of money was forbidden to Christians. Consequently, the Fourth Lateran Council, in its Canon 67, addresses usury only as it negatively affected Christians oppressed by usurious Judaic money-lenders. No one under the jurisdiction of the Church was allowed to receive interest on loans. "The original manifest usurers of Europe were the Jews, who were not subject to the jurisdiction of the Church. They were also not subject to qualms of conscience…"[53]

Judaic lenders, because they were unbaptized and therefore outside ecclesiastical jurisdiction, were permitted to charge interest to gentiles. This leniency was due in part to the recognition that the Old Testament made a provision for Israelites to charge interest to aliens.

Canon 67: "The more the Christians are restrained from the practice of usury, the more are they oppressed in this matter by the treachery of the Jews, so that in a short time they exhaust the resources of the Christians. Wishing, therefore, in this matter to protect the Christians against cruel oppression by the Jews, we ordain in this decree that if in the future under any pretext Jews extort from Christians oppressive and immoderate interest, the partnership of the Christians shall be denied them till they have made suitable satisfaction for their excesses. The Christians also, every appeal being set aside, shall, if necessary, be compelled by ecclesiastical censure to abstain from all commercial intercourse with them."

Fifteenth General Council: Vienne
(1311-1312)

Decree 29

"…if anyone falls into the error of believing and affirming that it is not a sin to practice usury, we decree that he be punished as a heretic…"

Reliable sources inform us that certain communities in violation of the law, both human and divine, approve the practice of usury. By their statutes confirmed by oath they not only permit the exaction and payment of usury, but deliberately compel debtors to pay it. They also try by heavy statutory penalties and various other means and threats to prevent recovery by individuals who demand repayment of interest. For our part, we want to put an end to these abuses and so we decree, with the approval of the council, that all civil officials of these communities, that is, magistrates, rulers, consuls, judges, lawyers and other similar officials, who in future make, write, or draw up statutes of this kind or knowingly decide that usury may be paid or in case of it having been paid may not be freely and fully restored when its return is demanded, incur the sentence of excommunication.

They shall incur the same sentence if they do not within three months remove such statutes from the books of those communities (if they have the power to do so), or if they presume in any way to observe the said statutes or customs to the same effect.

Moreover, since money-lenders frequently conclude loan-contracts in an occult or fraudulent manner, which makes it difficult to convict them on a charge of usury, we decree that they should be forced by ecclesiastical censure to produce their books on such occasions.

Finally, if anyone falls into the error of believing and affirming that it is not a sin to practice usury, we decree that he be punished as a heretic, and we strictly command the ordinaries of the localities and the inquisitors to proceed against those suspected of such errors in the same way as they would proceed against those accused publicly or suspected of heresy.

The **Council of York** in 1311 excommunicates all those who promote any statute in favor of usury.

Usury in Medieval Canon Law

The following is excerpted from T.P. McLaughlin's authoritative study, "The Teaching of the Canonists on Usury:" [54]

"The number, variety and severity of the penalties incurred by usurers is indicative of how deeply rooted, persistent and widespread was the evil… Throughout the period which is here being studied penalties are constantly being promulgated, renewed and multiplied. From decade to decade one witnesses an increasing severity as usurers become more numerous and bold in inventing new methods of obtaining usury in their attempt to circumvent the canons…

"These penalties are directed, not only against those who actually take usury, but also against their heirs and families, those who hesitate to denounce them, those who have any part in drawing up or executing their usurious contracts, notaries and judges; against those who make or enforce statutes opposed to the Canon Law on usury; against those who let houses for the purpose of money lending, and even against those in authority who allow usurers to reside within their territory; finally, against those who affirm that the taking of usury is not sinful….Special penalties exist for clerics guilty of

the crime of usury or who fail to enforce the canons against usury.

"…The general council held at Lyons in 1274 deals with the conduct of clerics who grant usurers ecclesiastical burial and declares that they will suffer the penalties promulgated by the Lateran Council against usurers… The Council of Lyons is referring to the canon of the Lateran Council against usurers, a canon which contains in fact two sets of penalties, one for usurers, the other for clerics who grant them Christian burial or accept their offerings. It is the second clause which Lyons orders to be applied. This is the interpretation of Joannes Andreae who adds that today this penalty is excommunication *ipso facto*. This is clear from the canons of some of the local councils. Thus the statutes of the diocese of Paris of the year 1212 declare that such clerics are *ipso facto* excommunicated, that they are suspended from office and benefice…

"In 1215 a council of Montpellier declares excommunicated and deposed clerics who administer the sacraments or grant ecclesiastical burial to usurers. By a decree of the council of Vienne inserted in the *Clementinae* it becomes the general law that clerics who give Christian burial to usurers are *ipso facto* excommunicated. This crime is listed in the work of Bérenger Frédol among the cases of excommunication where the confessor must demand special faculties from the bishop before proceeding to absolve a penitent. The same Council of Lyons threatens with severe penalties clerics of all ranks who do not co-operate in causing to be observed another of its canons concerning usurers. Ordering all foreigners who take usury to be expelled from the territory and forbidding anyone to rent them houses to carry on their business, the council declares that those who act against this decree will be suspended from office if they are patriarchs, archbishops or bishops; other ecclesiastics will be excommunicated; collegia and universitates will be placed under interdict. All of these penalties are incurred *ipso facto*. Moreover, if they remain under any of these penalties for one month and the usurers are still dwelling in their midst the whole territory falls under an interdict.

"…the Lateran Council intended to inflict new penalties upon usurers. If the penalty were only refusal of Communion this would not be new because whoever is evidently in mortal sin must be denied the Eucharist. The penalties of the Lateran Council constitute an excommunication or, more correctly, a partial excommunication. Such a penalty had already been promulgated by an earlier Lateran Council in 1139, and later synods refer to it as an excommunication to be announced by pastors several times a year, usually on all Sundays and feast days. A text of Alexander III inserted in the Decretals likewise calls it an excommunication…The penalties of this canon are first to be applied and if the usurer does not cease his money lending and make restitution he will fall under a major excommunication which will cut him off from all intercourse with the faithful.

"…A number of canons forbid priests to absolve usurers in the confessional even when they promise to make restitution. The crime of usury is a reserved case and only the bishop or one having special faculties may absolve a penitent from this sin except, of course, in danger of death. The usurer is also to be held as infamous and consequently is ineligible for the reception of dignities and honors and his testimony will not be accepted in ecclesiastical courts. The penalties for the crime of usury are not all by any means of the spiritual order. There are some which affect the usurer in his property, especially when he comes to die. In 1212 a council of Paris declares that the property of one who dies a usurer is to be confiscated by the king and distributed to the poor. At the same time it decrees that no usurer may make a last will bequeathing anything to his family, to religious establishments or to others since the fruits of rapine may not be the object of a gift.

"…It is clear from a sentence concerning Normandy, pronounced by the Parliament of Paris in 1258, that the property of a deceased usurer is held by the king only until the first assize when the affair is examined. If the claim of usury is established the property is turned over to the bishop who with the bailiff undertakes to make restitution to those who have been defrauded through usury.

"…Gregory X in the Council of Lyons in 1274 makes a general law of the canon of the Council of Paris concerning the testamentary power of a usurer. Unless certain conditions are fulfilled the last will and testament of one who is proven guilty of usury is *ipso jure* null and void. Even though by his last will a usurer orders restitution of what he has received from his business he is nevertheless to be denied Christian burial until full satisfaction has been made by his heirs or until sufficient guarantees have been given that such will be made.

"The bishop, the pastor or one delegated by either must be present at the drawing up of such a will to receive the guarantees because it often happens that the act orders restitution to be made but when the usurer has been buried the heirs find ways of preventing the execution of his last wishes. To obviate this injustice the council requires that such wills observe certain formalities and forbids all other persons, laymen or clerics, to assist at their writing unless acting as representatives of the ecclesiastical authority. It is hoped that effective restitution will result from the refusal of Christian burial to such testators who transmit to their heirs the obligation of satisfying for their unjust dealings. This canon, inserted in the *Liber Sextus*, is recalled by numerous local councils during the following century and the testaments of usurers are pronounced null and void. Every sunday pastors are to read this canon to the faithful. Notaries are forbidden to assist at the drawing up of last wills unless the parish priest be also present…

"The same penalties which are inflicted upon usurers also fall upon their heirs who oppose restitution of the ill-gotten gain and upon all others who had shared in this gain.

"A number of penalties directed against the family and servants of the usurer were aimed at bringing about the latter's conversion. The servants must leave their employ or incur the same punishment as their masters. Again they are threatened with excommunication if they remain in their service. The council held in Paris in 1212, so severe in its condemnation of the crime of usury, states that the wife of a usurer has no right to accept anything from her husband because he gives what is not his. However she is permitted to receive what is necessary while she attempts to convert him and persuades him to make restitution. When she discovers that he is incorrigible and that she can do nothing she is bound to seek a separation *quoad mensam et convivium* but not *quoad torum*. It is better that she beg than accept any support from her husband. If, however she becomes ill or is otherwise unable to beg, she may receive from him what she needs since she is reduced to the state of a beggar and is really providing him with the opportunity of making restitution to the poor in what he gives her.

"The same necessity permits children and grandchildren to receive support from their parents. A century later a council of Mainz has a similar procedure. If there is hope of correcting him, the wife is to live with her usurious husband. If not, she and her children are to leave him and live off their own property if they possess any; if they have none they are to go to relatives and friends. If the husband does not allow this they are to denounce him to the bishop. If he still remains obstinate then…they may live with him rather than become public beggars or starve. Sometimes a usurer was willing to remain a long time under sentence of excommunication, intending to arrange for restitution when he came to die. To prevent this and to forestall the new difficulty which then often arose from the opposition of the wife and family to the execution of his last will, the same council of Mainz decrees that if a usurer remain one month under sentence of excommunication the sacraments are to be refused his wife and children. An exception is made for baptism and also for the other sacraments in danger of death.

"Still other penalties are indirectly aimed at bringing about the punishment of usurers. Those who pay usury and do not within a month denounce their creditors are to be excommunicated.

"Lawyers are forbidden, not only, as we have seen, to aid in drawing up last wills of usurers, but also to defend them in court just as they are forbidden to defend heretics. One who disregards this rule will be suspended from office and if he continues to defend such cases will be

excommunicated. He may, however, defend one accused of usury provided he swears to retire as soon as he is convinced that it is really a case of usury and not the case of a contract which, though charged with being usurious, is not such in fact or at least so far has not been officially branded as unjust.

"Notaries are forbidden to perform any service for usurers especially to help them in drawing up their usurious contracts or other contracts in *fraudem usurae*. Hostiensis [55] holds that a notary who acts against this canon incurs the penalty of infamy and his testimony is no longer to be accepted in a court of justice.

"…more stringent measures against usurers are promulgated by the general council of Lyons in 1274. These have force of law everywhere and are inserted in the *Liber Sextus* by Boniface VIII in 1298. No person of any rank, whether an individual or juristic person, may rent or in any way grant a house to a stranger to the district who intends to practice usury, nor allow him to continue to occupy it if it is at present being used for such purposes. All such strangers are to be expelled from the territory within three months. Those who transgress this decree will be excommunicated if they are minor clerics, suspended if they are in major orders and placed under an interdict if they are corporations. The lands of those who remain under any of these penalties for the space of a month will fall under an interdict. If laymen offend against this law the bishop will punish them by ecclesiastical censures… Beaumanoir, writing between 1279 and 1283, states that a baron who has forbidden lending at interest on his lands may seize a usurer and hold him until he has made restitution of the usury received… This canon is renewed by numerous local councils in the course of the century following…

"If one lets a house to a stranger who is not known as a usurer or lets it to him for some other purpose he is nonetheless bound to evict him as soon as he becomes aware of the true nature of his business.

"Another series of general decrees were formulated by Clement V in the Council of Vienne in 1311-1312 and incorporated in the *Clementinae*. The first part of the canon touches the question of whether the civil law may permit usury and declares excommunicated all secular officials of whatever rank who make, write or cause to be made or written any statute compelling debtors to pay usury which they have promised or which denies to them the right to recover usury already paid. The same penalty is incurred by those who judge according to such statutes, who enforce them or who, having the power to do so, do not within three months delete them from the statute books or suppress them if they are recognized, unwritten customs…the canonists hold that such statutes (compelling debtors to pay usury) have no binding force since they are opposed to both the divine and the ecclesiastical law.

"…Also stand condemned statutes which forbid demanding usury beyond a certain rate because they seem to implicitly approve the taking of usury provided it is not in excess of that rate.

"…The same council provides a means of more easily ascertaining the nature of the business which a man is conducting. Those accused of lending at usury are to be compelled under threat of ecclesiastical censure to show the books in which they keep an account of their transactions… One accused of the crime of usury who claims that he does not keep books must prove this claim and his own oath to that effect does not suffice to establish it… A number of councils suspend from office and benefice clerics who by assisting usurers in drawing up their contracts, by witnessing them or by keeping their accounts, lead men to believe that usury is not sinful.

"…This decree is directed not only against usurers but against all who encourage the practice of exacting usury in any way by affirming that it is not a sin. Some are teaching that there is no obligation to make restitution of usury received; others admit that the usurer is bound to make restitution but that when this is done he is not bound to do penance…

"The Church taught that the usurer was bound to make restitution and that those who had paid usury could always claim it because they had suffered an injustice. Recovery of what they had parted with in time of difficulty when they were obliged to contract a usurious debt was the incentive held out to encourage debtors to reveal the usurious practices of their creditors. Against those who openly and publicly engaged in the business of money lending at usury even such appeals were unnecessary. They were *notorii facti* and after being given a triple admonition they were excommunicated by name and the penalties of the Lateran council applied.

"For various reasons, however, debtors were often reluctant to appear as accusers and the Canon Law devised other means of bringing usurers to justice. Thus in 1212 the council of Paris commands all the faithful under threat of ecclesiastical censure to divulge to the authorities all the information they possess concerning the operations of usurers…another method was used. A letter of Innocent III addressed to the bishop of Auxerre in 1207 and later inserted in the Decretals of Gregory IX, relates that many persons are reputed usurers and yet through fear of princes and powerful men no accuser appears to denounce them or to furnish proof of the fact with the result that they escape punishment. The Pope orders the ecclesiastical judges to proceed *ex officio* against persons who enjoy such a reputation and adds that certain arguments taken in conjunction with it suffice to prove the crime of usury. Such arguments or indications, the canonists add, would be the discovery of accounts revealing the nature of their business; the fact that they sell on credit; their practice of entering into contracts which, though apparently contracts of sale, are in reality loans on security arranged in such a way that they receive the fruits of the pledge placed in their hands.

"Until the fourteenth century…the ecclesiastical courts alone are competent to try cases of usury …ecclesiastical cases are of three kinds, spiritual, civil and criminal. Examples of criminal cases are usury, heresy and adultery where the examination and condemnation belong to the ecclesiastical judge…the examination and punishment of this crime belong to the court Christian because the usurer sins against the natural law and so principally against God Himself. Usury is forbidden by both divine and Canon Law…The prohibition of usury is from divine law and the decision which is given in the case, declaring a contract usurious or not, decides whether it is sinful or lawful. Only the Church can pronounce upon this question because it alone has the right to interpret the divine law which it does in declaring that a certain act is sinful. When, however, there is no doubt that a certain contract is usurious but there is a doubt regarding the facts of the case, when, for example it is disputed whether the usury of which the recovery is sought has actually been paid, or when it is necessary to establish other facts by means of witnesses or documents, then them secular as well as the ecclesiastical tribunal is competent to examine the case and pass sentence" (*end quote from McLaughlin*).

The philosophy and theology of the medieval scholasticism of the "schoolmen" was typified by the work of St. Albert the Great, St. Bonaventure and St. Thomas Aquinas, among many other Catholic prodigies of erudition in this field, all of whom were adamant advocates of the immemorial Biblical and Patristic dogma against interest on money.

The English Cardinal **Robert of Courson** (also spelled "Courcon" and "Courzon"), the papal legate, was, from 1204-1210, professor at the University of Paris, the premier medieval school of theology (whose statutes he compiled in August of 1215), and the author of *Summa*, completed in 1208. He also helped prepare, and was an influence on the Church council held at Paris in 1213 as well as the Fourth Lateran Council of 1215. His *Summa* is a huge and influential work of theology consisting of chapters on penance, canon law, the regulation of clerical life, simony, robbery, usury and perjury. His treatise contra usury, *"De Usura,"* was circulated throughout medieval Europe and was in print in French late as 1902.[56]

In the preface to his *Summa*, Courson took the words of the Apostle Paul in Philippians 2:15-16 as his economics' maxim, stating that his objective was to assist the Christian, "That ye may be blameless and harmless in the midst of a crooked and perverse nation." He urged priests to encourage their

parishioners to publicly denounce usurers. Cardinal Courson's influence on the Fourth Lateran Council rises to a higher magnitude of significance when we recall that it was this Council which pronounced dogmatically for transubstantiation. His great campaigns were for transubstantiation and against usury. Historian Sara Lipton draws an instructive parallel between the two:

"With the official adoption of the doctrine of transubstantiation at the Fourth Lateran Council (1215), [57] physical as well as spiritual cleanliness (of the Host, the celebrant, and the communicants) was brought into still sharper focus. So, for example, Alexander Nequam (1157–1217) preached on the responsibility of priests to wash their hands before handling the Body of Christ, priests were enjoined by Innocent III to wear white when celebrating the Easter Mass, and ever more elaborate measures for assuring the integrity of the consecrated wafers were adopted. Such measures did not serve just to protect the purity of the Host but also to publicly signify it. Condemnations of usurers fulfilled a similar function. Associated rhetorically and metaphorically with 'filth' in a myriad of Christian texts (to the extent that 'filthy lucre' is still a cliché), money was repeatedly linked with actual filth in the form of excrement and the 'filthy' fluid blood in those most vivid and concrete of medieval narratives, the *exempla*…Money, then, was not just an agent but a tangible sign of sin and pollution, and usurers were considered not only morally tainted (in that they were sinful) but also physically tainted (by virtue of their intimacy with 'filthy lucre'). Such associations, then, form the backdrop for both the child-pawning and other anti-usury images in the *Bible moralisée* Leviticus commentary…" [58]

"He (Cardinal Courcon) was sent to France as papal legate in 1213…during his legation (which lasted probably until November 1215) he undertook the task of reforming and streamlining the French Church and regulating the syllabus at the University of Paris. He was well prepared for his work by his academic expertise, expressed in his *Summa*, which was compiled between 1204 and 1208 and focused on the question of usury, so central to any consideration of Church benefices. This was reflected in the Church council held at Paris in 1213…Curzon was a strong proponent of general councils as an instrument of church reform and as an antidote to usury…By way of a council he advocated a return to apostolic simplicity…'Thus would be removed all usurers, all factious men and all robbers; thus would charity flourish and the fabric of the churches again be builded…" [59]

"Roberto Courcon, viro scientissimo, ecclesie Romane cardinali, adeo usuras eliminado usurarios persequebatur…" [60]

In addition to the Lateran Council's Cardinal-theologian Robert Courson, we have another leading medieval opponent of interest on money among the most illustrious of all churchmen of the age — **Archbishop of Canterbury Stephen Langton** (ca. 1155-1228), the architect of one of the West's founding documents of freedom, England's Magna Carta. Langton was a former master of theology at the University of Paris with Robert Courson (and schoolmate of the future Pope Innocent III).

The historian Matthew Paris wrote: "Archbishop Stephen rid Italy and France in great part of usurers…He preached in northern Italy, in France — especially in Arras and St. Omer — and in parts of Flanders. Aiding him in his attacks and persecutions of usury and usurers was Robert de Courcon, a most learned man and cardinal of the Roman church. Together they rooted out the practice of usury and miraculously cleansed the French kingdom of evil." [61]

The theologian Jacques de Vitry joined Langton and Courson in preaching a crusade against usury in western Europe, intermittently from 1213-1218. "In a passage attacking usurers in his *Historia Hierosolymitana*, Jacques likened these two preachers (Langton and Courson) to 'stars in the firmament." [62] The three preachers against interest on money are mentioned again in Matthew Paris' *Chronica Majora*. Their sermons were collected in the *Liber Additamentorum*. Langton's preaching was so intense he earned the sobriquet, *Stephanus de Lingua-Tonante* ("Stephen of the Thundering Tongue"). Archbishop Langton's primary concern as a homilist lay in exposing shady business dealings and usury, which he compared to theft. He classed usurers as creations of the devil and declared usury a mortal sin:

"*Certe ner die nec nocte requiescit qui in peccato mortali est quia et ipsum facit. Sicut usura. Semper enim erescit, et nullus sapiens attingit usuram, ita est de peccato mortali*."

He declared that the usurer will see cash but he will not see God: "*Si sacerdos dicit usurario, renuntia usuris; relinque multitudinem; sequere fidelium paucitatem. Cui ille. Fodere no valeo; mendicare erubesco, preterea omnes vicini mei similiter faciunt. Quasi dictat. Paucitatem non curo, multitudinem non relinquam, immo sequitur eam ad penam eternam…Usurarius videt nummum sed non videt Deum*."

The Archbishop of Canterbury stated that usurers, robbers and adulterers who call themselves Christians, vilify the name of Christ: "*Multi licet usurarii, raptores, adulterii Christianos se nominant, in quo nomen Christi vilipendi faciunt…*"

"Langton was himself a canon of Notre Dame and is credited with the composition of the sequence for the Mass of Pentecost, the *Veni, Sancte Spiritus*, a model of the austere and beautiful style he favored…His diocesan statutes of 1213-1214, similar in many respects with those promoted by the English cardinal Robert Curzon while papal legate to the French Church, set the pattern for his wider reform program promulgated at the Canterbury provincial council of Oxford in 1222, which became a model for much of the English Church." [63]

Scholasticism brought a Christian form of reasoning to the understanding of usury and its consequences, and in doing so it forged a middle course between two philosophical extremes: *rationalism* which is not subordinated to the faith, [64] and a faith-based *mysticism* that is not anchored by the God-given powers of reason. "Scholastic usury doctrine was partly based on authority in the widest sense and partly on rational arguments, either from authority or from self-evident postulate of natural reason (the 'natural law case' against usury')." [65]

In accordance with legal terminology, Courson limits usury to the particular loan contract called a *mutuum*…Usury as an economic quantity is the increment (*res superexcrescens*) which the creditor receives in excess of the principal (*praeter sortem*) in repayment of the loan. Usury as a sin is to receive such an increment or to lend with the intention of receiving it…In a class of its own is the authority of the Lord himself exhorting his disciples in the Sermon on the Mount: "lend, hoping for nothing again" (*mutuum date nihil inde sperantes*)…" [66]

One of the most authoritative and voluminous of medieval manuals for *confessors* (priests who absolved penitents of their sins after they sorrowfully divulged them), was the 1216 *Summa confessorum* of the moral theologian Thomas of Chobham (ca. 1158 - ca. 1230), subdean of Salisbury Cathedral.

Volume seven of this confessors' manual is concerned with mortal sins. Usury is classed as a subsidiary of the "seven criminal sins" of Book 3, among which is avarice. The *Summa confessorum* terms usury, *philargia,* "the love of money."

"Where there is a *mutuum*, ownership passes, whence *mutuum* means, as it were, 'yours from mine' (*de meo tuum*). Therefore if I have lent you money…immediately the money is yours…Therefore, if I receive a fee for this, I profit from what is yours, not mine. Therefore the usurer sells the debtor nothing that is his, but only time, which is God's. Therefore, since he sells a thing belonging to another, he ought not to derive any profit from it." [67] (The manual also stipulates that profit from usury must be returned before absolution can be be obtained).

"Cobham's most likely source is an early *palea* to the *Decretum*, inserted about 1180 and known from its incipit as *Eiciens*. Much older than Gratian, it is taken from the *Opus imperfectum in Matthaeum*, an anonymous fifth-century homily on Matthew, commenting on the passage which describes how Christ entered the Temple and evicted (*eiciebat*) the merchants and money-changers…'More cursed than all …is the usurer, for he sells a thing not bought, as do the merchants, but given by God, and afterwards takes back his good, removing that of another with his own; a merchant, however, does not take back a good once sold." [68]

William of Auxerre, the Archdeacon of Beauvais, professor of theology and Pope Gregory IX's legate to the Faculty of theology at Paris, in his circa 1220 *Golden Summa ("Summa aurea")*, having defined usury ("the will to acquire something above the principal of a loan"), proceeds to declare: "Usury is directly and immediately contrary to justice which obliges us to relieve a neighbor in need, hence it is directly against the precept of the Gospel according to Luke 6, 'Lend, hoping for nothing again."

One economist has observed, "The charge of unjustly withholding what belongs to a neighbor in need is immeasurably graver than the charge of failing in charity by keeping what is rightly one's own." Here we see *the distinction between Christian justice and capitalist philanthropy*. In capitalism the philanthropist is obligated to no one. It is "his money," though from a sense of philanthropy he may, if he chooses, dispense money to those in need. Yet, if he withholds it he is not viewed as unjust, but perhaps, under certain circumstances, a little uncharitable. In Christianity, with its consciousness of the supreme overlordship of God, the Christian recognizes that the money he possesses is actually God's money, and *justice* impels the Christian who possesses this money to distribute a substantial share of it to those in need.

William of Auxerre made the point of "explaining why the Church persecutes usurers more ardently than the secular powers do. To this purpose he compares usury with murder and with regular theft. A murder is an act sinful in itself (*in se*), but not according to itself (*secundum se*), says William, since it is sometimes morally permissible to take another's life for a morally overruling purpose; usury, however, being sinful both *in se* and *secundum se*, i.e. being intrinsically evil, is never permitted… The ecclesiastical judge, says William, is more subtle than the secular one. He considers the spiritual damage done by usury and persecutes usurers because they are in contempt of God." [69]

The English Dominican theologian John Bromyard (circa 1370), author of an authoritative compendium of canon law and theology, *Opus Trivium,* taught in his *Summa Praedicantium* (2, chapter 12), "The usurer is worse than the robber, because the robber usually steals at night. The usurer, however, robs by day and night, having no regard for time or solemnity, for the profit which accrues to him through a loan never sleeps, but always grows."

Manuals for Confessors Classified Usury as Mortal Sin

That usury was a mortal sin was the unanimous doctrine imparted to all confessors in the dozens of manuals compiled for their guidance and instruction by the Church up until the early modern age. We can cite example after example: the *Summa casuum* of Burchard of Strasbourg; the *Summa confessorum* of John of Freiburg; the *Summa de casibus conscientiae* of Bartolomeo of San Corcordio, the *Summa Confessorum* of John of Saxony, the *Formula confessionis* of John Rigaud (confessor to Pope Clement V); the *Summa Astasana* of Astesanus.

The theologian Peter Lombard in his famous *Sentences,* in connection with the "fourth commandment of the second table" which forbids theft, states: "…here usury is prohibited as well, which is included under robbery" (*hic etiam usura prohibetur, quae sub rapina continetur*). The German Dominican Conrad of Höxter was professor of Canon Law at Bologna. He received the religious habit in 1220 "at the very hands of St. Dominic." His three volume manual for confessors, *Summa fratris Conradi,* condemns usury as mortal sin. "Usury is by its nature dishonest and cannot be exercised without sin…all fruits of usury are to be restored, including profit in legitimate business financed by usurious gains. If the foundation is faulty all that is built on it is faulty." Concerning the money-lending Lombards, Conrad of Höxter condemns their practice of charging usury in the guise of late fees on loan payments.

"Raymond of Penafort is remembered in the literary history of the Middle Ages for two major achievements. Besides being the author of the most influential book on penance ever written (*Summa Raymundi*), he compiled the definitive collection of decretals promulgated by Gregory IX in 1234. [70] Born near Barcelona, Raymond was nearing middle age and already a doctor of law when he entered the Dominican order in 1222. Raymond's handbook for confessors was originally composed in the 1220s…The work was printed a number of times…Usury is discussed by Raymond of Penafort in prolongation of theft, 'since usury differs little or nothing from robbery…" [71]

Four points are cited in the *Summa Raymundi* as proof of the mortal sin of usury: "the passage of ownership in a *mutuum*, the passage of risk, the non-deterioration of money and the sterility of money." These in turn are based in the decretal *Naviganti,* which was included in the final compilation by Pope Gregory IX and which originated in a letter written by the pope to Raymond of Penafort. "Hardly any work…was so frequently copied, glossed, abbreviated, adapted and imitated as the *Summa Raymundi*; European manuscript libraries abound in penitential texts deriving, in one way or another, from this source…When Vincent of Beauvais, the Dominican compiler of the largest encyclopedia of the Middle Ages, [72] cast about for suitable material on usury and commercial activity, he chose Raymond of Penafort…copying (him) more or less verbatim…" [73]

The Christian Economics of St. Thomas Aquinas

The synthesis of these works in the medieval period is found in the moral theology of St. Albert the Great and in the *De malo* and *Summa theologiae* of St. Thomas Aquinas, as well as the texts of St. Bonaventure (who, like Albert, puts forth the condemnation of interest on loans in a disquisition on the *Sentences* of Peter Lombard and, in Bonaventure's case, in his collation of the Ten Commandments).

Aquinas confronted the loophole which the moneylenders and their agents sought to sow to their advantage, a legal relativism that renders usury evil only because it is prohibited (thus leaving the door open to a future time when it will not be forbidden by the Church and therefore not evil). Aquinas replied, in *De malo*, that usury is not sinful because it is forbidden, rather, it is forbidden because it is a grave sin, *secundum se*. Historian Christopher A. Franks elaborates on the Christian economics of Aquinas:

St. "Thomas's position on usury depends, not on a particular way of configuring money, but on the very notion of abstractable exchange value that any understanding of money presupposes. Thomas argues that abstracted exchange value as such cannot have a vendible use value in addition to the exchange value it abstracts. To believe that it does indicates that a spurious 'usefulness' humans can attribute to something has been mistaken for true use value. Further, Thomas goes on to consider other possible justifications for interest on a loan, and he faults them not for misconstruing the nature of money, but for presumptively seeking a security against the future that denies the deferent receptivity necessary to humans as members of an antecedent natural order that sustains us. Thus, we can see Thomas's adherence to the usury prohibition not as evidence of his obscurantism in the face of 'economic realities,' but as his resistance to the presumption inherent in emerging economic practices…

The fruitfulness of God

"Thomas's economic teachings reflect an assumption that justice in exchange depends on commensurating the terms of exchange with the shape of the provision God unfolds for human beings. When Thomas says, 'one man cannot overbound in external riches without another man lacking them,' we are tempted to read it as a mere pious assertion to shame the rich. But it is firmly rooted in Thomas's assumptions about how God provides for human beings through fruitfulness of nature…To make a claim to wealth that outstrips that provision, as usury does, is to produce injustice.

"…Thomas's centerpiece argument attacks the very notion of usury, but he supports it with other arguments about a variety of possible titles to interest. In both cases his arguments are meant to preserve justice by rejecting inordinate claims to wealth…

"Thomas's centerpiece argument does not hinge on an antiquated understanding of money. Thomas sees in the very notion of an abstracted exchange value the possibility of economic activity that obscures the primacy of use values….

"What all of Thomas's positions on titles to income from money show is an insistence that profit can only come from nature's goods, which always requires the patience and vulnerability that waits to see what nature offers. Thomas refuses the presumption against God's providence that would seek to secure a claim to wealth that outpaces that provision.

"…to contract a price for the use of money in addition to the principal is to sell a use that does not and cannot exist…Thomas's arguments, by uncovering the most basic reason against usury (that it sells a metaphysical impossibility), confirm the rationale of the usury prohibition even in productive loans where the borrower is not needy. Thomas is concerned not only for charity, but for keeping all exchanges answerable to the contours of real wealth…

"The consumptibility argument is not meant to destroy all possible arguments for a return on one's money…The *lender at interest* presumes by staking a claim to wealth — possible future wealth — that is not disciplined by any receptivity to what God's providence may actually end up providing.

"The *investor* does not presume, but takes the risk of waiting to see what comes of it. He does not hold the title to the return of all his money, but rather makes himself vulnerable to the contingencies of how God's provision may or may not smile on the efforts of the merchant or craftsman to whom the money is entrusted…

"What if the borrower is an incompetent businessman, while the lender could quite reliably have turned a profit with his money somewhere else? This argument Thomas rejects, again because of its presumption. This is the notion of *lucrum cessans*, the notion that a lender has a title to compensation beyond the principal for forgoing the gain he might have otherwise made with his money…The reason Thomas finds it presumptive is that, unlike a risky investment, a loan involves a contract obliging the borrower in advance to compensate the lender for a potential gain the actual realization of which could only be determined by waiting to see…However reliable the alternative investment, it would involve vulnerability to the contingencies of the unfolding of God's provision, a vulnerability that *lucrum cessans* circumvents. To establish a title to such wealth irrespective of the actual possibilities and provisions the future may turn out to hold, is to set up an artificial invulnerability…One contemporary manifestation of this drive toward invulnerability is the imperative 'to convert wealth into debt in order to derive a permanent future income from it — to convert wealth that perishes, into debt that endures, debt that does not rot, costs nothing to maintain, and brings in perennial interest." [74]

The Belgian theologian Giles of Lessines (ca. 1230-1304), an illustrious student of both Aquinas and Albert the Great, was the author of *De Usuris*, an important Catholic treatise on usury in the medieval age. In *De Usuris,* "Giles classifies usury as a vice of the genus of avarice, which beget cupidity, the root of all evil….Usury is sinful whether in hope or in fact ('*sive in spe sive in re'*). It is evil according to natural law and a mortal sin according to divine law…It is against the will of God." [75]

Interest on money: a pact with the devil

In the realm of historical speculation it has been conjectured that the Florentine theologian Remigio de Girolami had the venerable distinction of being both the student of St. Thomas Aquinas and the teacher of the illustrious medieval poet, Dante Alighieri. Girolami, who died in 1319, was Master of Theology at Santa Maria Novella and lecturer on theology to the papal curia in Perugia. In his *De peccato usurae*, Girolami considers usury from two perspectives: against divine law and *against nature*. Girolami equates the Satanist's pact with the devil to the taking of interest on money.

Dante Alighieri and Ezra Pound: The Stench of the Profit Motive

In Canto 11 of *The Inferno*, Dante puts the usurer together with the sodomite in the lowest reaches of hell, where they dwell '*venimmo sopra piu l'orribile stipa*' (in 'the horrible excess of stench'). In Canto 17 Dante again identifies usurers with miasma: Geryon (the personification of fraud and usury) is "*colei che tutto 'l mondo appuzza*" ("the one who makes the whole world stink"). The sodomite reverses creation and places his genital organ not in the procreative vagina of the woman but in the anal sewer of the male body, the repository of filth and stench. The sodomite takes the gift of the abundance of God's creation and perverts it into sterility. The usurer takes what is sterile (money, a mere symbol of transaction), and transforms it into the thing signified, making something out of nothing.

We may recoil in prudish dismay at the raw metaphors of the medieval poet, but Dante knew what we do not: that because the taking of interest on loans of money almost always evades being named and always calls itself by some other name, it must not be allowed to escape the complete articulation of the contours of its corruption. The mortal sin of "low" interest on money is not an issue for the modern Church. The crime of interest on money is an issue only for very few contemporary churchmen, economists, statesmen, legislators, magistrates or mandarins of western culture.

The 20th century philosopher, medievalist and poet Ezra Pound (1885-1972), who was steeped in Dante, observed: "My generation was brought up ham ignorant of economics. History was taught with omissions of the most vital facts. Every page our generation read was overshadowed by usury. *Usura* spreads her empire of forgetfulness and keeps herself under erasure…Of all usury's assaults on definition, the last and consummate is its erasure

of its proper name. In *Canto* XCVI, Pound despairs of finding anyone 'whom the ooze cannot blacken,' because 'the stench of the profit motive has covered their names." [76]

In his *Canto* XLVI, Pound quotes a statement by the founder of the Bank of England, William Paterson: "Hath benefit of interest on all/the monies which the bank, creates out of nothing." [77]

Dante reinforces and Pound exhumes the anathemas of the ancient Church, consigning usurers and sodomites to the same circle of the inferno, because both seek prosperity or eroticism, "without regard to production." This is a visionary discernment not only of Christian sages but of the natural law philosophers of Greek and Roman antiquity. Few insights are more foundational to the tutelary spirit of western civilization.

The Canker that Consumes the Conscience

Pound, who was in certain respects a personification of the spiritual and intellectual inheritance of the West, draws attention to usury's diabolic dimension, and adds to it the aspect of pathology which Pope Gregory X assigned to it in 1274 at the Council of Lyons II, "the canker":

The Evil is Usury, Neschek the serpent…
The canker corrupting all things, Fafnir the worm,
Syphilis of the State, of all kingdoms,
Wart of the commonweal,
Wenn-maker, corrupter of all things.

"…one of the conventional tropes of both Catholic Church councils and in early modern English denunciations of usurious moneylending. In Robert Willson's morality play *The Three Ladies of London* (1584), Conscience receives 'cankered coin' from Usury…Nicholas Breton branded the usurer in 1616 as a kind of 'canker that with the teeth of interest eats the heart of the poor.' In his 1634 treatise *The English Usurer, or Usury Condemned*, John Blaxton approvingly cites the sermon of Bishop Sands, who denounced usury as 'this canker' that 'corrupted all England.'…*In Saint George for England Allegorically Described*, Gerard Malynes praises Licurgus for banishing the 'canker worm' of usury from Sparta. Why did canker recommend itself to early modern English writers as a pathological metaphor for charging interest?…No doubt the link between canker and usury was…suggested by the longstanding convention of representing usury as a 'biting' serpent, a custom deriving from the double meaning of the Hebrew *neshech*, which, as Pound's addendum to Canto 100 assumes, means both 'usury' and 'to bite.' Indeed, in all the early modern English associations of usury with canker that I have cited, the disease is notably one that *eats,* whether the pockets of the indigent poor, the consciences of good Christians, or the nation's reserves of bullion." [78]

Shakespeare wrote of "cankered heaps of strange-achieved gold" (*2 Henry IV* act iv). In the 1602 *Geneva Bible*, in the Book of James, we read, "Your gold and silver is cankered, and the rust of them shall be a witness against you, and shall eat your flesh, as it were fire." (James 5:3.)

3

The Precursor: Usury in Florence

"…In law, a *mutuum* was a loan of fungibles, that is 'things that are fixed by weight, number or measure, such as wine, oil, grain or cash paid in copper, silver or gold.' The use of such things is identical with their consumption or destruction. Because of this trait, ownership and liability passed to the borrower, who was bound to return the equivalent of the thing borrowed rather than the thing itself. This contrasted with a c*ommodatum*, a loan for use — for example, the loan of a horse or a boat — in which the creditor retained both ownership and liability. Although c*ommodatum* was a gratuitous contract, the creditor-owner could legitimately convert it into a contract of lease and hire (*locatio et conductio*) by charging for the use of the thing. But the nature of a *mutuum* precluded charging the borrower for the use of what had become his own property. So far as the contract itself was concerned, the debtor's obligation extended only to the repayment of a thing of the same quality and quantity as the thing he was lent.

"Classical Roman law circumvented this difficulty by means of a supplementary contract called *stipulatio*, which was agreed at the same time as the *mutuum* and by which the debtor promised a separate payment called *usurae* or *fenus*. From patristic times, however, the church repudiated such agreements, forbidding the clergy to demand *usurae* and, in the west, extending the restriction to the laity…"

–Lawrin Armstrong
Usury and Public Debt
in Early Renaissance Florence

In spite of ecclesiastic and civil laws against interest on money, fallen human nature pursued greed by any means available. Laws against murder do not guarantee that there will never be a murder. This was indubitably true of usury, the instrument of the Money Power. In certain criminal cultures it persisted communally in defiance of the laws of God and government. The criminal culture in the city-state of Florence in what is today Italy, consisted in the city's deep ties to occult networks, brutal and aggressive wars, brazen legacy of crafty and ruthless loan sharking, and the fact that rather than being suppressed, sodomy was "regulated" by a Florentine bureaucracy: the *Ufficiali della'onesta*, which also "regulated" prostitution. In both cases "regulation" was a euphemism for maintaining a government monopoly on vice, and "disciplining" freelance sodomites and prostitutes who sought to engage in their activities independent of the official pimps. By the time usury was in the ascendant in Florence, sodomy was too. On the eve of the Protestant Reformation, one of the major campaigns of Girolamo Savonarola, the Dominican friar who, beginning in 1494, headed the new (and brief) anti-Medici reform government, was a string of unprecedented prosecutions for sodomy — 731 in just two years — November, 1495 to November, 1497. Savonarola was hanged and burned six months later, in May, 1498. It was reported that an elated city official declared, "Thank God, now we can sodomize!" [79]

From the fourteenth century onward a policy of aggressive capitalist acquisition by patrician oligarchs in the *Signoria* (government of Florence) was initiated, coupled with legislation that created *prestanze*, loans forcibly imposed, beginning circa 1345, on the people of Florence to service the *monte commune*, the debt of the city. The *monte* was the central instrument of the Florentine oligarchy's fiscal regime. By compelling the people to become its creditors, the government had caused its citizens to violate usury prohibitions and commit mortal sin. The principal apologist for this illegal and immoral scheme was the brilliant lay canon lawyer, Lorenzo di Antonio Ridolfi (1362-1443), a descendant of a powerful patrician family in Florence, doctor of law on the faculty of the University of Bologna, and from 1394 onward, one of the highest officials of the *Signoria*. He was consulted as an expert and judge of the civil and canon law. In February, 1404 [80] he published his *Treatise on Usury* ("*Tractus de usuris")*, [81] an early and cleverly argued erosion of traditional usury doctrine and jurisprudence, crafted to buttress the legitimacy of the commercial economy of the ruling Florentine cartel. Posing as a true Catholic he cited his motivation: "…compelled by these troubled times to explain for the spiritual good of my fellow citizens what is consistent with law and conscience in the matter of the public debt." John T. Noonan in his famous book, *The Scholastic Analysis of Usury*, fails to credit Ridolfi's canny subterfuge. Mistaking him for a writer who sought to confront the proscription against usury, Noonan did not appreciate Ridolfi's sophisticated *Realpolitik* (which would be imitated by his epigones down through the centuries). Ridolfi's shrewd thesis was that the *monte* and *the prestanze* did not deviate from the Church's ban on usury, but rather, conformed to its "spirit." Through double talk and dissembling, the assault on the immemorial dogma of the Catholic magisterium by the revolutionary, canonical "policy modification" buried within Ridolfi's *Tractus de usuris*, was presented as being consistent with Catholic law and tradition, and not a substantive change. "Ridolfi's defense of the compensation paid to government creditors, like his overall emphasis on occult usury, served the interests of the rich." [82]

The unholy Trinity of Florence: The Three-for-One Monte

That a Christian veneer was needed to cover ever more brazen usury was painfully obvious. Florence's usury came about due to a mountain of fourteenth century government debt (approximately 600,000 florins in 1343), incurred from, among other causes, ceaseless warfare with neighboring city states such as Verona, Pisa and Milan, and with the pope himself. [83] By 1378 the war with the pontiff had cost Florence a million florins.

The type of usury crafted for the debtor city-state was a series of fiendishly clever arrangements producing interest-rates that made a mockery of Catholic law and would have been a source of profound scandal and outrage in Britain and central and northern Europe at the time. One of these sly mechanisms was the *monte dell'uno tre* ("three-for-one monte") of 1358, which, like other types of debt, paid 5% interest. [84] The difference being that, by means of an accounting trick, the city-state's lenders were credited with triple the amount of what they had loaned to the government, thereby increasing their interest return three-fold, to 15%.

"Between October 1365 and June 1367 there were over twenty-five hundred trades in *monte dell'uno tre* credits nominally worth almost a million florins…Gherardino di Niccolo Gherardini Giani, a member of the communal finance committee, advised a friend in Bruges, Tommaso di Piero di messer Rodolfo de' Bardi, not to sell his credits, which Gherardino was convinced would rise in value before the end of the war with the pope. He went on to suggest that Tommaso forestall an increase in his *prestanza* assessment by submitting a false declaration of assets…" [85]

The Villani family were chroniclers of the history of Florence in the early fourteenth century, as detailed in their *Cronica*, justly renowned for its eyewitness accounts of the ravages of the Black plague. In the portion penned by Matteo Villani, he wrote of the ravages of another plague in his native

Florence, the *monte dell'uno tre*:

"Per questa via il comune senza altra gravezza ebbe al suo bisogno soccorso —e se bene si misura, non per carita o affezione ch'avessono i cittadini alla sua republica, ma per la cupidigia del largo profitto. Il quale fuori del buono e antico costume de' nostri maggiori molti n'ha tirati dalla mercatanzia in su l'usurae…" [86]

("By this means the commune raised the amount needed without difficulty — although it did so not because of the love or affection which the citizens felt toward their republic, but because of their cupidity when it came to large profits. This was a departure from the good old ways of our forefathers and drew many away from business into usury…").

In the 12th century, "…(w)hen asked to rule on the licitness of three transactions in which there was no express but merely an implicit agreement to repay more than the principal, Pope Urban III condemned them all, declaring the creditors 'quasi-usurers' who 'should be considered evil-doers on account of their intention to profit, and effectively compelled in the penitential forum to restore what they have received." [87]

The Usurer's Dilemma: confession & restitution or refusal of burial and eternal damnation

The mortal sin and crime of usury in Florence was committed in a context radically different from our own age — even men of great wealth and power in that time knew right from wrong and had consciences that haunted them on their deathbeds. They might make war against the pontiff himself, but the fear of God was still present in all but the most depraved:

"Indeed, as they approached their deathbeds, it seemed that usury was not just *a*, but *the* sin on the minds of wealthy men. Their illegitimate children…their…gluttony and general intemperance worried them far less. Or perhaps it was just that usury, unlike other sins, could only, according to Church law, be expiated through *full restitution* of what was sinfully gained. This was difficult if you'd spent the money…

"In the opening story of Boccaccio's *Decameron*, two usurers are terrified that their dying guest, a great and unrepentant sinner, will be refused burial and that because of their profession the local people will chase them out of town or even lynch them, in which case they too will be left unburied. The Lateran Church Council of 1179 denied Christian burial to usurers and the General Church Council of Lyons confirmed the ruling in 1274. 'Their bodies should be buried in ditches, together with dogs and cattle,' wrote Fra Filippo degli Agazzari. In Piacenza in 1478, when a torrential rainstorm followed the church burial of a usurer, the townsfolk dug up the corpse, paraded it in the streets, performed a mock hanging, then plunged it into the Po." [88]

"Against this sin (of interest on money) Fra Filippo (degli Agazzari) burnishes all the weapons of his armory and seeks to strike terror…by a series of dreadful 'ensamples' touching the miserable deaths of usurers…a company of fiends come for the soul of a dying usurer amid thunder, lightening, hail and rain. Now a very great multitude and innumerable, of men…dark and terrible beyond all human imagining, carry away the lost soul with fury and tempest, with inconceivable rage biting and smiting and rending and tearing him. Now all the demons of hell throng the church where a usurer…is buried…in the morning it is found that church has been cast down and hurled…into the river…the lost spirit of yet another usurer appears to his son in the form of a black smoke as it were the shadow of a man to announce to him that he is 'condemned to eternal torments, wherefrom I shall issue no more." [89]

Here is a representative account of the moral dilemma of a usurer published in the *Gli Assempri* of Fra Filippo degli Agazzari (1338-1422).[90] The *Assempri* was a collection of sermons and moral lessons preached and circulated throughout Italy. We reprint one lesson here, despite its prolixity, because it furnishes a sense of the intense pressure placed on usurers at the end of their lives, and the extent of the devotion which priests and monks exhibited in seeking to rescue souls they knew were headed for certain damnation if they did not only confess and repent, but return the riches they had gained through interest on money loans.

The Usurer's Fire

"There was a great usurer who had three sons. And it came to pass that he fell sick and that a good and skillful and wise friar (*religioso*) was sent for that he might prepare his soul. Wherefore that friar, examining him and finding that almost all that he had in the world had been gained by usury,' sought to persuade him to confess and to prepare his soul diligently, and to provide by his will for the restitution of the said usury, and in like manner to arrange all his affairs according to justice, because otherwise his soul would go to hell, and never would he find the grace of God, nor mercy, nor remission of his sins.

"The usurer answered and said that he was willing to do as the friar desired, save only that he would not make restitution of the usury because he desired not to leave his sons poor.

"The friar replied: 'Consider that if thou shalt go to hell to leave thy sons rich, they can do nothing for thy soul, but rather they will continually increase thy sufferings; and every evil use which they shall make of thy ill-gotten wealth, and the evil teaching and example which thou hast given them shall be laid at thy door.

"Moreover if they shall not amend their lives and shall not themselves restore this usury, then, since thou will have been the occasion of their wickedness, and all these things shall be brought in judgment against thy soul and shall increase thy torments.'

"Then said the usurer: 'Look you, Master Friar, such is the love that I bear for my sons that even in hell itself it would cause me great suffering if I saw them poor and in evil plight, wherefore on no wise will I ever make restitution of the usury.'

"Then said the friar: 'Behold, my son, thou art greatly deceived by the devil who causes thee to believe that in the other life, if thou shalt go to the torments of hell, thou will be able to love or to desire the welfare of any person whatsoever. For, albeit these two things are granted to thee in this life, this is so by reason of the free will which God hath given thee that thou mayest use the same to his honor and glory and reverence and to that of his Saints in as much as in thee lieth. Wherefore, if in this life thou shalt use these two things as thou should do, they will be eternally granted to thee hereafter in the glory of the life eternal, to wit always to love God and always to desire the welfare of others; and the more perfectly thou shalt have these two things in this life, the more perfectly shalt thou possess the glory of the life eternal. And, if here thou shalt have them not, be assured that thou will have hereafter other two things for ever with the devil, to wit, always to wish ill to others and always to hate God and every other thing which thou art able to think of or to imagine. So that not only wilt thou hate thy sons, but also thine own self, so that if there were neither devil nor spirit in hell to torment thee, thou thyself would torment thyself forever with all thy power.

"…God is the Highest Good, Highest Love, and Highest Charity,' and apart from him is infinite evil and infinite pride and hatred. In the time that thou

hast been free to do good or evil, thou hast not desired this Highest Good, neither hast sought to do his will, nor desired to please him in anything, but hast rather chosen to please the devil in hell, and hast served and obeyed him; for this cause thou art deprived for ever of this Highest Good and Love and Charity of God; also thou shalt hold it in so great despite that thou shalt not be able to desire it either for thyself or for others. And therefore it will be a just thing that thou should be thrust with the devil into all the pains of hell. And by him shalt thou be fulfilled with four separate things, to wit with every worst and wickedest desire, and with outrageous hate against God, and against all the holy company of heaven, and against all the inhabitants of the world, and not only against thy sons but against thy own self also. And thou shalt be full of diabolic envy and of infernal pride.

"Wherefore, oh miserable man, consider what thou art doing and choose not for thy sons' sake to lose the celestial kingdom and the glory of the life eternal and the sweet company of the holy and blessed angels who eternally rejoice with Christ and with his most holy Mother in the Kingdom of the life Eternal.

"Moreover I would that thou should know that, according to that which the Saints have said, the greatest suffering which the demons in hell endure, albeit their torments are many and divers, is to be herded together and to look the one upon the blackness of the other, so terrible and horrible is that sight; and this notwithstanding that they are for ever burning in the black fire of hell. Tell me, what good can thy sons do for thee when thou shalt be cast into hell and shalt become one with the demons in such and in so many torments?…Bethink thee then…the mad and bestial love which thou hast borne thy sons will be to thee for all eternity a judgment and a torment, and their evil lives of which thou art the occasion will ever increase for thee pain upon pain in hell.

"Consider then, thou wretched man, what joy and what consolation thou shalt have in hell with thy sons, when ye shall be together and shall be filled with such infinite hatred and loathing the one against the other that like mad dogs ye shall gnaw and devour one another. Wherefore prepare thyself now while yet thou hast time, for, albeit it is late, thou still hast time to prepare thyself for death.'

"Then at the last, that friar, being filled with love and charity and seeing that he could not change the fixed resolve of the usurer, said unto him: 'Now, my son, hearken unto me and, albeit thou wilt not do that which I bid thee, at least promise me that thou will thyself pray to God that he may illuminate thy heart and mind and may give thee the wish to do right and his love and charity.' And when the friar had thus spoken he departed and he betook himself to prayer for that usurer and besought God earnestly that he would have pity upon him.

"On the following day he returned to the aforesaid usurer and found him still as obstinate as before; wherefore, being inspired by God, he said unto him: 'Behold, my son, since thou hast so much love for thy sons that for their sake thou art willing to abide forever in the fire of hell, I would, at the least, that thou should determine what love they bear to thee. Thou should do in this manner: call one of thy sons and speak to him in this way, saying: 'Behold, my son, the ill gain of usury which I have made troubles my conscience; and, if I provide not in my Will that the same shall be restored, I cannot be absolved of any sin that ever I did, and for this cause I shall go eternally to the fire of hell. Nevertheless, for the love that I bear you, and to leave you rich and independent, and to the end that ye may not come to poverty or want, I am minded rather to go to eternal torments and to burn eternally in the fire of hell, than to leave you poor.

"Now, therefore, I desire to see what love ye bear me in return for my great love for you, and what ye would be willing to do for my sake. And… because I am willing to abide eternally in the fire of hell for your sake, I wish to see if ye are willing for my sake to hold a finger over the flame of a lamp as long only as it takes to say an *Ave Maria*. And, if ye are willing to do this, I will leave you rich and will go for ever into the fire of hell which burns evermore.'

"With this counsel the usurer was content, and he promised that he would do even as the friar had said unto him. And so the friar departed and devoutly prayed to God for him.

"The usurer called one of his sons and related to him the challenge. Then the son began to sigh: but, in order that he might not seem to have so little love for his father, he put his finger over the flame of the lamp. But as soon as he felt the heat of the flame, he drew it away and wished not to hold it there for the saying of even a third part of an *Ave Maria*. He told his father that it was displeasing to God that he himself should destroy his own hand.

"Then the father called his second son, and repeated to him the aforesaid words. And the second son put his finger over the flame of the lamp, and when he felt the heat he suddenly drew it away and said to his father: 'If I myself destroyed my own hand, I should sin mortally, for no man ought for any reason whatsoever to do an injury to himself, and to offend God and his Saints. Moreover, the hurt that I should do myself would be of no benefit to you or to anyone else.'

"So the father called the third son and said to him the like words. Then the son made answer and said: 'To do this thing that you desire of me would be to tempt God, and he would be greatly displeased if I should consume my own hand. Also whosoever should hear of it would say that I was no better than a brute beast to do so mad a thing to no good end.'

"Then was the usurer touched to the heart, and his mind was illuminated by God; and he sent for the aforesaid friar and with great weeping and with much contrition confessed his sin, beseeching him to prepare his soul after such fashion as should seem best unto him, because he was ready to do everything that he should bid him do, and was minded to provide by his will for the full restitution of the usury. And he faithfully promised that if he should recover he would himself make full restitution. And he told how he had tested his sons and how they had answered. He said that he perceived that they loved him not at all, save only for the wealth which they hoped should be left unto them.

"The friar replied, saying: 'Blessing and praise and thanks be to God who hath illuminated thy heart and mind and hath given thee true repentance. And now by this thou mayest see that, when a man is dead and buried in this life, there is neither father nor mother nor wife nor children nor friends nor brethren nor kinsmen that remember him any more, save only now and again to praise or blame his actions at their good pleasure.

"Thou should know that, when thou shalt have departed this life, thou will appear before the judgment of God where no man may aid or injure thee, but only thy own good or evil deeds.'

"And, when he had said these words, the friar confessed and prepared that usurer as was convenient. And he made his Will and provided that the usury should be restored in full. And thereafter in peace he passed from this life." [91]

Cautionary sermons like the preceding were not aimed at usurers alone, but at all practitioners of greed and covetousness. Often the homiletic barbs stung the wealthy in general, as well as anyone who was viewed as a nigggardly calculator of profit.

"A continuous stream of scorn and reproof for all the current sources of pride and prestige in medieval society poured forth from the pulpits. The ears of the people must have grown quite familiar with homiletic phrases that often sounded to them like so many threats of destruction for the powerful and the rich. Hence, for better or for worse, we must acknowledge the sermons, however little so intended, as a primary literature of secular revolt, and their authors as the heralds of political strife and future social liberties. Such persistent ventilation of the sufferings and wrongs of the poor — not exceeded, probably, by the most outspoken champions of social revolution in any age — could only end at length in one result. If the evils remained, one fine day

the oppressed would take matters into their own hands…" [92]

The Usurer's Indulgence

During the illegal usury of the 1360s, the city-state of Florence had on its payroll an official known as the *Syndicus ad indulgenum,* tasked with pardoning its residents ahead of time for the crime of usury which they would commit: "…pardon, limit and remit with respect to God, conscience and the world all who have hitherto received or enjoyed, or whose predecessors received or enjoyed, or who themselves or whose predecessors will, in the course of the current year receive anything by way of gift, compensation, commission, usury or interest from the revenues of the commune for any money lent to the commune or advanced to it in any way. And make or cause to be made with regard to this pardon, limitation and remission, an instrument or instruments with all guarantees, warranties and formalities for any who desire them." [93]

Note that this pardon has nothing to do with the remission of the sin of usury. This was a lawyer's loophole; a release from the threat of civil and criminal prosecution, and liability for restitution, with regard to usurious proceeds from the *monte*. From 1357 through the 1370s it endeavored to ease the consciences of those who were committing mortal sin and receiving interest payments. Beginning in 1382 the Florentine regime began to issue enactments which addressed the conscience ("*conscientie*") of those citizens involved in usury, although by now it was decided that usury was too strong a word. The five percent income from the loans were placed under the category of *interesse*, under the legal fiction of "gifts, damages":

"Circa exgravationem conscientie civium Florentinorum dicti communis et maxime in denariis montis qui recipiuntur V pro centario pro aliquo dono, damno et interesse."

It was further emphasized that those receiving this income could do so without any "scruple of conscience" ("*conscientie scrupulo*") or anxiety about an obligation to make restitution ("*et sine aliquo restiutionis gravamine*").

This marks the beginning of the development of a species of brazen outlawry that in the next century would make Catholic Florence such fertile ground for Neoplatonic Kabbalism, banking and other criminal cartels. The city fathers had no authority whatsoever to relieve the consciences of the citizens who were profiting from the government's usury operations and the people knew it, but they clung to the charade as providing at least some cover for their sin. The Third Lateran Council had declared interest on money to be both mortal sin and, because it was a form of theft, a crime ("*crimen usurarum"*). This sinful crime could only be expunged by making complete restitution. In its defiance, the government of Florence had become a crime syndicate and this would be a template for Florentine power in the future Renaissance era, with ominous repercussions for the Church. Other Italian city-states were not as obstreperous as Florence. In 1382, Siena reinstated the laws against usury which had been suspended.

Florentine money bought influence in the Church but not enough to still the voices and pens of bishops and theologians who condemned as mortal sin, the "legislative subterfuges" attached to interest-bearing government loans; and their anathemas often bore fruit on an individual basis. In Florence in 1378 Giannozzo Sacchetti "repaid three hundred florins he had received in interest, pleading an uneasy conscience as his motive."[94]

The Ciompi Insurrection of 1378

For the common people of Florence, the hardest "hit were the urban poor who owned sufficient property to be assessed but could not realize the cash necessary to meet their levies…a growing proportion of the poor, particularly *sottoposti*, textile workers subject to the wool manufacturer's guild, were regularly assessed loans in the 1360s…The pressure on the poor increased sharply during the war with the pope as the number of households deemed to meet the minimum property requirements more than doubled between 1375 and 1378…the poor made use of brokers, who paid the full assessment in return for a fee and a title to the credit and the interest. During the war, eighty percent of all *prestanziati* and some ninety percent of *sottoposti*-assessed loans in Santa Maria Novella, paid "*ad perdendum"* ("to be lost") — a majority choosing to surrender their rights to speculators. The brokers to whom the *sottoposti* turned were often their employers, whose profits from speculation were thus effectively appropriated from their employees. The burden of loans paid *ad perdendum* combined with structural inequalities built into the tax system…widen(ed) the gulf between rich and poor…for many *sottoposti* the result was a 'financial bloodletting that by the end of the impositions exceeded three hundred *soldi*, a sum equivalent to about forty days' pay for a wool-comber, and proportionately for other workers; which is to say that during the war, the *sottoposti* in effect gave their labor for free for a time period to their employers, who might thus recover a portion of their investment in a proportion corresponding to the level of *prestanze* imposed on workers'…

"The effects are illustrated in a petition poor Florentines addressed to the *Signoria* in 1369…'Lord priors of Florence: For the sake of your honor… you should do something about the taxes, the forced loans and extra levies which the poor people of Florence must pay. If you don't do something, you will discover that no one in Florence will be able to save you. There will be an uprising if these forced loans and special levies are not reduced, for there is great privation here. People are living in misery…Just think about those who have three or four or five children, and who are assessed two or three florins, and who have to live from the labor of their hands and those of their wives. How can they stay here and live?'

"…The petition the Ciompi presented to the government on 28 July 1378 included demands for the suspension of *prestanze*, the reintroduction of a wealth tax, the abolition of interest payments on the *monti* and the progressive elimination of the debt over twelve years…. The appeal proved to be prophetic, since the disparities aggravated by the *monte* system played a central role in the Ciompi insurrection of 1378." [95]

The insurrection, initiated by the wool-workers, was an armed revolt against usury. The slogan of the Florentine freedom-fighters was, "No more *monti*, no more *prestanze*!" ("No more debt, no more compulsory interest-bearing loans!"). For six weeks they held the seat of government and established three new guilds: the dyers, the doublet-makers and the wool-makers. Brutal, counter-revolutionary reprisals followed from the faithless crew who were intoxicated by money. The reaction was not entirely successful and a democratic coalition government was formed, lasting until 1382, when the full power of the regime was at last restored, the workers suppressed, and usury once again flourished under civic auspices.

In the following years, the anarchic "western schism" produced a succession of anti-popes (Clement VII, Benedict XIII and the usurious John XXIII, patron of the Medici crime syndicate of usurers), as Florence defiantly pursued its outlawed usury. The pseudo-Catholic intellectuals like Lorenzo Ridolfi sought to mask the sin by transforming it into something venial or trivial, on the road to its complete nullification. The power of money is overwhelming. It corrupts everything. The harshest church laws were searched for escape clauses by lawyers of every description. The rewards for discovering loopholes were immense. Where none existed, a play on words was devised, along with underhanded tricks intended to subvert the spirit of the strict prohibitions on usury.

Manifest and Occult Usury

Chief among these were the Lateran Council laws against public or "manifest" usurers. Aha, exclaimed the lawyers, what of usurers who conducted their business in private, under another name and were therefore not manifestly engaged? Usury that was not made public would, therefore, not be usury. By this stratagem it was claimed that only pawnbrokers and similar low level offenders fell under ecclesiastical jurisdiction and the moral definition of usury. Private banks, it was alleged, would be exempt. Many of the modern historians of economics almost unanimously slander the stalwart medieval Catholic campaigners against usury by claiming that the distinction between usury and *manifest* usury was a loophole deliberately concocted by the medieval Church. [96] In truth, the distinction had been made because the Church sought to take great care in branding someone a usurer. The Church sought to secure the conviction of only guilty parties who, without any possibility of ambiguity, were "manifestly" complicit in taking interest on money as an enterprise. The Church of the late Middle Ages was not a hair-splitting tyranny seeking to impugn a grandchild because, after her grandmother loaned her a silver coin she returned two silver coins to her, one as repayment and the other as a gift; that level of Bolshevik bureaucratic intrusion into the lives of ordinary Catholics was not the way of the Church in the 1300s. Clear proof was required, in the interest of due process, in the course of which guilty bankers as well as pawn brokers could be accused, tried and punished.

The modern spin on this prudent distinction concerning a category of notorious public usury, is a cynical attack on the sincerity of the saintly medieval Catholic popes and theologians who relentlessly attacked interest on money with the whole of their being, but who, we are expected to believe, created a semantic evasion for the benefit of the largest usury operations.

A "manifest" usurer was a witness against himself and undoubtedly guilty, therefore the law began with him. The law did not exclude private bankers since, when it could be proved that these bankers were certainly guilty of the "fraud of usury," then their usury was made manifest. As previously noted, the Council of Vienne, in its Decree 29 targeted secret ("occult") usurers: "Moreover, since money-lenders frequently conclude loan-contracts in an occult or fraudulent manner, which makes it difficult to convict them on a charge of usury, we decree that they should be forced by ecclesiastical censure to produce their books on such occasions."

T.P. McLaughlin demonstrates that the accusation that the "manifest" distinction was a means for cozening immunity for a special category of private banks, is without foundation:

"The Lateran Council of 1179 and other decrees referred to…declare that the penalties are incurred by *usurarii manifesti*. When is one to be considered a manifest usurer? Some of the Councils understand the word *manifestus* to mean notorious; the penalties are incurred by usurers who are notorious. Others, showing the influence of the teaching of the canonists, provide a more exact and complete explanation of the term. Those are manifest who have been convicted of the crime, who have confessed it before the judge or whose usurious business is carried on so openly that it cannot be concealed. Without being notorious one may be defamed by common report of the crime of usury. Such a one becomes manifest, say the councils, if he does not submit to the *purgatio canonica* within the time fixed by the bishop…A man is to be held as a manifest usurer if he confesses it extra-judicially before the parish priest or a notary public. Again, two Witnesses suffice to establish the fact that one is a usurer and such evidence renders him manifest.

"…Whereas Innocent IV is content to state briefly that manifest usurers are those who have been convicted by the courts, Bernard Bottoni discusses the question more thoroughly. A usurer, he says, may be notorious or not. If he is notorious, then no further proof is required; his crime is manifest and the penalties may be applied. If, however, he is not notorious, then a judicial examination is required to establish the fact of usury and so make his crime manifest….A man is *notorius facti* if, for example, he conducts a bank or place of business where he is prepared to lend at usury to all comers. In this case he suffers *ipso facto* the penalties provided in the law.

"A man is *notorius juris* when he has been publicly condemned as such by the Church. If he has merely the reputation of being a usurer, he is not a notorious or manifest usurer, nor do the penalties affect him until he has been publicly condemned. This sentence will become public when he has been called to answer the charge and either confesses his guilt or, denying it, is yet proved to be a usurer by the testimony of witnesses." [97]

Loopholes were sought for exceptions to the law. One of these exploited reverse obligations of the part of the debtor which were a survival from the law of the Roman empire, which decreed that the debtor, in addition to repayment of the principal, owed his creditor "gratitude" for lending without interest. Some token of "gratitude" in the form of a gift to the lender was encouraged, or in some cases mandated. In Catholic canon law there was no such mandate, and *bona fide* gifts (those that were truly voluntary as an expression of gratitude for having received an interest-free loan), were of course not banned. But where the "gifts" were actually a hidden form of interest arranged in advance as a *requirement* of the loan, they fell under the legal category of *fraudem usurarum*. These fraudulent transactions were difficult to detect, and along with other loopholes (for example, *mora and poena*, and the distinction between voluntary loans and government-mandated *prestanze*), provided a cover for the sin of loans at interest.

Ridolfi, the double-talking Florentine canonist, stated that interest payments on loans to Florence should be seen "as a sort of reward for citizens' contributions to the common good rather than usury paid on a loan." The payments certainly were quite a "reward." The creditors with the biggest loans to Florence were the ones who set the interest rates: the city fathers themselves. [98] Rest assured that they did so "in good conscience," and at rates that were *consuetum lucrum et condecens* ("customary and fitting compensation").

Roman Catholics and the civil powers allied with them, were engaging in an astonishing departure from Catholic dogma: the regulation of mortal sin, to make it less wicked, while continuing to commit it! This fool's errand is with us still today. In the twenty-first century it permeates the Church and virtually every secular and ecclesiastical plan for the "reform" of usury. Abolition is not even on the agenda of most contemporary reformers. Yet, one cannot "reform" a deadly sin that damns one's soul. Modern reform efforts along these lines produce demoralizing confusion and further support the system of usury, because the usurers much prefer "reform" to abolition. The devil would rather have us tell ourselves that the manner in which we are committing the mortal sin is sufficiently "moderate" and "reasonable" that it justifies its continuation.

The Augustinian theologian Gregory of Rimini swept most of the early evasions of the moral law aside by ruling that if a creditor intended to profit from a loan, then he was guilty of usury, whether or not he loaned to the Republic of Florence or the lowliest peasant or cobbler. [99] Of the various usurious city-states in the Italian region at the time, such as Venice, that had made some deceptively covered forms of usury lawful, Gregory solemnly admonished them with the warning "God is not mocked." To which the Money Power of the region replied, "*Quod non est licitum lege, necessitas facit licitum*" ("Necessity makes it lawful"). We witness the extent to which two-faced, fork-tongued rhetoric predominated in the milieu of rising Italian commercial decadence in canonist Lorenzo Ridolfi's statement: "Debtors should not be forced to pay usury to which they have obligated themselves. But if they have sworn an oath to pay, they are obliged by the Lord to fulfill their oath."

As the pagan/humanist Renaissance dawned on the horizon of history, the Italians tended to revert to Roman rather than Biblical and Christian precedents. Chief among the former was the legal code of the Emperor Justinian. There were two troubling aspects to this Roman precedent which

presaged the double-mind that came to predominate in Venice and Florence and later in Protestant and Catholic Europe as a whole: a vigorous philosophical condemnation of usury alongside a legally permissible category of usury. "Justinian…fixed the following rates of interest — maritime loans twelve percent; loans to ordinary persons, not in business, six percent; loans to high personages (*illustres*) and agriculturalists, four percent. While the taking of interest was thus approved or tolerated by…Roman law, it was at the same time reprobated by the philosophers…Cicero condemns usury as being hateful to mankind, and makes Cato say that it is on the same level of moral obliquity as murder; and Seneca makes a point that (later) became of some importance in the Middle Ages, namely that usury is wrongful because it involves the selling of time.[100] Plutarch develops the argument that money is sterile…" [101]

Usury Forbidden by Man-made or Divine Law?

This disconnect between rhetorical denunciation of interest on money and what was actually legal and implemented in Roman society, is the inevitable result of a separation-of-church-and-state economy that operates outside the statutes and judgements of God. Greek and Roman philosophers provided a secularized reaffirmation of the Word of God on usury, but in their own society the philosophers were almost completely impotent. When Aristotle condemned usury his condemnation was a noble articulation of the natural law, but it lacked *compelling* moral force. The law of the God of Israel in the Hebrew (Old) Testament did have that force and Jesus reinforced and clarified that Law in the Greek (New) Testament. His Church declared the destiny of those who defied God in this way: the destruction of their souls. With this dogmatic truth in place, the Church fought interest on money like a lion for more than a thousand years. Nothing short of this uncompromising adherence to divine truth will suffice to curb oppression, injustice and the kind of dog-eat-dog economic system that God hates (Isaiah 61:8). To build on the pagans is to build on sand; it is to inject a *spitzfindige* quibbling, compromising spirit of disputation that chisels away at the foundations which Yahweh, His Divine Son and the Holy Spirit established for all time. This is a matter of obedience to God versus rebellion.

The Romans rebelled against their philosophers' thundering abhorrence of usury, and why not? They were only the lucubrations of men. It is edifying to know that learned Greeks and Romans of antiquity opined about the evils of usury, yet their opinions are not the fount of Christendom's historic condemnation of this fraud and oppression. Notions of "philosophical" objections lead to the logical trap set by the situation ethicists: what man has made, man can change; what was true "in that time" is "parochial and dated" now, and therefore, no longer in force. [102] Accepting a philosophical premise for the ban on usury virtually guarantees its abrogation. *Pope Innocent IV declared that usury was prohibited not because it violated the natural law as set forth by Aristotle, but because it violated the divine law as set forth by God. Usury is banned because it is intrinsically evil*. No human being has the authority to render it moral, ethical or legal.

All subsequent pronouncements permitting usury, whether from papal, Protestant or civic authorities, are null and void. Recalling that usury is regarded as murder, or at the very least theft, we read, "In matters that are mortally sinful according to divine law, such as theft…no bishop, not even the pope, can dispense from penance and restitution." [103]

Natural law arguments do have their place in corroborating God's moral law, and amplifying its nuances and characteristics. Anything prohibited by the Bible is also contrary to natural law. Many theologians like Gerard of Siena, in his *Tractatus de usuris et de praescriptionibus,* offered classic natural law arguments against interest on loans of money; mainly, that such loans cause a sterile thing to bear fruit, for example with regard to the fixed value of fungibles: a bushel of corn is always worth a bushel of corn, not two bushels of corn. A fungible is never worth more than itself. In contracting for more than the principal lent, the creditor subverts intrinsic value.

What should be said to the usurers today is what the Church declared for most of its existence, if you are engaged in taking interest on money you are transgressing the law of God and you do so at the peril of your soul. Until this truth is restored, taught and preached, there will be no significant erosion of the Money Power's dominion over our world, save by a miracle of God. All appeals to man-made law and philosophy will be met by counter-arguments based on other anthropomorphic sources. Where God's immutable law is invoked it cannot be derogated by heretical popes, tyrannical kings, simoniacal cardinals, crooked legislatures, or supposed Protestant scripture savants such as John Calvin, Richard Baxter and Samuel Willard, without committing the sin of rebellion, since the law of an inferior (man), cannot derogate the law of a superior (God). It is not only a question of rebellion, but idolatry. When interest on money is permitted, the authority of God Himself is derogated. Pope Innocent IV stated that the avarice generated by usury is a form of idolatry.

In response to the increase in escape clauses and equivocation, in 1371 the theologian Guido de Belloreguardo, who was the Augustinian Prior-General, declared that the fostering of avarice in the people was morally inexcusable in all circumstances. Piero degli Strozzi, provincial minister of the Dominican province in Rome responded to the effects on the Catholic people of Florence from the pressure on theologians and canonists to approve of the loopholes. Strozzi termed the arguments used to put forth the approval, "sophistry." The Dominican theologian made a veiled reference to the power of the purse wielded by the money men of Florence, which paid for the sophistry: "I say that the guarantee of the validity and security of the aforesaid (payments is) the will and power of ruling citizens who have money invested in the commune and seek a profit. And it would be very difficult to change this and to take money against their will from those whom God knows if they would willingly forgo both principal and *interesse*." Strozzi warned the people of Florence, "…beware lest under the sway of words good citizens be made usurers and led by avarice to desire profits from which they should be restrained." [104] The Dominican provincial would brook no loopholes. [105] The debt market in Florence was also denounced by numerous prominent theologians and canonists, among them Guglielmo Centueri, Gregory of Rimini, Guido de Belloreguardo and John Klenkock.

Mortal sin for a worthy cause: The "Charity Banks" — "*Monte Pietatis*"

One of the instruments for legalizing usury within Christian society was a "benevolent" loan-sharking operation created by individual Catholic clerics "for the love of the poor." Papal and other forms of ecclesiastic usury in the Renaissance were conducted through financial operations known as *monte pietatis* — alleged "charity" banks supposedly operated to give loans to the poor at supposedly low rates of interest. While some of these early associations operated without usury, funded by grants from altrusitic philanthropists, by the late fifteenth century the *monte pietatis* were often a subterfuge for operating a usurious bank under the guise of helping the poor. A true *mons pietatis* was "founded in London (England), where Bishop Michael Nothburg, in 1361, left 1,000 marks of silver for the establishment of a bank that should lend money on pawned objects, without interest." On the eve of the Renaissance, interest-earning *mons pietatis* operations were established throughout Italy in places such as Perugia and the Venetian Republic, by priests such as Bernardino da Feltre [106] and Bartolommeo da Colle.

In Perugia the supposed "charity" was a municipal corporation with directors, accountants and salesmen. "All were paid with either a fixed salary or

with a percentage in the profits…the *monte*s did not lend money gratuitously, but on the contrary, the expressed intention of the founders was that the money should be lent at interest, varying from 4 percent to 12 percent…Bernardino da Feltre always insisted on the necessity of interest…"

There was a vigorous protest from true Catholic theologians against these usury schemes disguised as pious charities. The eminent Cardinal Giovanni Dominici (1356-1419) upheld the Church's traditional dogmatic prohibition on interest on money (termed "rigid" by modern historians): "Dominici followed the more rigid approach of the Dominicans toward usury — expressed, for example, in their disapproval of the public debt, or their objections to the later institution of the *Monte di Pietá*. [107] These "rigid" (a more accurate description would be "faithful and courageous") Dominicans declared that anyone who excused the practice of usury was a probable heretic.

The Servants of God, Nicholas Bariano and Johannes Andreae

Among the most learned of the traditional attacks on the mortal sin of usury was a treatise by the Augustinian theologian Nicholas Bariano, sarcastically titled, *De Monte Impietatis* (circa 1494), which raised the prophetic question of whether even a pope had the right to approve interest on loans for any reason, since such approval contravened divine law. Bariano made clear that the heresy was not the charity fund for the poor itself. What was revolutionary was the interest to be paid: "The opposition was not directed at the *mons pietatis* as such, but merely against the condition of requiring interest. It was not admitted that the use of the interest to maintain the charity justified the usury, since a good end could not justify evil means, and it was held that lending money at interest was intrinsically bad…"

Bariano's view was the view of the Church from time immemorial as expressed by Johannes Andreae (1270-1348), professor of canon law at the University of Bologna (where he was known as the "*iuris canonici fins"* — "the fount of canon law"):

"It is forbidden to engage in usury even to redeem captives from the Saracens (Muslims). It cannot be argued that a greater evil can be avoided through usury, for usury is, in a sense, the greatest of evils…"[108]

Pope Alexander III (1105-1181) forbade anyone to borrow at interest even in order to ransom captives from the Muslims: "Since Scripture forbids Christians to lie on behalf of others, much more does it forbid them to take part in usury ("*...ne etiam pro redimenda vita captivi usurarum crimine involvatur*.") [109]

The Den of Thieves Returns to the House of God

The Catholic opposition was doomed, however. The heretics prevailed. On May 4, 1515, at Lateran Council V, Session X, in the Bull, *Concilii in decima sessione super materia Montis Pietatis*,[110] Giovanni di Lorenzo de' Medici, "Pope Leo X," overthrew the solemn dogma of the Roman Catholic Church from its founding, and, as "sovereign pontiff," declared that the interest-bearing *monte* banks were in no way sinful, and were in fact meritorious. Any person who claimed they were mortally sinful would, the Medici pope declared, be henceforth excommunicated.

"Some time ago there was carried on among theologians and jurists, not without scandal to the people, a controversy, which, as we have learned, has recently been renewed, regarding the relief of the poor by loans to be made to them by the public authorities, a system of relief commonly known as *montes pietatis*, which have been established in many cities of Italy by the officials of the cities and other outstanding Christians for the purpose of relieving the needs of the poor by loans of this kind and thus protecting them against the avarice of usurers.

"This institution has been approved by devout men and has also been praised, endorsed and confirmed by several of our predecessors, the supreme pontiffs. In regard to the legality of the institution, the opinions of theologians and jurists were divided. Some maintained that those *montes* were illicit in which something beyond or in return for the money lent was demanded by the promoters from the poor to whom the loan was given and that these promoters could not escape the crime of usury or injustice, since, as St. Luke testifies, Christ expressly forbade that we should hope for anything more than we gave in return for a loan. For usury means nothing else than gain or profit drawn from the use of a thing that is by its nature sterile, a profit that is acquired without labour, cost or risk. The same theologians and jurists maintained further that those institutions militated against commutative and distributive justice, because the expenses for their maintenance were extorted solely from the poor to whom the loans were given. Moreover, they added, they were an incentive to delinquency, incited to theft, and promoted general laxity.

"On the other hand, there were many theologians and jurists, in the Italian schools, who held the opposite opinion, and both in their writings and lectures supported such an excellent system, one that was so worthwhile to the rest of society, and which, in their view, was gratuitous and not a direct cause of the interest; the custody of the object pawned, however, and consequently the space, labor and personal responsibility involved were legitimate conditions or titles upon which a moderate interest could be demanded.

"One of the rules of law states that he who enjoys advantages ought also to carry responsibility, especially if Apostolic authority acquiesces. This opinion was approved by our predecessors, the Roman pontiffs Paul II, [111] Sixtus IV, Innocent VIII, Alexander VI and Julius II, and was defended and preached to the people by saints and men held in high esteem for their sanctity.

"Therefore, wishing to make suitable provisions in this matter and commending the exertions of both parties, one for its zeal for justice against the practice of usury, the other for its love of truth and devotion that the needs of the poor may be relieved, with the approval of the holy council we declare and define that the aforesaid *montes pietatis*, established by the civil authorities and thus far approved and confirmed by the Apostolic See, in which the loan is gratuitous, but for expenses and indemnity only a moderate rate of interest is received, are not be declared a species of evil or an incentive to sin, nor are they in any manner or form to be condemned as usurious, rather they are meritorious and ought to be approved, and their benefits and spiritual utility as well as the indulgences granted by the Apostolic See in connection with them ought to be preached to the people. Other *montes* similar to the above may be established with the approval of the Apostolic See. [112]

"It would indeed be much more perfect and holy if such *montes* were entirely free, that is, if those who establish them would provide some fund or revenues that would cover, if not all, at least half the salaries of officials and assistants, which would lighten the burden of the poor. For the establishment of such funds the faithful ought to be invited by means of greater indulgences.

"All religious and ecclesiastics, as well as secular persons, who in the future presume to preach or argue by word or in writing against the contents of this constitution incur the penalty of excommunication *latae sententiae,* privileges of any kind whatsoever notwithstanding, and this includes Apostolic constitutions and ordinances and similar contrary decrees."

— Pope Leo X

For having declared the lawfulness of interest on loans of money, overthrowing Apostolic constitutions and all contrary decrees, the revolutionary change agent Pope Leo X was now a heretic according to the Council of Vienne:

"…if anyone falls into the error of believing and affirming that it is not a sin to practice usury, we decree that he be punished as a heretic, and we strictly command the ordinaries of the localities and the inquisitors to proceed against those suspected of such errors in the same way as they would proceed against those accused publicly or suspected of heresy."

In these diabolic moves there is always a loophole for the sake of appearance. Leo X's bull is predicated on the two-contract escape clause central to the interest-charging "charity bank" scheme. As Leo himself stated in his bull concerning the loans he was approving, "the loan is gratuitous, but for expenses and indemnity only a moderate rate of interest is received." With this loophole it could be argued that no interest was charged on *the loan itself,* and consequently, the loan did not constitute usury. This ruse was at the heart of the *mons pietatis* system approved by the pope:

"The term interest was not readily admitted by the friends of the *montes*, who replied that there were in reality two contracts between the *montes* and the borrower: one that of the loan, which should be gratuitous, the other implying the custody of the object pawned — therefore, the use of space and personal responsibility, which should not be gratuitous…The loan, therefore, was regarded merely as a *conditio sine qua non*, and not as a direct cause of the interest." [113]

Not very many economists have been deceived by this two contract smokescreen, however. The historian of capitalism, Eugen V. Böhm-Bawerk, wrote: "…the result is a 'double contract' of the type famous in the history of the evasion of usury laws." [114]

Ridolfi: "I believe that…lenders…are immune from the sin and vice of usury and from any obligation to make restitution, always provided that they lend primarily from charity and not from hope of profit or increase…" [115]

The fictional— if not outright asinine — character of these "famous evasions" (interest charged in name of "charity"), made a mockery of Christ's Church, degrading it to the level of the money-changers Our Lord had expelled. Beginning with Medici Pope Leo X the den of thieves was stealthily making a comeback, shrouded in double-talk. The clever tactic employed was gradualism, which slowly and inexorably nibbles at the foundations of God's law, rather than shattering it with one blow. Gradualism will be familiar to students of how modern innovations such as communion-in-the-hand came to be legitimated in the pontificate of Pope Paul VI and the "conservative" Pope John Paul II. [116]

The net effect of the legitimacy which Pope Leo X accorded interest charged in the *mons pietatis* system, was the radical derogation of the "rigid" Christian dogma on usury and the establishment of a precedent for more "moderate" usury, extending beyond the limits of alleged philanthropic banks to banks in general, which is precisely what would occur.

Umberto Benigni, Professor of Ecclesiastical History at the Pontifical College, Rome: "…*monte pietatis*…exerted great influence upon the ideas concerning interest on loans, for the rigid views of the theologians of the Middle Ages in that connexion underwent a first modification, which prepared the way for a generalization of the principle that moderate interest might justly be charged…"

Note the phrase, "first modification." How daintily and with clinical coldness is heresy presented when it rears it head. The permission for the charging of interest on money formally promulgated by the hierarchy of the western Church under Leo X was the first in fifteen centuries. Christendom was being turned upside down. Heretics who hate the Church founded by Jesus Christ had invaded Rome's Vatican, assumed the papacy and initiated a slow motion revolution. Indeed, Leo X's legalization of usury would continue to metastasize until, in the twentieth century it reached its monstrous zenith 402 years later, in the 1917 Code of Canon Law promulgated by Pope Benedict XV. In canon 1543 of the code, it was determined that "it is not *per se* unlawful to contract for the legal rate of interest, unless that be clearly exorbitant." This outrage was exceeded by another: if the legal standard was not a sufficient interest rate, Catholics could, in good conscience "agree upon a higher rate if there is at hand a just and proportionate title."

The 1917 Code represented, *in flagranti delicto,* a formal acknowledgement of the usury that had been transpiring inside the Church *stratum super stratum,* since the Renaissance. The 1917 Code did not initiate interest-taking in the Catholic world. It put the final nail in the coffin of any Catholic impediment to the mortal sin of interest on loans, in what had been a gradual process of chiseling away at the Biblical, Patristic, medieval Conciliar, and papal foundations of Christ's ecclesia, by the type of conspirator the ancient Romans termed "*vendidit hic auro patriam.*" [117]

The qualification "exorbitant" left a loophole for naive Catholics to inveigh against this special category of "rapacious" interest and imagine they were acting as traditional Catholics would, but the qualification in the 1917 Code is of course meaningless, in that "exorbitant interest" is never defined. It enters the realm of the absurd when we observe that in the very next sentence of canon 1543 it is determined that Catholics who have "just and proportionate title" can rightfully receive an interest rate *above the legal rate*. Once again, no definition of what constitutes this "title" is forthcoming; consequently, despite the deceptive rhetoric, buccaneer capitalism was officially sanctioned by the Roman Catholic Church four centuries after a Medici pope had first institutionalized the revolutionary overthrow of God's Law. With Leo X, we saw the emergence of the serpent's *tail* within the Church. Before him, we could only follow its *trail* as it slithered through the bowels of Venice and Florence and, as we as shall see, within the Germany of Fugger and Eck.

Concerning any prelate who authenticates usurious contracts, the canonist Cardinal Hostiensis stated that such a prelate is thereby complicit in the usury, and doubly guilty, for he causes the laity to sin with confidence, by being misled into thinking that the Church approves of such contracts: "…*laici per hoc credentes contractus huiusmodi per ecclesiam approbari, securius peccant*." [118]

"As long as the political situation allowed, Luther inveighed against usury in all of its various forms. In the early 1520s he wrote against the usurious traffic in annuities, or *Zinskauf*: 'The devil invented this system, and the Pope by confirming it has injured the whole world…Truly this traffic…must be a sign and a symbol that the world, for its grievous sins, has been sold to the devil…" [119]

30 pieces of silver: the Pope's gift to the Medici

"Leo never forgot that he was a Florentine and now, as pope, the patriarch of the Medici family. Having spearheaded the attempts to restore his exiled

family to dominance in Florence, he hoped to use his influence to make the Medici more secure…he arranged for his young nephew Lorenzo de' Medici to be made *signore* of the city…The Medici 'pattern of control' required steady and careful watchfulness over all Florentine institutions…Florence's masters saw the *monte* not simply as a charitable foundation or even as a bank, but as an institution with political and economic potential. Once installed as ruler in Florence in 1530, Alessandro de' Medici turned his attention to the Florentine constitution and to those institutions that kept the city functioning, including the *monte di pieta*…

"Medici involvement in the *monte di pieta*, however, predated Alessandro's appointment. In 1500 a Medici first sat as one of the eight (directors of the *monte di pieta*). This prominent Medici was Lorenzo di Pierfrancesco, a second cousin of Lorenzo the Magnificent and, like his cousin, a great-grandson of Giovanni di Bicci and a member of the Cafaggiolo branch of the family…Lorenzo di Pierfrancesco held office in Florence…Along with Piero Guicciardini, Piero Soderini, and Bernardo Rucellai…one of a group of *ottimati,* or leading citizens.

"…the men who served on the *monte de pieta's* governing board …along with Lorenzo di Pierfrancesco de' Medici, for example, were Alamanno eli Averardo Salviati, Piero eli Antonio Taddei, and Agnolo di Bernardo de' Bardi, all from pro-Medici families. The last two had kin with connections to the Medici bank, and the Salviati Company had survived the threat of bankruptcy in the mid-fifteenth century only when infused with Medici funds….Piero di Antonio Taddei acted as a kind of troubleshooter for the Medici bank and had been entrusted with closing out its Venetian operations…" [120]

Pope Leo X's *monte di pieta* was a bank to be plundered by his Florentine-merchant relatives and cronies. Charity for the poor was the necessary front used to vindicate the once forbidden usury. It didn't take long for the mask to fall, however: "Never did the *monte's* officials recognize any irony in the fact that the *monte*, like the Jewish pawnbrokers it sought to replace…could sell unredeemed pawns at a profit…in the fall of 1529 the regime (in Florence) commanded the officials of the *monte di pieta* to assign it credits from the resources…this money amounted to an interest-free loan to the regime.[121] There is no record that collateral was offered." [122]

By 1533 the city (commune) of Florence itself was guaranteeing the solvency of the *monte di pieta* and offering to pay interest of five percent on its deposits. All this in the name of poor relief (profit was guaranteed to any depositor willing to subsidize the *monte's* "charitable activities"). The usury entailed by the *monte di pieta* was contagious and led to more robust capitalism in other areas of Catholic enterprise. "Men in the highest social and political echelons could find ways of making greater profits than the 5 percent offered by the *monte di pieta* on deposits. A classic example of the tie between more lucrative investments and public service may be found in the appointment, in 1539, of the eight new officials of the *monte commune* (i.e. the funded public debt). Ottaviano di Lorenzo de' Medici, Jacopo di Ulivieri Guadagni, Jacopo di Messer Bongianni Gianfigliazzi, Filippo di Alessandro Machiavelli, Raffaello di Luca Torrigiani, Luigi di Francesco Pieri, Averardo di Alessandro Salviati, and Matteo di Lorenzo Strozzi took office on the condition that they lend the commune sums ranging from one thousand to over three thousand florins…" [123] In return for these loans these eight were to receive a handsome rate of interest set at twelve percent *per annum*.

It is a faulty assumption to imagine that very many Catholics or Protestants today would find anything immoral about the *monte di pieta* bank, since almost all contemporary "Christians" take and receive interest, unless they are too penurious or frugal to do so. The immorality of interest mostly does not even enter the minds of modern Christians, unless it is of the "exorbitant loanshark" variety. In keeping with the modernist and heretical 1917 Canon Law, interest on loans *per se* is a dead issue. As the *monte di pieta* grew more sophisticated in the sixteenth century and matured as a financial institution, the profits it received from usury became more obvious, even as it adroitly maintained its philanthropic *raison d'etre*. One can see the contours of our modern, "annuity funds" retirement plans emerging from the Catholic interest-banking operation of the 1500s:

"In a typical arrangement, the widow Francesca di Mariotto Casini of Santa Maria Impruneta deposited thirty florins in the *monte*, 'which she may withdraw together with the interest at her pleasure.' When Francesca made her deposit, she expressed her desire that, in the event of her death, any money remaining in the account be paid 'to a poor and good girl' to be selected by a designated agent in consultation with the *monte di pieta's provveditore* (administrator). Francesca knew that while she lived she could make use of the interest that accrued and withdraw the principal at her pleasure, but if she died, her soul would enjoy the grace that rebounded from an act of benevolence." [124]

This appears so pious, so benevolent. Who, other than Yahweh, Jesus, all the Fathers of the Church and all the dogmatic councils and Magisterium before the Renaissance, could object to this golden snare, which conceals the means by which the rule of Money gains ascendance over Christian society?

"Once it had amassed a huge reserve of capital after the 1530s, the *monte's* potential usefulness to the dukes grew accordingly…For the elite the *monte di pieta* was an excellent source of loans. Where else could Florentines find capital available at 5 percent, later at 6 percent (still a bargain)? By appealing to the duke for authorization of large loans, those who had the sovereign's ear could take advantage of the resources of an institution originally designed to offer loans at low cost to the poor.

"…The *monte* succeeded in building up capital only after receiving permission to pay 5 percent interest on deposits…These deposits, plus the profits made through the *monte's* charitable lending, created the basis for its big-time loans to the Medici and their clients. Of all the *monte's* activities, these loans had the broadest impact on ducal finance and on the character of the *monte* itself…It was, in fact…the continuing efforts of the Medici to establish an absolute state in early modern Tuscany that provided the real impetus for its involvement in its most important banking activity, the granting of large loans at the duke's order. The tremendous demands of ducal finance in the enlarged Medicean state, coupled with the remarkable consolidation of that state by the single-minded (Medici ruler) Cosimo I, resulted in an exhaustive, purposeful search for sources of money, a search that formed part of the greater plan to rationalize state finance. For…those who, invoking ties of friendship, kinship, loyal service, or political interests, could persuade the duke to authorize a loan, the *monte* handed over thousands of ducats at an unprofitable rate for the institution. Only in a state ruled by a prince who saw himself as above the law could the *monte di pieta* turn into a major lending institution for the *patriciate* and an arm of ducal finance…His use of the *monte di pieta* illustrates…his developing sense of political economy…One of the most important themes concerning the development of the Florentine *monte di pieta* was its relationship to the various Florentine states…Cosimo…succeeded in creating the basis for a bureaucratized, well-organized state to which he had closely tied various institutions of city and district alike, including those that predated his rule, and particularly the Tuscan *monte di pieta.*

"By the late 1560s the *monte* had become so much an organ not only of patronage but of state finance that it behaved like a ducal bank, even to the point of handling the monthly payroll and debiting the duke's accounts accordingly. As a source of loans to foreign potentates whom the ruler wished to cultivate, the institution bankrolled an important part of Tuscan foreign policy. The Florentine state in its several forms kept close control over the

monte, exercising important powers beyond the latitude that the statutes permitted the eight officials. The eight themselves were elected, at first by the Great Council and later by other organs; as soon as Alessandro took over the city, he usurped the right to control the choice of the *monte's* eight officers. The tightened hold Cosimo placed over the choice of the eight and of important *monte* employees comprised a part of his overall pattern of control. The tightest bonds between *monte* and state were fashioned by Cosimo as the institution became important for its liquidity…." [125]

Catholics faithful to the Gospel of Jesus Christ did, on occasion, vigorously protest the usury perpetrated in the name of the poor. In 1574 an archepiscopal synod in Florence condemned the *monte di pieta,* declaring that the interest the *monte di pieta* charged on loans and paid out on deposits was the sin of usury. In response, the grand duke of Florence visited Pope Gregory XIII and solicited an end to the condemnation and the protests, and the continued operation of the *monte*. Gregory granted his request and forced the synod to drop its condemnation. [126] "The only way to nurture public faith in the *monte* as a bank was to ensure that no papal prohibitions, indeed, no doubts or questions whatsoever, would raise the spectre of usury." [127]

As the centuries passed, the *monte di pieta* continued to devolve into a usury bank that used Jesus Christ as a front. In 1616 double contracts were devised to evade scrutiny. These involved *luoghi di monte*, shares in the bank made to look like an investment rather than a deposit. Lo and behold, each "share" returned five percent interest; precisely what deposits in the bank had paid. What a coincidence. To increase the degree to which image was intended to prevail over reality, "share" certificates were issued. The cynicism knew no bounds: each certificate was printed under a display of the Passion wounds of Jesus. *Inter alia,* perhaps these were not so deceitful as imagined, since the camouflaged usury of these pious hypocrites opened the wounds of Our Lord.

By 1622 poverty had increased in Florence. Vagabonds and mendicants crowded the streets. "The elegance and riches of courtly society contrasted ever more starkly with the growing misery of the poor. The grand duke and his friends continued to divert money from the *monte di pieta* for their own political, social and economic needs just at the time when the institution's liquidity might have been put to use to help the very group for which it had been created — the poor." [128]

Almost twelve years to the day after Pope Leo X introduced the heresy of usury into the Catholic Church and misled the laity into believing that charging interest on loans for a "good cause" was not a sin, "On May 6, 1527, Rome suffered the worst assault that she had ever known, far more serious than anything befalling her at the time of the barbarian migrations. Nothing was spared, sacred or profane. (Medici Pope) Clement VII's [129] escape to and confinement within the walls of Castel Sant'Angelo until December, listening to the taunting of the German mercenaries calling for his death and replacement by 'Pope Luther,' were the least of the indignities. Various cardinals and prelates, including one future pope, Julius III (1550-1555), were humiliated and tortured, altars were ransacked, the Sistine Chapel used as a stable, riches confiscated, patients in hospitals and children in orphanages were gratuitously butchered. Rape and rapine, exacerbated by raids of hoodlums under the direction of the abbot of the nearby monastery of Farfa, were followed by the onset of plague. Rome and the stench of death became one." [130]

Was this catastrophic pillage, which was unprecedented in the history of Rome, a coincidence, or the wrath of God for the perversion of His Church by a den of thieves?

The Ultimate Obstacle to the Ascendance of the Money Power over Christendom

The vast majority of contemporary specialist historians of economic history view the ancient prohibitions on usury to have been foolish and unworkable. For them interest on money represents a *deus ex machina* that cannot be resisted and should not have been prohibited by the Church (the will of God does not enter into their calculations). In the course of pursuing this line, they almost always argue that the Church's laws were made to be broken and that practically everyone of consequence, with notable exceptions, conspired in doing so. Hence, according to this thinking, the abolition of usury as a mortal sin was a great relief in itself, as well as representing relief from hypocrisy. By this way of reasoning it can be argued that the Church should remove mortal sin from adultery, since many people of consequence engage in it, is widespread, has never been eradicated and is the occasion for hypocrisy. The arguments in favor of the "normalcy" of usury according to human nature proceed from the point of view of situation ethics and the liberal disdain for the existence of immutable divine law.

Another fixture of modern economic history in this regard is the "everyone was doing it" claim. Because money corrupts and the love of money is the root of all corruption, it would be useless to gainsay the fact that in all times of the past when usury was outlawed, persons high and low within and without the Church were secretly profiting from it. One could cite the names of corrupted clerics that would fill several pages, who provided cover for these profits, from Francesco da Empoli to Oldradus de Ponte and Peter of Ancharano.

Furthermore, the Church had not been successful in shutting down the debt market in places such as Florence and Venice, partly because it was so well protected by a thicket of sophistry and legal fiction, predicated on the fact that, at law, the legitimacy of commercial credit transactions and *prestanze* were contingent on the intentions and inner dispositions of the lenders. Modern economists may say what they will about these facts, there is one more datum they seldom account for. The popes and councils of the pre-Renaissance era held the usurers to account at the bar of the highest and most fearsome of all judgements, the fate of their souls. As risible or trivial as this may seem to the modern agnostic or liberal mentality, it was a formidable restraint of last resort. As long as taking interest on money was a mortal sin, and absolution depended on making restitution, even those practiced deceivers who had kept the ecclesiastical courts and canon lawyers at bay in Venice and Florence for decades with lawyers of their own, knew they would one day have to face the unimpeachable requirement to make restitution for the receipt of all profit from interest on loans. The principle was stated thus:

"Nota quod quicquid recipitur ultra sortem: licet ex forma contractus non sit usurarius quoad ecclesiam iudicandus, propter intentionem tamen quoad Deum tanquam usurarius punietur nisi restituerit."

("Although the Church may not judge [a lender] a usurer on the basis of the contract's form, nevertheless God will punish him as a usurer by reason of intention unless he makes restitution"). [131]

"…many a banker had an uneasy conscience about his unholy deals. Overwhelming evidence is given in the numerous medieval testaments in which the testator ordered restitution of all usury and ill-gotten gains." [132]

"…even if usury could be hidden from secular authorities, it could never be hidden from God — or so most of the very devout Christian society then believed. Certainly most Christians in early-modern Europe firmly believed in and truly feared God's punishment for usury: i.e., eternal damnation in

Hell…with unbearable, unremitting agony.” [133]

As long as usury was a mortal sin, interest on money and the operations and institutions that fostered it, were conflicted, disreputable and guilt-ridden endeavors heavily burdened by a Church which held damnation to be the just fate of those who had undertaken this “business.” The ultimate obstacle to the ascendance of the Money Power over Christendom, above and beyond all civil and criminal jurisdiction and punishment on earth, was the knowledge on the part of believers, of the fate awaiting the unrepentant usurer: the eternal death of his soul. When, over the course of centuries the change agents inside the Church finished with their gradual destruction of the defined and immemorial dogma, and interest on loans of money was — *voila* — somehow, by some act of prestidigitation, no longer a sin that would receive eternal punishment, then the last and most formidable restraint on the merciless barbarity of vulture capitalism was removed, the devil of covetousness grinned, and Christendom became increasingly marked by relations between people which Thomas Hobbes termed *Homo homini lupus est* (man being a wolf to man).

This is what Jesus Christ suffered and died for — That His supposed followers on earth, allegedly seeking to do the will of His Father in Heaven, would devour one other — only taking time off from their mutual predation long enough to remove their wolf skins and inhabit a church pew for an hour on Sunday, putting some of their ill-gotten gains in the collection plate, while imagining themselves to be His sheep?

4

Usury and Simony in Catholic Germany

"Legalized usury commits the human race to the unceasing pursuit of economic growth. Usury imposes an unstoppable expansion on the process of wealth creation; it sets in motion a driving force whose velocity increases exponentially along with compound interest, impelling us to transform all the world's human and natural resources into the form of financial representation. As the people of Renaissance England clearly saw and often said, usury is inherently insatiable. The history of the human race since restraints on usury began to be lifted has involved the sudden and dramatic colonization of the globe by money, the evaluation of human activity and the natural environment in terms of money, and the direction of an ever-increasing proportion of physical and psychological energy toward the production of money."

–David Hawkes

The debt slaves of the West sold themselves into financial servitude in putative Christian times ("the Renaissance") and have spiraled downward ever since. Talmudic-style loopholes that heretofore lurked on the margins, moved to the center, permitting the start of widespread indebtedness, until we arrived at the point where the Authority of Money assumed the supreme position of power in western civilization. This authority is so all-encompassing that if the masses of people in the twenty-first century were to be informed that for the first fifteen hundred years of Western Christian civilization, money did not have supreme authority over western society, most would think us fantasists. It was once the firm assumption of the commonweal that God's law and secular law should coincide. Prior to the Renaissance, economics was a branch of theology and ethics. I say *prior to the Renaissance*, whereas many traditional Catholic writers usually state, "*prior to the Reformation*."

Like the charge of "Judaizing Protestantism" [134] the claim that "Protestantism" was the central force behind usury absolves that branch of the cryptocracy which flourished inside the Catholic Church during the Renaissance. Sometimes distinctions are made about individual Protestant rulers regarded as philo-Catholic, such as Hilaire Belloc's assertion in his pseudo-history of the English King Charles I, [135] that it was the Money Power that overthrew Charles, using the Puritans against him, as pawns in the game.

As a historian Belloc is completely unreliable. The English Civil War was a revolt of the yeomanry against Charles' dictatorship and tyrannical Star Chamber; that was the cause of his downfall.

The Money Power, however, was well pleased with him: King Charles I had reaffirmed legalized usury, up to 8% interest — 3% higher than the limit set by Calvin. Belloc execrated John Calvin as a shylock and valorized King Charles I as a "victim" of the Money Power. Belloc remains the principal traditional Catholic source for "information" concerning the Puritan war with Charles.

Renaissance Catholic-Nominalist Origin of Usury Legalization Theory

This erroneous assumption about the alleged "Protestant origin" of early modern usury leads to a misapprehension of the roots of usury in Christendom.[136] The gradual legalization of usury and the first steps toward the social kingship of Mammon began in Roman Catholic lands, pushing to loosen the moral strictures against usury. With this in mind it is important to note that no one in pre-Renaissance Catholic Europe would dare to argue that *usury itself* was other than sinful and criminal. The agents of the Money Power in that era had to be content with tinkering with definitions and calling usury by another name. Whatever could be proved to fall under the heading of *usury* —i.e. anything that the borrower was forced to add to the repayment of that which was loaned to him —was universally condemned. With the rise of a Catholic school of philosophy known as *nominalism*, [137] usury was gradually rehabilitated and with it a system of commerce centered on avarice and covetousness. The Italians had successfully promoted one school of usury disguised as a charity bank. It was German Catholics who fomented another school of usury which, in many ways, would prove to be more virulent since it advocated interest on money in transparent, profit-making *commercial* ventures.

In the fifteen century in Catholic Europe, the nominalists began to criticize the ban on usury which had been systematized by the Thomists. John Calvin and Martin Luther were born in the midst of a conflict between two warring schools of Roman Catholic theology and philosophy, medieval and Renaissance. The principal means for overthrowing the Thomistic reaffirmation of the Biblical and patristic ban on usury was to 1. change it from a contractual matter to a crime of intent; and 2. institutionalize a Talmudic type of loophole in God's law against usury. The first objective fell to the "Tübingen (university) school" of Catholic nominalism, headed by Gabriel Biel (ca. 1425-1495), Conrad Summenhart and the Fugger banking dynasty asset, Johann Eck (1486-1543). Eck was Martin Luther's theological nemesis. [138]

Biel had been appointed to the theological faculty of the newly formed Tübingen University on Nov. 22, 1484. Like certain Vatican Council II *periti* such as Joseph Ratzinger, Biel was strictly an orthodox papist in the vast majority of his writing and teaching. A small percentage of his work was ingeniously subversive of historic Christian teaching using the classic methodology of casuistry. In his early years (1442-1453) Biel associated with both the *via moderna* and the *via antiqua*. Consequently, he was both an articulate advocate for the *via moderna* and a prudent user of the thought of the *via antiqua*. For example, in the Renaissance debate over the authority of St. Thomas Aquinas, Biel held that while it could by no means be nullified or disregarded, he considered it a sign of progress that Thomas could now be openly contradicted in the universities: "*Licet beatus thomas sanctus credatur et ab ecclesia canonizatus…hodie in scholis publice sibi contradictur.*" [139]

Biel was working in the Neoplatonic tradition, specifically the writings of the Renaissance-Catholic Kabbalist, Giovanni Pico della Mirandola. Biel relies on Mirandola's authority in Biel's *Epithoma pariter et collectorium circa quattuor sententiarum libros* (Tübingen, 1501). Biel's disciples included another Tübingen professor, Henry Bebel, as well as Wendelin Steinbach and Johannes Altenstaig; the latter was the author of the influential dictionary of theology, *Vocabularius theologie*, in which Biel's authority is held to be of the highest degree. None other than Martin Luther's famous theological nemesis, the Catholic theologian Johannes Eck, the *apostolus mercatorum*, was a votary of Bebel and a student of Steinbach. Eck relied upon Biel's texts in glossing the theology of Peter Lombard. Together with Summenhart, Biel's teachings had a profound impact on Eck. Eck was also Summenhart's student. Prof. Summenhart (1455-1502), argued in his *De Contractibus licitis et que illicitus* that actions not intended to be evil should not be considered evil because they look evil.

Summenhart's *modus operandi* offers us another instructive example how sly fifteenth century modernists, in seeking to lift the prohibition on the

crime of usury (long before any Protestant pursued a similar objective), were part of the chain of casuistry that stretches from the Renaissance to the contemporary papacy. The operating principle, employed effectively against all but the most careful investigators, is plausible denial, through heavily camouflaged statements and escape clauses. Though practiced by Roman Catholic modernists, this is a rabbinic method encountered in the sacred literature of the Gemara and Mishneh Torah. We might term it the zigzag technique:

"The most radical and comprehensive examination of all the arguments showing the unnaturalness of usury is undertaken by Conrad Summenhart, and the result of this unprecedentedly thorough review is a revolutionary conclusion. He offers twenty-three natural-law reasons in favor of the usury prohibition, criticizes, modifies and rejects most of these reasons, and ends with two tenuous formal arguments against usury left standing. At the same time, he puts forward strong objections against the prohibition, which he leaves unanswered, and if these objections are taken as they stand, without interpretation, they seem to prove that usury itself is licit. His examination ends in a rejection of the past. Usury is left assailed in name alone. The early scholastic theory of usury is abandoned." [140]

"Eck remained indebted to the modern way all his life…Eck's acquaintance with the new Tübingen economic ethic is of even greater importance… Taken from Biel and with 'modern' open mindedness from Summenhart, Eck adapted these economic principles to the south German world of finance and eloquently defended them at (the) Bologna…disputation on the practice of collecting interest (July 15, 1515)…At issue was the legitimacy of profit-making commerce with capital, a practice long accepted by international banking and financial circles but still encountering resistance in Germany… Thus the practice urgently needed the protective rationale of a new theory of capital. A new interpretation of the church's prohibition of usury was required, an interpretation that would permit smooth financing of investments, especially the rapidly expanding long-distance commerce without the restrictive overhead of a guilty conscience…the issue could be ignored no longer and the standard canon law solutions finally came under careful scrutiny." [141]

"…these factors demanded a new (Catholic) economic theory, an *oeconomia moderna*. A series of universities received requests for theological opinions from the Fugger capital of Augsburg. That Tübingen was included was fully predictable in view of the teaching tradition established by Biel and Summenhart…The university at the time must have been almost as much a center of liberal economics as centuries later it was to be a center of liberal theology." [142]

In 1535 Francois Rabelais, the Renaissance cleric and novelist, described the Fugger banking house of Augsburg, Germany as "the wealthiest merchants in Christendom."[143] "In Germany there were the Fuggers. This family, a mighty power in Europe, had been financing (Spanish Catholic) Habsburg policy since 1490, and continued to do so until the Schmalkald War (1546)." [144] The House of Habsburg produced the Emperor Charles V, whose ascendance to the throne of the Holy Roman Empire had been financed by the Fuggers. Charles was one of the earliest monarchial usurers outside of Italy in the Renaissance era, predating King Henry VIII of England by five years. In alliance with the *Staten General* of the Habsburg-occupied Netherlands, Charles V put forth a law, on October 4, 1540, permitting an interest rate of 12 percent on commercial loans. He declared that only commercial loans above 12 percent constituted usury.

1546 was the high water mark for the Fuggers, whose wealth in that year was estimated to be 300 million goldmarks. [145] The family patriarch, Jacob Fugger, was Eck's patron, and Eck, as Fugger's corrupt mouthpiece, was charged with justifying the Fugger bank's interest rate of 5%. "…it was important for Jakob Fugger and other large merchants to obtain the Church's official approval of an interest rate of five percent…Fugger… commissioned a memorandum on the question of interest from the theologian Johannes Eck of Ingolstadt…" [146]

In 1515 Eck dutifully produced the desired usurious economic rationale, in his *Tractatus contractu quinque de centum*, which held that the Fugger's interest rate on loans was completely legal and moral because it was "modest" and occurred as part of a "business" transaction. Eck argued that only lenders who intentionally preyed upon the needy were sinners. Lenders who contracted for interest on legitimate business proposals were innocent. Luther attacked Eck's casuistical ingenuity as the "fig leaves" which usury uses to hide its shame.

Dr. Gregory Lamparter, Fugger's bastard son-in-law (through Fugger's mistress, Mechthilt Belz), was twice rector of Tübingen University. Fugger lavished large sums of money on his illegitimate son-in-law. In turn, Lamparter, used his influence at Tübingen to support Eck. "Lamparter made no effort to conceal the fact that Jacob Fugger's interest was at stake and that Fugger had approached Eck for a written opinion." [147]

The significance of the new nominalist contractual theory concerning letters of credit and securities was that it rescued usurers from ancient Catholic punishments like forfeiture: "…in earlier generations … (p)roof of prior involvement in usurious transactions…could mean that a commercial company would be forced to forfeit its entire capital. Appealing to Romans 11:16, *si radix sancta, et rami* ("if the dough offered as first fruits is holy, so is the whole lump"), the company's entire capital was declared 'infected." [148]

"…Biel also managed to reconcile a 'modern' doctrine of divine acceptation…The profile of the Tübingen school's first 'headmaster' comes into focus as we watch Biel draw on canon law in order cautiously to further that development upon which the expansion of early capitalism depended: the shift from currency to credit transactions. Detaching ownership from the possession or use of money had even more far-reaching consequences, because it snapped the hinge on which the traditional definition of usury swung. Canonists and theologians had concluded long before that a distinction must be made between usury, which the Vulgate expressly forbids (Luke 6:35), and 'profit through participation' in the *commenda* contract." [149]

In the "*commenda* proper," involving overseas ventures, "…the investing party who remains at home contributes two thirds of the capital, whereas the traveling party contributes one third, in addition to his labor. Profits are usually divided by half according to original investments; losses are born by both investors according to their respective contributions to the capital….the traveling party receives one fourth of the profit on the two thirds of the capital contributed by the other party plus all of the profit of the one third of the capital which he himself contributed. The sum is one half of the total profits. If there is a loss, the investor loses twice the amount of the traveling party, but the latter also loses the reward of his labor." [150]

The non-usurious *commenda* was a legitimate contract in the eyes of the Church because it entailed risk to the investors. "But where money was lent risk-free with the stipulation that the principal be repaid with interest, then, in the traditional view, ownership (*proprietas*) and the use of capital (*possessio*) had been illicitly separated…(and thereby constituted usury).

"The introduction of money 'backed' by external guarantee and the sale of securities or bonds not only meant a considerable expansion of the monetary economy but also made a redefinition of usury necessary, since money could no longer be considered a consumable model" as Aquinas clearly had asserted based on Scripture and Patristic tradition. "Biel remained extremely cautious in his formulations, careful to buttress his position with support from the canonist tradition…Biel was able to comb the various canonist conclusions and prohibitions for a theological framework that cleared

the way for a commercially up-to-date verdict…The path was cleared by means of subtle argumentation: 'If someone desires to avoid all risk to his capital and yet to share in the profit…that is clearly usury…But if, in contrast, someone is willing to accept the risk of the possible loss of capital and to guarantee the sum to the investor for an agreed-upon price, it is not usury to pay for such security…" [151] Noonan judged Biel's economic theory to have "really removed all matter from the usury prohibition." [152]

"Conrad Summenhart had likewise taken up the problem of usury…his thinking was oriented not toward Aquinas but toward the more nominalistically inclined Scotist branch of the *via antiqua* (cf. his posthumously published (1507) *Commentaria in Summam physice Alberti Magni*)…in declaring the corporative capital investment contract to be basically legitimate, Summenhart had leaped the decisive barrier to commercial capitalism erected by traditional (Catholic) financial ethics. In his final statement he argued for removing the proscription of usury from underneath the protective sanction of divine law…" [153]

"…Eck had dealt with the charging of interest from a Scotist perspective early in 1514 when he discussed *distinctio* 15 of the fourth book of his lecture on the *Sentences*." [154]

Summenhart employed two of the elements of modernist-Catholic epistemology to overthrow fifteen hundred years of Church teaching against usury: casuistry, which emerged from a trend inside Catholicism itself, and the Renaissance Neoplatonic project of human alchemy, i.e. the covert processing of Christians for secret objectives. It was casuistry for Summerhart to assert his "thesis that the investor's pure intent preserves him from the sin of usury in charging interest," [155] accompanied by his prudent "caution against arousing public offense" with this thesis. Oberman notes that "his caution against arousing public offense was…accepted…only to lend impetus to the task of reeducating the public…Precisely this desire to reeducate moved Johannes Eck to popularize a new definition of usury. As a third member of the 'Tübingen school,' he belonged to the modernist way…trained by both Biel and Summenhart…Eck entered the debate for the first time in 1514 with both theoretical and practical arguments in defense of a five percent investment contract. His theoretical contribution consisted of a new variant of the *contractus trinus,* a three-step procedure designed to escape the suspicion of usury. In this approach a partnership is first established by means of a basic agreement. A second contract follows, transforming the original participation into an investment made attractive by a potential but non-guaranteed profit. The third agreement sees the non-guaranteed ten percent return 'sold' for a smaller but risk-free five percent profit…the *contractus trinus* triumphed…and formed the foundation for ecclesiastical approval of the expanding capitalist financial system. Eck himself thought that his real contribution fell within the field of practical theology. Summenhart had removed a series of significant theoretical scruples and Eck continued his work by making a sharp distinction between the charging of interest and the sin of usury, reinforcing the moneylender's clear conscience." [156]

Eck used his influence with Pope Leo X to threaten and obstruct Catholic opponents of usury, such as Willibald Pirckheimer who, in 1515, in response to Eck's campaign for a five percent interest rate, had translated and published in Nuremberg, Plutarch's denunciation of usury, *De vitando aere alieno*. In 1520 Pirckheimer wrote a pseudonymous satire on Eck, *Eccius dedolatus* ("The corner shaved down"). This satire is sometimes misrepresented as a Protestant mockery of Eck for his having opposed Martin Luther. This is not the case. The satire refers specifically to the 1514 Ingolstadt disputation. The debate at Ingolstadt was known to be one of three on the subject of the permissibility of charging interest in which Eck argued in the affirmative (the other usury debates which witnessed Eck's advocacy were held at the Fugger-patronized Carmelite monastery in Augusburg, also in 1514; and in Bologna on July 12, 1515).

There is indeed a reference to indulgences in the *Eccius dedolatus,* but only in connection with kickbacks Eck is alleged to have received for having argued on behalf of usury. "Eck responded by having Pirckheimer placed on the papal bull threatening excommunication (15 June 1520), together with Bernhard Adelmann and Lazarus Spengler — all of whom opposed Eck in the controversy over interest in 1514-1515…" [157]

Eck and Fugger and their more subtle Tübingen nominalist allies (who left it to Eck to act as the public face of their theories in favor of moneylending at interest), encountered some resistance from the Renaissance Catholic hierarchy, at least seemingly, as for example from the Archbishop of Eichstätt, Gabriel of Eyb, who banned a proposed disputation by Eck in favor of interest on money, while supporting Eck's controversy against Luther. The Eichstätt archbishop's ban did little to impede Eck's campaign for usury however, and won him considerable sympathy. In view of the fact that Eck's advocacy of the right to commit the sin of usury did not cause him to forfeit Gabriel of Eyb's support in Eck's campaign against Luther, it may be that the archbishop's ban was mainly for public consumption by the Catholic peasants and proletariat.

Usury unites with Simony

The Fugger bank was implicated in more than the sin of usury. They were also at the center of the sin of simony, in the form of the notorious sale of indulgences. With Pope Leo X's curia in need of funds, Johann Tetzel received a commission from the pope for the sale of a so-called Jubilee indulgence. The curia "demanded large sums of money from Archbishop Albrecht of Mainz and Magdeburg for the privilege of uniting the benefices of two archbishoprics in his person at the same time, which was contrary to canon law. Albrecht had to incur large debts with the banking house of Fugger in order to raise this sum of money, and to help him pay back the money, the house of Fugger received a certain portion of the indulgence money which Tetzel collected from his penitent audience, and for this reason he was accompanied by agents from the bank on his journeyings." [158]

"In 1513 the twenty-three-year-old Albrecht of Brandenburg, youngest brother of the prince elector Joachim, was elected archbishop of the important diocese of Magdeburg by the cathedral chapter…in 1514, Albrecht was elected by the cathedral chapter of Mainz to be archbishop of this diocese also, and prince elector. He had undertaken to support the collegiate prebend at his own expense….Mainz was in need of cutting down its expenditure. Within the space of ten years the archepiscopal see had thrice fallen vacant, and each time the confirmation dues to Rome for the see and the pallium had amounted to 14,000 ducats. Now Albrecht had to apply to the pope not only for confirmation of his election to Mainz but also for permission to occupy this see while retaining that of Magdeburg and the administration of Halberstadt. Such an accumulation of benefices was unheard of, in Germany at least, and was in fact forbidden by canon law. But Leo X was not going to be hindered by canon law when political and financial advantage were at stake. With his decisive connivance, the ambassadors from Brandenburg were granted confirmation on payment of an additional 10,000 ducats.

"Moreover, it was the curia who made this proposal acceptable to the ambassadors, for they suggested a method by which Albrecht might raise all or part of the sum to be paid. They would make over to the archbishop of Mainz the sale of the St. Peter's indulgence…in the archdiocese of Mainz and in the Brandenburg territories, allowing him a half share in the proceeds. The contract was perfect; a deal was made with the Fuggers who, in return for a share in the income from the indulgence, advanced the archbishop 29,000 Rhenish guilders — and the whole shameful business was complete. That this

let loose the Reformation storm is highly symbolic and an expression of historical retribution, for all the corruption in the Church of that time had its chief cause in the fiscalism of the curia, which was rotten with simony. In the case just mentioned, the curia, contrary to canon law, in return for cash, and in the hope of gaining political advantage, were allowing a young, worldly man to hold an irresponsible accumulation of benefices. In so doing they turned indulgences into a means of exchange in big business. The executive organ of this business carried on between the custodian of the merits won by Christ's blood and a worldly prince of the Church was a (Fugger) bank. Corruption could scarcely have been more blatantly expressed." [159]

"The chest to receive the money always had two or three locks, the keys of which were in the custody of different persons, including a representative of the banking-house of Fugger. It could never be opened save in the presence of a notary. The ecclesiastical injunction was that the faithful had to deposit their contributions in person. To give it to the confessor or indulgence subcommissary invalidated the indulgence." [160]

Here was more than the growing encroachment of materialism in Christendom. Here was the demonic incarnation of mammonism in the form of a web of commerce encompassing both usury and simony, with the Fuggers deeply ensconced in the lucrative trade in both mortal sins, to the extent that Tetzel, the papally-appointed simoniac preacher, was accompanied on his rounds of selling indulgences, by agents of the Catholic banking house of Fugger, who supervised his cash box.

With the youthful archbishop of Mainz, "Cardinal Albrecht" in debt to the Fuggers, it is not especially surprising that the theology faculty of the University of Mainz subsequently did not reject the Fugger-sponsored theoretical legitimacy of investment interest. The Mainz faculty summarized their opinion as follows, "Some of us are indeed able to hold and defend this (Eck's) position *scholastice*" ("*Sunt enim apud nos qui eam scholastice et tenere et defensare possent*").

The Catholic Roots of Protestant Capitalism

The modernist legacy of the sixteenth century Catholic nominalists such as Summenhart in his *De decimis,* was the derogation of traditional canon law as mere "statutory legislation" whenever it clashed with the demands of modernity for capitalist banking and finance. Through captains of capitalism like its alumnus Eck, and fledgling modernists such as Biel and Summenhart, the nominalist "Tübingen" school, together with the casuist rehabilitation of usury, was a seminal influence on the emergence of a Protestant school of capitalist praxis and, in later centuries, on the modernist movement within the Roman Church for the alteration of the liturgy, and ecumenical relations with non-Catholic and non-Christian religions.

Imperious rulers, avaricious bankers and greedy prelates insisted on a change of dogma. The casuists with their porous loopholes and duplicitous manipulation of language played a central role in this revolution, as did the founder of the Redemptorist Order, St. Alphonsus Liguori, "Doctor of the Church." The outline of the process of dissolution of the sacred dogma of the Magisterium has become visible, and with it the crepuscular hand of the situation-ethics which ruled the Vatican secretly for centuries, and openly since the 1960s.

Casuistry and Usury

"The casuists inherited the medieval synthesis but were vividly aware of the new social and economic realities that called it into question. They gradually realized that the old paradigm had become so surrounded by exceptions that it no longer provided a sound basis for analysis. The first move toward a new paradigm was the introduction of a theory of interest popularly referred to as 'the triple contract,' the 'German contract,' or the '5% contract.' It marked a notable departure from the medieval thesis and opened the way for a modern theory of profit from loans. The *summist* Angelus de Clavasio had given tentative approval to a form of insured investment; a lender might charge a fair price in view of sustaining potential losses…In 1515 John Eck, Dominican theologian of the University of Ingolstadt, who became famous five years later as Luther's debating opponent, defended de Clavasio's thesis in public. His defense won wide acclaim and, it is said, earned him a financial subsidy from the Fuggers, the international banking house in Augsburg.

"The name 'triple contract' expressed the essence of the arrangement that Eck popularized. Partners entered into three distinct contracts with each other. First there was a contract of partnership, which was considered legitimate by all commentators. Second, a contract of insurance was signed; under this the investor was insured against loss of his capital and, instead of paying a premium, agreed to accept a lesser percentage of the total profits than would otherwise come to him. Third, a contract was signed that guaranteed the investor a return at a set rate of interest, usually 5 percent. Thus the investor was a 'sort of debenture holder without industry or danger of losing his capital.' This was an attractive form of investment, which provided the active partner with considerable working capital. Commentators conceded that, if made with different parties, each of these three contracts would be legitimate, but most of them doubted the morality of the triple contract between two parties. They suspected 'usury' in the strict medieval sense: drawing profit without labor, loss, or risk. However, Eck replied that this form of investment entailed a loss by virtue of the title *lucrum cessans* since the investor could certainly have put his money to other, more profitable but less risky use.

"When the Jesuits arrived in Augsburg in 1555, they were dismayed to find the German contract in common use among the bankers and merchants of that great commercial city. Adhering to the more conservative view, they denounced the contract as usury, and withheld absolution from those who were engaged in it: notably, members of the Fugger family, who were bankers to the Holy Roman Empire and one of whose scions was studying to be a Jesuit. This stance stirred up a furor in the capital of European banking, and before long there was an excited exchange of letters between Augsburg and Rome. The Fuggers and the local bishop sought advice from Rome, while the German Jesuits sought advice from their headquarters. A special commission of Jesuits, including the distinguished theologian and casuist Cardinal Toletus, was instructed to present a report on the morality of the German contract to the Fourth General Congregation of the Society of Jesus (1580). The Pope himself submitted to the commission a *casus* given him by the Duke of Bavaria at the urging of Father Jasper Haywood, an exiled English Jesuit who was strongly opposed to the contract. This *casus* and the response to it represent a classical example of casuistical argument: Titius, a German, loans Sympronius a sum of money. Sympronius is a person of means, and the money is lent to him for no specific purpose. The conditions are that Titius is to receive annually five florins for every hundred lent, and afterwards have the whole capital back. There is no danger to the capital, and Titius must get his 5%, whether or not Sympronius makes a profit. The response of the commission first noted that this case could not be resolved until all of the actual circumstances had been carefully specified and examined. In response to the question whether knowledge of the general form of the contract was sufficient to warrant approval or disapproval, the commission answered in the negative.

"All the circumstances must be carefully specified: in particular, it must be ascertained whether the money was going to someone who could make it 'fructify.' In general, stated the commission, it would be prudent to advise someone considering such a contract to look for a morally less suspect investment. Next, Titius' profit would be legitimate only if it rested on one of the certainly moral entitlements such as *damnum emergens* or *lucrum*

cessans. Finally, the profit would be clearly immoral if it were acquired merely in virtue of the loan. This response showed that the commission considered de Clavasio and Eck to have proposed a 'less probable opinion': this was not to be considered certainly immoral but at best suspect.

"On the basis of the commission's report, the General Congregation reaffirmed the decision of the Third Congregation, held seven years earlier, that the German contract was morally licit, and confessors could advise their penitents. This decision, which may appear odd to the modern reader, rested on the thesis, accepted by the Jesuits, that a probable opinion was sufficient to establish moral licitness. Subsequently three leading Jesuit theologian-casuists, Louis Molina,[161] Leonard Lessius, and John De Lugo, wrote exacting analyses of this form of investment, offering both practical and theoretical arguments to distinguish it from usury. The central theoretical argument was that the contract necessarily involved *lucrum cessans* and that this remained a legitimate title to interest, even when risk was eliminated. In retrospect the German contract appears almost absurdly complex; yet some seventy-five years of debate about it led to radical change in the usury doctrine. By concentrating on this particular *casus,* moral theologians had recognized the dynamics of modern investment and the nature of economics in a world of production, banking, and trade…

"By the middle of the seventeenth century, then, the theory of usury had been turned on its head. Many different cases representing many different forms of financial transaction in different social and cultural circumstances had been debated and analyzed. The maxims from Old and New Testaments had lost their force because the general terms in which they were expressed could hardly cover the multiple kinds of transactions that passed for 'loans.' And a more subtle appreciation of the nature and functions of money, investment, and credit weakened the natural law arguments that had convinced the medieval scholastics.

"In light of these conceptual and factual developments, the definitions of usury changed from those that prevailed in the Middle Ages (e.g., 'where more is asked than is given' and 'whatever is demanded beyond the principal'), to the definition offered at the close of the debate by St. Alphonsus Liguori: [162] 'Usury is interest taken where there is no just title to profit.' At this point 'usury' has taken on the modern sense of 'excessive interest'…no longer does interest fall under the prohibition of theft. The new paradigm, reflecting the emerging science of economics, viewed money as a commodity, and the moral question asked how one could determine a 'just price' for its use.

"This long debate shows casuistry at work. Over five centuries there emerges a moral doctrine of precise definitions and distinctions, of narrowly limited solutions and well-reasoned arguments. This doctrine was developed in a context marked by the pressure of powerful social, economic, and cultural changes. New circumstances pressed the casuists into new doctrines. From the thirteenth to the eighteenth century, the economy of Europe moved from subsistence farming to an extensive mercantile and commercial market. The thin lines of trade between Europe and the Near East expanded into wide streams of commerce between Europe, Asia, Africa, and America. Population increased; towns grew into cities; improved transportation facilitated travel and trade. The jigsaw puzzle of feudal principalities merged into powerful nation-states. Doctrinal dissonance and political incursions fractured the religious hegemony of the Roman Church. Finally, from the nascent power of nation-states and the impassioned belligerence of religion there arose continual and devastating international strife, with its voracious appetite for money. New circumstances pressed the casuists, as the economists of their time, to set new doctrines.

"…The casuists…sought, in the midst of the economic pressures, to bring to light the morally relevant circumstances that would permit meaningful moral discriminations. The cases they considered were genuine manifestations of new social, cultural and economic conditions…Doctrinal modifications did not come easily. Each new formulation was the product of extended, detailed debate among highly capable moralists and jurists often involving lengthy exchanges of petitions and decrees among rulers, prelates and businessmen…yielding only when they found a morally relevant circumstance or a conceptual clarification that justified a step away from the firm base of the ancient paradigm…This history of doctrinal change reveals not an evasion of morality but its progressive refinement…" [163]

5

The Protestant Reformation: Pro and Contra Usury

In general, Protestant theologians were split on usury along the same lines as Catholics but without a pope to settle the matter. The nominalist position refused to countenance any external enforcement against the crime of usury. They condemned "biting" loans, but permitted many other kinds of interest-bearing loans.

Some Protestants, whose world view was predicated in certain particulars upon medieval Catholic dogma, such as the bilious-tempered Martin Luther (1483-1546), generally supported the traditional prohibition of usury, qualified by a conceptual sophistication, or rather distinction, between interest on loans of money and income derived from a contract of mutual risk. Quite a bit of nonsense has been written about Luther and interest, mostly out of ignorance of the documentary record or a desire to taint his economic doctrine. The Marxist Professor Gerhard Brendler alleges, laughably, that Luther's hostility to usury was due to "his antisemitism." [164] Norman Jones asserts without proof that "Both Luther and Melanchthon, however, were of the opinion that the secular magistrate could regulate interest for the good of the community, allowing it if he felt it was necessary." [165] Is this alleged permission from Luther a reference to interest on *mutuum*, or to a particular type of *zinskauf* – income from the sale of annuities accruing from property? Jones doesn't say and offers no evidence or citations. If Luther had actually said that a magistrate could "regulate" (legalize) interest on money, he would have been as bad as Eck or Ridolfi, creating a loophole large enough to render most moral and civil laws against usury meaningless. But the fact is, there is no evidence that Luther said any such thing.

"In the economic sphere Luther was as conservative in the same sense as in the theological. In both he charged the Church of his day with innovation and summoned his contemporaries to return to the New Testament and to the early Middle Ages. The new Europe after the barbarian invasions had been agrarian, and the Church had bestowed the highest esteem on agriculture, next on handicraft, and last of all on commerce. This too was Luther's scale of values….

"When a loan was of food stuffs in a famine of the early Middle Ages, any replacement in excess of the goods consumed appeared to be extortion. But in a commercial venture for profit the case was different. St. Thomas saw this and sanctioned a sharing in profit by the lender provided there was also a sharing in loss. A contract of mutual risk was acceptable but not a contract of fixed return which would give to Shylock his ducats even though the ships of Antonio were on the rocks. In the age of the Renaissance, however, adventurers preferred a higher stake and bankers a more assured though lower return. The Church was ready to accommodate them both because she herself was so intimately involved in the whole process of the rise of capitalism, with banking, bookkeeping, credit, and loans. The Fuggers were not begrudged the services of the theologian John Eck to defend for a subsidy all the casuistic devices for evading the medieval and Thomistic restrictions on interest.

"Luther on the other hand became the champion of the precapitalist economy. How agrarian was his thinking is vividly exemplified in a cartoon on the title page of his tract on usury, in which a peasant is shown in the act of returning not only the goose which he had borrowed but also the eggs. Luther took his stand on the Deuteronomic prohibition of usury and the Aristotelian theory of the sterility of money. One gulden, said Luther, cannot produce another. The only way to make money is to work.…Those who cannot protect themselves should be maintained by the community and the rest should work. There is but one exception. The aged with available funds may loan at interest not in excess of 5 percent or less, depending on the success of the enterprise. That is, Luther retained the contract of mutual risk. Otherwise loans for him came under the head of charity…" [166]

Luther was ferociously opposed to the financialization of the economies of Christian nations and to any rehabilitation of usurers or their "business" culture. But he also was an innovator, having urged a revolution — the overthrow of the monasteries — rather than a true reform of those once great engines of scholarship, agronomy, medicine and authentic Christian enterprise. (Some of this we trace to his unscriptural revulsion toward celibacy, a trait shared by some Protestants). Furthermore, Luther didn't take, as Bainton alleges, "his stand on the Deuteronomic prohibition of usury." He couldn't. His "Law and Gospel" dichotomy wouldn't allow it. On the other hand, Luther's "one exception," however circumscribed by the fact that the exception was a commercial venture in which the lender-investor risked loss (Shylock would *not* have been paid under Luther's "exception"), lends itself to misunderstanding, out of which comes a precedent for meretricious exploitation of the "exception" in the future. His 5 percent for the aged was not a Florentine-style *monte pietatis*; it was a 5 percent return from an investment in an enterprise, in a contract of mutual risk. Nonetheless, Luther's exception pushed the envelope of Thomistic economics. His 1524 treatise on *Trade and Usury* does contain ambiguities that were later exploited by Lutherans who were of a more capitalist-orientation than their founder.[167] Luther should have foreseen this. He did make a distinction – which was consonant with Thomistic teaching – between interest on *mutuum* (loans of money), which he implacably opposed, and income derived from financial instruments, such as the *zinskauf* (which later became synonymous with the term *rentenkauf*) — steady income from property, the rights to which could be sold for a profit or negotiated as the basis of annuity income. [168]

Other Protestant founding fathers were influenced by the nominalists' arguments. Among the latter, the most important was the French Protestant lawyer turned theologian, Jean Cauvin ("John Calvin," 1509-1564), who drew inspiration from the French Catholic jurist Charles du Moulin (1500-1556) and Moulin's popularizer, Francois Hottman. Moulin was influenced in turn by Tübingen's Conrad Summenhart. Moulin derived from Summenhart the belief that all loans at interest were not wrong; rather they were to be judged by the circumstances of the borrower. As long as the interest charged was "reasonable" there was nothing immoral about lending for purposes of increasing productivity. The Catholic Moulin went so far as to completely reverse the law, stating that the borrower who does not pay interest on productive capital is stealing from the lender! [169]

It was from within this Catholic milieu that Calvin formulated his doctrine. This supposed premier scripturalist, who relentlessly attacked and mocked Catholics for holding tradition on par with the Bible, based his economic teaching on the traditions of lawyer's equity theory, which nullified the Old Testament proscriptions against usury. Calvin declared that Old Testament laws were not binding on Christians in terms of an absolute prohibition on interest on money to fellow believers. He could not do the same with Christ's words on the subject in the Gospel of Luke, so he seized on the nominalists' distinction, which we confronted earlier in these pages, between interest and "biting" interest.

While Calvin had formulated a condonation of usury hedged by strict qualifications, it was observed by R.H. Tawney that "mission drift" was bound to occur: "Mankind finds in the arguments of theorists what it looks for. Calvin's indulgence to moderate interest…was remembered when the

qualifications surrounding it were forgotten…"

A teacher of Calvin, the Protestant theologian Martin Bucer (1491-1551), in his *Tractatus de Usuris* enlarged on the nominalists' argument by proclaiming that the Hebrew word *neshek*, translated as usury, signified that only interest on loans that were so extortionate they "bit" the borrower, were the type of interest that was forbidden. Following Bucer, Protestant theologian Henry (Heinrich) Bullinger (1504-1575) stated, "Usury is forbidden in the word of God so far as it bites his neighbor."

Bucer and Bullinger were parroting the evasions of the rabbis in this matter, as John Edwards demonstrated: "The Jewish rabbins (rabbis) distinguish between *neshec* and *tarbith*; the one, they tell us, is derived from a word that signifies to bite…and therefore they understand *neshec* concerning immoderate usury, such as is truly biting and devouring, and this they acknowledge is forbidden by the Law…But the other word, say they, which barely denotes increase, i.e. some overplus besides the principal, expresses the moderate and tolerable sort of usury…But this is a mere fancy, and hath no foundation at all in the Holy Scriptures, for these condemn not only *neshec,* but *tarbith*…As for that word *neshec*, it is apparent that it is a general term for all usury; it is a common word or name whereby that practice is expressed in Hebrew: and it imports the greatness of the sin, not any distinction of the kinds of usury." [170]

Bucer and Bullinger's Talmudic-like escape clause permits evasion of God's Law, through the argument on behalf of the notion of what Kermode terms "the different degrees of usury (depending on who was lending to whom, for what purpose and at what rate), or whether all usury was equally damnable; this question also raises the issue of differentiating between legitimate interest and illegal usury…"

Overlooked in this rationalization was the traditional Christian belief that *all interest,* in and of itself, *took a "bite"* out of the borrower. An English Protestant critic of Bucer and Bullinger wittily took them to task, stating, "This hath been the general judgment of the church for about fifteen hundred years, without opposition in this point. Poor, silly Church of Christ, that could never find a lawful usury, before this age wherein we live."

As we have seen in the sweeping usury abolitionist legislation in the reign of Edward VI, the early Anglican Church remained faithful to the Biblical, patristic and medieval Catholic condemnation. Anglican Bishop Lancelot Andrewes rightly observed that "All usury is biting…There is no form of usury that is toothless." Andrewes believed that the etymological *neshek* distinction "…contravenes the principle of the Law itself that 'Thou shalt love they neighbor as thyself.' For it is an evil rule that decrees, 'let it be done provided it does not bite.' Evil I say, and Pharasaic. This is Christian: let it be done provided it benefits. For whether it bites or not, does not matter, if we are looking for true justice; what matters is whether it benefits or not."

The Puritan Miles Mosse responded to the new question of what constitutes "biting" interest: "There is a great difference between the biting of a flea, and the biting of a dog, and the biting of a lion: yet all are bitings, and the least will draw blood. So, there is a difference between him that takes five (percent interest) and him that takes ten and him that takes twenty…yet all is biting, and the least will consume a man in continuance." [171]

One Catholic faction, the nominalists, and one faction among the Protestants, provided King Henry VIII the rationale for his deceitfully worded law of 1545, "A Bill Against Usury" (37 Hen. 8, c. 9). This statute inaugurated the legal fiction that usury no longer meant all interest whatsoever, but only *excessive* interest. This was the first law in the history of England to give connivance to the practice of lending at interest. A high rate of 10% was set as the legal limit.

Roger Fenton Contra *Usura*

The Protestant theologian Roger Fenton (1565-1615) was a Fellow of Pembroke Hall, Cambridge University, and rector of St. Stephen's, Walbrook, in London. In 1609 he succeeded Lancelot Andrewes as prebendary (canon) of St. Pancras in St. Paul's Cathedral. Rev. Fenton's lucidity and facility with the English language caused him to be chosen as one of the translators of the 1611 King James Bible. He proclaimed, "Not until sixteen hundred years after Christ did interest find any defenders."

It may be argued with a certain plausibility, that Fenton's insight into usury, which he detested with a detestation that knew no bounds, represents one of the most stirring and eloquent jeremiads ever penned concerning this sin:

"…many Christians of reformed Churches being urged to flee persecution, and to convert their goods into money, yet lacking skill to employ the same in a strange country; tender hearts thought it a pity that usury in such a case were not lawful; and nimble wits began to search, if the matter might not be so handled, and qualified by cautions and limitations, that some such thing as we call usury might be practiced. For such is the subtlety of Satan, that if he cannot hinder the growth of good corn, yet tares shall grow up with it. He thought that when men were so busied about the reforming of those gross abuses of superstition; that then was the only time to begin a new seed-plot of usury, of sacrilege, of liberty and profaneness in the other extreme. Which vices, howsoever they were little feared or thought upon in those days; yet by our time we may easily perceive to what ripeness they have grown, which then were but as seeds under the ground…

"He that turns himself into an angel of light [172] can set so fair a gloss upon a work of darkness, that the iniquity of it will hardly be discerned. He can so cunningly twist good and evil together, that the appearance of usury shall be presented without a show of injustice.

"…the gain of usury is a sweet gain, without labor, without cost, without peril…it is so pleasant and profitable a sin…This advantage then has the devil gotten against us in the practice of this sin; that usury being a trade so gainful in respect to others; so easy, so cheap, so secure without all labor… being also so common…it has bewitched even the consciences of those who are most tender in other matters…

"As usury is a sin in itself…so it is branded by the Holy Ghost for a sin of that nature and degree which does make shipwreck of conscience: the continuation of which sin cannot stand with the grace and favor of God.

"…Let some of those tender consciences who are so urgent to call for warrant out of the book of God for every ceremony and form in the Church, seek a warrant for this their practice (of usury), which so nearly concerns them, and let them seek it at the oracle of God, who has not left it, as he has many other things, either to the discretion of the Church, or wisdom of Commonwealths; but has vouchsafed to determine it in his own book to our hands: to set down an express law against it in Exodus; to renew that law again and again in Leviticus and Deuteronomy; to ratify and confirm it with no other words than he himself used at the publishing of the whole moral law…

"Since it has pleased Almighty God thus fully and exactly to express his will for our resolution in this point; let us not be ready to flee from his express word to human inventions – I mean those devised distinctions which favor the service of Mammon more than the service of God; which favor the things that be of men, to wit, the profit, the ease, the security, the sweet gain of interest; a trade which flesh and blood must needs affect and be greatly inclined unto." [173]

Roger Fenton was no anomaly. Many leaders of the early Protestant movement kindled a blaze of enmity for usury which has been ignored or concealed.

"Clearly, in the sixteenth and seventeenth centuries, most followers of Luther and Calvin were more hostile to usury than were contemporary Catholics in continental Europe, and generally more hostile than Calvin himself had been. For example, as late as the 1620s, the eminent English jurist Edward Coke (1552-1634), made Elizabeth I's Solicitor General in 1592, unequivocally stated, in pure Scholastic fashion, that by former parliamentary statutes, 'all usury is damned and prohibited,' and that 'usury is not only against the law of God…but against the laws of Nature'…many or even most early Protestants, especially in England, had both inherited and fully maintained, indeed with some considerable ferocity, the long-traditional Scholastic view that usury was a vile, mortal sin, one 'against Nature." [174]

After we had written our revisionist history of white labor in early America, [175] presenting a chronicle of the enslavement of whites – not white slavery in the sense of forced prostitution, but chattel bondage of whites who had been kidnapped or "transported" from Great Britain – our work was met with some incredulity concerning the existence of anything other than white indentured servitude in America. The confusion was predicated on a failure to distinguish and study white bondage in different time periods in American history. For instance, the situation of white bondage in 1640 was radically different from that of 1780. In 1640 mainly white *slaves*, not indentured servants, toiled, usually for life, under harsh conditions on sugar and tobacco plantations in the West Indies and colonial America. From 1783 onward however, almost all bonded white labor in the newly formed United States was indentured. Failing to distinguish the differing conditions and circumstances of the early seventeenth century and the late eighteenth century occludes one's ability to grasp a suppressed epoch in the history of British America.

Something similar is at work in the misapprehension of the Protestant doctrine on usury. The situation of Protestant resistance to usury in the sixteenth century was radically different from that of Protestant attitudes toward usury in the eighteenth century. The collapse of usury resistance which took place over the course of 1500 years in the Roman Catholic Church was condensed in the Protestant world to a duration of some 200 years. The critical distinction rests in an objective examination of the founding era of the Protestant Reformation. Roman Catholics and others have sought to brand Protestantism as usurious *from its foundation*. This is a formidable indictment since, if the foundations were bad, the whole edifice is ruined. Hence, if the charge is true, then the Reformation is tainted with the root of evil from its inception. The fact is, the charge is false. Moreover, it is necessary to ask, on what grounds does the Roman Church, which first infected Christendom with the plague of the mortal sin of usury and an ideology that furnished theological arguments for gradual adjustment to it, presume to point a finger at alleged Protestant failures in this regard? (Matthew 7:3).

In the following pages we present the early Protestant and Puritan stand *against* usury, and then the late Puritan position *in favor* of it, which was put forth during the degenerate phase of the Puritan church as it began its descent into fractured denominationalism and eventual decline. [176]

The Early Years of the Protestant Campaign Against Usury

The arch-Puritan theologian William Greenhill (1598-1671) graduated from Oxford University with the degree of M.A. in 1622. He was a Puritan from his youth, and a member of the radical "Independent" (Congregationalist) faction. Rev. Greenhill was one of the Westminster Assembly of Divines (preachers to Parliament). After the English Civil War, during the Puritan Republic, he was a commissioner of education ("Tryer of Schoolmasters and Preachers"). He earned acclaim for his homiletic exegesis of the Book of Ezekiel, delivered to crowded congregations in the city of London, and first published in five quarto volumes over the years 1645 to 1662; and subsequently reprinted three times over the centuries. For much of his career he ministered to a large assembly as vicar of the Church in Stepney, where he was esteemed by the people as 'the evening star,' due to his habit of preaching in the late afternoon. Friend and foe alike regarded him as a man of high personal integrity. He wrote, "The messengers of God must deliver the mind of God, be it pleasing or provoking, be it a matter of comfort or terror…they must announce judgments to the wicked, as well as pardon to the penitent; threats to the stubborn, as well as promises to the fainting; they must not give out what pleases themselves, but what the Lord commands them."

Greenhill was one of the hundreds of Puritan ministers in the sixteenth and seventeenth century who faithfully and conscientiously upheld the Biblical, Patristic and medieval Catholic doctrine on the mortally sinful nature of interest on money. In the following homily he restates Christendom's historic case, and answers the main evasions and objections of usury's equivocators and practitioners.

The God of Heaven and Earth Commands Them Not to be Usurers [177]

"He that hath not given forth upon usury, neither hath taken any increase, that hath withdrawn his hand from iniquity, hath executed true judgment between man and man."
Ezechiel 18:8

William Greenhill, 1651

"**O**ur prophet is upon declaring who is a righteous man. Sundry characters of such a one he hath laid down before, and here proceeds to add more; and the first is, he meddles not with usury, he increases not his estate that way. It is much in practice among the sons of men, as if Scripture did rather authorize than prohibit it.

"Upon usury…to bite; yea, to bite like a serpent. It is akin to…a serpent, saith Avenar. A serpent's biting is little felt at first, but after it inflames and ruins the man; so usury is not much felt at the beginning, but in time eats up and devours a man's whole substance: or, for that it makes a man restless, sleepless, who is bitten with it, as the biting of a serpent doth; or biting, in that, like a hungry dog or wolf, by biting and devouring others, it feeds itself. Chrysostom, *super illud*, Matt. V. *volenti mutuare*, saith, The usurer's money is like the biting of the asp. A man bitten by the asp hath a delightful sleepiness upon him, and dies sleeping, because poison sweetly diffuseth itself through his whole body; so the man that takes money of the usurer, pleases himself, thinking it a kindness and benefit unto him, but it quickly eats up a great part, if not his whole estate. This kind of usury many are against, but other sorts of usury they allow and practice. I shall therefore consider what usury is, and then show you whether the Scripture will warrant any usury. What usury is:

"…In usury, three things are considerable: lending, gaining, covenanting. To lend money for gain, i*nterposita pactione*, that is 'usury.' When men put out their money to receive more than the principal by virtue of a covenant, contract, or compact, that makes them usurers. It is gain taken merely for the lending of a thing. Herein, it is conceived, lies the formality of it, viz. the covenanting, agreeing, and contracting to have so much for what is lent. This the word points at Exod. xxii. 25, thou shalt not put usury upon him.

"Amesius saith, it is gain sought after, aimed at from what is lent, because it is lent; and he includes in the word *quaesitum*, not only real usury, which

is, contracted for, but mental usury, which is intended.

"Usury thus described I find no warrant for from the word of God, but much against it: look into these places, Exod. XXll. 25; Lev. xxv. 35-3; Deut. xxiii. 19, 20. The great God of heaven and, earth commands them not to be usurers, not to lend upon, or take, usury.

The Evasion

"The answer and evasion that some have and make here, is this: True, we must not lend upon usury to the poor, who are mentioned in the two first places, and implied in the third, but to the rich we may. To take away this evasion:

"1. Consider, there are other places where no mention of the poor is made. Psalm.xv. 5, 'He that putteth not out his money to usury.' It is spoken indefinitely; they might not put it out to the poor; and who, then, were there to put it out to, but the rich? So in Jer. xv. 10; Ezek. xxii. 12, usury is censured, and yet there is no mention of the poor. Usury seemed a cursed thing.

"2. Rich men were their brethren as well as the poor; and, Deut. xxiii. 20, 'Unto thy brother thou shalt not lend upon usury….

"3. 'What countenance, warrant, or encouragement do you find in holy writ for lending money to rich and wealthy men, especially with expectation of gain? Luke vi. 34, 'If ye lend to them of whom ye hope to receive, what thank have ye? For sinners also lend to sinners, to receive as much again.' Wicked men, the worst of all, who have no fear of God in them, will do that; therefore, saith Christ, 'Lend, hoping for nothing again.' Here is shown who should lend, and to whom. Rich men are to lend, not to borrow; and to those the lending should be who are not able to maintain their charge, drive on their callings, without help; to these, rich men should lend freely; and to others that are beggars, truly poor, they should give: Matt. v, 42, 'Give to him that asketh thee, and from him that would borrow of thee turn not thou away.' It is a duty for rich men to lend, not to borrow; and because they let many families sink in these hard times, which would do well enough had they a little support from the rich, it will stand upon their account one day. This is the evil of rich men, because they see such a man decaying, therefore they will not lend to him; but because he is upon decaying, therefore they should lend to him that he may not utterly decay, Deut. xv. 7, 8.

Biting and profitable usury

"The second evasion men have is this: Usury when it is biting, hath the serpent's sting and teeth in it; prejudices, and doth not profit, or advantage a man, then in that case (they say) it is unlawful; but if a man be a gainer by it, it is not unwarrantable; and so they distinguish between biting usury and profiting usury.

"Answer: Distinctions and arguments from etymologies are insufficient and weak. (The name) Absalom signifies a father of peace, or, the father's peace; but he was a father of war, and his father's trouble. As for 'usury,' the Scripture knows no such distinction as biting and profiting usury; it is a human invention, to make way for the satisfaction of men's covetous and greedy desires. Men think they are safe if they take usury of the rich, not of the poor; but see how the Lord strangles and cuts off this distinction by the next words in the verse: 'Neither hath taken any increase. He must not be a biting usurer, which they grant; neither must he be an increasing usurer; this is forbidden by the same authority that the other is…He is a just man that takes no more than he lends. Some would have this word to be exegetical, and so think to avoid the force of it: but though the wisdom of man be inventive to promote its own interests, yet it must not null(ify) the wisdom of God.

"Let us grant it exegetical, it is of more force against them; for the latter word must expound the former, and so *any increase* is the meaning of usury. Upon this account, then, *he is a usurer who takes any increase*. But this likes not those who plead for it. By increase they would have such increase as burdens, bites, oppresses, and consumes him that gives it. This is forcing of the word *tarbith*, which notes simply any increase or multiplication; not biting, oppressing, undoing increase. As they therefore stick to the word *nesheck*, to make one sort of usury unlawful, so we may we stick to the word *tarbith*, to make that other sort of usury unlawful, because it is said, 'he that hath not given forth upon usury, neither hath taken any increase.'

"The word notes increase of victuals, as well as of money: Lev. xxv. 37: 'Thou shalt not give him thy money upon usury, nor lend him thy victuals for increase.' There must not be increase of money or victuals; it is not meant a burdensome increase of victuals, but no increase at all.

"Some plead the lawfulness of it from Deut. xxiii. 20, Unto a stranger thou mayest lend upon usury; but unto thy brother thou shalt not lend upon usury.' Hence they conclude, that usury is simply unlawful to a brother.

"Answer: …It was to strangers they might do it; and not to all strangers, but Canaanites only, who were designed of God to destruction; so that those they might destroy with the sword, they might devour with usury. So then, where men are not appointed to death, and to be cut off by war, they may not exercise usury.

It is our sinful covetousness to take usury one of another when we are brethren

"…The distinction of strangers is now taken away; the partition-wall is broken down, and we are all brethren. A stranger that was become a proselyte, and embraced the Jewish religion, they might not take usury of, he was a brother, Lev. xx.v. 35, 36; they had all one father, Mal. ii. 10, and so have we, and are brethren. This made Jerome upon this place, say, 'In the law, usury was taken off from the brethren, in the prophets it is forbid to all; in the gospel is yet more virtue and favor; the Lord saith, Lend to them from whom ye may expect nothing. It is the blindness of the Jews, to think they may take usury of Christians, when Christ hath made of both one, Eph. ii. 14; and it is our sinful covetousness to take usury one of another when we are brethren.'

Usury makes void three great rules our Lord and Savior has given us in the Gospel

"Some ground the lawfulness, and so their practice of it (usury) upon Matthew xxv. the parable of the talents; ver. 27, 'Ought thou not to have put my money to the exchangers, and then at my coming I should have received mine own with usury.' Hence they conclude, that Christ doth not only allow, but doth justify, usury.

"Answer:…Christ here speaks, not concerning the justice of the matter, as if he approved usurious practices, whereby men of covetous minds do increase their estates; but concerning its mode, the increase that came by such practices, which he propounds to be imitated in spiritual things. You see men of this world improve their money, and so should you improve those gifts and graces which are credited and committed unto you. Christ here justifies usury no more than he justifies the unjust steward, Luke xvi. 8, where it is said, he 'commended the unjust steward, because he had done wisely.' Why, what had he done? In one account he had defrauded his master of fifty measures of oil; in another account, he cut him short of twenty measures of wheat; yet Christ saith, 'he hath done wisely.' That is, wisely for himself, though wickedly for his master. Christ's commendation of him did not legitimate the action. If men's stewards or servants should do so now, and allege his instance, they would not hold them excusable, but have the law against them. Christ saith, that he will come as a thief, Rev. xvi. 15; and that the day of the Lord so cometh 'as a thief in the night.' 1 Thess. v. 2. Does

this, therefore, countenance or justify theft?

"You see, then, no footing for usury in the word of God.

"It (usury) seems to me to make void three great rules which our Lord and Savior hath given us in the gospel. The first is that, Matt. vii. 12, 'All things whatsoever ye would that men should do to you, do ye even so to them: for this is the law and the prophets.' Now, is there any man in straits, in necessities, that would not borrow freely, rather than be tied to pay so much, not knowing whether he shall gain anything, or preserve the principal: and if any should deny it, I fear their own consciences would condemn them for it. It is true, through the custom and practice of the times, men are willing to borrow upon such rates and terms, because they cannot have monies otherwise; but if men will lay aside all respects of that kind, and look at the simple nature of the thing, they cannot but confess they had rather have money freely than upon terms; and if so, then they ought to do so to others, and not lay the burden of usury upon them. 2. It is against that great rule and command, Luke vi. 35, 'Lend, hoping for nothing again.' The Greek is…men should so lend as not to hope for, much less contract for, anything again…Lend hoping for (the return of) the principal, but nothing for the loan of it…Such lending is attributed to righteous and good men: Psalm xxxvii. 26, 'He is ever merciful, and lendeth;' and, Psalm cxii. 5, 'A good man sheweth favour, and lendeth.'

A Cloud of Witnesses Against this Mortal Sin

"It (usury) is against that great rule and command, Heb. xiii. 5, "Let your conversation be without covetousness." Should poor men be without covetousness who have little, and should not rich men who have much? They (the rich) usually are the usurers, and so most covetous. Usury is the invention and practice of covetousness, and serves only to feed the appetite thereof. Covetousness is a grievous sin; it is idolatry, as you may see, Col. iii. 5; it makes the times perilous, 2 Tim. iii. 1-2; it is the root of all evil, 1 Tim. vi. 10; it makes a man unworthy of Christian society, 1 Cor. v. 11; to be abhorred of God, Psalm. x. 3; and so to be shut out of the kingdom of heaven, 1 Cor. vi. 9, 10…Psalm. xv. I, 'Lord, who shall abide in thy tabernacle? Who shall dwell in thy holy hill?' Ver. 5, 'He that putteth not out his money to usury.'

"…Many councils have condemned it as unlawful. In the first Nicene it was condemned for a mortal sin, canon 17. The first Carthaginian determined it to be base gain, cap. 13. The Lateran Council saith, Usury is not allowed to redeem captives; Council of Vienne decrees him to be punished as a heretic who says usury is no sin. The Eliberine council degraded clergymen, and cast the people out of the church, who were usurers; cap. 20.

"Not only councils, but fathers, have been against it. Augustine upon the 36th Psalm says, "*Si plum quam dedisti expectas accipere, foeneratores*;" and Bernard calls it, "*Venenum patrimonii: inter praecepta famil*."

"…Let, men, therefore, take heed how they touch usury, seeing there is such a cloud of witnesses against it, and not trust to a distinction of man's brain by making biting usury unlawful, but other usury lawful, lest by this distinction they get money in their coffers, and lose their souls at last; for…such gain is the sepulchre of the soul; and he will not sojourn in the tabernacle of the Lord, that puts his money to usury. Sure it is an ill trade that excludes a man from heaven.

"Money at first was invented for exchange of things uneasy to be transported, not, to beget money, or a trade, without labor; for the usurer's trade is most easy and gainful…And if usury were brought to lower rates amongst us, or rather wholly taken away, it were an honor to the gospel, and to our nation." (*End quote from William Greenhill*).

Some Myths of Max

Many Catholics and other opponents of Protestantism who believe they have the competence to venture to insert themselves into the controversy over mammonism and commerce in Christendom, have so inadequate a grasp of early modern history that they have no inkling that in nations where the Protestant Church held sway in its early years, *it was Rome and the pope who were notorious for usury and mammonism in the mind of the people*.

"Although the work of Max Weber[178] has taught us to associate capitalism with Calvinism, most English authors before the eighteenth century followed Luther in emphasizing the papist nature and history of usury, and Puritans often included a tolerance for usury (as being) among the 'rags of Rome' that they believed continued to defile the Anglican church. In 1629 Matthew Sutcliffe claimed (in his 1629 book, *A True Relation of England's Happiness*), that '…Simony and usury among the Romanists is so common that as Matthew Paris says, they account the first no sin; the second a small sin'…The Pope…has ordinary banks of usury, as the world knows, and popish writers confess, where they speak of their *Monti di pieta*." [179]

"…as far as the first generation of reformers was concerned, there was no intention, among either Lutherans or Calvinists or Anglicans, of relaxing the rules of good conscience which were supposed to control economic transactions and social relations. If anything, indeed, their tendency was to interpret them with a more rigorous severity, as a protest against the moral laxity of the Renaissance, and in particular, against the avarice which was though to be peculiarly the sin of Rome…

"The passionate anti-capitalist reaction…found expression in numerous schemes of social reconstruction…In the age of the Reformation it was voiced by (Wendel) Hipler who, in his *Divine Evangelical Reformation* urged that all merchants' companies, such as those of the Fuggers, Hochstetters and Weslers, should be abolished…by Geiler von Kaiserberg, who wrote that the monopolists were more detestable than Jews…"[180]

Max Weber's landmark 1904 work, *Die Protestantische Ethik, und der Geist des Kapitalismus*, translated in English in 1930 and published as *The Protestant Ethic and the Spirit of Capitalism,* became a bestseller and has left an indelible stain on the Reformation, equating its ascendance in the West with responsibility for a miserly, workaholic, Shylock way of life in predominately Protestant nations.

Weber's indictment has become part of the folklore of Catholics, secularists and latter-day Protestants. It remains as current as the recent claim that Shakespeare intended Shylock to be understood by his Elizabethan audience as the personification not of a Jew, but of a Puritan; and it is standard boilerplate in paleo-Conservative books and magazines: "That wealth-worship — and a consequent special status for the wealthy as a kind of clerisy — should have arisen in the United States is hardly surprising, given the peculiar sort of Protestantism that was planted here from the British Isles. Starting with the Puritanism of New England, there has been a long and intimate connection between the sanctification of wealth and America's economic and social relationships." [181]

This obscurantist, comic book-style history conveniently ignores three centuries of economics in which "wealth-worshipping" Catholic bankers in Italy and Germany became the greatest capitalists in the history of Christendom, before the first Puritan had been born. This was a Renaissance-Catholic mammonism so interwoven into the fabric of church and society that it combined the jingle of coins from the sale of indulgences with the charging of interest overseen by a single Catholic bank with the assets of King Midas.

Was it forty-seven *Puritan* popes of Rome who have been in thrall to the Money Power to such an extent that, since certain kinds of interest banks were first legalized in 1515 by Leo X – and other forms of usury gradually thereafter – not one of these pontiffs has ever been willing to restore the

divine law against usury? [182]

Was it *Puritan* Conquistadors who, in an orgy of greed unprecedented in the annals of the western hemisphere, contracted a gold fever that burned so hot it plundered and enslaved the helpless indigenous nations at their mercy? "If by the capitalist spirit is meant the temper which is prepared to sacrifice all moral scruples to the pursuit of profit…it was the economic imperialism of Catholic Portugal and Spain…which impressed contemporaries down to the Armada…'Gold,' wrote Columbus, as one enunciating a truism, 'constitutes treasure, and he who possesses it has all the needs in this world, as also the means of rescuing souls from Purgatory, and restoring them to the enjoyment of Paradise." [183]

Prof. Luciano Pellicani of the Universita degli Studi Sociali in Rome, deconstructs Max Weber's thesis:

The "change from an economy of mutual protection to one of unilateral capitalist exploitation did not await, as Max Weber has unfortunately led many people to believe, the rise of sixteenth century Protestantism…The capitalist spirit is much older than Weber believed, and it grew in surroundings permeated by the Catholic faith…the whole Italian Renaissance from beginning to end is filled with the awareness that 'by his own activity, man could accomplish anything; through work man became creator.

"…nothing more antithetical to the modern capitalist spirit can be imagined than the obsessive preaching of the reformed sects about the horror of Mammon, which corrupts, degrades and prostitutes everything.

"Weber also erroneously attributes a modernity to the Calvinist conception of calling. In *Institutes of Christian Religion* Calvin declares: '…there is a special call which, for the most part, God bestows on believers only, when by the internal illumination of the spirit he causes the word preached to take deep root in their hearts.' Calvin states clearly what this implies in his *Commentaires sur le Nouveau Testament*: 'Each must be content with his vocation, let him follow it, let him not desire to seek a different one.' This notion of vocation – acceptance of one's state, condemnation of covetousness and ambition, rejection of the temptation to cross assigned limits, abandonment of the search for new ways – has no real affinity with the entrepreneurial mentality.

"Calvin's last lessons, *Revelations du Prophéte Ezéchial*, proclaim a full fledged anathema against the acquisitive spirit: 'In a well-ordered republic, a man who practices usury is absolutely not tolerable…Every man whose office is usury ought to be cast out from the company and society of men, because if a totally dishonest art renders odious those who practice it, certainly usury is not only evil and dishonest gain, but also unworthy of an honest Christian man. Whoever habitually profits from usury, will be a predator and will sink in his iniquity. We must always remember that it is difficult for a man who seeks profit not to wrong his brother; because of this, it would be desirable that the names of usury, profit, and interest were completely banished from the memory of men."[184]

Swiss theologian and economist André Biéler states, "…it is not possible to honestly credit Calvin with the responsibility for the evolution of capitalism…Capitalism could develop in Protestant peoples only thanks to the relaxation of Reformed doctrine and morals." [185]

It is not an exaggeration to say that early Calvinism and its offspring, Puritanism, in the first century and-a-half of its development in Britain, Europe and America, perceived the market economy as the Kingdom of Satan. Geneva under Calvin was not a place for reaping financial profits or having the seeking after such profits as a vocation. Wherever the original fanaticism of the strict Calvinist prevailed, the capitalist market economy was severely restricted, if not almost completely eliminated.

"Calvinist spiritual hegemony with its obsessive hostility toward profit or gain…hindered the formation of a modern entrepreneurial bourgeoisie…the claim that Puritan doctrine explains the economic and professional success of the capitalist bourgeoisie is a cliché without basis…the Puritans only repeated what Christianity had always taught: that salvation is difficult if not quite impossible for the rich…the theocratic principles of Calvinist Geneva…far from actually promoting capitalist growth… w(ere) restrictive and economically antiquarian. Voetius, the ferocious doyen of the Calvinist divines of Utrecht, carried on a life-long campaign against luxury, usury and all forms of display; excommunicating a pious woman because her husband was employed in a pawnshop and encouraging in many other parishes a similar hostility toward anything savoring of usury or profit-making.

"In economic matters…adamantine Puritans' main guide was William Ames' *De Conscientia*, which chided, among other things: 'To wish to buy cheap and sell dear is common (as St. Augustine observes), but it is a common vice;' a vice that the guardians of orthodoxy held to be much more dangerous than one might imagine, since it weakened solidarity among the faithful and opened the doors to Mammon's perverse temptations…where Orthodox Puritans held power, the state became a ministry of Church police, with the institutional charge of constant vigilance over all social and economic practices…Hebrew theology and Genevan discipline cooperated to inspire a theocratic state with no room for either religious or economic liberty…" [186]

"A few decades ago it had become very much the mode to praise the Puritans for virtues they did not possess and which they would not have considered virtues at all. In the pages of liberal history…the Puritans have been…invoked in justification for an economic philosophy of free competition and laissez-faire, though they themselves believed in government regulation of business, the fixing of just prices, and the curtailing of individual profits in the interest of the welfare of the whole." [187]

Whether we are examining Protestant London or Amsterdam, those cities and their respective nations hit their stride as capitalist societies only after they had freed themselves from the totalitarianism of the original Calvinist Reform. In London this took the form of the installation of King Charles II to the English throne after the decay of the Puritan government under Cromwell. With the death of the Puritan Republic and the restoration of the "Merry Monarch" Charles II, usury banking rode higher than ever and corruption returned as business as usual. Puritan rigor gave way not only to Charles II but eventually to the misnamed "Glorious Revolution." Under both monarchies, "England gave itself a political regime that legitimated everything vital to the development of the entrepreneurial bourgeoisie, everything the Puritan revolution had opposed: autonomy of civil society with regard to the state, separation of economy from religion,…the right to buy and sell according to the laws of the market." [188]

Cromwell was unacceptable to large swaths of Puritan society and his Republic failed not because the Cavaliers overthrew it, but rather due to the Puritan majority's loss of faith in his cynical manipulation of their idealism. The early Puritan ideal was patristic and medieval (though stripped of Catholic liturgy and papalism). Opposing it was a monarchy in late seventeenth and early eighteenth century England that gravitated toward the Renaissance and humanism. In early New England we find the last bastion of the medieval ideal as it found expression among the first and second generation Puritans. The city of London became a banking center because of its departure from early Puritan ethics, not because of them.

As for Amsterdam, while Calvinist Orthodoxy caught on with about one-third of the population of Holland, there were many competing churches and a large Renaissance Catholic population. Calvinists never had hegemony as they did in Geneva and New England:

"Holland…institutionalized the typically bourgeois separation between the domains of business and religion; a separation that was blasphemous to the guardians of Calvinist orthodoxy…to define Holland as a Calvinist country is a considerable stretch. An extraordinarily broad religious pluralism marked the Republic of the Seven Provinces from its inception…(in) what…contemporaries called the 'Amsterdam of religions'…Calvinists to be sure, were the largest religious group, but their numbers never exceeded a third of the population…" [189]

The "spiritual policing" aspect of early Calvinism is repellant to the modern mentality and tends to evoke ecclesiastical Stalinism. The more accurate analogy would be to the Roman Catholic Inquisition and the Catholic concept that "error has no rights." If the inquisition was correct, at least philosophically, so too was the discipline in Calvin's Geneva. Catholics may argue that at least their regime was not humorless and allowed theatres and alcohol. Actually many Catholic saints and theologians regarded theatres with horror, while Calvinists dressed in bright clothing, disdained what Samuel Johnson termed "cheerless celibacy" ("godly" widows and widowers often quickly remarried), and some partook of beer, wine and liquor. The authentic differences that span the Renaissance Catholic vs. early Puritan divide, are seldom mentioned. First, there is the passionate commitment to combatting *criminal politics*, not only in its most flagrant Machiavellian-Medici trope, but as it later manifested under King Charles I and Archbishop Laud in early seventeenth century England. Some contemporary right-wing Roman Catholics and High Church Anglicans portray the reign of Charles I as an enemy of the Money Power and a kingdom of good cheer and merriment, until dour Puritan shylocks ruined the fun. In fact, the level of discontent in England circa 1640, at the degree of corruption, bribery, aristocratic entitlement, police state tyranny (the hated star chamber), imprisonment of political and religious rivals and Anglican accommodation with these vices, was at the boiling point. Fair-minded Catholics would do well to look at more than the providential circumstance of the regular offering of Charles's Catholic Queen Henrietta-Maria's Tridentine Masses. William Prynne's ears were sliced off after he wrote a book protesting the queen's slightly risque private theatricals. Prynne was an incorruptible Puritan legal scholar much admired by English folk high and low. His needless torture (he would be ordered branded on the cheek and his ears completely removed), and the sentence of imprisonment for life imposed upon him, enraged the common people and was but one symptom of a cruel and arrogant King Charles lording it, by alleged "divine right," over a population that desired a just society and equal opportunity for education and advancement. For a considerable portion of the English yeomanry, the personal rule of Charles I was riddled with criminal politics. If Charles' cavaliers dressed finely, recited lovely poetry and were more to modern taste in their debauchery, what has this to do with the cry, then as now, for an end to criminal politics?

In early Protestant England two leading churchmen demonstrated the depths of their allegiance to the Biblical, patristic, scholastic position. The first was Dr. Thomas Wilson, writing in 1572 in his *Discourse on Usury*. Wilson stated, "Treasure doth then advance greatness when the wealth of the subject be rather in many hands than few." One historian observed that the starting point of Wilson's treatise is "a society in which property is widely distributed, in which there is a large Middle Class and, outside London, a small, though growing, proletariat, in which, in short, the typical worker is not a wage-earner, but a Peasant Farmer, a Tradesman, or a small master."

Wilson's Protestant economics were consonant with the medieval Catholic view, including the pre-Renaissance popes. The fair-minded Wilson wrote, "I would not have men altogether be enemies to the Canon Law, and to condemn everything therein written, because the Pope was author of them, as though no good law could be made by them. Nay, I will say plainly, there be some such laws made by the Pope as be right godly, say others what they will."

Wilson stated further: "Men should lend freely, as the Gospel commands, sell at the price fixed by common estimation, eschew speculation and monopoly, and so conduct their trade that they may practice it without injury to their neighbor or neglect of the law of Christian charity…recall men to justice…lest the Antichrist himself be Lord of the Harvest."

The "Antichrist's harvest" in this sense is the unnatural issue of usury. "Probably the best-known dramatic address to the question of 'unnatural' usury is Shylock's joke early in *The Merchant of Venice* (1596). Shylock tells Antonio and Bassanio a parable of the time 'When Jacob grazed his uncle Laban's sheep,' and how Jacob won for himself all the parti-colored lambs, which were born as a response to the rank ewes seeing 'certain' 'peeled' 'wands' before their eyes as they were 'in the doing of the deed' (I.3.69-88).

Antonio judges that such a process is in the hands of God, not something that human beings can manipulate against nature's rules. 'Or is your gold and silver ewes and rams?' Antonio asks Shylock, falling unwittingly into the usurer's trap: 'I cannot tell,' triumphs Shylock, 'I make it breed as fast." [190]

Dr. Wilson observed that the usurers regard the churches and regular church attendance on Sundays as useful to their regime as long as the pastors uphold the legitimacy of the usury-based wealth of the plutocrats and avoid the ancient church heritage of regulating business ethics: "Thieves steal for necessity, but usurers rob and undo all men for greedy gluttony. Usurers scratch up the whole realm of England. Either they should be exterminated or the Common Law of Edward I should be revived, whereby if twelve men could prove it, the goods of the usurer should turn to the good of the prince."

Wilson's foundational theme was above all Christian love, i.e. charity: free lending was to be looked for from Christians — *Valet fides in Christo quae per charitatem operatur* ("Faith in Christ works in charity"). This is what was hated above all by usurers both Judaic and gentile. Shakespeare depicts the attitude of Shylock toward interest-free loans issued by true Christians: "I hate him for he is a Christian. But more for that he lends out money *gratis* and brings down the rate of *usance* (usury) here with us in Venice and he rails on me, my bargains and my well won thrift, which he calls interest."

Bishop John Jewel, who in some respects personified early Anglicanism, sided with Wilson; also John Blaxton in *The English Usurer, or Usury condemned by the most learned and famous Divines of the Church of England* (1634). The Anglican bishops cited by Blaxton are Jewel, Sandys, King, Babington, Downam ("the hammer of usurers"), and Lake. They repudiated both Eck's Roman Catholic nominalism and Calvin's notion that conduct condemned by Scripture as sinful in itself could become venial when practiced with judicious moderation:

"Stealing did not become lawful, merely because the sums stolen were small. God was no respecter of persons to condone, in those who financed the rich, conduct forbidden to those who lent to the poor. The direct results of a loan at moderate interest to a well-to-do merchant might seem harmless. But the merchant would pass it on in higher prices to the consumer, and in the end the whole commonwealth, including the poor, would suffer."

Lancelot Andrewes, Bishop of Winchester, was born the son of a sailor at London, in 1555, nine years before Shakespeare. Educated at Cambridge and a gifted linguist, in 1604 he was appointed as one of the translators of the King James Version (KJV) of the Bible and became responsible for most of the KJV's Old Testament. T.S. Eliot is said to have converted to Christianity in 1927 after reading Andrewes' *Seventeen sermons on the Nativity*. Eliot wrote a book, *For Lancelot Andrewes: Essays on Style and Order* (London, 1928). Eliot's 1930 poem, "The Journey of the Magi," was inspired

by Andrewes. It tells of how the birth of Jesus Christ was the death of the world of magic, astrology, and paganism.

Andrewes' campaign against usury was unique. Aquinas had argued from the *nature* of money; the aforementioned 16th century English Protestant bishops and preachers argued from the *results* of usury, but Andrewes made his case straight from the New Testament: "And if ye lend to them of whom ye hope to receive, what thank have ye? Even sinners lend to sinners, to receive again as much" (Luke 6:34). Protestant Bishop Andrewes contrasted Our Savior's Kingdom with that of the Moneylenders' Realm. We modern people reside almost completely within the latter. Few churches today exhort against interest on loans beyond the rate of inflation, even as they make a great show of continence in marriage and other personal virtues, while in the public sphere, the Money Power proceeds to tear away the foundations of Christian morality. Everything is permissible when Mammon rules the Church. After all, "business is business." The churches have derogated usury to a minor transgression barely worthy of consideration, if, indeed, it is not honored as a Christian virtue of "our American free market."

Bishop Andrewes was the enemy of usury *and* the Elizabethan enclosures, which had driven small farmers and herders into poverty by "enclosing" the previously free-to-all grazing lands or "commons," just as the open range of the American West was eventually fenced off. We sometimes forget that what we celebrate about our cowboy era was a culture created by vast stretches of unenclosed land. Andrewes taught that the spirit of usurious monopoly is the spirt of enclosure.

As we have noted, one of the toughest laws against usury ever promulgated in the sixteenth century, in any Christian nation, whether Catholic or Protestant, occurred in Protestant England. It reinstated the ancient Church's jurisprudence that all usury was "damned and prohibited." It was enacted during the ultra-Protestant reign of the boy king, Edward VI in 1552, partly due to the intervention of Robert Crowley, an early Puritan and poor man's advocate.

King Edward's usury ban lasted for some 19 years, until 1571, when it was repealed after vigorous debate in Parliament in the reign of Queen Elizabeth I. *After 1571, there would never be another law against interest on money in Britain, only a regulation of the rate of usury, and this is the universal practice in the West in our time.*

The most striking aspect of King Henry VIII's 1545 law permitting 10% interest had been the fact that all reference to God and His Law had been omitted in its enactment. When Henry's statute was reversed in 1552 in the reign of his young son Edward, the new law reinstating the centuries-old total prohibition of interest, appealed directly to God and the Bible: "For as much as usury is by the Word of God utterly prohibited, as a vice most odious and detestable, as in diverse places of the Holy Scripture it is evident to be seen…"

The 1571 Elizabethan statute allowing "moderate" usury would be altered in 1624 in ways that reflected England's increasingly degenerate attitude toward usury and the economy. Although the law of 1571 did not officially permit lending at interest, it created a loophole in which entrepreneurs could loan *de facto* at 10%, with impunity. English merchants from 1600 onward partnered with the East India Company to expand markets overseas and the demand for loans grew. Usury was becoming a part of the English monarchy's economic model.

In 1624, in the reign of King James I, the passage of 21 Jac. I. c. 17 "Against Usury" (as all such early legislation in *favor* of usury were misnamed, presaging Orwell by more than 300 years), marked the official end of medieval usury law in England. Lending at interest was now considered to be a normal and necessary part of life, to be regulated by the state for the sake of the nation's economic welfare. Newly legal usurers like Thomas Sutton, Lionel Cranfield, John "Rich" Spencer, Baptist Hicks and other infamous money-men of the London of King James I, combined speculation with money-lending at interest, to reap enormous profits. *As their fortunes increased so too did their political power*. Cranfield became the Lord Treasurer of England; Hicks was transformed into Sir Baptist Hicks, a member of parliament; Spencer would become Lord Mayor of London. From henceforth, wealth acquired through usury would be the road to power and influence in the sceptered isle, culminating in the establishment of the Bank of England at the end of the seventeenth century, marking the complete transfer of power from Churchmen and Commons to Moneymen and plutocracy.

The son of James I, King Charles I, married a French Catholic. He is viewed by Belloc as a supposed bastion of opposition to the Money Power. How then does Mr. Belloc account for the fact that in the third year of his reign, Charles I made his father's 1624 law signifying the final extirpation of medieval Catholic usury law in England, "perpetual"?

Bigots have indulged in a considerably biased literature consisting of stereotypical adjectives such as *"Puritan dregs"* (G.K. Chesteron) and "*grasping Puritans*." When we see the latter jibe we think of the Puritan carpenter Nehemiah Wallington who was born in London in 1598. In addition to his manual labors he was a diarist of some exertion, compiling thousands of manuscript pages during his lifetime, dedicated both to the events of his life as well as rigorous self-scrutiny of the state of his conscience. The process of getting money was for the Puritan Wallington entirely subordinate to his concern for personal salvation and his arduous pilgrimage toward the heavenly city of God. At one time Wallington discovered that his apprentice had stolen a substantial sum of money from him over a two-year period. Rather than prosecuting the man, he called upon God to "bless and sanctify this my poverty unto me." If we regard Wallington as a Puritan type, we observe what it means to serve God without regard to earthly profit, and then shamefacedly eschew glib caricatures of "grasping Puritans," for there are hypocrites in every church. Among Christ's handpicked apostles the rate was one in twelve (John 6:70). Outstanding Puritan thinkers opposed to lending at interest included Arthur Dent, Thomas Lever, [191] Richard Porder, Henry Smith, Nathaniel Holmes, Thomas Norton, George Wither, Thomas Adams, William Greenhill, John Cotton, Richard Sibbes, William Perkins, Richard Rogers, George Gifford, John Dod, Thomas Bell, Stephen Marshall and Thomas Carew, among many others.

Even Calvin cannot be accused of changing the definition of usury for the sake of pecuniary gain. Unlike the Catholic Fugger banking dynasty asset Johannes Eck, Calvin had no known ties to merchant bankers. "It is not however just to attribute to Calvin the complete justification of liberal capitalism. His views on riches and their social ends led him to insist upon a very strict control over lending at interest; he had prophetically sensed the social ravages to which pure liberalism would lead." [192]

Early Puritan Resistance to Economic Secularization

The name "Puritan New England" is another cuss word. By the mid-19th century authentic Puritan theology was nearly eclipsed, except among remnants of believers. Theodore Parker forsook the faith of his Puritan forbears for Unitarianism. Henry Ward Beecher was not a Puritan, but an apostate. These and tens of thousands like them were the unbelieving children and heirs of the Puritans who had turned against their heritage. Anti-Puritans, in an act of intellectual dishonesty, refuse to recognize the distinction and continue to mislabel these apostates as "Puritan." This falsehood circulates because most people know little or nothing of early New England history and theology.

The popular imagination has been seeded with the canard of money-grasping and usury as a signifier of New England Puritan ethics. Hyper-capitalism has become a default explanation of religion and commerce among New England Puritans. Puritan-haters have promoted the idea that the whole history of New England can be summarized in a simplistic equation: New England's Puritan founders = Scrooge-like capitalism. It is undoubtedly true that as

Puritanism declined, one wing decayed into money-getting. To use the *decline* as supposed evidence of the corruption of the *original creed* is about as fair or accurate as claiming that the usury of the Vatican bank under Archbishop Paul Marcinkus in the 1980s, or the usury theory of the Renaissance Catholic nominalists, tacitly legalized by Pope Pius VIII, cancels all the noble Catholic social teaching and charity of St. Francis of Assisi, St. Vincent DePaul, Mother Joseph of the Providence Sisters of Spokane, Peter Maurin, or Abbé Pierre. If we are obliged to extend the benefit of the doubt to Catholics who are members of a strictly hierarchical institution with clear lines of commanding authority, how much more so to radical Protestants such as the Puritans who subscribed to a decentralized Congregationalism and who, in a variety of times and circumstances, responded to issues regarding commerce across a spectrum of differing practices and Biblical interpretations which defy generalization.

Historian Mark Valeri (who spells the word Puritan in the lower case) writes: "Many of the leading original settlers of the Massachusetts Bay, imbued with ideals from their puritan teachers in England…sought to constrain new techniques, such as usury…that they perceived to be impersonal or vicious. They intended to institute religious discipline over all forms of social interaction. They thought that their task was to teach merchants the grammar of faith, not to conform their speech to the rules of commerce."

As Puritanism decayed into liberalism from the seventeenth century to the eighteenth, the original theology of the leaders of the Congregational churches devolved into a toleration of usurious commerce. This pattern of economic liberalism is noted within the Catholic Church from the Renaissance onward. Why do New England Protestants bear a special stigma for it? For every later Puritan such as Increase Mather and Samuel Willard who attributed commercial proficiency, expansion and prosperity to providential purpose, we can cite early New England Puritans such as Massachusetts Governor John Winthrop and Pastor John Cotton for having instituted and enforced laws against usury and overpricing. "During the 1630s and 1640s, the First Church of Boston mounted a disciplinary campaign against merchants…whose commercial practices conformed to human dictates yet violated puritan proscriptions…" (Valeri).

The forces of decline and decay afflicted the Roman Catholic and Puritan faiths along a roughly similar historical continuum. In both cases, the embrace of a devilish euphemism, "economic pragmatism" subverted the best intentions of pious Catholic and Puritan businessmen. In the case of both Catholic and Puritan laymen this was not always an instance of avarice, but rather a moral perplexity and anguish in the face of a new world of banking and commerce that gradually gained legitimacy among even some of the most otherwise devout Catholics and Puritans. From Rome came pontifically-tolerated Roman Catholic usury and the merchant culture it fostered. For some reason this worldwide Catholic devolution bears no stigma for providing a tacit Catholic moral sanction for usury banking and the ascent of the spirit of capitalism. To some extent the Catholic Church successfully escaped the stigma by having the wit to maintain a veneer of social justice rhetoric opposed to "excessive" profit.

The war between Christ's Gospel and the Money Power is perpetual. Almost from the founding of New England, Gov. Winthrop had to war against the money interests. For Christians desirous of social justice and freedom from oppression, Winthrop's struggle will be a model, assuming people will take the time to discover it. It seems that the caricature of New England Puritanism as inherently money-mad from its founding, is part of a conspiracy intended to deter us from studying and learning valuable lessons from the early Puritan struggle in America against the authority of money. The history of the anti-commercial Puritan ethic which empowered this struggle is unknown to ignoramuses, who nevertheless feel qualified to disseminate sweeping generalizations about the supposed economic ethos of early New England, which overlook the effects of the imposition of British royal control over trade in New England in the 1660s, and the revocation of Massachusetts's charter in 1684.

Certain fundamentals of Puritan teaching such as the emphasis on self-discipline, sobriety, hard work and frugality, and the socially regenerative power of religious and moral education based on Biblical literacy and personal responsibility, did sometimes lead to prosperity. Since these fundamentals are New Testament virtues and do not in themselves foster usury or oppression, it is wrong to say that in cases where early Puritans prospered this was inherently a result of participation in predatory capitalism. Christian *free enterprise,* what Aquinas regarded as property-rights-based *ethical work* which acknowledges and submits to *the higher claims* of God's law in matters of business and trade (as distinct from the "free market" economy's unrestrained pursuit of *mortally sinful profit)*, can be a blessing.

In certain respects, the Puritan expectations for a disciplined and sober Christian society undoubtedly increased the abundance and prosperity of the people, and excited the envy and calumny of outsiders. The niggardly pursuit of profit was, however, always an abominable vice among the early Puritans, as we shall see when we take up the Puritan teaching of John Dod, John Field, Arthur Dent, et. al. which have pronounced parallels with medieval Catholic attitudes toward the pursuit of wealth.

More Myths of Max

As we noted earlier, Weber's influential book, *The Protestant Ethic and the Spirit of Capitalism* is seriously flawed, yet retains the status of an authoritative classic, and Weber's blunders are seldom systematically deconstructed. For instance, Weber engaged in no thorough reading of the early Puritan texts. Weber skipped over these to consider mainly latter-day English Protestant writings which represented a modernist-evolved Protestantism shorn of foundational Puritan theology. Yet Weber had the temerity to ascribe the beliefs of later Protestants to the early Puritans. He committed a serious error by omitting an analysis of the long theological journey traveled by the Puritans of New England from its founding in the early 17th century to the mid-18th century onward. Many revilers of the Puritans have accepted Weber's conflation. This is tantamount to claiming that the medieval Catholic Church is guilty of the canonization of "Blessed" Pope John Paul II, on whose watch the pandemic of priestly molestations of boys attained a pitch of sodomitical fury.

It was the coming of *humanist Protestantism,* in place of *early Puritanism,* which created the congruence between usury capitalism and religion in New England. Puritan haters fail to engage in a basic obligation incumbent on the unbiased historian: to trace the theological distance traveled from Puritan origins to late 18th and early 19th century post-Puritan New England Protestantism. Roman Catholics who undertake this study should ask themselves whether they would accept the proposition that Vatican Council II came about due to a congruence of rigid papal authoritarianism and a history of developing Catholic theology, of which the promulgation of the dogma of the Immaculate Conception is most striking. To Protestants the connection must seem patent. Consequently, before Catholics sneer that Puritanism was only a stage in a process of decay that inevitably devolved into modern buccaneer capitalism, they ought to consider whether they will entertain the likelihood that an inordinate obedience to papal authority and a history of promulgating as infallible doctrine claims for which there is no Biblical or patristic basis, fomented obedient subservience to Vatican II and post-Conciliar modernism. These hard questions are part of the epistemology of revisionist history, in opposition to partisanship disguised as history. Revisionism demands of us the constant reexamination of our preconceptions in light of newly unearthed facts, lest we mistake man-made myths for God's Truth. This is a lifetime adventure and vocation at the very heart of what it means to be a human being endowed with the God-given faculty of reason.

Certainly the heresy of prosperity as a mark of divine approval entered into Protestantism. When Thomas Gouge asserted in 1673 that generous giving

is rewarded in this life, we recognize the serpent in the garden. But men like Roger Fenton and John Cotton were representative of the genuine spirit of the early Puritans when they caution us to "Remember that riches do make it harder for a man to be saved." We begin to see from the conflicting writings of Thomas Gouge and Roger Fenton that the picture is more complex than generalizers and caricaturists have been willing to concede.

The Puritan Struggle Against Usury

Historian Mark Valeri makes the point that, "Until we appreciate the significance of the transition from puritan to post-puritan Protestantism in early New England, we will not grasp the beginning of the vexed history of religion and the market in America." We intend to provide the reader with an evocation of the *founding* principles of the Puritan theology of finance as *first* practiced in England and New England. This polity is not limited to usury *per se,* but to *all* manifestations of the sin of greed, including one sin widely overlooked today: price-gouging, or the practice of charging whatever high price for a thing or service which the market will bear. In 516, the Council of Tarragona, Canon II, enacted that "whosoever will be in the clergy, let him be careful not to buy too cheap or sell too dear, or let him be removed from the clergy."

Puritan theologian Jonathan Edwards endorsed the medieval Church's economic practices, as part of the claim among conservative Protestants to being the rightful heirs of medieval Catholicism. A recent biography reveals that "Edwards deplored free enterprise as bringing out the worst in human nature. He had long condemned the self-interested avarice that permeated the society and pointedly identified inflation and price fluctuations as moral issues: 'Tis certainly no good rule,' he declared, 'that men may buy as cheap and sell as dear as they can." [193] In our time a seller would be considered a fool by Protestants and Catholics alike for not obtaining the highest possible price. The Catholic medieval theologians loathed overpricing as did the early Puritans.

When the English Puritan Robert Keane emigrated to New England in 1635, Governor Winthrop was suspicious of Keane's reputation for hard bargaining. Winthrop paid heed to information provided by other Puritans that in England Keane had engaged in the "covetous" practice of charging higher prices for his goods than those around him. Charging a "just" price was a central tenet of medieval Thomistic *and* early Puritan theology. Mark Valeri:

"Puritans condemned merchants who attempted to circumvent local price regulations by buying goods when plentiful, transporting them and selling them at a markup where there was a dearth. They criticized financiers who purchased and sold bonds or foreign notes in the emergent money market— a tactic to circumvent anti-usury laws. They opposed traders who bought goods or farmers who hoarded their stores, kept them, and waited until prices rose to sell them. They scorned the use of notaries, lawyers and brokers, whose 'monstrous customs,' in the words of William Jackson from Paul's Cross, made them 'vermin of the earth.'…Puritan orators did not put a fine point on their critiques…They blasted usury plain and simple, any part of it as bad as the worst, any version of it a sin…

"Puritans outside London made the same arguments. Dissenters as varied as Thomas Hooker, Thomas Shepard and Richard Greenham were of one mind on this subject: wicked Dutch financiers, shifty Italian merchants and inhumane London credit brokers tried to make a profit from credit. The godly merchant, in contrast, never made loans for a guaranteed profit…Greenham, a country parson outside Cambridge, put the issue most starkly. No godly businessman could rightly conceive of making a profit from giving loans in any sense. Revered as a folk hero for his agitation on behalf of distressed farmers, Greenham even went so far as to repeat the medieval contention that usury was an alchemical ruse, the pretension that money itself could beget more money…

"Puritan preachers at Paul's Cross…linked usury to extortion…oppression (charging uncustomarily high prices), avarice, deceit and mammonism. Usury served as a synecdoche for the abuse of nearly any form of credit. Preachers made it synonymous with oppression when goods were sold on credit at unfair prices, with rack renting when lodging was provided on credit at inflated prices, or with unfair labor practices when debtors worked off their loans at low wages…

"Associating usury especially with falsehood, lying and deceit, godly orators often described it as a complete reversal of the true meaning of commerce: communication and union with the body social. Miles Mosse claimed in 1595 that 'to cover their sin and to uphold their credit,' usurers 'have devised fair cloaks to shroud their ragged garments and have begotten a more cunning and subtle of traffic in the world,' so that there were '13,000 devices which men of evil conscience have invented' to practice their wicked art. It was 'now one thing, now another,' inflated prices or unfairly low wages, high rents or the taking of pawns, 'always being *usury*, and yet never plainly appearing to be *usury*.' [194]

"Some puritans raised the rhetoric even higher. Usurers so disgusted Nathanael Holmes that he called them 'anthropophagos,' or cannibals. From distant Norwich, William Burton portrayed usury as a demon specter, which 'walketh up and down the streets' of London 'like a merchantman,' ready to 'possess' men 'in buying and selling,' always 'the devil's huntsman.' In 1627 John Grent used the Paul's Cross pulpit to summarize a half century of puritan apprehension about usury in London: '…amidst your great dealing and traffic' there are 'Merchants most odious among you,' that is 'merchants' of 'Time, usurers,' who personified the 'deceit and misrepresentation' that threatened to undo the commonwealth. Such was 'the chief symptom of a city's sickness.'

"…Usury was the paradigmatic temptation of merchants, standing for nearly all of their crimes of greed…puritan polemicists decried fellow Protestants who fell into avarice…They drew stark dichotomies between commercial profits and Christian piety." [195]

Valeri states that "too much has been made of the technical concessions to some of forms of increase in credit" as an indictment of the alleged predatory capitalist orientation of the first Puritans, when they actually worked assiduously against the spirit of greed and by no means endorsed a prosperity gospel or laissez-faire capitalism. "Puritan John Field complained in 1583 that while London's market had once been a place to exchange 'earthly commodities' such as meat, grain and metals according to God's law, it had become a place where people dealt in sheer calculation: the arithmetic of 'profit.' As a result, worldly affairs and business had fallen to mere idolatry…puritan preachers… contrasted the calculating ethos of merchants with the evangelical dispositions of saints. Cotton, Wilson and Sibbes linked self-sacrifice and a providential mind-set to proper economic behavior. *Cotton warned…that believers ought to trust in God's care and obey divine commands no matter how unprofitable* , lest their desire for 'merchandise and profits choke' their 'hearts.'

"…True contentment, Richard Sibbes preached, resided in the knowledge that *economic misfortunes were divine reproofs to strengthen the soul and wean it from material affections. They were not arbitrary disasters to be avoided at all costs*…These preachers stressed humility, trust, self-denial, charity and contentment as the prime economic virtues…" [196]

A network of Puritans in England who would form the core of New England's early leadership, struggled against the authority of money: "Besides Cotton (the) most influential spiritual mentors were Wilson and Winthrop. They learned the meaning of godliness through their acquaintance with a

remarkable cluster of puritans in East Anglia…Arthur Dent, Richard Rogers, George Gifford, Stephen Marshall, John Knewstub and Thomas Carew. These pastors shared a vast correspondence, preached in each other's parishes and published lectures…Noted for their intense efforts to reform society on a local level…Nearly to a man, they preached against rising interest rates, inflated prices, enclosure…They expelled profiteers from their congregations, hounded usurers out of their parishes, turned common fields to poor relief, authored town covenants that set limits to prices on common goods…and insisted that their well-to-do parishioners provide easy, even free credit to the needy." [197]

In *Plain and Familiar Exposition of the Ten Commandments* (1603), Puritan John "Decalogue" Dod contrasted the capitalist spirit with the Christian spirit. He wrote that the authentic Christian is indifferent to worldly gain and was joyful as a result, even as worldly people were forever anxious about their profits and accounts. Merchants who endlessly strived to enhance their business "fell under Dod's censure. His saints cared more for joy, love, humility and charity toward neighbor than for their accounts."

Dod's influence among Puritans in England and New England, from the late sixteenth to the mid-seventeenth century, was very considerable. *Plain and Familiar Exposition of the Ten Commandments* was a publishing phenomenon, with nineteen editions.

Other Puritan devotional handbooks that warned against "free market" capitalism include: John Field, *Godly Prayers and Meditations* (1583); Thomas Beard, *Theatre of God's Judgment* (1597); Arthur Dent, *Plaine Man's Path-way to Heaven* (1601) and Lewis Bayly, *The Practice of Piety* (1612).

In John Mayer's 1621 *English Catechism,* Puritan families were instructed on the social sins of their time: usury, rent-racking, enclosure and inflated prices. Mayer counsels young people against financial ambition. They should "be content with moderate gain." We read these words now and snicker at what we imagine is the naiveté of the writer, in view of our own era, where total immersion in the world of money-getting has become our life to such a degree that the thought of a family man nowadays pursuing only "moderate gain" would mark him as a loser. We have allowed our world to be rigged *by* usurers, *for* usurers, to our destruction. Under the current banking system most of us run a daily rat race merely to survive. Without plenty of money we are severely limited, in part because comparatively little is done within community networks of friends and neighbors.

These and other citations from authoritative early Puritan texts make a mockery of Max Weber's almost universally accepted mythology of *"The Protestant Ethic and the Spirit of Capitalism*." Contrary to legend, the first Puritans insisted that Christian commerce serve as a vehicle for a form of holiness that "sacrificed financial success — even if profits prospered the civil order — for the sake of obedience to God's word and charity to one's neighbor."

It is an irony of history that those who mock the early Puritans as capitalist misers and prudish fanatics are often admirers of the humanists. Yet it was the Humanist Renaissance which helped to propel an end to Puritan resistance to avaricious business-dealings and criminal politics. "In England humanist writers and political advisers became impatient with the biblical literalism and moral absolutism of godly preachers." [198]

The merchants of London came to view late sixteenth and early seventeenth century Puritan economic teaching as a serious impediment to their business affairs. Enemies of the Puritans at least ought to be truthful and not allow themselves to be party to false witness and historical hoaxes. New England's first Puritan leaders such as John Winthrop and John Cotton, never believed that merchant culture, what we would today call capitalism, could be anything other than a rival to holiness. Like their predecessors, they suspected that merchants all too easily jettisoned Biblical rules in favor of the fastest means to gaining profits.

The early Puritans were capitalism's worst nightmare; how they came to be made synonymous with its "spirit" is an act of legerdemain by way of a malignant prejudice. In Massachusetts in 1639 John Cotton contended that merchants always sinned by charging interest on loans. He argued for what were in fact, medieval Catholic price controls. He stated that Scripture condemned those merchants who set their rates merely to maximize profits. Cotton taught that merchants should establish prices according to local custom and the intrinsic value of their goods, regardless of temporary market conditions. This was not simply rhetoric. The case of William Pynchon, a major investor and luminary in the Massachusetts Bay Company, is instructive. New England's most prolific fur trader, he owned herds of cattle and vast tracts of land. Pynchon ran afoul of the Puritan civil and ecclesiastical authorities. They accused him of paying low wages, charging high prices and monopolizing trade. In 1638 he was charged in the General Court of Connecticut. Pynchon's identification with liberal antinomians and his greed led to his banishment and return to England.

In its roots, Puritan Christianity promoted trust in Providence, a vocation that was non-pecuniary in its primary focus, concern for neighbor in the most immediate sense, and deference to the local church. The ethos of merchant networks, with their calculations of long-range profits and losses, and indifference to the daily needs of neighbors, contradicted Puritan teaching and challenged the authority of the First Church of Boston. The rivalry was between the church and the merchants. "In London this rivalry pitted professional associations such as the Merchant Taylors' Company, commercial networks and royal advisers on economic policy, against Puritan preachers, authors of devotional tracts and ministers who waged localized campaigns against usury. Unlike their fellow reformers back home in England, Puritans in New England grasped the opportunity to institute and normalize their claims over merchants. From the 1630s through the 1650s, they attempted, through the preaching and oversight of a regular ministry, formal and public church trials, church synods and civil law, to hold businessmen accountable to Christian teaching and promote religious discipline over commerce." [199]

To weaken Puritan governance, New England merchants fought back by supporting antinomian activists such as Anne Hutchinson and a philosophy of humanism. Nathaniel Ward, pastor in Aggawam (Ipswich), writing in 1641 in *The Simple Cobler of Aggawam,* blasted the humanist nexus that we today have been taught to cheer as the heroes and heroines who "moderated" Puritan "fanaticism." Ward accused them of subjecting New England to the same immorality that infected the states of Venice and the Netherlands with mercantile-humanism.[200]

"Puritan leaders taught their people, time and again, to reject common conventions that valorized the accumulation of wealth as a national program. Preachers such as Dorchester's John White, who encouraged and advised settlement in New England, weighty divines such as (Thomas) Hooker, and nearly every devotional writer among puritans, including Dent, Gifford and Richard Rogers, made the same case: if English businessmen really aspired to alleviate poverty, then they should follow the Word.

"They should slow the pursuit of profits, reduce their consumption, refrain from acquisitive habits, limit investments in commercial ventures, forgo usury and instead use their money to provide interest-free loans or, even better, alms on the spot to needy neighbors…

"Just as puritans combated price inflation, they delivered hundreds of sermons and wrote dozens of pamphlets against usury. In formal treatises…(t)hey concluded that typical loan practices, which committed borrowers to fixed fees or interest rates, nearly always violated Scripture…

"Thomas Shepard frequently evoked the cold-hearted merchant-creditor and inflexible usurer who impoverished the godly debtor who naively trusted in older, personal modes of exchange. 'Usury' and 'oppression' went hand in hand, Richard Rogers preached, and like 'witchcraft and idolatry have no place among God's people.'

"…Bezaleel Carter, a fervent preacher in rural Cavenham, denounced well-to-do parishioners who were 'gripers, grinders of the poor, extortioners,

usurers,' and in many other ways 'merciless.' Puritans in Dorchester were furious with a local usurer, Matthew Chubb, an Anglican, for demanding interest on a loan to the town and impoverishing one of his debtors. This sort of cruelty so angered Hooker that he condemned all creditors as hypocritical, mendacious and covetous. The notion of a rich Christian, he claimed…was a contradiction in terms…

"Thomas Shepard's parishioners in Essex shared interest-free loans with each other so frequently that they invested relatively little in commercial ventures. In London, pious individuals such as (Puritan) Nehemiah Wallington, a wood maker who once attended nineteen (Puritan) lectures and sermons in one week, read (William) Perkins and (William) Ames, and meditated on the spiritual counsel of Greenham and Dent — shaped his small business to religious doctrine. Praying to 'see God in my buying and selling,' he…abated the accounts of poor borrowers and never sued for unpaid debts.

"He refused to raise the price of his wares beyond customary rates, more fearful of overcharging than of losing a profit… He contented himself with a modest income…Many of the godly wrote anti-usury stipulations in their wills, directing trustees to provide loans from bequests without charging interest…" [201]

The nascent Puritan movement fought a trans-Atlantic and trans-European campaign against usury banking. William Ames defended radical Protestant regents in Holland who were struggling to expel the "Lombard" (banker) faction within their church — seeking to ban them from receiving communion at the Lord's Supper. Preachers of the Word claimed that the purifying potential of the Reformation was obstructed in England because elements within the state church tolerated price gouging and usury.

"The City on a Hill" and "The Model of Charity"

New England's Puritan "City on a Hill" Biblical metaphor, seized on by President Ronald Reagan, was originally conceived by its founders as a city that outlawed conspicuous consumption, usurers and price-gouging merchants. Massachusetts' colonial Governor Winthrop summed up the Puritan vision of a sanctified economy in his address, "A Model of Christian Charity," delivered to passengers about to sail aboard the *Arbella* for Massachusetts. Mr. Reagan and his hero-worshipping epigones in the Republican party, with their buccaneer capitalism, which they equate with Christianity, would have been driven out of business in early New England, where such capitalism was labeled "natural corrupt liberties." John Winthrop is indisputably one of the founders of America, spiritually and literally. In his *Arbella* oration, Winthrop observed that the Law of nature taught people to relate to one another coldly as "one man to another." He contrasted this with the Law of the Gospel, whereby people were to always relate to their fellows, in financial (and all other) dealings, as a "brother in Christ." Winthrop practiced what he preached: he lived simply and was known to provide alms on the spot to indigents he encountered. In "A Model of Christian Charity," Winthrop stated:

Question: What rule must we observe in lending?

Answer: "Thou must observe whether thy brother has present or probable means of repaying thee. If there be none of these, thou must give to him according to his necessity, rather than lend…If he hath present means of repaying thee, thou art to look at him not as an act of mercy, but by way of commerce, wherein thou art to walk by the rule of justice; but if his means of repaying thee be probable or possible, then is he an object of thy mercy, thou must lend him, though there be danger of losing it. Deuteronomy 15:7, 'If any of thy brethren be poor etc. thou shalt lend him sufficient…"

The future governor of colonial Massachusetts also spoke of a sense of what he called "enlargement" by which he meant "…less respect for ourselves and our own right. Hence it was that in the primitive church they sold all, had things in common, neither did any man say that which he possessed was his own. Likewise in their return out of the captivity, because the work was great…and the danger of enemies was common to all, Nehemiah exhorts the Jews to liberality and readiness in remitting their debts to their brethren, and disposing liberally of his own to such as wanted, and stand not upon his own due, which he might have demanded of them." [202]

To restrain commercial greed and usury in Connecticut and Massachusetts, Preachers of the Word worked to implement church censures and the sanctions of the civil law. Here is where they encountered real resistance from the forces of Mammon. It was one thing to promote anti-usury sentiment in ecclesiastic exhortations and devotional tracts, it was quite another to attempt to use the civil and ecclesiastical power to actually crush it.

As the first governor of the Massachusetts Bay Colony, Winthrop did more than condemn usury in the abstract, he was engaged in the practical sphere, with enforcement. In 1632 he brought his own deputy governor up on charges of usury before the General Court. Thomas Dudley had sold seven bushels of corn to fellow members of his church, poor men, for a payment of ten bushels at the next harvest; the deal amounted to more than 40% increase on the loan. The Court ruled that Dudley's actions against fellow Christians were intolerable and a case of "oppressing usury." He tendered his resignation, which Winthrop magnanimously would not accept. Nevertheless, Dudley began to harbor a grudge and henceforth became Winthrop's enemy. "Perhaps nothing explains the difference between the two men more than the contrasting images of Winthrop sharing his own meagre stores to aid the hungry and Dudley bargaining with poor neighbors how much they should repay him if he lent them grain." [203]

"If there was a generally recognized leader of the (early) Puritan colony it was (John) Cotton." [204] According to Cotton, New England's eminent Congregationalist theologian, *no sin was as vile as usury*.

Valeri has dug out the example of Dennis Geere, a repentant English usurer who was brought to penitence by relocating to New England and being personally convinced of the sin of usury by the preaching he encountered there. Geere confessed that he had led a dissolute life as a usurer in England. He was moved to return the profits he had gained from the 6% and 8% interest he had charged. Living in Puritan New England in the mid-1630s he came to reject even a "nominal" rate of interest.

"Elected elders and deacons, along with their pastors, confronted parishioners accused of sins such as lying, Sabbath breaking…and usury." The accused was confronted with testimony and evidence. If found culpable but unrepentant the matter was brought to the "public congregation" (the people assembled in church). "The church then censured, administered public rebuke, suspended from Communion or, as a last resort, excommunicated obdurate sinners…As Cotton instructed church members poised to try one dishonest tailor, their judgment carried eternal consequences…The actions… revealed a relentless confrontation between disciplinary ideals and commercial autonomy (free market capitalism)…

"From 1630 to 1654, the congregation…dealt directly with economic vices…The first excommunication ever recorded, in fact, concerned one Robert Parker, who was found guilty of oppression, or overpricing his wares…When the church excommunicated William Franklin in 1646 for overcharging another resident for some tools, they noted the interconnections between his 'extortion, deceit and lying.'…

"By conflating unjust prices with clearly defined sins such as deceit, theft and violence, *puritan leaders rebuffed antinomian and civic-humanist*

attempts to distinguish economic behavior from spiritual and ecclesiastical life…In this moral arena, a merchant could not claim equal but separate fidelity to commercial and Christian community. The Boston Church claimed the prerogative to intervene…New England, Winthrop opined, had different rules for moral and political thinking than did humanist jurists…(He said): New Englanders ought to reject the false wisdom and incomplete justice of 'heathen commonwealths.'

"(T)he General Court did attempt a reform of civil laws dealing with commerce. Several codes rested on Scriptural, rather than common-law decrees: specific provisions for debt relief…a limitation of servitude to seven years…and severe restrictions on usury —a relatively low ceiling on interest rates and prohibitions against interest on loans outside of those intended for commercial investment. Legislators derived other statutes indirectly from biblical principles…These and other restraints encouraged the well-off to channel their wealth to the poor, who did not have the benefit of the institutionalized poor relief of later Protestant societies…Citing Old Testament precedents, Cotton attempted to make anti-usury statutes even stricter: he held that New England would never be pure without sanctions against all forms of usury." [205]

The Massachusetts Bay Colony's famed Saugus Iron Works, the first successful iron foundry in British America and a prototype of American industry, was founded in 1642 by Governor Winthrop. It soon ran up against investors' expectations of significant profits: the iron works had been established to "supply fellow Christians, not to enhance the profits of investors beyond a modest return." The iron was to be sold mainly to the people of New England and at low prices. Stockholder avarice resulted in lawsuits that bankrupted the factory in 1688. The forces of the Money Power in New England, led by aristocrats such as Sir Richard Saltonstall, agitated against Winthrop and Cotton, calling Cotton's ecclesiastical polity "tyranny" for enforcing Biblical law against avarice. Saltonstall pleaded "freedom of conscience" and wrote to Cotton that his "rigid ways have laid you very low in the hearts of the saints." This theme of defending usury by invoking humanism was satirized by John Udall as early as 1593 in his *The State of the Church in England*, in which a usurer loves bishops for their indifference to usury and reviles "harsh" Puritans for their interference with it.

This reputation for "harshness" endures and has been embroidered upon by modern writers from Nathaniel Hawthorne to H.L. Mencken and Arthur Miller, who have rendered the word "Puritan" a byword for petty, bigoted, fanatical, life-hating Pharisaic legalists whose witch-hunting is their signature image in American history. This is the enduring bias, so beloved by the Money Power, which panics at the prospect of a Bible-based economy.

Note well and ponder deeply the fact that John Cotton's church system for suppressing usury was "perhaps the last time in American history that there existed a governmental authority…to hold every individual accountable for what we now believe to be the 'natural' thing— the desire, as our jargon puts it, to maximize profit." [206]

Winthrop concluded his "Model of Christian Charity" address to the Puritans who were about to embark for New England, with a prophecy that cannot fail to tingle the spines of twenty-first century Americans with the shock of recognition:

"Beloved, there is now set before us life and good, death and evil, in that we are commanded this day to love our Lord our God, and to love one another, to walk in his ways and keep his commandments and his ordinances and laws, and the articles of our covenant with him, that we may live and be multiplied, and that the Lord our God may bless us in the land wither we go to possess it. But if our hearts shall turn away, so that we will not obey, but shall be seduced, and worship other gods — our pleasures and profits — and serve them; it is propounded unto us this day, we shall surely perish out of the good land wither we pass over this vast sea…"

Permission for Usury in Late Stage Puritanism

This was the extraordinary legacy of the first and second generation Puritan founders of New England which would be slowly overthrown with the approach of the 18th century by men like Increase and Cotton Mather who identified with the British empire and its ideology of trade. The old New England strictures against usury and economic oppression would give way to an assent to market mechanisms as being essential to progress.

"If, as some historians have argued, the philosophy of *laissez-faire* emerged as a result of the spread of Calvinism among the middle classes, it did so, like tolerance, by a route which was indirect. It was accepted, less because it was esteemed for its own sake, than as a compromise forced upon Calvinism at a comparatively late stage in its history, as a result of its modification by the pressure of commercial interests…" [207]

Nothing in history springs from a vacuum, and we are not suggesting that there were no covetous capitalist stirrings in Puritanism prior to the eve of the eighteenth century. The love of money is the most powerful force for evil on earth. There is no escaping it among the sons of Adam and daughters of Eve. Even during the Middle Ages a handful of dissident Catholic theologians and canon lawyers had attempted to whittle away, bit by incremental bit, the strict dogma against usury by creating lawyerly windows through which exceptions could enter — exceptions which would in turn create a precedent for more latitude in the future, "on the highway to usury." [208]

Fifty-nine years before Samuel Willard put forth his homily on usury as acceptable morality for New England, the Presbyterian *Westminster Shorter Cathechism* of 1646 was published. In its commentary on the Eighth Commandment, the catechism gave its support for "the lawful procuring of wealth and outward estate." This was "something of a millionaire's charter and has been so treated by some of those raised in the Presbyterian faith ever since…the *Larger Catechism* of 1646 violently and at length denounces economic enterprise directed at self-profit; and all expositions of the *catechism* down to the nineteenth century echo these reservations and safeguards against the acquisitive spirit. Nevertheless, the bald omission of such safeguards in this very influential document (*Shorter Cathechism*), may unwittingly have done something to assist the weakening hold of religion over secular enterprise." [209]

Increase Mather's patrons were Robert Thomson of the East India Company and wealthy aristocrats such as Sir Henry Ashurst and Lord Wharton. The Mathers gradually replaced the New England loyalty to the Biblical covenant with loyalty to the Whig narrative of British history. This did not happen overnight; nor did it occur in every nook and corner of New England theology. It was principally aimed at sweeping away the founding Puritan animus toward rapacious trade and economic injustice whose root was usury. Other trappings of Puritan rectitude were strictly adhered to the better to keep up appearances. Certainly, Christian virtues of personal integrity and family size determined by the will of God, would remain an integral part of the New England character into the early 19th century. Theodore Parker, a descendant of the early Massachusetts Puritan Thomas Hastings, was born in 1810, the eleventh child of his God-fearing 46-year-old mother and 49-year-old father. [210] He himself would abandon the faith of his fathers for a well-publicized

career as a Bible-belittling Unitarian abolitionist. It is apostates like Parker who are held up as archetypal "New England Puritans" by intellectually dishonest critics, who dare not cite John Winthrop, John Cotton or Jonathan Edwards as representative Puritans, since the record of the virtuous lives of those men is too sterling to well serve the ends for which the Puritan-hating propagandists labor.

But the high standards of the pioneers decayed all too soon. Increase Mather's 1697 book, *Pietas in Patriam* ("Love to one's Fatherland"), lionized William Phips as New England's "Knight," for his commercial ambition and enterprising genius. In the waning years of the 17th century, this was now the mark of a "saint" in New England. How swiftly had the Gospel focus of the commonwealth fallen. Addressing the governing authorities of New England in 1700, Mather signified the victory, ten years before, of England's Protestant William over the Catholic James II, in terms of money: "The abolishing of popery in the English nation is worth at least eight million pounds sterling, yearly profit." The British Empire was becoming, in an increasingly decayed New England (as contrasted with its founding Biblical vision), "The Sovereign of Merchandise." Benjamin Colman of Brattle Street Church and Ebenezer Pemberton of Old South Church, and many others, echoed the Mathers. Pemberton hailed capitalist Britain as a type of world policeman, "the defender of the Common Rights of Mankind" (unless you were a Catholic). Modernizing New England Puritans created a new usury rationale justified by sectarian warfare, as Mark Valeri describes it: "Protestantism led to wealth, funded the empire; the empire combated Catholicism; the end of Catholicism brought civil liberties; and civil liberties allowed citizens to practice Protestant and market principles." Civil liberty, as advanced by William Petty, Nicholas Barbon, Dudley North, Josiah Child and Charles Davenant, began to be closely associated with the right to practice usury ("freedom of commerce"). So degenerate were these supposed "values-based, Christian" economists, that historian Istvan Hont in his massive study, *Jealousy of Trade: International Competition and the Nation-State in Historical Perspective,* terms them "neo-Machiavellian."

John Locke taught that "statutory limits on interest rates amounted to fictions. 'The price of the hire of money…is a natural affair, because no law can hinder men skilled in the power they have over their own goods…to purchase money to be lent at any rate whatsoever." Sir Dudley North called laws against usury "nonsensical theological arguments." Child, North and Davenant raised usury to the level of a moral imperative. England's Rev. Thomas Delaune, an influence in New England, approved this thinking.

The old Puritan Biblical mores were being replaced by the imperatives of the new commerce. The legacy of this betrayal is found in the fact that almost none of the "Christian patriots" in the often Protestant church-based, Right wing populist movements today, who advocate a return to the "good old days of America's Biblical values," associate those values with the early Puritan struggle for a usury-free commonwealth. These modern "patriots" come to America's colonial history in ignorance, because they commence their study half-way through its history and mark as their inspirational starting line a point eighty or more years after the actual one.

"An extraordinary exposition of the colonial theory of usury was set forth in 1699, by the pastors of the churches adjacent to Cambridge, Massachusetts." [211]

"In 1699, the third-generation Boston pastor Cotton Mather informed New Englanders that the Puritan ministers of the Boston area no longer regarded usury as sinful. Meeting as the Cambridge Synod, they had determined that usury…was legitimated by the 'Divine Law' of the Old Testament, given 'countenance' in the New Testament, 'Justified' by economic 'Necessity and Utility,' mandated by the ethical principle of equity, required by the philosophical meaning of money itself, and congruent with the moral Law of Charity." [212]

The 1699 Cambridge Synod's judgment was published in *Thirty Important Cases Resolved with Evidence of Scripture and Reason* (Boston: Bartholomew and Green, 1699). In it we read, "…there is no manner of reason why the usury of money should be more faulty than any other thing…there can be no reasonable pretense that should bind me to lend my money for nothing, rather than any other commodity…Humane society, as now circumstanced, would sink, if all usury were impractible…The several declamations of the Ancients against usury, must be of no farther account with us."

Samuel Willard's Capitalist "Summa"

During this period, Samuel Willard (1640-1707), though lesser known in our time than his contemporary, Increase Mather, was a theologian from among the second generation of New England Puritans. He was born in Concord, Massachusetts, the sixth of seventeen children of Simon and Mary (Sharpe) Willard — solid, middle class Puritans who had emigrated from southeastern England in 1634. Simon was for 15 years a judge of the Massachusetts General Court. Rev. Ebenezer Pemberton described Samuel Willard's patrimony as follows: "His descent was honorable, from a sage patriot in our Israel…"

Samuel Willard obtained his M.A. degree from Harvard in 1662, and in 1663 began to preach at Groton, Massachusetts. After a devastating Indian assault nearly razed Groton in 1676, Willard was promoted to assistant pastor and later pastor of the Third Church of Boston, known as Old South. He was also Vice-President and Acting President of Harvard College from 1701-1707.

Rev. Willard gave two hundred and fifty expository lectures on the *Westminster Shorter Catechism*. He delivered nearly one a month, for nineteen years, beginning in 1688. These were published posthumously in 1726 by Joseph Sewall and Thomas Prince as: *A Compleat Body of Divinity*. Extravagant claims have been made for Willard's work: "Roughly one and a half times as long as John Calvin's *Institutes of the Christian Religion,* it is the closest thing to being a *Summa Theologiae* that Puritan New England ever produced." [213]

Willard's teaching on usury certainly did not represent a "*summa*" of New England theology *at the time of his birth*. Academics often make no distinction between the early decades, and the later ones that marked the degeneration of Puritan theology in New England. For some researchers seventeenth century Massachusetts is all one convenient, alpha-to-omega construct, from which tidy conclusions may be drawn. Seymour Van Dyken of Princeton Theological Seminary lauds Willard as one "of the chief propagators and defenders of (the) inherited (Puritan) orthodoxy in an era of social, economic, political and religious change…" Edward M. Griffin of the University of Minnesota writes of Willard: "From the outset of his ministry, he expended his considerable energies in a noble, but ultimately futile, effort to promote the values of the first settlers."

But usury was not a "value of the first settlers," it was the modernist battering ram that caused the foundations of Puritan New England to crumble, and Willard, a conservative in other areas of doctrine such as predestination, was a modernizing revolutionary in the field of eighteenth century economics: every inch the agent of the trendy, emergent, modern-Protestant doctrine on business and finance.

The position which Samuel Willard staked out on usury is not a particularly strong apologetic. He repeatedly accuses the opponents of usury who preceded him of what one might term hate speech today. Willard seems to imply that they were so rude and impolite in their invective against usury that they invalidated their polemic. Willard regards their alleged incivility to be a point against their doctrine. He makes no reference to patristic sources or the historic Christian witness against usury. His modern argument is largely promoted on an *a priori* basis and appeals to utilitarian practicality. Appeals to scripture are also made, of course, but he does so within the confines of his rationalization that God's law against usury is riddled with

exceptions and escape clauses. What is striking is the degree to which he couches his extreme usury advocacy in the Medici dodge — the appeal to charity-driven usury (extreme because he places no cap on the amount of interest that is to be charged, and regards the usurer as an honorable Christian if he is a humane creditor).

Willard did not envision that when the church grants his new theology of permission for usury and thereby upholds a "charitable usurer" as a good Christian, the inevitable result will be the confiscatory Shylock interest rates we have in our time. Where there is no limit on usury, and usurers are rehabilitated from the opprobrium with which even Calvin had rightly stigmatized them, then Biblical statutes and doctrines governing business and finance are undone, no matter how much the permission for usury is couched in pious exhortations to rectitude, compassion and fair-dealing, such as the ones with which Rev. Willard decorates his argument. The notion of a "charitable usurer" makes this writer think of a notion of a "chaste harlot." The idea that one can practice and patronize usury "within bounds," invokes the image of a church-going patron of a brothel endeavoring to keep his acts in the house of ill repute "within bounds." The prohibition against usury is absolute. Usury is a weapon of war. This is why it was allowed in Old Testament times against foreign forces, and never inside Israel. Rev. Samuel Willard's scheme for usury inside Christian Israel, to be practiced in a voluntary, spiritually-regulated framework of proportion and prudence, was a usury that never was, at least not in any form of practice that became sufficiently widespread in America to attract notice.

In discoursing on Nehemiah 5, Rev. Willard almost becomes an anti-usury campaigner, setting forth strong theoretical admonitions to lend freely to the distressed. We say 'theoretical,' because given his general advocacy of a supposedly humanely-applied usury, the notion that the poor will be given interest-free loans under his system of modernizing nullification of God's law, is not likely in practice, and subsequent events have testified to the fact that where God's laws against usury are liberalized, the poor are the first and most heavily afflicted victims of interest on money.

Many Fundamentalist and "Tea Party" Christians today would consider it an act of parasitical socialist effrontery if the poor, as a matter of course, were to receive interest-free loans. If they condescended to provide such a loan it would certainly not be done out of a sense of obligation or submission to a law of God, since they recognize no such obligation. Rev. Willard's conditions and loopholes, intended to soften his usury permission, were soon seen for what they were, a type of equivocation meant to salve troubled consciences in the interval between the withering of the old Puritan rectitude and the ascendance of Willard's "New Light" on mortal sin.

As the development of usury permission evolved gradually and became ever more expansive, Christians would be ever more indoctrinated and accustomed to the revolutionary departure from the Biblical and historic Church teaching on money. In the process of modifying God's law to suit man's appetite for commerce and profit, Willard's high-sounding rhetorical limitations and conditions are cast aside, as we see today where people who regard themselves as fervent disciples of the New Testament are equally fervent ambassadors of Mammon's most contumacious usurers, from Ayn Rand to the Mises Institute.

Samuel Willard overthrew John Calvin's two substantial limitations on unbridled greed. The first, while still vexing, offered a tangible limitation: a fixed, relatively low interest rate. The second was far more important: the denigration of the usurer as a moral cretin, a stigma which troubled the Fuggers far more than a 5% limit on interest, which was what their creature Eck had advocated on their behalf. Willard, on the other hand, made usury a legitimate vocation for a Christian: "Casuists do universally make it unlawful for any to make usury a calling…But if they are either called to such employment as take up their time about them, and that for the public benefit, and they have estates that may be improved for the benefit of mankind, it is very proper…"

To Calvin we apportion blame for following the Catholic nominalists by establishing within a Protestant Reformation which was supposedly dedicated to combating abrogations of Scripture, a precedent for diddling with God's Law. Like most tamperers he believed his diddle could be contained. He denied, based on lawyer's equity logic, that he had nullified the law. Willard's sermon was prepared during a time when the power of Mammon had become too overwhelming for some early modern churchmen to resist. His modernism consists in part in appeals to an authority he terms "the Rule of Humanity." Willard was in other respects a man who strived sincerely for the kingdom of God, but in the case of furnishing grounds for the acceptance of usury in Christendom, he succumbed to the spirit of his age. Eminent New England ministers such as Samuel Willard transmuted what had once been a grave sin into – in certain circumstances – a civic virtue instrumental for achieving personal prosperity and securing the good of the commonweal. Willard put forth the very arguments for which John Cotton had reproached Robert Keayne seventy years earlier. This modernism, formerly a minority view, was, in the eighteenth century, gradually becoming a majority belief. Valeri notes:

"Willard…overturned the logic of his puritan predecessors. Previous divines took Scripture, with its strictures against oppression, to convey absolute moral imperatives…Willard and many of his contemporaries, in contrast, accepted mercantilist arguments. They treated the language of political economy as a universal certainty while discarding the original dictates of Reformed teaching. (Cotton) Mather thus conceded in 1727 that the (Reformed) churches no longer punished market practices, as they had in previous generations…

"Willard reversed the linguistic direction set by first-generation puritans such as John Cotton. Cotton applied the language of faith to economic matters, chastening the ambitions or soothing the anxieties of merchants by telling them to trust God in their affairs. Willard brought the language of the economy to matters of faith, exciting the entrepreneurial instincts of merchants by exhorting them to invest in salvation…Cotton Mather's most thorough statement on secular vocations, his 1701 *A Christian at his Calling*, correlated moral obligation, providential order, spiritual felicity, commercial knowledge and market profits. John Cotton had counseled Christians to choose a mode of business that met the needs of the local community, even if such a trade produced slim profits. Mather, in contrast, set profitability as the chief standard for vocational choice because there was by definition 'no need for any such business' that was not 'profitable.'…John Winthrop had demanded that leaders of the Great Migration lend money without question to those in need. Mather gave nearly the opposite advice: to scrutinize would-be debtors carefully and refuse poor risks." [214]

It is at this point in history, and not before, that some of what has been written about "Protestantism and the rise of capitalism" begins to become ápropos. There were still noble exceptions, such as Rev. Benjamin Wadsworth, the prominent pastor of First Church Boston who, in his 1725 work, *The Saints Prayer to Escape Temptations*, [215] described wealthy persons as being nearly inescapably prone to wickedness.

Excerpts from a Lecture on Usury

Samuel Willard
May 29, 1705

"We are considering the righteousness which is to be observed in commutative justice between the borrower and the lender…That there must be a divine rule to adjust this affair is alike evident, because in nothing more does corrupt nature take advantage of oppression, and men would soon devour one another, if God did not set limits to their exorbitance and unlimited cravings. Here it may not be amiss briefly to enquire, whether it be lawful for the lender to contract with the borrower, for a competent gain to accrue to him from the loan?

"There are many judicious and conscientious Christians who are perplexed in their minds about this. The matter has been canvased among the greatest divines pro and con, and that not without great heats and over much bitterness of spirit and opprobrious language, especially by those who defend the negative. This is evident by their writings, which seem to favor an over-heated zeal in their cutting invectives against their antagonists…

"God has given men their estate for their outward benefits. We have before observed that these things are for the support and maintenance of the bodily life; when therefore God in his Providence bestows these things upon men, they are to use their discretion in the ordering of them, so they may afford them with His blessing, revenue for the maintaining of their comfort. Hence it belongs to the character of one that fears God — Psalm 112:5: 'A good man shows favor and lends; he will guide his affairs with discretion.' This our Savior manifestly intimates in the Parable of the Talents, that an estate ought to be occupied for an advantage. Otherwise there is no force in the comparison which He uses. We find how He censures him that hid his in the ground (Matthew 25:27). Nor indeed would men be capable of long improving part of their substance for charitable uses, if they did not thus do, but always spend on the stock (principal), which in time would be expended.

"There is therefore an honest gain to be moderately sought in the improvement of such estates. It is true, it must be honest…There are diverse ways in which men have advantage to improve their estates by commerce. Man is not bound to earn what he has only by his bodily labor, and let his gains lay by unoccupied; but this may and ought to be done in a way of mutual commerce and exchange, where men have wherewith so to do; and this for the common benefit and good of mankind, and the advancement of the public weal, as all experience assures us. This may be done by…lending of money to others… The adversaries of lending money upon interest have sought to stigmatize it with all manner of odious reflections, as if they would cry it down with noise and banter; but it is but a noise and railery, without solid reason or cogency of arguing, and it is only applicable to the abuse and not to the right use of it, and is equally applicable to other ways of commerce when abused, of which they are like capable. And this way is found on experience to be as necessary and profitable for the common benefit of mankind as any other. For the more clear demonstration of this, we may in general observe that the main difference between this and the other sorts of commerce lies in that the advance of the interest upon the principal is upon the consideration of time; as to other things which belong to it, they are common with the other, and are in them acknowledged to be lawful.

"…it is no way repugnant to, but agreeable with, the Law of Nature or right reason, that a man should make a competent gain by his money so lent… Men ought to improve their estates so as to make gain by them, provided it be not to the wrong or injury of their neighbors…and if it be otherwise it is either the borrower's fault or the unavoidable event of the governing Providence of God…And as to the rule of charity, a man's kindness may as really appear in this way of lending…Besides, a man owes charity to himself as well as to his neighbor…

"…this way of gain is nowhere absolutely forbidden in the Word of God by any law obliging mankind. This is the great clamor and urged to confute all other pleas by, whatsoever of reason and equity there may seem to be in them. And I confess, if it be so indeed, all mouths must be stopped and it is altogether in vain to set our reason against the declared will of God in His Word…

"We do indeed find such a law as is expressed, given Israel in the wilderness recorded in Exodus 22:25…Leviticus 25:35 etc…Deuteronomy 23: 19-20…And to this Law are other expressions used afterwards…Proverbs 28:8. Ezekiel 18:8 and elsewhere; concerning which there are diverse things to be observed, which I shall briefly epitomize and leave to rational consideration. This law was either purely moral or positive, and accommodated to the Israelite polity, between which a great difference must be acknowledged. That there was a moral equity on which it was to be grounded, need not be denied, viz. that all oppression was to be avoided and that we should not exact on our neighbor to his necessary damage. But that it was universally moral is disproved by the explication of the law itself, Deut. 23:20. It was therefore restrained to their brethren of their own nation. Whereas it is certain that if the thing itself had been moral, it had been universally unlawful, and might no more have been practiced to a stranger than an Israelite…Again, if this law was purely moral, this would not have been restrained to only one sort of men…Moral propositions are not universal, but limited, as is evident in the express terms of the law. This is further manifest by the exception which hath made on this account: Deut. 15:4 'Save when there shall be no poor among you.' Which intimates that it was not made to them unlawful in it itself, but only according to their circumstances. Nor is it prohibited in the gospel absolutely. The great text alleged for it (Luke 6:35) only intimates that there are cases in which it may be duty (which none will deny). All that can, in reason be argued from it, is only that when a neighbor (whether friend or enemy) is distressed with want and asks to borrow of us, our despair of having either interest or principal ought not to try our hands. And it rather signifies that the thing itself would in justice be due, were not the person an object of charity…

"We must consider the condition of the persons to whom we lend. There are the poor who are necessitated to borrow that they may not perish and starve, and it is merely for the support of their bodies. Now, not only the law of Moses but the light of nature forbids all manner of exaction of interest upon those on this account. Such was the state of many Jews after their return from captivity. Hence Nehemiah treated so severe with the usurers of that time. Neh. 5. Such persons are objects of our charity and we ought, according to our ability, to give to them for their succor, and much more to lend to them without expectation of gain…We ought not, therefore, to refuse to do a free kindness for such, because we reserve what we have for the making of gain, which is an effect of forbidden covetousness and a cruel hardening of our hearts against our poor brethren…" [216]

Willard's usury is sometimes excused by the acknowledgement of his good qualities: he was an opponent of the Salem witch trials and the pastor to whom one of the Salem judges publicly confessed his shame. [217] The father of 20 children, Willard baptized many youngsters at Old South, including, in 1706, the infant son of Josiah and Abiah Franklin, who would grow up and be known to history as Benjamin Franklin. We are certainly willing to entertain the exculpation of Rev. Willard for his public defense of "limited" usury in consideration of his other good qualities, on one condition: to wit, that ministers of the Gospel who are public defenders of "limited" forms of robbery and burglary be similarly excused, as long as they are kind-hearted in other aspects of their lives and precepts.

An Antidote to Hating the Puritans

The persistent legend that the original Calvinists and Puritans were little more than greedheads directly responsible for the capitalism which lashes us today, is subversive nonsense. Even the belief that the Puritans under Oliver Cromwell were enthusiastic murderers of the Irish, is open to correction. A significant number of Puritan soldiers would not fight in Ireland against the Irish. Who has ever heard of this noble act of conscientious objection? It is wholly suppressed.

In 1649 dissident Puritan soldiers circulated among their comrades in arms a tract, *Certain Queries Propounded to the Consideration of such as*

were Intended for the Service of Ireland, urging them to refuse go to war in Ireland. In it they argued that the Irish nation "hath for some hundreds or thousands of years enjoyed and possessed…the Land…without any others laying claim to having a more special right to the same." They asked, "Whether Julius Caesar, Alexander the Great, William, Duke of Normandy or any other (of) the great conquerors of the world, were any other than so many great and lawless thieves; and whether it be not altogether as unjust to take our (Irish) neighbor's land and liberties from them, as our neighbor's goods of our own nation?"

It is true that New England Puritans tended toward micromanagement of daily life, tiresome factional and inter-denominational squabbles and rivalry, limits on freedom of speech and, in one case, the hanging of "heretics" (four Quakers, executed 1659-1661); and of course the notorious witch trials. [218] These facts mar, but do not nullify the Puritan crusade for a just price (*justum pretium*), a living wage, and freedom from usury. That these early "Preachers of the Word" have come to be equated in history texts and popular media with fostering rapacious capitalism goes to show the extent to which we are continually lied to by shadowy forces promoting a hidden agenda. Those who call themselves Christians and look to the first generation Puritan founders of America for support for their "laissez-faire, free market," profit-supremacist system, look in vain.

We have sought to dispel the staple fiction of some Roman Catholics, later echoed by partisans of the Southern Confederacy, who claim that from the beginning, New England Puritanism was representative of the most miserly forms of economic predation; Roman Catholicism allegedly being the only religious bastion against Mammonism in all of Christendom.

Are these fables about the first Puritans seeded by the Cryptocracy to keep us from studying the radical Protestant roots of resistance to the authority of money? With the virtual collapse of the credibility of popery in the 21st century — with its melangé of institutionalized child molestation and "infallible" canonization of "Blessed" John Paul II, patron saint of Voodoo in Benin and Koran-kissing in Rome — an alternative to papalolatry is intensely to be desired. [219]

How can those of us who execrate usury, whether we be Catholic, Protestant or independent, have anything but esteem for Protestant and Puritan leaders such as Andrewes, Sibbes, Jewel, Cotton and Winthrop, and others like them? They used church and state to curb this plague of plagues. Their sermons, books and legal writings stand as a template for a Christian future in which economic exchange is regulated by the mercy of the Gospel, not the pitiless power of money.

Calvin's Letter on Usury

This is an excerpt from an undated letter (circa 1545), written in French, to an unnamed Christian (possibly Claude de Sachin), who had inquired about usury. Calvin wrote:

"…I have learned from the example of others how perilous it is to respond to the question for which you seek my counsel…if we permit it (usury), then some, under this guise, would be content to act with unbridled license, unable to abide any limits…it would be desirable if usurers were chased from every country…Passages in both the prophets and the Psalms display the Holy Spirit's anger against usurers…usury almost always travels with two inseparable companions: tyrannical cruelty and the art of deception. This is why the Holy Spirit elsewhere advises all holy men, who praise and fear God, to abstain from usury…This is why no one should take interest from the poor and no one, destitute by virtue of indigence or some affliction or calamity, should be forced into it…

"The situation in which God brought the Jews together, combined with other circumstances, made commerce without usury apt among them. Our situation is quite different. For that reason, I am unwilling to condemn it, so long as it is practiced with equity and charity…we ought not to judge usury according to a few passages of scripture, but in accordance with the principle of equity."

Three years after Calvin's death, his letter was publicly debated at the Huguenot synod at Verteuil, France in 1567, where its sentiments were eventually adopted. [220] Calvin was trained as a lawyer and his preference in this case for equity over Scripture derives from the Greek principle represented by the word *epyeykie* ("epiky"), denoting "reasonableness" as opposed to "rigid law," which looks suspiciously like a Talmudic loophole, or *prozbul,* such as Hillel granted to first century Jewish usurers. (In western legal iconography, a blindfolded "Goddess of Justice" holds the scales of *equity*). In Calvin's permission for limited and restricted usury, we see an appeal not to divine law but situation ethics ("Our situation is quite different)." Thus saith the U.S. Supreme Court when ruling that abortion on demand is a "right."

Before critics gloat, however, recall that Calvin inherited his version of permissible usury from the Roman Catholic nominalists who pioneered it.

Furthermore, Puritans did not make an infallible pope out of Calvin. They were free to reject his qualified approbation, and the early Puritans did so vigorously, as documented herein. In the first decades of the settlement of the Massachusetts Bay Colony, Calvin's views on interest were ignored, or interpreted in the narrowest manner most likely to obstruct usurers and harass their operations ("it would be desirable if usurers were chased from every country").

It is sobering to consider the fact that if we were to apply Calvin's views on usury now, even with his loopholes, many American banks, most Wall Street investment houses and all "payday loan" operations would be summarily shuttered, and the church-goers among the unrepentant owners and stockholders of these Christless pestholes would be excommunicated.

6

A Faithful Irishman

Persecuted for holding usury to be mortal sin

Rags Make Paper. Paper Makes Money. Money Makes Banks. Banks Make Loans. Loans Make Beggars. Beggars Make Rags.

What would the appropriately named Rev. Fr. *Jeremiah* O'Callaghan think of today's "conservative Christian" Republican party boosters? This Irish priest was suspended in south Cork in 1819 and banished by Catholic Bishop William Coppinger for his refusal of absolution to an unrepentant Roscarberry "gombeenman" (money-lender, in this case a merchant who charged interest on purchases made on credit). [221] The gombeenman would not make restitution.[222] O'Callaghan's persistent insistence on the implementation of Biblical and traditional Catholic law on usury and mammon led him to write his book, *Usury: Proof that it is Repugnant to Divine and Ecclesiastical Law and Destructive to Civil Society*.[223] This work was a favorite of the renowned Protestant historian William Cobbett, who wrote, "The Rev. Mr. O'Callaghan, in his excellent little work, which I had the honor to republish last winter, and which ought to be read by every man, and especially every young man, in the kingdom, has shown, that the ancient philosophers, the Fathers of the Church, both Testaments, the Canons of the Church, the decision of Popes and Councils, all agree, all declare, that to take money for the use of money is sinful." O'Callaghan served for a time as tutor to Cobbett's children and contributed to Cobbett's classic work, *History of the Protestant Reformation in England and Ireland.*

O'Callaghan traveled to Rome to appeal his suspension, but the "Vatican people were tired of him. His insistence on upholding the orthodox doctrine, after the Church had tacitly dropped it, was causing embarrassment in high places. They cut off his allowance and he had to leave Rome… Reconciliation with the Bishop was now out of the question. Coppinger had taken great offense at the complaints about himself published in *Usury*, and he would not even consider O'Callaghan's request to be restored to his priestly duties until he had published a full retraction and apology. Since this required the suppression and denial of facts, O'Callaghan would not do so. The Bishop's new stipulation, he said, was merely an attempt to conceal the truth of the matter, that he had been sacked for teaching the words of Christ, clearly stated in St. Luke's Gospel (6:35): 'Lend, hoping for nothing again.' But the rights and wrongs of the affair counted for nothing. Coppinger had power over his former priest and used it crushingly. True to his promise, he prevented O'Callaghan from obtaining a post in his or any other diocese…" [224]

Fr. O'Callaghan was forced into exile in faraway Vermont, USA, where it was supposed he would have few opportunities to clash with the monied elite, and where he was largely unsupervised. But O'Callaghan possessed ideals similar to those of another liberty-loving Irish-American, Matthew Lyon, a former white slave who served in Congress and bucked the Sedition Act. Fr. O'Callaghan was critical of the contrived patriotism and state worship beginning to emerge in New England. While it is supposed by critics that every Catholic priest in those days was a type of hook-nosed, Spanish-style inquisitor, the Irish Catholics, for centuries victims of a tyrannical English monarchy and a Protestant inquisition, brought with them uniquely untamed aspirations for freedom. Fr. O'Callaghan was no exception. "Deeply mistrustful of banks…He was also suspicious that Vermont's 'civil religion' was a carefully conceived…distraction from injustice. He wrote, 'Vermont law-makers, while they manufacture the yoke of slavery for the people, while they frame laws to rob and defraud them, get up celebrations of independence, abolition societies, missionary societies, Bible societies…" [225]

While ministering in Vermont, Fr. O'Callaghan published *Exposure of Vermont Banking* and built a church in Burlington which was torched by arsonists. The church was defiantly rebuilt by O'Callaghan. In 1854, at age 74, he left Vermont for Holyoke, Massachusetts. There he used his personal life savings to construct the town's first Catholic church, St. Jerome's, where he gave sermons in Gaelic. He died in Holyoke in 1861 at 81 years-of-age. A monument to his memory stands in the St. Jerome churchyard.

Mortal Sin becomes no sin

Beginning in August of 1830, in the pontificate of Pope Pius VIII (Francesco Castiglioni), Christianity's millennial ban on usury was again being radically derogated,[226] making official what had been de facto in many regions of the Catholic world for centuries: "Under his influence, in the summer of 1830 both the Holy Office and the Penitentiary stipulated that the confessor who absolves a lender who has not exceeded the legal rate of interest (5 percent in France) 'must not be harassed." [227]

Pius VIII had ushered in the new age of official, *overt* banking-friendly Catholicism. (He was struck dead three months later). Two years later, "In 1832 the Rothschild bank of Paris had extended a loan to keep the papacy afloat….In July 1849…the pope (Pius IX) cast lines anew to the Rothschild bank…In January 1850 Rothschild approved a loan of 50 million francs…In 1857 (Vatican Secretary of State Giacomo) Antonelli used Peter's Pence as collateral in negotiating a new loan with Rothschild." [228]

In December 18, 1872, an interest rate of 8 percent was granted as lawful for Catholics by the Holy Office in response to an inquiry by the Bishop of Ariano. Pius VIII's successor, Pope Gregory XVI (Bartolomeo Cappellari) continued to oversee the formal establishment of the moral and ethical permission for interest on money. No subsequent pope, whatever his reputation for orthodoxy or holiness, ever moved to restore the ancient Biblical, Apostolic, Patristic, Roman Catholic dogma on interest.

In 1891 Pope Leo XIII, like many well-intentioned Catholics today, wrote a jeremiad, *Rerum Novarum,* in favor of the rights of workers and offering various bromides allegedly intended, in part, to alleviate the dreadful worldwide repercussions of interest on money. The successor text to *Rerum Novarum*, Pope Pius XI's *Quadragesimo Anno* of 1931, also sought to palliate the worst excesses of the capitalist system. But since the mortal sin itself was allowed to stand in both encyclicals, Christendom sank ever further into the grip of Mammon.

In the early 19th century, "14 decisions of the Congregations of the Holy Office, the Penitentiary…stat(ed) that the faithful who lend money at moderate rates of interest 'are not to be disturbed…The Holy See now puts out its funds at interest and requires ecclesiastical administrators to do the same…" [229] Hence we observe that the Catholic Church after 1830 *required* the commission of mortal sin by its "ecclesiastical administrators"!

The earliest formal Holy Office order to leave those who took interest on loans of money undisturbed is from 1822 in response to a request for clarification by Cardinal Galeffi concerning a woman in Lyon who was refused absolution because she was a usurer. The Holy Office replied that the woman was to be absolved anyway: "…in 1822 a penitent in Lyon, Mlle. de Saint-Marcel, who had been refused absolution for receiving legal interest

for invested property, appealed to Rome and had the case decided by the Holy Office against the confessor, on the proviso that the penitent express a willingness to abide by any future decision which might be made by the Holy See. This was the prelude to some thirteen similar decisions made, in response to enquiries, by the Congregations of the Holy Office, the Penitentiary, and Propaganda in the course of the nineteenth century…In these it is declared, often without reference to any special extrinsic title or even to civil law, that the faithful, even though they be clerics and religious, who lend money for a moderate rate of interest are 'not to be distrubed' (*non esse inquietandos*).

"…of the magnitude of this 'moderate rate,' the Holy See was unwilling to give any general definition…Following the decisions of the Roman Congregations in the nineteenth century, in the twentieth century fairly unanimous agreement was to be found among theologians to the proposition that any Catholic is allowed to take interest on money loans, provided the interest is not excessive and does not cause hardship to the poor…the Holy See itself puts out its funds at interest and require ecclesiastical administrators to do the same." [230]

Initial decisions in favor of interest on money were issued 18 August, 1830; 31 August, 1831; 11 February 1832, 17 January 1838; 26 March 1840; 28 February 1871, with more to come in the deluge of revolution, culminating in Canon 1543 of the *Codex Juris Canonici of 1917* (1917 Code of Canon Law): "…in lending a fungible thing it is not in itself illicit to contract for legal interest, unless this be manifestly excessive…" [231]

The Ecumenical Council of Vienne (1311-1312) decreed: "If anyone shall fall into the error, obstinately to affirm that to practice usuries be not a sin, we decree that he shall be punished as a heretic. And we strictly enjoin the Ordinaries and the Inquistitors of heresy to proceed against those who are suspected of this error, as against persons accused or suspected of heresy."

Rev. Fr. O'Callaghan: "When a pastor allows, either from ignorance, or infidelity, his wretched flock to practice interest…(if shepherds, not wolves, they could be called)…thus is the whole community drawn into perdition…It is asserted on behalf of the usurers, that as the State possesses a dominion over life and property, they are justified in exacting whatever rate of interest is allowed by the laws of the State. The temporal ruler would, according to the above notion, be justified for any species of tyranny for taxing in England the people to beggary, and pillaging the asylums of the poor; for erecting, as in Turkey, the harem; or for cutting off, Herod-like, the deformed babies, as they used to do in Algiers, to the end of improving the human race; each tyrant may claim, according to the foregoing notion, the right of disposing at pleasure, all the people and property within his dominions. Ye hypocritical infidels…Ye make mockery of the commands of God so as to follow the bent of your corrupt inclinations. Were the laws of man opposed to your passions, you would with equal facility throw them aside, provided you could escape worldly punishment. To what laws has the Consecration Oath, ordained from the authority of the Holy Council of Trent by Pope Pius IV bound us? To the temporal, or Ecclesiastical laws? We answer, to the Ecclesiastical: for that oath says: 'I likewise undoubtedly receive and profess all things delivered, defined, and declared by the Sacred Canons and General Councils, and particularly by the Holy Council of Trent. And I condemn, reject, and anathematize things contrary thereto.'

"That oath, taken by every prelate in communion with the See of Rome, leaves him no option; he must receive and profess *all* the Canons of all the General Councils, both ancient and modern; the Canons regarding faith and morals equally; he must receive and profess them all, not as many of them as he pleases….If a prelate, therefore, practices or silently connives at the practice of usury, in contempt of all the Sacred Canons heretofore recited, does he not, in addition to all the censures provided in the said Canons, incur the terrific guilt of perjury? I cannot conceive how he can free himself from that stigma…

"Recollect that the Gospel, not the human laws, will be the rule of judgment; and that vengeance will be given, not for disobeying the human laws, but the Gospel of our Lord Jesus Christ. Hence flows the Catholic principle, *Decretal Gratian XI*, Quasi. 3. Chap. 93: if the ruler ordains things not contrary to the Scriptures, let the servant obey the ruler; but if he ordain things contrary thereto, let him obey the Lord of the soul, rather than the lord of the body. If the emperor or ruler decrees a just matter, obey the ruler; but if he decrees a sinful thing, answer him from Acts 5, We must obey God, rather than men. The same principle applies to wives regarding their husbands; to servants regarding their masters; and to children respecting their parents. That they ought to obey their husbands, masters, and parents only in the things that are not opposed to the law of God (St. Jerome, *Epist. on Titus*). The ancient Irish certainly had their eye steadfastly fixed upon that principle. When the Protestant ruler ordered them, under pains and penalties, to abandon the priest and the altar, they obeyed God rather than men. Had they been slaves to self and to mammon, as the moderns are, could Ireland now boast of either Priest or altar?" [232]

What Pius VIII and his successors imposed on Christendom was the reinstitution of the pagan Roman Empire's practice of usury by legal subterfuge, by defining usury as "only" a certain *rate* of interest (in this case an ambiguous undefined "moderate" rate). Such lawyerly evasions in this field nearly always lead to the rise of greed-based predatory capitalism. In the young and vibrant Roman Republic, circa 342 B.C. the *Lex Genucia* banned *all* lending at interest. Centuries later, in the era of the late Roman Empire as it rapidly decayed, the law defined usury only as interest in excess of 50%. It's no coincidence that in New Jersey at present the general usury limit is 50% for corporations. According to the American Bankers Association there are 26 states in the U.S. that have no limit on what bank credit card issuers can charge for interest rates. In a truly Christian nation this admission would be as shameful as a disclosure that someone had robbed an elderly couple or had an abortion.

Equally despicable and Christ-dishonoring is the notion that Americans are affluent when the Shylock economy is humming along; the "blessings" of capitalism etc. Yet, when the Shylock system is on the ascendant the majority of the people are in debt, because that debt is the engine of the overheated economy. Surrounded by electronic gadgets of every description and cars, boats, ATVs and snowmobiles, we think ourselves well off because our masters declare it to be so, when in fact, in terms of meaningful work, leisure time, stable marriages, lasting friendships and actual ownership (not mortgage) of land, we are but pompous paupers. Loneliness in America is a plague. Americans are friendless, loveless and adrift. Yet, for the past sixty years we have been told to be content that we live in the richest country in the world and share in the wealth. Yet, debtors are not rich. "Debt is the worst poverty" (T. Fuller, 1732). The Cryptocrats who tell us otherwise are engaged in a civic magic, performing the work of making something metaphysically real even though it is an illusion.

Jeremiah O'Callaghan and William Cobbett "lived in daily expectation that the system of loans and paper money would reach its limits and burst like a bubble…On hearing that a bank in his home town had gone bankrupt, Cobbett gave a public dinner in the streets." [233]

Imagine their jubilation if Cobbett and O'Callaghan had lived to see our own day, when the happy prospect of the collapse of Shylock's criminal financial system is at hand. There is more to this than just pointing fingers at bankers and CEOs, however. When sojourning among the Amish we discovered that many of them practiced the medieval Catholic doctrine of the *just price*, in contrast with the modern notion of a price set by "whatever the market will bear," which is considered ethical and fair by all churches of which we are aware, including modern Catholicism, excepting some Amish churches: "In the Middle Ages there was a just price for everything. It was one which enabled all those who contributed to making and selling the

article to earn 'an honest living' suitable to his station in life. For them the law of supply and demand was no reason for raising the price above the sum considered just." [234]

One Amish master carpenter we knew charged only $10 per hour in the year 1995, when he could have easily commanded three times that sum. And he was not a rich man. Somehow the Amish, tenacious clingers to tradition that they are, have held on to a scrap of ecclesiastic tradition more than a thousand years old, demonstrating that the refusal of avarice is a two-way street, operating at the top and the bottom of the economic arrangement. Communism recruits by rendering avarice by the poor and the working class legitimate, and building covetous resentment against the wealthy and the owners of property and businesses. Avarice and envy are wrong in all classes of people. Christ did not advocate a Robin Hood ethic. The Bible tells us that God is no respecter of persons, rich or poor, and as Jesus said, the poor you will have with you always. For our claims on the bankers and financiers to have moral force we must use whatever is within our power to practice charity and justice in our own dealings.

The other half of the equation is the medieval standard of a *living wage,* defined as the pay which one full-time worker would need to support an entire family adequately but not luxuriously, something to which conservative Republican economists are most averse. A few years ago this writer heard one such Republican leader make the statement that the Detroit auto-makers were in trouble not because of foolish and incompetent decisions by the corporate executives, but due to the payment of good wages and health care benefits to the workers who produced the cars! What this Republican strategist was seeking was the impoverishment of the American worker by the continued importation of cheap labor from central America and the Far East. This Republican was a type of terrorist, but the terror he wants to visit on American families is performed with a pen and a computer rather than a gun and a bomb. The fundamentalist Protestant churches are silent when Republicans openly call for a cheap labor economy wherein American husbands and wives must work two and three jobs around the clock in order to sustain their families. These labor policies do not support family values, rather they directly foster birth control, divorce and even abortion.

We are witnessing an interconnected degeneracy, with deadly sins linked across a continuum that defies Left/Right politics, while containing elements of both. The breakdown of the family is more than a religious issue as Republicans claim, it is also an economic one. The destruction of our quality of life and culture is more than an environmental or health care issue as Democrats claim, it is a spiritual one, based in alienation from the Word of God and having lost the fear of God, most noticeably manifested in the destruction of the family as represented by the denigration of Biblical principles upholding the father's headship.

The crisis we face transcends the rigged Left/Right paradigm that conservatives and liberals are mentally imprisoned within. The Bible contains economic laws that could be said to be Leftist, and parenting and sexual laws that could be described as Rightist, but ultimately Scripture transcends both of those crippled categories. All these sins are *connected* and to combat them effectively a holistic Biblical vision is needed which is not segmented by our idolatrous loyalty to different "wings" of a demonic, divide-and-conquer political charade, that in the end produces only rags.

7

Agents of the Money Power

A wicked people will never enjoy good government.
— Rev. James Murray

Usury is a grievous sin common to Republicans and Democrats which underscores the one-dimensional essence beneath the Left/Right rivalry: we can't pick and choose which mortal sins we want to campaign against and which we hope Our Father in Heaven will give us a pass on. Grievous sins are *all* soul and nation-destroying.

Until we emerge from dualist finger-pointing party politics, the judgment of God on our nation will stand. Sodomy as practiced by male Democrat homosexuals, contraception as practiced by Republican Churchianity, and a usurious economic system perpetrated by both, are all from the same Satanic root. America harbors a demonic entertainment industry, demonic militarism, demonic sodomy of the contraceptive and "gay'" variants, all stoked by a Shylock financial swindle. Those who target one or two of these devilish endeavors for extirpation while participating in the others and wondering why God doesn't bless America, are lost in the ozone. All of these wicked sins have the same root, but we are too dumbed down to recognize it. Contraception, abortion and homosexuality are, in part, derived from the corruption of a society that has legalized the crime of usury.

Most of the current schemes for "saving" the economy are opposed to how the Bible suppresses greed and regulates the economy. It is obligatory on us to restore Biblical economics if we desire to be granted the much sought after "divine blessing on America."

"Among the Hebrews, perpetual alienation of immovable goods was impossible, and the contracting of debts very difficult. Engrossing of lands was forbidden by the Jubilee law and the greedy were further restrained by the Sabbatical release." [235]

The "*greedy*." Greed: one of the seven deadly sins. (There are seven, by the way, not just one, not just "lust," as pernicious and pervasive as the sin of lust is in our time). Does the "pro-life" "Christian"/Republican base imagine that God is more angry at lust than at greed? If so, what does God think of the conservative Republican lust that excites marriage without all the children He wills to send to a married couple? Are there gradations of mortal sin, one more soul-destroying than another? (If so, then we have a new gospel).

"Oh, but the Biblical laws on usury were intended for the Israelites alone." In that case perhaps the same can be said about the Biblical laws on abortion and contraception, since Jesus uttered not a word concerning them. Do we then, proceeding from that fact, allow for childless marriages? No, rather, we take the *whole* of the Biblical laws into account.

The Republican party base will brook no compromise with abortion but shakes hands with Shylock, under a rationale created by the Prince of Darkness to palliate the crime of usury. They succumb to modern philosophy (2 Tim. 4:3) on usury, but reject it on abortion. Sorry folks, but schizophrenia will not succeed as a core principle of a purported Christian politics. To speak with authority it is necessary that one not be mad, and Republican conservatives are far gone in madness as they pour forth wrath in the eyes of liberals for their sins of abortion-enablement and homosexual culture while regarding not the beam of sins, like usury, in their own eyes.

TV talk-show host Glenn Beck gave the keynote address at a Conservative Political Action Conference in Washington D.C. In the course of his clownish, rambling talk to the dumbed-down audience, Mr. Beck announced that the most scurrilous and destructive villain in the entire history of these United States are the "progressives." Beck claims to be a Jeffersonian, but he's attacking progressives — the American leaders who clashed most fiercely with the Money Power and the military-industrial complex. Mr. Beck has urged parishioners to leave churches that promote "social justice" or "economic justice," saying these are "code words" for Communism. Actually, in almost all cases these supposed "code words" refer to *renewing the ancient Christian fight against the mortal sin of usury*.

In the 1930s, Fr. Charles E. Coughlin's anti-war, anti-usury organization was called The National Union for Social Justice. In the eyes of a predatory capitalist like Beck, the fight against usury is a manifestation of Communist extremism, in which case the most eminent representatives of Western Civilization from Shakespeare (*The Merchant of Venice*) to Charles Dickens (*Bleak House*) were Communists. This is malarkey from a mouthpiece for mammon who is not fit to shine the shoes of Coughlin and other progressives such as William H. "Alfalfa Bill" Murray, Charles A. Lindbergh Sr., Louis McFadden; Burton K. Wheeler, Jeannette Rankin of Montana, and Ezra Pound's colleague, Idaho's own William Borah. All of these eminent American legislators — and many more — fought the Money Power and the military-industrial complex.

Our great-grandparents would never have been seduced by so obvious an agent of the plutocracy as Mr. Beck. They favored *free enterprise* but opposed *predatory Capitalism*. Today, does anyone know the difference? Free enterprise operates under the limits of Biblical law, and recognizes a moral compass infinitely higher than the profit motive. Mr. Beck conceals the fact that his "free-market capitalist" gospel of greed is every bit as inimical to the Gospel of Jesus Christ as Soviet Communism. Predatory Capitalism is one side of a two-headed materialist ideology. Communism represents the other side. The same *materialism* informs both.

Ludwig von Mises: Jesus Christ is "the evil seed"

The most radical economic theoreticians of capitalism, from Jeremy Bentham to Ludwig von Mises and Ayn Rand, are extremely antagonistic to Christianity and *literally hate* the teachings of Jesus Christ. Von Mises, patriarch of "Austrian School economics" whose only god is greed, is perhaps the most revered and influential of all "free market capitalists," across the spectrum of the Right wing. In chapter 29 of his book, *Socialism: An Economic and Sociological Analysis,* Ludwig von Mises wrote:

"Jesus' words are full of resentment against the rich, and the Apostles are no meeker in this respect. The Rich Man is condemned because he is rich, the Beggar praised because he is poor. The only reason why Jesus does not declare war against the rich and preach revenge on them is that God has said: 'Revenge is mine.' In God's Kingdom the poor shall be rich, but the rich shall be made to suffer. Later revisers have tried to soften the words of Christ against the rich, of which the most complete and powerful version is found in the Gospel of Luke, but there is quite enough left to support those who incite the world to hatred of the rich, revenge, murder and arson. Up to the time of modern Socialism no movement against private property which

has arisen in the Christian world has failed to seek authority in Jesus, the Apostles, and the Christian Fathers, not to mention those who, like Tolstoy, made the Gospel resentment against the rich the very heart and soul of their teaching. This is a case in which the Redeemer's words bore evil seed."

Von Mises' indictment of Jesus Christ as progenitor of "evil seed" is purely distilled hatred which ought to disqualify him as an economist which any faithful Christian could follow. Alas, he is the doyen of the "Christian" capitalists. Von Mises states further: "A living Christianity cannot, it seems, exist side by side with Capitalism." [236]

In this he is absolutely correct! What we have today is a *dead* Churchianity that has sold-out the Gospel and cut a lucrative deal with the capitalists, while *impersonating living Christianity*. This is why Senator Bob Corker, a Tennessee Republican in the "buckle" of the "Bible belt," was the leading defender in Congress of the $10 billion a year Shylock "payday loan" industry that preys on working people with annualized interest rates of up to 400%! This grave sin should be an alarm for the Church. But the pulpits are mostly silent. "Payday lender" shylocks spent $2.1 million buying (i.e. "lobbying") senators and Congressmen in 2008. "Conservative Christian" Senator Corker has been a recipient of their tainted money; so has Senator Richard Shelby of "Christian" Alabama.

The people in the pews live in enforced ignorance of the statutes and judgements of God concerning the corrosive Capitalist avarice that rots a society from the bottom up, as ours is being rotted. The most "conservative" so-called "Christian" states in the union, such as Alabama and Tennessee, are among the most stalwart protectors of usury.

Ayn Rand, Goddess of Usury

Ayn Rand was born Alissa Zinovievna Rosenbaum on February, 2, 1905, in St. Petersburg, Russia, of a prosperous merchant family. [237] "Rand" was the author of several books including *The Fountainhead* (which was made into a movie starring Gary Cooper), *Atlas Shrugged* and *The Virtue of Selfishness*. It is no secret that in her personal life she was known to favor degenerate sado-masochist sex acts in which the woman performs as a groveling slave of a vicious man. Rand served as the future Federal Reserve Bank Chairman Alan Greenspan's teacher and mentor. She taught the concept that "greed is good." Just as Karl Marx founded Communism, which possessed no moral constraint, the woman who called herself "Ayn Rand" founded a super-Shylock, hyper-Capitalism (dubbed "Objectivism") that also lacked any moral constraint. This thesis and antithesis, Communism and Capitalism, share a fundamental characteristic, *materialism*, which forms the synthesis of modernist determinism as it announces the inevitability of its dominion, due to the supposed evolution of history toward "advancement." This is the conceit of both "scientific socialism" and "free market capitalism." These seeming antipodes—Communism's Commissar and Capitalism's Scrooge—are actually symbiotic expressions of a *wholly material spirit,* which is sold to rootless modern people as fighting either "the bosses" or "the collectivists."

Rep. Ron Paul, Alan Greenspan, Glenn Beck and Paul Ryan all extol Rand, who viewed charity to the poor with more jaundice than Ebenezer Scrooge. Rand, who was the author of *The Virtue of Selfishness,* cannot comprehend charity to anyone, except perhaps one's own inner circle, and then only as a personal choice, not a duty. The Christian virtue of doing for others and for the less fortunate is regarded by Rand as a violation of the will and ego of the Atlas man, the money maker supreme. This skinflint, dog-eat-dog barbarism is what Von Mises, Ayn Rand and their Republican cheerleaders are all about.

What is the outcome of their usurious society? Rand described the results candidly: "There is no such thing as 'a right to a job'—there is only the right of free trade, that is: a man's right to take a job if another man chooses to hire him. There is no 'right to a home,' only the right of free trade: the right to build a home or to buy it. There are no 'rights to a 'fair' wage or a 'fair price' if no one chooses to pay it, to hire a man or to buy his product." (Rand, *Man's Rights,* 1963).

What happens to the New Testament's poor man Lazarus, in a land ruled by Ayn Rand's Capitalism? Under Rand, Lazarus would not have a scrap of food off the rich man's table. He would die, as did the Biblical Lazarus in Luke 16, in privation and agony. Rand can approve of this because in her world, exactly as in the Soviet empire of Lenin and Trotsky, there is no god except the material world itself. Like the Communists, the Capitalist Rand refuses to acknowledge the Scriptural truth that every property-owner is God's tenant and *owes* charity to the poor, and thus is impelled by an informed conscience to voluntarily share one's wealth in some measure (Isaiah 58:7; Nehemiah 5:1-19). Instead, Ayn Rand promotes the option of depraved indifference to the poor. [238]

We would not be expending five words on this debased loanshark, who was so far gone that she shamelessly trumpeted her "virtue" of selfishness to the world, were it not for the astonishing datum that Ayn Rand is a guiding light to many who claim the mantle of the "Christian Right" in the early 21st century. Rand's ideological perversion is the driving force behind NAFTA, the WTO, "free trade," many Internet technology capitalists, and many preachers of Churchianity, along with Right wing "Constitutionalists" who don't know or simply don't care that the Christian and classic "paleo" Conservatives rightly viewed Rand as an evil force almost from the beginning of her celebrity — the personification of the terminal usurer — usury taken to its farthest and most degenerate extreme as palpable darkness out of the bottomless pit. In 1957 William F. Buckley's *National Review* denounced the "wickedness of *Atlas Shrugged*." In the words of the magazine's critique of her bestseller, *Atlas Shrugged*:

"It is…in the book's last line, that a character traces in the air, 'over the desolate earth,' the Sign of the Dollar, in lieu of the Sign of the Cross…that Dollar Sign is not merely provocative…it is meant to seal the fact that mankind is ready to submit abjectly to an elite of technocrats, and their accessories, in a New Order, enlightened and instructed by Miss Rand's ideas that the good life is one which 'has resolved personal worth into exchange value,' 'has left no other nexus between man and man than naked self-interest, than callous 'cash payment.' The author is explicit, in fact deafening, about these prerequisites….But the words quoted above are those of Karl Marx. He, too, admired 'naked self-interest' (in its time and place), and for much of the same reasons as Miss Rand: because, he believed, it cleared away the cobwebs of religion and led to prodigies of industrial and cognate accomplishment.

"…Henceforth man's fate…is up to him. And to him alone. His happiness, in strict materialist terms, lies with his own workaday hands and ingenious brain. His happiness becomes, in Miss Rand's words, 'the moral purpose of his life.' Here occurs a little rub whose effects are just as observable in a free enterprise system, which is in practice materialist (whatever else it claims or supposes itself to be), as they would be under an atheist Socialism, if one were ever to deliver that material abundance that all promise….For, if man's 'heroism' (some will prefer to say: 'human dignity') no longer derives from God…then Man becomes merely the most consuming of animals, with glut as the condition of his happiness. And this, of course, suits the author's economics and the politics that must arise from them…

"Something of this implication is fixed in the book's dictatorial tone, which is much its most striking feature. Out of a lifetime of reading, I can recall no other book in which a tone of overriding arrogance was so implacably sustained. Its shrillness is without reprieve. Its dogmatism is without appeal… The same inflexibly self-righteous stance results, too…in odd extravagances of inflection and gesture — that Dollar Sign, for example. At first, we try to

tell ourselves that these are just lapses, that this mind has, somehow, mislaid the discriminating knack that most of us pray will warn us in time of the differences between what is effective and firm, and what is wildly grotesque and excessive. Soon we suspect something worse. We suspect that this mind finds, precisely in extravagance, some exalting merit; feels a surging release of power and passion precisely in smashing up the house…" [239]

Paul Ryan's Speech to the Atlas Society

In 2005 Roman Catholic Republican Rep. Paul Ryan delivered a speech at The Atlas Society's "Celebration of Ayn Rand" gala, where he extolled Rand, and in particular her book, *Atlas Shrugged*:

"I just want to speak to you a little bit about Ayn Rand and what she meant to me in my life and (in) the fight we're engaged here in Congress. I grew up on Ayn Rand, that's what I tell people…you know everybody does their soul-searching, and trying to find out who they are and what they believe, and you learn about yourself.…I grew up reading Ayn Rand and it taught me quite a bit about who I am and what my value systems are, and what my beliefs are. It's inspired me so much that it's required reading in my office for all my interns and my staff. We start with *Atlas Shrugged*. People tell me I need to start with *The Fountainhead* (Rand's other novel), then go to *Atlas Shrugged*. There's a big debate about that. We go to *Fountainhead*, but then we move on, and we require (Ludwig von) Mises and (Friedrich) Hayek as well.

"…And when you look at the twentieth-century experiment with collectivism—that Ayn Rand, more than anybody else, did such a good job of articulating the pitfalls of statism and collectivism—you can't find another thinker or writer who did a better job of describing and laying out the moral case for capitalism than Ayn Rand.

"…It's so important that we go back to our roots to look at Ayn Rand's vision, her writings, to see what our girding, under-grounding (sic) principles are. I always go back to, you know, Francisco d'Anconia's speech (at Bill Taggart's wedding) on money, when I think about monetary policy. And then I go to the 64-page John Galt (the hero of *Atlas Shrugged*) speech, you know, on the radio at the end, and go back to a lot of other things that she did, to try and make sure that I can check my premises so that I know that what I'm believing and doing and advancing are square with the key principles of individualism…

"Is this an easy fight? Absolutely not…But if we're going to actually win this we need to make sure that we're solid on premises, that our principles are well-defended, and if we want to go and articulately defend these principles and what they mean to our society, what they mean for the trends that we set internationally, we have to go back to Ayn Rand. Because there is no better place to find the moral case for capitalism and individualism than through Ayn Rand's writings and works."

In an Aug. 20, 2012 column, Catholic Archbishop Samuel J. Aquila of Denver, Colorado wrote, "…claims that Paul Ryan's (budget) plan run deeply counter to Catholic social teaching are unfounded and unreasonable."

In the summer of 2012, when he was named Mitt Romney's Republican vice-presidential running mate, it appears that it was decided that Mr. Ryan's adulation of Rand might harm the duo's election chances, and Ryan subsequently distanced himself from his Russian-American guru. The *New York Times* mocked his hypocrisy after he used St. Thomas Aquinas as a cloak for his usury-based budget: "…when his embrace of Rand drew fire from Catholic leaders, Mr. Ryan reversed course with a speed that would make his running mate, Mitt Romney, proud. 'Don't give me Ayn Rand,' he told *National Review* earlier this year. 'Give me Thomas Aquinas.' He claimed that his austere budget was motivated by the Catholic principle of subsidiarity…Mr. Ryan has attempted a pirouette, but it is too late: driven by the fever of the Tea Party and drawing upon a wellspring of enthusiasm for Rand, politicians like Mr. Ryan have set the philosophy of *Atlas Shrugged* at the core of modern Republicanism…" [240]

Despite its center-Left political orientation, the *New York Times* has a lingering affection for Rand and sought to rehabilitate her reputation from a presumed taint resulting from her following among "Christian" social-conservatives, who the executives at the *Times* abhor: " … modern conservatives ignore the fundamental principles that animated Rand: personal as well as economic freedom. Her philosophy sprang from her deep belief in the autonomy and independence of each individual. This meant that individuals could not depend on government for retirement savings or medical care. But it also meant that individuals must be free from government interference in their personal lives. Years before Roe v. Wade, Rand called abortion 'a moral right which should be left to the sole discretion of the woman involved.' …These aspects of Rand do not fit with a political view that weds fiscal and social conservatism. Mr. Ryan's selection as Mr. Romney's running mate is the kind of stinging rebuke of the welfare state that Rand hoped to see during her lifetime. But…(a)s a woman in a man's world, a Jewish atheist [241] in a country dominated by Christianity, and a refugee from a totalitarian state, Rand knew it was not enough to promote individual freedom in the economic realm alone." [242]

Janet Maslin writing in the *New York Times,* Oct 21, 2009: "…Rand's popularity has endured, not only among college students…but also by entrepreneurs. From the young Ted Turner, who rented billboards to promote the 'Who is John Galt?' slogan from *Atlas Shrugged*, to the founders of Craigslist and Wikipedia…"

Adam Kirsch, *New York Times,* Oct. 29, 2009: "At 'tea parties' and other conservative protests, alongside the Obama-as-Joker signs, you will find placards reading 'Atlas Shrugs' and 'Ayn Rand Was Right.' Not long after the inauguration (of Obama), as right-wing pundits like Glenn Beck were invoking Rand and issuing warnings of incipient socialism, Representative John Campbell, Republican of California, told a reporter that the prospect of rising taxes and government regulation meant 'people are starting to feel like we're living through the scenario that happened in *Atlas Shrugged*.'

"…in a poll in the early '90s, sponsored by the Library of Congress and the Book of the Month Club, 'Americans named *Atlas Shrugged* the book that had most influenced their lives,' second only to the Bible…'

"In 1949, Rand was living with her husband…Frank O'Connor, in Southern California…Then she got a fan letter from a 19-year-old college freshman named Nathan Blumenthal and invited him to visit. Rand…quickly fell in love with this confused boy, whom she decided was the 'intellectual heir' she had been waiting for.…When Blumenthal, who changed his name to Nathaniel Branden, moved to New York, Rand followed him; she inserted herself into her protégé's love life, urging him to marry his girlfriend; then Rand began to sleep with Branden, insisting that both their spouses be kept fully apprised of what was going on…the Brandens formed the nucleus of a growing group of young Rand followers…Rand 'charmed so many young people into quoting John Galt (hero of *Atlas Shrugged*) as religiously as clergymen quote Matthew, Mark, Luke and John."

"Free market" Capitalism is among the most revolutionary of all of modernism's constituent factors, representing an enormous break with Christendom. Ersatz "Christian Conservatives" of the type who predominate now, prattle ceaselessly about getting back to the basics, educating their young people in the classics, reviving traditional liturgy and the ideology of the American Republic, and other rhetoric of this sort in vogue on the Right.

This is a movement that *pretends* to want to cultivate what is most authentic about our heritage, culture and religion, while forgetting that this cannot be done while the plague of usury stalks our land.

Most of the "conservative" and "traditional" movements in our nation are so fundamentally compromised, so drowned in doublethink as to be, at their heart, a type of self-delusion for the benefit of assuaging their own profoundly troubled consciences. An honest revival of our heritage, as opposed to going through the motions, would mean that we would, each of us, become the most radical members of modern society. America is suffused with the cult of the new; with all that represents trends and innovation, and this is true even inside the churches. By "radical" we signify membership in the Christian counter-culture. In response to the world, the Gospel of Christ is necessarily counter-cultural. Long before the "60s counterculture" occurred, authentic Christians were witnesses throughout history against the corruption wrought by criminal politics, militarism and bloodshed, and the fashions both of the mind and the body as established by the trends, fads and consensus reality of the world. Acceptance of the ethical correctness of charging interest on money is a universal consensus of the modern world. It would be difficult to find a soul-damning sin more prevalent and unthinkingly accepted as the norm, as proper and morally right, than the sin of usury and all the sins of greed that attend upon it.

In north Idaho the formerly pristine Rathdrum prairie is increasingly crammed with cheap, ugly houses built five or more to an acre. Millionaires can escape this blight but the regular guy has lost the beauty of the landscape and hence, a part of his soul. No yardstick has yet been found to adequately measure the psychic and spiritual loss and disconnection which this money-mad development has perpetrated on the land, which is God's property, not man's. Man is merely the steward.

"Is it not enough for you to feed on the good pasture, that you must tread down with your feet the rest of your pasture; and to drink of clear water, that you must muddy the rest of the water with your feet? And must my sheep eat what you have trodden with your feet, and drink what you have muddied with your feet?" (Ezekiel 34: 18-19). Considerations like this are wholly alien to the economic philosophy of materialism promoted by those who adorn themselves with the Cross of Christ while embracing the Dollar Sign of Antichrist.

8

On Quality of Life
Ezra Pound, Wendell Berry, Arthur Penty, Vincent McNabb, John Ruskin

Because your avarice afflicts the world, trampling the good and lifting the depraved: ye have made yourselves a god of gold and silver; And from the idolater how do ye differ?

Dante, The Inferno (XIX)

Fecundity vs. usura

In his book *Citizenship Papers*, [243] Christian farmer-philosopher Wendell Berry of Kentucky, argues that the George W. Bush administration and its "Conservative Republican" supporters, adopted a claim to a sort of official Christianity whose religion is the "free market." In the name of Christ, Bush and his cohorts sacrificed to this religion our communities, farmers and farmlands; our self-sufficiency and our dignity as laborers, which were in days of yore endowed by the God of the Bible and the precepts of the ancient Church with the inalienable right to a living wage for their toil, and a just price for their goods.

In his Cantos, Ezra Pound described usury as *contra naturam*, a sin against nature:

With ursura, sin against nature,
is thy bread ever more of stale rags
is thy bread dry as paper,
with no mountain wheat, no strong flour
Usura slayeth the child in the womb
It stayeth the young man's courting
It hath brought palsey to bed, lyeth
between the young bride and her bridegroom
CONTRA NATURAM
They have brought whores for Eleusis
Corpses are set to banquet
at behest of usura.
(Canto XLV)

The masterstroke of the Cryptocracy has been to eradicate among Christians in our time passionate indignation and protest against a U.S. economic system based on usury. The modern "Christian Conservative," consumed with a crusade against homosexuals, abortion and Islam, is often blind to the insidious evil that is father to all the rest, the present usurious economic system which wars upon every working American for the benefit of those who operate and profit from such exploitative warfare.

With Ezra Pound, we observe that usury is *the cause, rather than the effect* of that which "slays the child in the womb" (abortion), "stayeth the young man's courting" (penury) and "lyeth between the young bride and her bridegroom" (contraception). [244] The prime offenders are private banks, which are empowered to create money, or credit, out of nothing.

It is on behalf of this wicked system that, since Sept. 11, 2001, many Americans of a slave orientation are flag-waving themselves into a jingoist stupor as they celebrate and defend their own executioners and worst enemies, in a remarkable display of mass psychosis. Our people are ensnared by a profound failure of imagination, or *vision*, as the Old Testament termed it. The failure to be sufficiently radical, by dealing with effects, rather than causes, is to ensure one's own failure.

Our fellow citizens are ignorant of Christian economics and of the historic opposition of the Church to the heinous crime of usury. The history of western civilization's campaign against usury is not studied in school; it is not preached on Sunday, and is not reported in the media, thus it has lapsed into near total oblivion.

Depraved Economics Breeds Depraved Morals

Contemporary 'Conservatives' seldom make the connection between a depraved economic system and depravity of morals among a passively consumptive, dehumanized populace possessed of disposable income and unlimited wants. These "Conservatives" view Communist economics as a great evil, but never the Capitalist. But as Wendell Berry observes:

"Communism and 'free market' Capitalism both are modern versions of oligarchy…The fraudulence of these oligarchic forms of economy is in their principle of displacing whatever goods they recognize (as well as their debts) from the present to the future…Communists and Capitalists alike have needed to replace genuine religious faith with some form of determinism, so they can say to their victims…. 'It's inevitable."

Predatory Capitalism hides the destruction it wreaks through a process of *false accounting,* substituting for the real economy of creative labor and natural production, the symbolic economy of money "which cannot symbolize or account for anything but itself. And so we have before us the spectacle of unprecedented 'prosperity' and 'economic growth' in a land of degraded farms, failing families and perishing communities."

The Wal-Mart behemoth, in search of ever more bloated profits, is free to devastate communities, and eradicate ("compete against") small, local,

Mom-and-Pop enterprises, and this corrosive greed is saluted by preachers, pastors and patriots as "the American Way" which ought to be exported to usury-free Islamic lands as the wondrous gift of America, because after all, "God loves America."

In this respect, "Christian" Capitalism is far more hypocritical than Communism, for the Communists did not blasphemously invoke God as a cover for their crimes, yet somehow "Conservatives" in America feel impelled to drag God into their dog-eat-dog corporate system and invoke His mantle as justification for the unbridled money-worship that is turning towns once full of neighborhoods, into suburbs crammed with soulless housing developments, ripping communities that are indispensable to the spiritual well-being of a nation to pieces, and creating the symptoms of rootlessness and alienation which manifest in our young people as drug addiction, suicide, squalor and perversion, and in our elderly as extraordinary isolation and loneliness. An example of how the soul of Americans is being rotted by this system is recounted by Wendell Berry:

"I remember speaking with the owner of a small, independent drugstore who told me that he had seen his customers drifting away to the chain stores, but he said they remained *his* faithful customers when they needed medicine late at night. That is to say, they were members of 'the market economy' when they were looking for a bargain, but they returned to membership in the local community when they needed a neighbor — a fickleness that obviously cannot be kept up indefinitely."

Loyalty to one's home-place, the obligation to protect the neighborhood and the community as a locus of ennobling and humanizing values and folkways worthy in themselves, apart from any immediate gain on the profit-ledger, is derided by the globalists as "protectionism," as if the preservation of the neighborhood where the Christ-centered practice of neighborliness is made possible, is some kind of sinful subversion. Berry:

"A corporation, essentially, is a pile of money to which a number of persons have sold their moral allegiance. Unlike a person, a corporation does not age…it does not come to see the future as the lifetime of the children and grandchildren of anybody in particular. It goes about its business with the single purpose of becoming a bigger pile of money. The stockholders are essentially usurers, people who 'let their money work for them,' expecting high pay in return for causing others to work for low pay. The World Trade Organization enlarges the old idea of the corporation-as-person by giving the global corporate economy the status of a super-government with the power to overrule nations. I don't mean to say, of course, that all corporate executives and stockholders are bad people. I am only saying that all of them are very seriously implicated in a bad economy."

To write of usury as a cancer eating out the bowels of our civilization as an underlying *cause* of the *symptoms* of decay, will strike some Americans as utterly bizarre as the babbling of a Martian, because no prominent Christian leader has railed against this scourge since the days of C.H. Douglas in Canada and Dorothy Day in the U.S.A.

"The usurers of Pound's *Canto*...owe their identities to C.H. Douglas' historical analysis, but we can trace their configurations…to *Inferno* XIV, where usurers squat 'like dogs in summer that ply, now snout, now paw, when they are bitten by fleas or gnats or flies.' In the end, we must acknowledge that Dante combined with Douglas in Pound's mind to make usury not just a contemporary problem, but the *Cantos*' most important emblem of the fall of the 'green world' of natural bounty. The Cantos condemn *usura,* the 'obsession of wealth defined in terms of money,' not just because it interferes with an artist's creation ('Came not by usura Angelico'), but because it perverts the bounty and sustenance of God's art, which is nature." [245]

"Conservatives" proclaim their allegiance to a financial system that squats like a vulture upon the smoking ruins of the Christian commonweal. Their decayed memories are empty of the ancient knowledge that Christendom did not regard interest banking as reaping ethical or legitimate earnings. Rather, the Church rightly viewed gain from interest as *unearned* profit, i.e. *theft.* Contemporary "Conservatives" have conserved none of this once sacred wisdom — they are wreckers, not conservatives. Rather, they treacherously certify the mythical Christian character of the wreckage that constitutes the buccaneers' status quo. The word "Conservative" has devolved into Newspeak, a debased form of communication which makes it "impossible to mean what we say."

All of the politicians who become "immortal statesmen" in the eyes of the media, Ronald Reagan being the most recent example, have achieved this lofty status by certifying the need for constant change. The rootless cosmopolitanism that was once characteristic only of gypsies and nomads has now become the celebrated ethos of "Christian America."

America was not founded on the metropolitan model, however, but upon the vision of agrarianism, which was itself an American interpretation of an old Biblical value. Berry gives an account of his life as a young student in Italy, in the region of Tuscany. He observed the way the land there was cultivated:

"It was a way of farming that was lovingly adapted to its place. It was highly diversified. It wasted nothing. It was scaled to permit close attention to details. It was beautiful. I began to understand that probably the supreme works of art in Tuscany were its agricultural landscapes. This daily work of art was very old. The terraced slopes and small valleys had been farmed in essentially the same way by essentially the same people for centuries. Through all that time, these people had performed a continuous act of fidelity to the land. They had maintained their work and their faithfulness through hardships of every kind."

"We will discover that…our destruction of nature is not just bad stewardship, or stupid economics, or a betrayal of family responsibility; it is… horrid blasphemy. It is flinging God's gifts into His face, as if they were of no worth beyond that assigned to them by our destruction of them. To Dante, 'despising Nature and her goodness' was a violence against God. We have no entitlement from the Bible to exterminate or permanently destroy or hold in contempt anything on the earth or in the heavens above it or in the waters beneath it. We have the right to refuse the gifts of nature but not to ruin or waste them. We have the right to use what we need but no more, which is why the Bible forbids usury and great accumulations of property.

"…When humans presume to originate value, they make value that is first abstract and then false, tyrannical and destructive of real value. Money value, for instance, can be said to be true only when it justly and stably represents the value of necessary goods, such as clothing, food and shelter… Humans can originate value money in the abstract, but only by inflation and usury, which falsify the value of necessary things and damage their natural and human sources. Inflation and usury and the damages that follow can be understood, perhaps, as retributions for the presumption that humans can make value.

"…if Christianity is going to survive as more than a respecter and comforter of profitable iniquities, then Christians, regardless of their organizations, are going to have to interest themselves in economy — which is to say, in nature and in work. They are going to have to give workable answers to those

who say we cannot live without this economy that is destroying us and our world…" [246]

The memory and affections of the American people have been alienated from the land. The land is no longer a work of agrarian art for them, but an empty quarter that should be "developed." The deep disorder and psychic malaise afflicting America, which emerged into the open at Abu Ghraib prison in Iraq, where helpless Arab captives were made to strip naked, pantomime perverted sex acts and perform these acts for recordings on home video, is not just a matter of the failure of American schools or parental upbringing in the home. Increasingly, American youth inhabit the landscape of nowhere; a cash-register geography that consists of the same string of fast-food joints and chain stores from Hoboken to Houston. In these canyons of sterility, displacement, rootlessness and deracination are pandemic. No Communist or Muslim raped America in this way. Her agrarian principles, her Biblical vision of the land as a sacred trust, were torn away and dumped into the refuse bin of history by the usury of the banks, the respectable Chamber of Commerce and the revered Fortune 500, amid the sybaritic complacency, conformity and Scripture-twisting of our "ministers of the gospel."

Rev. Fr. Vincent McNabb

Fr. McNabb (1868-1943) was an example of the spirit of Aquinas, very much alive in a Catholic priest in the early twentieth century, despite the modernism and heresy burgeoning from within the hierarchy of his own Church. He celebrated the small, independent farms, hand-crafts, local produce, weaving and rural path of the English and Irish yeomanry, as an aid to salubrious, Christ-like living and holiness. We have found Fr. McNabb's pro-life, anti-Mammon current in many Catholics. It is as though God has miraculously preserved the spirit of the Gospel — even the spirit of St. Anthony of Padua at the funeral of the usurer — in at least a sizable minority of contemporary Catholics, despite unconscionable betrayals of Luke 6:34-35 by their shepherds.

Decades ago the majority of the Catholics we encountered — whether they were welders, farmers and carpenters, or businessmen and industrialists — seemed to harbor a suspicion of wealth, a real concern for the poor, and a spirit of generosity. It has only been since the 1990s that we have noticed a creeping, acquisitive attitude in younger Catholic activists enamored of Mises, Rand and libertarianism, and proud of their Me generation's greed-is-good cupidity; a pride which carries with it a certain shamelessness.

If we were asked to distill the faith and mission of the early Puritans to a single essence, we would say that it was a burning desire to order the world according to Biblical standards, beginning with those passages in the Old Testament which contain the eternal law of God, rather than the ceremonial rules. Specifically, we would cite the Mosaic Law, and with regard to combatting the greatest evil of all, the early Puritans found the remedy for it in the divine economics of the Pentateuch. We have lost our way today because we do not proceed from first principles. We do not look to the fundamentals. We have a pathological need for complexity, for making matters more complicated than they need to be. In the all-important realm of choosing to obey God's plan for money and finance, rather than falling for man's rebellious refusal of the divine order, which has resulted in convoluted and competing economic systems which that rebellion has generated, Fr. Vincent McNabb, the crusading Catholic economist, like the early Puritans, stood with Moses:

"There is a likelihood that the Bible, which, as a book of dogma and morals, has largely lost its hold upon modern minds, may be able to recover its hold as a book of economics. Nor is this to be wondered at; unless, indeed, men fail to realize that those dogmas and ethics which yield no fruit of sound economics can hardly be accepted as themselves sound. St. Thomas Aquinas in the thirteenth century was among the first to recognize in the Mosaic code of laws a collection of economic principles, which was of first importance to the Europe of his day. His work in summarizing and, if we may be allowed the phrase, in codifying the Mosaic laws has made his *Summa Theologica* one of the indispensable introductions to scientific economics." [247]

What McNabb was saying is: *to Moses through Aquinas*. The most direct route is by way of St. Thomas's nonpareil masterwork, the *Summa*. [248] The destination is reached when we become obedient to God's law; when the mortal sin of charging interest on loans of money is condemned and everywhere exposed and avoided, something which Fr. McNabb, burdened by the sophistry of the popes of usury, could not accomplish. Nonetheless, we cannot withhold our admiration for him when he writes of that lay saint, the poverty-stricken poet of the streets, Francis Thompson; humbly confessing his sin of neglect toward Francis, and recounting how Thompson's life embodied Christ-like virtues: "It was the boldness of Francis Thompson in an age of agnosticism and mammon to offer the incense of poetry to the true God.[249] The spirit of the "*Il Poverello,*" and Anthony of Padua seems to have never completely abandoned the Catholic people. Pre-Vatican II Roman Catholic culture in Ireland, Britain and the United States hammered mammonism relentlessly in sermons and books. This was a cultural signifier among the Catholic layfolk and their priests.

Protestants on the other hand, indoctrinated to believe that their church was birthed by grizzled men whose eyes twinkled with dollar signs and whose hands were stained with gold dust, has sometimes not benefited from a sense of itself as having reproved the vice of greed with the same fervor and dedication with which it pursued its protest against the corruption of Rome, and its horror of the ancient Catholic Mass. [250]

Arthur Penty & the Medieval Guild Alternative

British philosopher Arthur Penty was a Christian economist, part of the "Distributist" school which opposes Capitalism in part because they believed its debt-dependent, "monopoly-driven" finance is an enemy of Christianity and man's "peace of soul." But whereas Wendell Berry is a classical liberal in the old Victorian sense, Penty's worldview, like that of John Ruskin, is deeply grounded in the medieval model and "the re-establishment of the Guild system" which "was the centerpiece of Arthur Penty's Distributist vision of a reformation of human economy and society." By the Guild system is meant the institution of a system of just and fixed prices maintained by the master craftsmen of the Guild itself (not bureaucrats), coupled with the insistence on the payment of a living wage.

"…economic liberty would be achieved precisely by the suppression of the capitalists' 'right' to set prices according to 'market forces.' In the fixing of prices at a just rate, you would have the entrance of moral considerations into the economic calculus … the intrinsic value of the work of a man would be considered, rather than just questions of 'profitability."[251] Penty expanded on this:

"Unregulated currency gradually disintegrated the civilizations of Greece and Rome, and mankind had to wait until the Middle Ages before a solution was forthcoming, when it was provided by the Guilds in the light of the teaching of Christianity…What then was the solution provided by the Guilds? It was to stabilize currency by the institution of a Just and Fixed Price…They taught that to buy a thing for less or to sell a thing for more than its real value was in itself unallowable and unjust, and therefore sinful…

"This doctrine — that wares should be sold at a Just Price — together with another — that the taking of interest was sinful — was insisted upon by the Church, and obedience enforced from the pulpit, in the confessional and in the ecclesiastical courts," as well by the Guilds themselves, "whereby alone the reputation of the Guild for honorable dealing and sound workmanship can be carried on from generation to generation." Profiteering was

punished by fines and in repeat offenses, by expulsion from the Guild, whereby a "man lost the privilege of following his trade or craft in his native city." Penty further observes: "…when in the thirteenth century the validity of the Just Price came to challenged by the lawyers, who maintained the right of every man to make the best bargain he could for himself, the moral sanction on which the maintenance of the Just Price ultimately rested, was undermined…"

Penty and his colleagues offered insight into how Capitalism uses debt to "anesthetize the populace" through the availability of "easy credit, which ultimately is not 'easy' at all on the borrower…Since we seem to be able to get all the things that we want, the reality of real money being increasingly unavailable to the average man is lost in the delusional state of the consumerist utopia. Only when the 'benefit' of usurious credit is cut off do we realize the full extent of the problem and the debt-slaves begin to rise up."

Penty shows how the human spirit is impoverished by predatory Capitalism, striking at the heart of the contemporary debate over the loss of character in our leaders and youth. Fans of the current American system-of-things want to solve this dilemma by slapping externals and bromides onto our young people, who are urged to "discipline themselves, seek moral guidance, develop self-control." To this is added a lament over single-parent households, feminism and the decline of the family. Yet all of these symptoms are traceable to the usury system of economics that is immune to criticism in these circles, being in these people's minds, an axiom of American and Christian liberty.

The critical failure of vision is to be found in the inability to see "free market" Capitalism as *a revolutionary departure* from western civilization and Christian ethics. As Penty writes, "Aristotle and Aquinas each desired to restrict foreign trade within the narrowest limits, because of the economic and moral disorders which they recognized followed in their wake…It is only when a people live a local life, are rooted in local traditions, that they develop character…"

Underneath this departure from immemorial tradition is, according to Penty, the charlatans' mind control mantras of "progress" and "futurism":

"The charlatan, by appealing to the future while denying the past, discounts beforehand any possible criticism of his position, and cajoles the public into acquiescing in things they know to be wrong. Worst of all, belief in progress has silenced intelligent discussion of social and economic questions with the slogan, 'We can't go back,' unmindful of the fact that history abounds in such returns…Theories of Social Evolution provide a pseudo-scientific sanction to the idea of Progress."

Penty, like Pound, invokes the spiritual dimension of beauty and Art in traducing the severe decline in the ennoblement of man that is brought about by the Capitalist system. For example, he solves the riddle of how the process of "dumbing down to the lowest common denominator" that bedevils our culture across the board, from education to media, came to be:

"…the Qualitative Standard of the art inevitably conflicts with the Quantitative Standard of industrialism. It comes about this way. If you produce in (massive) quantities, you must, if you are to sell your products, take the world as you find it. From this it follows that you exclude everything that is above average….But to exclude everything that is above average is to exclude the best men and things. And this, in the long run, is fatal to society, for unless average men are in contact with persons and things higher than themselves, they tend, progressively, to degenerate. Society loses its salt by being deprived of true leadership, and because of this, the theory of averages in industry, as in politics, leads ever to a lower level…Well has it been said that our high standard of living is not really a high standard of living at all, but a high standard of wasting." [252]

Alas, Penty's admirable articulation of wisdom such as this, is disfigured in certain respects. In a brief digression into the jingoism of the wars of religion, he accepts at face value the poorly researched claims of Hilaire Belloc and other defenders of the star-chamber, "divine right" rule of the Anglican King Charles I. He reanimates stereotypes about the Puritans being "invariably" miserly Capitalists. He revives the canard that the Old Testament teaches that the virtuous man becomes materially prosperous; that the Puritans are "inhuman and anti-asethetic" and the "spirit behind industrialism." These reckless generalizations are grossly unfair, particularly in light of his own failure, common to many Catholic social justice and "distributist" activists, to offer one word of lament or warning concerning the popes who enabled usury. Penty's book is also peppered with troubling statements equating freedom of speech with "Liberalism," insinuating support for the abridgment of free speech and the use of force against "heretics." Penty's insights into modern commerce and the medieval system of social justice are sufficiently thought-provoking to merit consideration in spite of his errors.

John Ruskin

John Ruskin (1819-1900), of Scottish descent, was a product of a strict evangelical Protestant upbringing in England. An economic thinker as well as an aesthete, he combined extraordinary insight into medieval Catholic Gothic architecture, with fidelity to medieval Catholic economic teaching. Ruskin was Slade Professor of Fine Art at Oxford University and the bane of Victorian-era usurers. His many studies of art include *The Seven Lamps of Architecture*, and *The Stones of Venice*. His essay in volume two of the latter work, "The Nature of the Gothic," is suffused with exquisite discernment of the Christian spirit of the architecture of the Middle Ages.

In the 1870s Ruskin began to address a series of public letters to the English working class. One of these made its way into the literary magazine, *Contemporary Review,* in the December, 1879 issue. Ruskin's missive read in part: "I have never yet heard so much as *one* (preacher) heartily proclaiming against all those 'deceivers with vain words' that no 'covetous person, which is an idolater, hath *any* inheritance in the Kingdom of Christ and God;' and on myself personally and publicly challenging the Bishops of England generally, and by name the Bishop of Manchester, to say whether usury was, or was not, according to the will of God. I have received no answer from any one of them."

The Anglican Bishop of Manchester, Dr. James Fraser, sent a reply which was published two months later, along with Ruskin's rejoinder. [253] Bishop Fraser wrote, "…in the old law there is no denunciation of usury in general…It seems to me plain also that our Blessed Lord's precept about 'lending, hoping for nothing again' (Luke vi. 35)…was simply intended to govern a Christian man's conduct to the poor and needy…and cannot, without a violent twist, be construed into a general law determining forever and in all cases the legitimate use of capital."

In the words of a Ruskin biographer, Edward Cook, Ruskin's rejoinder "proceeds with ruthless exactitude" in "the condemnation of 'usury' by the text of the Bible and by the authority of learned divines." He begins his rejoinder to the bishop by quoting a prayer recited in the Church of England:

"Have mercy upon all Jews, Turks, infidels, and heretics, and so fetch them home, blessed Lord, to Thy flock, that they may be saved among the remnant of the true Israelites."

Ruskin then asks, "Who *are* the true Israelites, my Lord of Manchester? …Have they any underhanded dealings with the liable-to-be-damned false

Israelites: Rothschilds and the like?

"…What I mean by that word (usury), my Lord…(is) what David and his Son (Jesus) meant by it. I have prayed your Lordship to tell your flock, in the name of the Church which dictates the songs of the one, and professes to interpret to them the command of the other. And although I can easily conceive that a Bishop at the court of the Third Richard might have paused in reply to a too curious layman's question of what was meant by "murder," [254] and can also conceive a Bishop at the court of the Second Charles hesitating as to the significance of the word Adultery[255]…at no time, nor under any conditions, can I conceive any question existing as to the meaning of the words...*foenus, usura*, or usury: and I trust that your Lordship will at once acquit me of wishing to attach any other significance to the word than that which it was to the full intended to convey on every occasion of its use by Moses, by David, by Christ, and by the Doctors of the Christian Church…Usury in any degree is asserted by the Doctors of the early Church to be sinful, just as theft and adultery are asserted to be sinful, though neither may have been accompanied with violence; and although the theft may have been on the most splendid scale, and the fornication of the most courtly refinement…."

"Thy True Heritage"

It may seem like the height of naiveté and pipe-dreaming in this "money-get mechanic age," as playwright Ben Jonson presaged our modern era, to do battle against a seemingly Universal Shylock System. Yet that system, in planetary terms, is not as all-encompassing as the Federal Reserve Bank and the International Monetary Fund would wish; several hundred million Muslims have not yet succumbed to it, and it is also in broad disrepute in Latin America.

Here in the United States, Shylock's prize cheap labor colony, the battle for the good and the true, and what the Old Testament terms "the old paths," is more than a matter of economics. How we order commerce and trade is but a reflection of the spiritual consciousness we choose to project and by which we envision the world. The whole point of berating mammon worship is to give testimony to a higher power. Contrary to the delusions of the age, we do not preserve our families or our nation by money and materiel, but by a transcendent and indestructible love that no power on earth can take from us.

"What thou lov'st well shall not be reft from thee/What thou lov'st well is thy true heritage." (Ezra Pound).

9

"Jewish" Usury

If but a probable suspicion arose
of a man to occupy that filthy trade [256]
He was taken for a devil in the likeness of a man.
But good Lord, how is the world changed?

That which infidels cannot abide, Gospellers allow,
That which Jews take only of strangers
and will not take of their countrymen for shame,
That do Christians take of their dear friends
and think for so doing they deserve great thanks.

Thomas Rogers
Good Lord, how is the world changed? [257]

The erudite Puritan compiler of the customs of Shakespearean England, Philip Stubbes, wrote, "…he that kills a man, rids him of his pains at once, but he that takes usury is long in butchering his patient, suffering him little by little to anguish and sucking out his heart blood…a usurer is worse than a Jew, for they to this day will not take any usury of their brethren, according to the law of God." [258]

Rogers and Stubbes were not alone in breaking with our modern observers of the history of usury who regard it as having been largely a case of "Jews" preying on Christians. The idea that Christian usurers were worse than "Jews," was widespread in the Middle Ages and the Renaissance; a sentiment that is mostly lost to history now. St. Bernard of Clairvaux asserted that some Christian moneylenders acted "worse than any Jew."[259] Even though it is little remarked upon or studied, St. Bernard's sentiment was not uncommon among Christian leaders of his or subsequent eras. [260]

We could not write of usury in Christendom without touching upon the "Jewish" role, of course. In most modern books on the subject, this "Jewish" role occupies the whole or the better part of the entire study. For us it is the reverse. Our concentration is on bringing into focus the largely neglected chronicle of non-Judaic usury in Christendom, which has generally escaped scrutiny. In the history of ideas, the ideology responsible for gentile usury has successfully eluded study, and therefore it has also escaped responsibility for the legacy of its sins and crimes.

There is no doubt however, that Christendom was much occupied with the Judaic variety:

"The term 'usurer,' meaning either 'illicit moneylender' or simply 'moneylender,' was considered practically synonymous with the term 'Jew.' Many thirteenth-century discussions of usury perpetuated these impressions: Robert de Courson, for example, stated in the section of his *Summa* dealing with usury that 'Jews have nothing except what they have gained through usury.'

"This sentence is repeated verbatim in the contemporary *Summa* for confessors by the English cleric Thomas of Chobham (formerly a colleague of Courson at the University of Paris), and probably reflects widespread popular conceptions in England and on the Continent…by the early thirteenth century lending at interest had indeed become an important factor in Jewish economic life…Similarly, the term 'usurer' was used virtually interchangeably with 'Jew' in secular texts, and regulation of usury generally figures prominently in sections of both secular and ecclesiastical legislation assigned to Jewish issues. The Fourth Lateran Council's legislation concerning usury, for example, occurs in the context of the canons dealing with the Jews. The employment of images of Jews to illustrate textual references to usurers in the *Bible moralisée* mirrors this tendency to equate the terms.

"However, the concept 'Jew' was not only employed by Christian theologians as a synonym for 'usurer'; it also frequently functioned as a synecdoche (a figure in which a less inclusive term is used for a more inclusive term), as 'Jews came to stand for the entire practice of moneylending and its negative economic effects as a whole. Bernard of Clairvaux used the term *judaizare* to mean any form of moneylending, and the Council of Paris (1213) called financial institutions 'synagogues for the wicked." [261]

"Judaizers" and "Judaizing"

While Judaic usury was considered particularly malevolent, in that it was perhaps, more often than not, used as a weapon of warfare by people outside the Christian ethos and distinctly hostile to it, there has been an attempt to paint the Christian campaign against usury as predominantly a racist ("anti-semitic") act, with canon law and secular legislation targeting usury among gentiles mostly an afterthought, or a by-product of "biased" agitation aimed primarily at Judaic usury. This hypothesis rests on the supposition that a hidden agenda was at work and that usury was not the principal offense. Rather, the actual transgression supposedly consisted in being of Judaic descent. Gavin I. Langmuir writing in his *Toward a Definition of Antisemitism*, [262] states, "Although there is no doubt that Jewish moneylending began to arouse hostility in northern Europe by the middle of the twelfth century, it was their Jewishness rather than their 'usury' that made their lending seem particularly bad." Mr. Langmuir's allegation is an extreme distortion. As we have seen, prior to the Renaissance, usury by *anyone* was a grievous transgression on the basis of the inherent moral turpitude present within the act itself. The claim that usurers were pursued mainly based on "anti-semitic" criteria is not sustained by the documentary record. Such a perception presupposes that gentile usurers were left unmolested to ply their trade. Actually, the reverse was true. In many cases usury was permitted to Judaic persons, in part because they were unbaptized and therefore outside the jurisdiction of Church discipline, [263] as well as due to the chicanery and criminal politics of certain "Christian" rulers who sought usurious financing and went beyond the Christian community to obtain it.

These monarchs and aristocrats, even before 1500, permitted some degree of license for Judaic usury, partly to finance their own various enterprises and wars, (or with a view to taxing Judaic usury and gaining revenue from it), while mostly forbidding the gentile version, except in certain city-states of Italy such as Venice and Florence which gave birth to gentile usury. "In 1396, the Florentine commune instructed the priors to invite the Jews to lend in

the city, but the proposal was not implemented…In 1430, there was another fruitless attempt to invite the Jews into Florence; only with the rise of the Medici, at the end of 1437, did Jewish money-lenders begin to operate in Florence…money-lending in Florence itself, unlike in the surrounding territory, [264] was practiced only by Christians as there were no Jews living in Florence (in the fourteenth and early fifteen centuries)." [265] Another factor to ponder is the degree to which "Christian" usurers helped to make an issue out of Judaic usury as a smokescreen to draw attention from their own usury. This ploy has cachet even today when Christian discussion of usury is misdirected by associations in the public mind with the "Jewish Shylock," since so little is known about the gentile Shylock, with the exception of another stereotype, the Puritan/Calvinist who is inevitably portrayed as both a usurer and a "Judaizer." [266]

In truth, interest on money obtained de facto permissibility in the West, due to a gradual relaxation of usury law enforcement by the Catholic Church, sparked by toleration for usury on the part of radical, but eventually mainstream, Roman Catholic theology that gained the attention of early Protestant thinkers and leaders. The perspective on the roots of usury in western Christendom has been misdirected by a focus that has been almost exclusively on the "Jews" and their supposed subversive agents, "the Protestants."

Judaic financiers who came to be allied with gentile banking houses, gained firm purchase in the West as a result of a symbiotic partnership of mutual profit to both. This was due to the avarice of both, with some Judaic persons operating within and against Christendom by using a modern capitalist praxis unrestrained by considerations of ethics. In the rabbinic world, usury had always been recognized as a tool of warfare against the *goyim*. Talmudic *halakha* encourages the taking of interest from Christians and gentiles: "Christianity: Since that faith involves acceptance of other gods, almost all authority permit loans at interest…It is preferable to loan money at interest to a gentile…" [267]

The gentile banking dynasties would not have been in a position to form alliances with Judaic financiers and slowly dissolve the stigma on usurious finance, were it not for the relaxation of usury laws that formerly had restrained this transgression in Christendom. In other words, while the Money Power benefited enormously from the liberalization of usury prohibitions in Europe and America, the liberalization itself was primarily the fault of gentiles, not Judaics. Therefore, to direct blame for the dissolution of Christian usury doctrine mainly toward "Judaizing" is a sly way of exculpating the gentile malefactors responsible for permitting the crime of usury. Consequently, in this regard, the "Judaizing" caricature has served to conceal the identity of the advocates of usury and impede the process whereby we discover how usury came to be legal and "moral" in Christendom. [268] The stratagem has consisted in throwing investigators off the track by tossing responsibility for the momentous change with regard to usury in Christendom entirely in the lap of Judaics and those Protestants stigmatized as Judaizers. The documentary record testifies to the contrary.

Misdirection from the Right

One major source of this misdirection is Werner Sombart (1863-1941), who, after Max Weber, was the most influential German economist in the period between the two world wars. In his 1911 book *Die Juden und das Wirtschaftsleben*, which was translated into English as *The Jews and Modern Capitalism*, Sombart taught that the Old Testament was the source of the capitalist predation perpetrated by the "Jews," to whom he ascribed the development in Europe of free trade and *laissez-faire* capitalism.[269] The strict observance of Sunday as a day of rest from commerce and labor in England, the study of Hebrew and the Hebrew Old Testament, the naming of Scottish children with Old Testament patronymics, all were cited by Sombart as evidence of the nefarious rabbinic dominion over Puritanism. He writes: "Only recently Max Weber demonstrated the connection between Puritanism and Capitalism. In fact, Max Weber's researches are responsible for this book. For any one who followed them could not but ask himself whether all that Weber ascribes to Puritanism might not with equal justice be referred to Judaism, and probably in greater degree; nay, it might well be suggested that that which is called Puritanism is in reality Judaism… there is an almost unique identity of view between Judaism and Puritanism… Puritanism *is* Judaism." [270]

While Weber held the Old Testament responsible for the ascendance of *predatory capitalism in the West*, German New Age philosophers in Adolf Hitler's early circle, such as Dietrich Eckart, indicted the Old Testament as the evil inspiration for the *Communist revolution in Russia*, as the title of Eckart's influential 1925 pamphlet indicates: *Der Bolschewismus von Moses bis Lenin* ("Bolshevism from Moses to Lenin"). While it is true that twentieth century German nationalists distrusted the papacy and thought of it as an anti-Teutonic force in history, Catholicism was viewed as less toxic than Calvinism, because Catholics were thought to be in some degree hostile to, or at the least, less guided by, the Old Testament.

Right wing animus toward the Old Testament intensifies among those who subscribe to the thesis of Douglas Reed (1895-1976), former foreign correspondent of the London *Times,* in his book *The Controversy of Zion*. [271] Mr. Reed identified nearly every form of evil committed by Zionism or Orthodox Judaism with either the doctrines of the Old Testament or the Talmud. In blending the two, it never occurred to him (or to Sombart), that the Talmud represents, as Jesus stated in Matthew 15 and Mark 7 concerning its oral form, the *nullification of the Old Testament*. Jesus and the apostles quoted the Old Testament a total of approximately 287 times. The attack on the Old Testament is the Marcion heresy, and it constitutes an attack on the very doctrine of Jesus, who taught from the Old Testament repeatedly.

Furthermore, from Belloc to Sombart, it seems that no paleo-Right-winger can pass by the figure of Oliver Cromwell without transforming him into the *representative Puritan of the ages*, using irresponsible generalizations that would be risible, if they did not so seriously delude and mislead concerning the Puritan movement. Take for instance Sombart's statement that "the Jews in England in the 17th century were held in very high esteem by the Puritans." [272]

What "Jews in England"? Sombart himself admits that three years after Cromwell's death, "in 1661 there were only 35 Jewish families in London." [273]

Sombart also writes, "Cromwell himself dreamed of a reconciliation between the Old and New Testaments…" We've got news for Professor Weber: the reconciliation already happened. It's called Christianity.

The effect of Sombart's mythomania has been to draw attention away from the instrumental role which the Renaissance Vatican acted in the ascendance of the Money Power, as well as the power of Neoplatonist occultists who arose, not surprisingly, in those areas of Italy and Germany where Catholic usury was most virulent. With these factors in the rise of mammonism in the Church concealed, the Puritans take center stage in the Right's fractured history of religion's impact on British and European economics from the fifteenth to the seventeenth century.

The Puritans represented an enormous range of diverse views concerning Judaism, including large pockets of hostility and resistance, centered on the Puritan conviction that rabbinic Judaism nullified the Old Testament. This was the firm belief of the Puritan leader who Sombart, Belloc and other mythologizers ignore, William Prynne (1601-1669), member of Parliament, author of more than sixty books and pamphlets, and the principal organizer of the Puritan parliament's stubborn obstruction of Cromwell's mercenary plan to allow Judaic immigration to England. The gaping hole in paleo-Right-wing biographies of Cromwell is the historical fact that the Puritan Parliament resoundingly rebuffed his proposal, and Cromwell lost prestige and

influence among the English Puritans for having sought to advance his scheme. This weakening of support was a contributing factor in the dissolution of his regime.

Yes, of course, there were Puritan exegetes enamored of Rabbi Moses Maimonides, just as there were Medici-sponsored Florentine Neoplatonists enamored of Kabbalist rabbis. Would Catholics like to have Sombart and Belloc's tactics turned on them, and have saints such as Joseph of Cupertino, John Bosco and Théresé of Lisieux, all slimed with accusations of occult Neoplatonism because of the beliefs of an elite Vatican cabal? If those accusations would be a gross injustice, how then does the philo-Judaism of one faction of Puritanism taint all or even most Puritans? In hundreds of Puritan pamphlets and sermons there are denunciations of rabbinic tradition. There are learned Puritan books wholly excoriating the rabbis for adulterating the Old Testament with Talmudic traditions. [274] Because there was no pope in Calvinism (Calvin was only the "pope" of Geneva, and that's not entirely fair, since he did not ever enjoy absolute rule there), the matter of Puritan attitudes toward Judaism was never definitively resolved, and remains to this day a serious debate in the remnants of the Puritan Church extant.

What we are encountering with these half-truth caricatures of Puritans, is in some cases abysmal ignorance, [275] and in others intellectual dishonesty from partisans who disseminate demonstrable falsehoods, and turn history into a *maison enchantée,* where the inhabitants have no true understanding of how the Money Power came to rule them, because the history is condensed into an almost exclusively Puritan-Protestant scapegoat narrative, which is swallowed by the naive, and gulped by bigots who search history not to discover knowledge and truth, but to find arguments that will confirm their prejudices and monomania. In so far as that habit of mind has been associated with religion, it has contributed to the agnosticism of our time.

Catholics and independents of good will and fair mind ought to pause long enough to thoughtfully consider whether the elisions of this scapegoat process serve the cause of Christ's truth, and whether they empower us with the knowledge we need to decode the criminal politics of the past, the better to navigate the civic and ecclesiastical crime syndicates of the present. The Right wing libels noted above have occluded our vision with a myopia that conceals the trail to those money-intoxicated churchmen who first sold our birthright to the usurers, in exchange for a golden repast whose sumptuous fare is as inexhaustible as the compound interest that is its source. The anti-Puritan libelers pay little or no attention to the modernizing Catholic nominalism that emerged in the fifteenth century, and provided a philosophical rationale for the gradual erosion of the war against Mammon.

Where do we find in the pages of Sombart, Chesterton or Belloc an exposé of nominalist intrigue?

"…economic ideas of the mercantilists fostering the growth of market capitalism moved from public tracts to public policy and became institutionalized in new economic arrangements only in those regions where nominalistic epistemologies took root and weakened the constraints of scholasticism. Where mercantilists' nominalist thinking supported the relaxation of regulations, the increases in monetary supply influenced the transition from medieval organization of finance, industry, and trade to capitalistic forms. Mercantilists sought to affect public policy without explicit recourse to arguments derived logically from bodies of doctrine. They attempted to describe how economic relations should be ordered without applying abstract rules of distributive and commutative justice that were thought, by theologians at least, to be infused with real significance for the cosmos and the individual's economy of salvation. The sharp line that scholastic thinkers inclined to realism drew between licit and illicit behavior was blurred by the introduction among mercantilists inclined toward nominalism, of an intermediate group of morally neutral actions, including the pursuance of self-interest in the economic sphere. Self-interest, perceived by the scholastics in religious and classical ethical terms of avarice and greed, was transvaluated by the mercantilists into a cause of civil happiness." [276]

Renaissance Catholic Nominalism seriously eroded the Thomistic principle of real value, and opened the way for the metaphysical fraud behind the unnatural act of breeding money from money. This perversion occurred decades before the birth of John Calvin. Those who seek to have us commence our study of interest on money with "Calvin and the Jews" are shielding perpetrators of usury from scrutiny and exposure.

Cui bono?

Medieval Catholic scholasticism, as Prof. Christopher A. Franks [277] and others have shown, inspired the promulgation and enforcement of laws against usury with a new literalness. This move was consonant with the historic identification of the Church as *the final arbiter of the real*, both in the sense of the "Real Presence of Christ" in the Eucharist, and the real presence of value as represented by God-given resources and labor. Nominalism transformed money from a medium of exchange to a "value" in itself. This philosophic counterfeit typified the emergence of a Renaissance philosophy wherein image prevailed over reality, and from hence forward, in spite of public exhortations harkening to Catholic verities of the past intended mainly for consumption by the masses, the abandonment of real value proceeded inside Catholic hierarchical circles with the march of usury toleration and legalization; commensurate with the opening to a Neoplatonism that viewed rabbinic Judaism as a repository of an esoteric "wisdom" which complimented and propelled the evolutionary development of Catholic doctrine. Is it a coincidence that as interest on Fugger loans in Germany and *monte pietatis* interest on "loans to the poor" in Italy were condoned or approved by the Church, Roman Catholicism began to lose its authority as final arbiter of the real? The move away from that authority reached its omega point in 1965 — less than a half century after the promulgation of the 1917 Code of Canon Law which contained the most complete and unambiguous legalization of interest on money in the history of the Church. It was in 1965 that the Second Vatican Council issued the declaration *Dignitatis Humanae*, which represented as astonishing a departure from medieval Catholic dogma as Canon 1543 of the 1917 Code. [278]

Modernism's false accounting of the Catholic faith had its earliest root not in Rousseau or Kant, as the habitués of the playpen school of infantile history are forever talking about, but in fifteenth century Catholic nominalism's recalculation of net losses and gains, with new bookkeeping methods under rules divorced from the accounting of real value, in favor of bills of exchange based not on agriculture or industry, but the artifice of usurious generation. The growth of the cheat that is market capitalism was fueled by the growth of the illusions put forth by Catholic nominalism. How can this ominous fact be blamed mainly on "the Jews" or "the Puritans"?

It cannot even be said that Catholicism itself can be faulted, if we take the view that the True Church was captured by anti-Catholic heretic-usurpers who fabricated a Renaissance institution which cast off the substance of the ancient Catholic ecclesia that had existed, as the sworn enemy of the Money Power, from Apostolic times through the Middle Ages. Whether or not one accepts this conspiracy theory, the fact is that nominalism was a spiritual virus, a bacterial decay organism which grew from the manure of Fugger gold. What shameful trait is revealed in those who struggle to find in this Catholic drama a Judaic hand, or a Calvinist finger? Is it so impossible for the gentile heirs of the Catholic progenitors of usury to take responsibility and sincerely utter the words, "*Mea maxima culpa,*" and then proceed to an investigative reckoning with history, free of sectarian bias? Until we stop trying to read into the chronicle of the past only that which confirms our pre-conceived beliefs, while suppressing whatever frightens us with a truth we dare not countenance, we cannot be the people God has destined us to be.

Primacy of Gentile Usury in Economic History

We have presented in these pages evidence of a substantial corpus of theological and penal impediments to usury in Christendom, from its founding through the year 1500. These were by no means limited to, or specifically crafted for, Judaic persons. [279] How could it be otherwise? Usury was defined *de fide* as destructive of the spiritual welfare and eternal destiny of humanity as a whole, and this was never denied by the true Church, which viewed interest on money as a moral contagion which gives rise to other grave evils, and to the abasement of the nation at large.

After the expulsion of Judaics from England by King Edward I in 1290, there was no relaxation or abridgment of the legal and ecclesiastical proscriptions against usury. Interest on money bore the same iniquitous stigma in post-Expulsion England as it always had, although undoubtedly the association, in the popular mind, between usury and Judaizing remained strong. To the medieval mind, a Judaic nation that institutionalized in its religion the execration of Jesus Christ was viewed as more prone to engage in sinister practices, including taking interest on loans of money. Christians perceived that usury was alien to the Gospel and therefore alien to sincere followers of Jesus, making a Christian who was a usurer a perverse and unnatural creature; whereas usury, being unscrupulous, was viewed as normative for "the Jew," who was thought to have few scruples, beginning with the fact that he did not scruple to follow Christ.

Until the late eighteenth century, Judaism existed almost exclusively as Orthodox Judaism— a Talmudic, not a Biblical religion. In violation of the Word of God, the Mishnah and its innumerable successor texts created loopholes, often times ingenious, for charging interest on loans to *fellow Judaic persons*, not just against pagan aliens and nations with which they were at war, as the Scripture allows. We have for example the Pharisee Hillel's abrogation (*prozbul*) in Mishnah Shebit 10:3 of the Mosaic institution for the forgiveness of debt (Deuteronomy 15: 1-2).

Shmuel Safrai points out (in *The Literature of the Sages*, Part One, p. 164), that in the Gittin Tractate, the Babylonian Talmud nullifies the Biblical teaching concerning usury and money-lending: "Hillel decreed the *prozbul* for the betterment of the world. The prozbul is a legal fiction which allows debts to be collected after the Sabbatical year and it was Hillel's intention thereby to overcome the fear that moneylenders had of losing their money."

To free God's people from perpetual indebtedness, the Old Testament mandated that as part of the sabbatical (seventh) year of release (*shemitta*), outstanding loans made to fellow Israelites must be annulled (Deuteronomy 15:1-2; Nehemiah 10:31). Hillel's *prozbul* created a loophole which handed supervision of the loan to the *beit din* (rabbinic court), thereby allowing the creditor to collect his debt even after the sabbatical year. Hillel's abrogation of the Mosaic institution for the forgiveness of debts is an instructive example of the Pharisaic nullification of God's law. We note that the deceitful commentary on Deut. 15:1-3 in the "English Standard Version" *ESV Study Bible* [280] supports the Pharisee Hillel's position: "All debts between Israelites are to be canceled or merely deferred for one year." *There is no Biblical basis for this claim of debts being "deferred*." The *ESV Study Bible* is paying heed to the rabbinic Mishnah over the Word of God in the Old Testament; a betrayal typical of modern Churchianity.

In this study we have found that guilt for the actions of revolutionary traitors – the rendering, as legal and moral, of financial transactions consisting of interest on money – falls squarely on the shoulders of Catholic popes, cardinals, bishops, theologians and monarchs, and Protestant bishops, presbyters, preachers and monarchs.

The opprobrious phrase, "Judaizing Protestants," wielded in connection with usury, is a function of ignorance and selective indignation: ignorance of the enduring legacy of the heretical papal permission for usury, and selective indignation toward Protestant variants of ideas and beliefs pioneered by Catholics.

We have heard and read of Catholics sneering at what they revile as "the miserly usury and Judaizing of the city of Amsterdam," with reference to that Protestant citadel from the seventeenth century onward. These same self-righteous critics are silent however, concerning the usury of the city of Florence, which preceded the decay in Amsterdam *by two hundred years*.

Judaic moneylenders were sometimes used as an alibi for gentile usury: "Cosimo's own ambassador to Pope Julius III had heard the pontiff say that he tolerated this rate of interest (ten to twelve percent), the Pisans told the duke, because only in this way could the even higher interest rates of the Jews be avoided." [281]

In our reading of eminent Christian observers of usury in history such as G.K. Chesterton, we are struck by the extent to which they convey a distinct impression of a proprietary relationship between "Jews" and the practice of usury. Whether deliberate or unconscious, this emphasis causes the record of gentile usury and its infiltration of the Church to vanish by the wayside. Chesterton's essay, "The Problem of Zionism," [282] in which he gives an account of usury, is well-crafted and in some sections, sagacious. But his concentration is almost entirely on Judaic rather than gentile usury. The latter barely exists in his universe. Here is Chesterton, an illustrious savant of the West, ignoring a vital factor in the history of how the Money Power ascended to dominion over our civilization.

One of the heretofore hidden routes which gentile usurers accessed on their path to power was the exploitation of the fear of Judaic usurers. They stampeded Christendom from the frying pan of rabbinic usury into the fire of gentile usury, and people were supposed to be elated that they were being burned by their fellow Christians rather than "those awful Jews." The failure to exhume and investigate this swindle and all its networks and personalities, has cost us dearly, and profited the Money Power incalculably.

Like Dante Alighieri, Girolamo Savonarola turned his attention to the struggle against interest on loans of money. But unlike Dante, he centered his campaign on Judaic lenders. In the name of fighting "the Jews" his colleague, Marco di Latteo Strozzi, pushed for a *monte di pieta* "charity bank" that would facilitate the commission of mortal sin by charging "moderate" interest, thereby supposedly foiling the Judaic usurers who charged a high rate of interest. The fact that interest whether high or low was a mortal sin, got lost in the hysteria over the Judaics. Partly through that hysteria, interest gained a foothold in Christendom.

In 1494 a book was circulated by an ally of the Strozzi family in Florence. It was titled *Tabula della salute.* It contained examples of huge profits reaped by high-interest Judaic loans. One chapter was titled, "Of the Good and Utility of Creating a Holy *Monte di Pieta.*" It urged the people to put their money in the hands of the administrators of the "benevolent" *monte*, not in the clutches of the "malicious Jews." It insinuated a good and bad category of interest on money that still afflicts our thinking nowadays.

The Catholic administrators of the *Monte di Pieta* were also usurers. This could not be admitted, however. A farcical denial was put into place that went to elaborate lengths of semantic subtlety to conceal the truth. Operating according to the guidelines of the purported Jew-hater Strozzi, "…the *monte* was above all to avoid any taint of usury. Yet in the exercise of charity, it was both necessary and permissible to expect some small return on loans…To redeem the pledge, the borrower had to pay a fee small enough not to burden the borrower, but large enough to keep the *monte di pieta* in the black; the Jews had, after all, charged much higher rates for their usurious loans."[283]

A test of the lucidity of visionaries and prophets lies in whether they can see past this cunning dodge and indict the usurious "Christians" who were

attempting to distract attention away from themselves, in order to pin it exclusively on the "Jews." Or, to absolve their usury by pointing to the claim that it represented a form of rescue from Judaic power and oppression. The problem with this type of thinking was that it was blatantly unscriptural. Usury was not to be charged to a fellow believer according to the Old Testament, and was not to be imposed on anyone whomever, according to the New Testament (Luke 6:34-35).

Dante was *not* seduced by the gentile usurer's scapegoating feint. Ezra Pound, having drunk deeply from Dante's fountain, immunized himself against the forces that would attempt to create a trademark out of the image of the Judaic-as-usurer, sending the record of gentile usury and the treachery inside the Church which brought it about, down the memory hole. Chesterton and many of his generation (Belloc, Sayers), were myopic in this respect. They furthered retrograde myths of a near Judaic monopoly on usury, and the nearly exclusive association of the moneylender with "the children of Israel," as Dorothy L. Sayers styled them in one of her Lord Peter Wimsey mystery novels.

Many individuals, especially Catholics, who, in the twenty-first century are seeking to make sense of the consumer greed and mercantile madness that has seized hold of our society, have been influenced by Chesterton, Belloc and the others of their erudite and highly cultured generation, and are therefore misdirected away from exploring the record of Renaissance Catholic usury and treachery. Many such people are in a hypnotic state, distributing papal encyclicals and urging others to convert to post-Renaissance papist Rome as a means of fighting for "social justice." In their minds, usury comes from "out there" – the alien Judaic and Protestant worlds. These Catholics, many of them of undoubted good will and pure hearts, have been hoodwinked by the suppression of the authentic history of their own Church, and are living a lie as result; which is one reason why their various Distributist, Chesterton/Belloc think tanks and fraternities have been so impotent. Thomistic scholasticism is concerned with proceeding from first principles. Catholics who aspire to the intellectual standard of Aquinas ought to proceed first from the historical fact that since the Renaissance, the popes of Rome have radically departed from the Catholic Faith of their Fathers, and either enabled usury or tolerated it, by letting stand their predecessors' heretical moves in favor of it.

The field of study becomes hopelessly muddled when it is mainly the Rothschilds who are made infamous as archetypes of financial comspiracy and manipulation, while the Medici and the Fuggers are mentioned in passing, when mentioned at all. Certainly Rothschild banking deserves and has earned notoriety and opprobrium. Yet hundreds of years before Amschel Moses Rothschild was peddling cloth in the ghetto of Frankfurt, the banking house of Fugger was buying theologians and importuning them into rendering the Fugger's thieving usury, respectable. The fact that the name Rothschild is notorious in Right wing and populist circles, and the Fuggers and their successors are a mere footnote in the annals of financial chicanery, is not an accident. In some cases, gentile usurers urged Catholic sermons and campaigns against Judaic usurers in order to clear the field of their business rivals. We are reminded, in this vein, of the case of the manipulation by the Milanese Catholic usurer Tomaso Grassi, of St. Bernard of Siena. In other cases, gentile moneylenders disguised themselves as 'Jews' to evade the usury prohibition. [284]

There is a species of Right-wing conspiracy researcher who believe that subversion emanates mainly from the Left, and who do not question or investigate the shadow forces when they are hidden behind movements on the Right that rail against "Jewish usury and the Rothschilds." They don't see how, by maneuvering Pavlovian responses to obsessions with these themes and personalities, they are being misled by pied pipers with hidden agendas, and distracted from perceiving the whole of the network of evil. When the Right wing has focused on usury it has been almost exclusively on Judaic usurers; the gentile ones are an afterthought. Yet, sin is sin no matter who commits it. The evil is there, the damage is done. In establishing its networks centuries ago, the Money Power created a huge web of usury finance, deploying agents into all wings of the political spectrum, Left and Right. Their Right wing agents misdirected campaigners against usury into an obsession mainly with the Judaic, and later, Protestant brand. But the devil works both sides of the aisle, Right and Left.

The situation of Florence on the eve of the Renaissance is a laboratory for observing how gentile money-lenders used Judaic shylocks as bogeymen in order to hype the supposed necessity of allowing interest on money so as to build a "gentler, more compassionate," non-Judaic system of banking, in the name of compassion for poor Christians. It is much more than merely an irony that when the gentile usury banks grew exceedingly large with the passage of time, they merged with the Judaic banks to form the modern, hydra-headed international system of finance that oppresses the entire world.

The habits of mind that have seduced us, or which have been imposed on us, must be discarded. There must be a reckoning with the legacy of Roman Catholic and Protestant usury, without which there can be no future reform. The Money Power could not have reached its zenith through Judaic usury alone. It has achieved most of its power by cozening Christians and gentiles, but this fact does not fit classic conspiracy theory, repeated as a truism in dozens of volumes purporting to decode the "secrets of money," but which mainly help to ensure that we never grasp the hidden history of how the Money Power came to ascendance in Christendom.

10

Epilogue

"The love of money is the root of all evils."
1 Timothy 6:10

Most modern people would find any equivalence between our contemporary banking system and sorcery to be laughable. In a modern world of illusion where a twilight zone terrain between hallucination and perception is termed "virtual reality," the ability to discern the difference between appearance and substance is increasingly atrophied. The essence of magic is to deceive people into believing that illusion is reality; as David Hawkes terms it, "to attribute determining power to representation" — to mistake the sign of the thing for the thing itself:

"When the goldsmiths of sixteenth-century London realized that the paper certificates they issued, which represented the gold that had been deposited with them, possessed exactly the same practical power as the gold itself, financial value took on a life of its own. When they understood that they could issue notes for ten times the value of the gold in their possession, and that these notes would retain their value and potency, financial signs revealed their own nature and potency, financial signs revealed their own nature as pure representation. These signs achieved independence from what they represented.

"…The 'hot money' of recent decades is barely connected to the world of tangible things at all, but it is immensely potent, easily capable of transforming the material conditions of the objective world, and can be moved across the world at a click of a (computer) mouse. The fact that it is not 'real' in a material sense is an asset rather than a hindrance to its power…The mind was usury's initial battleground, for usury describes a mental process, not a material one…In what we call 'economics,' theories and practices that were once the preserve of the sorcerer and the alchemist achieved respectability, then eminence, and then total predominance…" [285]

"…the (western) monetary system in its historical development…is a direct psychological derivative from the gold-idol worship of barbarism…" [286]

It has been alleged that Pope Leo XIII condemned usury on May 15, 1891 in the encyclical *Rerum Novarum*: "Rapacious usury has increased the evil which, more than once condemned by the Church, is nevertheless, under a different form but in the same way, practiced by avaricious and grasping men."

Rapacious usury; hence it follows that there must be non-rapacious usury, as well. And what is to be done about this "*rapacious* usury"? Nothing. This was more hypocritical papal rhetoric which served to conceal the Catholic policy since Pius VIII of leaving usurers "undisturbed."

The Fribourg Union

In the 1880s an influential group of prestigious Catholic laymen in Europe sought to unite to lobby Pope Leo XIII to formally condemn interest on money. Count Blöme was an Austrian-Catholic diplomat, statesman and advocate for social justice, who sought the abolition of usury through the restoration of traditional Catholic medieval dogma forbidding interest on loans. "In 1884 Count de La Tour du Pin, in behalf of the French Social Catholic group, proposed to Counts Blöme and Kuefstein — two Austrian leaders — that an international federation of social-minded Catholics be formed…A group of leaders met together in Cardinal Mermillod's library at *Fribourg* and formed an organization, the Catholic Union of Fribourg for economic and social studies. The Fribourg Union, as a result of its conferences, succeeded in agreeing upon a joint statement of the Social Catholic position, and in February, 1888, Cardinal Mermillod presented the members of the Union to Leo XIII, handing him a memorial explaining their views…" [287]

"The Fribourg Union…submitted the fruits of their studies to Rome where, without doubt, they were utilized in the preparation of Leo XIII's historic encyclical, the *Rerum Novarum*. The membership of the Fribourg Union included statesmen, jurists, economists and theologians. The three founders of the Union were the Austrians, Counts Blöme and Kuefstein, and the Frenchman, La Tour du Pin…The active patron of the Union was Cardinal Mermillod, Blöme was president…The procedure of the Union was to draw up memoranda or theses on particular subjects and, after adoption, send them to Rome. In 1887 there was adopted a statement on capitalism and credit. It declared that the prevailing system of credit was what constituted the system called capitalism, and this system was based on transactions bearing the marks of usury…The consequences of this system are that the worker is separated from the material means of production to be brought into contact again only by means of the credit system in which everything is capitalized. The credit system causes an excessive concentration of economic power and wealth…

"It would appear that Blöme and perhaps some other members of the Fribourg Union, were disappointed that Leo XIII did not go further than he actually did in the condemnation of usury.

"…(in) an address on the *Rerum Novarum* which Blöme made at the final meeting of Fribourg Union…held five months after the issuance of the Encyclical…Blöme…put the question whether the Encyclical had dealt in principle with the whole of the social problem and its solution. The enumeration of the causes of social disorder was comprehensive, but the indication of remedies was less complete. Blöme's summary of what the *Rerum Novarum* says and what it leaves unsaid is as follows…'the Encyclical is limited to the observation of rapacious usury, often condemned by the Church, is still practiced under various disguises. We have long thought this the fundamental question demanding our attention. We believe it must be the chief problem for our future studies. For my own part, I am convinced that unless we reform credit all other reforms will fail in the long run to save us from ruin." [288]

"…*all other reforms will fail*." The passage of time has proved Count Blöme's prophecy true.

"…'the Encyclical is limited to the observation of rapacious usury…"

This is the way of the pontiffs since the Renaissance. They make quite a show of being "against usury," and their "opposition" takes the form of

various empty rhetorical flourishes and admonitions, even as the Vatican Bank profits from usury, and the 1917 Code of Canon Law gave permission for interest rates permitted by the civil law (otherwise undefined, other than that the rate is supposed to be a less than an "excessive" one; again, undefined). The resulting confusion generated by the disparity between what the popes mouth with their words, and the mortal sin and Money Power they enable or tolerate by their actions, has led to full participation in loans at interest on the part of Catholic capitalists in good standing with the Church, who are under no obligation to confess their involvement in order to be received into the Church, or admitted to reception of the Eucharist. It has led to the creation and operation of an international usury operation in Vatican City under direct papal auspices, a bank with the pious Latin name of *Istituto per le Opere di Religione* ("Institute for Works of Religion"). This is now the "work of religion": making money from interest on loans of money.

Thomas Storck claims to be a conservative Catholic opponent of usury and yet he writes, "…no one can be criticized for taking moderate interest…it does seem possible to roughly distinguish a just rate of interest…"[289]

This double-mind is rife within contemporary Catholic circles, where, it is our sad duty to state, self-deluded "conservatives" and "traditionalists" allow themselves to be blinded by piety and papalolatry into engaging in the fool's errand of distinguishing moderate levels of mortal sin from excessive mortal sin, while boasting of the noble economic teaching of the Church, which they contrast to ill effect with Protestant doctrines.

Roman Catholic capitalist Thomas E. Woods Jr. does not pretend, as these "conservative" and "traditional" Catholics do, that the Church has not repudiated magisterial dogma against interest on money. He quotes approvingly from the writing of Catholic scholar Patrick M. O'Neil in *Faith and Reason*:

"The error concerning the charging of interest is an example of correct moral principles (against economic exploitation and so forth) mistakenly applied on account of inadequacies of early economic theory. When better economic theory became available (along with lessons of practical experience), the Church could change its position…Changes under these circumstances do not threaten the claims of the Magisterium of the Church in any way. The discovery that the charging of interest does not (necessarily) involve exploitation, but represents instead legitimate payment for the time-value of money and for the risk factors endured by the lender, denies the antecedent of the hypothetical." [290]

Mr. Woods' concludes his quotation from Mr. O'Neil with the following observation: "For this reason, combined with explicit Vatican statements over the past two centuries, no Catholic need trouble his conscience over the ordinary transactions involving the charging and earning of interest in which he engages over the course of his economic affairs."

The Sin of Rebellion

In so far as he is referring to man's law as formulated by the usurpers who have occupied the Catholic Church from the Renaissance onward, Woods speaks truly. By the man-made laws of the Renaissance Catholic Church and succeeding generations of popes and councils, no one who receives interest on loans of money "need trouble his conscience."

If one believes that the popes of the Church of Rome since the Renaissance are indeed pontiffs of the Catholic Church of all time, and not manifest heretics, then according to the Catholic theology of papal sovereignty, this would signify that they can indeed alter the law of God. If this is true, how does the Church of Rome differ from the synagogue? Has the Roman Church the power to suspend God's laws against idolatry? Against adultery? If not, how does it have the power to suspend God's laws against interest on money? If idolatry and adultery will always be mortal sins, how is interest on money not a mortal sin?

The Word of God concerning interest on loans of money, the words from the very lips of Jesus Christ concerning loans, their confirmation by the apostles, fathers, popes, councils and theologians comprising the Magisterium, for a millennium-and-a-half, are now, by the light of modernist revelation, "mistaken," "inadequate" and subject to "changes" based on "circumstances" and "discoveries."

To say this about dogma, about that which is received from the Holy Spirit, is to destroy the sacred Deposit of Faith by rendering it subject to revision. What we have seen evolve by papal directive since the Renaissance is not only the ascendance of Mammon, but the ascendance of the theology which permits man to revise God, and it is not only the popes who bear guilt for this abomination. When John Calvin, the premier "Reformed Bible Christian," decided he had the right to qualify and revise the words of Jesus Christ in Luke 6:34-35 and nullify, with his five percent interest, the Word of God in Exodus, Leviticus, Deuteronomy, Nehemiah, Proverbs and Ezekiel, he too became guilty of placing his own prideful human mind above the All-Knowing God.

In the West this rebellion has a formal theological basis: the rabbinic hubris that man has the right to amend the revelation of God (Babylonian Talmud: Mo'ed Kattan 16b; Bava Metzia 59b; Berakhot 7a). This megalomaniacal pride is mirrored in Roman Catholic humanism, Neoplatonism, phenomenology and the hermeneutic of continuity; as well as, on the Protestant side, an exegesis of interpretive nullification as seen in the teaching on interest on money of such giants of the Protestant Reformation in England and America as Richard Baxter and Samuel Willard.

Once the right to tamper with the Word of God has been established, our consciences and Christendom itself are henceforth ordered by the ever-shifting sands of man's egotistical imaginings, and by situation ethics intended to fit the occasion of our human wants and desires, in place of God's Will. Here is the sin of rebellion (I Samuel 15:23).

From the nullification of the mortal sin of interest on money we proceed to the weakening of every other truth.

Our human nature being what it is, we would rather consult any palliative, bromide or band-aid and exhaust ourselves in meetings, synods, symposia and theological and philosophical tempests and disputes, than face up to the reality of this one stark and overwhelming fact concerning the *root of all evil,* whose symptoms we congratulate ourselves on being so feverishly engaged in fighting.

The inspired Word of God states without any ambiguity, that the love of money is the root of evil. On the basis of this Biblical doctrine, throughout western Christian civilization for more than one thousand years, usurers were declared to be *hostis humani generis* — the enemy of all mankind.

If it is accurate to say that "when better economic theory became available" the Church rightly nullified the mortal sin of interest on money, it follows inexorably that when "better" human reproductive theory became available contraception was, de facto, no longer a mortal sin (as is the case in too

many confessionals in the West where priests declare it to be venial, or no sin at all). And when "better" liturgical theory became available, the unambiguous Sacrifice of the Mass was ruled to be no longer the "ordinary form" of the liturgy.

When "better" understanding of rabbinic Judaism was discovered after the "Holocaust," then the ancient Biblical, apostolic and patristic truth that Pharisaic-Talmudic Judaism is the enemy of God, became obsolete, and was replaced by Pope John Paul II's *Shoah* theology, which has, in turn, been affirmed and extended by Benedict XVI.

When "better scientific knowledge" was discovered, then Darwinian evolution replaced the book of Genesis, and the first ten chapters of the first book of the Pentateuch are now said to be merely allegorical.

The love of money is the root of all evil in the theological sense that this ardor for gain through the acceptance of interest on money, initiates the opening of the floodgates of revolutionary overthrow of numerous other defined dogmas of the Faith.

The love of money is the root of evil in the secular realm in that it makes possible abnormal monstrosities such as cloning, genetic modification of crops and the combining of human and animal genes in one living organism. Whoever endeavors to reign in these horrors encounters the love of money obstructing the way.

"The Light of the World We Live In"

In 2012 Sister Pat Farrel was president of the Leadership Conference for Women Religious, which in that year was said to represent an estimated 80% of women religious in the U.S. In challenging Catholic dogma on contraception and homosexuality she utilized, (in the second sentence of her statement below), the Church of Rome's own rationale for nullifying the dogma on interest on money:

"We have been, in good faith, raising concerns about some of the church's teachings on sexuality. The problem being that the teaching and interpretation of the faith can't remain static and really needs to be reformulated, rethought in light of the world we live in. And new questions and new realities need to be addressed as they arise." [291]

The "*light of the world we live in*." What other rationale can there be for the overthrow by Rome of the light of the Gospel concerning interest on money? As Sister Pat is seeking a new understanding of contraception and homosexuality, the Money Power obtained, by the light of the world (II Cor. 4:4), as embraced by the papacy from 1515 onward, a new understanding of usury. A Faith that has not "remained static," has rendered Christians who take interest on debt, sinless. Therefore, by the same "light of the world" are also justified other radical alterations of the sacred dogma of the Faith. Those "conservatives" and "traditionalists" who scapegoat Sister Pat as "rebellious" are infected with a double-mind (James 1:8), that cannot see that she is only conforming to the epistemology of the Church since the Renaissance.

Observe that the usury promoters such as Mr. Woods and Mr. O'Neil will assent to the correctness of other forms of struggle against "economic exploitation," as long as that struggle is not "mistakenly applied" to a ban on interest on money. They know that as long as they have usury in their financial toolkit, then capitalist institutions cannot be fundamentally challenged. Catholics and Christians generally who engage in social justice organizing and educational efforts, working to stop "exploitative" interest on loans, and performing corporal works of mercy on behalf of the poor, homeless, disabled, the ill, the incarcerated, widows, orphans, and the elderly, are all to be commended for their Christ-like assistance to "the least of His brethren." Yet, as they undertake these works of mercy they should harbor no illusions: their assistance represents the palliation of a usurious world of murderous greed and the idolization of profit. The ruinous results of disobedience to the law of God cannot be corrected by treating symptoms. The corporal works of mercy must be performed, but nothing approaching a Christian commonweal can be built when Mammon reigns freely over the West.

Our Age of Money Power has led to the hardening of the hearts of the rich, who for centuries had been looked upon with suspicion and pity as barely able to save their souls, but in our time are flattered and fawned upon as pillars of a "Christian" society and culture ruled by the wealth amassed from interest on loans — in other words from a sin that damns the soul to eternal perdition. The alliance of the Church with the Money Power has confused, demoralized and alienated millions of people. "The name of God is blasphemed among the gentiles because of you" (Romans 2:24).

The Breeding of Money: Hell on Earth

The curses that are upon us, from the destruction of human scale, poison-free agriculture, to the reign of the machines and robots which is on the near horizon of a programmed "Skynet" future, to the very occlusion of human perception by "virtual reality," all start with the love of money, as embraced by the Church in its quasi, de facto, semi-clandestine and then later — open legalization — of interest; an abominable crime for 1500 years — the mortal sin that was, and now is not.

We are not surprised by twenty-first century "test-tube" conception that permits women to have children without the physical presence of a man, or legal permission for marriage in America for men who insert their genital organs in each other's rectums and, if they promise to do this only to each other for the rest of their lives, demand that the government recognize it as the holy sacrament of matrimony. The reversal of everything begins with the permission for the breeding of money.

Both St. Basil the Great (*Homily on Luke*) and St. Ambrose (*De Tobia admonitio*) perceived that by interest on money, "gold was made to breed gold." It was prophesied of old that when this unnatural act became the norm, the doors of hell would be opened to vomit forth their monstrosities and depravities on earth. David Pogue's nationally televised "NOVA" science program on the PBS network, presented to the American people a mindless and merry panegyric to a perversion that beggars description — a "transgenic" goat whose DNA had been crossed by scientists with the genes of a spider, in order to produce a profusion of spider-silk material for profitable marketing as having a tensile strength greater than steel or Kevlar. [292] This horror from a real-life Island of Dr. Moreau, was triumphantly shown to the American people in a nationwide broadcast seen by millions, as glorious progress, with the added advantage of being profitable.

Yet this is all a lie. No one profits in the sense that Our Lord used the word [293] from this type of horrific perversion, this last-gasp of our own putrification.

Usury, the *sine qua non* of the monstrous, is also a lie, in that it denies what it is and what it produces. More than a house of gold, it is a house of mendacity, crowned on its dung heap of riches by our self-deceit.

"Almost everyone today would condemn excessive or overtly exploitative usury, but few people, even on the political Left, would endorse a blanket condemnation of usury in principle…Our society lacks an ethical critique of usury as such…two vital moral insights possessed by sixteenth and seventeenth century English people (are) lost to us…that usury was the reproduction of autonomous representation. They understood that money is a sign, and they objected on ethical grounds to the idea that signs could 'breed'…Financial value was recognized as the alienated form of human life as a whole, and this was the second source of the virtually universal opinion that usury was evil. It was evil in a metaphysical sense; it was the logical, practical, and manifest antithesis of human life itself. It is hard to overstate the importance that attached to this issue as a result. The people of Renaissance England believed that if it was allowed to do so, usury would bring about the triumph of atheism, the reign of Satan and the death of the human soul."

—David Hawkes

Appendix I

Saint Anthony of Padua

The Miracle of the Usurer's Heart

"Where your treasure is, there will your heart be also."
—Matthew 6:21

Tullio Lombardo, *The Miracle of the Usurer's Heart* (1520)

For a decade Anthony preached in northern Italy and southern France; at times he taught theology as well. Stories are told of immense crowds that assembled for his sermons, of the many who came several hours early to be sure of getting good places, and of the need of protecting him from souvenir-seekers. His greatest triumph came during the Lenten season of 1231, with his preaching campaigns against civil strife, against usury, and in favor of including the lower classes in the processes of communal politics…Gregory IX saw fit to make (him) a saint within less than a year after his death." [294]

It is not an easy matter to find a full account of St. Anthony's "Miracle of the Usurer's Heart," since it is a huge embarrassment to "Christian" usurers and a devastating rebuke to the contemporary Church which permits their trade. Consequently, in Orwellian fashion, the miracle has been classed as too parochial and dated and has been renamed. When it is presented to the public it is no longer a parable about a moneylender who grew wealthy from charging interest on debt. It has been rewritten as "The Miracle of the *Miser's* Heart," and the dead man's sin is no longer specifically usury, but the more generic theme of parsimony. By means of this con, the people do not learn of the degree of hostility which medieval Catholic culture – and one of the most esteemed of all saints of the Church – harbored for the sin of charging interest on loans of money.

As we have noted in our section on Father McNabb, long after the Renaissance, Catholic culture at the folk level persisted in execrating usury. St. Anthony's electrifying example of righteous wrath against the den of thieves who sought a place in the Church in spite of their intractable addiction to money breeding, resonated among the lay people down through the centuries, commemorated in magnificent art works by Francesco Pesellino, Domenico Campagnola and Tullio Lombardo, and contributing to a living culture of revulsion toward the sin of usury for millions of Catholics for hundreds of years, even while their cardinals and popes trafficked in and profited from partnering with capitalism's immensely powerful banking houses.

What the old Church had believed and taught left deep traces in the cultural memory of the Catholic people for many centuries during the time that usury was being rehabilitated from on high. This holy memory persisted long after the theology itself had decayed. Lowly parish priests and peasants preserved indignation over income derived from interest into the nineteenth and even the twentieth century. Many were outraged to discover, in the 1800s, that when impenitent usurers complained to the Catholic hierarchy about priests who refused to grant them absolution in the confessional, the hierarchy stood with the unrepentant sinners against the confessors.

St. Anthony's miracle, which imparts a stern and somber moral lesson, was part of a corpus of literature in circulation among the people, concerning accounts of usurers in purgatory or hell. In one popular tale, the usurer's fiery torment is meted out in terms of the quantity of money he received: it equals the quantity of firewood sent to hell to burn him. In 1219 Caesarius of Heisterbach (1180-1240), a German monk of the Cistercian order, began to compile a series of similar exempla, the *Dialogus Miraculorum*, centered on horror stories concerning the dreadful fate that awaited usurers and other transgressors, in the afterlife. [295] Another such literary work of this genre was *Der Renner,* compiled by Hugo von Trimberg (ca. 1230-1313), rector of St. Gangolfstift School near Bamberg. Its thematic scope consisted of a schema of the seven cardinal sins, structured on a critique of a medieval society ruled by usurers. Nascent capitalism was shown to be a work of the devil, and the typical portrayal of the fate of the unscrupulous wealthy in eternity, was not pretty. These writings were not simply the equivalent of lurid pulp novels. Trimberg, for instance, marshaled not only fables and folklore but scripture, and homilies from classical and medieval preachers, all of which served to help keep alive the spirit of the ancient doctrine of justly revered, true popes, such as the fifth century St. Leo I, as expressed in his proverb, "*Fenus pecuniae, funus est animae*" ("Usurious profit from money is the death of the soul").

Jacques Le Goff recounts a popular medieval story which presents sophisticated Thomistic/Aristotelean insights, followed by an allegorical twist-ending, regarding the doom awaiting the usurer:

"Usurers sin against nature by seeking to breed money from money, like a male horse from a male horse, or a male mule from a male mule. What is more, usurers are thieves because they sell time, which does not belong to them, and to sell something that is not your own against the wishes of the owner, is theft. Further, as all they sell is waiting for money, that is, time, they are selling days and nights. But day is the time of light and night is the time of repose. It would not be just, therefore, for the usurers to have eternal light and eternal repose." [296]

Jacques de Vitry (1160-1240), was an important Augustinian preacher both in his native France and Palestine, where he was chaplain to the armies of the Fifth Crusade, 1218-1221. Afterward he served as Gregory IX's papal legate to the Low Countries. De Vitry compiled his sermons, representing a wealth of edifying parables, as models for other preachers. These were widely circulated as the *Sermones vulgares*. Twelve of these (numbers 167-179), pertain to the damnation of usurers. In one such exemplum, a usurer is so grasping that after his death he is buried with a third of his property. As a result, a demon comes and fills the mouth of the usurer's corpse with red-hot coins, as a foreshadowing of the eternal retribution that awaits his soul. [297]

Not every parable endeavored to frighten people out of usury. In one sermon from his vast 14th century encyclopedic resource for preachers, the *Summa praedicantium*, [298] John Bromyard, Dominican professor of theology at Cambridge University, related a homily in which embarrassment was used to convey a moral lesson: "A certain preacher, knowing that many usurers were in his congregation, asked if there were any present in the church that Sunday morning. No one answered. He then inquired if there were any sewer cleaners present. One man rose dutifully and humbly admitted that this was indeed his profession. "Observe," replied the preacher, "how usury is the filthiest of all trades, for another filthy trade is admitted by its worker and he is not ashamed, while the usurers in this congregation dare not publicly reveal themselves."

The Miracle at the Funeral of the Usurer

"Among the many vices infesting Florence, usury was the one against which St. Anthony of Padua waged the greatest war. He exhorted his hearers to conquer the lust for wealth which brought them within the clutches of the pitiless money-lenders; he advised them to be content with such things as they had; to live rather in poverty than in debt; and on the other hand, he preached against usurers and their coldblooded cruelty, like one consumed with divine fire. St. Anthony compared those who reaped interest on money to '*reptilia, quorum non est numerous*,' and to vultures. Some of his words may apply to the twenty-first as well as to the thirteenth century: 'How many rich men of our day are clad in purple — that is, in stuffs dyed with the sweat and blood of the poor, because the clothes they wear are woven out of theft, larceny, usury and illegitimate gain?…The garment dyed with the blood of the poor shall be the prey of eternal flames.'

"The usurer,' he says elsewhere, 'is worse than Judas. That traitor, having sold the Blood of his Divine Master, brought back to the priests and princes the thirty pieces he had received, but the usurer guards and keeps his unjust gains.'

"St. Bonaventure himself relates an occurrence which took place in that city (Florence), and of which St. Anthony availed himself in a sermon, to illustrate how severely God punishes that vice. A rich usurer died, and while the saint was in prayer God revealed to him that this man's soul was in hell on account of his unjust dealings with others. An immense crowd of people had gone to hear the saint preach at the funeral of the usurer. St. Anthony took as his text, 'Where your treasure is, there will your heart be also' (Matthew 6:21). He began by pointing out the heinousness of the sin of usury, declaring that usurers in their thirst for gold were the enemies of mankind, desiring nothing so much as war, famine, pestilence and so forth, so as to enrich themselves at the expense of others, and satisfy their craving for those riches in which their happiness alone consisted. Then, speaking with still greater emphasis, he exclaimed: 'They are also the enemies of their own souls, for it is indeed rare for a usurer to become holy.' Adding: 'This is precisely what has happened to the one to whom these last honors are being paid,' and pointing to the catafalque before him, he continued: 'To prove the truth of my assertion you need only go and look at the chest of money, which, for the short time he lived on earth, was the joy and god of his heart, and you will find there his own heart lying under his gold. For the Son of God Himself has declared, 'Where thy treasure is there also is thy heart.'

"At this announcement the family of the deceased and the people in attendance remained at first perfectly dumbfounded, after which crowds of them rushed to the family home in order to ascertain for themselves the truth of the assertion, insisting on the money chest being opened, and there, to their great astonishment, they found the usurer's heart, lying under the gold. Not yet fully convinced of the truth, the man's family approached a surgeon and returned with him to the church where the corpse was lying. The surgeon opened the dead usurer's chest cavity and on inspection it was found that the body contained no heart.

"Filled with indignation against the unrepentant usurer who had not made restitution by returning his ill-gotten gains to his victims, the people present declared that his body should not be buried in consecrated ground. Removing it from the catafalque, they dragged it out of the city and threw it on a dung heap, where dead dogs and the remains of other beasts were abandoned. [299]

Appendix II
Bishop Jewel Smites Usury
John Jewel

Bishop Jewel was born at Bowden farm, May 24, 1522, in north Devonshire, England, one of ten children of "yeoman stock." He began his studies at Merton College, Oxford University, at the age of thirteen in 1535. In 1539 he continued at Oxford's Corpus Christi College, obtaining his BA in 1540 at age 18. In 1544 he received his MA degree and was named Professor of Humanities, Greek and Rhetoric at Oxford. In the wake of the ascension of Queen Mary Tudor he went into voluntary continental exile in 1554, eventually settling in the city of Zurich. After Mary's death he returned to England in March, 1559. He was named Anglican bishop of Salisbury on Jan. 21, 1560 and held the office until his death on Sept. 23, 1571. He is buried in Salisbury Cathedral. His chief theological work is the *Apologia ecclesiae Anglicanae* (1562). Richard Hooker, in *Of The Laws of Ecclesiastical Polity*, eulogized Jewel as the "worthiest divine that Christendom has bred for some hundreds of years."

A Sermon on Usury [300]

John Jewel
Anglican Bishop of Salisbury, England

"That no man oppress or defraud his brother in any matter; for the Lord is an avenger of all things; as we have also told you beforetime and testified."
I Thessalonians 4:6

Let no man defraud his brother, neither by false weight, nor by false measure, nor by lying words. Let your measure and weights and words be true: let your gains be just and true, that God may bless them. His blessing will make you rich; and whatsoever he blesses not, shall waste and consume, and do you no good. Do unto others as you would they should do unto you. This is true dealing and upright.

If you speak more than is true, if you take more than your wares are worth, your conscience knows it is none of thine. God will destroy all the workers of iniquity. He that delights in sin hates his own soul. The mouth that is accustomed to lie slays the soul.

Defraud not your brother: he is your brother, whether he be rich or poor: he is your brother, and the son of God. Will you do wrong to your brother? Will you oppress the son of God, even in the sight of God? God is his Father: He will not leave it unpunished.

If he be simple and unskilful, abuse not his simplicity. God is the God of righteousness. Deal justly, that your own conscience accuses you not. Teach not your sons nor your servants to deceive others, and to gain by wickedness. After they have learned from you to deceive others, they will deceive you also. Job prayed daily for his children. Be careful that your children and employees deceive no man, nor hurt any. Their sins shall be laid to your charge. Why ask God to feed you, and give you your daily bread; and wait not upon his will, but feed upon the bread of iniquity? This meat will not nourish thee, this wealth will not stand by thee; for God will not prosper it. The wise man says: "The bread of deceit is sweet to a man; but afterward his mouth shall be filled with gravel." Ill-gotten goods have an ill end. God has said by the prophet Aggeus: "Ye have sown much, but you have brought in little: ye brought it home; and I did blow upon it." We have examples hereof daily. We have seen great heaps of wealth suddenly blown away, and consumed to nothing; great houses decayed, and the hope of the wicked quite overthrown.

Here will I speak somewhat of the unhappy trade of usury, because therein stands the most miserable and shameful deceiving of the brethren. I will not speak all that may be said; for it would be too long and over-wearisome. I will have regard of that which shall be agreeable, and profitable, and worthy for you to hear. And that you may the better consider hereof, and see the whole matter of usury, I will show you, first, what usury is; then, from whence it is derived, and what are the causes of usury; thirdly, what comes of it, what hurt it works to the commonwealth; and I will lay forth such reasons as may make any good man abhor it; then I will declare what the holy fathers, and the apostles, and martyrs, and Christ, and God himself have thought and spoken of usury.

Many simple men know not what is usury, nor never heard of the name of it. The world were happy if no man knew it: for evil things do less harm when they be most unknown. Pestilences and plagues are not known but with great misery. But that you may learn to know it, and the more to abhor it, this it is. Usury is a kind of lending of money, or com, or oil, or wine, or of any other thing, wherein, upon covenant and bargain, we receive again the whole principal which we delivered, and somewhat more for the use and occupying of the same: as, if I lend 100 pounds, and for it covenant to receive 105 pounds, or any other sum greater than was the sum which I did lend. This is that which we call usury: such a kind of bargaining as no good man or godly man ever used: such a kind of bargaining as all men that ever feared God's judgment have always abhorred and condemned.

It is filthy gains, and a work of darkness. It is a monster in nature, the overthrow of mighty kingdoms, the destruction of flourishing states, the decay of wealthy cities, the plagues of the world, and the misery of the people. It is theft, it is the murdering of our brethren, it is the curse of God and the curse of the people. This is usury. By these signs and tokens you may know it; for wheresoever it reigns, all those mischiefs ensue. But how and how many ways it may be wrought, I will not declare. It were horrible to hear; and I come now to reprove usury, and not to teach it.

Let us see then what is the cause hereof, from whence it grows, who is the mother, the nurse, or the breeder of usury. For it grows not everywhere, nor among all men. Many hate it and detest it, and had rather die than live of such spoil. It is not of God; for God straitly forbids it. Neither is it found among the children of God; for love seeks not her own profit, but to do good to her neighbor.

Whence then springs usury? Whence theft, murder, adultery, the plagues and destruction of the people, do spring? All these are the works of the devil and the works of the flesh. Christ tells the Pharisees: "You are of your father the devil, and the lusts of your father you do." Even so may it truly be said to the usurer: Thou art of thy father the devil, and the lust of thy father thou wilt do; and therefore thou hast pleasure in his works.

The devil entered into the heart of Judas, and put in him this greediness and covetousness of gain, for which he was content to sell his Master. Judas'

heart was the shop: the devil was the foreman to work in it. St Paul said: "They that will be rich fall into temptation and snares, and into many foolish and noisome lusts, which drown men in perdition and destruction. For the desire of money is the root of evil." And St. John says: "Whosoever commits sin is of the devil." Thus we see that the devil is the planter and the father of usury.

Covetousness, desire of money, insatiable greediness, deceitfulness, unmercifulness, injury, oppression, extortion, contempt of God, hatred to the brethren, and hatred of all men, are the nurses and breeders of usury. It springs from Satan, and grows, and is watered, and is fed and nourished by these cruel and damnable monsters.

Let us see further what are the fruits which come of usury. For perhaps it does some good, and you may think that many are the better for it. These therefore are the fruits. It dissolves the knot and fellowship of mankind. It hardens men's hearts. It makes men unnatural, and bereaves them of charity and love to their dearest friends. It breeds misery, and provokes the wrath of God from heaven. It consumes rich men, it eats up the poor, it makes bankrupts, and undoes many households. The poor occupiers are driven to flee, their wives are left alone, their children are helpless, and driven to beg their bread, through the unmerciful dealing of the covetous usurer.

When David lays out the wickedness of the country where he was persecuted, he said of them: *Non defecit usura et dolus in plateis eorum*: "Usury and deceit departs not from their streets." One seeks to spoil and eat up another. These are the commodities and the fruits of usury. Such is usury in the midst of a city, and such good it works as fire does when it is set to the roof of a house; or as the plague does when it is taken to the midst of the body, and touches the heart.

We have heard whence usury springs, and what hurt it does. Which whosoever considers may find cause enough to loathe it and forsake it. Someone asked of Cato, "What is it to commit usury?"

'What is it" replied Cato, "to kill a man? He that is a usurer is a murderer." The same Cato said: "Our fathers punished a thief with payment of the double of that he had taken; but the usurer was always condemned to pay four times the value." They were wise men. They thought that a usurer was much worse than a thief.

For a thief is driven by extremity and need; the usurer is rich, and has no need. The thief steals in corners and in places where he may be unknown; the usurer openly and boldly at all times and in any place. The thief, to relieve his wife and children; the usurer, to spoil his neighbor and to undo his wife and children. The thief steals from the rich, which have enough; the usurer from the poor, that have nothing. The thief flees, and will be seen no more; the usurer stands by it, continues, and steals still: day and night, sleeping and waking, he always steals. The thief repents of his deed, he knows he has done wrong, and is sorry for it; the usurer thinks it is his own, that it is well gotten, and never repents nor sorrows, hut defends and maintains his sin impudently. The thief, if he escape, many times becomes profitable to his country, and applies himself conscientiously in some trade of life; the usurer leaves his merchandise, forsakes his husbandry, gives himself to nothing whereby his country may have benefit. The thief is satisfied at length; the usurer never has enough. The belly of the wicked will never be filled. As the sea is never filled with water, though all the streams of the world run into it; so the greediness of a usurer is never satisfied, though he gain never so unreasonably. The sea is profitable; the usurer is hurtful and dangerous. By the sea we may pass, and come safely to the haven; but no man passes by usury without loss or shipwreck.

Now hear what the godly and learned fathers of the church have thought of usury. No doubt they were godly men, and wrote hereof as God had inspired them, and as others before them had done. Augustine said: *Quid dicam de usuris, quas ipsae leges*[301]: "What shall I speak of usury, whereof the laws and judges require that restitution be made? Is he more cruel which steals some thing away from the rich man, or he that kills a poor man with usury?" Mark this: a usurer, said Augustine, is cruel. Why? He kills. Whom? The poor man, whom in charity he is bound to relieve.

Ambrose hereof saith: "*Usuras solvit, qui victu indiget: an quicquam gravius?*[302]" "He that lacks wherewith to keep life pays you usury. What heavier case may there be? He seeks to be healed; and you poison him: he asks you for bread; and you give him a knife: he desires you to set him at liberty; and you bring him to further bondage."

And again: "You, usurer, grow wealthy by other men's heaviness: you make gains of their tears and weeping: you are fed with their hunger: you coin your money of the skins of those men whom you destroy: how think you to yourself to be rich, and yet beg alms of him that is poor?" [303]

And the same father said further: "*Ab hoc usuram exige, quem non sit crimen occidere*." "Whomsoever it is lawful to kill, thou mayest lend him thy money to usury." He that takes usury kills without a sword. These be holy fathers, and worthy of credit: they show us that usury is as bad as to kill and murder a man willfully.

Chrysostom likewise: "*In his sensibilibus pecuniis prohibuit ne quis usuram acciperet,* etc.": "God hath forbidden that man shall take usury in this sensible or common money. Why? Because either of them is much hindered. He that owes the money is made poorer, and he that lends it by this kind of enriching himself increases the number of his sins."

Again Chrysostom said: "*Sicut enim fermentum modicum, quod mittitur in multam farinam, totam conspersionem corrumpit…*" [304] "Even as a little leaven leavens the whole lump of dough, even so usury, when it comes into any man's house, draws all his substance, and changes it into debt."

He that is a usurer wishes that all others may lack, and come to him and borrow of him, that all others may lose, so that he may have gain. Therefore our old forefathers so much abhorred this trade, that they thought a usurer unworthy to live in the company of Christian men: they did excommunicate him. They did not suffer a usurer to be a witness in matters of law. They suffered him not to make a Testament and to bestow his goods by a Will. When a usurer died, they would not suffer him to be buried in places appointed for the burial of Christians; so highly did they mislike this unmerciful spoiling and deceiving our brethren.

But what speak I of the ancient fathers of the church? There was never any religion, nor sect, nor state, nor degree, nor profession of men, but they have disliked it. Philosophers, Greeks, Latins, lawyers, divines, catholics, heretics, all tongues and nations have ever thought a usurer as dangerous as a thief. The very sense of nature proves it to be so. If the stones could speak, they would say as much.

Therefore our Savior said: "Do good, and lend, looking for nothing again." He did say not, Lend, and look not for your principal again: but, Look for no gain thereby, look not to receive more than thine own for the use and occupying of it. Defraud not another: you would not another should defraud you. Oppress him not, have pity on his wife and children: you would not have your wife and children undone. In Leviticus (25: 34-36) God said: "If one of thy brethren be impoverished and fallen in decay then thou shalt help him…thou shalt take no usury of him nor vantage; but thou shalt fear thy God, that thy brother may live with thee." [305]

God said, thou shalt take no usury. And he has power and authority to command. And in Exodus (22:25): "If thou lend money to any of my people that is poor by thee, thou shalt not be to him as an usurer, neither shalt thou lay upon him usury." Shew them mercy for my sake: they are my people. I can enrich him, I can impoverish thee. I set up and throw down whom I will. When thy neighbour needeth thy help, and seeketh comfort at thy hands, afflict him not as an enemy, oppress him not like a tyrant."

Ezekiel the prophet set down the wrath of God against usurers: “He that hath given forth his money upon usury, or hath taken increase, shall he live? he shall not live,’ saith the Lord.” (Ezekiel 18:12-13). He shall perish in his own sin: his blood shall be upon his head. Therefore when he reckons the offenses of Jerusalem, and declares the heavy plagues that are prepared against that wicked city, he said: “Thou hast taken usury and increase, and thou hast defrauded thy neighbors by extortion, and hast forgotten me, saith the Lord God. Behold, therefore, I have smitten mine hands upon the covetousness that thou hast used.” You have done injury to my people, that you might make your own gain. Your wrongs and oppressions done by usury rise up into heaven; therefore I will gather you, and blow the fire of my wrath upon you, says the Lord.

Thus has God spoken, even the Lord of heaven and earth, which can scatter your gold in the wind, and blow it to nothing. Thus he speaks to you that hear and read his word, who know that his will is that you should not lend your money to usury. You do oppress, says he. Whom? Your brother, for whom Christ vouchsafed to shed his blood. And what brother? Him that was poor, which came to you for need, to seek your help. How? Wickedly, closely, falsely, craftily, deceitfully, like an hypocrite, under color to do him good. Wherewith? With your money, your gold and silver, which God has given you to relieve the poor and needy withal.

God has said you shall not take usury; and what are you, that despises the voice of the Lord? Whose words will you hear, that will not hear the word of God? Remember the words: you cannot forget them. Thou shalt not take usury of thy brother: he is poor and fallen in decay: thou shalt not be an usurer unto him: thou shalt not oppress him with usury. For it is cruelty and abomination in the sight of God; therefore will God pour out his wrath, and consume the usurer: he shall not enter into the tabernacle of the Highest, he shall have no part in the kingdom of Christ and of God, but shall be cast into the outer darkness.

But some will say, all kinds of usury are not forbidden: there may be cases where usury may stand with reason and equity. And herein they say so much as by wit may be devised to paint out a foul and ugly idol, and to shadow themselves in manifest and open wickedness. Whatsoever God says, yet this or this kind of usury, say they, which is done in this or this sort, is not forbidden. It profits the commonwealth, it relieves great numbers. The poor should otherwise perish: no man would lend to them.

By like good reason there are some that defend theft and murder. They say there may be some case where it is lawful to kill or to steal; for God willed the Hebrews to rob the Egyptians, and Abraham to kill his own son Isaac. In these cases their robbery and the killing of his son were lawful. So say they. Even so by like reason do some of our countrymen maintain concubines, courtesans, and brothel-houses, and stand in defense of open stews.[306] They are (say they) for the benefit of the country: they keep men from more dangerous inconvenience: take them away, it will be worse. Although God says, “There shall be no whore of the daughters of Israel, neither shall there be a whore-keeper of the sons of Israel;” yet these men say all manner of whoredom is not forbidden. In these and these cases it is not amiss to allow it.

God said to Saul: “Go and strike Amalek, and destroy ye all that pertains to them, and have no compassion on them; but slay both man and woman, both infant and suckling, both ox and sheep, both camel and ass.” So strait and precise was God's commandment. Marches forth Saul and sets upon his enemies; God assisted him, and gave him the victory. When he took Agag prisoner, and saw him to be a goodly tall gentleman, he had pity on him, and saved him alive. And the best and fairest of the sheep, and oxen, and other cattle, he did not destroy, although he knew well that God had commanded him to kill man and beast, every one without exception. Then came Samuel unto him, and said: “O why hast thou not done as thou were commanded?” Here let us mark the wicked answer of Saul in defense of his willful disobedience. “It would have been a great pity to have slain Agag, so comely and tall a gentleman. I have taken him and kept him prisoner. And, if I should have destroyed this goodly cattle, they had come to nothing. It was better to save them for the victualing of my soldiers; and the fairest of them may be offered in sacrifice.”

So brake he the commandment of God under pretense of doing honor to God. But Samuel said: “Hath the Lord as great pleasure in burnt offerings and sacrifices as when the voice of the Lord is obeyed? Behold, to obey is better than sacrifice.” And to disobey his holy will is to renounce and forsake him.

So may we say to the usurer: you have devised cases and colors to hide your shame; but what regard has God to your cases? What cares he for your reasons? The Lord would have more pleasure, if when you hear his voice you would obey him. For what is your device against the counsel and ordinance of God? What bold presumption is it for a mortal man to control the commandments of the immortal God, and to weigh his heavenly wisdom in the balance of human foolishness?

When God says you shall not take usury, what creature of God are you, which can take usury? When God makes it unlawful, who are you, O man, that makes it lawful?[307] This is a token of a desperate mind. It is found true in you, what Paul said: “The love of money is the root of all evil.” You are so given over unto wicked mammon, that you care not to do the will of God.

Willfulness and presumption are tokens that such men are impudent and past shame. He that offends of simplicity may find mercy: but they which of pride and boldness go against the known truth, and do that thing which they know to be ill, and devise shifts to color that which all reason and learning of God and men, and nature itself have condemned, they are fallen into temptation and snares, and into foolish lusts which do drown them in destruction.

God is the Lord. We are but servants: he has made us, and not we ourselves: we are but as clay in his hands: we cannot repeal the law that God has established: we must obey it. We may not do the things that seem good in our own eyes, they may deceive us; but we must do whatsoever God bids us to do, and forsake to do those things which he forbids.

Thus much for an entry to those which can bring so good reasons for so ill a matter.

Many defend their usury by that liberty which they think they have to use their goods in such sort as seems best to themselves, and is most to their own advantage.

May I not, say they, do with my own goods what I will? This would they not say, if they were of him which hath said by his holy apostle: "Let every man, as he hath received the gift, so minister the same one to another as good disposers of the manifold grace of God" (I Peter 4:10). It is the law of nature, that no man abuse the things that are his to the hurt and hindrance of another. May a man take his own dagger, and therewith commit murder? Or may a man take of his own fire, and therewith burn his neighbor's house? He that said, “Thou shalt not kill,” has also said: “Thou shalt not steal: thou shalt not commit usury: thou shalt not defraud thy brother in bargaining." He is not unrighteous, that he will judge the murderer, and will not condemn the usurer. In that day the usurer shall know whose money it was wherewith he defrauded his brother. His money shall not help him: he shall no shift to convey himself from the wrath of God: he and his money shall perish together.

But the usurer will say: “The poor man came to me: I was not in haste to seek him. He moaned his case to me. I took pity on him and lent him money. Since then he and all his have been the better.”

Here you shall see the great kindness and pitiful heart of this rich usurer. He draws his purse, gives out his goods, and helps the poor; and the poor are much eased by him. But, alas! What help is this? Even such as he finds, that in the midst of his fit of an ague drinks a great draught of cold water. No doubt he is refreshed and cooled, and for that present time much the better. But after a while, when his heaves renew, the heat increases: his heart pants,

his pulse beats, his mouth is dry, his tongue burns: he is more terribly tormented than ever before. So fares it with him that borrows money upon usury. He looks in his hand, and sees somewhat: it is not his own; yet he is refreshed therewith, and much eased. The year passes, the day of payment draws on, the creditor calls for money: then the heats and fits and agonies begin to grow. Then must pot and pan trudge to redeem his body. Then he feels more cruel torments than ever before.

Thus does the gentle usurer help to relieve the poor in time of his necessity: as if a man would cure a sore finger by cutting off the arm; or as if he would cure the blemish of the eyesight by the pulling out the eyes; or as if he would quench thirst by giving poison to drink; or as if, to save one from drowning in a boisterous tempest, he would cast him over the boat into the sea.

The scorpion embraces a man sweetly with its legs, but in the meanwhile strikes him deadly with his tail: his face looks amiable; his tail poisons. So a usurer looks fair, and gives good words; but at the end he undoeth.

Who is stung by an adder, [308] perceives no hurt, but feels a gentle beating of his veins with some delight, whereat he rejoices. After this he falls into a slumber: then the poison works, overcomes him, and kills him. Even so he that borrows upon usury finds himself wonderfully amended, and rejoices; but he is stung, and has a deadly stroke. The poison will grow over him: he shall die in a slumber, and be undone before he is aware, So necessary is a usurer to relieve the poor and needy, as rust is to help iron, and as the moth is to help a garment: it eats him through from one side to other.

Therefore said Ambrose: "*Talia sunt vestra, divites, beneficia. Minus datis, et plus exigitis. Talis humanitas, ut spolietis etiam dum subvenitis*": Such are the benefits that you rich men bestow; you give out little, and require much again. Such is your kindness, that you undo them whom ye help."

And thus much of the ease that poor men find in borrowing upon usury. They are bitten, and stung, and eaten up and devoured by it. Most men confess that this kind of usury is forbidden, because it relieves not, but spoils and consumes. May God take the liking of it out of all men's hearts! Then shall they be the better able to judge of the other sorts, which they yet think allowable.

What if one rich man lends money to another? What if a merchant takes money to usury of a merchant, and both be the better, and both be gainers? Here is no sting nor biting. What shall we think of this? What if a thief or a pirate take usury of a pirate or a thief, and both be partakers of the gain, and be both of them helped? Let no man mislike the comparison. For, as I said before, a pirate or a thief is not so injurious as a usurer.

Here, say you, he that lends is a gainer, and he that borrows is a gainer. It does good unto both. If both be gainers, who is the loser? For usury never passes without working loss. Take this a rule: there is never usury without loss.

Here I pray you to lend me your minds, and consider what I say. A merchant takes up of his neighbor a hundred pounds, [309] and most answer again a hundred and ten pounds. He bestows it all in corn, and buys with his hundred pounds a hundred quarters of corn. He sends it to the market: the people have need of it, and buy it. If he sold it for eight groats a bushel, he might make up his hundred pounds, and be a gainer. But unless he comes up with a hundred and ten pounds to discharge his usury, he must needs be a loser and undone. But undone he will not be: he will rather undo many others. 'Therefore he sets the price at three shillings the bushel, and so makes his money, and pays the usurer, and saves himself, and is no loser. Who then pays the ten pounds? Who is the loser? Any man may see. The poor people who buy the corn. They find it and feel it in every morsel they eat. Thus, if the merchant borrower be not hindered by the usurer, yet the people who buy his wares are plagued. Thus it is no hard matter to find that, howsoever usury us used, it is always dangerous and beguiles the people, and is therefore the destruction and overthrow of the commonwealth.

But, says he, why should I not make money to yield me gains, as well as my wares? I lend my shop for a year, or two, or three, so many pieces of velvet, satins, taffeta, grograin, camlet, hollands etc. And for the use he shall pay me by the year forty pounds, and in the end restore me my shop, so many pieces of velvet, etc., so long, so broad, of the same making, so good, so fine, as were the other. This, says he, is lawful; therefore the other is lawful.

No, his is not lawful. It is not lawful set out your shop: it is usury, it is forbidden. But he that takes the shop shall be a gainer: who shall be the loser then? They that buy the wares must needs buy at the higher price. We may not allow one ill thing by the allowance of another. He should rather say: Usury taken upon wares is not lawful; therefore usury for bare money is less lawful. Jerome upon Ezekiel says, "*Putant quidam usuram tantum esse in pecunia; quod proevidens scriptura divina omni rei aufert superabundantiam, ut plus non accipias quam dedisti*": "Some think there is no usury but in money. This did the holy Scripture foresee, and therefore takes away the increase or gains in any manner of thing, and requires that you receive no more than you delivered."

An occupier waxes old, his occupying is done. He has in stock two hundred pounds: he comes to a young man, wise, of good credit, and of honest dealing, and says: I give thee this money freely: it shall be thine forever, upon this condition, that you give me twenty marks by the year during my lifetime. This may be done. It is no usury. Why? It is a plain gift with a condition. The principal is gone from me forever: I have no right unto it: it is none of mine. If I die tomorrow before I receive any penny, my executors cannot claim anything. But in usury it is otherwise: the usurer requires his whole sum again, and somewhat more for the use and occupying. Therefore the (two hundred pounds) is a gift, and not usury.

Again, I lend my neighbor twenty pounds until a day. He has it freely and friendly without any usury. Yet I say to him: Neighbor, you must needs keep day; for the next day after I must discharge a pain, I stand bound for payment. I have no more but this which you borrow. If I miss, I forfeit five pounds. I pray you be careful for it. The day comes, my neighbor comes not: I lack my money, and, because I lack it, I lose five pounds. He comes afterward and offers me my own money.

Then say I: Neighbor, I have lost five pounds by your negligence and slackness: I hope you will not suffer me to be a loser for my gentleness. This is interest, it is no usury. Here, by the way, you may learn wherefore it is called interest, because he may say, "*Interfuit mea habuisse*," "It behoved me, it stood me upon to have it," and now by your default I sustain loss.

It is good to know the one from the other. This kind of dealing is interest, and not usury.

In usury I seek to be a gainer: in interest I seek only to be no loser: gain or profit I seek none. And hereof I may lawfully seek to be answered: it stands with equity and conscience and good reason. This is interest, and no usury, that a man who requires no gain should seek to save himself harmless.

Bear patiently with me if I be long. My desire is that you should understand this whole matter, and be able to know one thing from another; that so no man may excuse his usury by the name of interest; and others be not offended, nor reckon all men to be usurers which lend forth their money, or anyways dispose of their stock.

A poor orphan left in his cradle has a hundred pounds' stock. This stock may be put out to usury: and the usury is allowed. This is a deed of charity; it is no usury, as shall appear. For, if the hundred pounds should lie still without increase, and be bestowed from year to year to the use of the child, the whole stock would be spent before the child should come to maturity. But if the stock be put to occupying, and into an honest man's hands, something will grow to the relief of the orphan, and yet his stock remain whole. This is charity, to relieve the infant that cannot relieve himself.

The like (case) is in using the stock of a man that has not his wits, and is not able to dispose of his goods. Or if a merchant, by sickness, or disability, or any other hindrance, be not able to follow his business, he desires another to use and occupy for him, and to do with his stock as it were his own, only

to maintain him with the increase thereof. This is not usury. Why? Because he that takes the stock of the orphan, or of the madman, or of the diseased merchant, is not bound to answer all adventures (hazards) and casualties that happen. As, if to like use I take a stock in cattle, and they die without my default, or a stock in money or wares, and the wares are burned by fire, or the money stolen without my default, I am not bound to answer for the principal: therefore it is no usury.

But he that takes money to usury, whether he gain or lose, or whatsoever happens to him, he must answer for the whole stock he borrowed. And this is it that is the undoing of many, and makes them bankrupts. But this happens not in this case. He that occupies the orphan's money or stock is charged only to use it as his own, and no otherwise. If it perish or decay or miscarry without his default, he is not bound to answer it. Therefore, as I said, it is no usury.

Yet say they further for defense of usury: It is suffered in other countries; in France, Spain, Italy, Rome, etc. the laws permit it. And what law does suffer it? I believe, not the law of God; for that law straitly forbids it. But what speak I of the law of God? The civil law condemns usury, the canon law condemns it, the temporal law condemns it, and the law of nature condemns it. And how is that sufferable by any law, that by so many laws is condemned? Or how is he worthy to live among men, that despises the authority of so many laws? Or what will you judge of that man that will be tempered and ordered by no law; neither by civil, nor by canon, nor by temporal, nor by law of nature, nor by law of men, nor by law of God? I say not – how may, we think him to be a man of God? – but, how may we think such a one to be a man? For it is the part and duty of a man to be ruled by law and reason.

But (it is argued) usury is everywhere, and therefore to be suffered. Too true, that it is common every where. Would God it were false! It undoeth all the world. So the devil is everywhere, and suffered, so are the brothels suffered in France, Spain, Italy, Lombardy, Naples, Venice, and in Rome. Rome is called the holy city: the most holy has his seat there, and yet suffers the stews in Rome. So were the Canaanites among the people of God, and suffered. But they were as goads in their sides and as thorns in their eyes. As these were suffered, and as the stews are suffered, and as the devil is suffered, so and no otherwise are usurers. Such good, and no better, do they. For they are the children of the devil: their houses be the shops wherein the devil does his work of mischief. They be Canaanites and enemies of God's people. They be goads in our sides and sharp thorns and prickles in our eyes. God grant that the law may espy them, and the people abhor them, and they may repent and loathe their wickedness!

Some other are bold to take authority for usury from Christ himself. He said: "The kingdom of heaven is as a man that, going into a strange country, called his servants, and delivered to them his goods; and unto one he gave five talents, and to another two, and to another one; and said unto them, 'Occupy until I come.' The first did so, the second accordingly. They increased his stock, and are commended for their usury. The third wrapped his talent in a napkin and kept it together. His master returned, and chid him, and said: "Wherefore gavest not thou my money into the bank, that at my coming I might have required it with vantage?" [310] Therefore usury is allowed by the mouth of Christ. The first two are commended, not for any thing else but for the gain they made by usury, the third is rated and rebuked, not for theft nor adultery, but because he laid not out his stock to usury.

What? And is usury allowed? And allowed by the witness of Christ? How can that be? For Christ, as we heard before, does plainly forbid it. How is it then? What is the meaning of this parable? This it is: when Christ delivered his gospel unto his disciples, he gave them charge to be diligent, and to multiply and increase the number of them that should believe. To this purpose he said, be as careful in this business for the glory of God and the salvation of your brethren, as worldly-wise men show themselves in seeking wicked mammon. Behold the usurers: they occupy their stock, and make it grow, and so of five pounds make ten, and of ten make twenty pounds, and so they become rich. So deal you in the gifts and knowledge that God hath bestowed on you, give them to the exchangers, put them out to usury, increase the Lord's stock. If they be diligent and faithful in the things of this world, how much more ought you to be so in heavenly things! This therefore is the meaning: covetous men and the children of this world be wise in their generation; you are the children of light, be you also wise, and do you so likewise in your office and service as you see them do. So he saith, "Behold the fowls of heaven," "learn how the lilies of the field grow." What of this? The lilies are but grass, the fowls of the air are but birds. The mercy of God in his providence and care, wherein he gives us all things needful, is made plain by example of these, and thereby our distrust and overmuch carefulness reproved. So does Christ speak this parable of the usurer, that, as he is diligent in doing ill, so we should be diligent [311] and ready to do well.

But shall usury therefore be lawful, because Christ draws a comparison or makes an example by a usurer? If it were so, we should do many things otherwise than well. For in the scriptures we are oftentimes required to take example of those things which are ill. In the sixteenth chapter of Luke, Christ bids his disciples take example of the unfaithful steward, to be provident and careful as he was. Does he therefore commend the falsehood of the steward? Shall falsehood therefore be lawful? St Paul said, "The day of the Lord shall come in even as a thief in the night." Is theft therefore lawful? St James said, "The devils believe and tremble": take example of the devils. They believe, but their bare, vain, and dead faith, in which they can do no good, cannot serve them. Even so your faith shall not save you, if it be dead and void of all good works.

God himself, to reprove the unthankfulness and forgetfulness of his people, which did so often forsake him and followed Baal and Astaroth, said in this manner unto them: "What nation did ever forsake their gods?" Does he in this speech approve that the idols of the heathen are gods? or, because God takes example of idolatry, shall idolatry therefore be lawful? He bids his servants to be as faithful and willing and ready to serve him, the God of heaven and earth, as the gentiles were in service of their idols, the works of their own hands. As God did will the Israelites to take example of the idolaters, and as Christ bids us take example of the false steward, and as James of the devils; so is this parable an example of that which is commendable, that is, the diligence of the servants. Usury is no more allowed by this than idolatry and falsehood and the devil is by the other.

Some will say, I have no trade to live by. I must give my money to usury, or else I must beg. This is it that I spake of: this shows that despair and mistrust in the providence of God is the mother of usury. If this were cause why he should be a usurer, if this be well spoken for defense of his wickedness; why may not the thief, or the bawd, or the enchanter, by like answer, excuse themselves, and stand in defense of their doings? Augustine therefore said, "*Audent etiam foeneratores dicere, Non habeo aliud unde vivam. Hoc mihi et latro diceret, deprehensus in fauce; hoc et effractor diceret, deprehensus circa parietem alienum; hoc mihi et leno diceret, emens puellas ad prostitutionem; hoc et maleficus incantans mala, et vendens nequitiam suam: quid-quid tale prohibere conaremur, responderent omnes, quia non haberent unde viverent, quia inde se pascerent; quasi etc. unde vitam transigant, et inde,* etc."

"The usurers are bold to say they have no other trade whereby to live. So will the thief tell me, when I take him in his theft. So will he say that breaks into other men's houses. So will the bawd say that buys young maidens to use them to filthiness. So will the wicked enchanter that sells his sin. If we reprove any of these, they will answer that this is their maintenance, and that they have no any other way to earn a living."

But Augustine stated: "*Quasi non hoc ipsum in illis maxime puniendum est, quia artem nequitiae delegerunt unde viverent, et inde se volunt pascere, unde offendant eum a quo omnes pascuntur*": "As if they were not therefore most worthy to be punished, because they have chosen a trade of wickedness to live by, and will maintain themselves by that thing wherewith they displease Him by whom all are maintained." How much better would it be with them, if they did serve God truly in such place and calling wherein they might most set forth his glory, and do such things as should be

profitable to themselves and others!

The servant of God knows there is no want to those that fear Him. He knows the Lord has care over him, and therefore casts his care upon the Lord. He says as the prophet: “The Lord is my shepherd; I shall want nothing.” And, “The Lord is the defender of my life; of whom then shall I be afraid? I trusted in thee, 0 Lord, and said, Thou art my God. My times are in thy hand.”

Thus much I thought expedient to speak of the loathsome and foul trade of usury. I know not what fruit will grow thereby, and what it will work in your hearts. If it please God, it may do that good that I wish. I have done my duty: I call God for a record unto my soul, I have not deceived you. I have spoken unto you the truth.

If I be deceived in this matter, O God, thou hast deceived me. Thy word is plain. You say, “Thou shalt take no usury”: you say, He that takes increase shall not live. What am I, that I should hide the words of my God, or keep them back from the hearing of His people? The learned old fathers have taught us it is no more lawful to take usury of our brother than it is to kill our brother. They that be of God hear this, and consider it, and have a care that they displease him not.

But the wicked, who are not the least moved, and care not what God says, but cast His word behind them; which have eyes, and see not, and ears, yet hear not; because they are filthy, they shall be filthy still. Their greedy desire shall increase to their confusion; and, as their money increases, so shall they increase the heaps of their sins. Pardon me if I have been long or vehement. Of those that are usurers I ask no pardon.

I hear that there are certain in this city, which wallow wretchedly in this filthiness without repentance. I give them warning in the hearing of you all, and in the presence of God, that they forsake that cruel and detestable sin. If otherwise they continue therein, I will open their shame and denounce excommunication against them, and publish their names in this place before you all; that you may know them, and abhor them as the plagues and monsters of the world; that, if they be past all fear of God, they may yet repent and amend for worldly shame.

Tell me, you wretched wight [312] of the world, you unkind creature, who are past all sense and feeling of God, who know the will of God, and do the contrary, how dare you come into the church? It is the church of that God which has said, “Thou shalt take no usury;” and you know He has said it: how dare you read or hear the word of God? It is the word of that God who condemns usury; and you know he condemns it. How dare you come into the company of your brethren? Usury is the plague and destruction and undoing of your brethren; and this you know. How dare you look upon your children? You make the wrath of God fall down from heaven upon them: your iniquity shall be punished in them to the third and fourth generation. This you know.

How dare you look up into heaven? You have no dwelling there: you shall have no place in the tabernacle of the Highest. This you know.

Because you rob the poor, deceive the simple, and eat up the widows' houses; therefore shall your children be naked and beg their bread; therefore shall you and your riches perish together.

But Christ says: “The hour shall come, and now is, when the dead shall hear the voice of the Son of God, and they that hear it shall live.” Zacheus was a receiver of tribute, and was rich when he received Jesus to abide in his house: “He stood forth, and said unto the Lord, Behold, Lord, the half of my goods I give to the poor; and if I have taken from any man by forged cavillation,[313] I restore him fourfold. Then Jesus said unto him, This day salvation is come into this house; forasmuch as he also is become the son of Abraham.”

God may make His word work in the hearts of usurers, that they may also receive Jesus, and forsake usury, and restore fourfold if they have deceived any, and so may also receive salvation. Let us increase in that usury which is to the glory of God. He hath given us knowledge and many excellent graces. Let us put them forth, let us occupy that talent which he hath left us. He will return: the day of his coming is at hand. He will require his talents: we must answer them. Let us restore them with increase, that our service may be allowed, and we received into his tabernacle.

13

Timeline of Papal Usury

May 4, 1515

Lateran Council V, Session X

Leo X

Bulla Concilii in decima sessione super materia Montis Pietatis.

It is believed that in 1462 the first *Monte di Pietà* was permitted, at Perugia, that permitted lending money to the poor against pledged property. Unlike earlier endeavors which had relied exclusively on donations to raise the capital for these "charity bank" loans, the Franciscan founders charged a "moderate" interest rate "to defray administrative expenses." Bitter opposition was aroused, both from Judaic money lenders defending their monopoly, as well as from the Dominicans who held that the Church's strict laws against usury were being contravened. The dispute raged for fifty years and was brought to the Lateran Council V, where Pope Leo X officially promulgated, for the first time in the history of the Roman Catholic Church, the lawfulness of interest-bearing loans, for charitable purposes. He ordered the excommunication of all those who publicly expressed doubts concerning his judgment. From 1515 onward, the interest-bearing, *Monte di Pietà* "charity" banks became a papally-chartered, permanent institution.

Nov. 1, 1745

Encyclical *Vix Pervenit*

Benedict XIV

In *Vix Pervenit* Benedict XIV expanded Leo X's promulgation of the lawfulness of charging interest for philanthropic ends, to include the lawfulness of interest on investment credit capital. While *Vix Pervenit* is often cited, by the semi-literate, as a reaffirmation of the magisterial pre-Renaissance dogma on usury, such claims represent an intellectually lazy failure to note and comprehend the *Vix Pervenit*'s "fine print." After many anti-usury rhetorical flourishes throughout the document, the technique of the devolutionary degradation of God's law through gradualism was deployed with the following subtle papal statement:

"We do not deny that at times together with the loan contract certain other titles — which are not intrinsic to the contract — may run parallel with it. From these other titles, entirely just and legitimate reasons arise to demand something over and above the amount due on the contract."

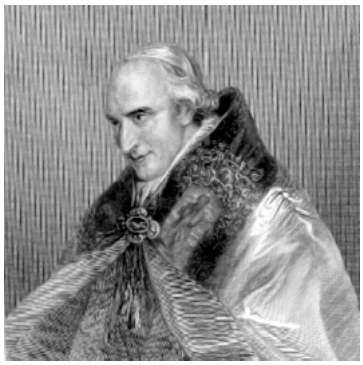
A modernist Catholic theologian saw the pope's declaration for what it was: "Benedict XIV's encyclical, *Vix Pervenit*, in 1745…refrained from condemning interest received from investments (loans) in productive property…this is good logic and common sense." This theologian stated further concerning papal liberalization of usury law: "If it is right for the stockholder of a railway to receive dividends, it is equally right for the bondholder to receive interest. If it is right for a merchant to take from the gross returns of his business a sum sufficient to cover interest on his capital, it is equally right for the man from whom he has borrowed money for the enterprise to exact interest…*the church was right to adjust slowly to the logic of capitalism*…"

The Catholic capitalist-theologian offering this encomium was the Right Rev. Msgr. John A. Ryan (1869-1945) of the Catholic University of America, a distributist who campaigned against low wages. [314] He differed from other distributists in refusing to hide behind a subterfuge, having the candor to acknowledge the papal gradualism ("slow adjustment") that changed the dogma on the charging of interest. Msgr. Ryan failed however, to make the fundamental connection between the social injustice he witnessed and vigorously protested in early 20th century America, and the prevalence in America of interest on money. In his book *Distributive Justice*, Msgr. Ryan argued that landowners and capitalists had an equal right to take rent and interest, respectively, but that tenants and employees had a stronger right to a decent livelihood and living wage. [315] Here is the all-too-common blindness of a "social justice" economist who will not proceed from first principles. The nation that violates the Word of God concerning the taking of interest on money will not have "distributive" or any other kind of justice, or structural reform of the system of oppression, which interest on money *ipso facto* engenders. Modernists deny this core truth. Consequently, whatever remedy they propose in order to heal a diseased commonweal infected with interest on money, whether "Distributism" or any other "ism," is destined to fail.

August 18, 1830

***Resp. Pii VIII ad episc. Rhedonensem datum in audientia* (Denziger-Bannwart, nos. 1609 and 1610).**

Pius VIII



This papal ruling directed the absolution of those Catholics who persist in accepting interest on loans of money at the rate set by the government. This statement by the pope directed both the Holy Office and the Penitentiary (charged with oversight of priests who hear the auricular confessions of Catholics who confess their sins), that the confessor must absolve a lender who intends to continue to accept interest that does not exceed the legal rate of interest of the nation where the confession is being heard. The sum effect of this papal directive was that those who take interest on money according to the rate permitted by law "must not be disturbed"

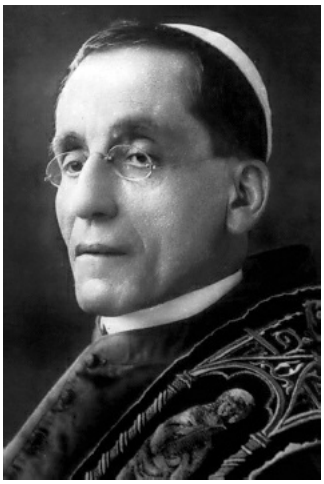
Subsequent 19th century Holy Office and Penitentiary rulings proceeding from this papal precedent released Catholic usurers from the obligation to confess taking revenue from interest on money at the rate considered legal by the state.

May 19, 1918

1917 Code of Canon Law [316]

Benedict XV

'If a fungible thing is given to another so that it becomes his, and later it must be restored in the same sort, no profit can be made by reason of the contract; but in the loan of a fungible thing, it is not by itself illicit to reap a legal profit, unless it can be shown to be immoderate of itself, and even greater profit (can be made) if there is a just and proportionate title so supporting." [317]



This Code of Canon law was promulgated on Pentecost, May 27, 1917 and for that reason it is titled with that date. However, Pope Benedict XV stipulated that it would not have "force of law" until Pentecost of the following year (May 19, 1918). It is sometimes referred to as the "Pio-Benedictine" Code because it was inaugurated, and its compilation was initially directed, by Pope St. Pius ("Pio") X, who did not live to see its completion. [318]

No pontiff following Leo X in 1515 has proclaimed or promulgated any document or ruling to impede the heretical allowances for the mortal sin of usury of their predecessors even when, under certain circumstances, interest on money became no longer a sin after 1830, and even after interest on money, under certain circumstances, was promulgated by canonical right in 1917. There has either been, on the part of the other popes from the Renaissance onward, silent acquiescence and toleration, or active collusion, though the latter is almost always accompanied by flowery avowals of economic justice in the most minute details, and eloquently worded appeals for an end to the oppression of workers and the excesses of capitalism. In that sense, *all the popes* since the sixteenth century pontificate of Leo X have been popes of usury.

The two papal statements in the modern era preceding the Second Vatican Council which are most often proudly cited by Roman Catholics as supporting lofty Christian social justice principles, Leo XIII's *Rerum Novarum* and Pius XI's *Quadragesimo Anno,* offer nothing that addresses the mortal sin of interest, except to evade the responsibility to teach the truth that was always taught, before the *il fumo di Satana (*smoke of Satan) entered the Church. [319]

Rather, they supported the system of interest on money with ambiguous rhetoric and circumlocution. Leo XIII, *Rerum Novarum,* May 15, 1891: "God has left the limits of private possessions to be fixed by the industry of men and institutions of peoples."

While usury raged during the Great Depression and the people of the world who respected the Catholic Church turned to the pope for restoration of the ancient Christian truths, and an end to the plague of usury, they received from Pius XI, on May 15, 1931, the following:

"Those who are engaged in producing goods, therefore, are not forbidden to increase their fortune in a just and lawful manner; for it is only fair that he who renders service to the community and makes it richer should also, through the increased wealth of the community, be made richer himself according to his position, provided that all these things be sought with due respect for the laws of God and without impairing the rights of others and that they be employed in accordance with faith and right reason. If these principles are observed by everyone, everywhere, and always, not only the production and acquisition of goods but also the use of wealth, which now is seen to be so often contrary to right order, will be brought back soon within the bounds of equity and just distribution."

The preceding vague permission for riches procured with "faith, right reason, the laws of God, the rights of others…" substitutes for a simple reaffirmation of the formula of the eternal dogma that for five centuries has cried out to be professed anew from the Chair of Peter. Something like the following proposed formula, *if* issued by the pope *ex cathedra,* would strike a devastating blow to the Money Power: We declare that all interest on loans of money without exception constitute a grave transgression against the eternal Law of God, for which the penalty is eternal punishment after death. All who teach or insinuate to the faithful that the charging of interest on loans of money is moral and not sinful, are heretics.

It has been nearly 500 years since Leo X's promulgation of his modernizing bull on interest, and in that passage of time not one pope can be said to have found it in his conscience to publicly affirm *and enable* in substance, anything approaching the preceding model formula. [320] Whatever their other merits, these popes have all heretically permitted the Church's gradual adjustment to the "logic" of the damning sin of usury-based capitalism. Those who speak of the heresy of modernism within the papacy ought to turn their clocks back 500 years, to its inception point.

Mortal Sin Mandated by the 1983 Code

The 1983 Code of Canon Law promulgated by John Paul II, which is still in force as of this writing, commands the commission of mortal sin. Canon 1294: “Stocks, bonds, certificates of deposit or money involved in prudent loans may belong to a juridic person as part of its stable patrimony, if they belong to special funds or endowments.” Canon 1305: “...goods are to be invested cautiously and profitably…” [321]

“According to the 1983 Code of Canon Law, it is even required of church administrators that they invest for profit funds not needed to pay expenses.” [322]

14

The Dogma of the Council of Trent

QUESTION XI.—*To lend on Usury is Rapine, and how grievous a Crime that is.*

To this class also belongs usurers, the most cruel and relentless extortioners, who, by usuries, plunder and destroy the miserable people. Now, whatever is received above the principal, be it money, or anything else that may be purchased or estimated by money, is usury; for it is written thus in Ezechiel: "He hath not lent upon usury, nor taken an increase" (Ez. xviii. 17); and in Luke our Lord says: "Lend, hoping for nothing thereby" (Luke, vi, 35). Even amongst the Gentiles this was always considered a most grievous and most odious crime; and hence the question, "What is usury?" which was answered by asking, "What is murder?"* For they who lend at usury sell the same thing twice, or sell that which has no existence.

Photographically reproduced from *The Catechism of the Council of Trent Translated into English*. [323]

This reaffirmation of the divine truth should have served as the final judgment on usury of the Roman Catholic Church. In almost every other respect, all that was promulgated at the Council of Trent (1545-1563) was regarded as definitive, fixed dogma. Alas, the divine teaching on usury declared at Trent was subject to practical evasion in several ways, some devious and others blatant. The blatant case is the interest-bearing *monte pietatis* banks: they were not interdicted or overturned after the Council of Trent. The devious cases involve the numerous ingenious devices used by Catholic banks in Europe for the concealment of interest on money. These were not noticeably interdicted or disturbed in the wake of the Council. These devices, in addition to the *montes*, included: the *depositum confessatum,* and the *discrezione* on time deposits, among many other sophistries. If we judge by Our Lord's criterion, "By their fruits ye shall no them," the anathema against usury as declared by the Council of Trent was theatrical, intended mainly for dramatic effect in the Counter-Reformation's ideological war, as a means for branding Protestants as usurers, and Catholics as God's loyal campaigners against usury. If Trent's declaration on usury had been something more than a ploy to gain propaganda advantage, Catholic usury would have been fought tooth and nail in its wake. Nothing like that transpired, except where local Catholic authorities took the declaration on usury at face value and attempted to proceed against usurers.[324]

The development of the theology of Catholic usury at the command levels of the hierarchy, was not impeded by the Council of Trent. After Trent, interest on money grew in latitude and acceptance, as the authoritative *Moral Theology* of Rev. Dr. Heribert Jone, O.F.M. Cap., J.C.D., which was printed eighteen times in separate German and English editions, demonstrates. [325] "Traditional Catholic" publisher Thomas Nelson reprinted *Moral Theology* in 1993, and wrote in his preface: "May this book circulate far and wide and do all the good it is capable of doing. Especially, may priests everywhere once more consult it in their pastoral work, digest its contents and come to revere and love the divinely inspired morality of the Catholic faith, as yet one more gem of evidence pointing to the divine origin of our holy religion."

From *Moral Theology*: "For extrinsic reasons, however, which nowadays are always verified, in case money is lent, a just rate of interest may be charged. In general one may be guided by the rate of interest established either by law or custom" (p. 195).

Dante's linkage of usury and sodomy is confirmed when we learn that the *Moral Theology* manual's permission for interest on loans of money is matched by its permission for sodomizing one's Catholic wife: "…it is neither sodomy nor a grave sin if intercourse is begun in a rectal manner with the intention of consummating it naturally, or if some sodomitical action is posited without danger of pollution…" (p. 539).

Christians must clean house and demand that the unassailable, non-negotiable, unchanging, unerring Magisterial dogma on usury, which was declared again at Trent, be restored, and the rogue theories of the popes of usury, which have enabled the modernist-mutation of Christian morals, be reversed.

It may be that Divine Providence ensured that the declaration on usury was included as part of the Council of Trent, so that in the coming struggle to restore all things in Christ, there could be no argument over how usury is defined: "*whatever is received above the principal*;" and what type of mortal sin it constitutes: "*a most grievous and odious crime*."

15

Glossary of Terms

***Commenda* contract**: A form of medieval Roman Catholic free enterprise that arose in the 10th century "to pool capital and to bring together investors and managers." It entailed an ethical and moral non-usurious business partnership based on shares in an enterprise.

Damnum emergens: A financial loss incurred by the creditor during the time his money was loaned out, rather than being put into some other investment. As a result of *damnum emergens* it was theorized that the lender was "entitled" to be paid interest. This could be legitimate, viz. when a simple loan without usury went unpaid and the debtor owed the creditor the amount loaned; or it could become a loophole-exception to the moral law against usury from which permission for charging interest on money was derived. John Duns Scotus and Thomas Aquinas opposed *damnum emergens* exceptions, ruling that the lender should have foreseen the consequences of making the loan. See *interesse*.

Fenerari: usury; to charge interest on a loan.

Fenerator: a usurer

***Fenus*:** (also: *faenus*; *foenus sortis*): interest paid on a loan. Derived from the word fetus, in the sense that interest produces offspring, is *quaedam faetura pecunia parturientis* (the brood of increase); the "embyron" of riches.

Florin: a gold coin.

Foenus foeneris: compound interest.

Fructus: income from property; from the root word "fruits."

Fixed value of fungibles: a bushel of corn is always worth a bushel of corn, not two bushels of corn. A fungible is never worth more than itself. In contracting for more than the principal lent, the creditor subverts intrinsic value.

Fungibles (artificial): paper money; digital representations on a computer screen.

Fungibles (natural): grain, wine, oil, gold and silver.

Imprestitum: compulsory loan to the city-state of Venice (Italy) by a citizen thereof.

***Interesse*:** (Medieval Latin; cf. Matthew Paris): "Refers to the compensation which, under Roman law, was due by the debtor who had made default" (*Oxford English Dictionary*). This compensation was more than the recovery of the actual amount owed, since another factor was considered in estimating the damages accruing from the default on a loan: the loss experienced by the lender in not having his money returned in the time allotted and agreed to beforehand. Usury advocates were keen to expand the concept of *interesse* — compensation for failing to repay the principal on a loan — into a condonation of interest, through the concept of *lucrum cessans*.

Interest: Money paid for the use of money lent. Usury.

Lombard: a peripatetic banker-usurer of any Christian nationality; though originally a reference to a native of Lombardy in northern Italy.

Lucrum cessans: (Lost potential); the loss of a profit which a lender might otherwise have gained from his money if he had not loaned it to a debtor. Under *lucrum cessans* a charge for a loan of money was justified as "damages," on the basis that the creditor had reserved his money for the debtor instead of putting it into some other investment; the precedent cited was *interesse*.

An example of the condonation of interest created by twisting the meaning of *interesse* as applied to *lucrum cessans,* was furnished by the canon lawyer Hostiensis: "…if some merchant, who is accustomed to pursue trade and the commerce of the fairs and there profit much, has, out of charity to me, who needs it badly, lent money with which he would have done business, I remain obliged from this to his *interesse*, provided that nothing is done in fraud of usury…and provided that said merchant will not have been accustomed to give his money in such a way to usury." [326]

This is a redefinition of the ancient understanding of "*interesse*," which had always been defined strictly as a penalty on the debtor for non-payment of the principal. The lawyers used *lucrum cessans* to gradually develop a theory which would evolve to the point where the lender is "entitled" to a payment from the borrower, in addition to the principal, on the far-fetched notion, that the extra payment was not interest, but compensation to the lender for making a loan when he might otherwise have invested his funds in a business enterprise of another, more lucrative sort.

In the fifteenth and sixteenth century usury toleration and legalization did not simply sprout from nowhere. Even in the Middle Ages crafty lawyers were sowing antecedents like *lucrum cessans* which came to be embraced in future, degenerate ages, as one of the exceptions out of which charging interest on money would was justified. The sophistry of calling interest on a loan "compensation" for having made a loan, was detected by the vigilant Pope Innocent IV, and a host of theologians and canonists including Gregory of Rimini and Johannes Calderinus, who rejected the *lucrum cessans* arguments, terming them a "highway to usury." St. Thomas Aquinas "denied the lender's right to demand compensation for *possible* lost profit, since doing so involved selling what had only been *probable*, rather than real existence. He wrote, 'one should not sell something which one has not yet got and which one may be prevented in many ways from getting." [327]

Medium of exchange: Without usury, money can only serve its natural function, as a medium of exchange; never as an end — rented or sold in itself. As

a medium, money has no separate value except for its use to facilitate exchange. The usurer who charges for the use of money is selling something that has no existence apart from the exchange.

Monte or Montes: The word *mons*, even in ancient Latin, was used to signify a great quantity, or heap with reference to money, while the juridic term for a monetary fund was *massa.* Long before the creation of the *monte di pieta* ("mountain of compassion" according to the *Oxford Encyclopedia of Economic History,* volume 4, pp. 1-2), the word *mons* (in Italian *monte*) was used to designate collected funds destined to various ends. Thus the "public debt" of the city-state of Venice was called *Mons* or *Imprestita*, and similar *montes* were created by Genoa and Florence. Stock companies were called *montes* and the same was true of the banks of exchange or credit that were in the hands of the so-called Lombards. As these banks often lent money on objects delivered to them in pawn, the charitable institutions which were created for transactions of that class also took the name of *mons.* The term *pietatis* was added to advertise the claim that these establishments were beneficent and not speculative. [328]

Mutuum: A simple loan of a fungible such as money (capital) which the debtor repays as the exact sum loaned.

Prestanza: A compulsory loan made to the government of the city-state of Florence (Italy) by a citizen thereof. Citizens were paid interest on these loans. Ridolfi: "When the commune of Florence needs money it imposes on its citizens obligations that are commonly called *prestanze*." In this case, not much of a semantic evasion was employed: the interest-bearing loans were justified by Satan's oldest shibboleth, "from necessity." Florentines such as Guido de Belloreguardo, Prior-General of the Augustinian order in 1371, protested the rationalization and insisted that citizens could not be forced to partake of the sin of usury by means of the *prestanza*.

Usury (medieval Latin: *usuria*): The practice of lending money at interest.

16

Bibliography

Addis, William E., and Arnold, Thomas, *The Catholic Dictionary* (1896).

Alonso-Lasheras, Diego, *Luis de Molina's De Iustitia et iure* (Brill, 2011).

Andrewes, Lancelot, *Concerning Usuries: a Theological Computation made in the Public Theological School of Cambridge* (London: Felix Kyngston, 1629).

Anyanwu, Akannamdi Gerard Stephen, *The Christological Anthropology in St. Hilary of Poitiers' Tractates on the Psalms* . (Rome: Ponficia Studiorum Universitas Salesiana, 1983).

Aristotle, *The Politics of Aristotle*, trans. Ernest Baker (Oxford: Clarendon Press, 1948).

Armstrong, Lawrin David, "Review of Eric Kerridge 'Usury, Interest and the Reformation," in *Journal of Early Modern History* (2004), no. 8.

Armstrong, Lawrin David, *Usury and Public Debt in Early Renaissance Florence* (Pontifical Institute of Mediaeval Studies, 2003).

Aquinas, Thomas, *The Summa Theologica of St. Thomas Aquinas*, trans. Fathers of the English Dominican Province (Christian Classics, 1981).

Ayres, Clarence Edwin, *The Theory of Economic Progress: A Study of the Fundamentals of Economic Development and Cultural Change* (North Carolina University Press, 1955).

Azpilcueta, Martin, "Commentary on the Resolution of Money," in *Sourcebook in Late-Scholastic Monetary Theory* (Lexington Books, 2007).

Bacon, Francis, "Of Usury," *The Essays or Councils, Civil and Moral, of Francis Bacon* (London, 1625).

Bagehot, Walter, *Lombard Street: A Description of the Money Market* (New York: Scribner's, 1873).

Bainton, Roland H., *Here I Stand: A Life of Martin Luther* (New York: 1950).

Baldwin, John W., *The Medieval Theories of the Just Price: Romanists, Canonists and Theologians in the Twelfth and Thirteenth Centuries* (American Philosophical Society, 1959).

Barlow, Frank, *Edward the Confessor* (University of California Press, 1984).

Barnes, Albert, *Barnes' Notes on the New Testament* (Grand Rapids: Kregel Publications, 1962).

Barnum, Priscilla Heath, *Dives and Pauper* (Oxford University Press, 2004), vol. II.

Barty-King, Hugh, *The Worst Poverty: A History of Debt and Debtors* (Alan Sutton, 1991).

Basri, Rabbi Ezra, *Ethics of Business and Finance and Charity According to Jewish Law*, (Haktav Institute, 1987), vol. 1.

Basil, St., and Schroeder, C. Paul., *On Social Justice*. (St. Vladimir's Seminary Press, 2009).

Baxter, Richard, *Christian Directory* (London, 1838), v. 1.

Beldo, Francisco, "*Etica de la creacíon de creditos según la doctrina de Molina, Lesio y Lugo*" in *Pensamiento*, no. 19, (Society of Jesus Espana, 1963).

Biéler, Andre, *La pensée économique et sociale de Calvin* (Geneva, Switzerland: Librairie de l'université, 1959).

Belloc, Hilaire, *Charles I, King of England* (J.B. Lippincott, 1933).

Bellenger, Dominic Aidan, and Fletcher, Stella, *Princes of the Church: A History of the English Cardinals* (Gloucertshire, UK: Sutton, 2001).

Bellitto, Christopher M., *The General Councils: A History of the Twenty-One Church Councils* (Paulist Press, 2002).

Benedict XIV, Pope, V*ix Pervenit* (Rome, 1745).

Benedict XV, Pope, *The 1917 or Pio-Benedictine Code of Canon Law,* Edward N. Peters, trans. (Ignatius Press, 2001).

Bériou, Nicole, and Chiffoleau, Jacques, *Economie et religion: L'expérience des ordres mendiants* (Lyon, 2009).

Berry, Jason, *Render Under Rome: The Secret Life of Money in the Catholic Church* (New York: Crown Publishing Group, 2011).

Berry, Wendell, *Citizenship Papers* (Washington, D.C.: Shoemaker & Hoard, 2003).

Berry, Wendell *The Art of the Commonplace: The Agrarian Essays,* (Counterpoint, 2003).

Blackstone, Sir William, *Commentaries on the Laws of England: Book the Second* (Clarendon Press, 1775).

Blaxton, John, *The English Usurer, Or, Usury Condemned* (London, 1634).

Bolles, John Augustus, *Treatise on Usury and Usury Laws* (Boston: 1837).

Bolton, Robert, *A Short and Private Discourse* (1637).

Bossuet, Jacques-Benigne, "*Traité sur l'Usure*" in *Works* (Versailles, 1817), v. 30.

Bradley, James E., *Religion, Revolution and English Radicalism* (Cambridge University, 2002).

Bremer, Francis J., *John Winthrop: America's Forgotten Founding Father (Oxford University Press, 2003).*

Brendler, G., *Martin Luther: Theology and Revolution* (New York, 1991).

Brett, R. Dallas, *Usury in Britain* (London: St. Botolph Publishing, 1946).

Bromyard, John, *Summa praedicantium*, two volumes (Venice, 1586).

Brown, Raymond, *The Anchor Bible Commentary: The Gospel According to John I-XII* (Doubleday, 1966).

Buckland, W.W., *A Text-Book of Roman Law from Augustus to Justinian* (Cambridge University Press, 1963).

Burn, Richard (translator), *Ecclesiastical Law in Four Volumes* (London: A. Strahan, 1797).

Burns, Jennifer, *Goddess of the Market: Ayn Rand and the American Right* (Oxford University, 2011).

Caesar, Philip ("Philippus"), *A General Discourse Against the Damnable Sect of Usurers* (London, 1578).

Caesarius of Heisterbach, *The Dialogue on Miracles*, trans. H. von E. Scott and C. Swinton Bland, two volumes (London: Routledge, 1929).

Calvin, John, *Calvin's Ecclesiastical Advice,* trans. Mary Beaty and Benjamin W. Farley (Westminster, 1991).

Carandé, Ramon, *Carlos V y sus banqueros* (Barcelona, 2000).

Carleton, William, *The Black Prophet* (London, 1847).

Carreró, Rafael, *Carlos V y uno de sus banqueros: Jacob Fugger* (Madrid, 1993).

Chambers, Whittaker, "Big Sister is Watching You," *National Review,* December 28, 1957.

Chesteron, G.K., "The Problem of Zionism" in *The New Jerusalem* (London: Thomas Nelson, 1920).

Cheyette, Bryan, *Between Race and Culture* (Stanford University, 1996).

Cipolla, Carlo M., *The Monetary Policy of Fourteenth Century Florence* (University of California, 1982).

Clark, G. N., *The Wealth of England from 1496 to 1760 (*London: Oxford University, 1946).

Cookson, William, *A Guide to the Cantos of Ezra Pound* (New York: Persea Books, 1985).

Coquillette, D., "The Mystery of the New Fashioned Goldsmiths: From Usury to the Bank of England (1622-1694)," in *The Growth of the Bank as Institution and the Development of Money-Business Law* (Berlin: Comparative Studies in Continental and Anglo-Saxon Legal History, 1993), vol. 12.

Coriden, James A., ed., *The Code of Canon Law* (Canon Law Society of America, 1985).

Cotton, John, "John Cotton on Usury," *William and Mary Quarterly*, 3rd series 47 (1990) p. 548-565.

Coughlin, Rev. Fr. Charles E., *Money! Questions and Answers* (Royal Oak, Michigan: National Union for Social Justice, 1936).

Crompton, Louis, *Homosexuality and Civilization* (Harvard University, 2003).

Cunningham, William, *The Growth of English Industry and Commerce in Modern Times* (Cambridge University Press, 1892).

Cyprian, St., and Etienne Baluze, *Sancti Caecilii Cypriani Episcopi Carthaginensis Et Martyris: Opera Ad Mss. Codices Recognita & Illustrata*

Studio Ac Labore Stephani Baluzii Tutelensis (Venetiis: Apud Antonium Groppum & Granciscum Pitterium, in Via Marcatoria Sub Signo Fortunae Generoase).

Dante Alighieri, *The Comedy of Dante Alighieri The Florentine: Cantica I, Hell,* trans. Dorothy L. Sayers (Penguin Books, 1959).

Dante Alighieri, *The Divine Comedy of Dante Alighieri, Volume 1: Inferno*, trans. Robert M. Durling (Oxford University Press, 1996).

Davanzati, Bernardo, *A Discourse Upon Coins* (London, 1696).

Debby, Nirit Ben-Aryeh, *Renaissance Florence in the Rhetoric of Two Popular Preachers* (Turnhout, Belgium: Brepols Publishing, 2001).

Dempsey, Bernard W., *Interest and Usury* (Washington, D.C: American Council on Public Affairs, 1943).

DeRoover, Raymond, "Scholastic Economics: Survival and Lasting Influence from the Sixteenth Century to Adam Smith," in Julius Kirshner, *Business, Banking, and Economic Thought in Late Medieval and Early Modern Europe* (University of Chicago Press, 1974).

DeRoover, Raymond, *The Rise and Decline of the Medici Bank* (W.W. Norton, 1966).

Desai, Meghnad, "Money and Usury in the Economics of Ezra Pound" in *Money and Markets: A Doctrinal Approach* (Routledge, 2007).

De Soto, Jesús Huerto, *Money, Bank Credit and Economic Cycles* (Mises Institute, 2009).

De Vitry, Jacques, *The exempla or illustrative stories from the sermones vulgares of Jacques de Vitry*, ed. Thomas Frederick Crane (London: Folklore Society, 1890).

Dew, Thomas Roderick, *Essay on the Interest of Money and the Policy of Law Against Usury* (Virginia, 1834).

Divine, Thomas F. *Interest: An Historical & Analytical Study in Economics & Modern Ethics* (Milwaukee: Marquette University Press, 1959).

Donovan, Jeremiah, *Catechism of the Council of Trent Translated into English* (Dublin: James Duffy, 1910).

Doob, Leonard W., *Ezra Pound Speaking: Radio Speeches of World War II* (Greenwood Press, 1978).

Dorrien, Gary, *Social Ethics in the Making* (John Wiley, 2009).

Douglas, C.H., *Social Credit* (New York: W.W. Norton & Co. 1933).

Downame, George, *Lectures on the XV Psalme Read in the Cathedral Church of S. Paule, in London : Wherein besides Many Other Very Profitable and Necessarie Matters, the Question of Usurie Is Plainly and Fully Decided* (London: Adam Islip for Cuthbert Burbie, 1604).

Edelman, Charles, "Which is the Jew that Shakespeare Knew?" *Shakespeare Survey 52: Shakespeare and the Globe* (Cambridge University Press, 2003).

Edwards, John, *Theologia Reformata* (London, 1713); two volumes.

Elton, Geoffrey R. and Pettegree, Andrew, *Reformation Europe 1517-1559* (Wiley-Blackwell, 1999).

Farrow, Thomas. *The Money-lender Unmasked* (London: Roxburghe, 1895).

Fanfani, Amintore, *Catholicism, Protestantism and Capitalism* (Sheed and Ward, 1935).

Fenton, Roger. *A Treatise of Usurie Divided into Three Bookes: The First Defineth What Is Usurie. The Second Determineth That to Be Unlawfull. The Third Removeth Such Motives as Persuade Men in This Age That It May Be Lawfull (*London, 1612).

Fenton, Roger, and Filmer, Robert, *The Usury Debate in the Seventeenth Century: Three Arguments* (Arno Press, 1972).

Ferguson, Niall, *The Ascent of Money: A Financial History of the World* (London, 2008).

Finkelstein, Andrea, *The Grammar of Profit: The Price Revolution in Intellectual Context* (Brill, 2006).

Franks, Christopher A., *He Became Poor: The Poverty of Christ and Aquinas's Economic Teachings* (Erdmans, 2009).

Gelpi, Rosa-Maria, and Julien-Labruyére, Francois, *The History of Consumer Credit* (St. Martin's Press, 2000).

Gerard of Sienna, *Tractatus de usuris et de praescriptionibus* (Cesena, 1630).

Glaeser, Edward, "Neither a Borrower nor a Lender Be: An Economic Analysis of Interest Restrictions and Usury Laws," *Journal of Law and Economics* (1998), 41:1.

Glare, P.G.W., *Oxford Latin Dictionary* (Oxford University Press, 2006).

Glazier, Michael, ed., *The Modern Catholic Encyclopedia* (Liturgical Press, 1994).

Grady, Hugh, "Timon of Athens: The Dialectic of Usury, Nihilism and Art," *A Companion to Shakespeare's Work*s (Blackwell, 2005), v. 1.

Grabill, Stephen J., *Sourcebook in Late Scholastic Monetary Theory* (Plymouth, England: Lexington Books, 2007).

Graeber, David. *Debt: The First 5,000 Years*. (Brooklyn, New York: Melville House, 2011).

Gratian, Johannes, *Concordia Discordantium Canonum* ("*Decretals,"* ca. 1140).

Gregory of Nyssa and Friedrich Dübner, *Homélie Contre Les Usuriers* (Paris: Lecoffre, 1885).

Greenhill, William, *An Exposition of Ezekiel*, 2nd ed. (Edinburgh, Scotland: James Nichol, 1863).

Grice-Hutchinson, Marjorie, *The School of Salamanca: Readings in Spanish Monetary Theory, 1544-1605* (Clarendon Press, 1952).

Häberlein, Mark, *The Fuggers of Augsburg: Pursuing Wealth and Honor in Renaissance Germany* (University of Virginia Press, 2012).

Harris, Jonathan Gil, *Sick Economies* (University of Pennsylvania, 2004).

Hayek, F.A., "English Monetary Policy and the Bullion Debate," in *The Collected Works* (University of Chicago Press, 1989), v. 3.

Heimert, Allan, ed., *The Puritans in America: A Narrative Anthology* (Harvard University Press, 1985).

Heller, Anne C., *Ayn Rand and the World She Made* (Doubleday, 2009).

Helmholz, Richard H., "Usury and the Medieval Church Courts," in *Speculum,* no. 61 (1986).

Herbermann, Charles George (ed.), *The Catholic Encyclopedia: An International Work of Reference on the Constitution, Doctrine, Discipline, and History of the Catholic Church* (New York: The Encyclopedia Press, 1913), volume x.

Heywood, William, *The "ensamples" of Fra Filippo: A study of mediaeval Siena* (Siena, Italy: Enrico Torrini, 1901).

Hickman, Miranda B., *One Must Not Go Altogether With the Tide: The Letters of Ezra Pound and Stanley Nott* (McGill-Queen's University Press, 2011).

Holmer, Joan Ozark, "Miles Mosse's The Arraignment and Conviction of Usurie (1595): A New Source for the Merchant of Venice," *Shakespeare Studies* 21: 11-54 (1993).

Holzapfel, P. Heribert 0. F. M., *Die Anfänge der Montes Pietatis* (Munich, 1903).

Homer, Sidney, *A History of Interest Rates* (Rutgers University Press, 1963).

Hugo von Trimberg, *Der Renner von Hugo von Trimberg*, ed. Gunther Schweikle, (Berlin: de Gruyter, 1970-1971).

Ingram, Jill Phillips, *Idioms of Self-Interest: Credit, Identity and Property in English Renaissance Literature* (Routledge, 2006).

Jacobs, Joseph, *The Jews of Angevin England: Documents and Records* (London, 1893).

Jarrett, Bede, *Social Theories in the Middle Ages* (Routledge, 1968).

Johnson, E.A.J., *American Economic Thought in the Seventeenth Century* (Russell and Russell, 1961).

Jone, Heribert, *Moral Theology,* Urban Adelman, trans., (Westminster, Maryland: The Newman Press, 1962).

Jones, Norman, *God and the Moneylenders* (Basil Blackwell, 1989).

Jonsen, Albert R., and Toulmin, Stephen, *The Abuse of Casuistry: A History of Moral Reasoning* (University of California Press, 1988).

Kaplan, M. Lindsay (ed.), *The Merchant of Venice: Texts and Contexts* (Bedford/St. Martin's, 2002).

Kastan, David Scott, *King Henry IV Part 1 (Arden Shakespeare: Third Series, Part 1,* London, 2002).

Kaye, Joel, *Economy and Nature in the Fourteenth Century* (Cambridge University Press, 1998).

Kearns, George, *Ezra Pound, the Cantos* (Cambridge Univ. Press, 1989).

Keller, Joseph Anton, *Anecdotes proving the miraculous power of St. Anthony* (New York: Benziger, 1899.)

Kenner, Hugh, *The Pound Era* (University of California, 1971).

Kermode, Lloyd Edward, *Three Renaissance Usury Plays (*Manchester University Press, 2009)

Kirshner, Julius, "From Usury to Public Finance," *Studies in Mediaeval and Renaissance History* 9 (1972).

Kirshner, Julius, "Reading Bernardino's Sermon on the Public Debt," in *Atti del Simposio internazionale Cateriniano-Bernardiniano* (Siena: Accademia Senese degli Intronati, 1982).

Knox, Thomas R. "Thomas Spence: The Trumpet Of Jubilee," (*Past and Present* 76:1, 1977).

Kuran, Timur, *Islam and Mammon* (Princeton University Press, 2004).

Langholm, O. I., *Economics in the Medieval Schools* (E.J. Brill, 1992).

Lansing, Richard, *The Dante Encyclopedia* (Routledge, 2000).

Le Bras. G., "La doctrine ecclesiastique de l'usure á l'epoque classique" in *Dictionnaire de théologie catholique*, 15, 2 (1950).

Lecky, William Edward Hartpole, *History of the Rise and Influence of the Spirit of Rationalism in Europe* (London: Longmans, Green, 1887-1890), two volumes.

Lefévre, Georges, *Le Traité 'De Usura,' de Robert de Courcon* (l'Université de Lille, 1902).

Le Goff, Jacques, "The Usurer and Purgatory" in *The Dawn of Modern Banking* (Yale University Press, 1979).

Le Goff, Jacques, *Money and the Middle Ages* (Polity Press, 2012).

Leo X, Pope, *Bulla concilii in decima sessione super materia Montis Pietatis* (Rome, 1515).

Lever, Thomas, *Sermons 1550*, Edward Arber, ed. (Westminster: Constable, 1901).

Levillain, Philippe. *The Papacy: An Encyclopedia* (New York: Routledge, 2002).

Levine, Hillel, *Economic Origins of Antisemitism* (Yale University Press, 1991).

Liebermann, F. *Über Die Leges Edwardi Confessoris*. (Halle A.S., M. Niemeyer, 1896).

Lipton, Sara, *Images of Intolerance: The Representation of Jews and Judaism in the Bible Moralisée* (University of California, 1999).

Little, Lester K., *Religious Poverty and the Profit Economy in Medieval Europe* (Cornell University Press, 1983).

Lohse, Bernhard, *Martin Luther's Theology in Historical and Systematic Development* (Fortress Press, 1999).

Lopez, Robert Sabatino, *Medieval Trade in the Mediterranean World* (Columbia University Press, 2001).

Lortz, Joseph, *The Reformation in Germany* (New York: Herder and Herder, 1968), two volumes.

Lowrie, Ernest Benson, *The Shape of the Puritan Mind: The Thought of Samuel Willard* (Yale University, 1974).

Luther, Martin, "Trade and Usury," in *Luther's Works,* (Muhlenberg Press, 1962), vol. 45.

Malynes, Gerard, *Saint George for England, Allegorically Described* (London, 1601).

Marino, John A., and Kuehn, Thomas, *A Renaissance of Conflicts* (Toronto: Centre for Renaissance and Reformation Studies, 2004).

Mark, Jeffrey, *The Modern Idolatry: Being an Analysis of Usury and the Pathology of Debt* (London: Chatto & Windus, 1934).

Marsh, Alec. *Money and Modernity: Pound, Williams, and the Spirit of Jefferso*n (Tuscaloosa: University of Alabama, 1998).

Maurin, Peter, *Easy Essays* (Wipf & Stock, 2010).

McLaughlin, T.P., "The Teaching of the Canonists on Usury," *Mediaeval Studies*, vol. 2. no. 2 (Pontifical Institute of Mediaeval Studies, 1940).

McNabb, Vincent, *Francis Thompson and Other Essays* (Pepler & Sewell: Saint Dominic's Press, 1935).

McNabb, Vincent, *Old Principles and the New Order* (Sheed and Ward, 1942).

McNabb, Vincent, *The Church and the Land* (Norfolk, Virginia: IHS Press, 2003).

Menning, Carol B., *Charity and State in Late Renaissance Italy* (Cornell University Press, 1993).

Michell, John, *Eccentric Lives and Peculiar Notions* (San Diego: Harcourt Brace Jovanovich, 1984).

Mielants, Eric H., *The Origins of Capitalism and the Rise of the West* (Temple University Press, 2007).

Mill, John Stuart, *Principles of Political Economy with some of their Applications to Social Philosophy* (London: Longmans, Green and Co., 1909).

Miller, Perry, and Johnson, Thomas H., *The Puritans*, vol. 1 (Harper and Row, 1963).

Milton, J.R., "John Locke and the Nominalist Tradition" in *John Locke* (New York: Walter de Gruyter, 1981).

Milward, Peter, *Shakespeare the Papist* (Sapientia Press, 2005).

Molina, Luis, "Treatise on Money," in *Sourcebook in Late-Scholastic Monetary Theory* (Lexington Books, 2007).

Mollat, Michel, *The Poor in the Middle Ages*, trans. Arthur Goldhammer (Yale University Press, 1986).

Montanari, Geminiano, *La moneta in Scrittori classica italiani di economia politica* (Milan, 1804), v. 3.

Moon, Parker Thomas, *The Labor Problem and the Social Catholic Movement in France* (New York: Macmillan, 1921).

Mooney, S. C., *Usury, Destroyer of Nations* (Warsaw, Ohio: Theopolis, 1988).

Mormando, Franco, *The Preacher's Demons: Bernardino of Siena and the The Social Underworld of Early Renaissance Italy* (University of Chicago Press, 1999).

Moser, Thomas, *The Canon in the History of Economics* (Routledge, 2000).

Mueller, Reinhold, *Money and Banking in Medieval and Renaissance Venice, vol. 2: The Venetian Money Market, Banks, Panics and the Public Debt, 1200-1500* (John Hopkins University Press, 1997).

Munro, John, "Usury, Calvinism and Credit in Protestant England," in *Religione e istituzioni nell'economia europea: 1000-1800* (Firenze University Press, 2012).

Murray, James, *Sermons to Asses*. (London: Printed for J. Johnson; T. Cadell and W. Charnley, at Newcastle, 1768).

Nashe, Thomas, *Christ's Tears Over Jerusalem* (London: James Roberts, 1593).

Nelson, Benjamin N., *The Idea of Usury* (Princeton University Press, 1949).

New Catholic Encyclopedia (Catholic University of America, 1967).

Newhauser, Richard, *The Early History of Greed: The Sin of Avarice in Early Medieval Thought and Literature* (Cambridge University Press, 2000).

NIV Holy Bible: New International Version (Zondervan, 1984).

Noonan, John T. Jr., "Development in Moral Doctrine," in *The Context of Casuistry* (Georgetown University, 1995).

Noonan, John T. Jr., *The Scholastic Analysis of Usury* (Harvard University Press, 1957).

North, Gary, *An Introduction to Christian Economics* (Nutley, N.J., Craig, 1973).

Oberman, Heiko, *Masters of the Reformation: The Emergence of a New Intellectual Climate in Europe* (Cambridge University Press, 1991).

O'Brien, George *An Essay on Mediaeval Economic Teaching* (Longmans, Green, 1920.)

O'Callaghan, Jeremiah, and Coppinger, W., *Usury, Funds, and Banks* (Burlington, 1834).

O'Flaherty, Liam, *The House of Gold* (London: Cape, 1929). Owst, G.R., *Literature and Pulpit in Medieval England* (Basil Blackwell, 1966).

Ozment, Steven, *The Serpent and the Lamb* (Yale University, 2011).

Palgrave, R.H.I., *Dictionary of Political Economy* (London: MacMillan, 1915).

Parks, Tim, *Medici Money: Banking, Metaphysics, and Art in Fifteenth-Century Florence* (W.W. Norton, 2005).

Partee, Charles, *The Theology of John Calvin* (Westminster John Knox Press, 2008).

Paulin, Michael, and J. R. Greene, *The Ballad of Daniel Shays* (Athol, Mass: Transcript, 1986).

Pearson, John B., *On the Theories on Usury Adopted or Enforced by the Ecclesiastical and Secular Authorities in Europe During the Period 1100-*

1400 A.D. (Cambridge: Deighton, Bell and Co., 1876).

Pellicani, Luciano, *The Genesis of Capitalism and the Origins of Modernity* (Telos Press, 1994).

Penty, Arthur, J., *The Gauntlet: A Challenge to the Myth of Progress* (IHS Press, 2003).

Perkins, John, *Confessions of an Economic Hit Man* (San Francisco: Berrett-Koehler Publishers, 2004).

Peters, Edward N., ed., *The 1917 Pio-Benedictine Code of Canon Law* (San Francisco: Ignatius Press, 2001).

Pirckheimer, Willibald, and Cotta, Joannes Franciscus Lembergius, *Eccius Dedolatus; a Reformation Satire* (Lexington: University of Kentucky, 1971).

Pius VIII, Pope, *Resp. Pii VIII ad episc. Rhedonensem datum in audientia,(*Denziger-Bannwart, 1830), no. 1609 and no. 1610.

Pius X, Pope, and Benedict XV, Pope, *Codex Iuris Canonici* (P.J. Kennedy and Sons, 1918).

Pound, Ezra, *The Cantos Of Ezra Pound* (New Directions, 1996).

Pound, Ezra, and Borah William, *The Correspondence of Ezra Pound and Senator William Borah,* ed. Sarah C. Holmes (University of Illinois, 2001).

Porder, Richard, *A Sermon of God's Feareful Threatnings for Idolatrye, Mixing of Religion, Retayning of Idolatrous Remnaunts, and Other Wickednesse: With a Treatise Against Usurie* (Henry Denham, 1570).

Pullan, Brian, *Rich and Poor in Renaissance Venice: The Social Institution of a Catholic State* (Oxford, 1971).

Prien, Hans-Jürgen, *Luther's Wirtschaftsethik* (Göttingen: 1992).

Prynne, William, *A Breviate of the Life of William Laud, Archbishop of Canterbury* (London, 1644).

Prynne, William, *A Short Demurrer to the Jews Long Discontinued Remitter into England* (London, 1656).

Prynne, William, *The Sovereign Power of Parliaments and Kingdoms* (London: Michael Sparke, 1643).

Rand, Ayn. *Atlas Shrugged* (Random House, 1957).

Rand, Ayn, *Capitalism: The Unknown Ideal* (Signet, 1967).

Rand, Ayn, *The Virtue of Selfishness* (Signet, 1964).

Rand, Howard B., *Digest of the Divine Law* (Destiny Publishers, 1982).

Rao, John, *Black Legends and the Light of the World* (Forest Lake, Minnesota: Remnant Press, 2011).

Raw, Charles. *The Moneychangers: How the Vatican Bank Enabled Roberto Calvi to Steal 250 Million for the Heads of the P2 Masonic Lodge* (London: Harvill, 1992).

Richards, R.D., *The Early History of Banking in England* (London, 1929).

Ritter, Gerhard, *Luther: His Life and Work* (New York: Harper and Row, 1963).

Roberts, Phyllis Barzillay, *Studies in the Sermons of Stephen Langton* (1968).

Rocke Michael, *Forbidden Friendships: Homosexuality and Male Culture in Florence* (Oxford University Press, 1996).

Rothbard, Murray N., *Economic Thought Before Adam Smith: An Austrian Perspective in the History of Economic Thought* (Edward Elgar, 1995).

Rushdoony, Rousas John, and North, Gary, *The Institutes of Biblical Law* (Presbyterian and Reformed Publications), 1973.

Ruskin, John, *Bibliotheca Patorum: Vol I, The Economist of Xenophon* (London, 1876).

Ruskin, John, *The Works of John Ruskin: Volume II, Munera Pulveris (*George Allen, 1880).

Ruskin, John, *Unto this Last and Other Writings* (Penguin Books, 1997).

Ruud, Jay, *Critical Companion to Dante: A Literary Reference to His Life and Work* (Facts on File 2008).

Ryan, Franklin W., *Usury and Usury Laws* (Houghton Mifflin, 1924).

Ryan, John A., *Distributive Justice* (New York: Macmillan, 1916).

Ryan, John A., *Economic Justice* (Westminster John Knox Press, 1996).

Reyerson, Kathryn, *Business, Banking and Finance in Medieval Montpellier* (Pontifical Institute of Mediaeval Studies, 1985).

Salmon, George, *The Infallibility of the Church* (London: John Murray, 1914).

Schlecht, Joseph, "Dr. Johann Eck's Anfänge," in *Historisches Jahrbuch der Görresgesellschaft* 36 (1915).

Schneid, J., "Dr. Johann Eck und das kirchliche Zinsverbot in *Historischpolitische Blätter für das katholische Deutschland,* 108 (1891).

Scrivener, Michael, *Seditious Allegories* (Pennsylvania State University, 2001).

Searls, Paul, *Two Vermonts,* (University of New Hampshire Press, 2006).

Smith, Henry, *Examination of Usury in two sermons* (1591).

Soddy, Frederick, *Money versus Man* (E.P. Dutton, 1933).

Soddy, Frederick, *Wealth, Virtual Wealth and Debt: The Solution of the Economic Paradox* (George Allen & Unwin, 1926).

Sombart, Werner, *Die Juden und das Wirtschaftsleben* (Leipzig: Duncker & Humblot, 1911).

Somerville, Henry, *Studies in the Catholic Social Movement* (London: Burns Oates & Washbourne, 1933).

Speltz, George H.*, The Importance of Rural Life According the Philosophy of St. Thomas Aquinas* (Wipf and Stock, 2003).

Spuford, P., *Money and Its Use in Medieval Europe* (Cambridge University Press, 1989).

Storck, Thomas, "Is Usury Still a Sin"?, *Communio: International Catholic Review* (no. 36, Fall 2009).

Strauss, Gerald, *Manifestations of Discontent in Germany on the Eve of the Reformation* (Indiana University Press, 1971).

Stubbes, Philip, *Anatomy of Abuses* (London, 1583).

Summenhart, Conrad, and Jakob Wimpheling, *Conradi Summenhart Commentaria in Summam Physice Alberti Magni, in Conradum Summenhardum Theologum Secularem Alberti Magni Interpretem Exasthycon Jacobi Wymphelingi* (Hagenau: Henricus Gran, 1507).

Swabey, Rev. Henry S., "The Church of England and Usury," Ezra Pound Collection, Harry Ransom Humanities Research Center, University of Texas at Austin.

Tawney, R.H., *Religion and the Rise of Capitalism* (New York: Mentor, 1954).

Terrell, Carroll F., *A Companion to The Cantos of Ezra Pound* (University of California Press, 1993).

Tertullian, *Adversus Marcionem* (Oxford: Clarendon, 1972).

Turner, Roger. *The Usurers Plea Answered in a Sermon Preached at Southampton (*London: Robert Bostocke, 1634).

Valeri, Mark, *Heavenly Merchandize: How Religion Shaped Commerce in Puritan America* (Princeton University Press, 2010).

Van de Wiel, Constant, *History of Canon Law* (Louvain: Peeters Press, 1991).

Van der Kemp, Johannes, *The Christian Entirely the Property of Christ in Life and Death: Exhibited in FiftyThree Sermons on the Heidelbergh Catechism* (New Brunswick, N.J., 1810).

Van Dyken, Seymour, *Samuel Willard* (Eerdmans, 1972). Von Mises, Ludwig, *Human Action: A Treatise on Economics* (Irvington-on-Hudson: Foundation for Economic Education, 1996).

Von Mises, Ludwig, *Socialism: An Economic and Sociological Analysis* (New Haven: Yale University Press, 1951).

Wadsworth, Benjamin, *The Saint's Prayer to Escape Temptations* (1715).

Weber, Max, *The Protestant Ethic and the Spirit of Capitalism* (New York: Scribner, 1930).

White, Andrew Dickson, *A History of the Warfare of Science with Theology in Christendom (*London: MacMillan, 1896).

Willan, Philip. *The Last Supper: The Mafia, the Masons and the Killing of Roberto Calvi*. (London: Robinson, 2007).

Willard, Samuel, *A Compleat Body of Divinity in Two Hundred and Fifty Expository Lectures on the Assembly's Shorter Catechism* (Boston, 1726).

Willison, John. *An Example of Plain Catechising upon the Assembly's Shorter Catechism (*Edinburgh: Thomas Lumisden and John Robertson, 1737).

Winroth, Anders, *The Making of Gratian's Decretum* (Cambridge University Press, 2007).

Wither, George. *Abuses Stript, and Whipt (*London: Francis Burton, 1613).

Wood, Diana, *Medieval Economic Thought* (Cambridge University Press, 2002).

Woodcock, Catherine Mary Antony, *Saint Anthony of Padua The Miracle Worker* (Longmans, Green, 1911).

Wood, Neal, *Foundations of Political Economy: Some Early Tudor Views on State and Society* (University of California Press, 1994).

Woods, Thomas E. Jr., *The Church and the Market: A Catholic Defense of a Free Economy* (Lexington Books, 2005).

Wright, Robert E., *Hamilton Unbound: Finance and the Creation of the American Republic* (Greenwood Press, 2002).

Zucker, L. M., and Ambrose, Saint, *De Tobia*. (Washington D.C: Catholic University of America, 1933).

Notes

[i] "*Mammon* is derived from the Aramaic word for riches (*mamona*) occurring in the Greek text of Matt. vi. 24 and Luke xvi. 9-13, and retained in the Vulgate. Owing to the quasi-personification in these passages, the word was taken by mediaeval writers as the proper name of the devil of covetousness….From the 16th century onwards it has been current in English, usually with more or less of personification, as a term of opprobrium for wealth regarded as an idol or as an evil influence" (*Oxford English Dictionary*).

[ii] Matthew 19: 16-22. Even in this case the Fathers of the Church have disputed the notion that this counsel was limited in its scope or application. Cf. *On Social Justice: St. Basil the Great,* translated by C. Paul Schroeder (St. Valdimir's Seminary Press, 2009) pp. 53-58.

[iii] *The Politics of Aristotle*, trans. Ernest Baker (Oxford: Clarendon Press, 1948), I.x.4-5. "…these immortal words…have shaped the development of Western commercial, legal, religious, and ethical institutions since their inception." —Stephen J. Grabill.

[iv] *De officiis in sine*, book ii.

[v] St. Augustine wrote: "Miserly man, why do you lend compound interest to men? Lend to God a hundred-fold you will have eternal life" ("*Homo miser, cur foenearis homini? Foenerare Deo et centuplum accipes vitam aeternam possidebis*").

[vi] *Leges ecclesiasticae.*

[vii] Cf. *Leges Edwardi Confessoris* (ca. 1130), cap. 37, *De usaraiis*.

[viii] Frank Barlow, *Edward the Confessor* (University of California Press, 1984), pp. 286 and 288.

[ix] The twelfth century scholar Gratian, author of the immense compendium, *Concordantia discordantium canonum*, more commonly known as the *Decretum Gratiani*, was "the founder of the science of canon law" (*Catholic Encyclopedia* [1913]).

[x] Frankfurt: Hieronymus Feyerabendt, (1570), ad X 5.19 rubr. Before rising to the papacy, Innocent IV had been a canonist and professor of canon law at the University of Bologna. His *Commentaria* is regarded as a brilliant work aimed, in part, at attempting to "coordinate the legitimate aspirations of secular power with the requirements of a Christian society" (*New Catholic Encyclopedia*, vol. 7, p. 525).

[xi] Trans. by J. A. Giles, (London: H. G. Bohn, 1849), Vol. I, p. 2; reprinted in Roy C. Cave & Herbert H. Coulson, eds. , *A Source Book for Medieval Economic History,* (Milwaukee: The Bruce Publishing Co., 1936; reprint ed., New York: Biblo & Tannen, 1965), pp. 179-180).

[xii] *Religione e istituzioni nell'economia europea: 1000-1800* (Firenze University Press, 2012), p. 181.

[xiii] Wither's writing "gave such offense that he was committed to the Marshalsea prison for several months." *British Bibliographer* 1 (1810), pp. 4-5.

[xiv] In the late 1970s, during the zenith of the counter-culture, Wall Street brokerage firm Smith Barney became renowned for a series of iconic television commercials featuring the eminent British actor John Houseman offering a stern, if indirect, rebuke to the organic farmers, mechanics and carpenters who had dropped off the grid, were condemning the corruption of the System and horrifying their elders. Acting as a spokesman for the older generation, Houseman stated, concerning the house of usury known as Smith Barney, "They make money the old fashioned way. They earn it." Another Houseman advertisement made reference to Smith Barney's "good old-fashioned work." Many gray heads in the television audience no doubt nodded their assent, simultaneously conveying their disapproval of the young people who had chosen manual trades and meagre incomes over "respectable" money multiplication. Smith Barney wanted its target audience to think that usury-based investments represented something that was "earned," as part of a venerable tradition, contrasted with the supposed shiftless irresponsibility of the back-to-the-land counter-culture. (The Smith Barney name was dropped in September, 2012 after the brokerage was acquired by Morgan Stanley Wealth Management).

[xv] Clarendon Press (1775), chapter 30, pp. 454-455.

[xvi] Quoted in Claire Tomalin, *Shelley and His World* (London: Thames and Hudson, 1980). p. 48.

[1] Albert Barnes, Commentary on John 2: *Barnes Notes on the New Testament*.

[2] Raymond Brown, *The Anchor Bible Commentary, The Gospel According to John I-XII* (Doubleday).

[3] The rights of the poor.

[4] Bede Jarrett, *Social Theories in the Middle Ages,* pp. 167-168.

[5] *Bishop Williamson's Eleison Comments* , issue no. 250 (London, England: April 28, 2012). www.dinoscopus.org This writer does not share Bishop Williamson's understanding of the provenance of religious liberty — he traces it to the Enlightenment. Other tradition-oriented Catholics have termed it a masonic doctrine. We have another point of view which we hope to present in a book on freedom of conscience.

[6] Some Catholic traditionalists believe the "See is vacant" — that at present there's no valid pope to head the Church. They are known as "*sedevacantists*" because they believe that all modern popes since John XXIII, or, at the latest, Paul VI, are "material heretics." If their logic were consistent they would recognize that numerous popes of the past who permitted or advocated the practice of a mortal sin via their embrace of the Renaissance/modernist doctrine on usury, were also "material heretics" and therefore not popes and not someone to whom allegiance was owed, according to the sedevacantists' own logic.

[7] King Henry VII's prohibition of usury in his realm was overthrown in 1545 by his son and successor, King Henry VIII. We term Edward VI as England's first fully Protestant king, rather than Henry VIII, because on the matter of the Mass, Henry VIII stubbornly refused the appeals of the Protestant divines and retained the Roman Catholic rite inviolate, much to their consternation and disapproval.

[8] Munro, op. cit., p. 170.

[9] Gary North, "The Moral Legitimacy of Interest and Banking," in *Biblical Economics Today,* vol. xi, no. 6.

[10] For example, the *ESV Study Bible* (Crossway, 2008) commentary on Deut. 23: 19-20 misleadingly reads: "Cruelly high interest rates made situations worse. The prohibition of interest among Israelites protected the poor." The *ESV*'s dishonest insinuation is that Israelites were protected from *high* interest rates, not interest itself. By means of such underhanded tactics the Word of God is nullified and Christians are misdirected and deceived.

[11] Rushdoony, *The Institutes of Biblical Law*, p. 510.

[12] North, *An Introduction to Christian Economics* (1973), p. 10. Mooney also quotes from North's book, *Honest Money* (1986), p. 128, where North writes, "This too is basic to a Biblical social order: no loans to the faithful for over seven years (Deut. 15: 1-2)."

[13] S.C. Mooney, *Usury: Destroyer of Nations*, pp. 129-131.

[14] *Christian Directory* (reprinted London, 1838), vol. 1, Part IV, chap. XIX, p. 838. His commentary, also on p. 838, on Christ's words in Luke 6:35 is egregious sophistry.

[15] David Hawkes, *The Culture of Usury,* p. 63.

[16] *A Short and Private Discourse* (1637).

[17] "Jesus's own parable of the talents…praises the existence of money lenders and condemns the failure to give them idle money as profligacy itself." —Jeffrey Tucker, "Catholics and 'Usury': A Tragic History," in *Crisis* magazine, Nov. 16, 2011.

[18] Ted R. Weiland, *The Eighth Commandment: Thou Shalt Not Steal* (Scottsbluff, Nebrska: Mission to Israel, 2007). From *The Apostolic Bible,* the literal translation of Luke 19:23 from the Greek: "And therefore why did you not give my money unto the money-lenders table…"

[19] David Hawkes, *Culture of Usury*, p. 92.

[20] Michael Paulin, *The Ballad of Daniel Shays* (J.R. Greene, 1986).

[21] Spence suffered imprisonment for "seditious libel" and "high treason." Erroneously called England's first modern socialist, he was an enemy of big government and "giantism of all kinds." Even posthumously Spence was considered so threatening to the British establishment that three years after his death an Act of Parliament was passed prohibiting "all societies…calling themselves Spencean." ("Thomas Spence: The Trumpet of Jubilee," *Past and Present* [1977: vol. 76, no. 1]).

[22] Cf. Michael Scrivener, *Seditious Allegories* (Pennsylvania State University, 2001).

[23] Cf. James E. Bradley, *Religion, Revolution and English Radicalism.*

[24] *History of the Warfare of Science with Theology in Christendom* (New York, 1897), chapter XIX: "From Leviticus to Political Economy."

[25] "Slowly, as Student Debt Rises, Colleges Confront Costs," *New York Times* (online edition), May 14, 2012.

[26] The founders of the Mennonite Church were implacably opposed to charging interest on loans of money. Over the years the Mennonites "drifted" from their founders' intentions and convictions.

[27] *Holy Bible: New International Version* (Zondervan, 1984). Emphasis supplied.

[28] Weiland, op. cit.

[29] P.G.W. Glare, *Oxford Latin Dictionary* (Oxford University Press, 2006), p. 2110.

[30] Rev. Frs. William E. Addis and Thomas Arnold, *The Catholic Dictionary*, (Imprimatur: Henry Cardinal Manning and John Cardinal McCloskey, 1896), p. 827. Cf. Tertullian (*Adv Marc*., iv, 24, 25), Cyprian (*Testimon*. iii 48).

[31] St. Ambrose and his work *De Tobia* were favorites of poet Ezra Pound, for whom usury was a curse on civilization. Cf. Canto 99 in his *The Cantos*, wherein Pound recommends the study of *De Tobia*.

[32] Thomas Moser, "The Idea of usury in Patristic literature," in *The Canon in the History of Economics* (Routledge, 2000), p. 24.

[33] M. Lindsay Kaplan (ed.), *The Merchant of Venice: Texts and Contexts* (2002: Bedford/St. Martin's), p. 202.

[34] Ibid., Moser, p. 34.

[35] Ezekiel 22:12.

[36] Deuteronomy 23:20.

[37] Jeremiah 9:6 (Septuagint).

[38] Psalm 55:12 (Septuagint).

[39] *On Social Justice: St. Basil the Great* (St. Vladimir's Seminary Press, 2009), pp. 89-90; 95 (emphasis supplied).

[40] Matthew 5: 42; Psalm 15: 5 (Septuagint).

[41] *On Social Justice: St. Basil the Great* (op. cit.), pp. 97-99.

[42] Lois Miles Zucker (translator), *De Tobia* (Catholic University of America, 1933), pp. 51 and 57 (emphasis supplied).

[43] Moser, op. cit., p. 41.

[44] The phrase "a hundredth part of the principal" connotes a 1% interest rate.

[45] Cf. the Decree of Gratian, q. 3, c. iv and c. 4, q. 4, c. iv; and in 1. 5, t. 19 of the Decretals: cf. chapters 2, 5, 7, 9, 10, 13.

[46] Peter's influential theologian's manual, *Sentences,* sought to collect all of the theology of the Fathers and the canonists. His doctrine of usury followed most closely that of Augustine and Anselm.

[47] Andrew Dickson White, "A History of the Warfare of Science with Theology in Christendom," *The Popular Science Monthly* (1892), pp. 325-327.

[48] Franklin W. Ryan, *Usury and Usury Laws*, pp. 45-46.

[49] Cf. Walter Bagehot, *Lombard Street: A Description of the Money Market* (1873).

[50] *Ecclesiastical Law in Four Volumes*, transl. Richard Burn, vol. 4, pp. 39-42.

[51] Stephen J. Grabill (ed.), *Sourcebook in Late Scholastic Monetary Theory*, p. 237. In *Naviganti* Pope Gregory IX put forth a powerful and authoritative reaffirmation of the truths of Holy Scripture and the Catholic Church.

[52] Cf. John Gilchrist, *The Church And Economic Activity in the Middle Ages,* pp. 194-196.

[53] Wood, *Medieval Economic Thought*, p. 167.

[54] *Mediaeval Studies,* no. 2, pp. 1-11; 13-14; 18-20.

[55] The renowned canonist, Cardinal Henry of Segusio (or "Susa"), 1200-1271.

[56] Georges Lefévre, *Le Traité 'De Usura,' de Robert de Courcon* (l'Université de Lille, 1902).

[57] Transubstantiation was first "definitively approved" by the Roman Council of 1079 (also known as the Lateran Synod) in the presence of Pope Gregory VII who was supported most notably by Lanfranc of Pavia, Prior of the Abbey of Bec in Normandy, who would become, under William the Conquerer, the Archbishop of Canterbury. 136 years after the Roman Council, transubstantiation was proclaimed as the official and authentic dogma of the Eucharistic mystery at the Fourth Lateran Council.

[58] Lipton, *Images of Intolerance: The Representation of Jews and Judaism in the Bible Moralisée,* p. 36.

[59] Dominic Aidan Bellenger and Stella Fletcher, *Princes of the Church: A History of the English Cardinals*, pp. 11-12.

[60] Matthew of Paris, quoting from the *Liber Additamentorum* at St. Albans.

[61] Phyllis Barzillay Roberts, *Studies in the Sermons of Stephen Langton*, pp. 17-18.

[62] Ibid., p. 18.

[63] Bellenger and Fletcher, op. cit., pp. 10-11.

[64] William Edward Hartpole Lecky in his monumental *History of the Rise and Influence of the Spirit of Rationalism in Europe*, after acknowledging that the ban on interest on money was unanimous and created a unified "code of commercial morality" in the Church from its founding, running "through all the writings of the Fathers…in the decrees of the Councils…" terms the ban "a radical misconception, a product of dogmatic superstition," which was finally routed by the new rationalism in Europe. (Cf. volume two, pp. 250-270).

[65] O.I. Langholm, *Economics in the Medieval Schools*, p. 45.

[66] Ibid., pp. 45-46.

[67] Ibid., p. 56.

[68] Ibid., p. 58.

[69] Ibid., 84-85.

[70] *Decretales Gregor IX.* St. Raymond also edited Gratian's *Decretals*. Together these two works formed the basis of Canon law.

[71] Ibid., p. 112.

[72] *Speculum doctrinale,* (Douay, 1624), Book 10, Chapters 102-33, cols. 956-980.

[73] Langholm (op. cit.), p. 115.

[74] *He Became Poor: The Poverty of Christ and Aquinas's Economic Teachings* , pp. 71-83 (paragraph headings and emphasis are supplied.) Prof. Franks refutes charges by John T. Noonan (*The Scholastic Analysis of Usury*), of discrepancies in the teachings of St. Thomas Aquinas on this subject.

[75] Langholm (op. cit.), p. 309.

[76] Bryan Cheyette, *Between Race and Culture* (Stanford University, 1996), p. 99.

[77] "The Bank of England and the Federal Reserve Bank in the United States stimulate the economy by pumping money into it directly. This is called 'quantitative easing.' The way the central bank does this is by buying assets — usually financial assets such as government and corporate bonds —using money it has simply created out of thin air. The institutions selling those assets (either commercial banks or other financial businesses such as insurance companies), will then have 'new' money in their accounts, which then boosts the money supply. These days the Bank doesn't have to literally print money — it is all done electronically." —BBC Business News, July 5, 2012. Many who oppose this something-from-nothing process forget that it was made possible and respectable by the legalization of interest on money, the primordial something-from-nothing alchemy that has been the norm in modern society. In a usury-free nation, "quantitative easing" would be unthinkable.

[78] Jonathan Gil Harris, *Sick Economies*, p. 84.

[79] Louis Crompton, *Homosexuality and Civilization*, p. 260. Also cf. Michael Rocke, *Forbidden Friendships: Homosexuality and Male Culture in Florence* (Oxford University Press, 1996).

[80] 1403 on the Florentine calendar, which began March 25.

[81] From the late Middle Ages to the Early Modern period, there are many dissertations on interest on money bearing this title, from just as many authors, such as Giambattista Lupo, Martin Bucer, Alphonso Vilagut, Gerardo Senensi, John Bolles, Alessandro Bonini, Petrus Ubaldus, Bartolomeo Ugolinus, etc.

[82] Armstrong, p. 100. op.cit.

[83] From 1375 to 1378 Florence fought a war with the forces of Pope Gregory XI, the last Avignon pope (and the pontiff who restored the papacy to Rome).

[84] This is similar to the German-Catholic Nominalist *contractus trinus,* which we will consider in the next chapter.

[85] Armstrong, op.cit., pp. 40-41.

[86] *Cronica di Matteo Villani,* 8.71, Ignazio Moutier edition, 4:91.

[87] Testament of Urban III.

[88] Tim Parks, *Medici Money: Banking, Metaphysics, and Art in Fifteenth-Century Florence,* p. 10. (Po is the longest river in Italy).

[89] William Heywood, *The "ensamples" of Fra Filippo: A study of mediaeval Siena*, pp. 139-140.

[90] Blessed Fra Filippo was Prior of the Augustinian monastery of Lecceto in Siena. He was beatified in the year of his death.

[91] Heywood, op. cit, pp. 153-159.

[92] G.R. Owst, *Literature and Pulpit in Medieval England,* p. 236.

[93] Armstrong, op. cit., p. 54.

[94] Armstrong, p. 56.

[95] Armstrong, pp. 42-45.

[96] Cf. for example, John Gilchrist, op.cit, p. 66. Gilchrist is in favor of usury. See his "simple solution" on p. 68.

[97] McLaughlin, op.cit., pp. 12-13.

[98] "By 1427, eighty-six percent of *mont*e credits were owned by the richest ten percent of Florentine households…the poor, who paid their assessments *ad perdendum* or sold their credits to speculators, were ineligible to collect interest." Armstrong, op.cit., p. 100.

[99] Armstrong, op. cit., pp. 68-69.

[100] "The argument that usury is the illicit sale of time, which is common to all and therefore non-vendible, first appeared in the writings of the 12th century theologian Peter the Chanter and subsequently became a commonplace of usury analysis. It was adopted as a subsidiary argument against usury by Pope Innocent IV." (Armstrong, p. 95). "The instigators of capitalism were usurers…sellers of time…" (Jacques Le Goff, "The Usurer and Purgatory"). "Usury was a theft…of time, which belonged solely to God, because it made money out of the time that elapsed between the loan and its repayment." Le Goff, *Money and the Middle Ages,* p. 63. Also cf. William of Auxerre, *Summa aurea* (ca. 1220), III:21, q.1.

[101] George O'Brien, *An Essay on Mediaeval Economic Teaching*, pp. 161-163.

[102] Azo (1150-1230), the medieval Italian canon lawyer and expert on old Roman law stated that the rationale for the Emperor Justinian's permission for usury was "worldly necessity."

[103] Cf. Hostiensis, archbishop of Ostia; and Guido de Baysio (1246-1313) in his *Rosarium.* (De Baysio was chairman of the department of canon law at the University of Bologna and a judge at the papal court).

[104] Armstrong, pp. 75 and 77.

[105] Rev. Fr. Piero degli Strozzi did not completely rule out the possibility that an additional payment for a loan beyond the principal could be a gift from a grateful recipient of the loan rather than interest on the loan, if it passed certain tests, the most crucial of these being that it was voluntary. If a "gift" was contingent on receiving the loan, then, as we have noted, it was of course undoubtedly usury. Cf. Gregory of Rimini, *Tractatus*, art. 1 [ed. cit. fol. A7r]). (Piero degli Strozzi is not to be confused with the extended Strozzi clan of Florentine finaglers which we will encounter later in these pages).

[106] Da Feltre is considered a heroic and unassailable holy man by conservative Catholics, due to his public campaign against sins of the flesh and Judaic usurers. Yet, by his actions we know that Bernardino was the agent, conscious or not, who helped to lay the future foundation for a papal precedent for committing mortal sin by charging interest on money, as long as the "former" mortal sin thwarted "the Jews" and "helped the poor." This was a betrayal and abandonment of dogmatic truth, an act of modernist infiltration which came from the Right, using the pretext of thwarting "the Jews" to justify "moderate," incremental mortal sin.

[107] Nirit Ben-Aryeh Debby, *Renaissance Florence in the Rhetoric of Two Popular Preachers*, p. 189.

[108] *Quaestio Peccatum.* "The object of canon law…is to guide people to God. This cannot be done without charity; mortal sin is a violation of charity…Usury is sinful in itself and therefore the canons condemn it as an impediment to the common good of the Faithful." (Johannes Andreae).

[109] Decretal to the Archbishop of Palermo.

[110] *Bulla Concilii in decima sessione super materia Montis Pietatis: Lecta per Reverendum patrem dominum Bertrandum Episcopum Adriensis Oratorem Ducis* (Ferrariae) (s.l., s.d.), iv (Roman Curia, May 4, 1515).

[111] No previous pontiff had declared official approval for the operation of any bank, whether philanthropic or otherwise, which charged interest on loans of money. Beginning in 1462 with the dawn of the Renaissance, such operations had been put forth as temporary exigencies and occasionally tolerated on that basis by the reigning pontiff on an individual and *ad hoc* basis, *but never institutionalized or given formal approbation*. Under Leo X the exigency became a precedent, which in turn furnished the basis for his promulgation of a permanent institution.

[112] This is the Hegelian process — *Thesis*: zeal for justice and love of the truth in opposing interest on money are commendable. *Antithesis*: interest charged on loans to the poor is an "excellent" system and not a "direct cause" of usury, since the interest is "gratuitous." *Synthesis*: interest may be charged by charitable banks — not for profit, but for "expenses and indemnity," and this is "meritorious." It was also a 53-year-old innovation in a Church whose Magisterium for 1500 years had condemned *any interest on loans of money* as damnable, in submission to the Word of God as confirmed by Apostolic, Patristic, and Conciliar authority. On May 4, 1515 Giovanni di Lorenzo de' Medici created a template for the overthrow of Catholic Truth which would become a model for Paul VI, John Paul II and Benedict XVI, as well as the popes of usury who came before them and after Leo.

[113] Cf. "Monte Pietatis," in Charles George Herbermann (ed.), *The Catholic Encyclopedia: An International Work of Reference on the Constitution, Doctrine, Discipline, and History of the Catholic Church*, vol. x, pp. 534-536.

[114] *Capital and Interest: A Critical History of Economical Theory* (London: Macmillan, 1890).

[115] Ridolfi, Lorenzo, *Tractus de usuris* (1404), published in *Tractatus universi iuris* (Venice, 1584), vol. 7. Translated by Lawrin Armstrong. The treatise is divided into 179 *quaestiones* and *oppositiones* intended as a digest of canon law rulings on usury.

[116] Cf. Michael Davies, *On Communion in the Hand and Similar Frauds* (St. Paul: The Remnant Press, 1998).

[117] "The man who sells his country for gold."

[118] Armstrong, op. cit., p. 294.

[119] Hawkes, op. cit. p. 87. This papal "*Zinskauf"* was *wuchrische zinskauf*. Cf. *Revisionist History* newsletter, issue no. 65.

[120] Carol B. Menning, *Charity and State in Late Renaissance Italy,* pp. 104-108; 114; 116-117.

[121] The amount was sixteen thousand florins (gold coins).

[122] Menning, op. cit., p. 117. It would be an error to imagine that the Medici had no rivals or enemies in Rome or Florence and that their commercial operations were seamless. Other patrician families sought to muscle in on the profits and muscle the Medicis out. Among these were the Pazzi family who were bought off by Leo X, and the exceedingly wealthy Strozzi, whose *capo* was Filippo Strozzi, whose brother Lorenzo would temporarily take control of the *monte di pieta* in 1530.

[123] Ibid., p. 145.

[124] Ibid., p. 153.

[125] Ibid., pp. 256; 259-261.

[126] Pope Gregory XIII applauded the massacre of thousands of Protestant Huguenots in France in 1572, instigated by Catherine de' Medici, great-granddaughter of Lorenzo de' Medici ("Lorenzo the Magnificent") of Florence. It has been suggested that Shakespeare's reference in *King Henry IV, Part One* to "Turk Gregory" alluded to Gregory XIII, the pope who was popularly viewed by the English as one of 'three tyrants of the world.' "Anti-Catholic polemics often collapsed Turks and Catholics into a single, demonized figure of what were seen as the two great threats to the 'godly' kingdom; cf. John Bale's sardonic joke in *The Pageant of the Pope* (1574), where he refers to 'Pope Turban II." —David Scott Kastan, *King Henry IV Part 1*, p. 323.

[127] Menning, op.cit., p. 265.

[128] Ibid., p. 263. "The *monte di pieta* of Rome made another contribution to modern finance: in 1788 it issued a note for 130 scudi that is apparently the first paper money printed in Italy" (p. 258).

[129] Pope Clement VII was the former Giulio di Giuliano de' Medici.

[130] John Rao, *Black Legends and the Light of the World*, pp. 295-296. This sack of Rome was initiated by the forces of Roman Catholic Emperor Charles V of Spain.

[131] Armstrong, op. cit., pp. 85-86.

[132] Raymond de Roover, *The Rise and Decline of the Medici Bank*, p. 12.

[133] John Munro, "Usury, Calvinism and Credit in Protestant England," in *Religione e istituzioni nell'economia europea: 1000-1800,* p. 163.

[134] Cf. *Revisionist History newsletter* no. 52, "Judaizing Protestantism and Neo-Platonic Catholicism in Legend and Reality."

[135] *Charles I King of England* (J.B. Lippincott, 1933).

[136] Catholic economist Amintore Fanfani in his book *Catholicism, Protestantism and Capitalism* (Sheed and Ward, 1935), rightly attacks Max Weber's thesis of the Protestant origins of capitalism. Fanfani, to his credit, gives some sense of the extent to which Calvinists opposed the influence of mammon and greed: cf. in the 2003 IHS Press paperback edition, pp. 143-147; 149-150. Fanfani does not blame early Protestants for capitalism, but he does uphold the myth that they originated usury in Christendom.

[137] "…the Pharisaic-rabbinical conception of the law…is a nominalist concept. It holds that the *halakha* (law) was determined by the human agent, which in the case of the Talmud consists of a group of rabbis who decide whether something is pure or impure, and this categorization does not derive from the inherent nature of the things." —Shany Littman, *Haaretz*, Oct. 4, 2012.

[138] Cf. "Luther's Debate with Eck" in Bernhard Lohse, *Martin Luther's Theology in Historical and Systematic Development*, pp. 118-126.

[139] Biel, *Sacri canonis misse expositio resolutissima* (Basel, 1510).

[140] John T. Noonan Jr., *The Scholastic Analysis of Usury* p. 340.

[141] Heiko Oberman, *Masters of the Reformation: The Emergence of a New Intellectual Climate in Europe*, pp.129-130.

[142] Ibid. p. 131.

[143] Menning, op. cit., p. 119.

[144] Joseph Lortz, *The Reformation in Germany*, vol. I, p. 300. Catholic Spain named a street in Madrid in honor of the Fuggers: Calle de Fúcar (between Atocha and Moratín streets).

[145] Ibid.

[146] Mark Häberlein, *The Fuggers of Augsburg* (unpaginated digital book; cf. chapter 7, "The Fuggers in Sixteenth Century Urban Society").

[147] Oberman, op. cit., p. 142.

[148] Ibid., p. 132.

[149] Ibid., p. 133.

[150] Cf. Robert Sabatino Lopez et al., *Medieval Trade in the Mediterranean World*, pp. 174-184.

[151] Oberman, op.cit., p. 134.

[152] Noonan, op. cit., p. 230.

[153] Oberman, op. cit, p. 134.

[154] Ibid., p. 141.

[155] Ibid., p. 136.

[156] Ibid., pp. 136-137. Also cf. J. Schneid, "Dr. Johann Eck und das kirchliche Zinsverbot (*Historischpolitische Blätter für das katholische Deutschland* 108 (1891, 2]), pp. 241-259; 321-335; 473-496; 570-589; 659-681; 789-810.

[157] Oberman, ibid., p. 141; Eck's debate at Augusburg is recounted by Joseph Schlecht, "Dr. Johann Eck's Anfänge," in *Historisches Jahrbuch der Görresgesellschaft* 36, pp. 1 - 36).

[158] Gerhard Ritter, *Luther: His Life and Work*, pp. 68-69.

[159] Lortz, op. cit., pp. 225-226.

[160] *The Catholic Encyclopedia*, vol. 14, "Johann Tetzel."

[161] Molina's *Treatise on Money* (arguments 396-410) was first published in an anthology of his writings in volume two of *De iustitia et iure* (1597), which was translated into English and published in 2007 in *Sourcebook in Late-Scholastic Monetary Theory,* pp. 139-237. Molina was a Jesuit economist and his arguments in favor of usury are exceedingly slippery. One must read carefully in order to perceive that he is in fact allowing for usury under certain tightly circumscribed circumstances; sometimes under the euphemism of a "stipend."

[162] Liguori, *Theologia Moralis III*, v. 3, 7.

[163] Albert R. Jonsen and Stephen Toulmin, *The Abuse of Casuistry: A History of Moral Reasoning,* pp. 188-190; 193-194.

[164] *Martin Luther: Theology and Revolution* (Oxford, 1991).

[165] *God and the Moneylenders*, p. 15. On Luther's reaction against peasant anti-usury "ultra-Mosaism" cf. *Revisionist History* no. 65.

[166] Roland H. Bainton, *Here I Stand*, pp. 236-237. Bainton pandered to the trends of his day by attempting to sustain some of Max Weber's criticisms, which were very much in vogue in 1950, when *Here I Stand* was published. According to Bainton, Luther's intolerance for begging and his "exaltation of work as the imitation of God" had "unwittingly contributed" to the development of capitalism. If that is the case, then the Catholic monastic order of Benedictines, renowned for their arduous work ethic as epitomized by the eponymous adjective, *travailler à la benedictine*, were also responsible for the rise of capitalism.

[167] Cf. "Trade and Usury" in *Luther's Works,* (Muhlenberg Press, 1962), vol. 45, p. 305.

[168] For an explanation of *zinskauf* transactions, cf. Walther I. Brandt's introduction to "Trade and Usury," in *Luther's Works,* vol. 45, pp. 235-239.

[169] Moulin, *Tractatus contractum et usurarum* (1547).

[170] John Edwards, D.D., *Theologia Reformata* (London, 1713), volume 2, pp. 547-548.

[171] The sermons of Mosse against usury, preached 1592-1593 at the church of St. Edmunds in Suffolk, were collected and published in London in 1595 as *The Arraignment and Conviction of Usurie*.

[172] 2 Corinthians 11:14.

[173] Fenton, *A Treatise of Usury* (London: 1612), pp. 2-3; 48-49.

[174] John Munro, "Usury, Calvinism and Credit in Protestant England," in *Religione e istituzioni nell'economia europea: 1000-1800*, p. 168.

[175] *They Were White and They Were Slaves: The Untold History of the Enslavement of Whites in Early America* (Independent History and Research, 1993).

[176] When speaking of the degeneracy and decline of either the Roman Catholics or the Protestants, it is necessary to acknowledge that saintly men and woman arose in both churches despite the heresy and corruption within their leadership. We think of the French Catholic St. Vincent De Paul, and the New England Puritan theologian Jonathan Edwards, both of whom lived in eras when usury was on the rise in the hierarchy of their churches, and yet they were men of great personal rectitude and godly example; this in fulfillment of Christ's words in Matthew 16:18.

[177] This is our transcription, with typographical errors corrected, of Greenhill's text, published in *An exposition of the prophet Ezekiel: with useful observations thereupon* (Edinburgh, Scotland: James Nichol, 1863). The title, and subheadings have been supplied.

[178] *The Protestant Ethic and the Spirit of Capitalism* (1930).

[179] Hawkes, op. cit., pp. 87-88.

[180] R.H. Tawney, *Religion and the Rise of Capitalism*, pp. 77, 79.

[181] Mike Lofgren, "Revolt of the Rich," *The American Conservative,* September, 2012, p. 21.

[182] In 1907 Pope Pius X wrote in his encyclical *Pascendi Dominici Gregis*, that the heresy of modernism was "the synthesis of all heresies." For some reason he did not know or care — or dare — to state, that the rise of the Money Power within the Church *was at the root of modernism.*

[183] Tawney, op.cit., pp. 76, 80.

[184] Pellicani, *The Genesis of Capitalism and the Origins of Modernity,* pp. 36-40.

[185] Biéler, *La pensée économique et sociale de Calvin*, p. 514.

[186] Pellicani, op. cit., pp. 46; 48-49; 51-52.

[187] Perry Miller, *The Puritans*, vol. 1, pp. 4-5. Miller was a distinguished historian of the ideology of early New England. Here he is revising his own previous view of Puritan economics.

[188] Pellicani, op. cit., p. 73.

[189] Ibid., pp. 49-50.

[190] Lloyd Edward Kermode, *Three Renaissance Usury Plays (*Manchester University Press, 2009), p. 3.

[191] Lever (1509-1577) a Puritan theologian, was a famous opponent of greed, usury and covetousness; and preacher to King Edward VI and at St. John' College, Cambridge. In 1553, with the ascension of Queen Mary Tudor, Lever fled to Switzerland, staying for a time in Geneva, where he met Calvin. Lever was an implacable foe of all interest charged on loans of money. "Among all those preachers none more bravely fought the battle of the…poor; none more vigorously, even to personal hazard and danger, exposed the cruelty, covetousness and craft of the rich and the clergy than Thomas Lever…" Edward Arber, *Sermons 1550*, p. 16.

[192] Andre Biéler, *La pensée économique et sociale de Calvin,* p. 168.

[193] George M. Marsden, *Jonathan Edwards: A Life* (Yale Univ. Press, 2003), pp. 303-304. Marsden's characterization of Edwards as deploring "free enterprise" is clearly wrong; Marsden should have used the word "Capitalism" and not "free enterprise" in the preceding quote.

[194] Mosse, *The Arraignment and Conviction of Usury*, pp. 58-60.

[195] Valeri, *Heavenly Merchandize: How Religion Shaped Commerce in Puritan America*, p. 29-31.

[196] Ibid., pp. 31-32; emphasis supplied.

[197] Ibid., p. 32.

[198] Ibid., p. 35.

[199] Ibid., p. 38.

[200] Humanism was behind the assault on the early Puritans, who had embraced the ordering of the economy according to Biblical statutes, as upheld during the Patristic and medieval age. In a memo

known to history as *Moses His Judicials* (circa 1636), which appear to be John Cotton's notes from a meeting of Massachusetts' leaders, Cotton reiterated the belief that the non-ceremonial laws of the Old Testament, such as the Ten Commandments, were perpetual, and legally binding on Christians. One line in his hand-written memo reads: "…the more any law smells of man, the more unprofitable." The Massachusetts government's "Body of Liberties" of 1638 states: "No custom or prescription shall ever prevail among us…that can be proved to be morally sinful by the Word of God." Secular-humanists cannot abide that theocratic standard, and nowadays the smell of man is everywhere on the legislation of the morally depraved, capitalist West.

[201] Ibid., pp. 51-53.

[202] Nehemiah rebuilt the walls of Jerusalem to great rejoicing and in service to Yahweh, in part by convincing moneylenders to place the common welfare above their own profit; cf. Nehemiah chapter 3.

[203] Francis J. Bremer, *John Winthrop: America's Forgotten Founding Father*, p. 214.

[204] Allan Heimert and Andrew Delbanco, *The Puritans in America: A Narrative Anthology,* p. 27.

[205] Valeri, op. cit., pp. 62-63; 65-67.

[206] *The Puritans in America: A Narrative Anthology,* p. 187.

[207] Tawney, op.cit., p. 100.

[208] One of the most common of these was *lucrum cessans*.

[209] Geoffrey R. Elton and Andrew Pettegree, *Reformation Europe 1517-1559,* p. 226.

[210] Parker's grandfather was Capt. John Parker, commander of the farmer-militia at the battle of Lexington in 1775.

[211] E.A.J. Johnson, *American Economic Thought in the Seventeenth Century* (Russell and Russell, 1961), p. 217.

[212] Mark Valeri, *Common-Place*, April, 2006.

[213] Ernest Benson Lowrie, *The Shape of the Puritan Mind: The Thought of Samuel Willard*, p. 3.

[214] Valeri, pp. 156, 158 and 160. Valeri takes the title of his indispensable book from Willard's own title, *Heavenly Merchandize.*

[215] See in particular, pp. 15-27.

[216] Samuel Willard, *A Compleat Body of Divinity*, pp. 698-701.

[217] Cf. Eve LaPlante, *Salem Witch Judge: The Life and Repentance of Samuel Sewall* (HarperCollins, 2007), pp. 199-201; and Seymour Van Dyken, *Samuel Willard*, p. 182.

[218] For an account of the long-buried arcana of the Salem-witch accusers cf. *Revisionist History* no. 30, "The Myth of the Salem Witch Craze."

[219] In our protest of the *idolization* of mere human beings (Romans 3:10; Matt. 20: 25-28), we mean to take nothing away from the esteem due to faithful and saintly pre-Renaissance pontiffs who upheld the integrity and authority of the Word of God.

[220] For the complete text cf. *Calvin's Ecclesiastical Advice.*

[221] Other names for them in Ireland were "cormorant," and, in the local dialect, "*breiseoirí*" and "*'usairí.*"

[222] Later, when contacted by a Vatican commission investigating the case, the money-lender actually thanked Fr. O'Callghan for remaining faithful to what the money-lender acknowledged was the traditional Irish teaching against usury. For scathing portraits of usurers in Ireland cf. William Carleton, *Black Prophet* (1847), Thomas Farrow, *The Money-lender Unmasked* (1895) and Liam O'Flaherty, *The House of Gold* (1929).

[223] Published in 1825; reprinted 1834 and 1856.

[224] John Michell, *Eccentric Lives*, p. 53-54. The "complaints" about Bishop Coppinger published by Fr. O'Callaghan consisted of the charge that the bishop himself was a usurer, being "often the bearer of interest from his debtors to him."

[225] Paul Searls, *Two Vermonts,* (University of New Hampshire Press, 2006), p. 54.

[226] Cf. *Resp. Pii VIII ad episc. Rhedonensem datum in audientia, 18 Aug. 1830*. Denziger-Bannwart, nos. 1609 and 1610.

[227] Philippe Levillain, ed., *The Papacy: An Encyclopedia*, vol. 2, p. 1191.

[228] Jason Berry, *Render Unto Rome: The Secret Life of Money in the Catholic Church*, pp. 43-45. "Peter's Pence is the Vatican's most important collection; it is taken once a year in late June, in parishes across the developed world" (p. 36).

[229] "Usury," *New Catholic Encylopedia* (Catholic University of America, 1967), vol. 14, p. 499.

[230] Thomas F. Divine, S.J., *Interest: An Historical and Analytical Study*), pp. 109-110; 116.

[231] This is effectively a license for libertarian capitalism since no definition of "excessive" is given, and no distinction is made between *mutuum* and *locatio*.

[232] O'Callaghan, *Usury Funds, and Banks*, pp. 219-221.

[233] Michell, op. cit, p. 55.

[234] Hugh Barty-King, *The Worst Poverty,* (1997), p. 2.

[235] Benjamin N. Nelson, *The Idea of Usury*, p. 121.

[236] Mises' Austrian School philosophy can be traced to the Renaissance Catholic "School of Salamanca," which "paved the way for the modern subjectivist theory of value developed by the Austrian School of Economics." Jesús Huerta De Soto, *Money, Bank Credit and Economic Cycles*, p. 83.

[237] Cf. Anne C. Heller, *Ayn Rand and the World She Made* (Doubleday, 2009).

[238] "…not only the theft of others' goods, but also the failure to share one's own goods with others is theft and swindle and fraud…" —St. John Chrysostom, *Second Sermon on Lazarus and the Rich*

Man.

[239] Whittaker Chambers, "Big Sister is Watching You," *National Review,* December 28, 1957.

[240] Stanford University Prof. Jennifer Burns, "Atlas Spurned," *New York Times,* Aug. 14, 2012.

[241] Rand's disciple, atheist Alan Greenspan, before he became the chairman of the Federal Reserve Bank, mysteriously swore his first oath of office (as head of the Office of Budget Management), on a copy of the Talmud, rather than the Bible, as Rand looked on approvingly. Since the Talmud is a religious tome, how do we account for this behavior on the part of atheists?

[242] Burns, op. cit. Ayn Rand's racist slurs against Arabs (on the nationally televised Phil Donahue program), are not mentioned by Prof. Burns in her fawning *New York Times* column.

[243] We do not endorse this book in its entirety. For example, Mr. Berry conflates Christ and Buddha with distressing insouciance. The meatiest chapters are: "Let the Farm Judge"; "A Long Job, Too Late to Quit"; and best of all, "The Total Economy."

[244] Greek grammarians and Christian theologians employed *tokos*, a Greek word which signifies both begetting children *and* interest on money; implying both natural and unnatural offspring: "So an ancient grammarian derives *faenus* (interest on debt) from *fetus*, because it is *quaedam faetura pecunia parturientis* (the brood of increase)," connoting monstrous increase.

[245] Ronald Bush, *The Genesis of Ezra Pound's Cantos (*Princeton University Press, 1989).

[246] Berry, *The Art of the Commonplace: The Agrarian Essays,* pp. 225, 308-309.

[247] *Church and the Land*, p. 73. McNabb didn't believe the Puritans knew the way to Moses. Reading Milton's *Paradise Lost* made him detest them: "the God-hound of Milton is yearning to devour," while in Catholicism, "the Hound of Heaven is yearning to embrace the soul whom it pursues." Among the dozens of signal Puritan texts which refute this familiar canard are: Jeremiah Burroughs, *Moses' Self-Denial* (Reformation Heritage 2010); also *Rare Jewel of Christian Contentment* (Banner of Truth, 1964); Jonathan Edwards, *Charity and Its Fruits* (Banner of Truth, 2005).

[248] *The Summa Theologica of St. Thomas Aquinas*, trans. Fathers of the English Dominican Province (Christian Classics, 1981), five volumes, 3020 pages. *Nota bene*: the medieval scholasticism of Aquinas should not be confused with "Late Scholasticism," a degenerate Renaissance movement typified by the Salamanca School of Luis de Molina, S.J., Martin de Azpilcueta, and others.

[249] McNabb, *Francis Thompson and Other Essays*, p. 16.

[250] One of Calvin's most revolutionary conceits was his conviction that not just the Catholic Mass as it existed in the 16th century, but the Mass at any time in the history of the Church when the Eucharist was held to be the literal flesh and blood of Christ, was "a most wicked infamy and unbearable blasphemy." Consequently, for a thousand years and more, the Fathers, saints and councils had been guilty of "blasphemy," and it took a French lawyer to set them straight. This is a type of spiritual Bolshevism, instantly decreeing that the past of the patriarchs is now criminal and subject to immediate abolition. It led Protestants to imagine it was their duty to imprison and kill all those like the Irish who clung to the Mass of the ancient Church. Moreover, Calvin expressed no similar level of thundering vitriol and five-alarm anathema for the *Talmudic blasphemy* that justified the murder of Jesus Christ (cf. BT Sanhedrin 43a; also Sanhedrin 107b and BT Gittin 57a).

[251] Peter Chojnowski, *The Gauntlet: A Challenge to the Myth of Progress* by Arthur J. Penty (an anthology of writings from 1917, 1922, 1923, 1932 & 1941).

[252] Penty attributes the root of the dissolution of the Guilds to the revival of the laws of the Roman empire within medieval England: "…it is true to say that the ultimate cause of their (the Guilds) decline is to be traced to the revival of Roman law. The Guilds went down not because they were unfitted by their nature to grapple with the problems of a wider social intercourse, as historians have too hastily assumed, but because the moral sanctions on which they rested had been completely undermined by the revival of a system of law that gave legal sanction to usury and permitted speculation in prices."

[253] "Usury: A Reply and a Rejoinder," *Contemporary Review*, February, 1880, pp. 314-339.

[254] The last of England's Plantagenet monarchs, King Richard III (1452-1485), was suspected of the murder of his two young nephews and his own wife.

[255] England's Anglo-Catholic King Charles II (1630-1685) was a notorious philanderer and the keeper of numerous mistresses; Nell Gwyn being the best known.

[256] Filthy trade: usury.

[257] Quoted by William Cunningham, *The Growth of English Industry and Commerce*, vol. 1, p. 76. Thomas Rogers (ca. 1555-1616), was an Anglican theologian and the translator of both *The Imitation of Christ,* and Philipp Caesar's *A General Discourse Against the Damnable Sect of Usurers*.

[258] Philip Stubbes, *Anatomy of Abuses* (London, 1583), chapter eight.

[259] *The Letters of St. Bernard of Clairvaux* (London, 1953), trans. Bruno James, no. 391.

[260] Cf. for example Sebastian Brant in his 1493 work, *The Ship of Fools* where he writes of "Christian" usurers worse than Jews; contrast McTeague's insanely covetous gentile wife with the Judaic miser in *McTeague* by Frank Norris, or Oliver's half-brother Monks who is shown to be worse than Fagin in *Oliver Twist*. Liam O'Flaherty wrote: "In every little town in Ireland you will find a man like Ramon Mor, a grabber, who makes his money by worse usury than Shylock ever practiced." (*The House of Gold*, p. 18).

[261] Sara Lipton, op. cit., pp. 33-34.

[262] University of California Press, 1996, p. 368.

[263] On ecclesiastical jurisdiction, cf. Thomas Pink's paper, "What is the Catholic Doctrine of Religious Liberty?;" Conference on Natural Law, Cambridge University Center for Research in the Arts, Sciences and Humanities, Sept. 10, 2009.

[264] "Surrounding territory" – the outlying towns in the Florentine state as well as beyond it; cities such as Siena, Padua, Perugia, Pisa and Lucca. From 1382 to 1397 Judaics obtained the right to conduct their business and reside in Venice.

[265] Nirit Ben-Aryeh Debby, op. cit., p. 179.

[266] "Judaizer" is sometimes absurdly applied to Martin Luther, the author of the incendiary volume, *Von den Juden und ihren Lügen* ("On the Jews and their Lies"). Peter Milward in *Shakespeare the Papist*, argues that Shylock in *The Merchant of Venice,* though presented "on the level of the story" as a Jew, was intended to be understood as a Puritan, in line with the Elizabethan public's "ideas about the Puritans." Actually, the view of Puritans as synonymous with usurers was a recusant Catholic one, shared by Shakespeare's alleged spiritual guide, Jesuit Father Robert Southwell. That Shakespeare may have been a crypto-Catholic and accepted the conflation of Puritans and usurers, does not signify that the Elizabethan masses accepted it. Theatre-goers would have been more jaundiced toward Puritans, given Puritan polemics against cross-dressing actors and play-acting in general. To accept that the English would have shared Southwell's identification of Puritans as notorious money-lenders, one would have to be nearly completely ignorant of the extent to which the Puritans publicly agitated against usury in pamphlets and pulpits, associating it with the "pope's rags." Fr. Southwell's prejudice toward Puritans (understandable in that he was a hunted fugitive), was a product of his less than objective perspective. While Shakespeare may have been under the Jesuit's influence, that possibility does not serve to confirm Southwell's stereotype of Puritans as loan sharks. Moreover, Shakespeare's Roman Catholic father was himself a usurer. Perhaps Shylock should have been named John: "In 1570 one John Shakespeare of Stratford was fined 40 shillings for charging an astonishing £20 interest for a one month £80 loan…" —Charles Edelman, "Which is the Jew that Shakespeare Knew?" in *Shakespeare Survey 52: Shakespeare and the Globe*, p. 103.

[267] Rabbi Ezra Basri, *Ethics of Business and Finance and Charity According to Jewish Law*, vol. 1, chapter 16, "Loans at Interest to Gentiles, Apostates, and the Like." This is a modern book published in 1987 and authored by the Chief Justice of the District Court of Jerusalem.

[268] The term "Judaizing" is regarded by the politically correct standards of our times as a racial slur, and never an objective, unbiased description of historical movements and trends. Fathers of the Church such as St. John Chyrsostom used the term scripturally and without racial prejudice.

[269] Sombart, *The Jews and Modern Capitalism*, (The Free Press, 1951), p. 248.

[270] Ibid., pp.191-192; 248-249.

[271] Durban, South Africa: Dolphin Press, 1978.

[272] Sombart, op. cit., p. 249.

[273] Ibid., p. 185.

[274] Cf. for instance, *A Short Demurrer to the Jews' Long Discontinued Remitter into England* (London: Edward Thomas, 1656).

[275] Marilynne Robinson observes that the modern consensus on the Puritans "is a great example of our collective eagerness to disparage without knowledge or information about the thing disparaged, when the reward is the pleasure of sharing an attitude one knows is socially approved" (*The Death of Adam*, p. 153).

[276] Hillel Levine, p. 91. Levine sees nominalism metastasizing from Renaissance Catholicism into "Protestant chiliasm."

[277] *He Became Poor: The Poverty of Christ and Aquinas's Economic Teachings,* op. cit.

[278] On June 30, 2012, Pope Benedict XVI wrote with his own hand a letter to the Superior General of the Society of St. Pius X (SSPX). It was signed personally by the pope: "I confirm to you in fact [that], in order [for you] to be truly reintegrated into the Church it is necessary to truly accept the Second Vatican Council and the post-conciliar Magisterium." In other words, the members of the SSPX, and any other person that seeks to be recognized as Catholic by Rome, must accept the truthfulness and validity of *Dignitatis Humanae,* and all other constitutions, decrees and declarations of Vatican II, which, the pope says, are part of the Magisterium of the Church since the council. [For testimony concerning the provenance of this letter cf. http://rorate-caeli.blogspot.com/2012/09/important-with-popes-own-signature.html]

[279] "The State thus followed up the Church condemnation of usury by confiscating the property of those who died in that 'sin' (usury). In this regard equal measure was dealt out to both Jew and Christian, and if a Jew's property fell into the King's hand at his death that would be no more than would happen if a Christian were a usurer." — Joseph Jacobs, *The Jews of Angevin England: Documents and Records*, p. 49-51.

[280] Crossway Bibles, 2007, p. 354.

[281] Menning, op. cit. p. 238.

[282] Collected in the 1920 anthology, *The New Jerusalem* (London: Thomas Nelson).

[283] Menning, op. cit., p. 48.

[284] Lester K. Little, *Religious Poverty and the Profit Economy in Medieval Europe,* p. 175.

[285] Hawkes, op. cit. pp. 7-9.

[286] Jeffrey Mark, *The Modern Idolatry*, p. 11.

[287] Parker Thomas Moon, *The Labor Problem and the Social Catholic Movement in France*, p. 139.

[288] Henry Somerville, *Studies in the Catholic Social Movement*, pp. 84-87.

[289] *Communio: International Catholic Review* (no. 36, Fall 2009).

[290] O'Neil, "A Response to John T. Noonan Jr., Concerning the Development of Catholic Moral Doctrine," *Faith & Reason*, (Spring/Summer 1996). Mr. Noonan's original article, "Development in Moral Doctrine" was published in *Theological Studies* no. 54 (1993).

[291] La Stampa, July 19, 2012 http://vaticaninsider.lastampa.it/en/homepage/world-news/detail/articolo/stati-uniti-united-states-estados-unidos-16910/

[292] The spider silk protein is excreted in the milk of the part spider goat. The protein liquid from the spider-goat's milk is then injected into an alcohol bath, which causes the liquid protein to solidify into a strand of actual spider silk. Two or three meters of silk can be obtained from a quart of this creature's milk. Cf. http://www.pbs.org/wgbh/nova/tech/making-stuff.html#making-stuff-stronger (scroll to "Randy Lewis"). Mr. Pogue's program was nationally broadcast on PBS television on Jan. 19, 2011 and repeated on Sept. 19, 2012.

[293] Matthew 16:26.

[294] Lester K. Little, op. cit., p. 186.

[295] Caesarius of Heisterbach, *The Dialogue on Miracles,* trans. H. von E. Scott and C. Swinton Bland, two volumes (London: Routledge, 1929).

[296] *Money and the Middle Ages*, p. 64.

[297] Thomas F. Crane, *The Exempla or Illustrative Stories from the Sermones vulgares of Jacques de Vitry*, p. 72.

[298] Originally published in the 1300s, the copy we consulted was printed in Venice, 1586. Sixteen stories in volume two alone concern usury. In spite of the folkloric nature of some of these, it is Biblical and patristic authorities that form the grist of Bromyard's moralizing mill. Bromyard was not so much the author as the editor, however, since he was the inheritor of "the gathered fruits of Mendicant preaching throughout the 14th century and indeed even earlier…the bulk of (his) material has been drawn from 13th century sources." (G.R. Owst, p. 224).

[299] Cf. Catherine Mary Antony Woodcock, *Saint Anthony of Padua The Miracle Worker*, pp. 81-82; Joseph A. Keller, *Anecdotes Proving the Miraculous Power of St. Anthony*; and Raphael M. Huber, *St. Anthony of Padua, Doctor of the Church Universal: A Critical Study of the Life, Sanctity, Learning and Miracles of the Saint of Padua and Lisbon* (Milwaukee: Bruce Publishing, 1948).

[300] This sermon, together with other homilies by Bishop Jewel, was first published in 1583 under the title, "An Exposition Upon the Two Epistles of Saint Paul to the Thessalonians." It was reprinted in 1584, 1594, 1609, 1611, 1811 and 1847. Our text is derived from *The Works of John Jewel: The Second Portion* (Parker Society, Cambridge University Press, 1847), pp. 850-861.

Jewel appointed John Garbrand, fellow of New College, Oxford and afterward prebendary of Sarum, as his literary executor. According to Garbrand's preface to the first edition, Jewel's sermon was "delivered unto the people of his charge" in "the cathedral church of Sarum." Garbrand writes that "many of his hearers thought it worthy to be made common and besought him (Jewel) earnestly, even as since his blessed departure out of this life they have often required me to publish the same." Garbrand further states concerning the bishop's expositions on Thessalonians, "In this discourse…are there two matters, the one of usury, the other of antichrist, that is, of the bane and poison of the commonwealth and of the infection and decay of the church, wherein he bestowed more pains to open them and make them manifest, that all men might know and abhor them, and beware of them. What has been wrought by these two mischiefs…the utter destruction of the souls and bodies of many thousands of subjects of

this realm within these late years…"

[301] *Quid dicam de usuris, quas ipsae leges et judices reddi jubent? An crudelior est, qui subtrahit aliquid vel eripit diviti, quam qui trucidat pauperem fenore?*

[302] *Usuras solvit, qui victu indiget: an quicquam gravius? Ille medicamentum quaerit, vos offertis venenum: panem implorat, gladium porrigitis: libertatem obsecrat, servitutem irrogatis.*

[303] *De serumnis ditaris, de lacrymis lucrum quaeris, de fame aliena pasceris, de exuvis spoliatorum hominum cudis argentum; et judicas te divitem, qui stipem poscis a paupere?*

[304] "*Sicut enim fermentum modicum, quod mittitur in multam farinam, totam conspersionem corrumpit et trahitillam, et facit illam totam fermentum: sic quum usura in domum alicujus intraverit, totam substantiam ejus ad se trahit, et convertit in debitum."*

[305] Leviticus 25:37 "Thou shalt not lend him they money for usury, nor lend him thy food at a profit."

[306] "Open stews": bathhouses used for immoral purposes i.e. houses of prostitution or a quarter which houses them.

[307] "When God saith thou shalt not take usury, what creature of God art thou, which canst take usury? When God maketh it unlawful, what art thou, O man, that sayest it is lawful?"

[308] A venomous snake.

[309] A hundred pounds was a large sum in 1583.

[310] This may be Bishop Jewel's own translation of what amounts to a summation of Luke 19:11-13; 15-22. We have checked New Testament English versions extant in his lifetime [Tyndale (1525); Great Bible (1539); Geneva Bible (1560) and the Bishop's Bible (1568)] and did not find a text exactly as he has quoted it. A literal translation from the Greek reads: "A certain well-born man went into a place afar, to receive for himself a kingdom and to return. And having called ten of his servants he gave to them ten *minas* and said to them, Be engaged in matters until I return…And it came to pass in his returning back, having received the kingdom, that he spoke to the ones to whom he gave the money, that he should know what business each did…" 19:22-23: "…O wicked servant…why did you not give my money unto the money-lenders' table, with interest, and I having come, would have exacted it?" (*The Apostolic Bible Polyglot* [Newport, Oregon: Apostolic Press, 1996]).

[311] Jewel in his original text used the word *painful,* which in his time, in this context, denoted "diligent, assiduous, careful" *(Oxford English Dictionary*). *Bede's History* (T. Stapleton, 1565): "…in consideration of their virtuous sermons and painful preaching." This usage is now very rare.

[312] A "wight" is supernatural creature — and in the sense intended by Bishop Jewel — of a malignant nature.

[313] Cavillation: taking advantage of technical flaws, so as to defraud; hence, chicanery, trickery, sophistry (*Oxford English Dictionary*).

[314] Gary Dorrien, *Social Ethics in the Making*, p. 198 (emphasis supplied).

[315] Cf. pp. 71-73 and 345-346.

[316] "*Codex Iuris Canonici, Pii X Pontificis Maximi iussu digestus, Benedicti Papae XV auctoritate promulgatus* (Typis Polyglottis Vaticanis, 1917)."

[317] *1917 Pio-Benedictine Code of Law*, p. 516. Emphasis supplied.

[318] The actual work on the 1917 Code was conducted principally by Cardinal Pietro Gasparri (1852-1934). We have not seen records of correspondence or discussions by Pius X or Benedict XV with Gasparri concerning canon 1543. Assuming these records exist in the Vatican archives, or of the late cardinal, an analysis of the papal thinking behind canon 1543 would be of considerable value in the history of the development of the legalization of usury by the Church of Rome in the 20th century.

[319] *"Da qualche fessura sia entrato il fumo di Satana nel tempio di Dio."* –Pope Paul VI, elocution of June 29, 1972; an extraordinary and unprecedented revelation.

[320] An affirmation alone, is not sufficient. The Council of Trent issued a dogmatic affirmation but it was not implemented, except for a few token instances that amounted almost to a charade. See p. 388.

[321] James A. Cordiden, ed., *The Code of Canon Law* (1985), pp. 883; 887.

[322] *Modern Catholic Encyclopedia* (Liturgical Press, 1994) p. 884.

[323] Trans. Jeremiah Donovan (Dublin: J. Duffy & Co., 1910); Part III, "Of the Precepts of God Contained in the Decalogue," Chapter VIII, "Thou shalt not steal," pp. 383-384.

[324] This was mostly at the parish level. The exception was France at the diocesan level, under the Gallican Bishop Bossuet (1627-1704). He published a treatise claiming that the Church had never deviated from the ancient stand against usury. To prove his point, he proceeded against usurers in his diocese, aided in part by the unique character of seventeenth century French aristocratic culture, which was adverse toward commercial enterprise.

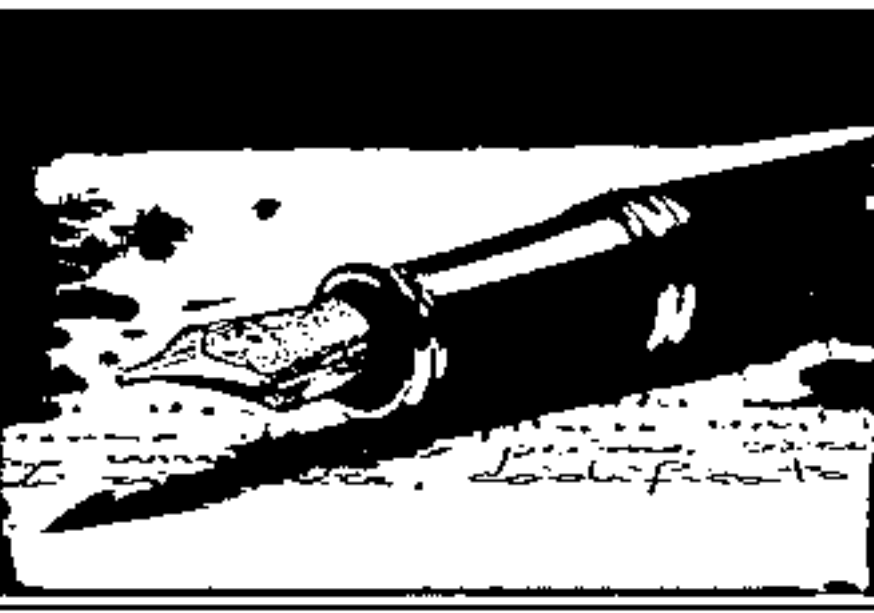
[325] Westminster, Maryland: The Newman Press, 1962.

[326] Joel Kaye, *Economy and Nature in the Fourteenth Century*, p. 84.

[327] Ibid., 85-86.

[328] The legend that Saint Anthony of Padua founded a *mons pietatis* has no basis in fact. Medieval Catholic institutions had loaned money to the poor without interest, under various names including *monte pietatis*. These early associations were funded by generous Catholic philanthropists, and are not be confused with the later and more numerous by far, usurious Renaissance *monte pietatis* institutions.

USURY



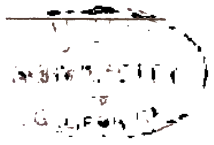
CALVIN ELLIOTT

USURY

A Scriptural, Ethical and Economic View

BY

CALVIN ELLIOTT



PUBLISHED BY
THE ANTI-USURY LEAGUE
MILLERSBURG, OHIO

HB 539
.E6

GENERAL
McC

COPYRIGHTED 1902
BY
CALVIN ELLIOTT.

CONTENTS.

Page.

Chapter I—Definition 7
Chapter II—The Law by Moses 11
Chapter III—Usury and "The Stranger"..... 18
Chapter IV—David and Solomon 26
Chapter V—Denunciation of Jeremiah and Ezekiel 30
Chapter VI—Financial Reform by Nehemiah... 36
Chapter VII—Teachings of the Master..... 42
Chapter VIII—Parables of the Talents and the Pounds 52
Chapter IX—Practice of the disciples..... 58
Chapter X—Church history..... 69
Chapter XI—Calvin's letter on usury..... 73
Chapter XII—Permanency of the prohibition... 79
Chapter XIII—Our changed conditions..... 81
Chapter XIV—The American Revision..... 87
Chapter XV—Duty learned from two sources... 93
Chapter XVI—Rights of man over things..... 97
Chapter XVII—Equal rights of men.....102
Chapter XVIII—A false basal principle.....108
Chapter XIX—The true ethical principle.....115
Chapter XX—Wealth is barren.....121

Page.
Chapter XXI—Wealth decays.....132
Chapter XXII—The debt habit 138
Chapter XXIII—The borrower is servant to the lender 144
Chapter XXIV—Usury enslaves the borrower..146
Chapter XXV—Usury oppresses the poor.....154
Chapter XXVI—Usury oppresses the poor—continued 160
Chapter XXVII—Usury oppresses the poor—continued 168
Chapter XXVIII—Usury oppresses the poor—concluded 174
Chapter XXIX—Usury centralizes wealth.....180
Chapter XXX—Mammon dominates the nations.189
Chapter XXXI—Effect on character.....206
Chapter XXXII—Ax at the root of the tree....219
Chapter XXXIII—Per contra; Christian Apologists 233
Chapter XXXIV—Per contra; Land Rentals...243
Chapter XXXV—Per contra; Political Economists 253
Chapter XXXVI—Usury in History 258
Chapter XXXVII—Francis Bacon 266
Chapter XXXVIII—Why this truth was neglected 272
Chapter XXXIX—Crushed truth will rise again.281
Index 293

TO MY READERS.

I beg the sincere and thoughtful consideration of this book by all its readers. Please follow the argument in the order in which it is presented. This is the way it developed in my own mind and led me, step by step, irresistibly to its conclusions. Do not read the closing chapters first, but begin with the "Definition." I believe every candid reader doing this, and having a logical mind, will fully and heartily concur in the condemnation of usury.

I hope these arguments will be fairly treated and justly weighed even by those whose interests seem in conflict. I have simply sought the truth, believing that "the truth shall make you free." It cannot be that this or any truth is in real conflict with the highest welfare of any man.

If any sincere friends of this truth are grieved that the argument is so crudely and roughly stated, I can only say in excuse, that, so far as I know or can learn from the great librarians I have consulted, this is the first attempt ever made to fully present the anti-usury argument, and I sincerely hope that others, profiting by my effort, may be able to make it more effective.

THE AUTHOR.

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

CHAPTER I.

DEFINITION.

In the evolution of the English language, since the making of our King James version of the Bible, many new words have been introduced, and many old ones have changed their meanings.

In the nearly three hundred years the Saxon word "let," to hinder, has become obsolete. It was in common use and well understood when the version was made, but is now misleading. Thus we have in Isaiah 43:13: "I will work and who will let (hinder) it?" Paul declared that he purposed to go to Rome, "but was let (hindered) hitherto." Rom. 1:13. Again we have in II Thess. 2:7: "Only he who now letteth (hindereth) will let (hinder), until he be taken out of the way."

"Wot," to know, has become obsolete. Gen. 21:26: "I wot (know) not who hath done this thing." Ex. 32:1: "As for this Moses, we wot (know) not what hath become of him." Acts 3:17: "I wot (know) that through ignorance ye did it."

"Prevent," from its derivation and use, meant, "to go before;" now it means to hinder. Ps. 59:10: "The God of my mercies shall prevent (go before) me." Ps. 92:2: "Let us prevent (go before) his face with thanksgiving." I Thess. 4:15: "We who

are alive shall not prevent (go before) them who are asleep."

Charity, which now means liberality to the poor, and a disposition to judge others kindly and favorably, was at that time a synonym of love, and used interchangeably with love in the translations of the Greek. This is especially noted in the panegyric of love, in the thirteenth chapter of First Corinthians, and faithfully corrected in the Revised Version, though some have felt that the beauty and especially the euphony of the familiar passage has been marred. But the word charity is no longer equivalent to love, in our language, and could not be retained without perverting the sense.

Usury, when the version was made, meant any premium for a loan of money, or increase taken for a loan of any kind of property.

Theological Dictionary: "Usury, the gain taken for a loan of money or wares." "The gain of anything above the principal, or that which was lent, exacted only in consideration of the loan, whether it be in money, corn, wares or the like."

Bible Encyclopedia: "Usury, a premium received for a sum of money over and above the principal."

Schaff-Herzog: "Usury, originally, any increase on any loan."

This was the usage of the word usury by the great masters of the English language, like Shakespeare and Bacon, in their day, and is still given as the first definition by the lexicographers of the present.

Webster, 1890 edition: "Usury, 1. A premium or increase paid or stipulated to be paid for a loan, as for money; interest. 2. The practice of taking interest. 3. Law. Interest in excess of a legal rate charged to a borrower for the use of money."

Interest is comparatively a new word in the language meaning also a premium for a loan of money. It first appeared in the fourteenth century, as a substitute for usury, in the first law ever enacted by a Christian nation that permitted the taking of a premium for any loan. The word usury was very odious to the Christian mind and conscience.

Interest was at the first a legal term, used in law only, and it has always been applied to that premium or measure of increase that is permitted or made legal by civil law.

In modern usage usury is limited in its meaning to that measure of increase prohibited by the civil law. Thus the two words interest and usury now express what was formerly expressed by the one word usury alone. Interest covers that measure of increase that is authorized in different countries, while usury, with all the odium that has been attached to it for ages, is limited to that measure of increase that for public welfare is forbidden by the laws of a state.

The distinction is wholly civic and legal. That may be usury in one state which is only interest in another. The legal rates greatly vary and are changed from time to time in the states themselves. If a state

should forbid the taking of any increase on loans, then all increase would be usury, and there could be no interest; or if a state should repeal all laws limiting the exactions of increase, then there would be no usury in that state. Usury is increase forbidden by civil law. Separated from the enacted statutes of a state the distinction disappears. There is no moral nor is there an economic difference.

Blackstone says: "When money is lent on a contract to receive not only the principal sum again, but also an increase by way of compensation for the use, the increase is called interest by those who think it lawful, and usury by those who do not."

The moral nature of an act does not depend on the enacted statutes of human legislators, and the laws of economics are eternal. We must not permit our views of divine and economic truth to be perverted by this modern division of increase into legal and illegal. In order that the whole truth may be now expressed in our language we must combine with the old word usury the new word interest; then only will we have the full force of the revealed truth. "Wherefore then gavest not thou my money into the bank, that at my coming I might have required mine own with usury or interest?" It is rendered interest in the Revised Version.

Throughout this discussion usury is used in its full old classical meaning for any increase of a loan, great or small, whether authorized or forbidden by the civil state.

CHAPTER II.

THE LAW BY MOSES.

God determined to deliver his enslaved people from the bondage in Egypt, and to lead them out to the land he had promised to their fathers. They had been strangers in Egypt; now they should have a land of their own. To them liberty was but a tradition; they should now be freemen. They had been a tribe; they should now be a nation.

God raised up Moses to be his special servant and the mouthpiece to declare his will. He ordered his marvelous deliverance from the river, and his training in court as a freeman. He then gave him direction to lead his people out of their slavery, and also divine authority to announce to his people the code of laws by which they were to be governed in their free state. Some of these laws were ceremonial, to conserve their religion, that they might not forget their God. Some were civil and politic, to promote the moral, intellectual and material welfare. All were in accord with the moral and religious nature of man, and with sound economic principles. All were suited to promote their highest good, and to secure them forever in their freedom and national independence.

The great basal principles of law are found in concrete form.

Human life is sacred as we find from the explicit laws for its protection. The owner of an ox was made responsible for the life taken by "an ox that was known to push with its horns."

A battlement or balustrade was required on the houses, very like our laws requiring fire escapes. The principle is the same.

The laws forbidding marriage within certain degrees of kinship have been copied into the laws of every civilized people. The laws for the preservation of social purity have never been surpassed.

The rights of property were sacred. Each had a right to his own. Theft was severely punished. "If a thief be found breaking up, and be smitten that he die, there shall no blood be shed for him."

Each must assist in the protection of the property of others; even the enemy's property must be protected. "If thou meet thine enemy's ox or his ass going astray, thou shalt surely bring it back to him again."

The laws for the relief of the poor were kinder and more encouraging to self-help and self-reliance than our modern poorhouses. Deut. 15: 7-11: "If there be among you a poor man of one of thy brethren within any of thy gates in thy land which the Lord thy God giveth thee, thou shalt not harden thine heart, nor shut thine hand from thy poor brother; but thou shalt open thine hand wide unto him, and shalt surely lend him sufficient for his need, in that which he

wanteth. Beware that there be not a thought in thy wicked heart, saying, The seventh year, the year of release, is at hand; and thine eye be evil against thy poor brother, and thou givest him naught, and he cry unto the Lord against thee, and it be sin unto thee. Thou shalt surely give him, and thine heart shall not be grieved when thou givest unto him: because that for this thing the Lord thy God shall bless thee in all thy works, and in all that thou puttest thine hand unto. For the poor shall never cease out of the land; therefore I command thee, saying, Thou shalt open thine hand wide unto thy brother, to thy poor, and to thy needy, in thy land."

These divinely given laws never wrought injustice. They protected life, purity and property, and required mutual helpfulness. They were given by the divine mind, in infinite love, to promote the highest good of this chosen people.

These laws of God, given by Moses, positively forbade usury or interest, and this prohibition was so repeated that there was no mistaking the meaning. Ex. 22:25: "If thou lend money to any of my people that is poor by thee, thou shalt not be to him as a usurer, neither shalt thou lay upon him usury."

This law is more fully presented in Lev. 25:35, 36, 37: "And if thy brother be waxen poor, and fallen into decay with thee, then thou shalt relieve him; yea, though he be a stranger, or a sojourner; that he may live with thee. Take thou no usury of him, or

increase; but fear thy God; that thy brother may live with thee. Thou shalt not give him thy money upon usury, or lend him thy victuals for increase."

Prof. George Bush makes the following note upon this passage: "The original term *'Neshek'* comes from the verb *'Nashak'* (to bite), mostly applied to the bite of a serpent; and probably signifies biting usury, so called perhaps because it resembled the bite of a serpent; for as this is often so small as to be scarcely perceptible at first, yet the venom soon spreads and diffuses itself till it reaches the vitals, so the increase of usury, which at first is not perceived, at length grows so much as to devour a man's substance."

An effort is sometimes made to limit the application of these laws by placing special emphasis on the poverty of the borrowers and to confine the prohibition of usury to loans to the poor to meet the necessaries of life; and it is claimed that the laws are not intended to prohibit usury on a loan which the borrower secures as capital for a business.

In reply it can be said:

1. There may be more benevolence in a loan to enable a brother to go into business than in a loan to supply his present needs. It may be less benevolent and less kind to lend a dollar to buy flour for present use than to lend a dollar to buy a hoe with which to go into business and earn the flour.

The highest philanthropy supplies the means and opportunities for self-help.

2. A desire for capital to promote a business to gain more than is necessary to nourish the physical and mental manhood is not justified nor encouraged anywhere in the Word. There is just a sufficiency of food necessary to the highest physical condition. There is just a sufficiency of material wealth necessary to the development of the noblest manhood. More decreases physical and mental vigor and degrades the whole man. To seek more is of the nature of that "covetousness which is idolatry." Prov. 23: 4: "Labor not to be rich." Prov. 28: 20: "He that maketh haste to be rich shall not be innocent."

Riches are a gift of God and a reward of righteousness.

Prov. 22: 4: "The reward of humility and the fear of the Lord are riches and honor and life." Psalm 112: 1, 3: "Blessed is the man that feareth the Lord, that delighteth greatly in his commandments. * * * Wealth and riches shall be in his house."

"In the fourth petition of the Lord's prayer (which is: Give us this day our daily bread) we pray, That of God's free gift, we may receive a competent portion of the good things of this life and enjoy his blessing with them."

3. If the prohibition is applicable only when the borrower is poor it would be difficult to properly apply it by drawing the line between the rich and the

poor. Many who are rich feel that they are poor and there are many high spirited poor who will not admit their poverty. Many rich live in conditions that some poor would call poverty. The line must be vague and indefinite and always offensive. If any one should endeavor to clearly mark and emphasize such a division in any modern community he would receive the contempt of all right thinking people.

4. The laws of the Hebrews did not discriminate classes except in their ceremonial and forms of worship. There was but one law and that applicable to all alike. Even the stranger was included in the uniformity of the law. Num. 15: 15, 16: "One ordinance shall be both for you of the congregation and also for the stranger that sojourneth with you, * * * one law and one manner shall be for you and for the stranger that sojourneth with you."

5. In the Hebrew community the man of independent resources did not compromise his freedom by becoming indebted to another. Debt was a sure indication of some embarrassment or strait. The mention of the poverty of the possible debtor is not to limit the application of the law but describes the borrower. Thou shalt not lend upon usury to the poor unfortunate fellow who is compelled to ask a loan.

6. The laws of the Hebrew state were for the promotion of equity between man and man and also for

the protection of the weak and the helpless. With these objects all good governments must be in harmony. They can only be secured by general laws. It would be very imperfect protection to the helpless poor if it was permitted to charge usury to the covetous, greedy fellow who having much, yet desired to gain more and was bidding urgently for the very loan the unfortunate brother needed. Also even equity between the borrower and the lender would work a hardness in the conditions of the poor man. Full protection requires a law of general application.

7. Independence, self-reliance, self-support, was the condition aimed at and encouraged in the Hebrew state. Borrowing was only in time of sore need. The man who went a-borrowing was second only to the man who went a-begging. The brother who, through misfortune became dependent, was able the sooner to repay his loan and return to independence and to self support.

8. In the repetition of the law in Deut. 23:19, 20, there is no reference to the poverty of the borrower and it cannot by fair interpretation be limited to the poor. "Thou shalt not lend upon usury to thy brother; usury of money, usury of victuals, usury of anything that is lent upon usury. Unto a stranger thou mayest lend upon usury; but unto thy brother thou shalt not lend upon usury: that the Lord thy God may bless thee in all that thou settest thine hand to do in the land whither thou goest to possess it."

CHAPTER III.

USURY AND "THE STRANGER."

Deut. 23: 19, 20: "Thou shalt not lend upon usury to thy brother; usury of money, usury of victuals, usury of anything that is lent upon usury. Unto a stranger thou mayest lend upon usury; but unto thy brother thou shalt not lend upon usury: that the Lord thy God may bless thee in all that thou settest thine hand to in the land whither thou goest to possess it."

While there is no reference to poverty in this passage and the prohibition cannot fairly be limited to loans to the poor, a shadow of permission to exact usury is found in the clause: "unto a stranger thou mayest lend upon usury."

Hebrews, who have been anxious to obey the letter of the Mosaic law, while indifferent to its true spirit, have construed this into a permission to exact usury of all Gentiles. Christian apologists for usury, who have not utterly discarded all laws given by Moses as effete and no longer binding, have tried hard to show that this clause authorizes the general taking of interest. To do this it is wrested from its natural connection, and the true historic reference is ignored.

Three classes of persons, that were called strangers, may be noted for the purpose of presenting the true import of this passage.

1. Those were called strangers who were not of Hebrew blood, but were proselytes to the Hebrew faith and had cast their lot with them. They were mostly poor, for not belonging to any of the families of Jacob, they had no landed inheritance. The gleanings of the field and the stray sheaf were left for the fatherless, the poor, and these proselyted strangers. But they were to be received in love, and treated in all respects as those born of their own blood. Ex. 12:48, 49: "And when a stranger shall sojourn with thee, and will keep the passover to the Lord, let all his males be circumcized, and then let him come near and keep it; and he shall be as one that is born in the land: for no uncircumcized person shall eat thereof. One law shall be to him that is home born, and unto the stranger that sojourneth among you."

Lev. 24:22: "Ye shall have one manner of law, as well for the stranger, as for one of your own country: for I am the Lord your God."

Num. 9:14: "And if a stranger shall sojourn among you, and will keep the passover unto the Lord; according to the ordinance of the passover, and according to the manner thereof, so shall he do: ye shall have one ordinance both for the stranger, and for him that was born in the land."

Num. 15:15, 16: "One ordinance shall be both for you of the congregation, and also for the stranger that sojourneth with you, an ordinance forever in your congregations: as ye are, so shall the stranger be

before the Lord. One law and one manner shall be for you, and for the stranger that sojourneth with you."

Of these strangers it is explicitly said they are to be treated precisely as brethren of their own blood.

Lev. 25: 35, 36: "And if thy brother be waxen poor, and fallen in decay with thee, then thou shalt relieve him: yea, though he be a *stranger*, or a sojourner; that he may live with thee. Take thou no usury of him, or increase: but fear thy God; that thy brother may live with thee."

2. There was also another class of strangers, including all the nations that were not of Hebrew blood, by which they were surrounded. These traded with them and often sojourned for a more or less extended period among them for merely secular purposes, but never accepted their faith. For this reason they were often called sojourners. With us, in law, the former strangers would be known as "naturalized citizens," these as "denizens," residents in a foreign land for secular purposes. These denizens were to be dealt with justly, to be treated kindly and even with affection, remembering their long sojourn as strangers in Egypt. Ex. 22: 21: "Thou shalt neither vex a stranger, nor oppress him: for ye were strangers in the land of Egypt."

Ex. 23: 9: "Also thou shalt not oppress a stranger: for ye know the heart of a stranger, seeing ye were strangers in the land of Egypt."

They were "denizens," but not citizens of Egypt four hundred years.

Lev. 19:33, 34: "And if a stranger sojourn with thee in your land, ye shall not vex him. But the stranger that dwelleth with you shall be unto you as one born among you, and thou shalt love him as thyself; for ye were strangers in the land of Egypt: I am the Lord your God."

This class of denizens or sojourners was also to be treated with the same kindness as their own blood.

Lev. 25: 35, 36: "And if thy brother be waxen poor, and fallen in decay with thee, then thou shalt relieve him: yea, though he be a stranger, or a *sojourner;* that he may live with thee. Take thou no usury of him, or increase: but fear thy God: that thy brother may live with thee."

The sojourner or denizen is here distinguished from the stranger who had been naturalized by adopting their faith.

3. There was another class called strangers. This class was limited to the inhabitants of their promised land.

Robinson's Bible Encyclopedia says, on this clause: " 'Unto a stranger thou mayest lend upon usury.' In this place God seems to tolerate usury toward strangers: that is the Canaanites and other people devoted to subjection, but not toward such strangers against whom the Hebrews had no quarrel. To exact usury is here, according to Ambrose, an act of

hostility. It was a kind of waging war with the Canaanites and ruining them by means of usury."

God withheld his chosen people from taking possession of the promised land until "their iniquity was full" and the divine sentence of condemnation had been pronounced against them. They were to be rooted out of the land and utterly destroyed for their sins, and their land given to the chosen people. God declared that he would execute his sentence, driving them out before them, as his people should increase and be able to occupy the land. Ex. 23:23, 28-32: "For mine angel shall go before thee, and bring thee in unto the Amorites, and the Jebusite, and I will cut them off. And I will send hornets before thee, which shall drive out the Hivites, the Canaanite, and the Hittite, from before thee. I will not drive them out from before thee in one year; lest the land become desolate and the beasts of the field multiply against thee. By little and little I will drive them out from before thee, until thou be increased, and inherit the land. And I will set my bounds from the Red Sea even unto the sea of the Philistines, and from the desert unto the river: for I will deliver the inhabitants of the land into your hand; and thou shalt drive them out before thee. Thou shalt make no covenant with them, nor with their gods."

Ex. 34: 10-12: "And he said, Behold, I make a covenant: before all thy people I will do marvels, such as have not been done in all the earth, nor in any

nation: and all the people among which thou art shall see the work of the Lord: for it is a terrible thing that I will do with thee. Observe thou that which I command thee this day: behold, I drive out before thee the Amorite, and the Canaanite, and the Hittite, and the Perizzite, and the Hivite, and the Jebusite. Take heed to thyself, lest thou make a covenant with the inhabitants of the land whither thou goest, lest it be for a snare in the midst of thee."

They were in no way to covenant with this people and interfere with the execution of divine judgment. They were commanded, willing or unwilling, to be in a measure the executioners of those under sentence. These people of Canaan were deprived of all rights by the divine sentence and the Israelites were not to grant any. To do so was direct disobedience, and yet most of the tribes failed to obey the command, permitting many of the inhabitants to remain.

When the Gibeonites deceived Joshua and secured a pledge, the pledge of their lives was kept, but they were made slaves, doomed to drudgery forever, "hewers of wood and drawers of water." Josh. 9: 23.

This compromise was contrary to the divine command for their utter destruction. To condone the guilt of these people, or to interfere with their execution, was as flagrant a violation of law as that of a modern community that seeks to protect criminals, or that interferes with the execution of those convicted of capital crimes.

This class of strangers had no rights that Hebrews were permitted to respect. They were not to be given any privileges. They were to be treated as Hindoo widows are treated, "accursed of the gods and hated of men." Debts were not to be forgiven them. The year of Jubilee did not affect them. They remained enslaved forever. The Sabbath's rest was only incidental, that there might be a complete cessation of all activities.

In the fourth commandment Deut. 5: 14, "thy stranger" is mentioned after the ox, ass, and cattle, and was given rest for the same reason the beasts are permitted to rest: "That thy man-servant and maid-servant may rest as well as thou." They had not the rights of a common servant or slave. The carcass of the animal that died of itself could be given them to eat, and they could be charged usury.

Yet this clause has been seized upon by avaricious Jews as permission to exact usury of all the nations not of Hebrew blood, ignoring the fact that when given it was limited to those peoples under the curse of God for their iniquities. It can not justly be made to mean that the Hebrews have a right to treat other nations with less righteousness than they treat their own people.

It is an unwarranted broadening to make it a permission to exact usury from all the human race except from Hebrews.

It was chiefly the acting upon this false interpreta-

tion, classing all Gentiles with these strangers, accursed of God, that had no rights they were permitted to respect, that set every Gentile Christian's hand against the Jews for fifteen hundred years.

Nothing more clearly marked the line between Christian and Hebrew during fifteen centuries than this one thing, that the Hebrews exacted usury or interest of the Gentiles while the Christians were unanimous in its denunciation, and forbade its practice.

Gentile Christian apologists for the taking of usury or interest, to overcome the force of this prohibition, are compelled to grant that Christians may be less brotherly than Hebrews: that the borrowers whether Christian or not are "strangers" to those who make them loans upon increase.

CHAPTER IV.

DAVID AND SOLOMON.

Devout Hebrews during the period of the Judges obeyed the Mosaic prohibition of usury or interest. It was also recognized as binding and obeyed during the reigns of David and Solomon. This was a greatly prosperous period when commerce flourished and trade was extended to the ends of the earth.

David was weak before certain temptations and his falls were grievous, but his repentance was deep and his returns to God were sincere. He never failed to regard God as supreme over him and the bestower of all his blessings. He is called the man after God's own heart, and it is also said that his heart was perfect before God. His spirit of devout worship has never been surpassed. His Psalms, in all the ages, have been accepted as expressing the true yearning after righteousness and a longing for closer communion with God.

David, in the fifteenth Psalm, expresses the thought of the earnest and reverent worshippers of his time. This Psalm declares the necessity of moral purity in those who would be citizens of Zion and dwellers in the holy hill.

"Lord, who shall abide in thy tabernacle?

Who shall dwell in thy holy hill? He that walketh uprightly, and worketh righteousness, and speaketh the truth in his heart. He that backbiteth not with his tongue, nor doeth evil to his neighbor, nor taketh up a reproach against his neighbor. In whose eyes a vile person is condemned; but he honoreth them that fear the Lord. He that sweareth to his own hurt and changeth not. He that putteth not out his money to usury, nor taketh reward against the innocent. He that doeth these things shall never be moved."

The description, "He that putteth not out his money to usury," is direct and unqualified. There could be no mistaking its meaning. Those who were guilty could not claim to be citizens of Zion. There is no qualifying clause behind which the usurer could take refuge and escape condemnation.

This Psalm, prepared by the king, was chanted in the great congregation, and was a prick to the consciences of the sinners and a public reproof of all the sins mentioned. He that putteth out his money to increase received thus a public reproof in the great worshipping assembly.

Solomon, endowed with unequaled wisdom and able so clearly to discern the right, places among his proverbs a direct denunciation of this sin.

Prov. 28:8: "He that by usury and unjust gain increaseth his substance, he shall gather it for him that will pity the poor."

In this proverb the gain of usury is classed with unjust gain that shall not bless the gatherer. This is in entire harmony with other proverbs in which those who practice injustice and oppression are declared to be wanting in true wisdom and receive no benefit themselves.

"The righteousness of the upright shall deliver them: but transgressors shall be taken in their own naughtiness."

"As righteousness tendeth to life; so he that pursueth evil pursueth it to his own death."

"Whoso causeth the righteous to go astray in an evil way, he shall fall himself into his own pit; but the upright shall have good things in possession."

"Rob not the poor, because he is poor: neither oppress the afflicted in the gate: for the Lord will plead their cause, and spoil the soul of those that spoiled them."

Usury and unjust gain are joined by Solomon as sins of the same nature. It is also implied that they are necessarily connected with want of sympathy and helpfulness toward the poor. They are presented as an oppression that shall not bless the oppressor.

This proverb does not confine the evil to the borrower like the proverb, "The borrower is servant to the lender." The wrong is not confined to those of the poor to whom loans may be made. The oppression of usury is upon all the poor though they are not borrowers. They are the ultimate sufferers though

the loan may be made by one rich man to another to enable him to engage in some business for profit. Usury is so bound up with injustice that its practice cannot fail to result in increasing the hard conditions of all the poor.

Solomon's reign was brilliant, and the ships of his commerce entered every port in the known world, yet usury was not necessary and was not practiced in that prosperous age.

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

CHAPTER V.

DENUNCIATION OF JEREMIAH AND EZEKIEL.

The Hebrew nation reached its summit of power and glory during the reign of King Solomon, but corruption crept in and disintegration followed, and a series of conflicts between portions of the kingdom. The laws given by Moses were neglected, and a long period of gross sinning followed. They were warned by the faithful yet hopeful prophet Isaiah that the overthrow of their nation was certain, and that their people would be carried captive to a strange land unless they forsook utterly their sins and turned to righteousness. They did not heed and the predicted calamities came upon them.

In the midst of these calamities the contemporary prophets Jeremiah and Ezekiel ministered. They differed greatly in their dispositions.

Jeremiah was a complainer. Always bemoaning his own and his people's hard lot. The Lamentations are recognized as the best extant expression of unmitigated grief. He lamented his birth because he was treated as a usurer and oppressor, when he had never exacted usury, nor had business with usurers. Jer. 15: 10: "Woe, is me, my brother, that thou hast borne me a man of strife and a man of contention to the whole earth. I have neither lent on usury, nor

have men lent to me on usury; yet every one of them doth curse me."

Ezekiel was always patient, faithfully proclaiming his messages, and suffering in silence. The completeness of his self-control and patient suffering is shown in the short but pathetic description of the death of his beloved wife, yet at the divine command he repressed his grief and delivered his message the following morning. Ezekiel 24: 15-18: "Also the word of the Lord came unto me, saying, Son of man, behold, I take away from thee the desire of thine eyes with a stroke; yet neither shalt thou mourn nor weep, neither shall thy tears run down. Forbear to cry, make no mourning for the dead, bind the tire of thy head upon thee, and put on thy shoes upon thy feet, and cover up thy lips, and eat not the bread of men. So I spake of people in the morning; and at even my wife died; and I did in the morning as I was commanded."

These prophets were familiar with the same scenes. They met the same sins. Some have thought they exchanged messages, sending them respectively to Jerusalem and Chaldea for encouragement and confirmation. This was the opinion of Jerome.

In a catalogue of the sins prevailing in Jerusalem, for which the judgment of God came upon them, this prophet places "Usury and increase." Ezekiel 22: 7-12: "In thee have they set light by father and mother: in the midst of thee have they dealt by oppression with the stranger: in thee have they vexed

the fatherless and the widow. Thou hast despised mine holy things, and hast profaned my Sabbaths. In thee are men that carry tales to shed blood: and in thee they eat upon the mountains: in the midst of thee they commit lewdness. In thee have they discovered their father's nakedness: in thee have they humbled her that was set apart for pollution. And one hath committed abomination with his neighbor's wife; and another hath lewdly defiled his daughter-in-law; and another in thee hath humbled his sister, his father's daughter. In thee have they taken gifts to shed blood; thou hast taken usury and increase, and thou hast greedily gained of thy neighbors by extortion, and hast forgotten me, saith the Lord God."

It would not be easy to give a list of more gross and flagrant sins than those associated with usury in this passage. They are all, always and everywhere, sinful. In no condition can they be lawful and right.

One of the answers familiar to both Jeremiah and Ezekiel when the people were reproved for their sins and exhorted to forsake them, that the divine judgments might be removed, was this, that their sufferings were not on their own account, but for the sins of their fathers. They thus met the charge of personal sins and claimed their sufferings were inherited and unavoidable. Their fathers had indulged in sin and they must reap the consequences. They complained that this was hardness in God. They expressed this murmur by a proverb. Jer. 31: 29: "The

fathers have eaten a sour grape, and the children's teeth are set on edge."

The answer of the prophet Jeremiah briefly is, that every one shall answer for his own sin. Jer. 31:30: "But every one shall die for his own iniquity: every man that eateth the sour grape, his teeth shall be set on edge."

This same proverb was repeatedly given to Ezekiel, as an excuse for continuing in sins, even when the judgments of God were upon them. The word of the Lord came more fully and explicitly to him.

Ezekiel declares that the sins of the fathers were visited on the children only when they continued in their father's iniquity. That those who forsook the sins of their fathers and were righteous, were free from the punishment of the unrighteous parents.

Ezekiel 18:1-17: "The word of God came unto me again, saying, What mean ye, that ye use this proverb concerning the land of Israel, saying, The fathers have eaten sour grapes and the children's teeth are set on edge.

As I live, saith the Lord God, ye shall not have occasion to use this proverb in Israel. Behold, all souls are mine; as the soul of the father, so also the soul of the son is mine: the soul that sinneth, it shall die. But if a man be just, and do that which is lawful and right, and hath not eaten upon the mountains, neither hath lifted up his eyes to the idols of the house of Israel, neither hath defiled his neighbor's wife,

neither hath come near to a menstruous woman, (*i. e.* neither hath committed a rape,) and hath not oppressed any, but hath restored to the debtor his pledge, hath spoiled none by violence, hath given his bread to the hungry, and hath covered the naked with a garment. He that hath not given forth upon usury, neither hath taken any increase, that hath withdrawn his hand from iniquity, hath executed true judgment between man and man. Hath walked in my statutes, and hath kept my judgments, to deal truly; he is just, he shall surely live, saith the Lord God."

"If he beget a son that is a robber, a shedder of blood, and that doeth the like to any one of these things; and that doeth not any of those duties but even hath eaten upon the mountains, and defiled his neighbor's wife, hath oppressed the poor and needy, hath spoiled by violence, hath not restored the pledge, and hath lifted his eyes to the idols, hath committed abomination, hath given forth upon usury, and hath taken increase: Shall he then live? He shall not live: he hath done all these abominations; he shall surely die; his blood shall be upon him. Now, lo, if he beget a son, that seeth all his father's sins which he hath done, and considereth, and doeth not such like: that hath not eaten upon the mountains, neither hath lifted up his eyes to the idols of the house of Israel, hath not defiled his neighbor's wife, neither hath oppressed any, hath not withholden the pledge, neither hath spoiled by violence, but hath given his

bread to the hungry, and hath covered the naked with a garment, that hath taken off his hand from the poor, that hath not received usury or increase, hath executed my judgments, hath walked in my statutes; he shall not die for the iniquity of his father, he shall surely live."

It will be noticed that usury or increase is here mentioned among the grossest and foulest sins of which that people were guilty. They are placed by the prophet in the worst possible company. He classifies them among those things that can never be right. There is no qualification of "increase" great or small, nor of "usury" whether the loan be domestic or commercial, whether for personal need, or to go into business, whether the borrower be poor or rich.

Usury is mentioned as "*malum per se.*" "Usury and increase" are treated as sinful in themselves, just as fraud, violence, impurity, and idolatry are sinful, and can never be innocent unless their very natures are reversed. When there is fraud without dishonesty, and violence without injury, and adultery without impurity, and idolatry without false worship, then may there be "usury and increase" without injustice and oppression. "Some sins in themselves and by reason of several aggravations are more heinous in the sight of God than others," the prophet Ezekiel places "usury or increase" in the list of "abominations."

CHAPTER VI.

FINANCIAL REFORM BY NEHEMIAH.

After seventy years of captivity of the Hebrews in Chaldea an edict was issued by Cyrus the king permitting their return to Judea. The most earnest and devout had been restless and homesick in the strange land. The restoration was led by Zerubbabel who accompanied by about five thousand of the most devout men from the various families, made their way over the long return to their former home. This was only about one-sixth of the captive population. Many preferred to remain in the land they had now adopted, and where some had been prospered, and some were perhaps less fervent in their religious zeal. This fraction of the people, however, determined to re-erect their temple and to cultivate the fields again that were given to their fathers and to rebuild the nation, the tradition of whose glory never failed to stir their hearts.

Eighty years later another company under the priest and scholar, Ezra, authorized by Artaxerxes, joined the first colony that had returned to re-occupy their own land.

A few years later another company was led by the patriot, Nehemiah. Nehemiah was in an honorable and lucrative position in the first court upon earth,

yet he grieved over the misfortunes of his own people, and especially over the reported distress of the returned exiles. He sought leave of absence and a commission to return and co-work with his brethren for their complete re-establishment at Jerusalem.

The leave of absence was cheerfully granted and a broad commission given to take with him any who wished to return. The revenues of the king were placed at his disposal and the governors of the provinces were ordered to assist and further his work. A large company of the earnest and devout returned with him, confident of his protection and in sympathy with his mission. He deliberately reviewed the work to be done, made careful plans and was greatly successful.

The people were obedient. They cheerfully endured the privations and dangers in their devotion to their country, and in the hope of retrieving the fortunes of their depressed people.

Enemies appeared, who threatened to estop their work, but some worked while others watched, with arms in hand, ready to defend. Some wrought with one hand and held a weapon for ready defence in the other. Nehemiah and his aides, and many of the people, did not take off their clothes, but were on duty constantly—so devoted were they to the cause in which they were engaged, regaining their homes and re-establishing the worship of their fathers and rebuilding the nation.

But there was a strange interruption in this patriotic work. A sordid covetousness possessed their nobles and rulers. While the people were absorbed in their patriotic service, these persons were planning successfully to despoil them.

A cry of distress came to the ears of Nehemiah. The people found, now that they had made the sacrifice and suffered deprivations and cheerfully given their labors for the common good, they were deprived of their blessings and enslaved.

This enslavement was not to foreign rulers, but to those of their own blood. A division had grown up among their own kindred. Some had grown rich and become their masters. Others were in hopeless poverty. The distinctions came gradually or grew up among them, possibly unobserved: the rich becoming richer and the poor poorer, until the nobles held their lands and were selling their sons and daughters as chattels.

This condition was hopeless, after all their struggles for nearly a hundred years to re-establish their institutions. Neither they nor their children could, under those conditions, enjoy the fruit of all their efforts. This was no fault of theirs. There had been times of dearth and harvest failure, when some with large families were in need. The king's tribute, too, was heavy upon them and some were not able to pay and they were compelled to borrow, but had to give mortgages upon their land as security. Now lands, homes

and all, had passed to the creditors and they were despondent and helpless.

This cry caused Nehemiah great distress, but Nehemiah was not like Ezra, a devout and learned priest, but without executive power, who in a like position gave way to unmitigated grief. Nehemiah was equally patriotic and conscientious, but he was also a strong leader and an independent commander. He did not call together the nobles and rulers charged with oppression and ask them what he should do. He had none of their counsel. He took counsel with himself, his own conscience, his own judgment, and worked out an independent, individual policy which he should pursue.

His sympathy was with the suffering people, and he determined to espouse their cause and to correct their wrongs. He then called the nobles and rulers and charged them to their face with oppression. He laid "the ax at the root of the tree" and charged the fault to their coveteousness, to the exacting of usury or interest. It was this, he declared, that had brought them to wealth, but driven others to poverty. He demanded reparation. When they were slow to yield, he called a convocation of the people and aroused them to a due sense of the wrong they had been enduring, and laid bare the sins of the rulers and nobles. He showed the oppression by comparing their sordid and greedy conduct with the unselfish, self-sacrifice of himself and others for the common

good. While he and the patriotic people were busy with hand and brain in rebuilding the nation and fighting the enemies, these usurers were busy getting in their work of ruin, gathering the property into their own hands and enslaving the patriots.

The usurers were not able to withstand this onslaught of the chief commander and the aroused people, and they made no reply. Their conduct had so evidently been contrary both to the letter and spirit of their own law, they were compelled to yield and to say meekly, "We will do as you have said."

Then he stated the terms and conditions of the reform he would institute.

1. They must return the pledges they had taken for debts, without reserve. The people must not be deprived of their land, tools, or instruments of production. The foreclosure of mortgages must be set aside and the people again given possession of their lands.

2. Interest must be returned or credited upon the debts. If the interest equaled the debt, then the debt was fully discharged. If more than the principal had been paid, then it must be returned in money or in the product of lands taken in foreclosure, the wine or oil or fruits and grains must be returned. Thus only could the wrongs be corrected and righteous adjustment be made.

There then followed a general restoration of

pledges and a cancelling of debts that had been paid once in interest, and a repaying of any surplus.

3. They must take a solemn vow that this sin shall henceforth be unknown among them. The law against usury or interest must henceforth be carefully obeyed. These distinctions that had grown up among them must disappear forever, and the cause of the poverty of the many and the wealth of the few must be shunned.

To these conditions the usurers assented, made ashamed by the conduct of the noble patriot in contrast with their own selfishness, though they had not yielded until awed and compelled by the indignation of the people, which Nehemiah had enkindled against them.

This positive enforcement of the law against the taking of increase on any loan, makes unmistakably clear the interpretation of the law by the devout, earnest, sincere, God-fearing Hebrews, down to the close of the Old Testament Canon.

References: Ezra, Nehemiah, Bible Dictionaries.

CHAPTER VII.

TEACHINGS OF THE MASTER.

Psalmist and prophets had sung of the exalted character of the coming Messiah. "Thou art fairer than the children of men: grace is poured into thy lips." "And his name shall be called Wonderful, Counselor, The Mighty God, The Everlasting Father, The Prince of Peace."

At his coming he lifted to a higher plane, by his precepts and example, the ideal of a true, noble and worthy human life. By his teachings and by his life of utter unselfishness he revealed clearly the exalted character and conduct that conformed to the Divine will.

1. Our Lord's character forbids that we should think of him for a moment as devoted to the gathering of worldly wealth. He came to minister unto, not to serve himself. Self-seeking was foreign to his nature. A great truth was spoken by the scoffers. "He saved others, himself he cannot save."

He who strives to follow in his footsteps cannot serve himself.

The whole drift of a great unselfish Christ-like soul must be for others. The whole current of his thought and effort during his life must be, to be helpful to others. Studying and striving to help others, he can-

not seek wealth. "Ye cannot serve God and mammon."

It is out of harmony with the whole life and all the teachings of the Master that he should encourage or permit a means of increasing wealth forbidden by the laws given by Moses and classed among the vilest of sins by the prophets.

2. Again: He did not undo the teachings of the prophets, but enlarged their scope. He showed by word and example how the true spirit of the teachings of the old dispensation led to self-sacrifice for the welfare of others. Matt. 5:17: "Think not that I am come to destroy the law, or the prophets: I am not come to destroy but to fulfill."

Fulfill, here, is more than to obey. It is in antithesis with destroy, and means to perfect and complete.

The old ceremonial forms of religious worship, pointed to the advent of one who should be a perfect sacrifice for sin, typified by the daily sacrifice of bulls and rams. The sacrifice typified, was completed in Him.

The moral enactments were not set aside, but they were given a completed meaning; that is they were made to reach beyond the external to the hidden desires and affections of the heart. He taught that mere external compliance was not sufficient in the All Seeing Eye. The affections and desires of the soul must be in agreement.

Thus we have the explanation of the law of chastity,

completed, requiring purity of the soul. So murder is not merely the external act, but the law for murder, completed, forbids enmity or hatred hidden in the heart.

The requirements for mutual helpfulness were also perfected or completed.

The old law required the helping of a brother in need.

Deut. 15: 7, 8: "If there be among you a poor man of one of thy brethren within any of thy gates in the land which the Lord thy God giveth thee, thou shalt not harden thy heart, nor shut thine hand from thy poor brother. But thou shalt open thine hand wide unto him, and shalt surely lend him sufficient for his need, in that which he wanteth."

This was completed so as to extend the help to all sufferers, though not kindred nor friendly, and though they may not be able nor willing to repay. Luke 6: 35: "But love ye your enemies, and do good, and lend, hoping for nothing again; and your reward shall be great, and ye shall be the children of the Highest: for he is kind unto the unthankful, and to the evil."

The old law permitted the lender to take a pledge to secure the return of "as much again," that is, the loan without interest. The Master enjoins being helpful though the principal should never be repaid. To take a pledge or mortgage and add the interest would greatly harden the conditions for the borrower.

It would be a step backward and not forward in the way of helpfulness to others.

Again, the year of Jubilee was a kind of legal time limit to debts. All obligations were then cancelled. No debt could be collected. The selfish Hebrew feared to make a loan shortly before Jubilee lest it should not be repaid promptly and his claim would become worthless. Deut. 15:9: "Beware that there be no thought in thy wicked heart, saying, The seventh year, the year of release is at hand; and thine eye be evil toward thy poor brother, and thou givest him naught; and he cry unto the Lord against thee and it be sin unto thee." In his heart the old Hebrew might have a desire to press his claim but the law protected the debtor. This law for the release of the debtor from the payment of principal without interest is completed so as to require sincere and hearty forgiveness.

Our Lord taught his disciples to ask for forgiveness of God only as they forgave their debtors, Matt. 6:12: "And forgive us our debts, as we forgive our debtors." The commercial terms here used show this to be the completion of the law as touching the creditor and his released debtor.

3. Again, he broke down the artificial barriers, the distinction of Hebrew and Gentile, Greek and Barbarian, bond and free.

The love and sympathy and helpfulness among men was no longer to be limited to such narrow bounds,

but must be wide as the race. "Who is my neighbor?" is so answered that every man must be neighbor to every other man, and the object of his care and help. All are of one blood, and all God's children. He gave one law for all classes and conditions in all times. He so expounded the old commandments and so condensed them, that they became the one law of love. Whosoever is governed by supreme love to God, and loves his neighbor as himself, has fulfilled the law. He would thus bind all men together, and all to the throne of God, by the one bond of love.

But he further intensified the obligations of love, by his own special command. John 15: 12: "This is my commandment, that ye love one another, as I have loved you." And he adds it to the decalogue, John 13: 34: "A new commandment I give unto you, that ye love one another as I have loved you that ye also love one another." This new command requires that men shall love their brethren above themselves and be ready to sacrifice for their welfare. As he gave his life, so also he commanded that men should sacrifice for their fellows.

Those who hear his voice and have the spirit of obedience go to the ends of the earth, and make any sacrifice that may be required for the uplifting of fallen men.

The law forbidding the Hebrews exacting usury of their brethren, of the stranger who had accepted their faith and kept the passover, of the stranger, sojourner

who dwelt among them, of everybody except the Canaanite who was under the condemnation of God, could not have been annulled or suspended by the divine Master who thus draws together and embraces as one family the whole race. The ties of Christian brotherhood are not less strong than the ties of Hebrew blood. The converts from heathen to Christian faith are not less dear to the missionary than the proselytes to the Hebrew faith were to the Pharisees. The foreigner who comes into a Christian community must not be treated with less justice and kindness than the wandering Arab who strolled into Jerusalem for a trade. It cannot be that the relation between Christians is like that between the Hebrew and the criminal Canaanites who were convicted of capital crimes and under sentence of death. As usury was repugnant to that spirit of justice and brotherly love that obtained in the Hebrew State, much more is it repugnant to that closer brotherhood into which we are drawn by the divine Lord.

4. Again, He was a friend of the poor and lowly. This was foretold by the song of the virgin, when assured that she should be the mother of the Savior. Luke 51: 52, 53: "He hath put down the mighty from their seats, and exalted them of low degree. He hath filled the hungry with good things; and the rich He hath sent empty away."

The prophets foretold that He should be the friend

of the poor. He pointed John to the fulfilment of these prophecies in proof of his Messiahship.

In his first address in the explanation of the new dispensation he began by saying, "Blessed are the poor in spirit." The literal rendering would be, "Blessed are the poor, to the Spirit." This is the dative singular with the definite article. He is speaking of external conditions as contrasted with spiritual blessings, and those conditions thought wretched in the world were especially favorable for the development of grace. The poor, humble, mourning, suffering, and persecuted were especially blessed in his kingdom.

The word rendered poor does not mean pauper. There is a great difference. The poor may be industrious, self-reliant and self-supporting. There is no hint of dependence.

In Luke he says, "Blessed are ye poor." When at the rich man's table, he told his host that he would be more blessed if he should make the next feast to the poor and defective, that could make him no return.

He was uncompromising in his denunciation of the rich. Luke 6:24: "But woe unto you that are rich, for ye have received your consolation." He showed the danger of riches in the parable of the sower. Matt. 13:22: "He also that received seed among thorns is he that heareth the word; and the care of this world, and the deceitfulness of riches choke the word, and it becometh unfruitful."

OF THE
UNIVERSITY
OF
CALIFORNIA

Where grace is to be cultivated and flourish, the "greed of gain" must not enter. The young man who came to him, whom he loved for his sweet disposition and excellent character, he turned away by the answer that his wealth was incompatible with his salvation. He must part from his riches. When the disciples were surprised, he made it more emphatic, Matt. 19:24: "And again I say unto you, it is easier for a camel to go through the eye of a needle, than for a rich man to enter the kingdom of God." And when they felt that this made salvation impossible, he declared it could only be possible by the exercise of omnipotent, divine grace.

Zaccheus, the one rich man whose conversion is recorded, surrendered his ill-gotten gain fourfold and gave away half of the remainder before salvation came to his house. The temptation to trust and lean upon riches is irresistible.

Our Lord did not make wealth more dangerous than under the Mosaic dispensation by removing the restraint that was there put upon it. As a friend to the poor he did not give wealth an advantage it did not have before.

5. The whole drift of his teachings limited and restrained accumulation of wealth. The parable of the rich fool is a forcible presentation of its human folly on the earthly side.

"Whose shall these things be?"

"Lay not up for yourselves treasures upon earth,

where moth and rust doth corrupt, and where thieves break through and steal: But lay up for yourselves treasures in heaven, where neither moth nor rust doth corrupt, and where thieves do not break through and steal: For where your treasure is, there will your heart be also."

The result is irresistible; when engaged in storing earthly treasure, the heart will be earthly; or if laying up treasures in heaven, the heart will reach heavenward. He who labors for a heavenly reward, will be heavenly minded.

Treasures are stored for eternity, when used for the bringing out of that which shall survive the grave; for the bringing out the highest divine type of manhood and womanhood, in ourselves, in our children, and in all the children of men.

Treasures expended in the development of immortals shall be found when the earthly and temporal scenes have passed away. That which is expended in the uplifting of the race shall be our eternal reward.

Giving, giving, not hoarding is commended. Productive industry he enforced by his example, the carpenter that wrought for his daily bread. He chose workmen to be his followers. He taught economy in the command to take up the fragments of the food miraculously created "that nothing be lost," yet unreserved giving was the lesson he inculcated and illustrated in his life. To follow his example, we must produce and produce much, yet what we gain is to be

expended, so as to promote the highest welfare of all mankind. We must not store the fruits of our labor, but expend, not as a spendthrift who wastes, but judiciously and wisely for God and man. Our giving is only limited by the ability and facility to produce. Our Lord did not greatly add to the temptation to hoard by delivering the earthly treasures from the decay by "moth and rust" and instead permitting their increase. Our hoarding of earthly treasures must be limited, because of our disposition to trust in them. We must always be so dependent that we shall pray truly with the spirit of dependence, "Give us this day our daily bread." "Give me neither poverty nor riches; feed me with food convenient for me."

Thrift does not require that we shall hoard an amount that will support us through life, much less that we shall lay up a fortune, that shall free our children from the necessity of productive labor. The spirit of the Master's teachings is, that each age shall produce and spend its product for its own advancement, then each succeeding age shall be better fitted to produce and care for itself and so advance the coming generations. "Go work today in my vineyard." Now is the time to give and do for the generation yet unborn.

CHAPTER VIII.

PARABLES OF THE TALENTS AND THE POUNDS.

Our Lord mentions usury by name only in the parables of the talents and pounds. Matt. 25: 14-30; Luke 19: 12-27. Usury is mentioned in these passages incidentally to meet the excuses of worthless servants, but in both as the unjust and oppressive act of a hard and dishonest man. These references to usury are in entire harmony with the expressions of David and Solomon, and of Jeremiah and Ezekiel.

These servants in the parables were slaves, who owed their service to their master and for whom he was responsible.

The lesson in both parables is the necessity of faithfulness. The faithful servants are rewarded and the unfaithful punished in both. Yet there is a special lesson in each.

The parable of the talents shows that an equal reward shall be given all who are equally faithful, though the means and opportunities afforded one may far exceed those granted another. One was given five talents and another but two; one gained five and the other two, yet both equally faithful, are directed to enter into the joy of their lord.

The unfaithful servant brings his talent with an excuse, which is a charge against the character of his

master, "I knew thee that thou art an hard man reaping where thou hast not sown, and gathering where thou hast not strewed," "so there thou hast which is thine."

The master in reply showed the inconsistency of the excuse by assuming that he bore the hard character charged upon him by his slave, "Thou wicked and slothful servant, thou knewest that I reap where I sowed not, and gather where I have not strewed: Thou oughtest therefore to have put my money to the exchangers, and then at my coming I should have received mine own with usury." It is "interest" in the Revised Version.

This interview may be paraphrased as follows:

The unfaithful servant said: "I know the kind of a man you are. You are dishonest. You take what does not belong to you. You reap what other people sow, and you take up what others earn. I was afraid of you: Here is all that you gave me and all that belongs to you."

The master said: "You are merely excusing yourself. You are a lazy faithless slave. If I am the hard man you say I am, taking what does not belong to me and gathering the sowings and earnings of others, you could have met that condition without trouble to yourself, by giving my money to the usurers and then at my coming I could have received my unjust gain. Your excuse is inconsistent, you condemn yourself.

You are an indolent and worthless slave. Begone to your punishment."

It is clearly implied that unearned increase, reaping and gathering without sowing, could be gained through the exchangers. If this was what was demanded, the servant could have secured this with no effort on his part. His charge against the master was a mere pretence to excuse his own want of personal faithfulness, and the master's reply was fitted to this pretense.

This is in entire harmony with the opinion our Lord expressed of the exchangers when he called them thieves and drove them out of the temple. It would be wholly inconsistent for him to advise an honest and faithful servant to place any portion of the property in their hands. His advice can only come from the standpoint of a dishonest master such as his servant called him.

The parable of the pounds shows the degrees of faithfulness in those who have equal opportunities. With the same opportunities one may far surpass another, because more faithful to his trust, his reward is proportionately greater.

In this parable each servant received the same, but the gains and rewards differ. By diligence one gained ten pouds and is commended and given authority over ten cities. Another gained five pounds. He is also commended and given authority over five cities.

Another, who had given no service, came with his pound but without increase. This was a proof of his unfaithfulness. He endeavors to shield himself like the servant with the talent, by charging injustice and oppression on his master. "I feared thee because thou art an austere man: thou takest up that thou layest not down, and reapest that thou didst not sow."

His master turned on him because his own reason was inconsistent with his conduct and a mere shield for his indolence and worthlessness. "Out of thine own mouth will I judge thee, thou wicked servant. Thou knowest that I was an austere man, taking up that I laid not down, and reaping that I did not sow. Wherefore gavest thou not my money into the bank, that at my coming I might have required mine own with usury."

This interview may also be paraphrased.

The unfaithful slave came and said: "Lord I have carefully kept all that thou gavest me. I knew that thou wast an exacting master, taking what did not belong to you and gathering what others sow."

The master says: "Now stop right there and I will judge you by your own excuse out of your own mouth. You say you knew me to be exacting and dishonest, taking more than belonged to me. Now, knowing this, why did you not serve me by giving my money to the bank, and then at my coming you could have brought me my money with my unjust gain and that would have pleased a hard man like me, without

effort on your part. You are only giving this as an excuse for your own unfaithfulness. You are a wicked slave."

The master admits that he would be a hard man, if he reaped what another sowed, or took up what belonged to another, but assuming that this was his character, even this could have been met without trouble to the slave through the bank. This is a clear recognition of usury as unjust gain.

Exchangers were little more than the pawn-brokers of today and a bank was a pawn-shop where pledges were stored. The money loaned upon any pawn was much less than its full value. The increase of the loan soon made it more than the value of the pledge which was then forfeited, and the pawn was sold by the broker.

These parables are here dwelt upon, for they are so frequently misunderstood and misapplied. In a large volume on "Banking," the writer found the words of the master quoted, "Wherefore then gavest not thou my money into the bank, that at my coming I might have required my own with usury." And they were quoted as a solemn direction of the divine Master to deposit money in the bank.

To quote from these parables in the defense of usury is as flagrant a perversion of the truth as the famous quotation to prove that Paul encouraged theft. "Let him that stole, steal."

The lessons of these parables are in entire harmony

with the law of Moses and the teachings of the prophets and Nehemiah. In these parables the usurer is presented as a hard man, exacting that which he has not earned and to which he has no right.

The teachings of the Master did not permit what had been forbidden in all the ages.

CHAPTER IX.

PRACTICE OF THE DISCIPLES.

The conditions in the very early church were not such as to make prominent the sin of usury. Many of the disciples were very poor and from the humblest walks of life. I Cor. 1: 27-28: "But God hath chosen the foolish things of the world to confound the wise; and God hath chosen the weak things of the world to confound the things that are mighty; and the base things of the world, and things which are despised, hath God chosen, yea, and the things which are not, to bring to nought things that are."

The practice of the disciples was, however, in entire harmony with the teachings of Moses and the Master, and in accord with the prohibition of usury. Later, in the time of the apostolic fathers when the church came face to face with this sin, there was but one voice and that in the denunciation, for the fathers were unanimous in its condemnation.

(1) The first disciples did not loan, but gave to their needy brethren. The early converts held their property so subject to a general call that some have thought they had a community of goods.

Acts 2: 44, 45: "And all that believed were together, and had all things common; * * * and

sold their possessions and goods, and parted them to all men, as every man had need."

It is evident they did not assist their brethren with "loans," but with gifts; much less did they take the opportunity to secure increase on loans.

The suffering poor were their especial care. They gave of their poverty for the relief of the suffering. Many called by the Spirit were in want, and many came to want through the severe persecutions to which they were subjected. This was especially true of the converts in Jerusalem. For these large collections were received from the churches in Macedonia and in Corinth.

They were commanded to care for the needy of their own house. I Tim. 5:8: "But if any provide not for his own, and especially for those of his own house, he hath denied the faith, and is worse than an infidel." Paul, in giving directions to Timothy, as to the care of their poor, requires aid to be given to "widows indeed," those who have no children; but those who have children or nephews are to look to them and be supported by them, and if any person refuses to care for his widowed mother or grandmother or dependent aunt, "he hath denied the faith and is worse than an infidel."

(2) They were diligent in business. They provided things honest in the sight of all men.

Paul set the example during his itinerate ministry by working at his trade to secure his support and his

dictum has been accepted as both divine and human wisdom ever since. "If any will not work neither shall he eat."

Diligence was enjoined for self-support, and that others might be helped. Eph. 4:28: "Let him that stole, steal no more; but rather let him labor, working with his hands, the things which is good, that he may have to give to him that needeth." The effort was first by labor to be independent and then also to come to the relief of the feeble, the sick, the poor, and the needy. That a man could honestly secure a livelihood without productive labor was foreign to their way of thinking. If any did not work he did not deserve a living, nor was he an honest man. No one was at liberty to be idle. Productive effort must not be relaxed. There was no retiring for the enjoyment of a competency.

There was no thought of such a provision to free them from the effort for the daily bread. The surplus product was given for the aid of others, to those who had claims of kinship first, then to all who had need.

The instant a man failed to produce he began to consume. There is no hint anywhere that it entered any of their minds that they could stop production and live in ease from the increase of what they had produced and the supply grow no less; that the meal and oil should not fail, but be handed down unimpaired to their children.

(3) Covetousness was hated and denounced and

classed with the most flagrant violations of the moral law.

Covetousness is an inordinate regard for wealth of any kind. This may be shown in the greed of seeking it, without proper regard for the rights of others; or in parsimony or stinginess in holding it, when there are rightful claims upon it.

James 5: 1-6: "Go to now, ye rich men, weap and howl for your miseries that shall come upon you. Your riches are corrupted, and your garments are moth eaten. Your gold and silver is cankered; and the rust of them shall be witness against you, and shall eat your flesh as it were fire. You have heaped treasure together for the last days.

"Behold, the hire of the laborers who have reaped down your fields, which is of you kept back by fraud, crieth: and the cries of them which have reaped are entered into the ears of the Lord of Sabbaoth.

"Ye have lived in pleasure on the earth, and been wanton; ye have nourished your hearts, as in a day of slaughter. Ye have condemned and killed the just, and he doth not resist you."

Covetousness may also be shown in undue respect for wealth when in the hands of others. This is reproved in James 2: 1-7. "My brethren, have not the faith of our Lord Jesus Christ, the Lord of glory, with respect of persons. For if there come unto your assembly a man with a gold ring, in goodly apparel, and there come also a poor man in vile raiment; and

ye have respect to him that weareth the gay clothing, and say unto him, Sit thou here in a good place; and say to the poor man, Stand thou there, or sit here under my footstool: Are ye not then partial in yourselves, and become the judges of evil thoughts? Hearken, my beloved brethren, hath not God chosen the poor of this world rich in faith, and heirs of the kingdom which he hath promised them that love him? But ye have despised the poor. Do not rich men oppress you, and draw you before the judgment seats? Do not they blaspheme that worthy name by which ye are called?"

Covetousness was a secret sin often indulged when the outward forms of righteousness were observed. Usurers were the open representatives of flagrant covetousness in all the ages. Usury was not named among them as becometh saints.

(4) The early disciples kept out of debt. The early Christians were not borrowers. In both dispensations borrowing was only resorted to in hard necessity. The borrower was second to the beggar. The borrowing was but for a short time, and the loan was returned as soon as absolute wants were supplied.

The doctrine and practice of the early church was to owe no man anything. Rom. 13:8: "Owe no man anything, but to love one another: for he that loveth another hath fulfilled the law."

Indebtedness was to be avoided as compromising

the faith in the eyes of others and detrimental to the development of grace in the disciples.

This was the direct command of Paul. This commandment required the payment of all honest obligations. The Christian then as now who failed to acknowledge his obligations and meet them in full as he was able was wanting in the spirit of righteousness and unfaithful to his own convictions of right and duty.

The payment of a debt was the return in full of the loan received.

Any Christian conscience at that time would have been satisfied with the settlement approved and commanded by Nehemiah. The debt was fully discharged when payments equaled the loan by whatever name those payments were called.

This text also required that they keep out of debt. By no distortion of the text can it be made to mean less. Chalmers on this passage comments as follows: "But though to press the duty of our text in the extreme and rigorous sense of it—yet I would fain aspire towards the full and practical establishment of it, so that the habit might become at length universal, not only paying all debts, but even by making conscience never to contract, and therefore never to owe any. For although this might never be reached, it is well it should be looked at, nay moved forward to, as a sort of optimism, every approximation to which were a distinct step in advance, both for the moral and

economic good of society. For, first, in the world of trade, one can not be insensible to the dire mischief that ensues from the spirit often so rampant, of an excessive and unwarrantable speculation—so as to make it the most desirable of all consummations that the system of credit should at length give way, and what has been termed the ready-money system, the system of immediate payments in every commercial transaction, should be substituted in its place. The adventurer who, in the walks of merchandise, trades beyond his means is often actuated by a passion as intense, and we fear too, as criminal, as is the gamester, who in the haunts of fashionable dissipation, stakes beyond his fortune. But it is not the injury alone, which the ambition that precipitates him into such deep and desperate hazards, brings upon his own character, neither is it the ruin that the splendid bankrupty in which it terminates brings upon his own family.

These are not the only evils which we deprecate—for over and above these there is a far heavier disaster, a consequence in the train of such proceedings, of greatly wider and more malignant operation still, on the habit and condition of the working classes, gathered in hundreds around the mushroom establishment, and then thrown adrift among the other wrecks of its overthrow, in utter helplessness and destitution on society. This frenzy of men hasting to be rich, like fever in the body natural, is a truly sore distemper in

the body politic. No doubt they are also sufferers themselves, piercing their own hearts through with many sorrows; but it is the contemplation of this suffering in masses, which the sons and daughters of industry in humble life so often earn at their hands, that has ever led me to rank them among the chief pests and disturbers of a commonwealth."

To this may be added an extract from "Short Instructions for Early Masses by the Paulist Fathers." "The fact of the matter is, dear brethren, that there is too much laxity of conscience among our people on this question of contracting debts, of borrowing money, of running up bills with little or no hope of ever paying them. We have all of us no doubt come across people who consider themselves quite religious who owe money to their neighbors for years, and never make an effort to pay what they owe or even to offer an excuse for their negligence in such important matters.

There are some professional debtors who think the world owes them a living, and who spend a good part of their time figuring out how much they can get out of the land and from those who dwell thereon. To have to pay rent is their greatest grievance, and after being trusted for a few months, they find it much cheaper to move to other quarters than to pay what they owe.

Then there are others who must dress extravagantly, no matter what it costs, and in consequence

have nothing left to pay for the things they eat or drink. Do they on this account deny themselves any of the good things of this life? Not at all; on the contrary, every business man will tell you the same story—these people want the best and are the most exacting in their demands.

Now, I repeat, there is too much laxity about contracting debts and too little conscience about the necessity of paying for what we use. St. Paul's warning should ring in the ears of every debtor: "Owe no man anything." It will not do for such people to come to confession and say they contracted debts and are not able to pay what they owe. Confession will not relieve them of their obligation, and they must begin at once and make an effort to lessen the debts they owe in the past and learn a lesson in economy and strive against contracting new burdens. This will help us to clear off the old ones.

It is not edifying, nor is it conducive to good fellowship, nor does it help to make our religion better known and better loved, to find people, dressed in the finest, coming Sunday after Sunday to mass while they are heavily in debt to their grocer or butcher or landlord, who may be in the very same pew with them. This is certain, it convinces such men in business that the debtor's religion is not very sincere.

In a word, brethren, it is far better to live in less pretentious dwellings, dress more soberly and eat more sparingly than to owe any man anything. Pay

what thou owest, and then you may walk honestly among all men."

Freedom from debt is necessary to the independence of the man who does right and answers only to God. Struggle as he may the man is not free who is under obligations to others. He is hindered in his conduct; he is not always conscious of it, but nevertheless there is a real binding or fettering of his actions. It influences his gifts, for what he holds is not his own and the owner may criticize his benevolence.

An easy conscience and sound sleep is the portion of the man who is under no obligations to another. He looks the whole world in the face, who owes no man a cent.

He is free from distracting business relations with his brethren and brotherly love may abound. The exhortation of Paul is in connection with brotherly love, and of all external relations, debt hinders the free flow of sympathy among brethren.

The early disciples endeavored to avoid all debt. Much less did they pay a premium for the privilege. They only borrowed in hard necessity; but borrowing on usury to make a profit by it was as repellant to the Christian conscience then as complicity with theft or fraud. It marked a man as anxious to share in unrighteous gain. His own conscience placed him among those who are discontented with their lawful estate and guilty of that covetousness which is idola-

try. I Tim. 6:6-11: "But godliness with contentment is great gain. For we brought nothing into this world, and it is certain we can carry nothing out. And having food and raiment, let us be therewith content. But they that will be rich fall into temptation and a snare, and into many foolish and hurtful lusts, which drown men in destruction and perdition. For the love of money is the root of all evil: which while some coveted after, they have erred in the faith, and pierced themselves through with many sorrows. But thou, O man of God, flee these things; and follow after righteousness, godliness, faith, love, patience, meekness."

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

CHAPTER X.

CHURCH HISTORY.

The Church, from the time of the apostles, was emphatic in its denunciation of usury.

Schaff-Herzog says: "All the apostolic fathers condemned the taking of usury." The Encyclopedia of Religious Knowledge declares the same.

Chrysostom said: "Nothing is baser in this world than usury, nothing more cruel."

Basil describes a scene so real that we can scarcely realize that he wrote over fifteen hundred years ago. After stating the usurer's protestations of having no money, to the victim, who seeks a loan without interest, he says: "Then the suppliant mentions interest and utters the word security. All is changed. The frown is relaxed; with a genial smile he recounts old family connections. Now it is 'My friend, I will see if I have any money by me. Yes, there is that very sum which a man, I know, has left in my hands in deposit for profit. He named a very heavy interest. However, I will certainly take something off and give it to you on better terms.' With pretenses like this he fawns on the wretched victim and induces him to swallow the barb."

Of the man who has borrowed on interest, he says: "At first he is bright and joyous and shines with

another's splendor * * * now night brings no rest, no sun is bright. He hates the days that are hurrying on, for time as it runs adds the interest to its tale."

The fathers unanimously condemned the taking of interest. Tertullian, Cyprian, Ambrose, Augustine and Jerome can be quoted against it. The popes followed the teachings of the fathers and forbade it under severe penalties. The priests guilty of this sin were degraded from their orders. The laymen found guilty were excommunicated. Interest paid could be reclaimed, not only from the usurer but from his heirs. A bargain, though confirmed by an oath never to claim back the interest paid, was declared not binding. This action of the popes was confirmed by councils.

Charlemagne, in France, forbid the taking of usury either by priests or laity.

A council at Westminster (1126) approved the degredation of all clergy, who were guilty of this practice.

Archbishop Sands said: "This canker (usury) hath corrupted all England."

A council in Vienna (1311) reaffirmed the denunciations of previous popes and councils, and then adds: "If any shall obstinately persist in the error of presuming to affirm that the taking of usury is not a sin, we decree that he shall be punished as a heretic."

There is no record of the repeal of any of these edicts.

The leaders of the Protestant reformation also denounced usury.

Luther was violent in his opposition, using the strongest language he could command. "Whoever eats up, robs and steals the nourishment of another, commits as great a murder, as he who carves a man or utterly undoes him. Such does a usurer, and he sits the while on his stool, when he ought rather to be hanging from the gallows."

Melancthon, Beza and others are accounted against usury.

The decisions of Ecclesiastical Councils were numerous and emphatic until the seventeenth century. Since that time interest taking has become common, all but universal, but there is no record found anywhere of its direct approval by any ecclesiastical body. The Church has come to tolerate it but has never given it official approval.

Usury has not been included in any creed or confession of faith, nor has it been directly approved by any council or general assembly.

The truth has not been left in any age without its witness. There have always been those more or less prominent in the Church who contended that it was unjust and oppressive. Some of them have been of world-wide distinction. The writer has a letter written him by John Clark Ridpath, the historian,

expressing his agreement with the views presented in these pages. Another of these is brilliant John Ruskin, recently deceased. Quotations from him will close this review.

"I have not so perverted my soul nor palsied my brain as to expect to be advantaged by that adhesion (usury). I do not expect that because I have gathered much to find Nature or man gathering more for me; to find eighteen pence in my box in the morning instead of the shilling as a reward of my continence, or to make an income of my Koran by lending it to poor scholars. If I think he can read it and will carefully turn the leaves by the outside, he is welcome to read it for nothing."

"Thus in all other possible or conceivable cases, the moment our capital is increased by having lent it, be it but the estimation of a hair, that hair-breadth of increase is usury, just as much as stealing a farthing is theft no less than stealing a million."

CHAPTER XI.

CALVIN'S LETTER ON USURY.

A mere hint of encouragement to the usurer came from Calvin. In a letter, to a friend, he hesitatingly expressed opinions that have ever since been quoted in defense of the practice. He alone of all the reformers took a doubtful stand. He has often been referred to and given great credit for his opinion, even by those who utterly reject all the doctrines he most earnestly advocated. The fear that he expressed near the opening, that some word might be seized to take more license than he would allow had reason, for this letter has been the basis for all the apologies for usury that have ever been attempted. In these last days all who have tried to present fully the moral law as comprehended in the ten commandments have felt called upon to make some apology for the prevailing practice of usury in connection with the eighth command. They all refer to this letter. Sometimes there is a brief quotation, given in Latin and left untranslated, to convince the ignorant, for Calvin wrote in Latin.

Letter of Calvin: *De Usuris Responsum.*

"I have not yet essayed what could fitly be answered to the question put to me; but I have learned by the example of others with how great danger this

matter is attended. For if all usury is condemned tighter fetters are imposed on the conscience than the Lord himself would wish. Or if you yield in the least, with that pretext, very many will at once seize upon unlicensed freedom, which can then be restrained by no moderation or restriction. Were I writing to you alone I would fear this the less; for I know your good sense and moderation, but as you ask counsel in the name of another, I fear, lest he may allow himself far more than I wish by seizing upon some word, yet confident that you will look closely into his character and from the matter that is here treated judge what is expedient, and to what extent, I shall open my thoughts to you.

"And first, I am certain that by no testimony of Scripture is usury wholly condemned. For the sense of that saying of Christ, 'Lend, hoping for nothing again' (Luke 6: 35), has up to this time been perverted; the same as another passage when speaking of splendid feasts and the desire of the rich to be received in turn, he commands them rather to summon to these feasts, the blind, the lame, and other needy men, who lie at the cross-roads and have not the power to make a like return. Christ wished to restrain men's abuse of lending, commands them to lend to those from whom there is no hope of receiving or regaining anything; and his words ought to be interpreted, that while he would command loans to the poor without expectation of repayment or the

receipt of interest, he did not mean at the same time to forbid loans to the rich with interest, any more than the injunction to invite the poor to our feasts did not imply that the mutual invitation of friends to feasts is in consequence prohibited. Again the law of Moses was political and should not influence us beyond what justice and philanthropy will bear.

"It could be wished that all usury and the name itself were first banished from the earth. But as this cannot be accomplished it should be seen what can be done for the public good. Certain passages of Scripture remain in the Prophets and Psalms in which the Holy Spirit inveighs against usury. Thus a city is described as wicked because usury is practiced in the forum and streets, but as the Hebrew word means frauds in general, this cannot be interpreted so strictly. But if we concede that the prophet there mentions usury by name, it is not a matter of wonder that among the great evils which existed, he should attack usury. For wherever gains are farmed out, there are generally added, as inseparable, cruelty, and numberless other frauds and deceits.

"On the other hand it is said in praise of a pious and holy man 'that he putteth not out his money to usury.' Indeed it is very rare for a man to be honest and yet a usurer.

"Ezekiel goes even further (Ezek. 22: 12). Enumerating the crimes which inflamed the wrath of the Lord against the Jews, he uses two words, one of which

means usury, and is derived from a root meaning to consume; the other word means increase or addition, doubtless because one devoted to his private gain takes or rather extorts it from the loss of his neighbor. It is clear that the prophets spake even more harshly of usury because it was forbidden by name among the Jews, and when therefore it was practiced against the express command of God, it merited even heavier censure.

"But when it is said, that as the cause of our state is the same, the same prohibition of usury should be retained, I answer that there is some difference in what pertains to the civil state. Because the surroundings of the place in which the Lord placed the Jews, as well as other circumstances, tended to this, that it might be easy for them to deal among themselves without usury, while our state today is very different in many respects. Therefore usury is not wholly forbidden among us unless it be repugnant both to Justice and to Charity.

"It is said, 'Money does not beget money.' What does the sea beget? What does a house from the letting of which I receive a rent? Is money born from roofs and walls? But on the other hand both the earth produces and something is brought from the sea which afterward produces money, and the convenience of a house can be bought and sold for money. If therefore more profit can be derived from trading through the employment of money than from

the produce of a farm, the purpose of which is subsistence, should one who lets some barren farm to a farmer, receiving in return a price or part of the produce, be approved, and one who loans money to be used for profit be condemned? And when one buys a farm for money does not that farm produce other money yearly? And whence is derived the profit of the merchant? You will say from his diligence and his industry. Who doubts that idle money is wholly useless? Who asks a loan of me does not intend to keep what he receives idle by him. Therefore the profit does not arise from the money, but from the product that results from its use or employment. I therefore conclude that usury must be judged, not by a particular passage of Scripture, but simply by the rules of equity. This will be made clearer by an example. Let us imagine a rich man with large possessions in farms and rents, but with little money. Another man not so rich, nor with such large possessions as the first, but has more ready money. The latter being about to buy a farm with his own money, is asked by the wealthier for a loan. He who makes the loan may stipulate for a rent or interest for his money and further that the farm may be mortgaged to him until the principal is paid, but until it is paid, he will be content with the interest or usury on the loan. Why then shall this contract with a mortgage, but only for the profit of the money, be condemned, when a much harsher, it may be, of leasing or renting a farm at large annual rent, is approved?

"And what else is it than to treat God like a child, when we judge of objects by mere words and not from their nature, as if virtue can be distinguished from vice by a form of words.

"It is not my intention to fully examine the matter here. I wished only to show what you should consider more carefully. You should remember this, that the importance of the question lies not in the words but in the thing itself."

Those acquainted with Calvin's "Institutes" will not fail to notice the timid manner in which he treats the subject, as if uncertain of his ground and endeavoring to excuse usury to please his friend. This letter is wanting in that positive air of assured certainty that breathes inspired authority and lends a charm to his "Institutes." He is nearest himself when he bursts out, "It could be wished that all usury and the name itself were banished from the earth."

The letter is here given in full because often more force is carried by the reference to a great name than by the study of his argument. A careful reading of this letter does not reveal a positive approval of usury. He merely excuses it by suggesting other evils that he thinks worse; for instance, that land rentals may be worse than the usury of money. He does not mention the necessary oppression of the poor tenants by the loan upon a mortgage.

It is proof of the weakness of the case when this letter is the most favorable that can be presented from any ecclesiastic.

CHAPTER XII.

PERMANENCY OF THE PROHIBITION.

It is sometimes urged that the law of Moses with regard to usury was not intended to be permanent but was only a wise and beneficent regulation for that people in their peculiar condition; that as the ceremonial was done away by the incoming of the New Testament dispensation, so this prohibition was annulled and should be reckoned among the effete laws of the ancient Hebrews.

In answer to this contention it may be replied:

(1) This prohibition is not ceremonial. It has no connection with the rites and forms of their religion. It touches their character and conduct but has no place in their forms of worship.

(2) Nothing can be presented from the Mosaic laws to prove that this prohibition was only of a temporary character. It is in entire harmony with the spirit of helpfulness and especially the protection of the weak, that is so characteristic of the Mosaic order.

No induction from any of the Old Testament writers can be fairly made to limit its application. The prophets place usury in the catalogue of sins that are always and everywhere offensive to God. Nehemiah condemns it as destructive to personal and civic freedom.

(3) There is no hint of its discontinuance in the

new dispensation. The Master gave a spiritual completeness to this law as he did to all enactments requiring external moral character. He classed the usurers, in his parables, among the dishonest, who took up what they had not laid down.

The disciples, in their poverty and persecutions, were not specially tempted by this sin, and it is not therefore prominent in their history. But there is nothing in their teachings or practice that is not in entire harmony with the binding continuance of the Mosaic prohibition, and their practice and teaching are just such as we should expect from Christian people in their condition and circumstances who recognized the prohibition as permanent.

(4) The apostolic fathers, as the church grew and came into contact with the world and was beginning to share in the business of the world, to a man, regarded the prohibition as in full force and its observance as one of the marked characteristics of the Christian, distinguishing him from the worldling and the Jew. Conditions in the apostolic age did not make this prominent but when the conditions were changed and the church came in conflict with this sin, it is clearly seen that the law was in a continuous binding force through the whole period.

The later fathers were of the opinion, unanimously, that it was in full force, not temporary or provincial, but binding for all time and upon all people. That it is suspended is a modern idea, a suggestion of the world to the church within the last few hundred years.

CHAPTER XIII.

OUR CHANGED CONDITIONS.

The changed conditions of the race in these last years are urged as a sufficient reason for annulling this law. It is admitted that it was righteous and beneficent in ages long past but with the new light and new conditions of the present it is effete, inapplicable and unjust. They call attention to the vast extension of commerce, to the marvelously increased facilities for travel, transportation and intercommunication; to the innumerable and wonderful inventions that in their application have brightened our civilization. They exalt present conditions and they belittle the long past conditions and thought.

The prohibition of usury belonged to the past, the practice of usury is all but universal in the present, therefore they argue that usury is a part and a necessary part of our civilization and to revive the old prohibition would turn the world's civilization backward and be as absurd as to now dispense with steam or electricity.

In reply it may be said that the changes are not universal, that there are some things that abide, that the changes are trifling when compared with those things that remain and are permanent.

1. Human nature remains the same. Man, in

body and mind, in physiology and psychology, has not changed in these thousands of years. That which in ages past promoted the health and vigor of his body, will secure its best development now. That discipline, culture and mental exercise that secured the highest intellectual strength in ages past will do the most for its best development now. Many things that now give splendor to our civilization do not promote either the best physical or mental manhood.

2. Family ties remain. The relation of husband and wife, of parents and children, and the duties of their several positions in the home have not changed. The family remains the social unit as it has been in all ages. Sociology, the science of social and political organization, is a permanent science. It does not change with the shifting temporal conditions of the people. Those things which made for the general welfare of ages ago are for the public weal now, and those things that endangered the state then are to be avoided now.

3. The moral law remains unchanged and unchangeable, with all the brilliant present there is no amendment to the ten commandments. The ethical nature remains and the voice of conscience, approving the same right and condemning the same wrong, is identical with the voice of conscience in the time of Moses.

4. The laws of nature have not changed. The

relation between a cause and its sequence remains. Like causes produce like effects.

No living thing has changed its nature. A lion now is of the same nature that it was in the time of Samson. So with every savage beast that roams the jungle. Even the domesticated animals, with all the effort and skill of intelligent man, have only been smoothed or speeded a little. The horse, cow, sheep, or dog have held their old forms and dispositions.

Seed time and harvest come and go and we are dependent for the same shower and sunshine that gave Adam his first harvest.

We know some things they did not know and we have bettered our tools, but the natural world has shown no signs of change.

5. The relation of things to each other have not changed. Plants must have soil to grow in, animals must have vegetation to feed upon. Fish must have water. And so with the thousands of relations of climate, elements, soils, plants, animals, fishes, birds and insects, they are the identical relations sustained ages and ages ago.

6. The nature of money has not changed. Its material and form and denominations have been modified but the functions of money as a storage of values and as a measure of values and as a medium of exchange remain the same. Our gold and silver and paper money may be more convenient and more

exact, but its functions are just the same as the Indians' wampum.

The law of supply and demand and the equity in commercial transactions, great or small, are unchanged. Money could always be used to make or gather more money in business. It is no more true now than in the times of David or Nehemiah. If this had not then been possible; if there had not been tempting opportunities, there would have been no sin of usury for them to reprove.

Man's changed conditions are but trifling and incidental, relating to himself. They do not affect a single natural or moral or economic law.

The changed conditions, which are urged as a reason that the prohibition of usury is no longer binding, are only the conditions brought about by the violation of that law.

The prohibition of usury is systematically violated. The neighbor in the smallest transaction with his neighbor exacts usury, though it be but a few cents. The credit system has become universal. It is the rare exception now to "own what you have" and to "pay as you go." Interest bearing bonds are issued by the smallest manufacturing plant, by the great corporation and by the empire. These conditions do not prove usury right. They only show how far true business, commercial, and political principles have been perverted by this practice.

If violating a law annuls it, then any law can be

pushed aside. Let the claims of the Sabbath day be ignored. Let the houses of worship remain closed upon that day. Let work be planned for seven days of the week. Let the hum of the mills and the roar of commerce go on. Take no note of the Sabbath day, either in business or recreation or worship, and conditions will soon be upon us, such that we may urge as plausibly, that the Sabbath is effete, possible to our slow going fathers but inconsistent with the necessary rush of our day.

If the systematic violation of a law annuls it then we can quiet the conscience and be dishonest while dealing with a Turk in Constantinople and we may lie while dickering with a Chinese merchant in Canton.

If violating a law annuls it, even the seventh commandment, the violation of which is so offensive to decency and its observance so necessary to the purity of the home, may in this way be ruled out as a binding obligation. Let polygamy be the order, supported by the example of Jacob and David and Solomon, and the families be constituted along that line, then enforced monogamy would seem to be a sundering of tender ties and hardness toward the cast off Hagars that is inconsistent with the Christian spirit. An earnest, Godly man, a missionary friend of the writer, under whose ministry a heathen chief was converted, was misled by the plausibility. The chief had a number of wives; he had children by them; he was much

attached to his wives and was fond of his children, and they all seemed to love him and clung to him. The missionary in the kindness of his heart did not interfere with the family, permitting the chief to keep his wives and placed his name on the church roll of the Mission. For this act he was reproved by the ecclesiastical authorities above him. Let polygamy become as universal as usury and even the seventh commandment in its strictness will seem impracticable and unkind if not positively cruel.

It will not do to claim freedom from the prohibition of usury because we have organized commerce and the state and all society in violation of it.

CHAPTER XIV.

AMERICAN REVISION.

The Revision by the American Committee is the latest effort of scholarship to bring King James' Version up to date by eliminating effete terms and using words in their modern sense.

The references to usury are here collated so as to give a general view of the question from the translations of the passages in this the latest Revision. The reader will notice that the modern word "interest" is substituted for "usury" in nearly every passage.

Exodus 22:25: "If thou lend money to any of my people with thee that is poor, thou shalt not be to him as a creditor; neither shall ye lay upon him interest."

Leviticus 25:35-37: "And if thy brother be waxen poor, and his hand fail with thee, then thou shalt uphold him: as a stranger and a sojourner shall he live with thee. Take thou no interest of him or increase, but fear thy God; that thy brother may live with thee. Thou shalt not give him thy money upon interest, nor give him thy victuals for increase."

Deuteronomy 23:19, 20: "Thou shalt not lend upon interest to thy brother: interest of money, interest of victuals, interest of anything that is lent upon interest: unto a foreigner thou mayest lend upon interest, but unto thy brother thou shalt not lend

upon interest, that Jehovah thy God may bless thee in all that thou puttest thy hand unto, in the land whither thou goest in to possess it."

Nehemiah 5: 7-10: "Then I consulted with myself, and contended with the nobles and rulers and said unto them, Ye exact usury, every one of his brother. And I held a great assembly against them. And I said unto them, We after our ability have redeemed our brethren the Jews that were sold unto the nations; and would ye even sell your brethren, and should they be sold unto us? Then held they their peace and found never a word. Also I said, The thing ye do is not good: ought ye not to walk in the fear of our God, because of the reproach of the nations, our enemies? And I likewise, my brethren and my servants, do lend them money and grain. I pray you, let us leave off this usury."

The interest exacted by the princes and nobles was no doubt so extortionate that it could be called usury in the modern legal sense.

Psalm 15:

"Jehovah, Who shall sojourn in thy tabernacles?
Who shall dwell in thy holy hill?
He that walketh uprightly and worketh righteousness,
And speaketh the truth in his heart;
He that slandereth not with his tongue,
Nor doeth evil to his friend,
Nor taketh up a reproach against his neighbor;
In whose eyes a reprobate is despised,
But who honoreth them that fear Jehovah;
He that sweareth to his own hurt and changeth not;
He that putteth not out his money to interest,
Nor taketh reward against the innocent.
He that doeth these things shall never be moved."

Proverbs 28: 8: "He that augmenteth his substance by interest and increase, gathereth it for him that hath pity on the poor."

Jeremiah 15: 10: "I have not lent, neither have men lent to me; yet every one of them doth curse me."

King James reads: "I have neither lent upon usury, nor have men lent to me upon usury." As Jeremiah was protesting his innocence of any wrongdoing the early translators inserted what was evidently implied while these latest revisors have omitted what was not in the original text.

Ezekiel 18: 1-18: "The word of Jehovah came again unto me saying, What mean ye that ye use this proverb, concerning the land of Israel, saying, The fathers have eaten sour grapes and the children's teeth are set on edge? As I live saith the Lord Jehovah, ye shall not have occasion any more to use this proverb in Israel. Behold, all souls are mine, as the soul of the father so also the soul of the son is mine: the soul that sinneth, it shall die. But if a man be just and do that which is lawful and right, and hath not eaten upon the mountains, neither hath lifted up his eyes to the idols of the house of Israel, neither hath defiled his neighbor's wife, neither hath come near to a woman in her impurity, and hath not wronged any, but hath restored to the debtor his pledge, hath taken naught by robbery, hath given his bread to the hungry, and hath covered the naked with a garment: he hath not given forth upon interest, neither hath taken any increase,

that hath withdrawn his hand from iniquity, hath executed true justice between man and man, hath walked in my statutes and hath kept my ordinances, to deal truly: he is just, he shall surely live, saith the Lord Jehovah.

"If he beget a son that is a robber, a shedder of blood, and that doeth any one of these things, and that doeth not any of those duties, but even hath eaten upon the mountains, and defiled his neighbor's wife, hath wronged the poor and needy, hath taken by robbery, hath not restored the pledge, and hath lifted up his eyes to the idols, hath committed abomination, hath given forth upon interest, and hath taken increase; shall he then live? He shall not live: he hath done all these abominations: he shall surely die; his blood shall be upon him.

"Now, lo, if he beget a son which seeth all his father's sins which he hath done, and feareth and doeth not such like; that hath not eaten upon the mountains, neither hath lifted up his eyes to the idols of the house of Israel, hath not defiled his neighbor's wife, neither hath wronged any, hath not taken aught to pledge, neither hath taken by robbery, but hath given his bread to the hungry, and hath covered the naked with a garment; that hath not withdrawn his hand from the poor, that hath not received interest nor increase, hath executed my ordinances, hath walked in my statutes; he shall not die for the iniquity of his father, he shall surely live. As for his father,

because he cruelly oppressed, robbed his brother, and did that which is not good among his people, behold, he shall die in his iniquity."

Ezekiel 22:6-12: "Behold, the princes of Israel, every one according to his power have been in thee to shed blood. In thee have they set light by father and mother; in the midst of thee have they dealt by oppression with the sojourner; in thee have they wronged the fatherless and the widow. Thou hast despised mine holy things and hast profaned my sabbaths. Slanderous men have been in thee to shed blood; and in thee have they eaten upon the mountains; in the midst of thee they have committed lewdness. In thee have they uncovered their fathers' nakedness; in thee have they humbled her that was unclean in her impurity. And one hath committed abomination with his neighbor's wife; and another hath lewdly defiled his daughter-in-law; and another in thee hath humbled his sister, his father's daughter. In thee have they taken bribes to shed blood; thou hast taken interest and increase, and thou hast greedily gained of thy neighbors by oppression and hast forgotten me saith the Lord Jehovah."

Matthew 25:26-27: "But his lord answered and said unto him, Thou wicked and slothful servant, thou knewest that I reap where I sowed not and gather where I did not scatter; thou oughtest therefore to have put my money to the bankers, and at my coming I should have received back mine own with interest."

Luke 19: 22, 23: "He saith unto him, Out of thine own mouth will I judge thee, thou wicked servant. Thou knewest that I am an austere man taking up that I laid not down and reaping that I did not sow; then wherefore gavest thou not my money into the bank, and I at my coming should have required it with usury."

Luke 16: 13-15: "No servant can serve two masters: for either he will hate the one, and love the other; or else he will hold to the one and despise the other. Ye cannot serve God and mammon. And the Pharisees who were lovers of money heard all these things and they scoffed at him. And he said unto them, Ye are they that justify yourselves in the sight of men but God knoweth your hearts: for that which is exalted among men is an abomination in the sight of God."

It is not easy to understand how an honest, godly man, who has even medium intelligence, unclouded by prejudice, and who has confidence in the highest scholarship of the age, can deny that the revealed Word of God, in both Testaments, condemns usury or interest. It is just as difficult to explain how any one, not glaringly inconsistent, can claim that interest taking is not a sin, who bows to the divine authority of the revealed Word and who defines sin as "Any want of conformity unto or transgression of the law of God."

CHAPTER XV.

DUTY LEARNED FROM TWO SOURCES.

In this discussion we learn our duty from two sources. Two authorities are recognized. One is the revelation of God in his written Word. The other is the book of nature; this includes the ethical nature of man, his social relations, and the laws that govern material things.

The author of the Bible is the God of nature. They are but two volumes from the same mind and hand. They must speak in harmony when both are understood. Truth found in the inspired Word cannot be contradicted in nature; and no facts in the works of God can be found in conflict with the Word He has spoken. A truth found in either is always consistent with the truths made plain in the other.

Familiarity with one prepares us to better understand the other. The devout student of the Word has his mind aroused, and his susceptibility so quickened that he is able to read more clearly the lessons in the volumes of nature open before him. The student of nature, who has searched its mysteries and taken in its beauty and designs of infinite wisdom everywhere appearing, must be the more ready and competent to appreciate the revealed love and grace.

The Bible is not a treatise on natural science, nor

does natural science teach revealed religion, yet they do not conflict. The special student of either may have perfect confidence that whatever he has found true in his chosen field will be found consistent with truth in other fields of special study.

Chemistry, biology and all studies of nature, are found only to give a higher conception of the God of all grace. The same wisdom and power shine out in His works that are revealed in His Word.

Again, the laws of God, whether fixed in nature or revealed in His Word, are for the highest interest of the physical, mental and spiritual man. Every truth in the Word works for the welfare of man's body and soul. The laws of nature, physical and psychological, obeyed, promote man's bodily and mental vigor. Strict obedience to the laws of God, as revealed in both Word and nature, produces the completest physical and mental manhood.

God had the highest welfare of every man at heart when He prepared the earth for his abode and gave him dominion over it. And He yearned for his deliverance from a fallen estate when He gave him a revelation of His infinite redeeming love. The eye of God is upon each individual of the race, as upon every sparrow. He has in thought, in word and in works, not the favoring of one of an hundred, while the ninety and nine are crushed or neglected, but the happiness and highest good of every one of the hundred.

The ethics of the Bible and the ethics of nature, as wrought out by the earnest heathen philosophers, mainly agree. It is an astonishment to some that there is so much agreement in the systems of heathen morals and the revealed moral law. The moral law is written on men's hearts, and can be read there by the diligent and careful student; but the consciences of men, enlightened and quickened by the revealed Word, produce the highest ethical types the world knows.

The Bible is not a work on political economy, yet there is nothing out of harmony with the most perfect political institutions. When we find political principles clearly revealed, we shall find the same truths when we study the most orderly relations of men in their social organization.

The Bible is not a work on economics, yet it advances no economic principles that work a hardness or injustice to any. When we find economic principles clearly stated, we shall surely find the same truths confirmed in a careful study of the nature of things.

As the written Word forbids usury or interest, it can be presumed that the nature of things and man's highest good also forbids it; that it is not an arbitrary prohibition, but is given in love because it is in its very nature a ruinous evil. As we find a positive prohibition of taking usury or interest in the old dispensation and the confirmation of it in the new, both by

the words of the Master and the understanding and practice of the disciples and fathers, we may confidently expect that it will be confirmed by a correct and careful study of ethics and of the relation of man to things.

We may learn duty from either or both sources. To some men the Bible comes with the greatest clearness and the utmost force of authority. Others find in nature their highest conception of the Infinite, and their best directions for a correct life. If usury or interest is found to be a sin from the Word, there is no need for those to enter into the economic proof who have no taste for this character of study or reasoning. If it is found to be "*malum per se*" from the nature of things, even those who reject the divine revelation must array themselves against it. If it is shown to be evil by both revelation and economic law, then all peoples, Christian and heathen, should combine against it.

CHAPTER XVI.

RIGHTS OF MAN OVER THINGS.

Man was the last and the crowning work of the Creator. God made man in his own image and gave him dominion over all creatures.

"For thou hast made him a little lower than the angels, and hast crowned him with glory and honor.

"Thou madest him to have dominion over the works of thy hands; thou hast put all things under his feet:

"All the sheep and oxen, yea, and the beasts of the field;

"The fowl of the air, and the fish of the sea, and whatsoever passeth through the paths of the seas."

This high position is in entire harmony with man's innate consciousness of his superior powers, and of his nobler spiritual nature, and of his rightful dominion over all the other material creations. Man is a person, a thinking intelligent being, and is conscious of his personality, and from his lofty height he calls all else the lower and the inferior creatures. Wherever man is found over the whole earth, of whatever faith or grade of civilization, he claims this universal dominion.

Man was commanded to subdue the earth and bring it into subjection as his servant and he is con-

scious of his right to use all things to promote his comfort, convenience and welfare. Anything he can make of service to himself he has a right to appropriate.

A tree is a thing which he may prepare for his own purposes, for fuel, for tools, or for a dwelling, as he pleases.

Isaiah ridiculed the idolater in his time, who made an idol of wood and worshiped it, while with another part of the same tree he built a fire and warmed himself. A part he served and a part served him. The whole tree was subject to him; in itself it had no rights.

Rights belong to persons, and not to things, and personality cannot be transferred to a thing. If there is no personal owner the question of rights is never raised. The tree, or any thing whatever, has no rights in the matter. Rights belong to the owner, the person, not to the thing he owns.

The game in the mountain forests and the fish in the rivers are things with no owner and whosoever will may take and use them.

Land is a thing, and any person may make it into a farm or garden and build upon it his home. The land has no rights and makes no protest. The whole earth is subject to man and is to be subdued by him. If no owner appears his rights are not disputed. Our fathers found an unowned continent, with all its rich resources of soil and forests and mines. It was to

them free, and with the labor of a few generations they transformed it into farms and plantations and built it over with magnificent cities.

Even that which formerly was the property of another has no rights. The deserted hunter's hut in the mountains can be appropriated. The abandoned farm does not resist a new tenant. A derelict vessel, still afloat but driven before the winds, whose officers, crew and owners are at the bottom of the sea, can be appropriated, for there is no one to dispute the claim.

Even force or labor in the abstract is but a thing and has no rights. The wind is unowned and any one who will may harness it to do his work. The electric forces of nature are unowned, whoever will may gather and direct them to do his purpose. The waterfall may be made to do man's work and will not resist. The animals have no rights against man. The broncho, horse, ox, mule, or animal of any kind, may be turned to man's service. All the forces of nature were made for man. They have no rights to be regarded, when his interests can be served.

It is man's high privilege to stand above all things, to call them to his feet and to compel their service. It is the reversion of the order for him to take the subordinate place and serve the inferior creation. Things subdued, such as wealth secured, is to minister to his highest good and to promote his noblest manhood. The order is reversed when this wealth commands his service and sacrifice. The miser both

reverses the divine order and violates common sense by giving the love and service of his shriveling soul to a thing.

The usurer and the borrower on usury, both, reverse the true order by assuming that a thing can claim man's service. Both grant that a thing has rights to be respected. The usurer takes the service as due to the thing he owns. It is his property that is exalted, and for which he claims the service must be rendered, and if the borrower will think closely, he will find that in paying usury he is serving a thing.

A man reverses the divine order and degrades himself, and becomes a gross idolater, when he serves things unowned instead of commanding their service, "stocks and stones." He reverses the true order when he becomes a miser and serves that which is his own, "which his own fingers have made," instead of compelling it to serve him. He is not less degraded when he exalts over himself a thing owned by another and serves it. The ownership of another does not change the nature of the thing. One can serve his neighbor's idol as truly as he can his own.

There is nothing above man but God. His fellow man is by his side, his equal, and all other material creations are beneath his feet, and he is not to permit his fellow man to lift up the inferior thing and place it above him. If he does he must step down from the pinnacle on which he was placed by his God and which his own consciousness demands he shall occupy.

"Shall the ax boast itself against him that heweth therewith? or shall the saw magnify itself against him that shaketh it? as if the rod should shake itself against them that lift it up, or as if the staff should lift up itself, as if it were no wood." Isaiah 10:15.

If he serves the borrowed ax and saw for the claim that the ax and saw have against him, he admits his debt to things and Isaiah's ridicule of an idolater can be turned against him and he steps down from the position of conscious inborn dignified lordship and becomes a servant of the inferior things.

CHAPTER XVII.

EQUAL RIGHTS OF MEN.

All men have sacred rights that must be regarded. That these rights are equal is so familiar and stale an expression that it hardly need be spoken. "All men are created equal," each having rights, that are inalienable, and each having the right to resist the encroachment on his rights by another. To protect these rights governments are instituted.

The vital energy of a man is his own and his right to it must be regarded. Since the abolition of chattel slavery this has been indefeasible except for crime.

He has a right to his own vital energy and to all that his own vital force produces. He has a right to his property inherited, earned, or however secured, except by fraud. He has no claim against the vital energy of his fellow man, nor has he any claim whatever against the property of another.

The working man needs capital. His vital energy must waste unless there is material upon which it may be expended. There must be the tree, land or material in some form, upon which he can work. But give him the world raw and unsubdued and he can transform it again as he has. He can build again everything on land and sea, the farms, towns, and cities, and the floating palaces. He can again dig

out the mines and refine the silver and gold, mould the clay, smelt the ore and shape the iron. His needs and his power, however, give him no claim to the property of another.

The man of property is dependent upon the laborer. He may be the owner of farms, forests and mines, of horses, flocks and herds, of railroads and oil wells, yet these will not minister to him nor serve him without the laborer. His coffers may be filled with gold, and his barns bursting with grain and his stalls filled with fatlings, yet all this wealth is useless and lost, unless touched with the vital energy of an intelligent laborer. But his dependence and losses give him no right to the labor of another.

He has no right, no just claim, to the services of another man, his equal. All his wealth cannot confer the right. Wealth is but a thing, in itself without rights, and can therefore add nothing to the rights of its owner.

He may however use his wealth to command service by might, but not by right. A club is but a thing having no will and no rights, yet in the hands of a savage it adds greatly to his power and may be used by him to oppress another of his tribe. A ruffian with his gun meeting a defenseless man may so command him, that he is ready for the most abject obedience. An armed highwayman may compel a brave man "to stand and deliver." So a man may use his

property to secure the service of another but it gives him no right to that service.

The usurer, who has himself no rights against his fellows, uses a thing, his property, as an instrument or weapon to command service.

He may place his hand upon every material thing another must have, and withhold it, and the other is shut up and compelled, he has no alternative. He must yield to the demands or suffer. Many men are driven to the last extremity before they will borrow.

But if the borrower is very willing and urgent for the loan, this does not change the nature of the act. The game may be shot upon the wing as it is endeavoring to escape, or it may be snared in a trap by a tempting bait. The wild broncho may be captured in chase, or beguiled into the corral.

The voluntary sacrifice of others to the usurer does not make his gains just. The foolish ones are now willing to invest in lottery tickets, yet that does not make the lottery lawful. Slot machines are being put out of the cities, because so many are ready to part with their nickels. If there were none ensnared by them, they could stand harmless.

The borrower may be greatly elated with the hope of gain, but the injustice is the same, whether the services be secured by compelling force, or by guile, or by the folly of the victim.

If we admit the supremacy of man over the material creation, all subordinate to him, and no right to be,

except to serve him, and also admit the equal rights of all men, there is no escape from the conclusion that the usurer can have no rightful claims to any portion of the labor of the borrower, without surrendering to him some portion of his property as compensation for the services received. He must have less property when the service is rendered and the borrower must have more property if the rights of both are regarded.

A false impression prevails, that the lender in some way gives the loan to the borrower; that the borrower becomes somewhat the owner of the property. The borrower is encouraged in this illusion and it becomes a plausible basis for the claim upon his services.

When a loan is made to a bank it is called a "deposit" and rightly, for it is only placed in the banker's hands and does not in any part become his. This is true of any amount, great or small, whether the deposit draws interest or not. The lender never loses his sense of ownership of the whole amount, nor does the banker encourage the fiction that he has become part owner.

Every loan is but a "deposit." The ownership of no part passes to the borrower. It is seldom that the loan or "deposit" is not safer in the keeping of the borrower than in the hands of the owner himself, when secured by mortgages or personal sureties. The usurer gains the earnings of the borrower but

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

parts with no property. He receives the service but gives nothing.

Two usurers, A and B, are neighbors. A has a garden he wishes dug. He has an ax but no hoe. B has wood that he wishes cut. He has a hoe but no ax. The laborer appears and wishes to do their work. Usurer A agrees to lend him his ax to cut B's wood on the condition that he shall return it unimpaired and work his garden for its use.

He cuts the wood, but has no hoe to dig A's garden for the use of the ax. Usurer B now lends the laborer his hoe to dig the garden, but takes the cutting of the wood for the use of the hoe. The confused borrower knows he is defrauded of his work, though each seems to have a plausible claim upon him.

A does not give the hoe to the laborer. He retains the full ownership but deposits it in the workman's hands to be returned unimpaired. B does not give away his ax, he only places it in the laborer's hands also to be returned unimpaired. The full hoe and full ax is returned and they have taken the services without compensation.

The result is just the same as if A and B had traded tools and A had given the laborer a hoe to dig the garden, "the tool and the material with which to work," and B had given him an ax to cut his wood, "the tool and the material with which to work," without a pretence of a payment for his labor.

Taking only a part of the borrower's or laborer's

services does not relieve it of injustice. The nature of the oppression is the same, only less heinous and flagrant. He who took a penny belonging to another is a thief as truly as the man who took a pound. Petit larceny and grand larceny differ only in the amount stolen. The man who takes three per cent. of the labor of another wrongfully defrauds as the man who takes fifty per cent. The nature of the wrong is the same; they only differ in degree.

It is a well known fact, however, often repeated, that ninety-five out of every hundred who go into business with borrowed capital, that is, who pay interest on "their material and tools," do give the vigor of their lives to the service of usurers and at the end have nothing.

The element of time is only a figment that clouds the question of right and deceives the borrower. In order that the labor of another may be appropriated it is necessary to give him time to work. The laborer may dig in A's garden a day or all summer and he may chop wood for B a day or all winter. The result is the same. It is necessary that the borrower be given time to earn something before it is or can be appropriated. The question is, how rapidly can he earn, and how soon can his earnings be collected? Long time loans with the frequent payments of the earnings of the victim are the ideal conditions of the usurer.

CHAPTER XVIII.

A FALSE BASAL PRINCIPLE.

That usury or interest must be held under the restraints of law is recognized in nearly all countries. It is treated as a necessary evil that cannot be abolished, and therefore must be controlled. Bacon said, "It is permitted on account of the hardness of men's hearts."

The laws differ in the various states. The rate of interest authorized by a particular state is not invariably fixed, but is changed as the condition of the people seems to demand.

That which determines the rate, of any particular people, at any particular time, is the productive ability of the borrower. The rate now in England is about three per cent. The conditions being such that the productive power of the borrower is very limited. In the United States, where the natural resources are not all occupied, and the avenues for successful effort more numerous, the average is seven per cent. In the western states of the United States the rates are higher than in the eastern, for the material resources lie so open and undeveloped that the productive power of the borrower is far greater than in the older eastern states.

The basal for the rate of interest is the benefit or

the advantage of the loan to the borrower. What can the borrower do or make with this capital? How great a benefit can he gain by it? The rate is based on the earnings of the borrower.

The transfer from R. R. station to R. R. station across this city is twenty-five cents. That I may make my train and meet my appointment, that prompt and rapid transfer is of greater value to me, but that does not give the hackman the right to an increased charge.

The fare to the distant city is ten dollars, but to me, with important business waiting and suffering, it is worth an hundred. The conductor does not ask me what my profits are to be from this trip. He collects the same fare of all for the same service, whatever their interests may be in the passage.

The letter which is freighted with a proposition that affects my future life is two cents. Because of great value to me the postal service is no more than a letter of idle gossip.

Railroad freight rates are at times arbitrarily fixed on the basis of the benefit to the patron. The rates of freight from a coal mine are sometimes made by a railroad on the basis of the profits of operating the mine. The rates to a quartz mine in the mountains are often so regulated. A contractor, dependent on a transportation company, must often share his profits. Such rates are regarded as unjust and oppressive and efforts are made to correct the evil by law.

A is crossing the city and can without inconvenience carry a note to a party for B. That accommodation without sacrifice or inconvenience on the part of A is no basis for a charge upon B, though the delivery of the message was of value to B, but if A discovers that in delivering th .t note he can make it a matter of business gain to hiinself, that would not justify B in claiming a part of the profits A secured for himself. While A served his own business he also favored B. It would be unreasonable and unjust for B to forget the favor and make a charge against A, because in the delivery of the note A managed to gain a profit.

Two farmers are without barns. It will require the labor of a number of years to secure the requisite amount of lumber and other material to enable them to erect their barns. One of the farmers undertakes to shelter and protect from decay the lumber of both, until the requisite amount can be secured. This is a real favor to the other and is accepted readily. He even offers to pay him for the care and liability. But he discovers afterward that his neighbor, by wise, careful and skillful piling, has made from this lumber a shelter for his stock and grain. That he has so managed as to gain for himself a benefit. Then, with the false principle of usury he makes a charge for the keeping of the very thing for which he was willing to pay a price.

A gentleman not wanting his coach for a time, but wishing it to be kept in perfect repair, and his team fed and exercised, to be kept sleek and strong, leaves it in his coachman's care. The coachman agrees to keep from decay, and to replace should one die, and at the end of the term, return the coach in perfect condition, no mar or wear, and the team sleek and strong from good care, feed and daily exercise. But the coachman discovers that in the daily exercise of the team he can carry a party of business men to and from their offices, and secure for himself a gain. He, at the end of the term, returns the carriage and equipage complete as he received it. The owner has had his property perfectly cared for during the term he could not use it. But the owner learning of the benefit to the keeper, which would not have been possible without his equipage, demands a portion of the benefit which cost him nothing, nor in the least diminished his property.

A gentleman has a warm, rich and beautiful robe, but is about to travel a number of years among the countries of Cuba, Porto Rico, and the Philippines, where he will not need it, and afterward visit Siberia, where he will need and use it. Another undertakes to relieve him of all care of it during these years and deliver it to the Siberian home ready for his use. He protects it from the moths in summer, and guards it against all touch or taint, and delivers it in the perfect condition in which it was received. In justice he

deserves a reward from the owner, and if he received no benefit, would receive it, but it is found that he needed it for his comfort by the way, and that without it he should have perished. Then the owner demands a reward for the benefit the carrier received. The owner did no service. He received a positive benefit, but the porter, who carried the burden all the way, must pay interest or rental because he was kept from perishing by it.

The surprise or discovery feature is introduced into the above illustrations to emphasize the false basis upon which the rates of interest rest. In the actual practice of usury the lender may have full information as to the use of the loan and its advantages to the borrower. If we eliminate this feature the basis still remains untenable. By no tortion of ethics can I demand that he, who does me a favor, shall pay me for the privilege.

A man has one thousand dollars of money he is not using. He gives it to another to keep or place in a drawer in his vault. To care for this and be responsible for it, a commission is allowed, for it is no benefit to the keeper. Even an amount is asked for the drawer in the vault, without responsibility. To care for this a term of years is deserving of a reward. But now keeping the property equally safe, and returning every dollar when the owner calls for it, is not satisfactory to the usurer. If this money has in any way proved a benefit to the keeper, through

his wisdom and energy and skill, he demands an increase. What is this loan worth to you? is the question of the usurer to the borrower.

The basis of legal interest rates is the amount of benefit the borrower gains by the loan. If his opportunities in a state are favorable, and he may by diligence make a large gain, the rates are high. If in another state his opportunites are so limited that, strive as he may, he can make little gain, the legal rates will be low.

The basis is so absurd that many have urged the repeal of all laws regulating the rates of interest. "Why should the laws presume to level the rates for a whole state? The possibilities and opportunities of gain are infinitely varied. Every borrower knows his own conditions and the amount of advantage the loan is to him and he should be permitted to pay for money whatever he is willing to pay."

One writer thus expresses it, "No man of ripe years and of sound mind, acting freely, and with his eyes open, ought to be hindered, with a view to his advantage, from making such bargains in the way of obtaining money, as he thinks fit; nor anybody hindered from supplying him upon any terms he thinks proper to accede to."

Jeremy Bentham is often quoted to prove the absurdity of all laws regulating the rates of interest, and yet all his elaborate arguments are based on this false principle.

If usury is wrong only when the borrower can make no profit, and is right whenever the borrower can make a gain by it, and the rate of interest is to be measured by that gain, then all laws are illogical that limit the rate, and may be classed among those restraining trade.

CHAPTER XIX.

THE TRUE ETHICAL PRINCIPLE.

The true ethical principle that should govern the relation between the owner of property and the person holding that property as a loan, does not differ from the principle that is recognized as prevailing in all the other relations of life. The party to whom the service is rendered is under obligation. The party served is the one who must pay for the service. The party served must pay in proportion to the amount of service rendered him. If that service is great, then the payment must be large. If the service is slight, then the payment is small, and when there is no service then no payment can be claimed.

This principle is recognized in all worthy and upright transactions. It is the service rendered that is rewarded in a court of justice. An employe recovers his wages from his employer for his services rendered. The condition of the employer's business does not enter into the count. It may have been unprofitable or a great success but that cannot affect the claim either way.

A physician charges for the services given a patient. The recovery or death of the patient can neither increase nor diminish them.

In service we always surrender something of our-

selves or of our own, and each knows the sacrifice or effort he has made; he cannot know the value of this to the other, and he need not know. Full compensation is due from the party served but no compensation is due when no service is given nor property surrendered.

The usurer's whole claim is for the service of his property. But he does not surrender a particle of his wealth. He does not become poorer in making his loan. He holds all his wealth as fully as before, whether it be a loan of money or grains or tools. There has been no outgo of property for which, in any other relation, he could claim a reward or compensation from his fellow. He simply deposits his property with his fellow and takes security for its safe keeping. It must be preserved perfectly and restored fully.

When we consider the true principle, that compensation is due always for services rendered, the obligation is upon the lender for the care and preservation of his property. The borrower in any and every case gives a real and valuable service in preservation and restoration at the end of the term, while the lender renders no personal service nor does he part with a particle of his wealth.

There is always a service rendered in caring for and preserving the property of another. It may be very great or it may be very small. It may be so great

that no one would undertake it though the property should be freely given him.

In 1800 the "Faithful Steward" was wrecked in Delaware bay near the shore. It had on board a large number of passengers, emigrants, who nearly all perished. Few lives were saved and all the property was lost. One young man, of the kin of the writer, swam ashore through the breakers. Before he left the vessel an old man offered him a stocking full of gold if he cared to try and save it. Though young and vigorous he would not undertake to try to save it for it. This was an extreme case of risk and danger.

In another extreme case the service may be very small, reduced to the minimum, for instance, caring for the gold of another by locking it up in a fire and burglar-proof safe. For this simple service a comparatively small charge is made. But caring for the property of another is always some service that earns a reward great or small.

The nature of the service is not changed and the principle still holds when the deposit is made with a person who gives ample pledges for its full return; the principle still holds when the deposit is made in a farm and secured there by mortgage, making it safer than in the iron vault.

The true ethical principle, equity between man and man, requires that the holder of the property of another shall be compensated by the owner of the

property for his services in caring for and preserving it. The amount of compensation depends on the difficult or favorable conditions attending its care. These conditions greatly vary, perhaps in no two cases are exactly alike, and so there can be no fixed price or rate at which one will receive and care for the property of another. The extreme limit of liberality permitted is that he may care for the property of another for nothing. He is not permitted to pay a price for the privilege. The revealed divine law, true ethics and equity and duty of self preservation forbid him. Perfect preservation of any amount, large or small, for any time, long or short, whatever the incidental advantages to the borrower, is the highest compensation a borrower is permitted to give for any loan. The demand for more than this by the owner is to be resisted as unjust and oppressive.

An express company receives a package of money for which it receipts and becomes responsible and agrees to deliver to the owner at some distant point. For this service it receives compensation in accordance with the amount of service. If the conditions are dangerous and the distance great the charge is large. If the conditions are very favorable and safe the charges are small.

If the amount of service is reduced to the minimum, in rare cases, no charge may be made. But that a price should be paid for the privilege of caring for and conveying it, is inconsistent with the

management of an honest business. The purpose would be either to rob the owner of his wealth or to rob the employes of their services.

An insurance company undertakes to protect a property for a term of years, to a distant date. A rate is given for protection from a single element, as fire. If all destructive agents are included the rate is higher. The rate is higher for a long than a short period. All the business world recognize the value of this service and nearly every kind of property may now be insured. The premium is cheerfully paid by the owner of the property for the service rendered him. It is a real and valuable service to have his property protected, preserved, or restored, so that it cannot be lost before the distant date. It is conceivable that a property might be so indestructible that the risk would be practically nothing and a policy might be issued without a premium, but that a price should be paid for the privilege of protecting any property is utterly inconsistent with rational insurance.

Now usury presumes to reverse this ethical order and requires that the insurance company shall pay the owner of the property for the privilege of protecting it. Under usury the property given into the care of another, and called a loan, must be perfectly protected and preserved by the borrower, restored if lost, and returned in full to the owner at the agreed distant date, and a price paid for the privilege of performing the service.

The true ethical principle and equity in the relations between the owner of a property and the one who holds, protects and preserves it, require that the owner shall render to the holder a just compensation. This will vary in different conditions, it may be very small, it may in rare cases be entirely eliminated; but they also utterly forbid that the party rendering the service shall pay for the privilege of serving.

One may submit to an injustice in order to gain an advantage. He can do better for himself by submitting than by resisting. His employer may be hard and oppressive but this is the best job he can get and he holds on, but that does not justify the oppressions of the employer up to the breaking point. It may be to the advantage of a borrower to submit to the exactions of usury, that is, he may gain more wealth by borrowing upon interest than not, but that does not relieve usury of its oppression up to the breaking point when it can no longer be endured. There is no better ethical basis for low interest than high interest. Low rates of interest are oppressions that may be suffered or endured for a possible gain, but high rates are intolerable. The principle is the same whatever the rate of interest, whether it be low or high. They only differ in the degrees of their severity.

CHAPTER XX.

WEALTH IS BARREN.

That wealth can produce wealth is the assumption of Shylock.

Shylock—"When Jacob grazed his Uncle Laban's sheep—
This Jacob from our holy Abraham was
The third possessor; ay, he was the third."
Antonio—"And what of him? Did he take interest?"
Shylock—"No, not take interest; not as you would say,
Directly interest. Mark what Jacob did." * * *
Antonio—"This was a venture, sir, that Jacob served for;
A thing not in his power to bring to pass—
But swayed and fashioned by the hand of Heaven.
Was this inserted to make interest good?
Or is your gold and silver, ewes and rams?"
Shylock—"I can not tell; I make them breed as fast."
—*Merchant of Venice.*

It is only intelligent energy that can produce wealth. Even the natural resources must be subdued and shaped by intelligent energy to be of service to man. Trees do not betake themselves into the form of houses. Land does not transform itself into farms and gardens. Coal does not come to our fires without hands. Ore is not iron, nor is clay pottery. They must be carefully manipulated by the intelligent laborer.

Nothing man can make has the power of self propagation. All wealth is as barren as silver and gold, though Shylock claimed he could make them breed

like ewes and rams. Life alone is productive, and the secrets of life man has not touched.

A tree or animal grows by the life that is in it, but the accretions of wealth are from the efforts of intelligent energy outside of itself. Wealth is an effect, a result. The vital energy of a person, of "a willing intelligent being" produces wealth, but it does not follow that it has the qualities of its cause. It has no intelligence, nor has it self-determining power, nor is it vital, nor has it energy, it has not in itself the force to overcome its inertia, the energy must be applied. It has no power to increase or grow. A fortune is built, as a building is built, brick after brick is added by intelligent hands.

All wealth must have the living hands applied to cause it to increase even the smallest amount. There is no such thing as "productive" capital. It is so called when it is used to gather and appropriate the earnings of others, but wealth in none of its forms has the quality or power of producing.

Money, the most familiar form, is barren. A bag of dollars stored for ages will not have increased a single coin. No one holds or handles money on the assumption that it will increase in his hands. Money is a care, and the broker who holds or handles it relies for his compensation, not on the increase of the dollars in his hands, but on the increase from some producer to whom he lends it. If there is no bor-

rower he takes a direct commission from the amount itself, as trustee or administrator or custodian.

Money is readily exchanged for any other property. Money has a number of functions but in exchange it is a medium by which the value of articles is conveyed. It takes the place of the bags which conveyed the wheat, of the crates which contained the potatoes, of the baskets which carried the peaches, and the wrapping which held the cotton or the wool.

Col. Irish, who was chief of the Bureau of Engraving and Printing at Washington, when he died, and under whose administration the present building was erected, at one time sent to the wife of the writer a ten dollar bill, wrapped up so that it looked like a picture, cabinet size; this was accompanied by a note, to be opened first. In this note he said he took pleasure in sending her an excellent likeness of our late lamented president, which he would be pleased to have her accept. If she should prefer it in some other form, it was a peculiarity of this likeness that it would change instantly at the will of the holder into any form desired; that this was the peculiarity that troubled him, as he had been unable to decide what would please her best, and had finally decided to send it in this form, and let her change it into any other she might like better.

Money is a peculiar medium which will hold and carry the value of anything. You pour in your wheat and take it to the merchant, who empties your wheat

and fills it with clothes, he carries it to the dealer in any article needed and the vessel is instantly emptied and refilled.

The values of the products of laborers in the various occupations of life or the products of the various climates are thus readily exchanged by money, but the gain is not in the money. The art in trade is to study and know the products and needs of the laborers of one class or country, and the varied products and needs of the producers of another class or local community. The skill in trade is in supplying the needs of one from the products of the other.

The profit in trade is the gain from securing for an article a greater portion of the product of those whose needs are supplied, than was given to those who produced it. The harvester cost the manufacturer twenty days' work. The farmer, who needs and purchases it, pays forty days' work for it. The farmer may produce one hundred bushels of wheat with twenty-five days' work, but the mechanics in the city, who need it for bread, may give twice that amount of labor for that quantity of wheat. There is a wide field for skill and profit in trade, when the products and needs of all classes and all lands are considered. But money does not add to wealth in trade. There is nothing produced by it in trade. It is but the tool by which values are conveyed, and no more productive than baskets or crates or sacks. Intelligent energy produces all the profits that are secured by trading.

Modern apologists for usury, knowing that money is unproductive itself, call it a tool for production, and as it can be readily transformed into any tool, they try to avoid the logical conclusion that the taking of interest on money is unjust and oppressive to the producer.

But no tool is productive. All tools are but the reaching out of man for the better control and mastery of material things.

The tool is but dead matter; the productive efficiency is in the vital energy of the intelligent laborer. The most complicated and ingenious tool ever made is useless without the operator. It is as helpless as the wire without the electric current; as helpless as the body without its life, for the body is but man's tool, preserved, and kept efficient, and made productive, by the living energy alone.

Tools are but the reaching out of the vital energy beyond the body. Tools are but the means, invented and constructed, by which the man can overcome his physical limitations and accomplish wonders, the impossible to a creature wanting in his intelligence.

These glasses enable dim eyes to see clearly. There is no ability in the glasses to see; they would be of no use on blind eyes. I see, these spectacles cannot see. Enlarge and so place these lenses that I can see bacteria, or the mountains of the moon, yet this microscope or this telescope has no more life nor sight than this single lens. I, with it, see the minute

creation or examine the distant planet. It is but the extension of my eye.

This pen and paper and this book are but the means by which I reach and reason with my fellow-men. They are but my tools to convey my thought. I am reasoning with you, not this paper and ink.

My hand is the natural tool with which I labor. I may work in the garden and plant the seed and destroy the weeds with my hand alone, and there is no dispute but that I do the work. I take a small weeder in my hand and greatly increase my efficiency. I take a hoe and reach out further and greatly add to my efficiency. I am the efficient agent. There is no power in the weeder or the hoe. I take my plow, as my tool, and I tear up the soil and prepare it for my harvest. I take the complicated harvester and gather it into my barn. In every part of that process the tool is but the reaching out of my energy beyond my body. There is no place where that tool becomes vitalized and productive.

I am a porter, I carry packages in my hands. To increase my efficiency I build me a cart, and smooth a roadway, by which I am able to carry more and heavier packages with ease. I construct a roadway across the continent, and with the power which I employ I carry the commerce of the nation. I build ships and direct them from continent to continent and handle the commerce of the world. Now there is no place from this simple carriage in the hand, to

the complicated and stupendous system of transportation, where the tool is not wholly dependent on the vital intelligent energy.

When the vital principle leaves this body, then hands, eyes and the whole body is helpless. Withdraw the vital energy from these means by which man extends his power beyond the body, and all the implements of agriculture will not produce a harvest, and the wheels of commerce on land and sea would instantly stop.

There is no place in the most complicated machine where it begins to produce. The machine may show the greatest ingenuity in its invention and the perfection of skill in its construction, and the intelligence necessary to its operation may be reduced to the minimum, yet no where and at no time can it produce of itself.

When a criminal is arraigned in court the responsibility is placed upon the person, the intelligent energy, always. It matters not by what tools the burglary or other criminal act was committed. The man who handled the tools is held accountable for the results. His tools may show the greatest ingenuity and the highest skill in their construction but they do not share his guilt. He is the efficient and responsible cause. If this were not so justice could be so perverted that the preservation of the order and the security of society would be impossible.

Every tool is itself produced, and its maker must be

rewarded or paid once, but there the claim for the tool ends. The laborer who constructs the machine cannot demand repayment over and over. The skilled mechanic who produced this pair of lenses must be paid, but he has no claim for second payment. To secure repayment he must make another pair. The maker of this pen and this paper must be paid, but that ends his claim. The maker of the hoe or cart or engine must have the reward he has earned, but can prefer no second claim.

There is no question when the laborer makes and owns his own tool. The labor of constructing the tool must be rewarded as well as the laborer in its operation.

When the tools are complicated and require the skill of many, the makers of the machine are usually different persons from the laborers who operate it. In this case the payment of all must come from the finished product. Those who constructed the machine and those who operate it must be paid by the consumers.

If the shoe plant is built and operated, then from the shoes produced must come the payment for all. The workmen who built the plant and the engines and machinery for the manufacture of the different parts of the shoe, must be paid by the consumer of shoes. The workmen who built the plant must be as fully compensated as those who operate it, but being compensated, they have no claim for recom-

pensation for the same work. To be paid again they must build a new plant. The operators must be compensated for every shoe they make, but they can not reclaim payment over and over again. To receive more pay they must make more shoes.

Both classes of laborers have a right to full compensation for all the labor performed. Neither party has a right to demand a second payment for the same labor.

It would be manifestly as unjust for the constructors of the plant to compel the operators to pay them over and over again, as it would be for the operators of the machine, having supplied the community with shoes, to demand payment over and over without making another shoe. The shoes will wear out, so will the machines. It is as unreasonable for the first class of laborers to compel the operators of their machinery to keep the same in repair, as for the operators to compel their customers to keep their shoes in perfect condition. For the first laborers to receive a new payment they must build a new plant, and for the operators to receive a new payment they must make new shoes.

The confusion of ideas comes in when there intervenes a third party between these two classes of laborers. This third party meets the demands of the class of laborers who build the plant and machines, from hoarded wealth, and then exacts payment from those who operate it. This is then called productive

capital, but it is no more productive than the money in the bank vault. The producing, so called, is but the exacting of a part of that which the operators produce. It is the exacting of payment that never pays. The operators are compelled to be forever buying, yet the plant is never bought. The capitalist is forever selling, yet the plant is never sold.

Usually, the usurer is a fourth party that stands yet behind the third party, taking no risks, demanding complete security for his loan and also an increase out of the products of the operators. The third party assumes all care and guarantees against all losses and depends for his compensation on a portion of the product after the demands of the fourth party are satisfied. This third party may be an active producer. All that he receives may be fully earned in care, oversight and management of the business of the plant.

But the fourth party can have no claim for his services, he has no part in the production. The absurdity, the figment that his capital is productive, is introduced to cover the evident fraud of appropriating, without compensation, a portion of the products of the operators. He has no more claim to an increase of his capital year by year and a doubling in a term of years, than the laborers who built it have to the same plant, perfect and unworn at the end of a term, and in addition, another plant equal in every respect. They built but one, they have no claim upon a second. For the usurer, who takes their

place, to double his wealth, and yet the debt be undischarged, is a flagrant fraud.

The underlying falsehood is that wealth changes its nature when put in the hands of a live man and becomes productive. It is acknowledged that wealth lying in the vault is barren and at the same time it is claimed that it produces in the hands of an intelligent agent. But it is the same dead, helpless, barren thing wherever it may be found and whatever form it may be made to take. The dollar taken from the vault and exchanged for a hoe does not receive this new quality. The hoe is as dead as the dollar. When this hoe is in the hands of the workman it is the same barren thing is was before he picked it up. These glasses are precisely the same when astride my nose as when lying on the table. It is not true that wealth in any form, though it be that of a useful tool, takes on this new quality or attribute when in the hands of a live man.

A man's labor is more productive with suitable tools than without them. The same energy will secure far greater returns. If it were not so he would not trouble to make tools or use them. But to call tools productive agents and so reward them is to rob intelligent energy, skill and inventive genius of that which they alone can produce. This degrades the man to the level of the tool or exalts the tool to the height of its maker.

CHAPTER XXI.

WEALTH DECAYS.

All man-made wealth is subject to inevitable decay. Aristotle said, "Labor produces all wealth," but the product has no sooner left the laborer's hands than it begins to perish. The vital energy that produced it must follow to preserve it from the ravages of time.

Take the life, the vital part, from the body, and corruption begins. So with all that has been produced, withdraw the vital force and ruin immediately follows. The vital energy must ever be present and active to preserve it.

Fruits and grains and provisions of all kinds for human food rapidly perish. The laborer must be continually active, producing and preserving, or the race would be starving in a fortnight. Even the miraculously bestowed manna became corrupt in a night. It had to be gathered day by day.

Flocks and herds need the shepherd's care. They are subject to disease and natural enemies and are short lived, so that however large and strong, and healthy the herd of cattle, or the flock of sheep, it would be soon scattered and lost to the owner without watchful care.

Tools and instruments of production, great or small, if used, soon need to be renewed, or if unused

perish even sooner. Neglected they speedily decay. The locomotive left unattended on the track would soon be utterly useless from the destructive elements of rain and heat, frosts and sunshine.

The palace, that floats on the ocean, would be a prey to barnacles, to winds and waves, to shoals and rocks, and would soon disappear, without the constant hand of intelligent vital energy to direct and preserve it. Houses untenanted and uncared for soon decay. Leaks unstopped, broken windows unrepaired, and vermin unrestrained, soon make them unfit for habitation. Farms and plantations go back speedily to weeds and wilderness when uncultivated. Great cities like Babylon and Nineveh are soon so covered with dust that we have to dig to find their ruins.

Decay is written over every form of man-made wealth. There is needed constantly the touch of the laborer for its preservation.

Gold, silver and precious stones are the least subject to decay. They are not, however, made, but found, and simply refined and polished. The indestructibility of silver and gold have made them the money metals of the world, quite as much as their rarity, their beauty and malleability. In them wealth could be stored and moth and rust would not corrupt.

But even gold and silver will disappear. The thief will break through and steal. They must be, therefore, carefully guarded. The tax or levy of the

government for its part in the protection must be met, so that even gold and silver must also gradually slip away.

Decay is upon all wealth and the hand of the laborer must be ever present for its preservation.

This law is universal. Even the Divine Creator must continue to uphold his creation. His sustaining hand cannot be withdrawn. He must preserve by his power and ever guide and direct, or disorder and chaos will ensue.

Usury or interest presumes to ignore this order of nature and demands not only that the borrower shall resist this tendency of capital to decay, but shall also pay a price for the privilege.

That any one should undertake to care for and preserve the property of another without compensation is unreasonable, but that any one should voluntarily pay a premium for the privilege can only be explained by misguided judgment or a perverted moral sense.

No one would be responsible for, and care for and pay tax upon the money of another and himself get from it no return. Trustees and administrators receive, and feel they earn, a commission for this caring for the property of others.

When this wealth is in the form of a tool, or manufacturing plant, the responsibility is greater. The owner asks that it be preserved perfectly. There must be no decline in value, from new improved

machinery, and all accidents must be made good; if destroyed by fire, it must be rebuilt. To take this for a year or term of years, is a responsibility no one would feel justified in assuming in justice to himself. He would be using his own vital force to preserve the perishable property of another.

A man has a farm, fertile and well improved, and well stocked. He is to be absent for a time. He asks as a favor that another watch it with care, preserve the stock in condition, if any die, replace them, and in short, so preserve that he shall have the farm at his return, just as fertile, the stock just as young and valuable, the implements unworn and no signs of decay on the buildings; if any burn, rebuild them. This would be a favor only the kindest and weakest of neighbors or friends would undertake, and what no man would be justified in asking of another. This is loaning without interest and this is the borrower, who pays only the principal and no increase.

The usurer says, Care for my property and pay me for the opportunity. Keep it intact. Make good every loss and return to me an increase which you by your energy and effort may produce.

The rates of interest greatly vary. The average in the United States is about seven per cent., by statistics of the government only recently issued. At seven per cent., interest paid annually or added to debt for ten years, the debt is doubled.

The usurer or interest taker says, You take this

hundred dollars and care for it for me for ten years and then bring me two hundred dollars. Take this wheat and this corn and in ten years bring me back just twice the amount. Take these horses and these sheep and cattle and care for them for ten years and return them just as good as they are now, and other horses, cattle and sheep in equal number, which you have produced in these ten years.

Take this shop with all its tools and implements and care for it so that in ten years you can return it to me in as perfect order as now, and also build me with your labor and energy another shop, just like it, and equip it in every way just as complete as this, and on my return give both to me. Take this farm, fertile as it is, with its buildings and animals and implements, and preserve them perfectly, not a thing shall decay or decline in value; make good every loss, and at the end of ten years return it to me and also another farm which you have earned during these ten years, of equal acreage and fertility, equally improved with live stock and implements.

The usurer gains the preservation of his own perishable property, and he gains also the product of the vital force of his victim.

This law of decay is a natural limitation to the accumulation of any producer. As decay begins at once, a part of the vital energy must be expended in the preservation of that already produced. As the accumulations increase, more energy is required for

OF THE
UNIVERSITY
OF
CALIFORNIA

its preservation, and less remains for active production. Time does not relax his work of ruin, and the resisting energy must be constant. The tendency to decay is such that soon the energy required to preserve that already gained leaves none to produce, and the accumulations must cease.

To this point the rich fool in the parable had come. He had abundance accumulated and the problem was to preserve it, until he could consume it. "This will I do, I will pull down my barns, and build greater; and there will I bestow all my fruits and my goods. And I will say to my soul, Soul, thou hast much goods laid up for many years; take thine ease, eat, drink, and be merry."

The usurer hands his goods to another to build the barns and keep for him, while he is free from its care; and, more, he requires of his victim not only that he shall preserve, resisting all decay, but that he shall actually pay him for the privilege.

Had the rich fool not lived in his day, when usury was a crime, but in this age of folly, he would have apportioned his goods among his foolisher neighbors upon interest, to keep for him, and then not only he, for "many years," but his posterity forever, could be at ease, eating, drinking, and making merry. The silly borrowers would supply all the needs of his endowed family, for the privilege of caring for the goods.

CHAPTER XXII.

THE DEBT HABIT.

The debt habit of mind is the disposition or tendency to look to things we have not as necessary to our success: To yearn for other opportunities and other means than those we have in our hands: To feel helpless without them and willing to incur debt to secure them. The independent, self-reliant disposition takes account of its own powers and opportunities and means, and plans with these to accomplish the very most. This old self-reliant, independent spirit, that scorned debt, has largely passed away. To incur debt is now the common habit and has become respectable.

All evil-doers encourage and stimulate the particular fashion or habit or appetite or passion on which they thrive. Usury thrives on debt. If no one was in debt then usurers would be harmless. It is this debt habit that gives them the large field for their operations and secures to them their harvest.

The agreement to pay interest preserves for a time the feeling of independence that would be wounded by receiving a loan as a favor. There is usually a feeling of joy and elation in the borrower that confidence in him is so great, and his credit is so high, that he can be entrusted with a loan.

By incurring a debt there seems to promise the opening up of opportunities that have been denied, and a possible field for the successful exertion of his pent up energies.

The present intended use of the loan, too, seems so attractive and profitable, and the buoyant, hopeful spirit does not doubt that the loan can be easily and promptly repaid.

The temptations to debt do not come to the vicious and idle and worthless, but to the most worthy, industrious, talented, reliable and enterprising, those who will be the most productive in their fields of effort. Its very approach is flattering and therefore so hard to resist.

A bright, intelligent, noble young man with high aims and worthy purposes yearns for an education, but the opportunities seem to be denied him; but there is a fund at low interest at his service.

A lively, energetic young man, with industrious and economical habits, is anxious to engage in business; his youth, character and energy bring the loan to his feet.

The young man with pure yearning for domestic life and a home, with a reputation that is above reproach and of commendable energy and thrift, has a home pressed upon him, to be paid for in long-time payments. He can fill it with furniture "on the installment plan." With intellectual taste, he can fill his

library with just the books he desires "on the installment plan." Is he musical in his taste, he can fill his parlor with musical instruments "on the installment plan." His needs and tastes can all be gratified at once by incurring debt. To avoid debt there must be a determined and unremitted effort to resist. Few have been able to escape. The aggregate of private indebtedness can not be told.

Few manufacturing plants are free from debt. They are usually carrying all the load their credit enables them to secure. Railroads and other corporations are under bonded debts that tax their trade to the utmost to sustain.

Counties and municipalities have caught the contagious habit. Bonds are issued to build school houses, town halls, viaducts, water-works, and pave streets.

There lies on this table a list of all the cities in this great land, the United States, with their number of inhabitants and their bonded debts. There are but six small cities in the long list without debt. In some the amount is enormous, the city debt in cases running up to one hundred and one hundred and fifty, and two hundred dollars per inhabitant. That is, there is a city debt on each man, woman and child of two hundred dollars. On this amount interest must be paid, twelve dollars per year, one dollar per month for every man, woman and child.

There lies also on the table a report of the financial condition of the nearest great city. It is rendered in a cheerful mood and declares the city's credit "tip top." The indebtedness is eight millions, but the assessed valuation of the city is so high that two million more bonds can be issued before the limit of indebtedness is reached as established by the general law. This is regarded as a most favorable showing and the assurance is given that all the contemplated public improvements can be pushed without interruption. There is no thought of stopping until the extreme limit is reached.

This habit extends to the churches and benevolent enterprises. There is scarcely a church that is not paying interest on some debt. Local societies are often greatly hindered in their work. A benevolent agency of one of the largest and richest denominations issued a piteous appeal to their constituents for help, declaring that the interest on their debts amounted to one thousand dollars per week.

The debt habit has seized the nations and the most enlightened. This is so true that debts are, in pleasantry, spoken of as a sign of a nation's progress. These aggregate billions and are rapidly increasing.

The Chancellor of the Exchequer says the debt of England was reduced five hundred millions in twenty years. To the astonishment of all the world, the United States began to pay her debt, eighteen hundred million, in thirty years. But these stand

alone among the nations. The national debts do not grow less, but are rapidly increasing. Both the United States and England are now increasing their indebtedness each year.

The world has gone debt mad. It has become a great harvest field, ripe for the usurers.

Debts may at times be unavoidable. They may at times be positively beneficial. There may be times when the system is in such a condition that it is necessary to take arsenic in small doses, but arsenic has no place in the menu of a healthy man. So debts may be necessary to those who have fallen into decay or have been unfortunate, but they should find no place in the normally healthy financial conditions of an individual or incorporation or nation.

Debts make no man the richer. A man is no richer when he has secured a loan, than he was before. Paying debts makes no man poorer. He but relieves himself of the property of another.

Paying a national debt destroys no wealth. If owed at home, it is but a transfer from one hand or pocket to another.

Adjusting the world's debts, private, corporate, municipal, or national, the world would remain as rich and productive. Not a material thing would perish. No man would suffer the loss of any right or of any property, but it would be the destruction of the device by which the usurers appropriate to themselves the productions of others.

Freed from this debt habit of mind, and the independent, self-reliant disposition replaced, this anomalous condition would disappear; the producer would receive again his full earnings and the great army of parasites, that has grown up, and that feed so richly on the labors of others, would be compelled to turn producers or perish.

CHAPTER XXIII.

THE BORROWER IS SERVANT TO THE LENDER.

Solomon's declaration that, "The borrower is servant to the lender," was spoken without reference to usury. Loaning upon increase was not lawful in his day, and was condemned by him in his proverb, "He that by usury and unjust gain increaseth his substance, he shall gather it for him that will have pity on the poor."

A loan binds the borrower to the lender though he pay no increase. There comes a sense of subserviency and subordination that can not be thrown off.

He becomes steward of another's goods, and frees the owner of their care, but they remain subject to the owner's order. The preservation of goods hinder any great accumulation by any single producer, but if he can be freed from its care, then all his energies can be used to continue production. Many find it as hard to keep property as it is to earn it.

The hunter or fisherman takes with him his lackey to carry his game. If game is plentiful and the hunter successful, he would, otherwise, soon be compelled to discontinue his hunt from the burden of fish and game. But, freed from that care and burden, he can continue his hunt indefinitely. So, the borrower, even when he pays no interest, as a lackey, without wages, cares for the earnings of the lender, leaving him free to continue his earning unhindered.

A valet cares for the clothes of his master until he calls for them. The borrower, without interest, as a valet, without pay, cares for the goods of the lender until he needs them.

The independent spirit of the borrower is not immediately lost. The servile spirit and conscious sense of bondage may not be felt at once. Likely the first sensation on receiving a loan is an elation bordering on ecstasy.

The poor man who is offered a loan is usually greatly delighted. There is hope of relief from the limitations and restraints that have been as a wall round about him. The loan seems to throw down these walls and give him an opportunity to secure greater results and achieve success. But the delight is transient and the sense of greater liberty is brief. The prison walls are down, but the debt holds him like a ball and chain. He has only exchanged one restraint for another worse; he has leaped from the pan into the fire. The spirit loses its hopefulness and independence and becomes servile and cringing.

Milton represents our first parents, after their first sin, as intoxicated in delight, but the consciousness of their degredation and shame soon followed. So the first sensation from a loan is of relief and hope; the future looks bright, but the sense of subjection to the lender is sure to follow.

He forfeits the free, independent, self-reliant spirit that scorns dependence upon any man. He only looks the whole world in the face, who owes no man a cent.

CHAPTER XXIV.

USURY ENSLAVES THE BORROWER.

Timon of Athens said, "No usurer, but has a fool for a slave."

The borrower without usury loses his free and independent spirit and becomes cringing and servile, but when interest is paid it increases the severity of the servile service.

The lackey must not only care for the game taken, but he must add to the bag from his own hunting. He not only cares for the fish his master caught but must add to the basket from his own catching. The valet must not only perfectly preserve the clothes of his master, but must add to his wardrobe.

The borrower of the usurer must protect and preserve every farthing in value of the property or goods, and must also increase the amount.

The estimate put upon the mental condition of the person who will submit to such an imposition, by "Timon of Athens," must be admitted as fairly just, for a heathen. From the almost universal practice of usury, and the vast numbers enslaved, we must also admit that Solomon, the wisest man that ever lived, knew what he was saying, when he slyly called us all fools in his proverb, "A wise man's heart is at his right hand but a fool's heart is at his left."

The object of the usurer in making a loan is to secure the service of the borrower; it may be called a favor, an opportunity, an accommodation, but that is its purpose and its effect. It may be called capital or a tool for production, but the appropriation of the service of the borrower is the result sought and secured.

To secure the service of a horse, there must be an outgo of wealth in its purchase price and in its harness and the vehicle. The service received is the return, the compensation for the payment made. That is money invested and repaid in service. The price was in accordance with the service the animal would be able to render. For more and better service a higher price must be paid.

There must be an expenditure to secure the service of a chattel slave. The purchase price must be paid and the tools and material or plantation must be supplied before his services are available. The price paid is in accordance with a reasonable estimate of the service the slave will be able to render during life. The outlay is made in consideration of an equivalent in service.

A loan is made for the same purpose and secures the same result. The price of the horse or slave must be paid before the service can be claimed. The loan must be made before there can be a pretext of a claim upon the services of the borrower.

There is this difference, however, that the pur-

chaser pays for the services he expects to receive; he makes a real outlay for what is to be given him. The usurer pays nothing, he does not give a farthing; he makes no outlay; he merely changes the deposit from the bank vault, or his strong box, to his victim, and requires from him such an ample security that it is as safe in his hands as remaining in the vault. That he has bought the service of the borrower as another bought the service of the horse or chattel slave is untrue. He has given no equivalent. He retains every farthing of his wealth safely deposited with his victim. The service he receives does not diminish the value of his property nor discharge any portion of his claim.

The usurer, like all those who appropriate the labors of their slaves, claims that he is a real benefit to his borrower. He has given him an opportunity of advancement that he could not otherwise have had. He points to him possibly with some degree of pride, especially if he seems greatly prospered. The owner of colored slaves pointed to his well-fed and well-clothed and happy people, merry in their cabins, and made a claim that was equally plausible; that these people are far better off and far happier than they could be in freedom.

Their well-kept, happy, care-free condition did not make them freemen. They were slaves, though they may have been happy. They were slaves, though they preferred bondage to being their own masters.

The usurer's prosperous victim is not therefore a freeman. Though he should prefer debt to independence, that does not make him free.

No one prefers to be in debt. Debts are chosen as the least of the evils. The natural resources are occupied and the opportunities of life are denied. Lands and all tools of production are withheld and the horns of the dilemma are debt or privation. The independent spirit shrinks from debt until the struggle of life becomes desperate, when he turns to the other evil and is enslaved.

This is not a temptation that comes to the idle and vicious. They could not secure a loan though they tried. An indolent, dissipated and vicious chattel slave would not find a purchaser in the market.

It is the industrious, virtuous and economical young man that is of value to the usurer, and the better his character, the greater his worth. For this reason their virtues are cried up to the usurers, as the favorable qualities of the chattel were presented in the slave marts. To secure a loan is an evidence of confidence in his business ability, and an evidence of the appreciation of his character. It is a flattering compliment, and promising relief to a condition that seems hopeless, he permits the yoke of bondage to be fastened upon him.

The usurer's slave is cheaper than the chattel. It requires less wealth to secure an equal amount of service. A loan of five thousand dollars at the pre-

vailing rate of seven per cent. will bring to the usurer more than one dollar, clear gain, for every working day. That is as much as any one man, not professional or specially skilled, can hope to produce with that amount of capital, after caring for himself and his home. The borrower secures the lender from all loss, he largely relieves him from oversight, he directs his own labors, supports himself wholly; if sick, he supplies a substitute that the service does not stop, and when from the infirmities of age he is no longer able to give the required amount of service, one dollar per day, he returns the loan in full, which may be bound upon another victim, and thus continued forever.

In the days of chattel slavery labor was not so cheap. The price of a strong, faithful young colored slave, and the value of the tools for him to use, and the proportionate part of the plantation necessary for him to work, was about equal to the above loan. Then he must be clothed and fed; his work must be directed; if sick his labor was lost, and he must receive medical and other care; all risks of harvest from drouth or flood must be incurred by the owner, and the slave's term of service was limited by his death, when his purchase cost was lost, and there must be an outlay by a new purchase. One chattel slave could not bring his master such enormous returns.

Not only does financial slavery exact more labor for the amount invested, but it is more heartless than

chattel bondage. The master had a personal interest in the slave he bought. His health and strength was an object of his care and his death a great loss. There was also often a mutual affection developed, as is sometimes found between a man and his horse or affectionate dog. There was sometimes real unfeigned mutual love. The master had a tender care over his slaves in their sicknesses and in their decrepit age, and sorrowed at their graves. The slaves were inconsolable in their grief at the death of their master.

The usurer has no personal interest in his slave. He has no care for his health or his life; they are of no interest to him. He may live in a distant state and has no anxiety about those who serve him. Their personal ills give him no concern. When they die, there is no loss nor any additional outlay required; the bonds are simply transferred to others, and the service is not interrupted.

Many faithful, industrial and honest borrowers are unable to return the loan. It is as difficult to retain property as it is to earn it. New inventions, new processes, new methods, new legislation and the changing fashions and customs, often sweep property from the shrewd and careful. "Riches make themselves wings; they fly away." If for any cause the borrower fails there is scant sympathy from the usurer. He charges him with being deficient in business management and thriftless. If the yoke of

bondage galls and becomes so painful that in his distress the debtor turns from the struggle in one direction to struggle in another in hope of relief, he calls him fickle; and if at last, after a long and hard service, he is unable to return the loan in full, he calls him dishonest. His ear is deaf to the voice, "Is not this the fast that I have chosen? to loose the bands of wickedness, to undo the heavy burdens, and to let the oppressed go free."

There are those in debt yet struggling against hope to be free. They are slaving at work, but making no progress toward relief. The crisis must come. In the race with biting usury that knows no rest, night nor day, year in and year out, that knows no sickness nor delay, that keeps step with time, there is but one possible result. There can be but one final result, though the debtor may have a start far in advance, but if in the race it has become neck and neck, the end is near. Usury will sweep on with full wind, and unslacking pace, when the debtor falls exhausted. There is comfort, however, though the race be lost, for the distress of poverty is less than the agony of hopeless debt.

The old and ruined, who have lived honorable and industrious lives, who have endeavored to do their part in all the relations of life, yet have been in the slavery of debt all their days, and when their powers began to fail were stripped of the earnings of years, and besides, are compelled to bear the name of dis-

honorable debtors, are the most worthy of sympathy of any the world knows. The decrepit old chattel slave had hope of a home until the end, and a decent burial, but the debtor has nothing, not even an honorable name.

The young, who are yet free from personal debt, should be warned, and should not permit themselves to be beguiled by any of the allurements held out, nor by flatteries. As one prizes his independent spirit and freedom from the dictation of others, as he desires a successful life and a peaceful old age, he should avoid debt. As a Christian, who desires unrestrained Christian fellowship, whose benevolence will be from the kindness and love of his own heart, as one who wishes to bless all he meets, and to leave a name associated only with hallowed memories, he should avoid debt.

"Owe no man anything, but love one another."

CHAPTER XXV.

USURY OPPRESSES THE POOR.

Moses, Solomon and the prophets connect usury with the oppression of the poor. For this reason many have thought the divine prohibition of usury applied only to loans to the poor. By careful attention we will find that its evils are not confined to the immediate participants in the transaction. In the natural operation of economic laws the ultimate burden rests upon the poor. It is clear that when each member of a community contributes his portion to the common welfare the burdens are equally distributed. When any one fails to contribute his proportion the burdens are made heavier for the other members, and the burdens increase as the number increases of those who for any cause fail to contribute their part.

This is true in the family home life. When every member of the household is able, and with cheerful willingness does his full part for the family support and comfort, the burden is equally distributed. Let one member of the family be in any way disabled and his duties must be performed by others. If several are disabled the burdens upon the others may be greatly increased. If any are indolent the burdens are made heavy upon those who are industrious.

The same is true in the larger family, the community and the state, for political economy is but enlarged home economy. The burdens are lightest when every one contributes his full share to the general welfare. When any are idle the duties become heavier upon those who are faithful.

Usury makes it possible for many to live upon incomes from their property. They are not classed, nor do they class themselves, among those who are personally productive. This makes it necessary for the poor, those who have no property, to produce more in order to house and clothe and feed the community.

But those non-productive persons are consumers and are the most active consumers. They make heavy drafts upon the energies of others. They become extravagant in their habits and the spendthrifts of the world; while in proportion to their extravagant habits there must be severity and simplicity in the habits of the industrious and productive, on whom the support of the community rests.

The world does not grow richer nor are the conditions of life for one class eased by the extravagance of another class.

It is sometimes said that the idleness and the wasteful habits of some are for the benefit of others because they make a demand for more work. It would give the lumberman and nail-cutter and carpenter and glazier and plasterer and painter more work to call

back the fire department and let the house burn, but that is not the way to house the houseless. Extravagance is wasteful destruction of property.

"It is insisted upon both moral and economic grounds that no public benefit of any kind arises from the existence of a rich idle class. Their incomes must be paid, though inconsistent with the public good. To illustrate, the London and Southwestern railroad contemplated a reduction of fares in cars of the third-class. It was defeated because it might reduce the dividends. The poor could not be relieved lest it should reduce the incomes of the idle."—Ruskin.

That family is happy and prosperous in which every member contributes personally his portion to its support and comfort. That condition affords the highest measure of relief for all. It is unfortunate if there should be an idler in the home who, as a parasite, feeds on the industry of the others; it is a double misfortune if that idler proves a spendthrift to waste the thrifty gatherings of the diligent. The same economic principles make it necessary for the highest good of every individual in the community that each shall contribute his personal part. "If any will not work neither shall he eat." If any insist upon eating and yet will not work, it imposes an oppressive burden on others to compel them to supply his table.

Again: The limiting of production is a hardness to the poor. Their welfare requires the largest possible product along every line of human needs. Over-

production is a term of the trade and means only that the supply has become so great that it cannot be sold at prices satisfactory to the trade. But as the prices fall the market broadens. Consumption increases with the increasing abundance, and that which it was not possible for certain classes to enjoy now comes within their reach and may become possible to even the poorest. There never can be an over-supply of fruits and vegetables and grains and meats and shoes and clothes and salt and oil and fuel and houses until the wants of the poorest are supplied. Their welfare requires that there shall be no restraining of the supply until they come out of their huts into houses; until they can shed their rags and dress in clothes both comfortable and attractive; until their tables are supplied with nutritious food; until they have the means of discovering and cultivating their æsthetic nature by shaking off the repellant conditions in which they are mostly compelled to live.

The practice of usury restrains the supply by freeing so large a part of the people from the necessity of active productive effort by the incomes from their properties. Many born to wealth have never felt the necessity, and have never made an effort nor turned a thought along productive lines. The world has lost all that they might have added to the world's supply for human needs. Many, who have been successful in accumulation early in life, retire from active work while yet in full vigor, because they are relieved of

the necessity by the income of usury or increase, and the most valuable portion of their lives is lost to the world.

Production is further limited by the demand that it shall yield an increase on the property employed. The shop is shut down when the goods cannot be sold at such a price as to pay a satisfactory profit on the investment. The shop stands idle until the stock is depleted and the demand raises the price of the goods and then the shop is again opened. The workmen could go on with their work, supplying the world with their goods, bringing the price down until within the reach of the poorest, but it is the owner of the shop that holds the key and demands that the supply shall be so far restrained that the price shall yield a satisfactory increase on the property.

Inventions and improved tools are a blessing to the poor when they make labor so productive that they can enjoy results of labor that could not be enjoyed by them before. They are not a blessing when used to gain an increase on wealth by employing less labor. Their proper use is to make labor more productive; their perverted use is to make property more profitable.

There is a natural restraint by the law of supply and demand when all needs are so supplied that there is no longer a sufficient compensation to the producer; but it is a perverted and unrighteous restraint to place property between productive labor and

human needs and demand a reward for it before these human needs shall be satisfied. There is an utter want of pity for the poor in permitting them to go unhoused, unfed and unclothed, unless there shall be a profit by increase in supplying their wants. True benevolence requires that labor shall be made so effective as to fill every human need, but pure selfishness uses property to supply the need for a gain. This restraint for an increase on property is oppression of the poor for a price.

CHAPTER XXVI.

USURY OPPRESSES THE POOR—Continued.

The influence of any act is not limited to the person acting. The righteous act of a righteous man blesses himself and his generation and generations yet unborn. So the influence of a wrong act is not limited to the wrong-doer, but extends to others and is harmful to those who had no voluntary part in the act. Though the wrong be a personal habit and the sinner be himself the greatest sufferer, yet it is impossible to avoid causing distress to others who are themselves innocent.

Equity between those who participate in a wrong does not make a wrong act righteous. Thieves may be just among themselves, in the division of the spoils secured from others, but that does not make them upright men, nor does it make their business honest. If it were possible to preserve equity between the borrower and the lender upon usury, yet that would not justify the act nor remove the evil. The collection of their profits, which they divide equitably among themselves, imposes a burden upon others who have no part in the transaction. Their satisfactory agreement does not make the transaction less detrimental to the general good. It may the rather partake of the nature of a conspiracy against the public welfare.

The promoter of an enterprise on borrowed capital is practically but the agent of the lender. He may be the director and manager but he so conducts his undertaking as to gather the usury from others. When the opportunities for profitable investments become rare, and money accumulates and is lying idle, such promoters with their schemes are encouraged in order to gain a profit on the investment, though others suffer by it.

There lies upon this table a booklet, written in 1841, which charges and proves complicity between the bankers and brokers of New York at that time. The bankers loaned the brokers the money which they reloaned at very high rates. The banks refused accommodations to those in pressing need, compelling them to go to the brokers and to submit to their extortionate demands.

Though there may be an equitable arrangement between the owner of property and his broker and between the broker and his promoter, yet in the last analysis it will be found that this equitable arrangement, in its ultimate result, is of the nature of a conspiracy to compel the innocent poor to pay the profits of both; their consent is not first secured nor do they gain a single advantage and they are helpless to resist.

Though the transaction may have been between the rich, a rich lender and a rich borrower, yet the final result is that the interest is paid by the poor. In

Calvin's letter of apology he supposes a case of equity between a rich land owner who is in need of ready money and the man who has money to buy a farm, but instead lends to his rich landlord and takes a mortgage. In this case the tenants of the borrower must pay the interest and finally the principal also. This increases the hardness of their hard lot. Though Calvin seems to appreciate the severe conditions of the ordinary tenant in his day, yet he fails to recognize that the very illustration he gives would result in greater oppression.

When one entrusts his money to a broker for investment he does not come in contact with those who earn the interest. It may pass through a number of agents and the source from which the interest is drawn is not regarded. When one entrusts his money to the "Security Co." in their great building, surrounded by all appearances of unlimited wealth, it is not realized that the interest returned is wrung from the poor. Money does not lie in the vaults. It is loaned to others who as agents do collect or gather from the poor. A loan is made to a milling company and the interest is gathered from all who buy their flour. A loan is made to a landlord and he collects the usury from his tenants. A loan is made to a street car company and increase is collected from the employes and from every rider. A loan is made to a merchant and he collects from his customers.

It is easy to see who pay the interest when we make a common pawnbroker our agent and see in his dingy rooms the evident distress and needs of his callers. Many shrink from his oppressions who are deceived by the splendid surroundings of the "Security Co." But the interest is exacted from the same class as truly by one as by the other.

Usury oppresses the poor by raising the price of all that he consumes. Without being consulted and without the power of resistance he must pay tribute to property for the very necessities of life.

He lives in a rented house. The owner has placed a mortgage on this house and the tenant must pay the interest and more in his rental or be ejected. The bread he must have is from wheat raised on mortgaged land and the interest must be met in the price of wheat. The mill is mortgaged in which it is ground and the interest must be paid in the increased price of flour. The railroad is bonded and the interest on the bonds must be paid in the price of its transportation, and the merchant has a loan to enable him to do business and the interest on this loan must be met in the increase of the profits on flour and all other goods he handles. By usury a tribute is levied on his bread from the wheat in the field until it reaches his tables.

In the same way he pays interest in the price of his meat, which is raised on a mortgaged farm, transported over a bonded railroad, dressed in a mort-

gaged abattoir and sold by a dealer doing business on borrowed capital.

The same is true of his clothes; a first tribute must be paid to property by the raw cotton or wool, then the transportation and the factory and the merchant, in addition to the compensation for their services, must meet also the interest upon their loans, and the whole is summed up in the price the poor man must pay. He has no option in the matter; he has no alternative, no method by which he can escape. The same is true with regard to his fuel and his light.

The same is true with regard to car fares. In every ride he pays an enormous tribute to invested wealth. The writer made a careful estimate of the accounts of a car line in a small city where the number of riders bore small comparison with the crowded cars of any metropolis. When the cost of maintenance of the plant, including the wear and tear and all repairs, and the cost of operation, covering all current expenses, including taxes, were compared with the receipts from the patrons of the road, it was found that less than two cents per passenger was necessary to pay these charges and that three cents had gone to pay the interest on the enormous bonded indebtedness and dividends on the inflated stock.

The wage-earner, the pensioner and every person living upon an annuity or fixed income from any source, must thus pay usury or interest on obligations they never incurred. A large portion of their living

is thus taken from them, and under a system of general usury they have no way of avoiding it. They must pay an enormous tribute to property in providing the common necessaries of life.

Usury lowers the poor man's wages. The owners of property forbid its use until such a concession is made by the laborer as they may demand for the material and tools of production. Those who will use them and give the owner the highest return for their use secure the work, i. e., those who will bid the labor the lowest, who will use the tools and work up the material the cheapest.

The demand of capital has come to absorb a large portion of the produce of labor. In 1890 the wage-earners created a value of $3,579,168,172 and received out of it wages amounting to $1,981,228,321, leaving in the hands of the employers $1,687,939,851. Labor thus received a little less than 53 per cent. of its product. In 1900 the wage-earners created a value of $4,640,784,931 and received out of it wages amounting to $2,323,407,257, leaving in the hands of employers $2,317,377,674. The employers and employes divided labor's product so evenly that the difference does not amount to one-eighth of one per cent.

The decade 1890 to 1900 has been of unprecedented prosperity to capital, but the advantages to labor have not appeared. When the number of laborers at the beginning and the close of the decade are

considered the annual income of the wage-earner at the close of the decade is actually $7 per year less than ten years ago.

The tribute to property must first be gained, the wages are secondary. If the tribute is not paid the enterprise is regarded as not successful and the industry closes.

There is no protection for the laborer except the selfishness of capitalists themselves in competition to secure the services of labor. But the selfish strife has rather resulted in the combination of their capital to dispense with labor or to cause the same labor to produce more by the employment of more capital. The effect is to give employment to capital rather than to labor. If labor can be dispensed with by borrowing more capital, then a loan is secured and the laborer is dismissed. Thus capital is made to crowd out the laborer and gains for itself his reward. This diminishes the call for labor and increases the number of the unemployed and they become competitors for the privilege of working. The opportunities for labor becoming fewer, the strife for work becomes fiercer. The laborer is helpless to resist, as his wants do not stop; his family must be fed and clothed and housed. The struggle is unequal between "flesh and blood" and a material thing that, by a false economy, is given not only the power of self-support but also continuous increase. For this reason combinations of laborers never have been and never can

be successful in a conflict with capital. So long as the false principle is admitted, all efforts must fail. So long as it is granted that property has earning power, the effort will be made by the owners of property, and always successfully made, to have property receive the larger portion of the reward. The true order will be reversed; the laborer will be given a mere subsistence while the increase will be claimed for the capital; the very opposite of the true order, the mere preservation or subsistence of the capital, while all the increase belongs to the laborers.

CHAPTER XXVII.

USURY OPPRESSES THE POOR—Continued.

Usury makes it possible to impose on the poor the principal burden of taxation. Though taxes are levied upon property it is a delusion to think that those who own no property pay no taxes. By usury the taxes are easily slipped upon the poor.

If the tax levy is one per cent. on property then in a year the one hundred dollars has been decreased by one dollar and is but ninety-nine, unless that dollar has been supplied from other earnings of the owner. Thus vacant lots, jewels and hoarded stores are a burden to their owner. But when the property can add to itself an increase, then there need be no diminution of the amount, and no sacrifice is necessary on the part of the owner. If the wealth is placed in the form of a loan on mortgage on a house, the tenant in his rental pays the interest on that mortgage, which meets the tax and also yields a revenue to the owner, and leaves the wealth undiminished. The tenant earned the tax, and both property and owner are relieved. The mortgage may be upon a manufacturing plant, when the operatives pay the tax from their earnings.

The bonded debt of a city or state, in the ultimate result, is collected from the productive labor. To

pay the interest and principal of the bonded debt of a city the tax levy is increased, and a greater proportionate amount of labor is appropriated. Laboring people without property are often amazed at the indifference of property holders when a great bonded debt is incurred, as both interest and principal are to be paid by a tax upon property. Those who make the loan to the city, and all who hold mortgages and dividend paying properties, are complacent because the taxes of a hundred years would never diminish their property a dollar, though the tax levy should be doubled. It would raise the interest on money, diminish the price of labor and raise the price of goods, but those who profit by the gain of usury are untouched by it.

Recently complaints were made by the tenants of one of the poor districts of London because their rentals had been greatly increased. The reply of the landlord was direct and clear: "You have voted for public improvements and now you must pay for them."

The same is true of the interest and principal of the national debt. The revenue is raised from a levy upon importations, as, for example, tea, the tax on which is ten cents per pound. The tax is collected from the importer and by him attached to the price for which it is sold to the wholesale dealer and by him attached to the price he charges the retail dealer and by him the amount is collected from the consumer.

Sufficient notice is usually given that the importer and the dealers may dispose of all their goods before the tariff is removed. A public announcement of such a purpose was recently made in reference to the tax upon tea.

The tax collected from the consumer is far heavier than the mere levy of the government. The importer demands a profit on the amount of revenue tax he has paid as well as on the amount he pays for the goods. This results in greatly increasing the burdens of the poor. The revenue tax recently imposed by Great Britain of three pence per cwt. on wheat and five pence per cwt. on flour resulted immediately in the addition of one penny to the price of the four-pound loaf to the consumers.

Again: This attributing to property the quality of self-perpetuation and increase has led to its incorporation and in a manner separation from those who own it. Property must always have an owner.

Personality must always come in else there are no rights to be considered. Labor apart from a person laboring and property apart from a person owning are impersonal and no ethical or moral laws can be applied to them. They are only physical forces and material things. The wind may push against a tree and overcome its resistance and the tree falls. That is merely an abstract force against a material thing. But when my energy is exerted against your tree and destroys it, then personal responsibility and personal

rights must be considered. A righteous adjustment between labor and capital can never be arrived at without the consideration of the personal elements on both sides. The moral and ethical laws must be applied as well as the physical and economic.

Incorporated property, however, has eliminated from it the ethical and moral responsibility of personality and is regarded as possessed only of economic and physical qualities and restrained only by legal statutes.

Incorporated properties are not generally managed by those who own them. The managers are employed by the owners, who are ready to pay large compensation to those who have the tact and brain and nerve power and peculiar quality of conscience to gain for them a satisfactory increase. It is their work to press this irresponsible material body up against "flesh and blood."

The incorporation employs the laborer when his labor earns a satisfactory dividend on the capital, and lays him off or discharges him whenever it seems most to the advantage of the investment. A plant is built and operated for a time and then the plant is closed, or the location is changed without the slightest regard to the sacrifices of the poor laborers who have gathered around and are left stranded.

Laborers everywhere throughout Christendom need and beg for a Sabbath of rest, but neither phys-

ical needs nor conscientious scruples are regarded when a greater dividend can be gained in seven days than in six.

On the part of the workman, resistance is useless. He can do nothing but yield to the economic and physical force managed by those in whom human sympathy and pity for the suffering and helpless are not permitted. The dividend must be gained though it be necessary to grind the poor.

The owner of this steel plant is in a distant city. All employes, from the manager down to the porter, must so serve that he shall receive the dividend. This mercantile house is owned by a woman on a pleasure trip round the world. All who are connected with this business must so serve and sacrifice that she shall receive her income regularly. This railroad is owned by those who have gone a-yachting in southern seas. It must be so managed that the revenues shall not fail whatever the sacrifice required of others.

The writer once heard an American statesman, who afterward became President of the United States, deliver an elaborate and carefully prepared oration on a great occasion, in which he discussed the growing power and controlling influence in state and national affairs of incorporations. He did not formulate a remedy but said, "The problem to be solved by the next generation is, how shall the people be protected against the encroachments of incorporated wealth?" It need scarcely be said that there

was no discussion of that question during the campaign which closed with his election to the presidency.

Usury is both the basis of the incorporation and the instrument of its oppression. Incorporated wealth must not be permitted to claim personal rights and yet escape personal responsibility. It must be held to the same ethical and moral laws as the individual. Personal responsibility must not be eliminated from property. It must not be divested of personal responsibility and then pressed as a mere material thing up against "flesh and blood."

No instrument of oppression ever surpassed in severity the usury of incorporated wealth and retained the pretense of respectability. It is sucking the blood of the poor every hour, yet they cherish and pet the vampire, not realizing that it is their blood upon which it feeds.

CHAPTER XXVIII.

USURY OPPRESSES THE POOR—Concluded.

Usury increases its burdens in proportion to the poverty. It is the most oppressive upon the poorest. Property in any measure is a relief. However small the amount may be, to that degree it assists in bearing the burden. Those who have a home are relieved of the burden of usury by rent. Those who own their shops or farms on which they can employ their labor are relieved of the usury of tools and material. From the conditions now prevailing the burden of usury rests on all those, the half of whose income is the product of their own labor. The one who receives one-half his income from the interest on property and one-half from his own labor has no advantage from usury. The income of his labor would bring him as many of the comforts of life as his labor now does, plus the income from his property. There is no advantage until a greater part of the income is derived from property. A small savings account, adding a few dollars annually to the income, is a very small offset to the constant drain from usury in all that we buy and upon all our earnings. The full burden however is upon those who have nothing but their own productive energy; who receive only

wages and must buy in the market. As the relief afforded by property decreases, the oppressive burden of usury in present conditions increases.

It is a fair estimate that usury is oppressive until relieved by the income from property to the amount of one-half of the entire income received. When less, the oppression begins and leans its full weight and without pity upon the poorest and most helpless.

He that has no property is dependent upon others for employment and in his wages must give a part of his product as tribute to the capital he uses. This, in the case of the average wage earner in this country, is not less than one-third, that is, he who earns one dollar and a half will receive as wages one dollar, the other half dollar is retained by the employer as due for the capital invested. Then having no home he must pay tribute to property in shelter for himself and family. The rent will be higher in proportion to the poverty of the apartments. The poorest tenement returns the highest rate of interest to the landlord.

His decreased wages do not make the necessities of life proportionately cheap to him. He pays usury in the price of the fuel which he burns, of the oil, gas or electric light in his home. In the price of vegetables, bread and clothes and shoes. There is an increased outgo at every turn which he cannot avoid. He is helpless to resist.

He can but struggle staggering along while work is given and his health and strength remain. When these fail he falls and must become entangled in debt, from which there is no hope of being able to extricate himself.

The state recognizes the hopelessness of the poor man who is in debt and has provided a relief by bankruptcy, by which he may again arise and struggle on. This discharge in bankruptcy is an act of mercy but the relief from the oppressions of usury would be an act of justice. Grinding the helpless poor between low wages and high prices and then relieving them by the act of bankruptcy is only pulling them out of the mill to throw them into the hopper again, for the wage earner who has no protection from any property is between these upper and nether mill stones.

Those who defend the fraud of usury always take to cover behind the widow and the fatherless. They plausibly pretend to be zealous for their protection while endeavoring to hide their own greed. Their pleas are often touchingly pathetic. "A thrifty loving father was taken away by death from a dear wife and sweet little ones. They had always leaned on his strong arms. He was their joy, their protector and their support. This widow and her fatherless children are left with nothing to support them except the saved hard earnings of this husband's life. As these earnings are their only support they are deposited with care with the 'Security Co.' for safety and

that the regular interest dues may be received without fail. If there should be one failure they would suffer. The 'Security Co.' loan their deposits as opportunity offers. They take some local mortgages and also some mortgages on western lands. They buy some bonds of a milling trust and also of a railroad and street car line and some national bonds and loan on personal security to local merchants and traders. From all these sources the interest is regularly collected and regularly paid to this widowed mother, without which she and her little fatherless dear ones must suffer. 'Certainly,' they say 'usury is not oppressive to the widow and the fatherless. Usury comes to the help of the helpless.' "

Another faithful industrious father was taken away from his wife and his little ones. He had been their stay and support. He was sober and thrifty but sickness and untoward conditions made accumulations impossible. When he, the head of the home, was taken away there was nothing for the support of these helpless little ones and their widowed mother but her own arms and head and heart. There was no time for sentiment and tears. These little ones must be sheltered and their hungry mouths must be fed. Restraining her grief, she bravely undertakes the heavy task.

She rents a room but the rental is high, for the interest must be paid on a mortgage held by the Security Co. She finally finds a shop where she

secures employment but the wages are low, for the shop is heavily mortgaged to the Security Co. and the interest must be paid or the shop will be closed and even this opportunity for scant wages will be lost. The distance requires that she shall ride to her work but the round trip costs two nickels and one of them goes to the Security Co. for interest on their bonds and stock. She buys a loaf of bread but the wheat was raised on a western farm mortgaged to the Security Co. and the interest was charged up against the wheat. The wheat was floured in a trust mill and the interest on the Security Co. bonds were charged up against the flour. It was transported by a railroad that charged up against it the interest on the bonds held by the Security Co. It was baked in a mortgaged oven and handled by a local dealer doing business on capital he had borrowed of the Security Co. How much of her bread money went for interests is an intricate problem. She only notices that her loaf is small.

The same oppressive tribute must be paid on all that she buys to feed and clothe herself and her little ones.

The first widow does not live upon the earnings of her husband. They are untouched at the end of a year nor diminished as the years pass. By the operation of usury she has lived upon the hard earnings of this poor widow. The laborers on the western farms contributed to her support in decreases of wages;

the operatives of the railways, the workmen in the mill, the baker and merchant all contribute a portion, but it cannot be denied that the heaviest burden comes upon the poorest. The rich widow has fed her children with the bread which the poor widow earned.

The flaunting sympathy for the poor of those who themselves feed upon them, is rank hypocracy. Nor can those who have grown fat by the practice of usury, condone the crime by tossing back to them a portion of the unjust gain.

"Is it such a fast that I have chosen? A day for a man to afflict his soul? . . . Is not this the fast that I have chosen? . . . To undo the heavy burdens and to let the oppressed go free? . . . Is it not to deal thy bread to the hungry, and that thou bring the poor that are cast out to thy house?"

CHAPTER XXIX.

USURY CENTRALIZES WEALTH.

The dictum of Bacon that "Usury gathers the wealth of the realm into few hands" is readily proven and fully verified in the experience of these times. The tendency to centralization under a system of usury or interest-taking is so strong, and the modern result so apparent that the statement only is necessary.

Usury not only enslaves the borrower and oppresses the poor who are innocent of all debt, but it also affects the rich by gathering the wealth of the wealthy into fewer and fewer hands. There is a centralizing draft that threatens and then finally absorbs the smaller fortunes into one colossal financial power. It is as futile to resist this as to resist fate. Wealth cannot be so fortified and guarded as to successfully resist the attack of superior wealth when the practice of usury is permitted. The smaller and weaker fortune, using the same weapon as the larger and stronger, must inevitably be defeated and overcome, and ultimately absorbed.

Rates of interest do not affect the ultimate result. Under a high rate the gathering is rapid, under a low rate the accretions are slower, but the gathering into few hands is none the less sure. Rates of interest

only place the convergent center at a nearer or more remote period.

If any interest is right, compound interest is right. When simple interest is due and paid, it may be loaned to another party, and thus the usurer secures interest upon his interest, though not from the same debtor. When the interest is to be paid annually, it is to be assumed, if not paid, that the debtor takes it as a loan in addition to the face of the note of his obligation. This saves the care of receiving and re-loaning to another. The custom of usurers, however, is to renew the note, adding the interest to the face, if unpaid. The mass of bank paper is renewed each ninety days: Compounded four times a year, whether to the same or to another debtor, the result in accretion is the same.

Few realize the rapidity at which a loan increases, accelerating in geometrical progression as time passes. Any loan will double itself at three per cent. in twenty-three and a half years; at seven per cent. in ten and a fourth years, and at ten per cent. in seven and a third years. One dollar loaned for one hundred years, at three per cent., would amount to nineteen dollars; at seven per cent. one thousand dollars, and at ten per cent. thirteen thousand.

The island upon which New York stands was bought from the Indians for the value of twenty-four dollars by Peter Minuits in 1626. Yet, if the purchaser had put his twenty-four dollars at interest,

where he could have added it to the principal at the rate of seven per cent., the accumulation would now exceed the total value of the entire city and county of New York.

M. Jennet quotes the elaborate calculation of an ingenious author to show that 100 francs ($20) accumulating at five per cent. compound interest for seven centuries, would be sufficient to buy the whole surface of the globe, both land and water, at the rate of 1,000,000 francs ($200,000) per hectare (nearly four square miles). From this we can gather that $20 at five per cent. compound interest for 700 years, would buy all the earth, mountains, and swamp lands, and water, at $80 per acre.

Another mathematical genius says, had one cent been loaned on the first day of January A. D. 1, interest being allowed at the rate of six per cent. compounded yearly, then 1895 years later—that is on January 1, 1895—the amount due would be $8,497,840,000,000,000,000,000,000,000,000,000,000,000,000 (8,497,840,000 decillions). If it were desired to pay this in gold, 23.2 grains to the dollar, then taking spheres of pure gold the size of the earth, it would take 610,070,000,000,000,000 to pay for that cent. Placing these spheres in a straight row, their combined length would be 4,826,870,000,000,000,000 miles, a distance which it would take light (going at the rate of 186,330 miles per second) 820,890,000 years to travel.

The planets and stars of the entire solar and stellar universe, as seen by the great Lick telescope, if they were all in solid gold, would not nearly pay the amount. A single sphere to pay the whole amount, if placed with its centre at the sun, would have its surface extending 563,580,000 miles beyond the orbit of the planet Neptune, the farthest in our system.

It may be added that if the earth had contained a population of ten billions, each one making a million dollars a second, then to pay for that cent it would have required their combined earnings for 26,938,-500,000,000,000,000,000 years.

Anyone can figure on this and see if it be correct.

Had Peter only thought to put one cent at interest, there would be no call now for Peter's pence.

With any accretion allowed, the concentration of wealth is irresistible. However small the amount of capital, if permitted to grow at any rate of increase it will ultimately absorb everything. Any finite quantity permitted any finite rate of increase, will, in finite time, gather all that is less than infinite.

The only difficulty in this accretion is to secure debtors that will not die. We inherit the property of our fathers, but fortunately we do not inherit their personal debts. This difficulty is being overcome by bonds of corporations and nations that live on, though the individuals composing them may, age after age, pass away. This makes the increase per-

petual. Generations may come and go, but the concentration of wealth goes uninterruptedly on.

This is not visionary theory, but is shown in the practical results everywhere apparent.

The usurers of England, a little over two hundred years ago, secured a charter for a bank on the condition that they loan the crown or government 1,200,000 pounds sterling, about six million dollars.

This was a perpetual loan, never to be repaid, but annual interest at eight per cent. was to be paid by the government forever. This constant annual interest paid to this bank has made it such a financial power that it reaches and draws to itself of the resources of all lands. The aggregated wealth of the institution, if the accretions were continuous, would now be $25,165,824,000,000. The wealth of the United Kingdom is estimated at fifty billions, and all Europe two hundred billions, the United States seventy billions, and the whole world's wealth at five hundred billions.

Were the accretions of the bank at eight per cent. undisturbed and unconsumed, it would now take fifty worlds as rich as ours to pay that debt. It is sometimes wondered how there can be such an accumulation of wealth in one institution as to control the finances of the world.

It is often attributed to superior wisdom or some profound, occult manipulation. It is but the natural

operation of the principle of interest—accretion from age to age.

The managers may be stupid dolts, only so they do not interfere with the usurious principle in its eternal pull on the resources of mankind.

The interest bearing debt of the United States, at this date, is about one thousand millions. This in one hundred years at six per cent. would amount to $340,000,000,000; five times the whole present wealth of the nation.

The smallest national bank organized, by the deposit of $25,000 of bonds yielding two per cent. interest, and permitted to re-loan the same funds to its private customers at eight per cent., could gather to itself in one hundred years, $345,225,000.

The wealth of an individual or of a family may also grow with the years as they pass. The property may be in public bonds or that of incorporations, requiring no care or effort on their part, yet it may be continually increasing. A usurer in any community in one life comes to absorb the wealth of that community, though the amount loaned at the beginning was small..

The accretions are the irresistible result of the principle of usury.

The wealth is more and more centralized as the years pass. Great trees in the forest shadow the smaller, and rob them of the sunshine and moisture until they perish. Great fish in the crowded pond

feed upon the smaller. Individual manufacturers are absorbed by the great combinations called trusts. The stockholders of a railroad are absorbed by those who have large and controlling interest. But the railroad is itself absorbed by another yet greater corporation, and this again by a great combine that eliminates the influence of all but the chief control, and tends to a complete centralization of all the systems.

There is no escaping from this centralizing draft upon all resources, when the system of interest-taking is as general as now. Freedom from personal debt does not deliver us. The farmer, the most independent of men, in his own home, free from personal debt, yet must contribute to this centralizing by paying interest on bonds in every shipment of produce, and every mile of railroad travel. He pays tribute also in all the tools that he buys, in the food that he eats and the clothes that he wears.

This centralizing draft is constant, though not always equally apparent. Certain favorable conditions may hold in check, for a time, the adverse influence and cause a temporary distribution of wealth to the producers. Its force is not, however, destroyed, but only restrained for a time, and then draws with accumulated power.

Times of industrial depression and commercial disasters are occurring over and over again. Some economists attribute them to the peculiar industrial

and monetary conditions of the periods in which they occur; but they have seldom agreed as to the causes of any particular panic. They are so regular in their recurrence that some economists have thought they must be produced by some constant cause; like the moon causing the tides of the ocean. Both are true. There is a general and there is also a secondary or superficial cause.

The times of greatest commercial disasters in this country were in the years 1809, 1818, 1837, 1873, 1893.

The political economists can assign as reasons some peculiar conditions prevailing in each of these periods, but the wisest have never gone deep enough to discover the general cause; this constant centralizing draft of usury.

In these periods of commercial disaster there is no destruction of property. There is only a general shake up and redistribution. All the wealth of the country remains, but after the disaster wealth is always found to be in fewer hands. Some have become rich, many who were thought to be wealthy are ruined, and the number of the poor has been multiplied.

A patient may be afflicted with some deep-seated, chronic disease that makes him very easily affected by a change of the weather, by a change of his diet or of his bed, and these may be assigned as the causes of his frequent relapses, and they are the immediate

or secondary causes, but the real cause is the deep-seated, chronic disease. Cure that disease and the changes in conditions, now so serious, would not be noticed by the healthy man.

The real and constant cause of our recurring financial disasters is this centralizing usury that directly opposes the distribution of wealth that is natural, when the producers of wealth are permitted to receive and enjoy it. Root out this evil, and then the trifling differences in our harvests, changes in our tariff laws, currency legislation, and the score of other things that now affect us, would be unfelt by the healthy body politic.

If this centralizing power is destroyed then the natural distribution would be undisturbed, and these, so-called, panics would be unknown.

CHAPTER XXX.

MAMMON DOMINATES THE NATIONS.

The debt habit has been diligently cultivated and encouraged, until the nations are enslaved. Public bonds imply bondsmen, and the nations are no longer free. There is a mortgage upon the inventive genius, industry and productive energy of the world.

Usurers greatly prefer an organized government as a debtor. The individual may die, but a nation's debts bind from age to age, are bequeathed by the fathers to the children, and thus descend from generation to generation. The bonds of no corporation, however great and rich, can be so secure. They embrace special industries, while national debts are a claim upon every industry and a mortgage upon every foot of soil, and every dollar of present personal property, and of all that may be produced in the whole realm.

If we express the world's indebtedness, the national debts, in the terms of our currency, as nearly as we can reduce the currency of other nations to such an expression, we find the national debts as follows, in 1890:

Denmark	$ 33,004,722
Great Britain	3,848,460,000
United States	915,962,112
Germany	1,956,217,017

Austria-Hungary	$2,666,339,539
France	4,446,793,398
Russia	3,491,016,074
Italy	2,324,826,329
Spain	1,251,433,096
Netherlands	430,539,653
Belgium	360,504,099
Sweden	64,220,807
Norway	13,973,752
Portugal	490,493,599
Greece	107,306,518
Turkey	821,000,000
Switzerland	10,912,925
These debts aggregate	$22,955,386,008

Hundreds of millions have been added to these national debts in the last ten years. Nearly every nation has increased its indebtedness, possibly no nation has decreased it, and others, like China, with its recent great loan, and little Korea, with its twelve millions, must be added to the list. The debts of the nations of Europe have been increased until they now amount in the aggregate to twenty-three billions. The debts of the nations of all the world have increased one-half since 1890, and now aggregate thirty-three billions.

These great national debts are practically perpetual, and though they may be at so low a rate of interest as three per cent., they absorb the energies of the people, and, like a glacier grinding over the earth, crush all beneath them.

Public debts are incurred to relieve the present wealth of the burden of present duty. Debts place the whole burden on producers of the future. They

relieve those who hold the wealth now, but are a draft upon those who make the wealth that is to be.

An individual incurring debt places a mortgage upon his productions; by a pledge of future production he relieves himself of the strain of the present.

A family incurs debt; a part of the members of the house are strong and capable of productive labor, and a part are not; the whole burden of the payment comes upon the productive members of the home. The weak and helpless and the indolent, though strong, bear no part of the burden. This family has a home, and a mortgage is placed upon it to secure the present needs. The burden of paying the interest on this mortgage, and the final payment of the principal, is wholly on the capable and industrious members of the family.

National debts are incurred to relieve the present wealth of the burden of present government calls and obligations, and to roll it upon those who shall produce wealth in the future. So the debt of a city, state, or nation is a present relief to property holders, by placing the producers under future obligations.

A street in a city is to be paved; no additional tax is levied; but bonds are issued running twenty years. This relieves the present wealth of the burden, placing it upon those who shall produce the wealth that shall be in twenty years.

The expenses of a great war must be met. Present taxes may be slightly increased, but to meet the bur-

den consols or public bonds are issued to be paid at a distant date. This relieves the present wealth, but binds it upon those who shall be the producers of wealth in the generations to come. Hume says, "The practice of contracting debts will almost invariably be abused by every government. It would scarcely be more imprudent to give a prodigal son a credit with every banker, than to empower statesmen to draw bills in this manner on posterity."

These public bonds are the golden opportunity of the usurers. Not only is their wealth relieved of all burden, but it affords an opportunity of profitable investment with the best possible debtor. They can pose as enterprising citizens, and urge great public improvements, and at the same time gain a most sure and profitable investment. They can pose as patriots in time of war, and urge that it be pressed with energy at whatever cost of treasure and blood. It is not their blood that is shed, nor their wealth that is wasted. It gives them the opportunity of binding their burdens on the nation for the producers of the coming generations to carry.

Usurers never wish public debts paid. They wish them issued for as long time as possible, and then reissued, or the time extended before they are due. This is done by the figment called refunding, as if it were a concession and favor to a poor debtor. It is but a device to keep the burden on the public back. It is not a financial feat and triumph for the chancellor

of the exchequer to refund a public debt. He but yields himself as a tool to the usurers to continue their loans. They resist the payment when due, but when an officer is found willing to extend them before they are due all trouble is avoided and the accretions of interest are not interrupted for a day.

Those who hold the bonds of a nation direct its destinies. The nation borrowing is servant to the lender, just as an individual. The nation compromises its freedom and becomes the slave of its bondholders. The usurers use their power for the advancement of their own material interests, and hold all other purposes of government as inferior to their own ends. This subordination of a people, to the creditors, is fatal to republican and constitutional governments; the form may be preserved for a time, but the substance of free government has departed.

The concentration of wealth carries with it the concentration of power, and is inimical to republican institutions. A proper distribution of wealth and power must be preserved or popular government is put in jeopardy.

The first bank of deposit and discount was the Bank of Venice, in the republic of Venetia. It continued its existence for six hundred years, until the government that gave it life itself perished. From its long continuous business, and its success as a bank, it has been spoken of in every work on banking as a model. It began its association with the republic

in 1171, and dominated it, sapping its life, and assuming its functions, until the bank practically ruled the state, and when one fell both perished in 1797. The usurers received their hold on the state in a time of the greatest need. The republic had been impoverished by the crusades, and was in dire financial straits. Advantage was taken of this by the usurers to so bind the bank and state together that when one lived the other must, or both must die together. Stock in the bank was a loan to the state at four per cent. annual interest. The union seemed to promise great prosperity for a time, but really absorbed all the republic's vitality during the last hundred years of their life.

Venetia was at the first a pure democracy. The Doge was elected by the people and administered the government, himself being the responsible head. He, later, chose advisers, or a cabinet, to be associated in the responsible duties. After this, and about the time of the association with the bank, a representative council was elected by the people, and the government was administered by the Doge and this council. This was gradually transformed from a government of the people to an oligarchy; and as the years passed there were no steps taken toward a return, but the authority and power was more and more centralized. The ruling class was, in a hundred years, limited to those families enrolled in the "Golden Book." In another hundred years the gov-

ernment was in control of the "Council of Ten." Later the secret tribunal of three was the terror of the people and the instrument of their oppression. The republic was only such in name, the people were deprived of all voice in the government, and the Doge became a puppet to obey the ruling cabal.

Shakespeare went to Venice to find his typical usurer in Shylock the Jew. He found there also his typical Christian, Antonio. Antonio was a benevolent great soul, who loved his friends, supported all benevolences, and hated the usurers. Shylock hated him because he would lend without interest, and was constantly reproving him for his usurious practice.

The contest between the usurers and the people of the Venetian republic was a struggle for the life, but the usurers never relaxed their hold. They dominated until the end.

Another great triumph of the usurers was in England at the time of great need. William and Mary had been placed upon the throne by the Protestants, but were in need of money to carry on the struggle for its complete establishment. This was the usurers' opportunity. Former kings, in like straits, had confiscated the wealth of the usurious Jews, Lombards and Goldsmiths, and appropriated their property as a penalty for their unchristian practice, but William and Mary entered into a contract with them to gain their assistance, giving them special privileges to secure a permanent loan. They were to loan the

crown 1,200,000 pounds sterling. This was never to be repaid, but interest at the rate of eight per cent. per annum was to be paid forever. This loan was a marvel of success. There was a great rush of usurers to place their money with the crown as a perpetual loan at that rate of increase. Their usuries, which had hitherto been counted dishonest gain, were henceforth to be honorable, and they esteemed as patriots.

Thus, the first Protestant power in the world was established in the hands of usurers, and bound to continue associated with them forever. The story, by Macauley, of the establishment of the Bank of England, is familiar to all students of English history.

This bank is a great corporation; the Board of Directors is composed of twenty-six members, who elect their own successors, and thus it is entirely independent. It makes laws for its own direction in the name of the people or defies their control. In 1797 it secured an order from the privy council ordering itself to suspend specie payment. It obeyed its own order promptly, and at the same time announced their strength and that the order would be temporary; but for one excuse and another it was continued for twenty-five years.

Sir Robert Peel, in 1844, having become convinced of the dangerous and disastrous influence, expanding and contracting its loans, secured the enactment of a law to regulate and limit its circulation. This law

was distasteful to the bank, and was, upon its enactment, defied by open disobedience. It has not only dictated the laws for its own regulation, but directed both the domestic and the foreign policy of the government. It has subordinated the public weal to financial profit. This corporation of usurers manage all the finances of the kingdom, and has more influence than Crown and Parliament combined. As a great uncrowned king it dictates the diplomatic policies of the United Kingdom. Its influence has not been extended to promote Protestant Christian faith, Jews are not zealous for any Christian sect; nor for the purpose of lifting up the degraded and enlightening them; nor in the east has it exercised its power to relieve human suffering, but its diplomatic policy has been mercenary greed always.

It should be noted that the enlightened Christian people of the United Kingdom are not the English government. There has been, for two hundred years, a power behind the Throne, behind Parliament, behind the people, essentially selfish and commercial. This has controlled India for profit, while the benevolent people were anxious to christianize and uplift. It has befriended the Turk while England wept over the Turkish barbarities. It forced opium upon China while the Christian people sent missionaries. The people of England love freedom, yet the government has endeavored to crush it in the American colonies and everywhere throughout the

world, when in conflict with a selfish commercial policy. The English people cry out against human slavery, yet in the struggle in the United States, when slavery was in the balance, the English government earnestly espoused the cause of those who upheld slavery. The English people rejoiced that the slave trade in Africa was abolished, yet the government enacted the hut tax, and compels now the service of the young and vigorous blacks in the mines, sending them back to their people when their strength declines.

In the establishment of the republic of the United States there was a strong resistance to any debt or subordination to usurers. The history of banks in the United States shows a struggle at the birth of the nation between the usurers, who demanded the management of the finances, and the people who resisted. This struggle continued for half a century, when the people triumphed, and for thirty years there was no hint of a purpose to overthrow what was regarded as the settled policy of the nation.

The first bank was incorporated in 1791. Its establishment was strongly resisted, but being urged by the Secretary of the Treasury, a charter was granted for twenty years. When that charter expired by limitation in 1811, there was a struggle by the usurers to secure its renewal, but they were defeated. They did not, however, abandon their effort. In 1816 they secured the charter of the second bank of the United

States. This charter was also limited to twenty years, expiring in 1836. There was a tremendous struggle for its renewal, but the chief executive, backed by a strong political party, so completely defeated it that the usurers for the time yielded, and for thirty years the settled policy of the government forbade the alliance with usurers and the making of any public debt. Many of the leading statesmen of that period were very pronounced in their opposition.

"The banking system concentrates and places the power in the hands of those who control it.

"Never was an engine invented better calculated to place the destines of the many in the hands of the few, or less favorable to that equality and independence which lies at the bottom of our free institutions."—J. C. Calhoun.

"I object to the continuance of this bank because its tendencies are dangerous and pernicious to the government and the people. It tends to aggravate the inequality of fortunes; to make the rich richer, and the poor poorer; to multiply nabobs and paupers, and to deepen and widen the gulf that separates Dives from Lazarus."—Thomas H. Benton.

"I sincerely believe that banking establishments are more dangerous than standing armies. I am not among those who fear the people. They and not the rich are our dependence for continued freedom. And to preserve their independence, we must not let

our rulers load us with perpetual debts."—Thomas Jefferson.

"Events have satisfied my mind, and I think the minds of the American people, that the mischief and dangers which flow from a national bank far overbalance all its advantages."—Andrew Jackson.

The usurers were compelled to remain under public condemnation during thirty years, as sentiment was strongly against them and conditions were not in their favor, but they did not relax their watchful effort nor abandon hope of ultimate success. When the nation was struggling to prevent its dissolution in 1861-5, and unusual war measures seemed necessary to meet the great emergency, the usurers saw their opportunity and came forward, as they did in Venice and England; they would loan the government the funds necessary to carry on the war, if the government would comply with their conditions and grant them the privileges demanded. They asked that their loan be perpetual, like the English loan; that they should be freed from the burdens of the government; that their loan should be free from taxation; that they should receive their interest semi-annually, and not in the common legal tender, but in coin; that they be permitted to issue their own notes as currency to be loaned to their customers; that the government discredit its own issues and endorse theirs; and that they be given a monopoly by taxing out of existence all opposition.

These were great demands, and were regarded as extortionate and oppressive. The struggle was severe, but the enemy in the field was threatening the life of the nation, while the usurers were urgent and posing as patriots, that they might accomplish their ends. True patriots, anxious to defeat the enemy in arms, regarded these usurers at home as equally the enemies of freedom. They were in a strait betwixt two foes.

Secretary McCullough said, "Hostility to the government has been as decidedly manifested in the efforts that have been made in the commercial metropolis of the nation to depreciate the currency as has been by the enemy."

The opposition to the usurers was very strong and bitter, but the conditions were in their favor and they gained a decided advantage. In the Senate the vote stood twenty-three yeas to twenty-one nays. It was carried only as a war measure. There was an effort to limit the usurers' privileges to the war and one year after its close. This was not successful, but their loan was confined to the war debt, and their time to its payment, limited to twenty years.

This action caused great distress and dark forbodings of evil to many of the thoughtful. It was setting aside the policy of the nation, which had been generally acquiesced in as wise and judicious and safe for many years. The old patriot Thadeus Stevens, in the opening of a speech in a preliminary skirmish between

patriotism and usurers, said: "I approach the subject with more depression of spirits than I ever before approached any question. No personal motive or feeling influences me. I hope not, at least. I have a melancholy foreboding that we are about to consummate a cunningly devised scheme, which will carry great injury and great loss to all classes of people throughout the Union, except one." Later he said, in excuse of the action, "We had to yield, we did not yield until we found that the country must be lost or the banks gratified, and we have sought to save the country in spite of the cupidity of its wealthier classes."

The usurers have never relaxed the hold they secured by this victory, and have since been continually increasing their power. They obtained an extension or "refunding" of the war debt, and a renewal of their charters by the general laws, so their hold is indefinitely extended. Bonds are no longer limited to the covering of war expenses, but are issued freely in times of peace. The traditions of the fathers have been cast to the winds, and their fears derided and their policy changed. The usurers have been firmly in the saddle for many years, and have defeated every effort that has been made to unseat them.

The great debts of the nations have brought all mankind into subjection to the usurers. Those who hold the bonds have the destinies of the race in their hands. They pervert the ends of government; the

protection of life, liberty and the highest good of all the people; they make governments their tools to gather and appropriate the earnings of the many.

They have exalted Mammon upon the throne of the world, and scoff at the God of heaven, who seeks the poor and needy, and who would in love lift up every son and daughter of the whole race.

Milton presents Mammon as one of the devils cast out of heaven with Satan, and as saying in the council of the demons, "What place can be found for us within heaven's bound, unless heaven's Lord we overpower? . . . How wearisome eternity so spent in worship paid, to one we hate."

The reign of Mammon subordinates character and virtue and liberty and human life to sordid gain, yet he holds the scepter of power.

He elects legislators and senators. He elects governors or directs their arrest if they refuse to obey him. He elects presidents and dictates their policies. He places kings on their thrones and holds them there while they do his bidding. He strips a Khedive of power, and yet retains him as a collector of revenue. He steadies the Sultan's tottering throne, and compels six great Christian powers to stand by in silence while humanity is outraged. The Armenian's blood must be permitted to flow because the persecution is by a great servant, the Sultan, who pays interest on bonds, and his victims are only freemen. The murder of one hundred thousand Armenians

meant nothing to Mammon. But when the Cretans were persecuted by the same Sultan, the suffering and bloodshed was soon ordered stopped by these same six powers, at Mammon's command. The Cretans were servants of the common master; the Cretan bonds were endangered. The cry of suffering humanity came up to deaf ears, but the cry of endangered bonds was heard from afar by this reigning god of wealth.

The little republics of Africa were freemen, and therefore Mammon sees them strangled with indifference. Mammon gathers the civilized nations around China and demands that she shall be enslaved by all the bonds she can safely carry or submit to vivisection and distribution.

This enslavement of the race is not by the destroying of intelligence, nor by denying the first principles of civil liberty, nor by crushing the aspirations for freedom, but by producing conditions that make the application of these principles and the exercise of freedom impossible. Though the race may increase in intelligence and theoretically have correct views of personal freedom and civil liberty, yet the conditions produced necessarily by usury utterly prevent their realization. The intelligence and aspirations of the race never were higher than at present, their subjection and subordination to material wealth was never more complete.

The scepter wherein lies Mammon's power to sway the nations is usury. When bonds bear no increase his sovereignty is gone. All motive to involve the nation in debt at once disappears, and the power to control is lost. Moses' law was divinely wise that forbade interest, that his people could not be enslaved and might remain a free people forever.

CHAPTER XXXI.

EFFECT ON CHARACTER.

The greatest factor in life in all ages is not material wealth, nor social position, nor genius, nor education, but character. Since man is above things, the highest purpose is not the gathering of that beneath him, but the developing of the best and noblest that is in him.

The highest possible purpose and work is the developing of virtuous manhood.

This was the thought of our fathers when they came to these shores and built their homes and established the free institutions which we now enjoy. They sacrificed material advantages that they might be free men and secure for themselves and for their children the opportunity to reach in faith and practice the ideal manhood.

No material advantage can be regarded with favor that is detrimental to the characters of men. Position, wealth, education, are worse than worthless when associated with a corrupted manhood.

> "Ill fares the land, to hastening ills a prey,
> Where wealth accumulates, and men decay."

The test of truth is its developing of the virtues and graces. Falsehood is detected by its quickening

the vices that degrade and destroy. "By their fruits shall ye know them."

Virtues are linked together so that the promoting of one gives strength to the others. All vices are also so linked that the stimulating of one quickens other vices.

Virtues and vices are opposite, so that the encouraging of a vice or fault discourages the opposing virtue. When you discourage a virtue, you encourage a vice.

The old-fashioned virtues which our fathers prized, and which they regarded essential elements of worthy manhood, were industry, and honesty, and self-reliance, and brotherly sympathy, and the devout recognition of God's divine sovereignty.

1. Usury discourages industry and encourages idleness. The laborer is stirred to diligence when he gets good wages. When his wages are meager he becomes discouraged, relaxes his efforts and may abandon his work altogether. When he knows that he is receiving less than he is earning, and that a part of his earnings are appropriated by another, he is embittered and becomes indifferent. When he receives all he earns, and the more diligent he is in his work the more he receives, he is stimulated to the utmost.

This will be especially true if it is made impossible to secure a gain without earning it. The benefit of full wages may be largely lost by the knowledge of

persons who, without productive effort, are appropriating the earnings of others. The influence of their easy, indolent lives may destroy or counteract the beneficent influence of good wages. The laborer may be led to despise his well-paid tasks and yearn for their ease, and thus become indolent.

One is encouraged to idleness when he discovers that he can secure his bread by the sweat of another's face. He is likely to relax his efforts if he does not forsake all personal productive occupations. He may give great care and the closest attention to the management of his wealth, loaning to others and collecting the increase, but not to productive industry.

There are activities that look like virtues, but they are perverted efforts. The slave-driver may work as hard as the slave in his efforts to appropriate the earnings of others. The thief may work in the night and endure more hardness to secure the property of another than would be necessary to honestly earn it. The usurer may give his thought, night and day, to the placing of his wealth the most securely and at the best rates of interest, and at the same time abandon all effort in the direct management of useful productive enterprises.

The complete result of usury upon the habit of industry can be realized in those who have grown up under its influence; those who have an income secure from invested funds. When there is no need, present nor prospective, there is no motive to active industry,

and the love of ease and pleasure grows and drives out all heart for productive effort.

The industrious habit coupled with economy is called thrift. It is not parsimony or unwillingness to give, but a disposition to save. Our Lord, who was the prince of givers and inculcated unlimited giving among his followers, gave a lesson in thrift when he said after his miracle, "Gather up the fragments, that nothing be lost."

Enforced industry and economy is not thrift. When by low wages or grinding conditions the necessities of life are with difficulty secured, the very opposite disposition may be cultivated. When the external restraints are removed, the wildest extravagance may be indulged in. This is sometimes given as an excuse for low, grinding wages; that "the workmen and their wives have no idea of saving;" that higher wages would be wasted in foolish extravagance.

No one in normal conditions will be wasteful of that which has cost him hard labor. His care for it will naturally be in proportion to the effort that was necessary to secure it. Those who waste the wealth of the world are not those who by the sweat of their faces have produced it. The habit of thrift comes from the knowledge of the value of a thing, learned by earning it. Only that which comes without effort will be spent without thought. Those who have livings secured from the increase or interest of "pro-

ductive" capital, having no need of industry, are wholly occupied with the spending; but in spending only, the value of the thing spent is not appreciated, the habit of extravagance grows and they become the idlers and the spendthrifts of the world.

2. It prevents open and frank honesty. When the thought is turned to an endeavor to secure a dollar that is not earned, there is secretiveness of purpose and inward guile. No person doing business on borrowed capital advertises the number and amount of his loans nor does he welcome inquiry by others. In a column of advertisements by money lenders in a newspaper lying on this table every one promises "privacy" or "no publicity." No one can be so open and frank as the one who earns every dollar that he receives or seeks.

The possibility of speculation is ruinous. The first step in the wreck of integrity in a young man's character is when he becomes absorbed in some scheme by which he can secure gain without honestly earning it. Lotteries are outlaws not only because they defraud but they undermine integrity and honest industry.

When property earns property, and the gain is secured with no struggle on his part, the temptation is presented and the disintegration of his character has begun. When there is no gain except by production, the whole thought and energy of the man is directed to that end, and his desire to secure that

earned by another is restrained. The frank, open disposition is preserved. Honest productive toil drives out the spirit of speculation. Under usury, both lender and borrower are in the attitude of expectants of unearned gain.

3. It discourages the spirit of self-reliance.

Usury causes a broad separation between a man of property and the man of mere muscle or brain. It makes such large combinations of capital possible in immense shops and department stores and other enterprises, that the individual workman is belittled. Under the principle of usury, property can produce as well as brain or muscle. One having property can control both.

His property places him in a position as a superior. He comes to forget the relations he bears to men as equals, and requires that those who have only their natural gifts shall be cringing supplicants before him or be denied his favor. The borrower or the laborer who asserts his rights is endangered by the man controlling property, who has him in his power.

That independent, self-reliant spirit, that looks every man in the face as an equal yet lingers in the country among the hills and mountains, but is fast disappearing from the city. There has come to the laborer in the town or city a feeling of dependence upon others and a desire to secure their favor. They almost feel that they must apologize for being laborers, and beg for an opportunity to earn a living in

some one's employ. One of the saddest facts, and most threatening of disaster in these present commercial conditions, is the common desire to be employed, to get a job, dependent on the whim of another, instead of a determination to direct one's own labor and be the manager of one's own business. The sound educational development is wanting in the daily occupation of the hired laborer, and there is a loss of manhood that has no compensation.

The independent spirit slips away so gradually that its going is scarcely noticed, but when once gone the degradation is complete.

A family of free Hebrews went down into Egypt, and for a long time was in favor with the rulers, but they gradually lost their independence and became more and more servile and cringing until the Egyptian masters dared to go into their homes and pick up their boy babies and take them out and drown them as if they were worthless puppies.

The hopelessness of the Ottoman Empire today is more in the cringing subordination and broken spirit of the people than in the oppression of the Sultan. His government might be overthrown in a day, but it would take ages to lift up that empire of prostrate slaves and to cultivate in them the self-assertion and self-reliance necessary to a free people.

Every man who loves his country and his race must view with alarm this growing feeling of subordination and cringing disposition. It is the very reverse of

that democratic spirit or consciousness of equality that must prevail to secure the permanency of our republican institutions.

4. It destroys fraternal sympathy. Two classes are found in every modern community. The one is the laborers with muscle or brain, the other class, those whose property produces for them. Between these classes there is a great wall fixed. It cannot be expected that they will mingle harmoniously and be in sympathy in civil and social relations. Producing and non-producing classes can never be congenially associated.

The question is frequently discussed in church circles, "How can the laboring man be attracted to the churches?" The discussion often presumes that the non-laboring man does find the church congenial. If he does, all efforts to win the other class will be in vain. The church itself needs to correct its teachings and reform its spirit.

The moral law commands "Six days shalt thou work," and there is no release because a man has property. So long as a man has brain or brawn he is bound by that law. If he is not, he is not a moral man, and has no rightful place in the church of God. Honest, upright, industrious Christian men, engaged in all lines of production for human needs, may be congenial and co-operate most harmoniously, but they never can be made comfortable in association

with those who are unproductive and idle, yet living in luxury.

5. Usury promotes that "Covetousness which is idolatry."

"As heathens place their confidence in idols, so doth the avaricious man place his confidence in silver and gold. The covetous person, though he doth not indeed believe his riches or his money to be God, yet by so loving and trusting in them, as God alone ought to be loved and trusted in, he is as truly guilty of idolatry as if he so believed."

Idolatry is the act of ascribing to things or persons properties that are peculiar to God. The principal objects of worship are those things which bring to men the greatest good.

The sun has been the most general object of idolatrous worship in all the ages. It is the most conspicuous object, and is the source of light and heat, and rules the seasons. Its worship was so general that the Hebrew people, when they lapsed from the worship of God, turned to the worship of the sun or Baal. No natural object is more worthy of worship. Job declaring his integrity and freedom from idolatry, said that he had not kissed his hand in salute of the sun in his rising.

The river Nile was an object of idolatrous worship for ages. Its source was a mystery, and its annual rise in its rainless valley was so beneficent, that it was given the worship which belonged to the Divine

alone. All the hope of the harvest depended on its annual overflow. It moistened and fertilized and prepared the ground, and then receded until the harvest was grown and gathered. Moses showed the Egyptians the impotence of their idols by making this chief idol, and the things that came out of it, a curse. The cow was worshiped because it was the most useful and necessary of their animals. A real or supposed power to give or withhold favors has been from the beginning the source and spring of idolatry.

Riches, property, as the means of supplying our needs, is an object more coveted than any other. The principle of usury greatly aggravates this tendency. The principle of usury makes it imperishable; it can be perpetuated, unimpaired from year to year and from age to age; it is a constant source of benefit; it is productive of all that is necessary to supply human needs.

It supplies, too, without effort on the part of the recipient. The sun, with his light and heat, makes the labor of the farmer successful. The rising Nile moistening and fertilizing the land, prepares the way for the sower. The cow draws the plow and the harrow, and threshes the grain, but usury makes property bring all needed material good without effort on the part of the owner. It brings him the matured fruits of the farm, though he neither plows or sows nor reaps. No labor on his part is needed. His property clothes and feeds him, and yet does not

grow less, but is endowed with perpetual youth, ever giving yet never exhausted or diminished. He may die, but his idol knows no decay, and may continue to bless his children through the generations. This quality of riches makes them a greater source of blessing than the sun or any other object of idolatrous worship. This leads to unlimited self-denial and sacrifice to gain and retain property. The devotees subordinate their own ease and physical comfort, their own intellectual development, to secure it, they will themselves shrivel in body and soul; like other idolaters they will even yield the highest interests of their children, when this idol demands their sacrifice.

6. It destroys spirituality. Property is matter and not spirit. With the thought and heart and effort directed to a material thing, the spirit is neglected. The heathen Greek artist directed his whole attention to the material part of man. The symmetry of the human physical form was his study. The perfect man was the most symmetrically developed specimen of physical form. His thought of man was matter. The Christian directs his thought to the spirit, his mind and heart, his noble purposes, and all the qualities of true manhood. The material part is subordinated to the spiritual.

The tendency now is to appreciate a man for what he has rather than for what he is, to ignore both symmetry of form and the graces of the noble character,

and to worship what he holds in his hands. The truly spiritual loves true manhood and is indifferent to the possessions.

If a noble soul is found in a Lazarus, the true child of Abraham will take him to his bosom. A perverted manhood will receive no favor though clothed and surrounded with all material splendor.

It destroys spirituality, too, because it holds the mind to a material thing as the source of all good. The spiritual man rises to the true source of our blessings, the author of all temporal good, from whose hand every living thing is fed.

This, as all idolatry, leads to a breaking away from the restraints of the moral law. The devotion to the material leads, logically and practically, to a neglect of the restraints of the spiritual, and a preponderance of subserviency to the material. Practices that will promote the material are indulged though the moral law may be broken. The material is not held subject to the needs of the higher nature, nor subject to the promotion of the kingdom of God, but man's noblest gifts and the worship of God are all made, if possible, to minister to the material interests.

To break this idol's power, the true nature of property must be shown. It is not immortal, but perishable. It can not preserve itself, but must be carefully preserved by man's own effort. It can not protect him, but he must protect it. It is but a thing which man has himself made. It must be shown absurd, as

Isaiah ridiculed it, "They worship the work of their own hands, that which their own fingers have made."

Other forms of gross external idolatry are exposed by the advancing light of these progressive years, but this musty old form has taken new life and now receives the service of the race. The whole world is running pell-mell after this idol. It stands in the market places, it is not a stranger in the courts of justice, and is in high favor in legislative halls. Solon is relegated and Croesus is elected.

It is given a high place in the temple of God. Pious Lazarus is neglected but Dives is promoted.

"What agreement hath the temple of God with idols?"

Until this idol is cast out the church will and must languish. Spiritual life will be low and fervor impossible.

CHAPTER XXXII.

AX AT ROOT OF THE TREE.

It is easier to cut down an evil tree than to climb up and lop off it branches; besides the branches will grow again if the stock is left undisturbed. It is easier to destroy the mother of vipers than it is to chase after, catch and kill her poisonous progeny. The reptiles will not become extinct while the mother is left to breed without restraint. There are a large number of industrial and financial evils that derive their strength from usury, which have received the close attention of benevolent reformers, but they have not exposed the cause, nor have they suggested a sufficient remedy. That the evils exist is apparent to them all, but they seem too high to reach or too swift to be caught.

It is only possible to hint at the prevailing evils in one chapter. It would require a volume to discuss them in detail and to apply the remedy.

1. There is a tendency to divergence in the material and financial conditions of men. Some are growing richer, while others are growing poorer.

The prayer of Agur, "Give me neither poverty nor riches," is the prayer we should offer and the prayer we should try ourselves to answer. We are to seek freedom from poverty on the one hand and from

ensnaring riches on the other. This is the condition we should try to secure in the community and in the commonwealth. We should discourage excess of riches and we should endeavor to relieve all of distressing poverty. We should hedge about accumulation with such conditions as to make it very difficult to gain great wealth, and at the same time we should so ease the conditions of accumulation that only gross indolence or great misfortune could cause dependent poverty.

The so called middle class are those who neither have great riches nor yet are they in fear of want. The great mass of our people belonged to this class until very recent times. Now we find the excessively rich have multiplied and a vast number of our industrious, honest and virtuous population are struggling for life's necessities. The middle class is less numerous while both those in opulence and those in poverty have been increasing.

We should level up and level down to the medium which is best for the development of the highest manhood and best also for the strength and perpetuity of our republican institutions.

The rich should be limited in their accretions while the poor are lifted out of their poverty; but how can this be accomplished without interfering with individual liberty and our personal rights? The problem is not easily solved. While usury remains, which is an ever active centralizing force adding wealth to wealth,

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

no remedy can be found. Do away with usury, and the evil is overcome.

(a) When it is recognized that vital energy alone produces all wealth, no great fortune can be gathered in the life time of one man. The earnings of any life, however long, or the earnings of a succession of industrious, energetic ancestors, could not amass a fortune to interfere with the rights and activities of others.

One may inherit a large fortune from wealthy kindred; he may discover a fortune; he may draw a grand prize in a lottery; he may as a Turk seize the properties of others and then bribe the courts to confirm his claims; or a people may be "held up" by law and one, selfish and conscienceless as a ghoul, may jump at the opportunity and appropriate their earnings and their property and yet the robber keep out of the penitentiary; but no one, however great his skill or brilliant his genius, can earn one million dollars, nor the tenth of it, in his natural life. To gain one million dollars one must earn twenty thousand dollars each year for fifty years and save it all. He must spend nothing for pleasure nor benevolence. He must spend nothing for food nor for clothes.

(b) Wealth decays unless cared for and preserved. As wealth increases, the task of protecting and preserving it increases. There comes a time when production must cease, and all energy will be required to preserve that already gained. When others pre-

serve and pay a price for the privilege, as in usury, the vital energy can continue production, indefinitely.

(c) Abolish usury and the instant one ceases to produce he begins to consume that which he has earned. He can not live upon the increase of his earnings, but he must begin at once to diminish the supply. Exacting usury he may consume only the increase and preserve the principal untouched. He may not consume all the increase and add the remainder to his capital and thus grow richer in decrepit age. Many of those who have not inherited wealth, have not been wealthy until advanced age. It came to them by the accretions of interest after the productive period of life was past.

(d) It is not possible to secure perfect equality of conditions. If all wealth was equally distributed today differences would begin to appear tomorrow. This has seemed to some disheartening and they abandon all hope of correcting the evil. They should look deeper and promote the natural and God-ordained remedy.

The natural force for the preservation of the level of the ocean is gravity. But the surface is seldom smooth. The winds lash it into fury and pile high its waves, but gravity pulling upon every drop of water tends to draw it back to its place and smooth down the surface again. The wind cannot build permanently a mountain of water in the ocean.

The consumption and decay of wealth tends unendingly to equalize the conditions of men. In the wild rush of the struggle for supremacy and gain, like a whirlwind in the affairs of men, with their diverse gifts and tastes and plans, there will be inequalities appearing, but consumption and inevitable decay are ever present leveling powers. Usury suspends this beneficent law and aggravates the evil, making the differences in condition permanent and increasing them.

Do away with usury and there is a natural limitation to riches. The rich will find that he can not grow constantly richer; not because he is by statute deprived of any personal rights, but he is hindered by the natural law embedded in things by the Creator.

Do away with usury and the problem of poverty is solved. If we credit vital energy with the increase of wealth and give the laborer all he earns, he has a fair and equal chance, and equity requires no more. It is justice and opportunity, a fair chance, that the poor need, not pity and gifts of charity.

2. Great combines of capital in business and especially in industrial trusts are receiving the closest attention of the thoughtful. Some regard them as the necessary result of successful and enlarging business. Many others regard them as hostile to the public good and are anxiously seeking a means of restraining their great and increasing power.

These were at the first associations of manufacturers who co-operated to maintain prices. In the competitive system there is a constant pressure on the part of the consumer for lower prices. The manufacturer who is conscientious and a model employer, seeking to maintain prices sufficiently high to afford him a profit and living wages for his employes, must ever be resisting this pressure. They united for this purpose and were benevolent and just in their design. But the manufacturers were paying tribute on borrowed capital. They must meet the demands of interest on their debts and also the wages of their workmen. Between these two they struggled to secure for themselves comfortable wages. The capitalists, seeing the advantage of this co-operation and the resultant profits, undertook and accomplished the combination of their capital to secure for themselves the profits at first sought for the operators and their employes.

These great combines are the natural result of successful business with the practice of usury. They threaten evil.

The purpose and plan of the present trust is to increase the increase of the capital; to make the capital more productive;" to bring larger returns for the wealth invested.

(a) They are not organized for the benefit of the laborer. The object is to decrease the cost by producing with less labor. The less the labor, other things

being equal, the greater the returns for the capital invested.

(b) They are not organized for the benefit of the consumer. When they do favor the consumer it is only incidental and generally temporary to meet competition. They make no pretence of being benevolent in their purposes. They are organized for the purpose of business gain.

(c) These capitalists combine their interests because they can thereby secure a greater return from their investments than they can by operating separately. They combine that they may mutally increase the rate of interest or dividends on their capital. This is the motive that draws them into coöperation.

The learned and benevolent statesmen, teachers of economy and reformers, have not suggested an adequate remedy. The remedy is not far to find. Do away with usury and they will fall apart like balls of sand; the cohesive power will be gone; the centralization will cease and the wealth will speedily return to the various individuals from whom it was gathered. This remedy may seem heroic, but it is a specific and is the simplest of all possible methods.

3. How to secure a just distribution of the great advantages from improved machinery, new inventions and new discoveries, is a problem that is engaging the best thought of many of the wise and good. That the present distribution is inequitable

and unfair; that it gives the capitalist an undue advantage over the laborer; that it aggravates the difference in conditions, seems generally admitted.

An improved machine, owned by a capitalist, enables one man to do the work that formerly required ten. One man is employed and the nine are in competition for his place and there is no advance over the wages before the machine was introduced. The owner of the machine secures the gain. His wealth is greatly increased while the laborer plods on with his old wages. With the new machine the one man produces what ten men did before, but the product of the nine are credited to the machine and becomes the capitalist's gain.

(a) The falsehood on which this claim rests must be seen and rejected before the evil can be overcome; that the machine is productive. It is but a tool in the hands of the one man, who now with it produces as much as ten men did without it. If one does the work of ten he earns the reward of ten. Because by this machine he multiplies his strength, and adds to his efficiency, he can not justly be deprived of his full reward.

(b) "But the machine is owned by another." His not owning the machine does not change its nature and make it a productive force. Whether it belongs to him or to another, it is his intelligent vital energy that produces all that is produced. The machine is but his tool with which he works.

(c) "But the machine must be paid for." Certainly, the inventors and skilled mechanics, who produced this wonderful tool, should be fully compensated, but once paid they have no claim upon it or on what another may produce with it. No honest workman objects to paying a good price for good tools. It is not the purchase of tools by one set of workmen of another that causes the unequal conditions.

(d) It is the usurer or interest taker that perverts the conditions.

He lays hold of those great inventions and discoveries, like railroads and telegraphs and telephones, and demands a perpetual compensation. He asks that the laborer shall be forever buying his tool, yet it shall be never bought, that the public shall be forever paying for privileges and the obligation remain forever unmet. This is but one of the forms of usury, by which wealth is heaped from the earnings of the many.

4. The difficulties between employers and their laborers do not cease. The continued strikes and lock-outs show how general and deep the trouble is. Laborers organize into unions to protect themselves from discharge and to promote their interests. They ask for better wages and shorter hours. They urge their petition with forceful arguments; they make demands with an implied threat; they stop work or "strike." Then follows a test of strength and endur-

ance in which both parties greatly suffer and both are embittered and neither is satisfied.

The correction of this common evil has received close study from those who have the welfare of all classes at heart and wish to be benefactors of the race. The remedies have not been thorough but superficial, and the benefits temporary. The branches have been cut off but they grow again.

(a) The complaint of too small wages implies that more is earned than is received; but there is no standard recognized by which what a man does earn can be measured. The capitalist claims the output as the earnings of his capital and his claim is allowed by the workmen. The workmen may claim that wages are too small for a comfortable living. This is not a plea of free workmen, but of slaves begging to be better fed.

(b) They may complain of too many hours of labor; but the number of hours of labor is arbitrarily fixed. There is no valid constant reason why one should wish to work less. In the management of one's own work, and the collection of his own earnings, there are times when long hours, of the strain of labor, are necessary, and there are other times when ease can be taken. With no standard of earnings or time, it is impossible to arrive at a just and satisfactory settlement.

The reasons given sound to the employers like the pleadings of servants for richer food and more play.

(c) The laborer should find a solid basal reason for his demands. That will be found only in the utter rejection of the theory and practice of usury.

The selfishness of human nature will remain; conflicts between men in all conditions and all businesses will remain; feuds and rivalries will remain; but when employer and employe are enabled to see that capital is dead, and decaying, and that all the earnings above its preservation belong to the laborers, there will be a recognized and true basis upon which the rightful claims of each can be adjusted.

(d) In a co-operative shop, where the workmen are the owners, each receives his share of the gains. With usury done away it is possible for workmen, who are poor, to ultimately become the owners, by the accumulation of earnings, but under the pull of the usurers, continually appropriating the earnings, they are doomed to hopeless poverty.

5. There is a widespread determination to overcome the evil of war. Non-combatants are numerous and peace societies are organized in all lands. Their literature is widely distributed and their petitions, for the preservation of peace, are poured upon every "power" that is thought to have an occasion, or a disposition, to engage in warfare. The waste of treasure and blood, the cruelties and suffering that are a military necessity, are pleaded in favor of peace. The shame of intelligent rational men settling differences with brute force is presented.

The unchristian spirit, that in this age of light and saving grace should be so wanting in brotherly love as to wish to destroy those who harm us, is deprecated.

When differences do arise between nations, they urge a just settlement or mutual concessions. Or if one is found to be unreasonable, unjust and oppressive, it is better and more christian-like, they claim, to endure hardness, submitting under protest, than by force, which the Master forbade, attempt to establish righteousness.

Rulers of the greatest nations on the earth have become conscious of the cruel burdens upon their people, in the support of their great armaments. On the invitation of the Czar of Russia, peace commissioners from many nations recently met in The Hague, to devise means by which the burdens of armaments might be diminished and actual warfare avoided. This peace council advised that differences be submitted to arbitration, but while it was yet speaking two Christian powers, began open war, without having so "decent a regard to the opinions of mankind" as to make known to the world the cause of their conflict. Wars continue, and among the most highly civilized and enlightened and christianized, in the face of the arguments and advice and pleadings of non-combatants and peace societies and peace commissions.

Mammon, a sordid greed of gain, is now on the

world's throne and directs the movements of the nations in peace or war.

His purposes may be often accomplished in peace by purchases of territory for which interest bearing bonds are issued. The irritation or hurts between peoples may be molified and healed by indemnities, which also serve his purpose because they necessitate the incurring of a bonded debt, interest bearing. But the history of the world for centuries proves that a condition of war is Mammon's opportunity to foist a debt upon a free people and to increase the burden of those whose bonds he already holds.

His ears are deaf to advice and reason, when material and commercial advantages are to be secured. He cares not for human suffering and shed blood, if riches can be increased. When concessions can be secured, and mortgages placed, and a people exploited with profit, the cry of suffering, the pleading for pity and the call for justice are all in vain.

To stop these modern wars they must be made unprofitable to Mammon. When they are made to deplete his treasury and to waste his wealth, instead of increasing it, he will call a halt in strife, and the gentle spirit of peace will be permitted to hover over the nations.

Away with national debts and interest bearing bonds, which are the delight of the usurers. Make present wealth bear the burden of present duty. Try the patriotism of the usurers by making war a real

sacrifice of their wealth, while the blood of others is being poured upon the field. Do not permit war to be an advantage to the rich to increase his riches. A patriot's life is given and it goes out forever, let wealth be no more sacred than life; let it not be borrowed but consumed. Let the rich grow poorer as the war goes on, let there be a facing of utter poverty, as the patriot faces death on the field.

While Mammon is permitted this usury, his chief tool, he will use it for the oppression of the world. He will direct the movements among the nations to further his ends, although it may require a conflict between the most christianized and enlightened of the earth. The nations will be directed in peace or put in motion in war to make wealth increase.

Give wealth its true place as a perishable thing, instead of a productive life, and wars will cease in all the earth. The holders of the wealth of the world will never urge nor encourage war, when the property destroyed is their own and not to be replaced. When wars are no longer the usurer's opportunity, but the consumption of his wealth, Mammon himself will beg that swords may be beaten into plow-shares and spears into pruning-hooks.

CHAPTER XXXIII.

PER CONTRA; CHRISTIAN APOLOGISTS.

Every argument favoring the continuance of the practice of usury can be met from the propositions established in the preceding chapters. Indeed, there are no true arguments to be presented in its favor. Truth is consistent with truth. We are not placed in a dilemma and compelled to decide which are the strongest of the arguments arrayed against each other. We are not deciding which is the greater of two blessings nor which the less of two evils, but this is a question of evil or good, of sin or righteousness. If usury is wrong then every argument brought forward to support it is a falsehood, though it may be covered with a very beautiful and attractive and plausible form in its presentation.

1. The old Wilson Catechism published in Dundee in 1737 is perhaps the most familiar defense.

"Q. Is the gaining of money by usury unlawful?
"A. Yes, Prov. 28: 8. Psalm 15: 5.
"Q. What is usury?
"A. The taking unlawful profit for money that is lent out.
"Q. Is it lawful to take any interest or gain for money lent?
"A. Yes, when it is taken according to the laws of the land, and from these who make gain by it, by trading or purchasing of lands; seeing it is equally just for the owner of money to ask a share of the profit which others make by it, as for the owner

of the land to demand farm from the tenant of it, money being improvable by art and labor as well as land.

"Q. What is the unlawful profit for money, which may be called usury?

"A. The taking profit for money from the poor who borrow for mere necessity, or taking needful things from them in pawn for it; or the taking more profit for any than law allows, as these who take ten, fifteen, or twenty in the hundred. Exod. 22: 25, 26. Deut. 24: 12, 17. Ezek. 18: 7, 8.

"Q. But were not the people of Israel discharged to take any usury or profit for lent money from their brethren? Deut. 23: 19.

"A. This law seems to have been peculiar to the Jewish state, and that in regard of their estates being so divided, settled, and secured to their families by the year jubilee, and their not being employed in trading or making purchases like other nations, so that they had no occasion to borrow money but for the present subsistence of their families. But for strangers, who had another way of living, the Israelites were allowed to lend upon usury, and to share with them in their profits, Deut. 23: 20, which shows that the taking of interest is not oppressive in itself; for they are frequently prohibited to oppress a stranger, and yet allowed to take usury from him. Exod. 22: 21, and 23: 9."

The reader will notice that the definition of usury is defective. The reader will also notice that there are no Scripture references given to prove that any interest can be taken. This is singular, since throughout the Catechism Scripture references are profuse in confirmation of the answers. If a single passage had been found that could be twisted into an approval the reference would have been given. He rests the permission to take usury wholly on human reason, though in direct opposition to the Scripture refer-

ences he had first given to prove that the gaining of wealth by usury was unlawful. He does not claim to get this answer from the Bible. He rests this answer on the law of the land and the purposes of the borrower, and says it is not worse than taking a rental for land anyway.

The questions with regard to the customs of the people of Israel are completely met in the Second and Third Chapters of this book.

Fisher, also, we find from his catechism published in 1753, thought it necessary to make some excuse for the custom in his time. High interest he finds condemned, but moderate interest he tries to defend.

"Q. 32. What is it to take usury, according to the proper signification of the word?

"A. It is to take gain, profit, or interest, for the loan of money.

"Q. 33. What kind of usury or interest is lawful?

"A. That which is moderate, easy, and no way oppressive. Deut. 23: 20, compared with Ex. 22: 21.

"Q. 34. How do you prove that moderate usury is lawful?

"A. From the very light of nature, which teaches, that since the borrower proposes to gain by the loan, the lender should have a reasonable share of his profit, as a recompense for the use of his money, which he might otherwise have disposed of to his own advantage. 1 Cor. 8: 13.

"Q. 35. What is the usury condemned in scripture and by what reason?

"A. It is the exacting of more interest or gain for the loan of money, than is settled by universal consent, and the laws of the land. Prov. 28: 8. 'He that by usury, and unjust gain,

increaseth his substance, shall gather it for him that will pity the poor.'

"Q. 36. How do you prove from scripture, that moderate usury, or common interest, is not oppression in itself?

"A. From the express command laid upon the Israelites not to oppress a stranger, Ex. 23: 9; and yet their being allowed to take usury from him, Deut. 23: 20; which they would not have been permitted to do, if there had been an intrinsic evil in the thing itself.

"Q. 37. Is it warrantable to take interest from the poor?

"A. By no means; for, if such as are honest, and in needy circumstances, borrow a small sum towards a livelihood, and repay it in due time, it is all that can be expected of them; and therefore the demanding of any profit or interest, or even taking any of their necessaries of life in pledge, for the sum, seems to be plainly contrary to the law of charity. Ex. 22: 25-28. Ps. 15: 5.

"Q. 38. Were not the Israelites forbidden to take usury from their brethren, whether poor or rich? Deut. 23: 19: 'Thou shalt not lend upon usury to thy brother.'

"A. This text is to be restricted to their poor brethren, as it is explained, Ex. 22: 25, and Lev. 25: 35, 36; or, if it respects the Israelites indifferently, then it is one of the judicial laws peculiar to that people, and of no binding force now."

In the answer to the 34th question he appeals to the light of nature. That light, as he interprets it, may be applied as follows. We follow his language closely and his argument perfectly.

From the very light of nature which teaches, that since the borrower of the hoe purposes to dig his own garden with it, the lender should have a reasonable amount of his garden dug, as a recompense for the use of the hoe, which he might otherwise have used himself to dig his own garden.

Fisher confirms his conclusion with a Scripture reference but it is so irrelevant that it would seem Wilson was wiser in omitting Scripture reference altogether. 1 Cor. 8: 13, "Wherefore, if meat make my brother to offend, I will eat no meat while the world standeth, lest I make my brother to offend."

The only explanation the writer ever saw or heard of, that was seriously made was this: "If using my brother's money without interest offends him, then I will never while the world standeth accept his money without interest lest I make my brother to offend." If this is the intended application then it may be further applied. If using a brother's money at six per cent. offends him then I will surely give him ten per cent. lest I cause my brother offence. Could there be a more absurd application of a Scripture passage?

The later theologians have seldom mentioned usury and none have discussed it at any length, and no divine to our knowledge has undertaken a defence. The "Systematic Theology" of Dr. Charles Hodge is perhaps the most elaborate and exhaustive. He does not more than refer to usury; he does not even mention it by name. But in his discussion of the violation of the eighth commandment, he ridicules the idea that "a thing is worth what it is worth to the man who demands it." He says: "If this be so, then if a man perishing from thirst is willing to give his whole estate for a glass of water it is right to exact that price; or if a man in danger of drowning should offer

a thousand dollars for a rope, we might refuse to throw it to him for a less reward. Such conduct every man feels is worthy of execration."

He closes the discussion of the eighth commandment with this significant and emphatic sentence: "Many who have stood well in society and even in the church will be astonished at the last day to find the word 'Thieves' written after their names in the great book of judgment."

2. "To prohibit usury is revolutionary."

Revolutions are not necessarily evil. They have been justified in all the ages to overthrow tyranny and oppression and to secure freedom and establish justice. Oppressors and evil-doers in power have ever been anxious to maintain the "statu quo": that is, to be let alone. The "Man of Galilee" is the prince of revolutionists. He has overthrown and turned down the civilizations of the world and has brought in his own, called by his name, Christian civilization. His followers were revolutionists. The idolatrous craftsmen of Ephesus, not wishing to be disturbed in their profitable business, in order to defeat the work of Paul and his associates, raised the cry of revolution. "These that have turned the world upside down have come hither also."

The things that are wrong side up must be revolved. When material things are found superior to true manhood and womanhood, they must be reversed. When the works of men's hands are given

a place above the hands that formed them, when the results of labor are given a place above the vital energy of the laborer, there is call for revolution.

But this revolution should be the most peaceful the world ever saw. This need not require the destruction of any property nor the shedding of one drop of blood. It need interfere with no man's rights nor enforce upon any man a burden he should not be willing to bear. A man is not interfering with the rights of another when he is paying his debts, and a man should not feel that there is placed upon him a burden he is unwilling to carry, when his own property is returned to him. Yet that is the ultimate, the extreme goal, to be reached by the abolition of usury; every man free from debt and every man caring for his own property.

3. "If usury is not permitted, the great modern enterprises are impossible."

A great modern enterprise that is not for the general good has no right to be. Splendid enterprises are often made possible by the sacrifice of the welfare of the many for the interests of the few. The splendid plantations of the southern states flourished in time of slavery, when the labor of many was subordinate to the welfare of one. They are not now possible; yet the present and future general good is better secured by the sacrifice of the splendid past. A splendid military campaign is only possible by the complete subordination of the many to the will and order of the

commanding head. One hundred thousand in an army is now receiving the attention of the world. One hundred thousand in happy homes are commonplace. The pyramids are splendid monuments, but they were not a blessing to the slaves, who built them.

Splendid enterprises in which the few command the many may be an unmitigated curse.

"Ye friends to truth, ye statesmen who survey
The rich man's joys increase, the poor's decay;
'Tis yours to judge, how wide the limits stand,
Between a splendid and a happy land."

No enterprise, however brilliant, can be in the model state, that blesses the few by the losses of the many.

Great and benign enterprises are possible without usury. There is no greater enterprise than the postal system in this land and extending to all the nations in the postal union. You owe it nothing; like poor Richard, "you pay as you go." It owes nothing, pays no interest and renders a great service for the small amount you pay. It is a standing illustration of the success of a strictly cash business.

The great benevolent missionary enterprises, that send their messengers to all lands, over the whole earth, receive and disburse the gifts of the benevolent. Their work is not interrupted, but continues from age to age.

The commerce of the world can be carried on just as effectively without usury. A mortgage does not

make a farm more productive nor does a bonded debt make a railroad or a navigation company more efficient. The railroads and express and telegraph and telephone and other enterprises are greatly hindered in the service of the public by the tribute they are returning to the usurers. Had this farmer not this mortgage he could improve his farm and bring from his land better results. Were it not for the unceasing drain upon the income of great enterprises to meet the interest on bonds, the properties could be improved and the public better served at greatly reduced rates. Indeed the most successful enterprises are now operated by the owners.

4. "It will be hard to borrow, if you will not pay interest."

It would be a happy condition if no one should want to borrow except in urgent need from an accidental strait; if that old independent, self-reliant spirit that refused to be indebted to any man could be universal, that preferred frank and honest poverty in a cabin, to a sham affluence in a mortgaged palace.

It should be hard to borrow, but easy to pay. Usury makes it easy to borrow, but hard to repay. Usurers even make it attractive and entice the victim into the trap of debt and then it is all but impossible to find a way out. An honest, industrious man of good habits must be ever on the alert or he will be entangled, sooner or later, with debts.

It will not be harder for an honest man, who is in

need, to borrow. He will not be able to borrow more than his need requires. The debt will not increase during the period of disability, and it will be easier to repay without increase. The usurer requires more than honesty for the security of his loan. The loan to him is precious seed, that must be planted where it will grow. To merely have the loan returned without increase does not meet his claim. To remit the increase, to make it easier for the poor debtor to pay, he would regard as a positive loss to himself and a gift to his victim. The usurer prefers rich debtors, who have abundant property to secure the loan and its increase.

There is a despised class of pawn usurers who prey upon the poor. They are regarded as robbers of the poor in their distresses, but their business would be impossible, were it not that all avenues of relief are closed by usury; "interest must be paid anywhere; why not borrow of them though the rates are high?" The moral quality of the act is the same; the difference is wholly in the degree of turpitude.

CHAPTER XXXIV.

PER CONTRA; LAND RENTALS.

"If no interest should be charged on money, then no rents should be collected."

The early Christian apologists for usury, who felt it imperative to explain why it was permitted and practiced among Christians, found few arguments. They all agreed that the letter and spirit of the Scriptures forbade lending to the poor, upon interest. They also found it impossible to show from reason the right of money to an increase, but as money can readily be changed into other forms of property, as lands, they reversed the arguments; beginning with the assumed premise that it is right to charge rental for lands, and as money may represent lands, it is therefore right, they say, to charge interest on money.

"It seems as lawful for a man to receive interest for money, which another takes pains with, improves, but runs the hazard in trade, as it is to receive rent for our land, which another takes pains with, improves, but runs the hazard of in husbandry."

True logic would have led them to reason forward from the truth they had determined; that there is no valid reason justifying interest on money. Resting on this truth, and then discovering that money may

represent lands, the necessary conclusion must be, that land rentals are without justice. Reversing the order of their argument, they assumed a false premise, and from it attempted to prove true the very proposition they had found to be false.

There is the usury of lands as well as of "money or victuals."

Forty years ago the Omaha Indians went across the river and cut some fine grass growing on open land, and carried it to their reservation. The owner of the land, living in a distant state, learning of this, claimed pay of the Indians and brought suit against them before the agent to recover it. The Indians admitted that they had cut and taken the grass; they also admitted its value. Their defense was that this man had no right superior to theirs. This was a natural growth that had cost him no labor, and they had not injured the land. Their speaker said, "If the man had dug the land and planted it in corn and hoed and tended the corn, the corn would have been his; but the Great Spirit made the grass grow and this man gave it no labor nor care; the buffalo or the cattle could eat it. Have we not the rights of the cattle? This man has no right to it."

The agent decided against them and compelled them to pay the man. They were much dissatisfied and felt they were unjustly treated and oppressed, because they had to pay that which the man had never earned. The red men were not versed in legal statutes

nor educated in the tutelage of usury, but it can not be denied that they interpreted very accurately the law written in the reason and conscience: that no man has any especial claim to that which he has not earned.

The convictions of white men, and their method of compelling absentee owners to pay for the increase in value of their lands, came under the writer's observation in a new settlement near the Indians' reservation. He found three poor families in a district. They had little land and extremely plain homes, but there was a good school-house and a good school and an expensive bridge had been built across a stream to enable one of the families to reach it. Enquiring how they could afford to erect such improvements and support such a school, they replied that the lands all around them were owned by absentees, speculators in the east, who were holding the lands for the advance in value, which they, in their struggling poverty, should make by the improvement of the country, when they would gather in an "unearned increment." They said they had the power to levy taxes for bridges and for schools and they had determined to make the absentees in this way compensate them, in part, for the increment they were earning for them.

The conviction of right and justice in the white settler did not differ from the innate and untutored argument of the Indian. The Indians felt oppressed because they were compelled to pay the man for what that man had never earned. The white settlers deter-

mined to thwart the purpose of the absentee owners to gain an increment from their sacrifice and labor.

The landlord has a right to all that he has produced. When he has cleared away the forest or broken up the land; when he has planted the vineyard and builded the winepress, he has a right to let this out to husbandmen to gather the fruits of his preparation and planting and to share with them in the proportion each has contributed to the production, but to hold all that he himself has produced and yet claim a part of the product of another, is usury. A farmer retires from his farm because no longer able or willing to continue its cultivation. He has an undisputed right to a full reward for all his own labor, and for all he has purchased from others that he leaves in the farm. There must be a compensation for the transformation of the wilderness into a farm at the first, for the fertility that may have been added to the soil, for the orchards, vineyards, houses, barns and every improvement he may have made and left on the farm. He has an undisputed right to all the labor remaining in the farm. If he sells he expects compensation for all this.

But if he sells, he must begin at once to consume its price, unless he becomes a usurer and is supported by the interest. If he does not sell, but retains his farm, he must also begin at once to consume the farm.

For him to demand of his tenant that the farm shall remain as valuable as when he left it, the soil not

permitted to become less fertile, the buildings to be kept from decay and restored when destroyed, the orchards to be kept vigorous and young by the planting of new trees and vines; in short, the farm to be preserved in full value and yet pay a rental, is usury in land.

The preservation of a farm or land and its restoration to the owner unimpaired after a term of years involves far more than persons not informed suppose. It seems to them unreasonable to farm a field and only return the unimpaired field to the owner.

While land is stable and possibly the most easily preserved of all forms of property, at least a thief cannot carry it away, yet the preservation of land involves great care and risk.

The taking of any crop from any land reduces its fertility. On the virgin, western fertile lands the farmers laughed at the thought that they should ever need to return fertilizers, but it was only a few years until they yearned for the fertility they had extravagantly wasted. Buildings inevitably decay and they may be destroyed by fire or storm. Orchards may be overturned by a cyclone or be destroyed by blight or by the thousand enemies of the various varieties of fruit trees. The land may be injured by washing that may require years to repair. A single storm has destroyed fields in this way that never can be restored. Noxious weeds take possession of land that can only be eradicated by infinite pains. In this state certain

weeds are declared outlaws and must be destroyed by the farmer for the protection of his neighors. The farmer in this locality must have an alert eye for Canada thistles and oxeye daisy. It often causes more labor to eradicate them than the land is worth on which they are growing.

If the annual renter was required to give bond for the return of the farm unimpaired, returning that which the crops and time must consume and destroy, taking all risks of every character upon himself, a thoughtful man, though poor and needing the opportunity, would hesitate. It might involve him in an obligation he could not discharge in his whole life through conditions and providences over which he has no control.

Practically in this country the owner renting a farm from year to year does consume it. It begins at once to decline in fertility, the improvements begin to fall into decay, weeds take possession, washes occur and are not repaired, and in a few years the half of the value is gone. The owner is fortunate if he has received in rentals sufficient to restore its former value.

Under a system of perpetual tenantry the case is different. If the fertility declines it is the tenant's loss. The improvements are his and may be sold as one could sell ordinary farm tools, but not to be removed. If they are impaired or destroyed it does not affect the annual rental.

The landed proprietor in city or country, who has permanent tenants, who are required to make every improvement and keep up perfectly the fertility, and who pay an annual rental, is in the same class as those who are receiving annual interest. The landlord practically holds a perpetual mortgage, and the rental is the interest or increase exacted generation after generation.

The debtor working under a mortgage is cheered by the hope that he may be able, some day, to lift it, but the perpetual tenant on entailed lands knows that he is doomed to hopeless tenantry. He can never own the land and he is in the power of the landlord, who is often oppressive.

Calvin, in his letter of apology for usury of money, speaks of the injustice of the landlords in requiring a rental for "some barren farm" and of the "harsher" conditions imposed upon the tenants. Indeed his whole argument, when summed up, is, that the usury of lands is more cruel and oppressive than the usury of money.

While it is not yet true in America, yet considering the landlordships of Ireland and Great Britain and the older countries, with their unremitted exactions, grinding the life out of their tenants for a mere subsistence, it is likely that the race is today suffering more from the injustice and oppression of usury of land than from the usury of money.

The land question is too large for one short chapter or for one small book. It requires more and deeper study than the subject has ever yet received. The ownership of lands cannot be absolute; it must be limited by the rights of those who live upon them, but the limitations have never yet been clearly defined. If a man has a right to live he must have a right to a place to live. If a child has a right to be born it must have a right to a place to be born. It cannot be that the mass of our race only touch the earth by the sufferance of those who claim to own it.

The unprecedented rapidity of the development of this country is owing more to its wise and beneficent land laws than to anything else. They are not perfect but the most favorable to the landless that the world has ever known. No landlordism, no binding up lands by entail to make it forever impossible to gain a title to a portion of the soil, but our land laws, wisely devised, gave hope of a home to the homeless everywhere. The result was that our people from the eastern part of our own country, and the landless from across the seas, swarmed over the mountains and filled the Ohio valley and pushed on to the great Mississippi and Missouri valleys, and in three generations have transformed this waste into happy homes. The possession of land, of a home, ennobles the character, produces a patriotic love of

this country and stimulates devotion to her institutions. The landless foreigner who makes here a home of his own is unwavering in his loyalty to the country of his adoption. Those foreigners, who do not fall in love with our institutions and do not become assimilated with our people, are tenants here as they were before they came here. They are not attached to our soil; they do not secure homes of their own and are therefore restless and a menace.

A dangerous tendency has been developing throughout our whole land in these later years. The usury of lands is on the increase, Tenantry is becoming more common on the farms in the country, while the mass of our city populations are living in rented houses or flats or crowded tenements.

The yearning for a home of one's own is deeply imbedded in human nature. To be denied the privilege of living in one's own house is one of the greatest trials of a life. This tendency to tenantry is not because our people have come to care less for a home of their own, but the conditions are not such as to make a purchase of a home profitable; the interest on the purchase price is greater than the usury of the land or rental. The natural and desirable state is for every family to own and occupy their home, and those conditions should be encouraged which make it

unprofitable for any one to own real property he does not himself occupy, and which make it easy and profitable for every family to own their own home.

When all lands are owned by those who occupy them, the prophet Micah's picture of the millennial dawn will be realized. Every man shall sit under his own vine and under his own fig tree and no one shall molest him or make him afraid, by demanding a rental or by serving a writ of ejectment.

CHAPTER XXXV.

PER CONTRA; POLITICAL ECONOMIST.

The students of political economy are not always reformers. It is not their purpose nor the object of their studies to transform society. They only endeavor to explain why things are as they are. They find the taking of usury all but universal, and they endeavor to give the reasons for the prevailing custom. The subject is usually but slightly touched upon and dismissed with a few sentences.

Few economists claim that interest or rental is a part of the cost of production. They mostly affirm that it is no part of production; that it is merely the price paid for the opportunity to produce. The lender of money makes a loan to the borrower and thus gives him a better opportunity to produce than he had before. The landlord for the rental withdraws his hand from over his land and gives the renter the opportunity to produce a harvest.

In justification, or at least in explanation of this exaction for an opportunity, three reasons are usually given. These may be briefly stated as risk, time and abstinence.

1. There is some risk in every investment. There is a possibility that the most honest, industrious and

careful debtor may by some misfortune not be able to return the loan and it would therefore be lost. To guard against this the usurer requires the rate of interest to be graded by the measure of risk.

This is claimed to be of the nature of insurance, the borrower paying the premium. The profits of insurance are secured by collecting a larger premium than necessary to pay all losses. On this theory, the gain of usury is in the excess that can be secured of increase over the amounts lost.

This is the reverse of insurance. Insurance is the payment by an owner of property to a company who guarantees its preservation. Usury is the payment by the company to the owner for the privilege of guaranteeing that he shall not suffer loss.

Business involves a risk usually covered by insurance, but no honest man expects to make a profit out of his insurance.

2. A loan is made for a more or less extended time. Time is therefore claimed to be a ground for usury charges.

This claim rests on the assumption that time will increase wealth. But time is the great destroyer; time does not make gardens and farms, but covers them with weeds and sends them back to a wilderness; time does not erect a house, but pulls it down; time does not build a city, but causes it to crumble and a few ages buries it under the dust; time does not "incubate

eggs, but turns them putrid; it does not transform into fowls. If eggs are developed into chickens the difference between eggs and chickens is the reward of the incubator."

Aside from the spirit of benevolence and sympathy with the needy there are three selfish reasons why a time loan may be made. First, the owner has no present need of it and wishes to be rid of its care. Second, the owner shall need it at a distant date and he wishes it preserved intact against that time. But these afford no ground for a charge of increase. He who stands and resists the ravages of time until the day it is needed does a positive service and deserves a reward. Third, the lender wishes to appropriate the earnings of another during the period of time given. This is the usurer's reason, and were it not for this time would lose its importance as an element; it is certain that long time loans would not be so attractive.

3. "The reward of abstinence" is a reward for refraining from consuming one's own wealth.

"You can not have your cake and eat it. If you do not eat it, you have your cake, but not a cake and a half. Not a cake and a quarter tomorrow, dunce, however abstinent you may be, only the cake you have, if the mice do not eat it in the night."—Ruskin.

The usual illustration is that of Jacob. He practiced abstinence in refraining from eating the bowl of

pottage and giving it to his hungry brother. The reward of his abstinence was his brother's birthright. If I do not take my soup now it is a great favor to have it preserved for me and served later, not cold and stale, but fresh and hot. If I deny myself now, for any cause, I can ask no more than that my meal shall be served, perfectly, later. This was all that Jacob could in justice demand of Esau.

It should be remembered, that because Jacob took Esau's birthright, as a reward of his abstinence, he was accounted a robber, was compelled to flee from his home, and not for twenty years see his father's face; that the consciousness of this sin and of the merited vengeance of the brother, whom he thereby defrauded and whom he thought was on his track, caused that night of struggle when he could not let the angel go, until he had his promise of deliverance.

Abstinence, to be benevolent, must be an act of personal loving self-sacrifice for another. Benevolent abstinence is its own reward and asks no more. Abstinence in hope of gain, denying himself while another is using his wealth, cannot be regarded as an act of benevolence, but of a selfish grovelling greed; more gratified to see his wealth increase than to himself enjoy its use. That is the spirit of the miser and receives the contempt of all right thinking people.

That the political economists are right in their

analysis of the common thought of usury; that risk, time and abstinence are the elements of its basis in the popular mind, may not be denied, but if these are in fact the elements, then usury has no standing in equity and must be condemned by every enlightened conscience.

CHAPTER XXXVI.

USURY IN HISTORY.

It would require volumes to fully present the history of usury. A very brief summary must suffice in this place. Yet this synopsis may serve as a guide to those who may wish to pursue the investigation further and who have access to any considerable library of general and ecclesiastical history.

The exacting of usury has always been more or less practiced, and there has always been a contention against it as impolitic and wrong. In heathendom the philosophers and economists and common people were usually arrayed against it, and the voice of christendom has been practically unanimous in its denunciation until the 17th century. (For History of Usury in the Church, see Chapter X.)

Greece: Greece had no laws forbidding usury. The trade in money was left, like the trade in every thing else, without legal restraint. The law declared that the usurer should not demand a higher rate than that fixed by the original contract; it also advised "Let the usury on money be moderate." One per cent. per month was the usual rate.

There were among the Greeks at various times thoughtful men, who violently opposed the taking of

increase. Solon, of aristocratic blood, but with strong sympathies for the oppressed classes, led a Nehemiah-like reformation. Solon was wise and patriotic. His name is a synonym for unselfish devotion to the public good. He was given authority in Greece in times of great financial distress. Debts were increasing. Mortgage stones were erected at the borders of each tract of land, giving the name of the creditor and the amount of his claim. The interest could not be paid. Interest taking had concentrated the wealth and power of the state in a few hands. The farmer lost all hope and was only a laborer on the farm he once owned. The debtor who had no farm to work for his creditor was yet in a worse condition; he was the mere slave of his creditor and could be sold by him. The free farmers were fast disappearing. The most of them were struggling with miserable poverty. Solon at once came to the relief of this suffering class. He released those who were enslaved and brought back those who had been sold abroad. The great work of Solon for this oppressed class has caused his name to be revered by all who have studied the history of his times.

Plato opposed usury, but he does not give extended reasons. Also the philosopher, Aristotle. His name is yet illustrious in the departments of natural and moral science and economics. With regard to usury he said: "Of all modes of accumulation, the worst and most unnatural is interest. This is the utmost

corruption of artificial degeneracy; standing in the same relation to commerce that commerce does to economy. By commerce money is perverted from the purpose of exchange to that of gain; still this gain is occasioned by the mutual transfer of different objects; but interest, by transferring merely the same object from one hand to another generates money from money, and the product thus generated is called offspring (toxos) as being precisely the same nature as that from which it proceeds."

Rome: In the early ages of Rome there were no laws regulating the loans of money. The practice was common and was one of the most frequent subjects of popular complaint. In the celebrated secession of the lower classes of the people to Mons Sacer, when civil strife and fraternal bloodshed was threatened, the loudest outcry was against the oppression of exhorbitant interest exacted by wealthy citizens of those who were obliged to borrow. The common rate was twelve per cent. per annum. This is inferred from the fact that six per cent. was called half interest and three per cent. one-fourth interest.

The early records of Rome prove conclusively the odium attached to the business of money-lending for profit. In the codification of laws in the fifth century B. C. the rate of usury was fixed at one per cent. per month. This limitation of usury was enacted after a long and bitter contest between the rich lenders and the poorer classes.

A compromise seems to have been made in the assigned punishments. The laws for the collection of debts and the punishment of exacting more than the law permitted were alike extremely cruel.

The creditors of an insolvent debtor were given the power of cutting his body in pieces and the power of selling his children into slavery. The penalty of taking more than this legal interest was punished with more severity than theft. The thief must restore double, but the usurer must restore fourfold. This we learn from Cato's treatise on "Agriculture." Cato's own opinion of usury is shown in the answer which he made when he was asked what he thought of usury, his reply was, "What do you think of murder?"

Nearly a hundred years later the Licinian law forbade all increase. A little later we find the one-half of one per cent. permitted by law. Then under Sylla the legal rate is made three per cent. In the time of Antony and Cleopatra it is four per cent. For a time there was utter confusion and intolerably oppressive rates prevailed. Horace, in his Satires, speaks of one lending at sixty per cent. In the reign of Tiberius Cæsar, Rome was again shaken with another usury sedition, an uprising of the people against the usurers. The law was finally adjusted in the Justinian Code, by a compromise permitting six per cent. and severely restraining the exorbitant rates.

Three hundred and twenty-three years B. C., Livy

speaks of a creditor who kept his debtor in irons, claiming, besides the debt, the interest which he exacted with greatest severity. It was soon after decreed that this cruelty should end and that no citizen should be placed in irons or sold into slavery for debt.

At the close of the republic the rate was twenty-four per cent.

England: In the earliest periods of which we have any records we find that the doctrine, that letting money to hire was sinful, prevailed universally over the island of Great Britain. It was the prevailing opinion that interest, or usury, as it was then called, was unjust gain, forbidden by divine law, and which a good Christian could neither receive nor pay. In common law the practice of taking increase was classed among the lowest crimes against public morals. So odious was it among Christians that the practice was confined almost wholly to the Jews, who did not exact usury of Jews but of the Christians.

The laws of King Alfred, about 900 A. D., directed that the effects of money-lenders upon usury should be forfeited to the king, their lands to the lords under whom they were held, and they should not be buried in consecrated ground.

By the laws of Edward the Confessor, about 1050 A. D., the usurer forfeited all his property and was declared an outlaw and banished from England. In the reign of Henry II, about the close of the twelfth

century, the estates of usurers were forfeited at their death and their children were disinherited.

His successor, Richard I, was yet more severe, forbidding the usurers attending his coronation, nor would he protect them from mob violence.

During the thirteenth century the severities against the usurers were not relaxed. King John confiscated their gathered wealth without scruple. It is recorded that he exacted an enormous fine of a Jew in Bristol for his usuries, and when the Jew refused to pay he ordered one of his teeth to be drawn daily until he should pay. The Jew is said to have endured the pulling of seven, but then weakened and paid the fine.

Henry III was equally harsh and severe in his measures. He exacted all he could and then turned them over to the Earl of Cornwall. "The one flayed and the other emboweled." It is written in the chronicles of England, 1251 A. D., "By such usurers and licentious liurs as belong to him, the realme had alreadie become sore corrupted."

In the fourteenth century, under the three Edwards, the taking of interest was an indictable offence and Edward III made it a capital crime.

In the fifteenth century, under Henry VII, the penalty was fixed at one hundred pounds and the penalty of the church added, which was excommunication.

Attorney General Noy, in the reign of James I, thought the taking of money by usury was no better

than taking a man's life. He said: "Usurers are well ranked with murderers."

In the sixteenth century, under Henry VIII, it was enacted that all interest above ten per cent. was unlawful. Less was not collectable by law, but was not a punishable offence.

Edward VI revived the old laws condemning all interest.

Mary I, next following, executed these laws with extreme severity.

Elizabeth restored the laws of Henry VIII, in which usury less than ten per cent. was not a punishable offence. This edict of Elizabeth adds: "In the interpretation of the law it shall be largely and strongly construed for the repression of usury."

This law of Henry VIII and Elizabeth, with the rate of interest reduced, was the statute law of England until 1854, when all the usury laws were repealed.

In 1694 William and Mary II entered into a contract to secure a permanent loan and pledged the kingdom to pay interest on it forever.

The loan marked the turning point in the popular mind with regard to usury. As it was approved in their necessity by the king and queen at the head of the Protestant world, ecclesiastics began to shift their ground and to apologize for, and excuse, that which had been formerly unequivocably condemned. As the crown was the head of both the church and the

state, the condemnation of usury seemed tinged both with disloyalty and heresy. The courts too began to modify their decisions to bring them into harmony with the action of the crown.

The change in the usury laws were not made by enactments of Parliament, but by the decisions of courts. The precedents were gradually accumulated and the statutes were merely made to conform to them.

CHAPTER XXXVII.

FRANCIS BACON.

From the short dissertation on usury found in the works of Bacon we learn that the taking of usury was a recognized evil and odious in his time.

It will be noticed that he eliminates risk from usury and sees that "In the game of certainties against uncertainties" usury is sure to win. It will be noticed also that he mentions only economic arguments against usury. He does not give ethical and moral reasons. He does not mention the want of sympathy for the poor and their oppression.

In his statement of the arguments in defence he implies that the usurer is less grasping than the man he knew who said "The devil take this usury."

This is the very opposite of the picture of the usurer given by his contemporary, Shakespeare, in his character, Shylock.

His specious argument for the regulation of the evil "For some small matter for the license" is familiar to modern reformers in connection with other sins. He speaks of the reduction of the usury rates as a general good and believes "It will no whit discourage the lender." Wrong-doers in all the ages have been ready to part with a portion of the profits of an unlawful business for the cover of the authority of the state.

The following is his discussion in full

OF USURY.

"Many have made witty invectives against usury. They say that it is a pity the devil should have God's part, which is the tithe. That the usurer is the greatest Sabbath breaker, because his plough goeth every Sunday. That the usurer is the drone that Virgil speaketh of:

"*Ignavum fucos pecus a praesepibus arcent.*

"That the usurer breaketh the first law that was made for mankind after the fall, which was, *in sudore vultus tui comedes panem tuum; non in sudore vultus alieni;* (in the sweat of thy face shalt thou eat bread—not in the sweat of another's face.) That usurers should have orange-tawney bonnets, because they do Judaize. That it is against nature for money to beget money; and the like. I say only this, that usury is a *concessum propter duritiem cordis;* (a thing allowed by reason of the hardness of men's hearts): for since there must be borrowing and lending, and men are so hard of heart as they will not lend freely, usury must be permitted. Some others have made suspicious and cunning propositions of banks, discovery of men's estates and other inventions. But few have spoken of usury usefully. It is good to set before us the incommodities and the commodities of usury, that the good may be either weighed out or culled out; and warily to provide, that while we make forth to

that which is better, we meet not with that which is worse.

"The discommodities of usury are, first, it makes fewer merchants. For were it not for this lazy trade of usury, money would not lie still, but would in great part be employed upon merchandising; which is the *vena porta* of wealth in a state. The second, that it makes poor merchants. For as a farmer can not husband his ground so well if he sit at a great rent, so the merchant can not drive his trade so well, if he sit at great usury. The third is incident to the other two; and that is the decay of customs of kings or states, which ebb or flow with merchandising. The fourth that it bringeth the wealth or treasure of a realm or state into a few hands.

"For the usurer being at certainties, and others at uncertainties, at the end of the game most of the money will be in the box; and ever a state flourisheth when wealth is more equally spread. The fifth that it beats down the price of land; for the employment of money is chiefly either purchasing or merchandising; and usury waylays both. The sixth, that it doth dull and damp all industries, improvements and new inventions, wherein money would be stirring, if it were not for this slug. The last, that it is the canker and ruin of many men's estates; which in process of time breeds a public poverty.

"On the other side, the commodities of usury are,

first, that howsoever usury in some respect hindereth merchandising, yet in some other it advanceth it; for it is certain that the greatest part of trade is driven by young merchants upon borrowing at interest; so as if the usurer either call in or keep back his money, there will ēnsue presently a great stand of trade. The second is, that were it not for this easy borrowing upon interest, man's necessities would draw upon them a most sudden undoing; in that they would be forced to sell their means (be it lands or goods) far under foot; and so, whereas usury doth but gnaw upon them, bad markets would swallow them quite up. As for mortgaging or pawning, it will little mend the matter; for either men will not take pawns without use; or if they do, they will look precisely for the forfeiture. I remember a cruel monied man in the country that would say: 'The devil take this usury, it keeps us from forfeitures of mortagages and bonds.' The third and last is, that it is a vanity to conceive that there would be ordinary borrowing without profit; and it is impossible to conceive the number of inconveniences that would ensue if borrowing be cramped. Therefore, to speak of the abolishing of usury is idle. All states have ever had it, in one kind or rate, or other. So as that opinion must be sent to Utopia.

"To speak now of the reformation and reiglement of usury; how the discommodities of it may be best avoided, and the commodities of it retained. It ap-

pears by the balance of commodities and discommodities of usury, two things are to be reconciled. The one, that the tooth of usury be grinded that it bite not too much; the other, that there be left open a means to invite monied men to lend to the merchants for the continuing and quickening of trade. This can not be done except you introduce two several sorts of usury, a less and a greater. For if you reduce usury to one low rate it will ease the common borrower, but the merchant will be to seek for money. And it is to be noted, that the trade of merchandise, being the most lucrative, may bear usury at a good rate: other contracts not so.

"To serve both intentions, the way would be briefly thus: That there be two rates of interest; the one free and general for all, the other under license only, to certain persons and in certain places of merchandising. First, therefore, let usury in general be reduced to five in the hundred; and let that rate be proclaimed free and current; and, let the state shut itself out to take any penalty for the same. This will preserve borrowing from any general stop or dryness. This will ease infinite borrowers in the country. This will, in great part, raise the price of land, because land purchased at sixteen years' purchase will yield six in the hundred and somewhat more; whereas this rate of interest yields but five. This, by like reason, will encourage and edge industrious and profitable improvements; because many will rather venture in

that kind than take five in the hundred, especially having been used to greater profit. Secondly, let there be certain persons licensed to lend to known merchants upon usury at a higher rate; and let it be with the cautions following: Let the rate be, even with the merchant himself, somewhat more easy than that he used formerly to pay; for by that means all borrowers shall have some ease by this reformation, be he merchant or whosoever. Let it be bank or common stock, but every man be master of his own money. Not that I altogether mislike banks, but they will hardly be brooked in regard of certain suspicions. Let the state be answered some small matter for the license, and the rest left to the lender; for if the abatement be but small, it will no whit discourage the lender. For he, for example, that took before ten or nine in the hundred, will sooner descend to eight in the hundred than give over his trade in usury, and go from certain gains to gains of hazard. Let these licensed lenders be in number indefinite, but restrained to certain principal cities and towns of merchandising; for then they will be hardly able to color other men's monies in the country. So as the license of nine will not suck away the current rate of five; for no man will lend his monies far off, nor put them into unknown hands.

"If it be objected that this doth in a sort authorize usury, which before was in some places but permissive; the answer is, that it is better to mitigate usury by declaration, than to suffer it to rage by connivance."

(Works of Francis Bacon, Vol. 12, Page 218.)

CHAPTER XXXVIII.

WHY THIS TRUTH WAS NEGLECTED.

That we may find the way of return, we must consider the reasons of our wandering. We must reverse our direction and retrace our steps. These reasons are not occult or hard to find.

1. The departure had its root in man's depraved nature. The natural tendency is evil, while the graces must be cultivated with great diligence. Evils grow as weeds grow in the garden, as thorns and thistles and briers cover the untended fields. This evil has not been disturbed by any book exposing its harm for a hundred years, and it has been two hundred since it was treated as a violation of the Eighth Commandment. This evil, thus left undisturbed, has flourished and spread over all the world.

2. Two and three hundred years ago the great doctrines were occupying the thought of Christendom. The doctrines of free grace, by repentance and an exercise of faith, were receiving close attention. The creeds of the denominations were being unfolded, and their defense and proof absorbed the thought of the wise and good. What shall we believe was the question?

3. Other great evils stood before the faces of those who labored for the uplifting of the race. Prac-

tices attached to the ecclesiastics, and degrading the organized church, were flaunted before the eyes of those who stood for true faith and pure living. These were attacked with vigor, while this evil, which had been especially the sin of the Jew, crept in and entrenched itself.

4. Covetousness is one of those secret sins that may lurk in the heart while there is maintained a fair outward life. Few will admit this sin. Priests declare that this is the one sin that is never voluntarily confessed. Usury is the common outward activity of this inward state, and when usury was made lawful by the statutes of the realm, the voice of conscience was silenced. The conscience that would cry out in protest against a rate of interest forbidden by law, will permit the same rate when the statutes of the state are changed.

5. Early education and natural buoyancy have led the debtors to be less sensitive to the burdens of usury upon them.

A large portion of our present arithmetic is taken up with percentage. The position of the student, in mind, is that of the creditor. This is presumed in the statements of the problems and lies in the thought of the student in all the calculations. If the statements of propositions and their conclusions were made to place the student on the debtor side, then the study of percentage would educate him to a horror of this sin.

When a loan is made, the attention of the borrower is seldom called to the rapidity of increase and the dangers of accumulation. If this were done, and a prompt return of both principal and interest required, at the end of the term the borrower would soon be alarmed at the hopelessness of permanent gain through debt.

Peter Cooper, it is said, taught this lesson to a friend who was talking of borrowing for six months at three per cent. We clip the following story:

"Why do you borrow money for so short a time?" Mr. Cooper asked.

"Because the brokers will not negotiate bills for longer."

"Well, if you wish," said Mr. Cooper, "I will discount your note at that rate for three years."

"Are you in earnest?" asked the would-be borrower.

"Certainly I am. I will discount your note for ten thousand dollars for three years at that rate. Will you do it?"

"Of course I will," said the merchant.

"Very well," said Mr. Cooper. "Just sign this note for ten thousand dollars, payable in three years, and give me your check for eight hundred dollars, and the transaction will be complete."

"But where is the money for me?" asked the astonished merchant.

"You don't get any money," was the reply. "Your interest for thirty-six months at three per cent. per month amounts to one hundred and eight per cent., or ten thousand eight hundred dollars. Therefore, your check for eight hundred dollars just makes us even."

There has come to this table, a letter recently sent by a wise uncle to his nephew, who sought from him his first loan. Usually the interest is minimized while the hopeful youth is permitted to indulge his dreams of fancied good, to be easily gained by a loan.

"My Near Nephew:

"I enclose a draft for forty dollars with a note for the amount to me, due in one year at six per cent., which please sign and return to me. This is probably the first note that you have ever given, and there are one or two things about a note that maybe you have never discovered. One striking peculiarity is, that they always come due, though they are drawn for a year. It may seem a long time, but when you have a note come due at the end of the year it seems altogether too short and has gone before you are aware of it. Another peculiar thing is, that while interest is a little thing apparently, yet it never works on the eight-hour system, but continues steadily through the whole twenty-four, and through the whole seven days in the week. Its about the most industrious animal of my acquaintance, working nights and Sundays as well, and apparently never be-

coming in the least fatigued, consequently, though it appears to be so slow, still if you do not watch it closely, the first thing you know you will be astonished at what an amount of work it has accomplished. There are other things equally striking about notes, but these two are the most important, and the ones I particularly wish to impress on your mind.

"_____

"P. S.—Don't think from the tone of this that I'm not willing to let you have the money. I merely want to impress on you what it means to go in debt."

6. The evil was not hitherto so much felt. This, especially, is true in the United States. Great natural resources, unclaimed wealth, made the burden of a small debt unfelt. By appropriating the vast unbroken forests and untilled lands and unopened mines of precious metals, of coal and iron and gas and oil, there seemed such evident advantages from the borrowed capital that the evils were unnoticed, until these natural resources had been appropriated and were held in private hands, and the opportunities are found to be denied those who have come so closely after.

This system made it possible for one generation to grasp a continent; to grasp all its natural resources and hold them, and compel tribute from all that came after. Taking only a limited and short-time view, the advantages seemed great and the evils small. But

looking at the welfare of the generations its evils might have been clearly discerned.

7. The evil was never before so great. The vast accumulations of wealth, so sure to follow the operation of usury, was hitherto unknown. Corporations, combinations for the handling of great interests, grasping the natural resources and monopolizing the natural wealth, gaining franchises covering a monopoly of privileges in transportation, light and communication by the telephone or telegraph, are comparatively recent.

8. The first appearance of indebtedness is a seeming, but false, prosperity. The young man who takes possession of a tract of land and then, with borrowed capital, improves it, building his house and his barns and his permanent buildings, and stocking it with animals that please his taste, has the appearance of abounding prosperity, but as the unending grind of usury continues, these, he comes to feel, are but weights to which he is chained, and in an agony of sweat he is compelled to wear out his life.

A city incurring debt is seemingly prosperous. Bonds are issued for the erection of attractive public buildings, for the paving of muddy streets, for the beautifying of public parks. These bond issues are signs of the prosperity of only one class, the usurers. The ultimate burden is upon the laborers, who must pay every bond, interest and principal.

9. The opponents of usury have not always been

wise. They have indulged in bitter invective rather than solid argument. The language of the fathers, especially, was unqualified in severity.

When the absurdity and unmitigated evil of usury is seen, and one feels that adequacy requires superlatives, it is not easy to restrain language and use mild terms. The divine prohibition was so clear and the effects so oppressive, especially to the poor, that it did not appear to the fathers to require argument. The divine authority was not, therefore, followed up with the economic basis or reasons for the prohibitions.

Usury crept in because it was not barred out by the sound reasoning of those who knew its evils. The vituperations were ignored as the rantings of ill-balanced minds.

10. Like every other wrong, it feeds upon itself. The very conditions it produces fosters and promotes its growth. At first directing effort and thought along material lines, ultimately the ideals become groveling. The purposes of a worthy life and the characteristics of a noble manhood are perverted. There comes a wrong idea of true greatness. There arises a false measure of manhood. That measure is wealth, and of all the grounds of distinction among men, wealth is the most sordid. Success is accumulation of wealth. Prosperity is getting rich. Whatever else a man may accomplish in life, if he remains poor he is accounted a failure. Yet to this pass, such a pass,

have we come, that our national and age characteristic is that of material gain, commonly called commercialism. This was not the thought of our fathers who subordinated material gain to the development of noble manhood. This is a perversion of our American traditions, and is a menace to better development of the individual and of the state.

11. Wrong laws mislead the judgment and pervert the conscience. If there is a want of harmony between the moral and statute law when selfish interests are served, the moral law will be ignored. State laws ease the conscience that would be otherwise troubled. The rate of usury fixed by a state is used as a moral guide. When the legal rate is six per cent. it is wrong to take eight, but when the legal rate is ten per cent. then it is not wrong to take ten. The familiarity of our people with laws recognizing and enforcing interest rates has perverted their ideas of right and justice by substituting the statute for the divine moral law. But state laws can also trouble the conscience that is at ease and be a teacher of righteousness. Let the ancient laws forbidding usury be placed upon our statute books and enforced, and it would not be half a generation till the conscience and reason both approved.

Nothing in history more shocked the conscience of Christendom than the compact of William and Mary with usurers in 1694. That was in direct conflict with the teachings and practice of all the ages among

Christians. It has taken two hundred years for courts and states and financial institutions to first dull the Christian conscience and then secure its approval. The world now awaits the coming of some captain of righteousness, equal in authority and influence in church and state, who will organize a return to the faith and practice of the fathers.

CHAPTER XXXIX.

CRUSHED TRUTH WILL RISE AGAIN.

The practice of usury is so general, and it is apparently so fully approved and sanctioned by many of the most intelligent and virtuous of our people, that those who believe in its prohibition and are disposed to pessimism may be utterly discouraged.

Truth must eventually prevail. Any custom or system built upon falsehood must sooner or later yield. The house built upon the sand must in time fall. It may be undermined by years of instruction and so gradually give way that the date of its overthrow can hardly be determined, or it may in its strength be taken in a storm and fall. The whole commercial credit system built on this monstrous falsehood must either crumble or tumble.

The prophet Isaiah was hopeful and happy in the midst of the most unfavorable conditions of corruption and alienation from the truth, for he was able with his prophetic eye to catch a glimpse of the good time coming, when righteousness should completely triumph. "He shall teach us of His ways and we shall walk in His steps." "With righteousness shall He judge the poor." "Righteousness shall be the girdle of His loins."

No prophet has fixed a date for the suppression of

usury, yet no intelligent man of faith, familiar with the reforms of the past, when as thoroughly entrenched and as giant evils were attacked and overthrown, need be in despair.

We were enslaved by superstitions. Haunted houses were numerous and the bewitching of people was frequent. Two hundred arrests for witchcraft were made in a single year, 1692, and twenty of these persons were put to death. These persecutions were urged and defended by Cotton Mather, a representative of the highest intelligence and culture of the times. His mother was a daughter of John Cotton, and his father the President of Harvard College. Now black cats and epilepsy inspire no fear, and ghost stories do not now terrify and unnerve our children.

Duelling prevailed among men of honor. Public opinion made it compulsory that personal differences between gentlemen should be settled in this way. Persons were branded as cowards who would not put their lives in jeopardy. Few had the courage to resist. Duels were common among the political leaders at Washington. Many a shot rang out at sunrise in the little valley at Bladensburg, the noted duelling ground. Jackson and Benton and Clay and De Witt Clinton were duellists. After the killing of Alexander Hamilton by Aaron Burr, in 1804, the whole country was aroused and an agitation began against the custom, but it yielded slowly. In 1838 and 1841 there

were duels between distinguished congressmen. But now public opinion is so transformed that the "honorable and brave" duellist is a moral coward.

Gambling was a common sin. There were lotteries organized for the raising of funds for state and municipal expenses. There were raffles at church fairs to support the ordinances in the sanctuary. The rules of the games were protected by the laws of the state. No one who had lost in a game could recover by law unless he proved that the rules of the game had not been followed. The rules for gambling were regarded as legitimate as the regulations of any business. The gambler was only a law-breaker when he "cheated." Now gambling is unlawful in every state and territory, and any newspaper advertising a lottery is shut out of our mails. Even an "honest" gambler is now classed among robbers.

Intemperance was rampant through the eighteenth century and more than half the nineteenth. Whisky was king. Through a false physiology it became the almost universal opinion that in the great portion of the United States the climate required the use of "ardent spirit." Ministers and all classes of the people were thus deluded, and almost every person, adult or child, was a consumer.

"Upon rising in the morning a glass of liquor must be taken to give an appetite for breakfast. At eleven o'clock the merchant in his counting-room, the blacksmith at his forge, the mower in the hay field, took a

dram to give them strength till the ringing of the bell or the sounding of the horn for dinner. In mid-afternoon they drank again. When work for the day was done, before going to bed, they quaffed another glass. It was the regular routine of drinking in well-regulated and temperate families. Hospitalities began with drinking. 'What will you take?' was the question of host to visitor. Not to accept the proffered hospitality was disrespectful. Was there the raising of a meeting house, there must be hospitality for all the parish: no lack of liquor; and when the last timber was in its place a bottle of rum must be broken upon the ridge-place. In winter men drank to keep themselves warm; in summer to keep themselves cool; on rainy days to keep out the wet, and on dry days to keep the body in moisture. Friends, meeting or parting, drank to perpetuate their friendship. Huskers around the corn-stack, workmen in the field, master and apprentice in the shop, passed the brown jug from lip to lip. The lawyer drank before writing his brief or pleading at the bar; the minister, while preparing his sermon or before delivering it from the pulpit. At weddings bridegroom, bride, groomsman, and guest quaffed sparkling wines. At funerals minister, friend, neighbor, mourner, all except the corpse, drank of the bountiful supply of liquors always provided. Not to drink was disrespectful to living and dead, and depriving themselves of comfort and consolation. In every community

there were blear-eyed men with bloated, haggard faces; weeping women, starving children." (Building of a Nation. Page 271.)

While "temperate" men were grieved at the tide of wretchedness and protested, they did not think it possible to get on without whisky. Dr. Prime, for so many years editor of the New York Observer, told of the meeting of the family physician and the pastor at his father's home in a case of severe illness. When the physician took his leave the pastor followed him into the yard, where they had a long consultation. The pastor was anxiously seeking advice. Three drinks made his head swim, and the problem was how he could make more than three calls and not become unsteady. The doctor gave directions and Dr. Prime said that neither the minister nor the physician thought of the simple remedy, "not drinking."

It has taken two generations, but the transformation is marvelous. The minister can now call in every home in his parish and never once have an opportunity to drink. If Rev. John Pierpont was yet living, who was put out of his pulpit in Boston by an ecclesiastical council because he publicly protested against the use of the basement of his church as a storeroom for whisky, he would see every minister losing his pulpit who would not publicly protest against such a desecration. Rev. George B. Cheever, the dreamer, in 1830, woke up the stupid consciences of the fuddled men and women; he wrote out his

dream and published it, "Deacon Giles' Distillery," and went to jail for it, but even he never dreamed of the greatness of the temperance reform that has followed.

The overthrow of chattel slavery is complete and the human rights of the inferior peoples are recognized. Human slavery was of old, as ancient as history; it was widespread over the world; there was an immense and profitable commerce in human flesh; luxurious wealth and ease was secured by appropriating labor without compensation; it was thought that the Scriptures in both Testaments approved the holding of bondmen; there was a consciousness of superior gifts; there was a firm belief that the negroes, especially, needed the care of the superior race; that they were better off and happier than they would be in freedom; there was a deep-seated race prejudice that remains unyielding till this day. Yet the slave trade has ceased, stopped by armed vessels patroling the seas. The slaves, eight hundred thousand, in the West Indies were set free; the shackles were stricken off by the sword in the United States; Brazil adopted gradual emancipation, and chattel slavery disappeared forever from the civilized world.

The reform battles fought and won are assurances that victory shall also reward those who contend against this sin of usury. There are also other good grounds for confidence.

1. They are seeking only a return—a reform: "a restoration to a former state;" they are not seeking for the establishment of some new and untried theory, but they are seeking a return to the faith and conduct of the righteous from the beginning and up seventeen centuries of the Christian era. The race is but temporarily deflected to the worship of the golden calf.

2. There is coming forward a great army of intelligent, virtuous young people. They are made intelligent by our high schools, seminaries and colleges. They are made students of the Bible and stimulated in righteousness by Sunday Schools, Christian Associations, Endeavors, Leagues and Unions. From these there shall rise up defenders of the truth, free from the burden of debt and unbiassed by life-long association with conditions familiar to those older. The reformers in all ages have been young, and this reform will be no exception. There is a rashness in youth that needs direction, but there is also a dash and hope and confidence that is necessary to break away from old customs. One generation of intelligent, virtuous young people could give this evil its fatal blow.

Usury cannot flourish among the vicious and the unreliable. Other evils may flourish among the idle, the indolent, the treacherous, the deceitful and the dishonest, but industry and economy and integrity and faithfulness and honor and even God-fearing

piety are desirable qualities in the usurer's victims. The higher the civilization, yes Christian civilization, the more is produced and the richer the harvest. The usurer has no use for a savage. This worm thrives in the living body and sucks its vitality. It cannot flourish in putrid flesh. Let the highest types of our young manhood avoid this sin and its death knell is sounded.

3. Present conditions stimulate an interest in this question. The unequal distribution of the vast wealth now being produced: the earnings of the many turned into the coffers of a few; the struggles between the employers and their employees; organized labor and combinations of wealth; lead to a closer study of this and allied economic questions than they have ever received before. The solution of these questions will expose the fraud of usury.

4. The patriotic spirit has not decayed in our people and rulers. They are as strongly attached to our free, popular institutions as were the patriots of '76. There is alarm at the tendency to slip away from the early traditions, at the centralization of power, at class legislation. The influence of usury is so strong to promote a favored class and to concentrate power, that it must be resisted as an enemy to our republican institutions. It gradually undermined and then destroyed the republic of Venice, and it is now doing its first work with us. It must soon

emerge from its cover. Then our people will arouse with their patriotic fervor and fell it with one blow, and then bury it with the other enemies of the government that have from time to time arisen.

5. In the studies in sociology there is now a strong current toward Socialism. There is a desire to preserve the individual's interests and yet a stronger disposition to merge him in the general welfare.

There is a conviction that the privileges of individuals have been unduly guarded while the rights of the public were neglected, that the rights of individuals have received an excess of protection while the welfare of the great mass of the people has been sacrificed. The present problem of the student of sociology is, How can the rights of individuals be adjusted, yet so as to maintain the superior interests of all the people? This can be accomplished largely, if not completely, by the abolition of usury.

Let the Government receive on deposit the surplus wealth of the individuals for safe keeping and subject to their orders. Let the Postal Savings Bank be established. The Government is the best possible security. The certificates of deposit would be as good as Government bonds. They could take the place of the National Bank currency. The Postal Department now transfers money and in a manner receives deposits and issues postal notes.

These deposits as they accumulated would lift from the people the burden of the interest bearing debt. As they increased the Government could invest them in public utilities to be operated for the general welfare. The Government thus caring for the surplus wealth the people are entitled to any benefits that may accrue from its use. All would have an interest in preserving and all would share in the advantages of the property thus cared for by the State, while each would have his individual earnings subject to draft for his personal needs or pleasure.

This would preserve the rights of the individual and secure to him perfectly his surplus earnings, and at the same time the whole people, through the Government, would have the use of this accumulated wealth for its safe-keeping. This will preserve the stimulating incentives of individualism and also gain, practically, the blessings of Socialism. This will be the natural conclusion in the balancing and adjustment of the present sociological discussion.

6. The prohibition of usury would be to the material advantage of the great mass of our people. It would be a blessing to all, though it might hinder the material gain of a few, but the hindered would not be a tithe of our people. It is not easy to forsake the wrong when appetite or passion or selfish interests plead for it. The martyrs who will stand by the right "though the heavens fall" are not a majority of our

people. The paths of righteousness are easy, broad and smooth, and crowded with enthusiastic shouters when self-interest can walk hand in hand with a reform. Opposition to usury is self-defense to the poor, the pensioners, the producers, and they form a mighty, irresistible army.

7. Reason remains. The laws of logic have not changed nor has the human mind lost its power of tracing premises to their conclusion. The custom of usury was never reasoned into practice, but was permitted to creep in while reason was diverted to abstract, abstruse, scholastic subjects by those who claimed to be scholars. Had the fathers reasoned more about practical subjects, and scolded less, this sin would never have appeared in Christian society and claimed respectability. When the people begin to think and to turn their reasoning powers to this subject, as light dispels darkness, this gross error will flee away.

8. The conscience is yet alert to condemn the wrong and to approve the right. The public conscience was never more tender nor more delicately adjusted, but it is wanting in intelligence in this matter. The eye cannot see to determine the nature of an object without light, so the conscience must be enlightened, or made intelligent by the reason, to enable it to give a right decision. Conscience is the same in all ages among all peoples, and when in-

formed by investigation and reasoning, the condemnation of usury will be as unanimous as in the centuries of the past.

Prayer is also a means to this righteous end. God is still on His throne. His ear is not heavy. He hears the cry of the raven and sparrows and lions. He hears the cry of His suffering children and will not fail to come to their relief. In all the past, man's extremity has been God's opportunity. Relief has come at unexpected times and by ways that were not known. Sometimes by means that were insignificant and inadequate in order to show that it was not by human might or power; sometimes by the faith of one humble believer.

This writer has been familiar with the story of David and Goliath from his infancy. To him, Mammon, whose head is usury, is the giant Philistine who now stalks forth to defy "the armies of the living God," and with a grain of David's faith, he flings this stone.

INDEX

Page

Abstinence 255
Agar—Prayer of 219
American Revision 87
American Statesman 172
Aristotle 132, 259
Average Interest 135
Bank of England 184, 195
Bank of Venice 193
Bank, First in U. S. 198
Banks and Brokers 161
Bacon 108, 180, 266
Banking, Claim for 56
Barriers Broken Down 45
Borrower 62
Borrowing 241
Benton, Thomas H. 199
Bankruptcy 176
Basil 169
Beza 71
Bible and Nature 93
Bible Encyclopedia 8, 21
Block Stone 10
Brotherhood—Christian 47
Bush, Prof. Geo. 14
Bureau of Engraving 123
Capital Combines 223
Catechism 233
Cato 261
Car Fares 164
Calvin, Institutes of 78
Calvin, Letter of 73, 162, 248
Calhoun, J. C. 199
Capital Demands 165
Cretan Bonds 204
Chalmers 62

Page
Charlemagne 70
Changed Conditions..... 81
Chattel Slave 147
Character in Fathers..... 206
Cheever, Rev. Geo..... 286
Creeds 272
Croesus 218
Covetousness 61, 214, 273
Cooper Anecdote 274
City Debts 140, 168
Criminal in Court 127
Coachman 111
Chrysostom 69
Christ-like Soul..... 42
Council of Ten..... 195
Cyrus 36
David 26
Debts, Dicharged..... 63
Debts, Stimulated..... 138
Debts, Church..... 141
Debts, National 142, 189
Decay, Limits..... 136
Deposit or Loan..... 105
Diligence 60
Disciples, Practice of..... 58
Deacon Giles' Distillery..... 286
Dives 218
Doge, The..... 194
Dueling 282
Edward III..... 263
Edward VI..... 264
England, History..... 262
English People..... 192
Elizabeth 264
Esau's Abstinence 256
Equality Impossible..... 222
Ethics in Bible..... 94
Equity Between Thieves..... 160

Page
Exchanges 56
Express Company..... 118
Extravagance 155
Ezekiel's Protests..... 31
Ezra 36
Family Economy..... 154
Farm Preserved 135, 247
Farm Consumed..... 246
Faithful Steward..... 117
Fathers, Apostolic 69, 80
Fathers, Later 70, 80
Financial Slavery 150
Force in Abstract..... 99
Fishers' Catechism..... 235
Freight Rates..... 109
"Golden Book"..... 194
Gambling 283
Giving 51
Gravity Levels..... 222
Great Enterprises..... 239
Greek Artist..... 216
Greece History..... 258
Guile, Taken by..... 104
Hebrews in Egypt..... 212
Henry II..... 262
Henry III..... 263
Henry VII 263
Henry VIII..... 264
Hindoo Widow..... 24
Honesty Hindered..... 210
Hodge, Dr. Charles..... 237
Home Wanted..... 251
Horace 261
Human Nature..... 81
Hume 192
Incorporated Properties..... 171
Industry Discouraged..... 207

Page
Indians, Omahas 244
Injustice, Submitted 120
Interest Defined 9
Insurance Company 119, 254
Interest, Compound 180
Installment Plan 140
Intemperance 283
Jackson, Andrew 200
Jefferson, Thos. 200
Jennet, M. 182
Jeremy Bentham 113
Jeremiah Protests 30
Jubilee, Year of 45
Justinian Code 261
King Alfred 262
Khedive 203
Land Question 249
Lombards 195
London Tenants 169
Luther 71
Macauley 196
Machinery, Improved 226
Mammon 203, 221
Melancthon 71
Messiah's Character 42
Moral Law 82
Milton 145, 203
Minuits, Peter 181
Middle Classes 220
Mons Sacer 260
Money Barren 83, 122
Moses 57
Mosaic Laws 11, 14
McCullough, Sec 201
Nature and Bible 93
Nehemiah 36, 40, 57, 63
Nile Worship 214
Obsolete Words 7

Page
One Cent Loaned 182
Ottoman Empire 212
Over-production 156
Panics 187
Paul to Timothy 59
Paulist Fathers 65
Pounds, Parable of 54
Peel, Sir Robert 196
Physicians' Charges 115
Poor Richard 240
Poor, Oppressed 154
Poor, to the Spirit 48
Popes 70
Polygamy 85
Production, Limited 158
Promoter 161
Prime, Dr. 285
Rates, Differ Why 108
Rentals of Land 243
Revolution 238
Ridpath 71
Rich Fool 49, 137
Rights, Personal 98
Rights, Equal 102
Risk 253
Robe 111
Rome, History 250
Ruskin 72, 156, 255
Sands, Bishop 70
Sabbath of Rest 85, 171
Shoff, Herzog 8, 69
Scripture Passages:
Genesis 21:26 7
Exodus 32:1 7
Exodus 22:25 ..... 13, 20
Leviticus 19:33, 34 21
Leviticus 22:22 19
Leviticus 23:23 22

Page

Scripture Passages:
Leviticus 34: 10 22
Deut. 5: 14 24
Deut. 25: 19 17
Deut. 15: 7-9 44
Numbers 15: 15 ..... 16, 19
Joshua 9: 23 22
Psalm 15 26
Psalm 92 7
Psalm 112: 1-3 15
Proverbs 22: 4 15
Proverbs 28: 20 ..... 15, 27
Jeremiah 31: 29 32
Isaiah 10: 15 101
Ezekiel 24: 15-18 31
Ezekiel 22: 7-12 31
Ezekiel 18: 117 33
Matthew 5: 17 43
Matthew 6: 12 45
Matthew 13: 22 48
Matthew 19: 24 49
Matthew 25: 14 52
Luke 6: 35 44
Luke 51: 52, 53 47
Luke 19: 12 52
John 15: 12 46
John 13: 34 46
Romans 1: 13 7
Romans 13: 8 62
Acts 3: 17 7
Acts 2: 44, 45 58
1 Corinthians 1: 27, 28 58
1 Corinthians 13 8
Ephesians 4: 28 60
1 Thess. 4: 15 7
1 Timothy 5: 8 59
James 5: 1-6 61
Slaves, Happy 148
Slaves, Chattel 286

Page.
Self Reliance 211
Strangers, Three Classes 18
Shoe Plant 128
Shylock 121, 195
Slot Machines 104
Solomon and Usury 27, 144
Solon 218, 259
Socialism 289
Spirituality Destroyed 216
Stevens, Thadeus 201
Strikes 227
Sultan 203
Sun Worship 214
Superstitions 282
Taxes Off the Poor 168
Tenantry 250
"The Hague" 230
Talents, Parable of 52
Thrift 51, 209
Time 107, 254
Temptation to Upright 149
Timon of Athens 146
Tools, Not Productive 135
Trade, Profits in 124
Trusts 186, 224
Usury, Definition 8
Usury and the Stranger 18
Valet 145
Venice 193
Vienna, Council of 70
War, Evils of 229
Webster, Definition 9
Wealth Decays 132
Wealth, Barren 131
William and Mary 195, 264, 279
Wilson's Catechism 233
Wrong Laws 279
Young Reformers 187
Zacheus 49
Zerubbabel 36

The Anti-Usury League.

The object, the purpose and work of the Anti-Usury League is to expose the evils, the oppressions, the fraud and the sin of usury or interest, by publications, by lectures, by conventions and by every other practical method.

All persons in sympathy with this object, and who can in any way cooperate by distributing its literature or by other publications or by lecturing or by arranging for lectures or conventions, are requested to enter into correspondence.

Also all persons who have become interested by reading the preceding pages and who seek further information and who desire to keep in touch with the work of this League should send their names and addresses for enrollment.

THE ANTI-USURY LEAGUE,
Millersburg, Ohio.

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

The Fight Against USURY

Lending money at interest has been condemned by men such as Plato, Aristotle, Plutarch, Seneca and Cicero, early fathers of the Christian church; the majority of popes and councils up to 1830; likewise modern authors such as Goethe and Wagner.

Martin Luther *(left), the founding father of the Lutheran Protestant Church, and others of his era condemned usury. Fiery preacher Jakob Strauss conducted a violent campaign against usury and tithes. Thomas Muentzer, an unruly genius, combined his own ingenious liturgical reforms with a program of holy war.*

BY JURI LINA

The fight against usury goes back to the earliest known beginnings of civilization. From the days of Sumer to the present, decent people have struggled against this tool of the forces of darkness. Charging interest was condemned by the ancient Greek philosophers. Money was to them something dead; something dead cannot be allowed to grow. Aristotle wrote in his work *Politics* (Book One, part X): "The most hated sort, and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural object of it. For money was intended to be used in exchange, but not to increase at interest. . . . Wherefore of all modes of getting wealth this is the most unnatural."

Up until the end of the Middle Ages it was forbidden for Christians to charge interest. To charge interest on a loan was tantamount to murder and robbery. Later, those who charged interest were treated as heretics.

Martin Luther stated plainly: "All usurers are thieves and belong in the gallows." Everyone who lent money at an interest rate of 5 to 6 percent was considered to be a usurer. During the Middle Ages only Jews were allowed to lend money with interest. In Deuteronomy a Jew is forbidden to charge interest from his brother. But the goy (non-Jew) was not his brother. And to Jewish extremists plunder was not unfamiliar.

In ancient Babylonia the legal interest rate was 30 percent on money and 50 percent on grain. In Assyria there was no upper limit for interest rate. The farmers were often so deep in debt that they starved to death along with their families. This led to ruthless exploitation of the soil.

In the city of Uruk in Sumer there lived two brothers who lent money with interest. When a borrower no longer could repay his loan, he lost his house and had to start working for free for the brothers. The slave could be lent also to other employers. This is a classical example of economic slavery.

Almost 3,700 years ago the ruler of Babylon, Hammurabi (1848-1805 B.C.), who was descended from the Amorite dynasty, forbade through his legal acts (containing 93 paragraphs) the taking of interest on interest, which meant that the borrower had to give in addition to the assets he had borrowed the same amount in goods or money. Anyone who broke the rule was severely punished, though very few abided by it. The 282 statutes of Hammurabi, written in Akkadian, were found in 1901-02 at excavations at Susa in ancient Elam (now Iran).

The tribune Tiberius Gracchus of the Roman Empire tried in 133 B.C. to reduce the power of the moneychangers through stricter laws against usury and to limit the legal land ownership to *iugeri* (about 600 acres) per family. He was murdered the same year.

In 48 B.C. Julius Caesar deprived the moneychangers of the right to coin money and had it done himself. With a larger money supply he was able to erect many public buildings. Common people adored Caesar for his contribution to making money more available. After the murder of Caesar there was an end to the abundance of money. The money supply was reduced by 90 percent. Taxes rose sky-high. As a result most people lost their land and their homes. The slander of Caesar goes on even today.

The Freemasons wanted to acquire as much wealth as pos-

sible in order to serve their demons during the 19th and 20th centuries.

The Irish economist Margrit Kennedy has pointed out that a 1 percent loan is doubled in 70 years. A 3 percent loan with accumulated interest doubles in only 24 years. A 6 percent loan doubles in 12 years, and at 12 percent the amount is doubled in just six years.

If anyone had lent one cent in A.D. 1 and charged a 4 percent interest, in 1750 he could have bought gold weighing as much as the whole Earth. (At 5 percent interest it would have been possible as early as the year 1403.) In 1990 he would have been able to buy 12,246 such "nuggets."

These extreme examples show how madly interest damages each country's economy.

After the so-called French Revolution the use of paper money was widespread.

The gold traders began practicing economic fraud to become even more powerful. They lent secretly part of the gold that had been deposited with them and kept the interest they made on such illegal loan. The gold traders then issued more receipts (bank notes) of gold deposits than they had gold, then lent these notes and charged interest on them Far more money was lent than what the creditor had cover for. Soon these money crooks lent as much as up to 10 times more than they had gold deposited.

This breach of trust has become common in all areas in the world of the Freemasons. The American banks have the right to lend 10 times more money than they actually have. This means that their interest actually is close to 80 percent and not 8 percent, which is officially claimed. The Masonic bankers create money out of nothing and force us to pay interest thereon.

The Prieuré de Sion initiated, with the aid of the moneychangers (above all the Portuguese Rabbi Menasseh ben Israel, who lived in the Netherlands, and Antonio Fernandez Moses Carvajal), the insurrection of 1642, led by Oliver Cromwell, which in turn led to the first republic (commonwealth) in England in 1649. In the year 1643 a large group of rich Jews came to England. They met with the Portuguese ambassador in London, Antonio de Souza, a Maranno, where further moves were discussed. All their actions were coordinated by Carvajal.

Having deposed and executed Charles I in 1649, naming himself as dictator in 1653, Cromwell became bloodthirsty and hostile to cultural development, letting the moneychangers strengthen their financial power. Under the puritanical rule of the Lord Protector Cromwell, music and other cultural activities were practically banned. Even colorful garments were forbidden.

In November of 1688 (under the sign of the scorpion) the Catholic king of England James II (Stuart) was overthrown through a well-organized invasion financed by the moneyed Jews of Amsterdam and led by the Prieuré de Sion and the Orange Order. The king was exiled to France and in February of 1689 William of Orange, the prince of Nassau, was put upon the English throne by means of a *coup d'état*, which became known as the Glorious Revolution. Even official historians admit that the people did not participate in this coup.

England at that time was in poor condition after more than 50 years of war with France and the Netherlands, and the new king, William III (of Orange), asked several powerful bankers for help. They provided the English state with a loan of 1.25 million pounds but only delivered 750,000 pounds. The terms of the loan were as follows: the names of the lenders were not to be revealed, and these were guaranteed the right to found the Bank of England, whose directors were ensured to establish a gold reserve so as to be able to issue loans to a value of 10 pounds for each pound deposited gold in the bank vault. They also were allowed to consolidate the national debt and secure payment for annuity and interest through direct taxation of the people.

The privately owned Bank of England was established in 1694 with absolute control over the currency (the right to issue bank notes). The lending of money on usury was able to continue at an even larger scale. Thus the English people suffered a huge national debt. Taxes had to be raised and prices doubled. To the Masonic bankers it was necessary to have a monopoly on money issuing. That way they were able to make enormous profits and also control political processes.

The Bank of England was allowed to lend money to an amount 10 times the security the lender put up. With 5 percent interest it only took two years for the bank to earn back an amount equal to the original security.

By the year 1698 the national debt had risen from one and a quarter million pounds to 16 million. In 1815 it was 885 million pounds and in 1945 it had grown to 22.5 billion pounds. By 1995 the national debt had risen to more than 300 billion pounds, equal to 45 percent of GNP.

Not even the Macmillan Committee, which was appointed in 1929, managed to find out who governed the Bank of England. Only one name has leaked out—that of Rothschild. All great wars have been started and financed by the economic conglomerate emanating from one single banking family—the Rothschilds.

In the Netherlands, secret societies had been able to found a central bank as early as 1609. About 40 of the world's most important central banks were established in a similar way as that of the Bank of England. In that way the Masonic bankers ruled the long-term development in the world with loan interest as a method, the central banks as middlemen, the politicians as dummies and the people as ignorant wage slaves. The Freemason-controlled banks thus can govern political life by acting without being seen. The English people strengthened the power of these invisible Freemasons through paying taxes during three centuries. Central banks were supposed to keep the economy stable.

In reality it works quite differently.

Benjamin Franklin wrote of the British colonies in North America in the 1750s: "Nowhere on Earth does one find a happier and more well-being people." He explained that this was due to that "we in the colonies make our own currency," called "colonial scrip." He further explained: "By issuing our own currency we can control its buying power, and we are not obliged to pay interest to anyone."

In these British colonies in New England, there was a wealth contrasting sharply to the poverty and misery in England. There was enough money, and it was definitely interest free.

When the Masonic bankers in England heard Franklin's

speech to the British Parliament, they made sure that Parliament forbade the colonies to use their own financial system and instead demanded they use interest money in gold and silver. Only an insufficient amount of this money was to be available. The money supply was reduced in half, and the colonies were forced to borrow money from the Bank of England. The result was steep interest and price increases. Within a year the streets were full of unemployed people.

In American schoolbooks the reason given for the outbreak of the Revolutionary War was the tea tax, but according to Franklin "the colonies would gladly have borne the little tax" [of 2 percent] on tea and other matters had it not been that England took away from the colonies their money which created unemployment and dissatisfaction." The result of the influence of the English banks on the British Parliament was horrendous poverty in America. When this situation had been created, it was easy to get people ready for war, which the Freemasons did with satisfaction. They wanted a safe base for their future global activities.

Among the men who drew up the Constitution of 1787, there were those who thought one should protect oneself against the financial drain of the international bankers. Therefore Article I, Sec. 8 of the Constitution reads: "Congress shall have power . . . to coin money, regulate the value thereof . . ."

Alexander Hamilton, a Freemason and secretary of finance in the government of George Washington, and also the agent of the international financiers, ordered the establishment of a privately owned union bank and the introduction of interest money. His argument was simple: "A limited national debt would be a blessing to a nation." He considered it dangerous for the government to issue its own currency.

Thus the United States got its first central bank in 1791. It was privately owned but had a contract running for only 20 years. It was not renewed when it expired. Andrew Jackson referred to the fact that the Constitution had given Congress the right to issue currency in sufficient quantity but not transfer this right to others.

The historian Richard Boesen disclosed that the Freemason Nathan Rothschild (1777-1836), who in 1806 had founded his bank in London and who partly financed the Napoleonic wars through the Bank of England, subsequently issued an ultimatum—either the contract be renewed or there would be war. Jackson called the Masonic bankers a bunch of thieves and promised to exterminate them. Rothschild gave his own orders: "Teach these insolent Americans a lesson. Force them back to a colonial status."

The British government began to limit the American sea trade and checked the American expansion in Canada. President James Madison in 1812 had no other choice but to let Congress declare war on England. The intention of the leader of the Freemasons, Rothschild, was to lay waste the country to such an extent that the Americans would be forced to seek financial aid. Great Britain, however, failed to regain the lost colonies, and the United States failed to occupy Canada. The war was actually fought in 1814.

Many lives were lost, but Rothschild did not triumph this time. The renewed central bank contract was again suspended in 1836 during Andrew Jackson's presidency (1829-1837), despite the fact that he was grand master of Tennessee. The central bank was abolished.

Even so European bankers and their American agents managed to exercise an extensive control of the American monetary system. Gustavus Myers admits in his book *History of the Great American Fortunes* (1910): "Under the surface the Rothschilds had for a long period of time a direct influence by dictating the American financial laws. The legal records show that they were the ones in control of the old Bank of the United States."

In American history books there is nothing about the role of the banks in the first and second American wars of independence (that is 1775-83 and 1812-1814). Neither is there anything about the debt-free "greenbacks" that Abraham Lincoln issued. Their existence is only verified by a few encyclopedias.

Freemason Nathan Rothschild, who partly financed the Napoleonic wars through the Bank of England, issued an ultimatum—either the contract be renewed or there would be war.

To finance the American Civil War, which broke out on April 12, 1861, President Abraham Lincoln was forced to utilize the right of the Congress to issue its own currency. Between the years 1862 to 1864, 450 million interest-free "greenbacks" were printed. Lincoln promised at his re-election in 1864 to begin fighting the banks as soon as the war was over. Lord Goschen, the representative of the financial world, wrote in *The London Times*: "If this financial policy becomes permanent, the government can without expenses acquire necessary monetary provision. It can pay its debt and repay its loans without debt. It will have enough money to trade (on the open market). It is going to be more healthy than any other (before) in history. If we do not overthrow this government, it will overthrow us."

The North during the Civil War was financed by the Rothschilds through their American agent August Belmont (actually Schoenberg) and the South by the Erlanger brothers who were related to the Rothschild family.

The Civil War ended on April 9, 1865, and international Freemasonry got busy to remove President Lincoln.

The assassination of Lincoln was carried out by John Wilkes Booth (Botha), a Freemason of the 33rd degree, on April 15, 1865 in Washington, D.C., only six days after the end of the Civil War. Izola Forrester, Booth's granddaughter, stated in her book, *This One Mad Act* (1937), that Booth belonged to the lodge Knights of the Golden Circle and also Giuseppe Mazzini's "revolutionary" movement Young America. Izola Forrester revealed in detail that the Freemasons were involved in the assassination of the president. Booth was soon eliminated.

The above-mentioned Masonic lodge Knights of the Golden Circle was mixed up in the plot. This name had begun to be seen in the press, and so the Freemason leader Albert Pike in 1866 decided to rename it the Ku Klux Klan; "*kyklos*" in Greek meaning "circle."

It was officially founded as a new organization in 1866 in Pulaski, Tennessee. In 1882 it was banned. The present group with the same name was founded in 1915 by William Joseph

Simmons and thus has not grown out of the Masonic lodge that existed in the 1860s and 1870s.

After the demise of Lincoln, things were "normalized." The amount of money in circulation, which in 1866 amounted to $1.9 billion or $50.46 *per capita*, had by 1876 been reduced to $605 million or $14.60 per person.

As a result there were 56,446 bankruptcies in 10 years and a loss of $2 billion. In 1887 the Masonic bankers reduced the money amount further to $6.67 per head. The Irish writer Margrit Kennedy stated in the book *Interest and Inflation Free Money* that the interest rate always goes up when there is a shortage of money. This in turn leads to bankruptcies and worsens the unemployment rate.

In American schoolbooks it is claimed that it was all for the good that the Democratic candidate for president in 1896, William Jennings Bryan, was not elected, since he was against the gold footing and the "sound money" of the banks (that is money that creates debt). Bryan explained in his "Cross of Gold" speech at the Democratic National Convention, in Chicago on July 9, 1896: "When we have restored the money of the Constitution, all other necessary reforms will be possible, and that until that is done there is no reform that can be accomplished."

Bryan was not elected, and 17 years later, in 1913, Congress passed a bill (introduced by the Masonic President Woodrow Wilson), that purported to repeal the right of the Congress to issue currency and transferred this right to a "federal reserve" funding system.

Congressman Charles A. Lindbergh, father of the famous aviator, had the following to say about this: "When the president signs it, the invisible government of the money brokers has become legalized. The worst legal crime of the century is a fact. The day of reckoning is only a few years removed."

"When we have restored the money of the Constitution, all other necessary reforms will be possible, and that until that is done there is no reform that can be accomplished."

The man who played a very important role in providing the United States again with a central bank was Paul Warburg. He was a German immigrant, arriving in America together with his brother Felix. Both brothers became partners in the banking house Kuhn, Loeb & Co, led by the Illuminatus Jacob Schiff, who also belonged to B'nai B'rith. The Warburgs were supported by Nelson Aldrich (later to become grandfather to Nelson and David Rockefeller), known as the handyman in the Senate of John Pierpoint Morgan. The family of (Samuel Moses) Del Branco in 1559 moved from Italy to Germany taking the name Warburg. In 1798 the family founded the bank of M.M. Warburg & Co.

The 1907 financial panic had been caused by Masonic banker J.P. Morgan, historian Fredrick Lewis Allen concluded in 1949. This was used as pretense to show that there was a need for a central banking system.

Frank Vanderlip, who worked for Rockefeller, admitted in his memoirs: "I do not believe I exaggerate in saying that our secret excursion to Jekyl Island was the actual beginning of that which eventually became the Federal Reserve System."

During the aforementioned Jekyl Island meeting at the end of 1910 Paul Warburg had emphasized that the term "central bank" should be avoided under all circumstances. It was decided to present the project as a Regional Reserve System.

It was made sure that Morgan's candidate, the Freemason Thomas Woodrow Wilson, was elected president. His campaign was financed by Jacob Schiff, Bernard Baruch, Henry Morgenthau, *New York Times* publisher Adolph Ochs and other powerful Jewish financiers and Freemasons.

The high-ranking Freemason Edward Mandel House, by many historians considered the "actual" president of the United States during Wilson's administration, proposed in his novel *Philip Dru: Administrator* (1912), which was published anonymously, a transition to a progressive income tax and a central bank. These requirements were known from the Illuminati five-point program. House was in favor of forming a world government and adopting the kind of socialism Marx dreamed of. To accomplish this he was willing to use political fraud.

The Federal Reserve bill was presented the night of December 22, 1913, when most of the members of the congressional committee were asleep. That same day the bill hastily was pushed through the House of Representatives and the Senate, President Wilson signed the Federal Reserve Act and control over money supply was transferred from Congress to private Masonic bankers. Four times earlier the American people had managed to get rid of a central bank, but not the fifth time.

The Federal Reserve Act was hailed as the victory of democracy over the money trusts, which was hardly the case. Paul Warburg immediately began working at the Federal Reserve for a salary substantially less than that he received as a banker. Neither the president, members of Congress nor the secretary of treasury have any authority over the Federal Reserve.

The Federal Reserve System is actually a cartel of 13 large private banks, of which the Bank of New York is the most important.

President Woodrow Wilson allowed the national debt to grow from $1 billion to $455 billion. Interest became the third largest post of the federal budget.

The United States borrowed up to $4 trillion from various private banks in 1992. At the same time the deficit was $285 billion. In 1991 another 2 million people were registered as poor in the United States. The national debt was slightly less than $1 trillion in 1980; in 1995 it was $5 trillion. The 32.9 million Americans who in the year 2002 lived in poverty were 1.3 million more than those of 2000 (31.6 million).

The economist Milton Friedman is convinced that the economic collapse of 1929 took place because the Federal Reserve System refused to buy government bonds, which would have given the banks more cash, and thus it caused the monetary crash, which in turn led to the deep economic crisis.

In the 1810s the Freemasons had been brought into Europe in order to prepare their socialistic revolutions. Particularly bad was the situation on Guernsey in 1815, one of the Channel Islands. Less than half the size of Jersey, it enjoys a mild and humid climate and fertile soil. People had no money to buy things; production stopped and workers went idle. Bankruptcy

Paul Warburg, left, born in Germany *in 1868, came to the United States for the purpose of "reforming" the financial system. In 1895, he married a daughter of Mr. Loeb. Jacob H. Schiff (center) also married a daughter of Mr. Loeb. The name of "Sen. Nelson Aldrich" (right) was, many years ago, a synonym for the Money Power. Aldrich was a leader on tariff and financial matters. He was desirous of the prosperity of the country, but that "prosperity" was written in banking balances. These were three of the top representatives of the organized usury of their era.*

was near, since taxes to England and interest to the creditors could not be paid, and no new loans were granted. The situation was desperate. People were beginning to leave the island and emigrate to Australia.

In 1815 Guernsey needed a new market hall. There was no money. Then somebody proposed that the island should avail itself of its ancient prerogative and issue its own interest-free money. At first the proposal was turned down, but as they urgently needed 5,000 pounds and only had 1,000 pounds in hand, the Bailiff Daniel de Lisle Brock in 1816 decided to issue 4,000 pounds in one-pound interest-free Guernsey state notes. This was in addition to the current supply of English pounds, which two main banks were circulating on the island already.

Work was begun on the market hall, everything being paid for with this new money. When the hall was finished, customers arrived, and business was better than expected. By 1822 the market hall was paid for. The 4,000 one-pound notes were destroyed. The first project with the new money was so successful that it was soon followed by others. Next a new road was needed; there was gravel, stone and plenty of labor—but no money to pay for it. In all, the states issued 55,000 pounds' worth of notes, which paid for the rebuilding of the market. A new school was built, then several more, the whole surroundings of the market hall were renewed, and several other public buildings were constructed, as well as widening of the streets. A new harbor was built along with the best new roads in Europe and sewers. The sum was paid for with taxation, and the notes were again destroyed. All these projects provided employment and economic stimulation.

In 1827 de Lisle Brock was able to speak of "the improvements which are the admiration of visitors and which contribute so much to the joy, the health and well-being of the inhabitants." Things had certainly improved since 1815. It is significant that the great depression never troubled Guernsey. There was no unemployment, and the income tax was 10 pence on the pound.

Things got even better. The import of expensive English flour was reduced. The money supply never exceeded 60,000 pounds. Unemployment was practically nonexistent. Guernsey became a prosperous island community. But the Freemasons disliked this paradise, for fear that the idea should spread to other parts of Europe. In that case they would no longer be able to continue their destructive projects.

In 1830 the banks launched a counterattack and began to flood the island with their own notes. The bankers Finkelstein & Co. of London were the first to open an office on the island. There they started their propaganda for "better money," "real money." People believed this hogwash, which resulted in money shortage and loan applications in the banks. De Lisle Brock fought like a lion to save the island's sound economy and high standard of living—but to no avail. The intrigues and undermining work of the Freemasons steered the island economy over to the banks and their exploitation.

The Guernsey example of 1816 to 1837 speaks for itself. We can do without Masonic economy and do much better. But to try to do away with interest is considered the worst possible crime against humanity.

By 1837, 55,000 pounds had been put into circulation by the government for the primary purpose of local projects such as the sea walls, the roads, a new marketplace, a church and a college. These 55,000 pounds more than doubled the money supply, but there was no inflation.

In 1914, while the British restricted their own money supply, Guernsey issued more—another 140,000 pounds over the next four years. By 1958, over 500,000 pounds of interest-free money was in circulation on Guernsey, and still no inflation.

By 1990, there was a total of 6.5 million pounds in circulation, issued interest free. There was no public debt as in the rest of Britain, which was still paying for its war debts. And yet on Guernsey, prosperity was very much evident everywhere.

It was nothing new. In 1793, Liverpool suffered from extreme cash flow problems, and solved this by creating out of nothing by an act of Parliament some 300,000 pounds of non-repayable money, which was used for public works with great benefit to the city and its people. This issue of money by the Liverpool Corporation alleviated the immediate debt crisis.

On June 30, 1934, the London magazine *New Britain* published a statement by the Freemason and former Prime Minister David Lloyd George: "Great Britain is a slave under the international financial powers."

The Masonic bankers during the last 25 years have lent money to the governments of the industrial nations, which find it harder and harder to repay their enormous debt. The private sector has become exactly that much richer. This monetary power has enough money to stop any intransigent politicians. Popularly elected politicians no longer have any means of conducting the policies they wish. They cannot take back their power until the debts are paid. For every dollar borrowed, the politicians relinquish more power. The developing countries are in much worse situation. They are not even able to pay interest on their loans.

During 1982-1990 the banks of the industrial nations received $1.345 trillion in interest and annuity from these poor countries.

The Argentine-German economist Silvio Gesell (1862-1930) wished to introduce "free money." Margrit Kennedy relates in her book *Interest and Inflation Free Money* (1988) how adherents to Gesell's theory of a free economy in the 1930s made several attempts with interest-free currency in various countries, including Germany, Switzerland, Spain and the United States. Particularly successful was the model used in the small town of Woergl in the Tirol in Austria. In 1932 the ideas described in Gesell's book *Die natuerliche Wirtschaftsordnung* (*The Natural Economic Order*, 1916) were introduced.

In August 1932 the town council of Woergl issued their own bank notes, called work certificates, to a value of 32,000 schillings. Backed by an equivalent amount of ordinary schillings in the bank, the town put 12,600 work certificates into circulation. The fee on the use of the money was 1 percent per month or 12 percent per year. This fee had to be paid by the person who had the banknote at the end of the month, in the form of a stamp worth 1 percent of the note glued to its back.

The town paid for wages and building materials with this money. A ski-slope was built; streets were renewed as well as the canal system. They built bridges, improved roads and public services, and paid salaries and for materials with this money, which was accepted by the butcher, the shoemaker, the baker, by everyone.

The small fee made everyone put this money into circulation before using one's "real" money. Within a year 32,000 work certificates had been in circulation 463 times and thus had made possible the exchange of goods and services to value of 14,816,000 schillings. In comparison to the sluggish national currency it circulated eight times as fast. Unemployment was reduced by 25 percent within a year. When, however, 130 communities in Austria began to be interested in adopting this model the Austrian National Bank on September 1, 1933, prohibited the printing of any local currency.

Unemployment returned, prosperity disappeared, and the situation was "normalized," that is, Freemasonized.

Economic Slavery

Interest charges are always included in today's prices, which makes all goods and services very expensive and leaves very little money in the wallet. The economic historian John King has pointed out that because of interest, businesses must constantly raise their prices. This is camouflaged as inflation. He recommended abolishing interest as soon as possible, so as to avoid economic catastrophe. Everyone must now help pay interest. It is included in all prices—about 77 percent of rental rates, for instance. Taxes and other fees and imposts add up. Thus we have become slaves of the bankers. All goods would be only half as expensive without interest payments.

The current interest system makes it possible for those that already have money to get even richer, while those in need find it increasingly hard to make ends meet.

According to the Swedish historian Herman Lindqvist, the Freemasons decided in the 1810s that wages should be fixed at the poverty level. Such an attitude shows an enormous contempt for ordinary people. Between the years 1860 and 1910 almost a million Swedes left for America in connection with several years of famine, poverty and difficulties in providing for themselves.

During the Middle Ages conditions were much better than the Masonic myths claim. It has been calculated that a Saxony bricklayer, in addition to free food, made, in today's currency, at least 26,000 marks a month. Craftsmen normally received various benefits in addition to their wages. Despite the high wages, working hours were short, normally eight hours a day, and at work five and a half days a week. Mining journeymen in Saxony only worked six hours a day. Not until 1479 did they put in an extra hour. Often the journeymen enjoyed a free Monday, called "blue Monday," usually without wage reduction. This was terminated in Sweden with the 1669 guild order.

So as not to be confused with noblemen, craftsmen in Freiburg, in Saxony, were advised not to wear gold jewelry and velvet and satin clothes, even though they could well afford all this. The fact that the economy and cultural life flourished was due to the bracteate coins, which were the basis of a system with continuous withdrawal of coins, since they often broke. Withdrawal occurred thrice yearly and also served as taxation. Using old coins was not permitted. No one wanted to hang on to "bad" money, so as not to make a loss, since by exchange of 12 (old) coins one received only nine (new) ones. The economy prospered because the effect of interest-generating money was not present. There was to be no interest charged. For the frail, the old and the sick there were sick houses, and the rich usually provided housing, clothing and free meals for the poor. Wealth

was relatively evenly distributed at all levels of society.

All this disappeared when the Masonic bankers took control of the economy. From then on, no one could afford a decent life. To enable people to stand this misery, the lie that things were much worse before is propagated, which is certainly not true.

The current interest system makes it possible for those that already have money to get even richer, while those in need find it increasingly hard to make ends meet. From 1968 to 1982 the national income of West Germany increased by 300 percent, while the interest on the national debt increased by 1,160 percent. In 1982 that interest amounted to 29 billion DM. When interest is abolished, inflation vanishes. Kennedy stressed in her book that the income tax must also be abolished. The government will have to be satisfied with a very low VAT; otherwise the gray economy will grow. As of now interest rates go up when there is not enough money available.

The European Community during the years 1982-88 lost up to 735,000 jobs due to the debt crisis, while the United States lost 1.8 million jobs during the same period.

The Swedish national debt was 1.4 trillion crowns in the fall of 1997, which makes Sweden more debt-ridden than either Brazil or Argentina. Interest on the national debt was 111 billion kronor yearly, which is about 40 billion more than the cost of old-age benefits. Every Swede owed various banks 158,558 crowns each in 1997. Half of Swedish national income goes to pay interest. Twenty-five percent of the export income went to support of the national debt in 1990. The head of the central bank, Bengt Dennis, said: "In the circles where I move, it is expected that Sweden keeps a high interest rate."

In the beginning of the 1990s the bankers Salomon Brothers, which had provided the Swedish government with huge loans, demanded that the Swedish crown be devalued. The government complied.

Argentina went bankrupt in the spring of 2002, having a national debt of $132 billion. Two Jewish banks (Banco de Patricios and Banco de Mayo) collapsed in 1998 due to the owners' criminal activities. This was a final blow to the national economy.

The Italian national debt in the summer of 2001 was astronomically 2,391,663,000,000,000 lire ($145,831,500,000), roughly equivalent to 105 percent of the GNP.

The sultanate of Brunei in northern Borneo has free schools and free medical care. There is no tax and no VAT, but the standard of living is very high. Interest rates are very low. The country has enormous amounts of oil and gas, which is exported and has given them large incomes. The sultan, Muda Hassanal Bolkiah, is one of the richest men in the world. His assets are roughly estimated at $20 billion.

Norway also has oil and gas, but the politicians do not wish to abolish the income tax and other charges. Prices are horribly high; medical care means long lines.

On May 1, 1998, exactly 222 years after the founding of the order of the Illuminati (222 being a third of 666, which in turn is a third of 1998), the European Central Bank was established, actually a cartel of private banks. All of the people shall be in debt through taxation. The Masonic bankers are thus trying to realize the Knights Templars' ancient idea of creating a European super state by means of the banking system.

The Danish "no" to the "euro" at a referendum in September 2000 and the Swedish "no" in September 2003 showed, however, that not everything goes as planned. One does not have to be a prophet to see that the euro does not stabilize the economy, though one must not say it out aloud. Bernard Connolly, who was head of the department of currency policy at the European Commission in Brussels, in 1996 published a book, *The Rotten Heart of Europe*, claiming that fixed exchange rates and the monetary union (EMU) would lead to instability and growing unemployment. He felt the result would be horrifying. Connolly was summarily fired.

At a visit to Sweden in August 2003, Connolly stressed that the introduction of the euro would lead to economic disaster and to the fall of the European democracies. He warned that the euro is used as a pretext for forming an economic, political and military super state.

The problems have become worse in southern Europe. Portugal for instance is already at the brink of a political breakdown, and riots in the streets are not far away. This will then spread to the rest of Europe. He compared the situation to the economic collapse in Argentina, but the EMU countries are worse off. Argentina was able to cut its connection to the dollar, but EMU countries cannot abandon the euro.

One meter was one meter in 1910, just as now. A liter is a liter, but a Swedish krona of 2004 is no longer worth the same as in 1910. Its value has sharply declined. Is that not strange?

Swedish and U.S. official statistics state that in the year 2000, roughly 140 percent of the average working man's income went to necessities such as food, living, clothing, education medical care, as compared to 75 percent in the early 1970s. Today it is barely enough for both parents to work to make ends meet.

In the 1970s the total value of the world trade of industrial goods was 50 percent, the rest was in stocks and shares. In the

FROM THE TBR BOOK CLUB

SPARTAN WOMEN

BY SARAH B. POMEROY

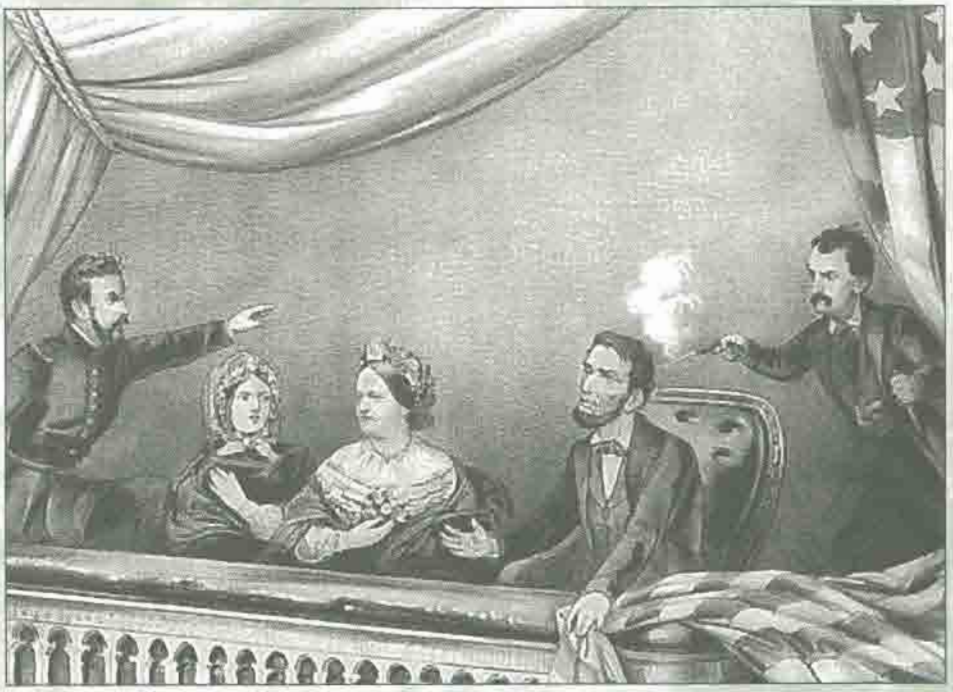
Unlike the women of Athens, who were expected to be neither heard nor seen, Spartan women were integral parts of their society, engaging in physical and mental activity that rivaled any male in Greece. The first in-depth book ever published about the women of Sparta, *Spartan Women* is a well-laid-out study, readable and extremely interesting. Books about Sparta almost always deal with powerful men and glorious battles, but the role of Sparta's women is rarely mentioned. In fact, Spartan women represented the majority of heirs to estates and controlled the majority of property. Toward the end of the era of Spartan dominance—their sons and husbands enslaved or killed in battle—the women of Sparta continued their once-great culture. #337, softcover, 198 pgs., $20 minus 10% for TBR subscribers. Add S&H: $3 per book inside the U.S.; $6 per book outside the U.S.. Call TBR toll free at 1-877-773-9077 to charge to Visa or MasterCard or use the coupon on page 80 to respond by mail.

JAMES ROTHSCHILD

LIONEL ROTHSCHILD

OTTO VON BISMARCK

ALEXANDER II



THE ROTHSCHILDS' PLAN TO CONQUER AMERICA FOR THE BANKERS

Count Cherep-Spiridovitch, a tsarist general *who battled the Bolsheviks in the Russian Revolution, published a book in 1926 entitled* The Secret World Government, *which shows how the Rothschilds' plan for world tyranny dominates modern history. He cites an interview with German Chancellor Otto von Bismarck in 1876, in which Bismarck explained that the Rothschilds, who already controlled Europe, were afraid, in the middle of the 19th century, that the United States would become independent of them if it remained one nation. The plan, therefore, was to divide the United States between England (controlled by Lionel Rothschild) and France (controlled by James Rothschild). France was to take over the South while British Canada annexed the defeated North. As a preparatory move, in 1863, France and Spain invaded Mexico with 30,000 troops. Britain, France and other European powers were ready to snuff out the young republic but were deterred by Russia, the only European nation not in the Rothschilds' thrall. Tsar Alexander II sent his fleets to New York and San Francisco and declared that an attack on the United States was an attack on Russia. Meanwhile the U.S. Congress, stimulated by Lincoln, created "greenback" dollars to finance the war and escape indebtedness to the foreign financiers. "They [the Rothschilds] understood at once that the United States would escape their grip," Bismarck said. "The death of Lincoln was resolved upon. Nothing [was] easier than to find a fanatic to strike." Cherep-Spiridovitch concludes: "According to Bismarck the awful Civil War in America was fomented by a Jewish conspiracy, and Abraham Lincoln . . . was killed by the same Hidden Hand that killed six Romanov tsars, 10 kings and scores of ministers only to more easily bleed their nations."*

year 2001 the relation was 1 percent goods and 99 percent with securities. Speculation dominates.

The current monetary system encourages fraud and extension of the gray economy and has led to the fact that those who constantly are in need of money lose more and more to those who have far more than they need. More and more money is collected in the hands of certain individuals, who happen to be Masonic bankers. If interest is abolished, everyone benefits from the new system, not only the 80 percent considered poor.

Alfred Herrhausen, member of the board of Deutsche Bank, has pointed out: "Those responsible for the current monetary system, know very well that it cannot last, but they do not know any alternative or do not want to know of any."

To the Freemasons it is important to keep us in economic slavery; otherwise they would have done everything to abolish interest. Through taxes and duty the government owns most of the result of the economic activities of the people. What are then the Freemasons' beautiful phrases of humanism really worth? The Masonic leaders' foremost goal has been to conceal as best as they can the current economic slavery. One must ask oneself *if they have been successful.* ✤

BIBLIOGRAPHY:

"Bonniers stora lexikon" / Bonnier's Encyclopaedia, Stockholm, 1985, 252.

Diagnosen (German magazine), February 1986.

Daniel, John, *Scarlet and the Beast*, Vol. III, Tyler, U.S.A.

Grubiak, Olive & Jan, *The Guernsey Experiment*, Omni Publications, 1960.

Jaikaran, Dr. Jacques S., *The Debt Virus: A Compelling Solution to the World's Debt Problems*, 1992.

Kennedy, Margrit, *Interest and Inflation Free Money*, Goeteborg 1993, 137-39.

JURI LINA is an internationally renowned writer. His chief specialty is political economy, with a specific concentration on the connection between finance and political regimes. He presently lives in Sweden.

“Money”
God or Mammon?

by **Prof. Giacinto Auriti**

This article already published in “Chiesa viva” nn. 204 and 205 (February and March 1990), as prophecy has now become extremely topical.

What is money? What is its origin? **In reality, nobody has yet defined it;** at most, what has been done is plumbed only the **“technical”** and **“functional”** aspects of it. We confront this theme because we realize that currency, yesterday and above all today, has had an enormous importance in the social-economical and political events of our society. Above all we are concerned with posing and answering these questions:

– What is currency?
– Why is it that the more a country is industrialized, the more it produces, the more it is in debt?
– And to whom is it indebted?
– Why is it that Third World countries, though having huge natural resources, are starving?

1. WHAT IS CURRENCY?

So far, the definitions of currency proposed are designated as **“credit value”** and **“conventional value.”**
“Credit value” means that the possessor of a bank-note, claims a credit against the Issuing Bank (in Italy, la Banca d’Italia).
“Conventional value” means that the currency has that value because it was established by convention. A just order of the “International Monetary System” is indispensable for the peaceful coexistence of peoples; the knowledge of the organization of this system, and of the potential of the monetary instrument, is utterly necessary, so that, whoever uses it, does so only to offer a service to humanity and not to use it as an instrument with which to threaten the fundamental liberty of all peoples. Today, with much ease and with too much trust, public opinion has accepted as a legitimate fact the institutionalization of the so-called **“paper gold.”** The general public, in fact, is convinced of “convertibility” of paper money into gold.
The reality, however, is quite different, even if almost all public opinion overlooks it; effectively: **«In 1935 the convertibility of the lira into gold** stopped, and at the same time the “suspension” of the **obligation** for the Bank of Italy was decreed. Since the end of 1926, the law of **the Monopoly of the Emissions was enacted** to keep available intentionally, a **gold reserve** of not less then 40% of

the money in circulation and pledge of cash on delivery [payment on receipt] (see R. Gattoni, "How the Bank of Italy functions," p. 52). Therefore, the caption on the banknotes: "Payable or payment on receipt" has no meaning. Sure enough, since then there is no longer coverage nor convertibility into gold, therefore, money as "trust deposit" results only in public illusion! ...maintained skilfully only in order to convince the man on the street. In fact:

– **An objective limit** exists to the issue of money, based on the quantity of the **"gold reserve."**
– **Money cannot be issued free** (as it actually is) from the Issuing Bank, because apparently conditioned by the production and availability of the real comodity (gold).

Prof. Giacinto Auriti.

With the pretext of the gold reserve, it is essentially desired to preserve the public opinion, which is the conditioned reflex caused by the old monetary system, i.e., the use of money commodity (gold, silver, salt, tobacco, shells, etc.) that, already belongs to the "History of the economy." This strategy, on the part of the International Monetary Banking System, is based on confusion willfully preordained between two concepts of "credit value" and "conventional value." So that, with the issue of paper money structured to as fake "promissory note" or "phony deposit validation," induces the community to give merchandise, which has a cost, against paper gold, which has no cost! At the international banking vertex it has been possible to substitute for money merchandise, the monetary symbol at nil cost, because a fundamental principle of the "philosophy of value" is understood, that is: **that the value is never a quality of the material, but a dimension of the spirit!**

So, for example, we might say that the pen has a value because we expect to write with it. Therefore, the value is the relation between the moment of the expectation and the expectation fullfilled. Also the money has a value because each one is ready to change merchandise into money, because each one expects to be able to give, in turn, money for merchandise. Therefore, as foreseen, other people's conduct as its own condition, is the source of the conventional monetary value. The conventional value, falsely passed off as **"title of credit,"** the banking system obtains the objective of appropriation of the conventional values produced by the community.

The bank transforms its own "Debt," only apparent, into a tangible accumulation of wealth, by a Macroscopic Accounting Reversal of which nobody, unfortunately, is aware, perhaps because is too obvious! and that it permits appropriating a value that has nothing to do with the "credit," which extinguishes itself with "payment," while the money continues to circulate after each transaction, indefinitely.

The category of the "conventional" values, even today is almost entirely ignored by the economic science (establishment) and by the legislative system, to the point that a valid monetary juridical regime still does not exist. According to the traditional theories, when we speak of "value," as a rule, we erroneously understand by that term, the "cost" value, as being the incorporation of the cost of the product (example gold money). Historically, it has been proven that each time a merchandise has been considered "a currency symbol," its value has notably risen; this shows that the value of a good is commensurate with its benefit.

The currency takes its value by the simple fact that it is a "unit of measure of the value of the goods. As the yardstick has the quality of length because it measures length; as the kilogram has the quality weight because it measures weight, so currency has the quality of value because it measures value. We must attain financial responsibility of this truth and discover the immense potentiality of value of the mental activity of the group. It has been demonstrated by the fact that the monetary value subsists even when the monetary symbol is of nil cost, and is lacking of any form of reserve, as for example the "dollar," declared non convertible, non guaranteed and not covered by gold, by President Nixon on August 15th 1971 at Camp David; as also we have seen in Italy, even since 1935. To recap, then we can say that "money" has the dual characteristic of being **the unit of measurement of the value of goods,** but also the Power of Acquisition of such Goods.

It is time that public opinion becomes aware that **those who create the value of Money are not those who issue and print it, but those who accept it as medium of payment, that is the Community!!!** The lack of this awareness means it that, by usurping of the monetary value, it is not the people but the International Banking System, by virtue of **"cultural monopoly"** of the category of the conventional values.

The Issuing Bank creates the money just for the cost of printing, in other words, paper and typographic colours. It is the community which gives **monetary value** to the banknotes, accepting them as **"medium of payment."**

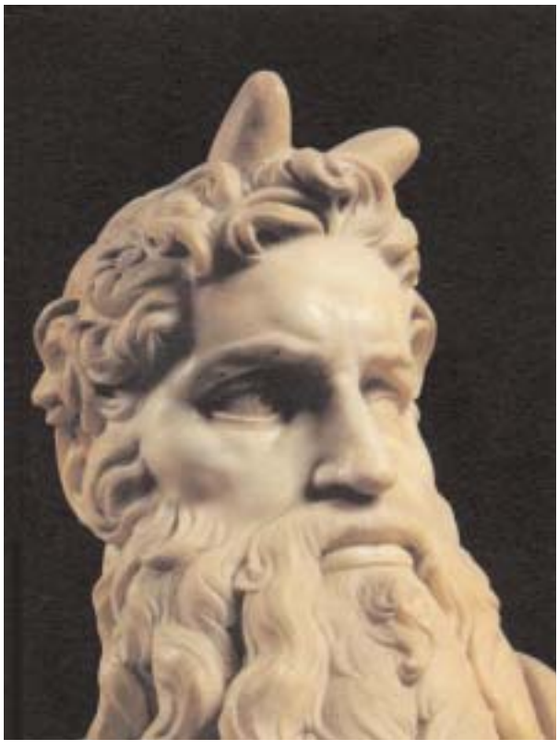
Today we observe that, in every modern state, the citizens, represented by the Treasury, **becomes indebted** to the **Issuing Bank** for all the money that the Bank puts into the marketplace (In fact the bank debits the said amount to the state). Such amounts instead ought to be **accredited to the State,** i.e., to the citizens **the legitimate owners** because they work, and through the medium of their work create wealth, and the wealth, therefore, is represented by Money; rather than to the Issuing Bank. This Macroscopic Accounting Reversal means that today any political, economical, social apparatus (Public Institutes, State- controlled institutes, etc.,) will be conditioned in their decisions and in their choices by the **Banking System!**

2. ORIGIN OF MONEY

The oldest document, ancestor of our Paper-Money, is the **"Mamre"** which is discussed at length in the Bible, in the **Book of Tobias.** The **"Mamre" was the real "monetary instrument" of the Israelites which was entrusted to the "religious" sensitivity and the responsibility of individual believers, and it was protected and supported by "solidarity lending" that extended to the whole People God.**

In the Book of Tobias, **it is presented as an "instrument of charity."** It does not need many words to comment on the moving story of Tobias, son of Tobit, and the high sense of religiosity of that story. **"Debt endowed with power of movement without the need of endorsement,"** the Bible devotes not a few verses, but **an entire book,** so **"the establishment of the monetary instrument"** was important and it does not speak in abstract form, but with clear and simple language understandable to all. The establishment of **"Mamre"** is transmitted from generation to generation as a means to draw upon oneself the divine blessings, **the true and fitting exercise of charity, and the gift and loan without interest are the source of life that frees from evil.**

The **Receipt,** or **"Mamre,"** as it is sanctified and ingrained with the emanation of God, so that the Most High does not hesitate to send one of the seven Archangels admitted to His presence, Raphael, to accompany the "creditor," Tobias, on his long journey that will lead to the "collection" of "credit." And in the journey He fills him with the blessings of life: he finds a wife, he brings the tangible material goods and unites him to friends. God Himself, through His Archangel, by the "collection" takes care of the "loan" (see Chap 5-12).



Mosès.

Paper-Money, so conceived, is the holiest and most sacred of all coins minted and visualized in gold and silver from ancient civilizations, as other peoples coined the "money" in the most precious metals, no people reached the extraordinary mystical-religious conception of the Hebrew people.

On the border of the Promised Land, Moses revealed to the people of God, **the Secret Commandment of Power and Goodness.** God, through the mouth of Moses, commanded to entrust this secret to the only Word and to the Tradition with the obligation to transmit it to future generations, but this duty was neglected, and from ancient times t**he "secret" of the "Power" was monopolized by the "curse of the human race."**

«I call heaven and earth to witness" says Moses, "I put in front of you Life and Death, Blessing and Curse. Therefore choose life, that thou mayest live, thou and thy posterity. Loving your God and obeying His voice» (Deut. 30: 19, 20).

The Commandment of **"Power"** is what gives a man the right to enter into the process of **"Creation,"** by changing the structure and evolution of living species and of territories, of the constituent elements of "matter": **this "commandment" has to be placed at the service of Creation!** It cannot remain hidden and monopolized by a few, who use it as **a weapon,** and in order to achieve a dreadful **tyranny on the work of God!**

The Commandment of Power must not be subordinated to greed and pride of man and of nations a Commandment, precisely because **"The Revealed Truth,"** given, does not come from the creature, but from the Creator! This commandment imposes on those who use it, that they subordinate themselves in an attitude of **"brotherhood"** and **"charity,"** a "**universal" precept of love;** this is the substance of the Revelation of Moses.

A "rabbinic" parable makes explicit reference to this Commandment, presenting a dialogue between God and Moses: «God, after having taught the Torah to Moses, he said: "Teach it to Israel."» And Moses replied: «Lord of the Universe, I will put it in writing for him.»

But God stopped him and said: **«I do not want you to put**

it in writing, because I foresee that the nations of the world will dominate Israel, and then will try to take away the Word. I give to Israel in writing only the **Mickra,** but I communicate only "orally" the **Mishnah,** the **Talmud** and the **Haggadah.** If the nations of the world come to dominate Israel, it will be distinguished from them thanks to the **Mishnah** and the **Talmud.** In this way the Israelites will be differentiated from all other peoples."

Few books have been read and commented on as much as the Bible, yet **the social doctrine of Moses, which has been translated into an explicit "monetary institutionality,"** imposed with extreme solemnity on the Hebrew people, just at the moment when they entered the **"Promised Land,"** has remained **"taboo!"**

It seems that a mysterious "censorship" has prevented eyes from seeing, ears from hearing and the words from being spoken! Nevertheless the words are all before us, as they were before the generations that preceded us over the millennia.

The "monetary social doctrine" of Moses is contained in Deuteronomy and is essentially based on three principles:

1. **All believers in God must mutually give each other "loans" without "interest" to the extent of their need.**
2. **The "loan" has an ephemeral life: every 7 years it is cancelled, even if it was not paid** (the sabbatical year).
3. No believer can make images of God, either carved or engraved or printed, nor on stone or metal. **Precious metals can be used as merchandise but not as currency.**

**«Thanks to our Press,
we have gotten
all the gold in our hands,
despite the fact
that we had to gather it
out
of the oceans
of blood and tears ...»**

(Mayer Amschel Rothschild, 1773)

From these three premises arise a fourth principle: "For those who believe in God should loan to each other, in accordance with their needs," **any "debtor," at any moment could have paid off their "debt" with the proceeds of a "new" debt contracted to a "new" creditor.** Therefore, **the Commandment of Moses rendered insolvency debt impossible,** and in addition, as a consequence of **the impossibility of "minted" coins made of precious metals,** it was necessary to have recourse to **another currency.** This coin was formed by the **"received credit"** that the debtors issued, they circulated without the need of "endorsement", and they were called **"Mamre:" the ancestor of our Paper-Money.**

The "Mamre" was born as a "perfect" instrument of charity and brotherhood.

The **"credit" Commandment** has established a very specific **"pact"** between God and His people, who, by means of **this instrument, has created a particular "social structure,"** unique in ancient history, that is in essence, **the "structure" of a "Credit Cooperative,"** as well as, the possibility of **creating from nothing a nominal money (paper) that cost nothing,** but **has an actual value, arbitrary and conventional,** and with an absolute guarantee, because it is protected by the **"solvency" of the whole people of God.**

This Commandment was a promise for mankind. It was an instrument of charity, of love and of prosperity for all nations!

But it has been transformed into an **instrument of prey, of tears and suffering!** Sure the **"weight"** of that Commandment, the "secret" of Power, loaded on the fragile back of a archaic pastoral people must have been too much, and the temptation, continuous and incessant. Over the centuries and millennia, that race must have been in the grip of a terrible spiritual warfare, lacerating its religious, cultural and political structure. The speech given by Moses before his death was clear: **he had endowed his people with the "secret" of Power, and of Brotherhood, to reveal to all future generations!**

«That thou mayst pass in the covenant of the Lord thy God, and in the oath which this day the Lord thy God maketh with thee. [That he may raise thee up a people to himself, and he may be thy God as he hath spoken to thee, and as he swore to thy fathers Abraham, Isaac, and Jacob. Neither with you only do I make this covenant, and confirm these oaths. But with all that are present and that are absent.» [Deut 29: 12-15]

This means that the commandment of Moses was revealed for all the peoples of the earth, who are still waiting for **the "instrument," the "institutionality"** that makes brotherhood and love possible: money, but used in the "ways" and "terms" prescribed by God (through the mouth of Moses), to date, **unfortunately always kept hidden for their own advantage and never revealed by our "Elder Brothers"!!**

3. FROM "MAMRE" TO MODERN MONEY (cause of the fall of Roman Empire)

The **Mamre** soon spread outside Israel, as the foreign merchants were willing to accept these **monetary "symbols"** in lieu of monetary gold coins; for two main reasons: **because the merchants themselves wanted to avoid being robbed;** and **because they had, in the symbol, the "maximum" trust, in that the "receipt" of payment issued by a single Israelite was securely guaranteed by the entire Israel.** The certainty in performance

The Bank of England, founded in 1694.

became that whoever was holding the **"title of credit,"** felt more advantaged to keep it with him, rather than presenting it **for collection.** At this point, the "original" nature of the "document" was modified since the function of **"paper credit"** was lost to become that of **"conventional monetary value!"**

It was said **"conventional value"** was given to the **"document"** by the same economic operators, as a consequence of the certainty of being able to claim it at maturity; they, therefore, were satisfied merely by the possession of that document, so they did not feel the need to present it at collection. That is why in trading practice, paper money issued by a mere component of the Israelite people, **acquired a value equivalent, if not superior, to that of gold.**

The Israelites could put on the market an unlimited amount of **Mamre** that **"acquired"** a **"real value,"** which were acknowledged by individual traders who accepted them as a "medium of payment" but, in reality, of **"zero cost"** (only paper and ink). The Mamre did not cause the accumulation of **"liabilities"** (among Israelites), because every seven years, according to the Mosaic Commandment, all the "debt" was cancelled; however, (the lender) came to seize all the goods, as we have seen. The merchants preferred Mamre to gold itself, so the Mamre continued on its way from border to border, being the certain possessor of solvency and collectability...

With the **"Diaspora," the Hebrew people conquered the "monetary sovereignty"** among all peoples of the world, precisely **through the Monopoly of the coinage of money symbols for zero cost,** made possible by the **"exclusivity" of the monetary and cultural "secret" of which they remained sole possessors,** and by **the link established between the "Israelite colonies" of the Mosaic Law.**

The Hebrew **paper money** came, in effect, to compete with the activities of those who used money merchandise (gold, silver, bronze, livestock, salt, etc.).

The potential for exchange of those who used the **commodity money,** in fact, was constrained by the amount of these precious goods available, **while paper money was inexhaustible.** The consequence of this state of affairs was that everywhere the Hebrew "Diaspora's" trading activity operated, the use of money-lending, along with monetary gold, silver or bronze, **made all money more plentiful. Consequently, the gold, silver and bronze had ever less value where paper money circulation was augmented.**

The **"Bad money" (at no cost) then pushed out the "good Money."** The fact was verified in the first three centuries of the Roman Empire. **The immense power of the Hebrews,** spoken of by Tacitus, was economic lending, and **demonetization of all the peoples of the Mediterranean which caused the collapse of the Roman Empire. Circulation and indebtedness of Rome to Israel was like a noose around the neck.**

Throughout the **"Middle Ages,"** and to this day, none of the Christian commentators on Deuteronomy have been able to pierce the veil of mystery it contains. **No one has penetrated the secret that God has entrusted to the oral tradition of the Hebrew people, the well-kept secret, since no one has ever been able to reveal it!**

Nobody realized that the Christian peoples were demonetised, not because they were subject to loans at exorbitant and usurious interest, but because, in effect, with their trading on the monetary market, a coin was established that was a "tax"!

So the people were not dispossessed of the interest, but of the value relative to the principal (wealth) created (the Mamre) out of nothing and loaned to them!

Only in the last three centuries, after the **"Creation of Money,"** on the part of Institutes of Issue, in **Amsterdam, London,** and later in the **USA, the "privilege" to create money out of "nothing" was transferred to an "official institutionality": the Bank.**

«The Bank of England, for example, was based on the discovery that, instead of lending money, it could lend

the Bank's own "promissory notes» (See Ezra Pound "Work and Usury" p. 68, Ed Scheiwilier, 1972).
The Bank has a "structure" of "hybrid" character between the political and the private sector, which is between the "power" group and the "Club," but no one can deny that in those clubs, the modest "puppets" that recite are "remote-controlled" with strings that go to the "mysterious" and "invisible" "Lords of Money." Still today before our eyes they repeat the same moves of the "monetary strategy," learned three thousand years ago, at the gates of the Promised Land, by the same voice of Moses.
«The world is governed by very different personages from what is imagined by those who are not behind the scenes.» (Benjamin Disraeli).
«Let me issue and control a nation's money and I care not who writes the laws.» (Meyer Amschel Rothschild, 1744 -1812).
To no avail are the speeches, warnings and "curses" of Moses to his people; he himself says:

> **«I know that you are a stiff-necked people, proud ...** you have transgressed the law of God while I was with you; I know that you will transgress even more so now that I'm about to leave and even when I will be no longer with you. **And then the "curses" will come true and you will be "scattered" among all the nations, and you will be servants; life will tremble in your heart.** Every hour of the day you freeze from fright. **And all this will happen because you transgressed this law of God, revealed through my word.** But I have prayed to God to have mercy on you, and the end of time you will be forgiven and return to your fatherland, because you will obey the commandment of God.» [Deut 31:27-30]

The mysterious **Lords of the Money,** still today **keep well hidden the terrible "secret" of money creation** that God wanted to give them, for their own happiness and the happiness of others. It is enough to think that, in our day, we have great sources of energy that can make deserts bloom and polar ice caps melt; the resources are particularly limitless. So why, even today, d**o some 30 million people a year die of hunger?** That is: one person every second, a child every two seconds?

4. POLITICAL SOVEREIGNTY AND MONETARY SOVEREIGNTY

With the creation of the **"Bank"** then, there was **the demonetization of gold: the currency-commodity (gold) was replaced by banknotes at no cost.**
The gold, in fact, was relegated to a secondary role, commodity trading ever less used as currency, and kept **its value fixed since 1717,** the official date of the creation of the Bank of England (see A.Z. "The Eye Above the Pyramid," p. 17, Tip. Artigianelli), although operating since 1694 until 1944, the year of the **"Bretton Woods Agreement."**
Let us not forget that in 1717, three major events occurred:

1. **The "fixity" of gold is established;**
2. **The Bank of England is officially founded;**
3. **Establishment of the Grand Lodge of London.**

The "control" of the issuance of paper money notes, symbols at zero cost implemented by banks, has made possible a "strategy" of domination of all markets, with the consequence of **stealing political (and economical) purchasing power of money which was at their disposal, that is, of their "economic-productive potentiality"** and therefore, in essence, **political Sovereignty!**
All the vaults of the old Royalist-Christian Europe were emptied of their contents, not as much for its material content, but for the immaterial: **the Value!**

Wall Street. New York Stock Exchange.

Governments were thus forced to indebit themselves to the banking system by borrowing Banknotes (at zero cost) to spend on the achievement of their projects and for the fulfilment of their undertakings.
Once then **"monetary value"** was extracted from gold, it was acquisitioned by the **"banking system,"** producer of the **"paper money"** at no cost, which thus became the **new master of the world.**

The realization of this "instrument of domination" was made possible by the "cultural monopoly" of the "issue of the conventional values at zero cost" (banknotes), legislatively and legally recognized by the Bank.

The BIS: Bank for International Settlements in Geneva.

To the issuance of money has been applied a principle **well known to the "Schools" of Upper Diplomacy,** so the other party accepts a condition that would never be accepted had they known the implicit "clause" set in the contract.

So it is that he who "takes money" on "loan" from the Issuing Bank explicitly **recognizes himself "the debtor"** (when in fact he is not!):

– **Firstly,** without realizing it, **he recognizes, in those "documents" received from the Bank, the quality of "money"** (because he accepts them as a "means of payment") and,
– **Secondly,** he attributes **ownership to the Bank,** because "lending money" is a "prerogative" of the owner.

Therefore, t**he Bank will charge the banknotes to the State. The Bank declares itself "debtor,"** because in fact on banknotes, there always appears the inscription: **"payable to bearer,"** but, in reality, it only gives **"false promissory notes,"** because, in our case, the Bank of Italy gives us nothing if, for example, we present L. 100,000 in banknotes at the "desk." You can only exchange them for more banknotes of the same amount; you cannot get gold coins or bullion, since **no "money" is covered, secured and convertible into gold.**

So, what do we do? At the time of issue of money, citizens are dispossessed and indebted to their own currency by the Central Bank; so it is obvious that this severe degeneration of the Monetary System cannot be eliminated unless the rectification of the defect at the root is made at the source, and we make known to humanity what is happening behind its back and to its skin.
The "ownership" of "money" must be taken away from the International Banking Oligarchy and restored to the people, who are the "legitimate and sole proprietors." "The money belongs to those who work and not to parasites," and this is made explicit, first of all, by putting on the banknotes the words **"State of Italy,"** i.e., sovereign "State Money."
It was precisely for this decision to regain monetary sovereignty, with the printing of **"Greenbacks"** (American State Banknotes) before the Civil War, that **Abraham Lincoln** was assassinated **with a bullet to the head** on April 14, 1865. And it was just because he wanted to counter the control of the money and the interests of U.S. bankers, that, having ordered the printing of several million dollars, denominated **"UNITED STATES NOTE"** instead of **"FEDERAL RESERVE NOTE,"** that **John F. Kennedy** was assassinated in Dallas, **also with a bullet in the head** on November 22, 1963.

5. TO WHOM ARE WE IN DEBT?

Another fundamental question of which we must deal is that of the futility of the **"Monetary Reserve." Today, no "money" whatsoever is anchored to a gold reserve,** not even the U.S. dollar, as was declared by **President Richard Nixon** on August 15, 1971 at Camp David, and reported by all the mainstream press.
So, **it is not understood why the Issuing Banks of the USA, the USSR and the IMF can issue money without "reserve", without gold, or without any other "title," while the same principle does not apply to other Sovereign Nations, which must be indebted to those banks in order to have currency "reserve."** In fact, while the "dollar" without reserve of gold, has international recognition as **legitimate currency** and is driving the Western economic system, that **is not the case for other "currencies" bound by the "necessity" of a "reserve" in "dollars;"** so it's like saying that while the dollar, without reserve, has the value of gold, that is not the case for other currencies!
At this point, we can say that the "**International Banking System"** is governed by a feudal type of "hierarchical structure," in which there are the **Imperial Banks,** i.e., those able to issue currency without reserve, and the **Colo-**

nial Banks, all the others that, to issue its own currency, **must necessarily have a currency of "reserve."**
This **"structure"** is based on the **cultural "monopoly"** at the vertex of the banks and on '**"public opinion" deculturated and accustomed to the principle of monetary rarity. "To say that a country cannot achieve its goals due to lack of money is like saying that you cannot build roads for lack of miles!"**

The rarity of monetary symbols, traditionally caused by the rarity of the goods with which the symbol was coined (for example gold,), is now accepted as a perfectly normal, even **though the paper-money** (the symbol) **can be produced without limit and without cost.** In addition, there is still a deep-rooted belief in the need of money "reserve," which is also manufactured without limit and without cost, but that is universally distributed in limited quantities arbitrarily established at the vertexes of the **Imperial Banks.**
At the present state of affairs, **"all" the peoples of the world are reduced to the level of "colonies" of the International Banking System with the aggravating circumstance of "not knowing."** All the social-cultural-political economic initiatives of the "nation-colonies" are "conditioned," "determined" and "programmed" at the table of the **Imperial Banking System,** through the "monopoly" of the issuance and delivery of the reserve currency that is **"loaned out,"** and so **"indebting"** the various nations; and when the "loans" – moreover – are denied, the people are destined to die of hunger.
Money, like water for fish, is by now "oxygen" for the nations! With this system, the Imperial Banks "deduct" from the Colonial Banks any "discretion" and every "freedom of decision," so they can adjust the monetary gains to the economic development of their own country. In fact, these increases are artificially "limited" and "proportionate" to the "amount" of reserve currency, which is basically determined by the Imperial Banks. **Money, then, is like blood: its amount should be proportionate to the size of the body!**

«With a combination of high taxes and unfair competition to bring ruin on the Goyim (Christians) in their own financial interests and t heir investments ... »

(Mayer Amschel Rothschild, 1773)

To realize this truth, it is sufficient to consider a simple example: if on the market there are 10 pens and 10 lire, you will be able to sell the pens at a price of 1 lira each pen, but if you have to produce 10 more pens, you will have to enter on the market 10 more lire, otherwise you would have to sell the pens at the price of only half a lira. And if the pen cost, for example, 0.6 lira, it is obvious that the process of production, in the absence of increase in monetary liquidity, stops!
This means that every freedom to make decisions on the development or market recession, does not lie in the hands of the actual producers of goods, **but in those of the "banking system" that produces "reserve currency."**
On this basis one can understand the meaning of the letter sent by **Mayer Amschel Rothschild** to the Company **Klerneimer, Morton and Vandergould** of New York dated June 26, 1863:

> **«... few understand this "system" and those who understand will be occupied in exploiting it; the public, perhaps, will never understand that the system is contrary to their interests ... »**

That is why - although there exists in the world raw materials in abundance, labour, facilities, qualified skilled workers, scientific and technological resources, and, in general, sufficient wealth to feed, even overfeed all its inhabitants - periodically and punctually, **the economic crises, inflation, unemployment, etcetera, reinvent themselves, until the arrival of famine, and even the death of millions of human beings, all creatures of God!**
The official economic science (at the service of the Banks) justifies these crises citing as "**cause" "counterfeit welfare"** and **"overproduction"** and, in some cases, even reaching the astonishing conclusion that i**t is natural and logical that some men live in poverty and in misery and even die of hunger,** despite having nearby, warehouses crammed with every type of merchandise!
At this point, the following statement appears clear and truthful:

> **«I doubt that the man in the street will be pleased to learn that the banks are able to manufacture money, as indeed they do manu-**

facture it. The mass of money in circulation varies only by the intervention of the banks, through the "expansion" or "contraction" of credit. Each "credit" or "overdraft" creates money. And those who "control" the credit of a country will direct government policy and hold the destiny of the people in their hands.» (Reginald McKenna, Member of the House of Commons, speech given at the Midland Bank in January 1924).

Also from the **Papal See** have come many allegations and admonitions, but never acknowledged by the **"men of good will"** (by inability or bad faith?).

The ECB: European Central Bank in Frankfurt.

Pope Pius XI, for example, in the Social Encyclical **"Quadragesimo anno"** (1931) Articles 105-106 and 109 read:

«An immense power and despotic economic dictatorship is consolidated in the hands of a few, who often are not owners but only the trustees and managing directors of invested funds which they administer according to their own arbitrary will and pleasure. This dictatorship is being most forcibly exercised by those who, since they hold the money and completely control it, control credit also and rule the lending of money. Hence they regulate the flow, so to speak, of the life-blood whereby the entire economic system lives, and have so firmly in their grasp the soul, as it were, of economic life that no one can breathe against their will.»

A sane monetary system should provide to the "community", money which is a **"measure of value,"** a **"medium of exchange,"** a **"way of claiming and obtaining goods and services."**
But to fulfil these "functions," **the prices of goods and services must remain stable,** in other words the ratio between the volume of goods and services exchanged in a "community" and the volume of the currency by which they are traded, **should be constant** (as the blood circulating should be commensurate with the size of the body).
The monetary system in use worldwide today, precludes this equivalence, since as we have seen, **the "power" is in the hands of a few who control at will the fate of nations.**
The modern monetary system was introduced in England by the promoters of the Bank of England, who adopted as a principle the bank loan according to this procedure: **it lent at interest to the State money which in reality was its own already!**
In fact, a private **"coterie (mafia)"** headed by **Mr. Paterson,** lent the government of **King William III,** the sum of **1,200,000 pounds** sterling in gold, at 8% interest and as a counterpart of the **"loan" was "authorized" to "print" Banknotes for the same amount.**
If **William III** had printed the "Notes" himself and had allowed the "cronies of Paterson" to keep the gold, he would not only have saved the nation 96,000 pounds sterling (equivalent to one year's interest at 8%) but his subjects would also have avoided the "tax" imposed on them to cover the "debt" contracted through the "Paterson Bank," with the consequent rise in prices and with the onset of the consequent inflationary spiral.
Inflationary effects which, in those days, with a predominantly agricultural economy, were negligible, **but when the system was introduced in the U.S. in 1913** (the year of the founding of the **Federal Reserve,**) after 2 centuries of industrialization, its effects were felt.

The need for a "growth" economy, in fact, establishes an "increase" in the demand for **"loans"** and then an **even higher "debt" to the banks.**
"Interest" on these loans piles up on the loan itself, and **the "community" therefore incurs "debts" to the banks of more money than there is in circulation;** in this way, even if only to allow "colonies" to pay "interest," banks are required to expand the volume of their "loans." In so doing, **it creates a permanent "imbalance" between the amount of money due to the Imperial Bank and the**

quantity of money in circulation with which to make the repayment, and the attempt to make up the difference with new loans makes the **inflationary effect** of the system **"cumulative,"** almost **"irreparably."**

Another consequence of this **lack of permanent** (artificial) **"liquidity"** is this: the community is never in a position to buy at reasonable prices all goods and services produced. **The effort to overcome this scarcity is one of the causes of the excessive importance given to "foreign trade"** to achieve a favourable **"trade balance."** The promotion of industrialization, the throwaway consumer society, generally promoted by the "Mass Media" only aggravate the situation, as **they lead the community to borrow more and more** because of the requirement of industries to borrow further from the banking system.
It's a dizzying spiral!

The peoples, the more they produce and the more they advance industrially, the more they overtake other nations in the "hit parade" of the economy; but at the same time - coincidentally note the inconsistency! – **the more they are indebted!** And to whom? It's simple, isn't it? To the **Imperialist Banking System,** but the "Mass Media" is careful not to mention this reality!

6. THE GREAT PARASITE OR THE HIDDEN GOVERNMENT

Since the first appearance of civilization, the people appointed **Leaders** – by choice or by force – but yet renowned leaders, acknowledged and responsible for their actions. Above the heads of the weaker nations, was **the power of the dominant people.** But over the heads of the stronger peoples there was nobody, no other power, and no other man. **And this is the fundamental criterion for distinguishing the free peoples from the people are not free.**
For at least two centuries, in an ever growing measure, and in different degrees from region to region, from area to area, it is no longer so: the hardly recognizable, never responsible, **"unofficial forces," are the true, the real Masters of the game. They decide the destinies of the peoples.** They are there somewhere, in high places and everywhere, omnipresent and elusive, but still over our heads. They provide us with ideals and slogans, reasons to hate and fight, weapons and money!
For several decades, a new factor has been added, **a power outside and above all, a power that,** among the many forces that agitates, that fights, that emerges and bubbles on the "crust" of the planet Earth, and chooses – as does the puppeteer - **who must win and who must lose.**
This power is constituted by the men of the Great International Finance that slowly, unceasingly, wisely, have stretched out the "threads" of their "intangible" network. **They made use, of the East as of the West,** now one ideology, now another according to their interest and advantage.

The Great "Parasite" has founded his instruments of "exploitation" and of "dominion" on "lies," on "deception," "intellectual and spiritual subversion" meticulously planned for hundreds of years.

Through **liberal capitalism,** it has subjugated human beings with the **"Phantom of Liberty"** and with the **mirage of wealth,** always there, alluring, two steps away but always elusive! Through **Communist Socialism** – instead – it has hypnotized and, without chloroform, has put the masses to sleep, with the utopia of **Justice** and the lie of **Equality, "awakening," then, in the Gulag Archipelago, "behind the Iron Curtain" and Cement Walls.** The **"foundations"** of the same bourgeois ideology were demolished, **in order to realize the ever forgotten "biblical promise" of dominion of the Chosen People over the gentiles and over all the countries of the earth!**

The **High Finance Banking** chooses a country or group of countries to dominate the world, giving these countries the illusion that they are the true rulers, whereas, in reality, they are the ones to be totally dominated in turn.
Until World War I, the **"Money Masters"** identified their interests with those of the **British Empire,** and then abandoned it, without ceasing to continue to exploit it.
They had done this previously with the **Russian Czarist** and **Hapsburg empires,** as well as with France, and as they are currently preparing to do, we think, over a period of one (or two) generations, with the **USA.**
In an article appearing in "Avvenire" (08.11.1989, p. 9),

Maurizio Blondet comments thus, «In fact, **"the Financial Crisis"** in New York could not be more bleak, in the diagnosis of **Felix Rohatyn,** the banker of the very powerful investment bank **Lazard Freres and Co.,** and President of the "Municipal Assistance Corporation" ...» The entire article shows how, in effect, the U.S. has in place a "great economic recession."
In the same article, the Nobel Prize winner for economics, **Maurice Allais** states:

> **«We have to change the system of the credit as it works today, i.e. the creation of money from nothing by the International Banking system.»**

The Wall Street banker, Jacob Schiff, an intimate friend of the Rothschilds and principal financier of the Russian Revolution of 1917.

For several decades, the interests of High Finance overlapped with those of the **American Empire,** until the Second World War, then, faced with the danger that **a total American "supremacy" could lead to a political and economic power too strong to be "controlled,"** the High Finance decided to push the U.S. toward "decline," while she was made to grow, but always under control, the **"Soviet"** power to be used as a counterweight.

Today, we are at **US-Soviet Agreement** (with meetings even on warships in the Mediterranean). But really, **has no one ever noticed that the two "superpowers" have never had need to join forces, because they always have been joined, through the Upper Finance Banking? Has no one really ever realized that the "cold war" was a scam and that the USA and USSR are two of the same pincer jaws, whose handles are kept under control by a single hand?**
The book, **"Vodka-Cola"** by **Charles Levinson,** is one of many sources of information demonstrating **the union between "capitalism" and "communism."**
In particular, it documents that the "main" banks in the liberal-capitalist sector, first among all of those branded **Morgan** and **Rockefeller,** have their own "branches" in the socialist-communist countries since 1917 (such as **Chase Manhattan Bank,** etc.), and vice versa, the socialist-communist sector banks have "branches" in the liberal-capitalist countries (e. g. **Northern Europe Commercial Bank, Eurobank BCEN,** etc.); that **the "capitalist" economy sustains the "communist"** with a continuous "flow" of facilitated "credit", if not even non-repayable "grant." In addition, a dossier "published in the journal **"OP"** of May 1982 showed how the **"Gosbank"** (the **Central Soviet Bank**) was a limited company with **"participation of foreign private capital"** (e. g. the Aschberg, Sweden, etc.).
Today, we are witnessing the downfall of many barriers, ideological and non-ideological walls; before our eyes what no one thought could ever happen is happening, **but the ways of High Finance are endless!**
The process of socio-political-economic-cultural-religious "homogenization" is essential for the establishment of a New World Order to technocratic government. We see, therefore, the apparent gradual rapprochement of the "two" alleged "enemy brothers" conceived and born from the **Yalta Pact.**

«We shall have world government, whether or not we like it. The question is only whether world government will be achieved by consent or by conquest,» proclaimed **James P. Warburg,** of **Kuhn-Loeb & Co.,** the son of **Max Warburg, in 1950, during a session of the United States Senate, who, along with Jacob Schiff, was the greatest financier of the Russian Revolution (1917).**

Aurelio Peccei, Executive Member of PCI and founder and President of the **"Club of Rome"** (one of many globalist institutes) said:

> «We need to arrive at an efficient "world system," governable with the same techniques of "marketing." And it is precisely this that is taking place in the world: a **"plot" by an almost closed number of Multinational Corporations, is carrying out the agreed-upon "division" of the "market areas," resulting in the "cessation of all forms of economic competition" and the policy of the single "national sovereignty."»**

Behind the large multinationals, operate the banks that create money out of nothing! (for which we now understand better the causes of "wars" going on between giants that contend for the European Common "Market" and the reason to achieve it).
And when such an event will actually be implemented in the whole world, then the World Economic Power, **the Great "Parasite,"** indistinguishable in the "infinite mass of anonymous shareholders of the "limited company," **will outsource the daily management of the Empire of Capital in the World technocracy. Every "national sovereignty" will cease "automatically," the World Economic Power will rule with an absolute "power," worse than that of a "tyrant."**
The people will be deprived of their wealth, in exchange for **"Credit Cards"** or perhaps still worse, not even those, but a **"Personal Number"** (the personal Code or **"mark of the beast"** or the number **666,** applied by means of a subcutaneous microsurgical operation on the **right hand** or on the **forehead** as in Revelation, Chapter 13, verse 17). In this situation we will be offered the choice to adapt to the rules or be left to die of hunger!

> **«If today man can still choose between different conceptions of the world and continually has to face moral and spiritual dilemmas, tomorrow will not be so ... we will have in the future only technical choices!»** (C. Finzi).

The Technocratic Government, in fact, will constitute a kind of "elitist" corporation, carefully "selected" and properly "educated," that will be responsible to operate on the coldly "rational" basis and with choices merely "technical," all designed to bring out the maximum "profitability" for the World Economic Power.
There will be the **"suppression"** of every type of **"privatization"** in the level of **"affection"** and that of the **"effects;"** the Technocracy will absorb all the "rights" of the "person" and "family;" the "socialization" will also include the education of children (already they are trying to take them away in Italy, perhaps under the pretext that children need to live "well" economically), and everything will be delegated to the **Technocratic Government.**
An "Agnostic Humanism" will replace the old "Christian Humanism." This will achieve **a breed of men, to whom will be distributed a set amount of food per capita, which is necessary for survival and for production!**
Once again the words of Revelation will resonate in the mind:

> «And it was given him to give life to the image of the beast, and that the image of the beast should speak; and should cause, that whosoever will not adore the image of the beast, should be slain. **And he shall make all, both little and great, rich and poor, freemen and bondmen, to have a character in their right hand, or on their foreheads. And that no man might buy or sell, but he that hath the character, or the name of the beast, or the number of his name. Here is wisdom.** He that hath understanding, let him count the number of the beast. For it is the number of a man: and the number of him is **666.**»
> (Revelation Chapter 13: 15-18)

As early as 1975, **Dr. Charles Ducombe** of the Information Office of Jerusalem declared that Dr. Harinck Eideman, head analyst of MEC Bruxelles, revealed the existence of a **"Super-computer"** called **"The Beast,"** occupying 3 floors of an Edifice carpeted with computers, and that would have assigned a number to each inhabitant of the Earth, and its code is **"666."** (See "Chiesa Viva" n. 201, p. 9, 12 and 13). Another **Super-Computer or SuperMarket of Religions,** called the **"Temple of Understanding," with 6 arches, 6 sides and 6 vaults** (here returns **"666"**), would provide from the U.S. to sell to the spiritual "consumers", wherever they live on earth, the "religion of choice," with the possibility of choosing from assorted **"sampling"** of the most important ones.

«And the third angel followed them, saying with a loud voice: If any man shall adore the beast and his image, and receive his character in his forehead, or in his hand; He also shall drink of the wine of the wrath of God, which is mingled with pure wine in the cup of his wrath, and shall be tormented with fire and brimstone in the sight of the holy angels, and in the sight of the Lamb. And the smoke of their torments shall ascend up forever and ever: neither have they rest day nor night, who have adored the beast, and his image, and whoever receiveth the character of his name. Here is the patience of the saints, who keep the commandments of God, and the faith of Jesus.»

(Apocalypse 14: 9-12)

So, with the extermination of **“native” cultures** and **“cultures”** and the plummeting of **“traditions” into oblivion,** will end up in the dust of museums without visitors! **Access to higher education will be reserved for the “caste” of technocrats; knowledge of the “masses” will be reduced to the minimum, consistent with that required for work performance.** Once the **“Universal Synarchy”** is achieved, **technocrats will be the official operators of the Mega-Brain and all its terminals,** and at that point **the World Empire of Capital will have dominion** [“dominion usque ad sidera et usque ad inferos”] for “whoever owns the soil, it is theirs all the way up to Heaven and down to Hell.”
It is quite understandable and natural that the reader of these notes can show a morsel of “doubt” and wonder how it is possible that all this comes about, and how it could happen that the general population – politicians, scientists, sociologists – is totally unaware of the Great Parasite that lurks behind our backs and of whom (almost) no one talks.

“Rothschild”, cartoon of C. Léandre - France 1898.

E. Ronzoni wrote:

> **«The dark times in which we live are characterized with respect to past eras in the “totalitarian” and “widespread” way, with which the masses are “conditioned” and for the way in which in the name of Democracy, they are kept “subtly” in the dark about what is being decided against them.»**

THE GREAT SEAL OF THE TRILATERAL COMMISSION

In the centre of the seal, appears a **Beast with seven heads,** the “Beast coming from the sea” as described in the Revelation of St. John. The Beast enwraps a **dodecahedron,** that is, a solid with 12 faces representing the **World. The Beast, therefore, symbolizes the Emperor of the World,** and is the Head of the temporal power, with **Lucifer** and the Patriarch of the World, forming the blasphemous and satanic **Most Holy and Indivisible Trinity ,** namely the **Third Masonic Trinity.**
The dodecahedron, composed of two square-based pyramids placed above and below a parallelepiped with a square base, with its 6 visible vertices, pinpointing the **6-pointed Star** etched on the solid. **The 6-pointed Star is a symbol of the Rothschild family** and, in ancient times, **Druid priests used it to symbolize human sacrifices.**
Above the Beast and the Dodecahedron, there are **three 6-point Stars.** Since the star represents the number **6** (its vertices) and **18** (segments made thus), the meaning of the 3 Stars is
3 times **6** = **666** = the **Antichrist** and the **Mark of the Beast,**
3 times **18** = **666** = **Declaration of War agaist God.**
Over the three 6-pointed Stars, there is the inscription: **NOSTER ORDO SECLORUM,** composed of **18 letters,** which symbolize the **18th degree Knight of the Rose-Croix** Scottish Rite of Freemasonry which has the task to **eradicate the Sacrifice of Christ on the Cross from the face of the earth.**
Under the Beast there is the inscription: **EGO TERMINATIO EGO FIDES EGO SCEPTRUM,** symbolizing the three powers of Lucifer and of the **Holy and Indivisible Masonic Trinity. Lightning manifests the divine will and the omnipotence of the “supreme god”.** The **two Lightnings,** in the claws of the beast, symbolize the **dual power of destruction and creation** of the **“supreme god”** of Freemasonry.
The Seal is enclosed in a succession of triple arches, **31** of which are visible to the right and **31** to the left. This number indicates the **31th** degrees of Scottish Rite Freemasonry, the degree of the Masonic **SAPIENTIA,** and that is the art of “**binding the hands and feet of the usurpers of the rights of men”** (i.e., Catholics).
In this degree, **the Mason swears blind obedience to the Most Holy of Holies and Indivisible Masonic Trinity.**
In this degree, **the Freemason is free from any obligation of oaths, in the past, to other authorities.**
The **Motto** of the 31st degree is: **“Justice and Equity.”**

The Tower of Babel. The New World Government is none other than the New Tower of Babel wanted by the occult power for the total annihilation of the Church of Christ.

Here is one more testimony from **Gore Vidal:**

> **«I believe that most of what we consider Human History is probably false.** We have no way of knowing, apart from what they told us. What we do know is that history is written by those who won the wars, so we know only one side ... **Whoever governs desires that no one comes to the "root of the problem" because, if that eventuates, then the people could change the government. Today, the ruler exercises his power through television and the press giving false images of the world!»** (See "L'informatore librario" no. 1, 1984).

"Wall Street" (so-called because it was the first American ghetto separating Jews from Americans, and later, as "revenge," therein arose the largest **Money Temple**) **and the City of London,** through the various Foundations (**Ford, Carnegie, Rockefeller,** etc.) that "feed" with inexhaustible "rivers of gold" the "machine" that maintains the gigantic deception.

Even the **Kremlin,** according to **Eugene Melani** of **"Il Giornale Nuovo,"** contributes the sum of 5,000 billion lire a year to overturn the "truth" and obfuscate the conscience of the people. And so therefore the World Economic Power manages to keep hidden and viewed as science fiction because, today, **it has full control of all the "centres" of power of the earth.**
Governments – sorry to say – **are "puppets" in its hands; the press, the TV, the radio, the cinema are its "dependents" and the tools of mental conditioning of the people.** On the other hand, among intellectuals, historians, sociologists, philosophers, etcetera, no one dares to come out of the rut of official "historiography" permitted and approved by sociology, since each of them is aware that the slightest "offense" would clearly truncate academic career, sinecures, honours, wealth, and would transform their lives into failure, if not tragedy.
If, despite careful vigilance, still some uncorrupted ones come forward, a few brave, some unconquerable, there is for all the same fate: the "excommunication" on the part of official "intelligentsia" and confinement in the "ghetto" of the visionaries, of the vulgar, of the storyteller, of the raving, of the unreliable, of the mentally ill, etcetera.

***

We are aware that even this small work, however incomplete – because of so many things we want to say – will be understood only by a few, but it comes with the hope of inducing "reflection," to study and fathom the depths of the problems and realities, just sketched here.

Also we want it to be an exhortation not to despair but to fight for our future and that of our children, knowing that the pages of the future have not yet been written.

Here's something to think about:

> «After the great intoxication, after the collective euphoria, we will plumb the inner silence that will to lay bare, **the loneliness of those who have no certainty, nor myth, nor gods, nor the will to exist. And anguish cometh as never before.** That will be the time when many among the masses will begin to ask questions, and to seek answers to the questions: to understand the why, the how, the when.»

And more:

> «The crisis will come upon an unprepared, stunned, helpless, **lost mass: a "throng" without any reference to morality,** unaccustomed to any sympathetic behavior, educated exclusively in unrestrained selfishness and mutual wellbeing; a mass incapable to design and build. **It will be an unprecedented phenomenon because never before has there been manifested such a prevalence of material interest over spiritual values.**
> With the **God-Mammon** collapse, all structures built in its name, and the current wellbeing vanished, **suddenly you will have a period of chaos, violence and abuse.** The course of events can change only at the hands of the aristocracy capable of effective authority, that is able to embody values, to guide and give security and confidence, to restore concrete forms of solidarity.»

There is always a possibility for the people to rise again, to modify their own destiny. Should men desire it, governments would still be able to **"restructure" the "economic system"** and therefore the **"socio-political;" Christian civilization always has the possibility to avoid disaster.**

«The members of the World Government will be appointed by the Dictator. He will choose men from among its scientists, economists, financiers, industrialists and millionaires ...»

«The forced unemployment and hunger ... creates the right of Capital to rule more securely.»

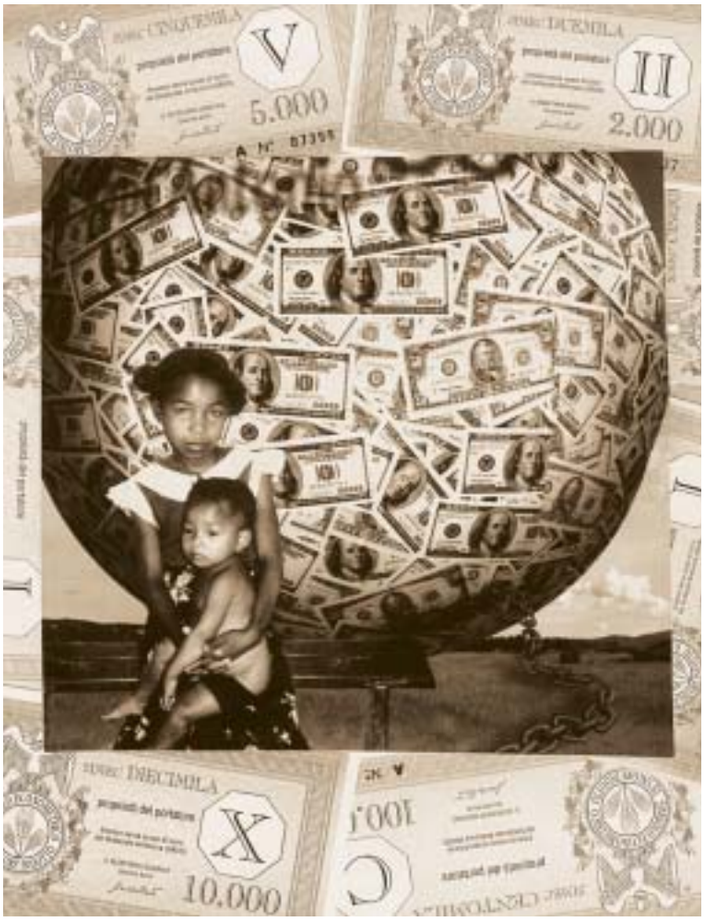
«The Reign of Terror ... is the most economical means to bring the population into quick submission ... »

«... the Goyim (Christians) will destroy each other, but on a scale so colossal that, in the end, just the masses of the proletariat will remain in the world, with a few millionaires devoted to our cause ... and the police force and military sufficient to protect our interests.»

(Mayer Amschel Rothschild, 1773)

The civilized world must first **“Restore All things in Christ,”** to recover the physical and mental health, an indispensable condition for the “return” of the prerogative of the Sovereign National Monetary Issue:
Only thus would Samson’s hair be cut!!!
We must bring back the use of the “monetary” instrument for the purposes for which it was established. It was a “message of love” and “brotherhood,” of “charity” and of “wellbeing,” a foretaste of God’s generosity!
The peoples must recognize God’s sovereignty over all things and all men; obedience is due only to Him without end and without reserve, to Him the fidelity and confidence of every man.

> **«See, I have set before thee this day life and good, death and evil,** for I command you today to love the Lord your God, to walk in his ways, to keep His commands, His laws and His ordinances, **then you shall live and multiply, and the Lord will bless you ... But if your heart turns away and if you do not listen but shalt be drawn away, and worship other gods and serve them, I declare to you today that you shall surely perish ...** I take as witnesses today against you, that heaven and earth: **I have set before you life and death, blessing and cursing, therefore choose life, that you and your descendants may live.»** (Deut. 30-15,19).



Suggested BIBLIOGRAPHY

– AURITI GIACINTO, **“L’ordinamento internazionale del Sistema monetario”** (Ed. Solfanelli).
– A. Z., **“L’occhio sopra la Piramide”,** (Tip. Artigianelli).
– BANCA D’ITALIA, **“La Banca d’Italia ed il problema del Governo della Moneta”** (Centro Stampa della Banca d’Italia) (curato da Finocchiaro - Contessa).
– S. BIBBIA, **“Deuteronomio”** – **“Libro di Tobia”** – **“Apocalisse”.**
– BOCHACA JOAQUIN, **“La finanza ed il potere”** (Edizioni Di Ar).
– BONATESTA ALFREDO, “**La sinarchia universale”** (Edizioni Il Cinabro).
– CHESSA FEDERICO, **“La Moneta”** (Giappichelli Editore).
– COSTON HENRY, **“La Haute Banque etles Trusts”** (Publications Henry C.).
– DI NICOLA UGO, **“I movimenti mondialisti”** (Ed. Solfanelli).
– GATTONI ROMANO, **“Come funziona la Banca d’Italia”** (Edizioni Savelli).
– GILLES - Y. BERTIN, **“Le multinazionali”** (Ed. Il Mulino).
– GOZZOLI SERGIO, **“Sulla pelle dei popoli”** (Ed. Uomo Libero, 27).
– KRILIENKO ANDREI, **“The Affluence of Midas”** (Resurgam Press).
– P. MEINVIELLE JULIO, **“Conceptos fundamentals de economia”** (Cruz y Fierro Editores).
– MONCOMBLE YANN, **“La politique le sexe et la finance”** (Faits et Documents).
– NOBLEJAS GARCIA J.A., **“Espansion y variantes socialmarxistas”** e **“Organizaciones de origen Judeo-Masonica”** - (Riv. “Que Pasa?” nn. 707, 708 e 709).
– POUND EZRA, **“Lavoro ed usura”** (Ed. Scheiwiller).
– ROMANO DAVID, **“Antologia del Talmud”** (Plaza & Janes Editores).
– SEARCH R.E., **“LincoIn - Money Martyred”** (OMNI Publications).
– SELLA DI MONTELUCE PAOLO, **“La verità sulla Carta-Moneta”** (Pubbl. Riv. del Popolo, 69).
– THOREN THEODORE, **“The Truth in Money”** (Truth in Money, Inc.).
– TURNER W.E., **“Stable Money”** (Marvin Evans Co.).