

# Recovery

by  
Henry Swabey

## Chapter 15

### Usury and the Church of England

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#### List of Contents

1. Background	3
2. The Early Church	7
3. The Medieval Church	10
4. Before the Reformation	18
5. Church Mints	23
6. A Just and Stable Price	29
7. Cloth is My Bread	33
8. Partnership	37
9. Usury Legalized	51
10. Legalized Usury is not Legal	58
11. Usury Moralized	73
12. Eighteenth Century	81
13. After Waterloo	88
14. Christian Socialism	103
<b>15. Recovery</b>	<b>114</b>
<i>Bibliography</i>	124
<i>Appendix I Dante Aligheri</i>	126
<i>Appendix II Sir William Blackstone</i>	127
<i>Appendix III Tawney on Banking</i>	128
<i>Appendix IV Discourse Upon Usurye</i>	138
<i>Appendix V Tawney on Usury</i>	150

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## Chapter 15. Recovery

It was the turn of the century. The *State of England* was at the height of its *Imperial Powers* - an empire upon which the sun never set. Meanwhile in the *Church of England* new men were coming to the fore. They wanted to be part of a new *Social Movement* but they were not content with a *Socialism* that was moving from *Humanism* to *Secularism*. Such were the late Bishop Gore and the Rev. P.E.T. (later Canon) Widdrington. And it was only later on that Conrad Noel wrote about usury.

This is not to deny the *Christian* idealism of such leaders as Keir Hardie<sup>1</sup> and George Lansbury, but few had yet seen that the *Prohibition of Usury* was fundamental for civilization or had really understood the problem in which they were involved. Bishop Gore, in his *Meditations on the Litany*, complained of the destruction of food while people were underfed. This was a direct attack on the results of ill regulated finance, and recalls the protests of Bishop Berkeley and those made in Cobbett's time. It goes deeper than the *Orthodox Socialist* idea of robbing Peter to pay Paul.

By 1906, the *Guild of Saint Matthew* and the *Church Social Union* (founded in 1889) had served their purpose of stirring the conscience and the *Christian Socialist League* was founded. William Temple soon made his appearance, but for the time the vagueness of *Christian Socialism* was accepted as sufficient. Conrad Noel was the first organizer of the *League*.

The *National Guild Movement* voiced opposition to the *Wage System* and, in the words of Canon Widdrington, 'turned our minds back to the social tradition of the Church'. But Egerton Swann called the *Just Price* 'purely the *Church's* own program', together with *Distributed Property* and *Guild Organization of Industry*. In 1922 this was a vital step, for it was from the consideration of the *Just Price* that the *Church* was originally let to consider the *Just Price of Money*, and so to ban usury because £100 is not worth more than £100. Otherwise, *venditur id quod non est*.

The *National Mission of Repentance and Hope*, launched in 1916, was important rather in its aftermath than its own immediate results. These were not so flat as the similar *Recall to Religion* issued twenty years later by Archbishop Lang, who had perhaps been too involved in the tragic happenings that surrounded the Abdication of a popular *King*.

The general question then was, a recall to what? For no better pattern was given for daily or social life. Unlike his successor, Archbishop Lang was unlikely to understand the old social doctrines of the *Church* in the *Age of Faith*, and *Roman Catholic* newspapers remarked then as they had done twenty years earlier that the Archbishop was more intimately involved with the *Financiers of America* than was desirable, and so was unlikely to criticize *Finance* at all radically.

But the *National Mission* had some contacts with the problems of an industrialized society. The small movements of the *Guild of Saint Matthew*, the *Church Social Union* and the *Church Socialist League* were no longer opposition societies, but the social message was enunciated in the name of the *Church*. This was the first important result, although its significance may be over-stressed. Secondly, the *Fifth Report* which resulted from the *Mission* gave birth to the *Industrial Christian Fellowship*, which again considered the problem of *Money*.<sup>2</sup>

While Egerton Swann was writing of the *Just Price* in 1922, the *League of the Kingdom of God* was founded, and the *Christian Social Movement* suffered from a schism of its own. The *Catholic Crusade*, which branched off - was influenced more by Marx's diagnosis and shared his ignoring of money, apart from Conrad Noel.

V.A. Demant, later *Canon of St. Paul's*, was fully acquainted with the defects of the *Financial Mechanism* and was beginning to gain influence at this time. With the *Birmingham Conference on Politics, Economics and Christianity*<sup>3</sup> William Temple emerged as the leader of the social movement, and behind him the *Church* moved nearer her traditional position and away from satisfaction with standard *Socialism*. There were still many, of course, still content with individual *Pietism* and who cared for none of these things.

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<sup>1</sup> James Keir Hardie (1856-1915) was the first *Independent Labour Member of Parliament*, seven years before the founding conference of the *Labour Party*. Hardie grew up in poverty. From the age of eight he was a baker's delivery boy and the only bread-winner in his family. He never went to school but was self taught. Originally a supporter of Gladstone's *Liberal Party*, he became the first leader of the *Labour Party* which swept into *Parliament* in 1906 with 29 *MPs*. He resigned as leader two years later and spent the rest of his life campaigning for votes for women and developing a closer relationship with Sylvia Pankhurst. He also campaigned for *Indian Self-rule* and an end to *South African Segregation*. A pacifist, Hardie was appalled by the *First World War* and along with *Socialists* in other countries he tried to organise an *International General Strike* to stop the war. His stance was not popular, even within the *Labour Party*, but he continued to address *Anti-War Demonstrations* across the country and to support *Conscientious Objectors*. [Ed].

<sup>2</sup> Such names as the Rev. Tom Dixon come to mind.

<sup>3</sup> *OPEC, 1924*.

In 1926 the *Bishops* offered to intervene in the *General Strike* but they were heavily snubbed by Stanley Baldwin who said that the *Bishops* had no more right to interfere than the *Federation of British Industries* would have to alter the *Creed*. They had had a somewhat similar experience under Lloyd George<sup>4</sup>. However no Christian voice that I am aware of noticed the reintroduction of the *Gold Standard* by Winston Churchill, which was in fact a return to an even more pernicious form of usury and caused the *General Strike*<sup>5</sup>.

At this time V.E. Demant's distinction between *Economic Laws* and *Laws of Nature*; R.H. Tawney's *Religion and the Rise of Capitalism* and Sir William Ashley's research into *Catholic Economics* started to gain readers. Miss. Kenyon pointed out that these writings aroused interest in the subject of usury, which had lain dormant for 250 years, a *Rip van Winkle* kind of experience.

The work was carried on by the *Church Union Summer Schools*, the journal *Christendom*, and Archbishop Temple on the one hand, and stimulated on the other by growing disgust with the destruction of goods and their restriction at a time when millions were suffering from destitution. Sir John Boyd Orr testified that four million in Britain were on an insufficient diet. Once again it was dissatisfaction with the results of wrong finance as Dr. Demant, Archbishop Temple and others pointed out.

The question of usury itself was examined in a pamphlet of 1930, published by the *Christian Social Council*, called the *Christian Teaching regarding Usury and Investment* edited by Reckitt. The enquiry was initiated by Will Reason as one of the activities of *COPOS*. A fundamental defect will appear, in that the authors by and large failed to see what *Money* itself for.

Secondly they failed to note that, in about 1640 in England, there was a change from the *Bullion* to the *Paper Theory*. Then fifty years or so later, from *Paper Money* to the wide use of *Credit*. It is true that their terms of reference are limited. But the task is not complete without at least a sketch of these facts, as well as a distinction between *Money* that has been *Earned* and *Money* created by the stroke of a *Banker's* pen. Such distinction is clear in, for instance, Jeffrey Mark's *Analysis of Usury*. Nevertheless, the essays are of great value both in themselves and in that they show the renewed attention of the *Church of England* to these problems.

The Rev. R.G. Millidge deals with usury in the pre-Christian era and in the early days of the *Church*. It is mentioned, he says, in the *Code of Hammurabi*<sup>6</sup> in about 2000 BC, when it is required that interest be paid with the return of the loan. The usual rate was about 20% on *Corn Loans*, though it rose higher.<sup>7</sup>

He points out that in the earliest *Old Testament Codes* usury is forbidden on *Money* lent to the *Poor*. Only in the later code is permission given to lend *Money* to the *Stranger*. They had by then experienced the results of usury, as we have remarked, in the *Slavery of the Poor* and the *Exaltation of the Large Creditors*, which resulted in the *Two Nations*, which Disraeli saw in his time.

In Greece, Millidge continues, the rate of usury was left to *Free Contract* and the *Plutocracy* which arose in Athens caused Plato and Aristotle to attack usury.

In Rome, usury was prohibited in 341 BC. When Cato was asked what he thought of usury, he asked, 'What do you think of murder'? But these prohibitions were disregarded and:

“...a great part of Seneca's *Great Fortune* was acquired at *Usurious Interest* to *British Nobles* after the *Roman Conquest* of Britain.”

Millidge gives further information about the early period of the *Church*. He does not provide a definition of usury but writes that 'all indications point to the entire disapproval of usury'.

It was condemned by all the *Apostolic Fathers*, and Cyprian was well aware of:

“...the fatal symptoms of *Political Dissolution*, presented by vast accumulations of *Locked-up Capital*, by the abnormal growth of *Grazing Land*, and the gradual elimination of the *Independent Labouring Class*.”

<sup>4</sup> It has been said that Bonar Law was the only politician of integrity during this period.

<sup>5</sup> Christopher Farman's careful documentation of the events of early 1926 in *The General Strike of May 1926: Britain's Aborted Revolution* (London, 1974) provides support for Swabey's claim. The *Miners and Trade Unions* were played as pawns in some larger game with Prime Minister Baldwin's role being to ensure that negotiations were unsuccessful. [Ed].

<sup>6</sup> 1958-16 BC. Sixth ruler of First Dynasty of Babylon. He conquered the whole of Babylon. His law code was discovered at Susa. The 20% was on something that grew, not on metal.

<sup>7</sup> *The Henry George School of Social Science* in New York has printed a few dozen copies of a 124-page booklet entitled *The Lost Tradition of Biblical Debt Cancellations* by Michael Hudson, based on his doctoral research into Babylonian economic history at *Harvard University's Peabody Museum*. Hudson's work has been summarized by Boudewijn Wegerif and is available online as a 12-page booklet entitled *Truth from Mesopotamia* with a foreword and afterword by William Shepherd. [Ed].

St. John Chrysostom said that ‘nothing is baser in this world than usury, nothing more cruel’.

St. Jerome and St. Augustine condemned it as ‘receiving more than was given’. The Popes enforced the prohibition by degrading guilty priests and excommunicating laymen. Usury could be reclaimed from the *Usurer's Heirs*, nor was an oath not to claim back the usury binding.

The *Legislation of Justinian* allowed usury of from four to six percent in the sixth century. In the ninth century Charles the Great forbade it. An English canon of 785 quoted Psalm XV verse 4 and said that ‘we have also forbidden usury’. As St. Augustine says,

“who can have *Unjust Gain* without there being *Justly Deserved Loss*? Where there is *Gain* there is *Loss*. *Gain* in the *Coffers*, *Loss* in the *Conscience*.”

Under Alfred, the laws directed that *Usurers' Lands* be forfeited and forbade their burial in consecrated ground. In 1064, Edward the Confessor prohibited *Usurers* dwelling anywhere in his *Kingdom*. If any were convicted of *Exacting Usury* he was to be deprived of his *Estate* and deemed an *Outlaw*.

“And the *King* affirmed that it was while he was at the court of the *King of the Franks* that he learned that usury was the principal root of all vices.”

The *Norman kings* pledged themselves to the *Laws of King Edward* and were equally severe on usury.

*Justinian's Laws*, revived in the eleventh and twelfth centuries, produced changes. On this note, after providing such valuable evidence for an obscure period, Millidge hands over to Conrad Noel.

This is another valuable contribution which upholds the medieval standard without equivocation, and opposes the notion that there was an original distinction between *Usury* and *Interest*. The book is really about this point.

Noel points out that Samuel Johnson and all writers of dictionaries before him spoke of *Usury* and *Interest* as identical. He shows that the reintroduction of *Justinian's Laws* led such as ‘the shameless usurer’ Accursius (1182-1260) to defend the taking of *Interest*.

The *Church* vigorously opposed this as a violation of *Canon Law*. In 1311 Pope Clement V branded *Defenders of Usury* as *Heretics* and condemned the towns which compelled payment of interest by *Debtors*. Gregory said that authorities who did this or freed a *Usurer* from *Restitution* would incur *Excommunication*.

*Civil* and *Canon Law* now forbade usury. Interest meant *id quod inter est* - the difference between the *Lender's* state on the day he made the *Loan* and his less fortunate position on the day when the *Loan* should have been returned and was not. It is his proved *Compensation* for a *Loss*. According to Noel, ‘the attitude of the *Orthodox Catholic East* was against all usury until the corrupt sixteenth century’. And he adds that compensation was only paid if the money could have been used in the development of a man's *Own Craft* or in a genuine *Investment* which involved *Risk*, and that the *Trade* must benefit the *Community*.

John Duns Scotus<sup>8</sup> had more reservations and later *Evasions* like the *Contractus Trinus*, advocated by Eck and condemned by the *Provincial Council of Milan* in 1586 and the *Bull Detestabilis* of Pope Sixtus V, were considered inadmissible, as was the arrangement by which the period of *Gratuitous Loan* was a quarter.

So Noel does not allow the distinction between usury and interest as usually accepted, but fails to appreciate fully the *Catholic Doctrine of Partnership*, which allowed the *Investor* to share the *Profits* if he shared the *Risk* and permitted *Sufficient Trade*. Noel is aware, however, of the distinction between a *Productive Loan* and a *Loan for Consumption*; the former being condemned by an *Encyclical* of Pope Benedict XIV.

St. Jerome had said that the increase on a *Loan* was due to the *Labour of the Debtor* and could not be claimed by the *Creditor*. This was the decision of the *Council of Tours* in 1163. When Alexander III, in a letter to Beckett, applied the findings of *Tours* to the *English Laity*, he said that *Gain* arising from a *Loan for Agricultural Production* was the result of the *Debtor's Labours* and could not be claimed by the *Creditor*. As Gerson said in the 15th Century:

“to wish like the usurer to live without labour is contrary to nature.”

Usury was included in the *Mortal Sin of Avarice* in the official late medieval *Manual for the Guidance of Confessors*. As late as 1682 Bossuet in his *Treatise on Usury* condemned interest on *Loans for Production*. It is

<sup>8</sup> Blessed John Duns Scotus (1266-1308) was a *Theologian, Philosopher, and Logician*. It was during his tenure at Oxford that the systematic examination of what differentiates *Theology* from *Philosophy* and *Science* began in earnest. He was one of the most influential *Theologians* and *Philosophers* of the *High Middle Ages*, nicknamed Doctor Subtilis for his penetrating manner of thought. [Ed].

a pity that Noel had not the space or knowledge to go a little further and show how *Modern Finance* is not merely usurious but a *Usurpation*.

The essay of Lewis Watt<sup>9</sup> will be examined more briefly, not because he is of another communion or reached a different conclusion from Noel but because he is the author of the latest *Roman Catholic* booklet on the subject, of some fifty pages, which demands separate notice and with which our evidence will conclude.

Watts mentions the earliest reference to usury in *Ecclesiastical Legislation*, when it was forbidden to the *Clergy* at the *Council of Arles* in 314. As *British Bishops* were probably in attendance, this is of interest for our native *Church*. The *Council of Carthage* in 345 and the *Council of Aachen* in 789 disapproved of *Lay Usurers*. It was condemned by two *Synods* held in Chelsea and in Northumbria in 787 under *Legates* George and Theophylact.

Father Watt mentions that Alexander VII (1655-67) condemned the theory that a lender may charge for a loan because he has not asked for repayment until a fixed date; while Innocent XI (1676-89) condemned the theories that a creditor may charge for a loan because a higher value is attached to money actually possessed than money to be received in the future, and that payment for a loan may be exacted in virtue of gratitude.

Watt's later evidence is of importance. Benedict's letter *Vix Pervenit* in 1745 disallowed usury on the grounds that it was to be used for *Productive Purposes*, while he allowed *Societas* and *Legitimate Interest*. Controversy was violent on the Continent although it had died out here and the French *Anti-Usury Law* was in force until 1789.<sup>10</sup>

Civil laws allowed usury in Germany in 1535, in England in 1571, in the Netherlands in 1658. There is little wonder that usury was known as the 'brat of heresy'. Interest was allowed because the *Lender* forgoes profitable investment, and this we have met before as *lucrum cessans*.

Benedict XIV wrote in his encyclical *Vix Pervenit*, 1745AD:

"The species of sin which is called usury, and which has its roots in the contract of *mutuum*, consists in this: solely on the ground of the *mutuum*, the nature of which is to require that only so much be returned as was received, a person demands that more be returned to him than was received; and so maintains that, solely on the ground of the *mutuum*, some *Profit* is owed to him over and above the *Principal*."

In 1823 Cardinal de la Luzerne allowed a *Charge on Loans* to be employed in *Commerce* but not on *Loans* to be used for *Consumption Goods*. Then in 1917 Pope Benedict XV effectively destroys the pure doctrine expressed by his predecessor Benedict XIV when he wrote:

"If a fungible thing is given to another so that it may become his and that afterwards a thing of the same kind and of the same value may be returned, no profit may be taken by reason of the contract itself. But in transferring a fungible thing it is not of itself unlawful to contract for legal profit unless it is clear that this is immoderate, or even for greater profit if there is a just and proportionate title."<sup>11</sup>

In a final word about *Societas* and *Commenda*, Watt points out that in *Societas* the *Lender* is *Part Owner* while in *Commenda* he remains *Owner*. In *Mutuum* he parts with the *Ownership*. It is the *Owner* who bears *Risks* and is entitled to the *Profits*.

In an interesting note on *Capital*, he points out that the *Scholastics* did not regard *Money* as *Capital* but either goods naturally productive - land, animals for instance - or those whose use, as in the case of tools, was separable from their substance.

In short Watt comes to a somewhat different conclusion from Conrad Noel although neither considers the *Issue of Money* or the *Usurpation* of this *Mighty Privilege*. *Quadragesimo Anno* implied this the next year when it arraigned the *Manipulators* of money, which is the life-blood of society.

N.E. Edgerton Swann was among the first explicitly to restate the old teaching on the *Just Price*. He points out that Luther 'pushed the prohibition of usury to extremes, sweeping aside all the limitations and precise definitions'.

<sup>9</sup>*Usury in Catholic Theology* by Father L. Watt of the *Society of Jesus*, a religious order of the *Catholic Church*. The order's founder Saint Ignatius of Loyola (1491-1556) was a knight before becoming a priest and the order is the largest male religious order in the *Roman Catholic Church* with some 20,000 members - 14,000 of them priests. The *Jesuits* were founded just before the *Counter-Reformation* to reform the *Catholic Church* from within and to counter the *Protestant Reformers*, whose teachings were spreading throughout *Catholic Europe*. [Ed].

<sup>10</sup> A reason for the Revolution?

<sup>11</sup> *Canon Number 1543*.

The tradition of the *Just Price* and *Usury* was still confidently appealed to by the *Church Leaders* after the *Reformation* but the *Church* failed to find ways of applying these principles in a wider and more scientific sense.

Jeremy Taylor and Sanderson tried to revive the old doctrines, and Swann gives an interesting quotation from Sanderson:

“Usury is when a man intends merely to live upon his money, and to contract precisely for the loan, and look at nothing but only to have so much coming in, which how far it may be justified I have yet to learn, unless it be in such persons as by reason of blindness...are nowadays unable to follow any employment.”

The last traces of the *Church's* social inheritance ‘vanished with the Revolution of 1688’. Then *Convocation*<sup>12</sup> was closed in 1717. In the period of Bentham (1748-1832) and Paley ‘the most unqualified justifications of practically unlimited usury ever accepted by Christian people were formulated’. Adam Smith (1723-90) substantially agreed and the *Church People* as a whole accepted his teachings as unimpeachable axioms.

Reckitt concludes the work with a chapter on *How the Moral Problem Today must be Approached*. Reckitt is of importance in that he has edited *Christendom* for many years, which paper carries on in a sense the work started by Maurice, while the former's attitude to usury is that of many of his school.

He points out that the root problem is to restrain *Avarice*. We may agree that *Unearned Income* does correspond to ‘an undoubted economic fact - the increment of association’. But it is questionable whether ‘a price should be paid for the hire of capital for productive purposes, as it has to be for other requisites - seed, raw materials etc.’

This is hardly reconcilable with the teaching on *Partnership*. He is aware of modern methods of creating *Bank Credit*, and his conclusion that the problem is not merely academic - as it appears to be in Watt's contribution - is unimpeachable.

But it is a pity that no reference is made by any of the contributors to Bishop Berkeley's *Querist*, particularly to his question ‘whether it be not a mighty privilege for an individual to create £100 with the dash of his pen. For it is precisely on the problem of the *Issue of Money* that the old doctrines of *Just Price* and *Usury* need modern formulation.<sup>13</sup>

The *Bishops' Mints* have a lesson for the present to as great an extent as those doctrines themselves. Indeed in his *1946 Scott Holland Lectures* Reckitt notes the ancient teaching on usury and sees that it is in line with this that future thinking on these subjects must be directed.

Some kind of return to *Usury Teaching* was suggested by the two lines of thought of the *Scholars* who examined these doctrines and in some cases commended them, and by the *Christians* who were aghast at social conditions of *Poverty* amid *Plenty* and saw that *Finance* was a potent cause.

Thought was stimulated by the poet Ezra Pound, a mighty intellectual force in the thirties, who devoted a good deal of space in his *Cantos* to denouncing usury, and by the *Churchman* and *Poet* T.S. Eliot, who mentioned usury in a broadcast talk.

It is true that numerous *Church People* still accepted Blackstone's naive treatment of usury as the last word<sup>14</sup>. But Temple was not among these. In *Christianity and the Social Order* (1941) and in *The Hope of a New World* (1940), he showed that the *Church* has a right to ‘interfere’ in *Economic* and *Financial* questions.

He is well aware of Tawney's work, and notes that:

“the two main pillars of *Medieval Theological Economics* were the *Doctrine of the Just Price* and the *Prohibition of Usury*.”

*Calvinism* gave the opportunity for the rise of *Economic Man*. Archbishop Laud owed much of his unpopularity with the section of society then represented in *Parliament* to his vigorous action, often high handed, in checking the *Robbery of the Poor* by the *Encroachment of the Landlords* and the *Enclosing of Common Lands*. He stood for the ‘older social ethics of a peasant civilization’.

And he mentions the ‘splendid parish priests who fought for the people's rights’. Men like Comber, *Rector of Kirkby Moorside* (1760-1810) who resisted the *Enclosure Acts*, founded schools and in a variety of practical

<sup>12</sup> The *Church's* Parliament...

<sup>13</sup> The confusion of terms dates from the time when neshek (usury) was called tarbith (increase). The modern writer inherits an increment of error in which more words have been perverted. *Usurers* have been called *Jews*; Usury has been called Banking; opposition to usury has been called anti-semitism which in itself is opprobrious and inaccurate. We suffer from the lack of clear definition of terms.

<sup>14</sup> See *Appendix 3*. [Ed].

ways stood up for the *Depressed*. Greatest of all was Hook, *Vicar of Leeds (1837-1869)* who ‘steadily championed the cause of the *Common People*’.

Such are in the tradition of Archbishop Laud who ‘used the *Star Chamber* as a means of preventing the oppression of the common people by engrossing corn’. And of Archbishop Grindal whose injunctions to the *Laity* of the Province of York (1571) expressly emphasized the duty of ‘presenting to the Ordinary those who lend and demand back more than the principal, whatever the guise under which the transaction may be concealed’.

Temple thus appealed to the *Church's* authority as a guide in these matters, although the connection between the *Prohibition of Usury* and the present *Financial System* is not explicit. His own proposals begin with a criticism of the system of banking and are reminiscent of those of C.H. Douglas, who is a member of the *Church of England* and strongly upholds its *Realistic Position*.

“The system whereby a bank of any sort charges interest on credit created by the making of a book entry and issued for the benefit of the public is obviously open to question...it is wrong in principle that *Finance* should control *Production*...There seems to be as strong a case for converting the *Bank of England* and the *Joint Stock Banks* into publicly administered institutions as there is for the *State's Monopoly of Minting*.”<sup>15</sup>

He would probably have expressed his meaning better if he had been aware of the *York and Canterbury Mints*.

“When money, or an effective substitute for money, is created and lent by book entry, as may be the case in the issue of credit, it seems that no more charge is ethically defensible than what will cover the cost of administration, perhaps 1/2 or 1/3 per cent.”

He differentiates between the *Creation of Credit* and the *Loan of Private Money*:

“If one citizen lends his money to another citizen or to the State, he is entitled to some recognition in the shape of interest, at least up to an agreed total, because he is transferring a real claim.”

But a distinction is also necessary between interest-bearing and non-interest bearing national or public debt as the third President of the United States, Thomas Jefferson, understood when in 1816 he wrote to Crawford:

“...and if the national bills issues be bottomed (as is indispensable) on pledges of specific taxes for their redemption within certain and moderate epochs, and be of proper denomination for circulation, no interest on them would be necessary or just, because they would answer to everyone of the purposes of the metallic money withdrawn and replaced by them.”

Jefferson goes on:

“It happens that the ease with which we produce becomes a reason for not producing at all, because the *Markets* are glutted, though *Human Need* is not satisfied.

Under existing conditions we can only solve the *Paradox of Poverty* in the midst of *Plenty* by abolishing the *Plenty*. *Commerce* must become avowedly an *Exchange of Goods for Mutual Advantage*, in which all search for what is called a favorable *Balance of Trade* is repudiated.

The pursuit by every nation of a favorable *Balance of Trade* is inevitably a source of *Conflict*. For if the balance is favorable to one, it must inevitably be unfavorable to another.”

Temple was also aware of the threat from erosion, and his policy was based on *Money Reform* and a right treatment of the land. This was to recover a wide range of earlier teaching. He said that: “I should personally urge the total exemption of all *Agricultural Land* from *Death Duties*.” And that: “No scheme of publicly organized production can be satisfactory apart from the national control of credit.” And even more clearly:

“It cannot be justified that in modern conditions the *Banks*, even the *Bank of England*, should, in order to meet national needs, create *Credit* which earns interest for themselves. The *State*<sup>16</sup> must resume the right to control the issue and cancellation of every kind of money. Till that is done a body within the community will control what is vital to the welfare of the community. And that is a *False Principle*.

“*Finance* ought never to be in positive control. It exists for the sake of *Production*. And *Production* exists for the sake of *Consumption*. The *Hungry and Needy Public* ought to be the

<sup>15</sup> Temple fails here to distinguish issuing and lending.

<sup>16</sup> Whatever this means. It could still mean a body within the community.

controlling group.<sup>17</sup> *Finance* may rightly exercise a check, calling a halt to avoid *Bankruptcy*. But for positive control, it is functionally unfitted. Yet it exercises such control to a very large extent.”

The *Spring Session* of the *Church Assembly* in 1935 distinguished between *Employment*, which was labour done for money, and *Work* which fulfilled the creative instincts of mankind. A *Miner* might be employed in a pit, for example, and work in his garden.

The report went on to demand an impartial enquiry into the *Financial System*, and was altogether a document of great value and insight into the faulty working of the *Financial System*. It required that *Bankers* should not be assessors of the *Financial System*, that is, that they should not judge their own case.

It condemned the system not because it was usurious but because it did not work to fulfil the functions of a financial system. As Reckitt - a member of the *Assembly* - says in his lectures:

“A third problem is to find a *Monetary Mechanism* to distribute whatever it may be that a nation decides to grow or make.”

In 1941, these subjects were among others discussed at the *Malvern Conference*, in which Temple was again the leader. There was a failure in communication, aided by the war. For poverty amid plenty was no longer evident. Neo-Calvinism did not favour such subjects, which is a curious repetition of history or of religious temper.

As a result, the war had to be concluded before another pronouncement was made. This was an article in *Prospect for Christendom* which again showed the futility of old financial ways. Speaking of *Malvern*, Temple said:

“Our discussion led us to suggest that the remedy must be sought in a new appreciation of the true relations between *Finance*, *Production*, *Distribution* and *Consumption*, and adjustments of our *Economic System* in the light of this. We further considered that a reform of the *Money System* might be indispensable.”

In *Prospect for Christendom*, edited by Reckitt, David Peck's 1945 contribution *The Function of Finance* discusses the defects of the *Financial System*:

“The *Banks* may create out of nothing but the ultimate basis of the *Loan* is the *National Wealth*. They thus lend to the community what already belongs to it, and they then charge *Tribute* upon it. But much more than this iniquity, they want the *Loan* back again.”

Beck then argues for *Consumer Credit*. Many other *Clergy* and *Laity* have written and thought along these lines, laid out for them by C.H. Douglas and his demand for a *National Dividend*, *Compensated (or Just) Price*, and *National Credit Office*.<sup>18</sup>

We may finally look at the work of Lewis Watt who has been studying these issues<sup>19</sup> for some years, and whose 1945 work *Usury and Catholic Theology* must be somewhat authoritative for the *Roman Catholic Communion*. As there was co-operation before between Watt and what may loosely be called the *Christendom Group*, his work will not be without its effect on the *Church of England*.

It would have been well if he had prefaced his work with the remarks of Pius XI in *Quadragesimo Anno*, who wrote, when discussing the power of the few:

“This power becomes particularly irresistible when exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying so to speak the life blood to the entire economic body and grasping as it were in their hands the very soul of production, so that no one may breathe against their will.”

And Pius mentions:

“a not less noxious and detestable internationalism or international imperialism in financial affairs, which holds that where a man's fortune is, there is his country.”

Watt, in his *Ethics of Interest*, said that the *Synod of Meaux* in 845 ordered bishops to suppress *Christian Usurers* while in the 12<sup>th</sup> century Alexander III and Urban III forbade usury. In 1274 the *Second Council of Lyons* prohibited letting houses to *Foreign Usurers* and declared invalid the *Wills of Usurers* who died without making *Restitution*.

<sup>17</sup> C.H. Douglas wrote: ‘in effect, if not in technique, money must originate in the individual so that the central power has to come to him for it. This curious craze for ‘all State’ money is wholly disastrous’.

<sup>18</sup> Also by Kitson and others.

<sup>19</sup> Although unfortunately not so much the issue of money.



In 1745 the occasion of *Vix Pervenit* was the *Loan* floated by the *City of Verona* at four and a half percent. The Pope's point was that it was no excuse if the *Borrower* was rich or if the *Loan* was going to be used for productive purposes.

The 19th century was not quite such a dead period in the Roman as in the *English Church*, though the limitations of such impact have been noted, when money was no longer *Bullion* and *Paper Money* had been succeeded by *Bank Credit*. For the *Penitent* who lent at moderate interest was to be prepared to obey any further decisions the *Holy See* might make. The matter was still on the books. The unfinished *Vatican Council* of 1869-70 was to have discussed it, and to have considered whether civil law gave the right to receive interest. Canon 1543 remains the official doctrine.

It is interesting that Louie XIV had renewed the anti-usury legislation in a more severe form, while Joseph II of Austria fixed the maximum interest at five percent. There is something in the contention that *Kings* opposes *Money Power*.

In *Usury in Catholic Theology* Watt recognizes the 'vast system of debt and credit' and the consequent demand that the 'concept of usury' be used as an instrument to deal with 'the problem of the social power exercised by finance'. This is indeed the kernel of the whole problem.

He notes also that the *Fifth Lateran Council (1512-1517)*:

'established the principle that credit-institutions are not guilty of usury if they make a charge to borrowers in order to cover costs of administration'.

But this is to justify a charge -even with an inflated bureaucracy like the modern *Bank of England* - of a fifth of one percent not five percent and upwards, because only costs are in question (*sumptus*).

Credit institutions are careful enough to guard against *dammum* and *periculum* by taking *Collateral Security*, *Title Deeds*, *Mortgages* etc. and through *Insurance*. Perhaps the most valuable part of the book is the quotation he gives from Contarini<sup>20</sup> in 1584 that:

"A *Banker* could accommodate his friends without payment of money merely by writing a brief *Entry of Credit* and could satisfy his own desires for fine furniture and jewels by merely writing two lines in his *Books*."

This perception occurs a hundred and fifty years before *Berkeley's Querist*. Watt adds that the essential characteristic of money as being a *Means of Exchange* is even more evident when it takes the 'disembodied form of entries in the *Books* of a *Bank*'.

He points out that *Public Loans* had been approved by St. Bernadino of Siena and St. Antonino of Florence. In a *mutuum*, the *Ownership* was transferred, and so the *Profits* belonged to the *New Owner*.

"The criterion by which to judge the nature of a *Contract* (whether it is usurious or not) is, who undertakes to bear the *Risk*."

When you cannot transfer *Ownership* and *Risks* you can expect to have your money back but not the *Profit*. Watt commends *Joint-Stock Companies*, but not *Debenture Loans* floated by cities and states which he considered fell into the category of *Rent-charges*. It is most dubious whether any *State* or *City Loan* can be justified in the light of present knowledge. Early in the 19th century Guernsey built a new market hall by issuing its own money.

In the sixteenth century Diego Laynez<sup>21</sup> wrote that:

"The astuteness of merchants, fostered by their lust for gain, hath discovered so many tricks and dodges that it is hardly possible to see the plain facts, much less to pronounce judgement on them."

One was the *Triple Contract*, in which three simultaneous contracts were made with one *Merchant*. Interest was gradually accepted by the *Theologians* when an extrinsic title, notably *lucrum cessans*, was present. Civil law

<sup>20</sup> Gasparo Contarini (1483-1542) was an Italian diplomat and cardinal born in Venice. He began his career in the service of his native city after scientific and philosophical training at the *University of Padua*. Ignatius Loyola acknowledged that Cardinal Contarini was largely responsible for gaining papal approval for the *Society of Jesus* in 1540. The *Catholic Encyclopedia* reports that his mild resoluteness and blameless character, made him respected everywhere. [Ed].

<sup>21</sup> Diego Laynez (1512-1565) was a priest and theologian born in Almazán in Castile. He was of Jewish ancestry and one of the six men who, with Loyola, formed the original group of *Friends in the Lord*. He succeeded Loyola as *Superior General of the Society of Jesus*. [Ed].

permitting it was held to show that the state of society was such that in a *Loan* a chance of *Profit* would normally be lost.

Sometimes the *State's altum dominum* over the property of citizens is cited. Perhaps the most significant of *Civil Permissions* is that in France where Louis XIV had tightened up the laws against usury. They were repealed in 1789 when interest was permitted and maximum rates were fixed.

There were still, at least, controversies in the 19<sup>th</sup> century and the Cardinal de la Luzerne and Marco Mastrofino wrote books on usury in 1823 and 1831. Pope Leo XI<sup>th</sup>, with perhaps less theological accuracy but more relevance, referred in his *Rerum Novarum* in 1891 to 'rapacious usury more than once condemned by the Church' still being practiced under a different guise.

Father Vermeech treats the *Instalment System* as an example of disguised usury where the total of the *Instalments* fare much in excess of the value of the commodity - *nimis superent valorem*.

The *Manifesto of the American Bishops* appeared six or seven years before Watt's 1945 booklet. Our final information on the antiquity of laws against usury in Britain comes from a pamphlet by Richard O'Sullivan, KC:

"The laws attributed to Edward the Confessor already treat usury as a crime. *Si alicuius inde probatus esset, omnes possessiones suas perdet et pro ex lege habetur* - anyone convicted of usury will have all his goods confiscated and be outlawed. For Glanvil<sup>22</sup> and for Bracton, usury is at once a *Sin* and a *Crime*. In his lifetime, the *Usurer* was dealt with as a *Singer* by the *Courts Christian*. And if he died unrepentant, the *King* had a claim to his goods."

O'Sullivan continues that 'a 1349 statute of Edward III embodies the *Doctrine of the Just Price*' when it was written that 'all sellers of all manner of victual shall be bound to sell the same for a reasonable price...so that the same sellers have modern gains and not excessive'. And an act of Edward III in 1353 directed that 'in the *Staple* Towns houses shall be let at reasonable prices, imposed by the mayor'.

O'Sullivan also noted that it had been clearly stated that:

"The difference between *Money* and *Credit* is of *Time* - of present and future. *Money* is backed, or should be based on, work done; *Credit* on work that is do-able. In each case the work should be to needed or wanted ends, inside a system, if it is to be *Sound Money* or *Sound Credit*. Under it all is the *Productivity of Nature* and the *Responsibility of the People*."

The *Theologians* have considered usury almost in isolation from the undoubted developments in *Monetary Science* and use since the time of St. Thomas. On the whole the *Roman Communion* in England and elsewhere, while it should be commended for not losing sight of the problem of usury as did the *English Church* for 250 years, has made rather too academic a question of it and left out of account that not only *Paper Money* but *Credit* also have superseded the old *Bullion Standard Coins*.

The problem of the *Nature of Money* and of *Credit* still remains. And in this connection, certain *Theologians* of the *English Church*, among whom William Temple was outstanding, have realized that *Financial Credit* is created by the *Bankers*, but is based on *Real Credit* while *Money* only has *Value* as representing *Goods*.

*Money* has been defined as a *Claim* and a *Measure of Price*. The root problem is whether the *Issue of Money* is to be left in *Private Hands* or is to be related to *Goods Available*, and whether *Credit* is to be regulated by the *Expectation of Available Goods*.

Money issued against goods that are not for consumption (whether exports or public works) tends to cause inflation, while the costing system itself tends to cause insufficient purchasing power. Available goods have been called the substance of things hoped for. Such problems are mentioned by Temple, and this is evidence for the return of the Church to her rightful position as the guardian of the community's financial ethics.

But the gap that separated David Jones and Bishop Berkeley still exists. The former condemned usury as a sin, the latter drew attention to the unsatisfactory nature of the *Issue of Money* and the great privilege enjoyed by a private individual who created £100 with the dash of his pen. The *Banks* do not lend deposits, but it is safe for them to lend about ten times the amount of the money deposited with them, and a *Loan* is of course initiated by a *Book Entry*.

The country needs above all else to have control of its own money and of the issue of its own money and credit, whereas the banks since Paterson's day have been practising the major usury condemned by Mark in his

<sup>22</sup> Glanvil was written by Hubert Walter, Bishop of Winchester, in the latter half of the 12<sup>th</sup> century. Henry of Bracton wrote *De Legibus at Consuetudinibus Angliae* in the middle of the 13<sup>th</sup> century. The bishop raised 'law to the level of literature', and the Archdeacon of Barnstaple, Bracton, wrote 'the crown and flower of English mediaeval jurisprudence'.

*Analysis of Usury.* The problem of *Money Issue* is then the fundamental problem of *Ethics, Rightness* and *Conformity with Nature*. Conformity to nature was the canon by which *Theology* measured the question of yield, or interest, or usury. Other canons are unreal, 'ungodly' and automatically disastrous.

The problem of usury is not, in fact, an academic matter that is only the concern of a few tender consciences in the *Roman Communion*, but it is a critical question of *Public Morals*. We saw the results after Waterloo of *Public Usury*, and Byron, Cobbett, Adams have had much to say on its iniquity.

The results were much the same after 1918, when a decline was organised. After 1945, *Inflation* was rather more evident, yet there was *Scarcity of Effective Currency* and not what was needed. Usury has advanced to a higher and more complicated stage, but the fact and the *Usurers* are still in evidence.

Usury is not the wrong term to be applied to such manipulations, and the same results follow from this *International Usury*, on a huger scale, as were described by Bishop Jewell. *Hunger, War, Suicide, Despair*.

The *Greed* of the *International Financier*, and his interlocking interests (called the *Chemical Empire*), is the same as that of the expelled *Jews* in 1290 but a thousand fold more sinful and disastrous. The *Privilege of Issue* has been usurped, and *Governments* have been at the mercy of those who control the issue.

Usury is not a dead or theoretic problem, but will always, as long as *Human Greed* exists and ramifies - *maledictus captans annonam* - be the leading moral problem in any society. And the surest argument and remedy is based not on results but on *Christian and Natural Principle*.

◀ Chapter 14

▶ Usury and the Church of England ◀