

SHOULD MONEY MAKE MONEY ?

THIS question most men to-day would answer with a prompt and confident "Yes." It will be the conclusion offered in this paper that, in this affirmative answer, fashionably put forward and passively accepted, most men to-day are making an ethical and radical mistake.

At the outset be it noted the question propounded is : "Should money make money?" We are not concerned directly or primarily with the question : "Does money make money?" To that query all your bankers, stockbrokers, politicians and dividend hunters would no doubt reply with a ready affirmative. That query is for the moment beside the mark, though it may be pointed out in passing that even there the commonly accepted view may be anything but the truth. Our question, "Should money make money?" is one of ethics or morals : in other words it is a question of right and wrong.

Now, the problem is really one of exchange, for it is quite patent that of itself money does not beget money. A half-crown, however warmly placed and in whatever well-lined pocket, cannot produce a litter of sixpences or threepenny-bits.

In all transactions of exchange the moral need is justice. When justice is absent, that is, when the exchange is unfair, we have a transaction which is morally wrong and equivalent to stealing : one partner to the transaction will be taking that which is not his due. Exchange can be of various kinds, for instance, bartering or buying—and in this, justice is secured only by what is called the just price. Or again, it can be by hiring or renting. It is not the purpose of the present paper to deal with either of these forms of exchange, but with that kind which is called lending, the giving and receiving of loans. Lending, like all

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human acts, can be either a noble or a base thing according to the end that inspires it. A man may lend to succour a brother in distress or he may lend in order to fill his own pocket. There is lending for love of one's neighbour: there is lending for love of our neighbour's goods. There is the decent Christian lender and there is the professional lender. We are familiar with the professional lender who sits beneath the shadow of three golden balls. We are familiar with the more "gentlemanly" lender who canvasses his victims with a circular letter reading something like this: "Dear Sir,—Having certain sums free for investment, I am prepared to lend, *not* as a money-lender, but as a private banker, sums from £10 to £10,000 on note of hand without security. No business done with minors."

Towards the professional lender, in whatever guise he is met, the conscience of Christendom has always felt a genuine, unfeigned, and profound loathing. Popularly, the moneylenders have always been hated, and the chief reason for the great anti-Semite pogroms, whether in modern Poland or mediæval England, is found in the fact that the moneylenders were nearly always Jews.

Among moneylenders to-day we have to include many others besides the grim figure in the pawnshop, and the suave, smooth-voiced gentleman who sends out the circular letters. If, for instance, we take the trouble to analyse the financial basis of our large-scale industry, the character and nature of the Stock Exchange, the inner reality of much of our banking and broking, the working of a modern limited liability company, or the great and absorbing study of stocks and shares and the money markets, as analysed in the daily press, we have to conclude that much of our trade, of our factory production, and of our world-wide commerce is controlled and promoted by a huge system

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of money-lending. This may be done by means of Government bonds, through the medium of a lawyer or broker, or by the help of a friendly bank manager—but actually it is always money-lending. Thus it happens that a powerful section of our fellow-citizens—powerful because wealthy—though numerically small, gains a livelihood by methods really indistinguishable from those of the pawnshop and the more disreputable forms of money-lending.

It is important for us to recognize that such a method of earning a living meets to-day with common approval. Many who would not care to count pawnbrokers among their intimate acquaintance have no difficulty about freely mixing with stockbrokers and share-hunters. Thousands of excellent people are conscious of no scruple or doubt in taking advantage of tips from the city columns of the financial newspapers, though they would blush to find themselves bracketed with pawnbrokers and moneylenders. The reason for this comfortable acquiescence in our present system is partly due to the fact that business methods to-day rigidly exclude every religious and ethical consideration : it is also partly due to the complicated machinery and abstruse titles under which our modern money-lending is concealed. Probably very few people suspect that they are giving countenance to very questionable practices, and one cannot help feeling that to state the truth on these matters will tend to the discomfort of many excellent people.

It is well for us to inquire why the old Christian civilization condemned so vigorously the practice of claiming payment for the use of money lent. Such payment for the use of money lent was called usury, and was very often authoritatively condemned as a very great sin. Usury was condemned in no vague and uncertain terms as the great social crime. To-day no one mentions the word. The innocent might think

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that usury and avarice had disappeared from the world. Alas, usury is not dead. The greatest ethical expert of our generation, Leo XIII, has repeated to us the ancient condemnations and has warned us that the crime of usury is specially rife among us, camouflaged though it be under cunning rife forms and skilful phrases.

Before inquiring why the Christian Church so sternly condemned usury, let me insist that she did not simply condemn the taking of interest. She quite clearly recognized and defined certain conditions or circumstances where justice could only be preserved through the claim to and the granting of interest. It will be well to define these conditions as the first part of our analysis.

They were, in general, three. I take leave to give their titles in Latin before explaining their meaning. The first was called *Damnum emergens*, the second *Lucrum cessans*, and the third *Periculum sortis*. Wherever one of these three conditions was present, justice was only obtained by an interest or remuneration given over and above the return of the thing or money lent.

Damnum emergens is the condition where the lender suffers real loss by his act of lending. Suppose I am a farmer, and I am about to buy manure which is specially and urgently needed for one of my fields. I happen to have the money in hand wherewith to buy it. I intend to buy it at once and apply it, otherwise my field will suffer deterioration, and I shall reap only a very bad harvest. Then a man comes to me. He is in difficulties: perhaps his house has been burnt down, or his cattle struck by lightning, or perhaps he has been robbed. He wants to borrow fifty pounds, the very sum I have in hand, which I urgently need for manure. Suppose I lend him the money to tide him over his difficulties, then I, the lender, shall suffer some real loss from the deterioration that necessarily occurs to my field. This loss is the evil or *damnum*

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which I incur as the direct result of my act of grace in making the loan. Therefore, in such circumstances, when my friend returns me the fifty pounds, justice demands that he shall also make up to me as far as he can what I have lost. Interest on such a loan is a part of justice.

The second, *Lucrum cessans*, is the circumstance where the lender, through making the loan, forgoes the profitable use or enjoyment of what is his own property. Thus, suppose I am a farmer, and that I have been saving for some months in order to buy material to build a new stable for my cattle. Again, my friend in difficulties comes along, and in order to help him, I lend him the hundred pounds I have by me. By making this loan I shall have to forgo the advantageous use which I had been intending to make of my hundred pounds. Here again, the fulfilment of justice—which, it must be remembered, was the sole concern of the Church—required that with the return of the loan, some remuneration should be added to it so as to compensate me for the advantages I had surrendered by making the loan. Such was the second condition or circumstance where a loan could claim and should receive interest over and above its mere return.

The third condition, *Periculum sortis*, exists where the lender, in making the loan, undergoes certain risks. Perhaps the risk will arise in his own affairs through the absence of the money lent : it may be the risk that he will never see his money again. Because risk does give a man title to special remuneration—we give a higher wage to steeplejacks and aviators—it follows that the lender who runs a risk deserves in justice not only the return of his actual loan, but some remuneration, over and above, for the venture he is making.

Thus Christendom did not forbid interest ; but Christian moralists took care to explain the precise circumstances and occasions when justice allowed it.

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We now come to examine the nature of a loan when the conditions justifying interest were absent ; when there could be no question of harm to the lender and no question of risk or danger. When these conditions were certainly absent, the Church condemned such interest as usury and called those who exacted it usurers. The sin of usury is defined thus : " Usury was the sin by which gain was sought to be acquired from the use of a thing in itself unfruitful, without labour, expense or risk on the part of the lender." This was the definition given at the beginning of the sixteenth century by the Lateran Council (1515).

Usury was condemned by the Church as a grave violation of justice for two reasons. The first may be called purely economic ; the second, which many nowadays would call sentimental, was really an ethical and religious reason.

The first or economic reason is one that our modern society either ignores or brushes aside as out of date. It is based on the nature of the loan and on the nature of money. A thing lent may be either productive or unproductive. Thus, if I lend a man my orchard or my cattle and give him control and temporary ownership of them during my absence from the country, I am lending what is of its nature productive. I am losing for the time being the fruits or products of my property. In this case, as we have seen, I am entitled to some remuneration, some part of the fruits, over and above the return of the orchard.

Or again, the case might be that of an unproductive loan. For instance, I lend a hungry man a loaf of bread from my own superfluous stock. Of itself, the loaf is unproductive : it is consumed in its use ; and even if I had not lent it, I could have gained nothing from it. So that when the man returns me a similar loaf justice is fulfilled, and I have no right to any interest on my loan. I am no worse off at the end of

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the transaction than I was at the beginning. Now, money was always considered as an unproductive thing. Of itself, it was barren—a mere artificial medium of exchange : like the loaf of bread, it was consumed in its use. If I lend a friend a hundred pounds to tide him over a period of temporary distress, he consumes the money in the use of it, by buying bread or tools for his immediate need. When his circumstances improve, he returns me the money without any interest, and I am no worse off. In this case justice would be accurately respected and fulfilled. This is the whole economic point : it was a matter which the Church saw quite clearly and urged quite emphatically. When the three extrinsic conditions or titles to interest were wanting, then to claim payment on a loan of money was to claim something that did not exist, namely, the fruit or product of a sterile thing.

This brings us to the second, or ethical and religious, reason for the Church's condemnation. To claim interest on an unproductive loan seemed to the conscience of Christendom a very vile and evil thing, because it was an attempt to make profit out of the needs and misfortunes of our fellow-men. It was usury ; that is, not merely a remote economic evil to be mitigated by legislation, or even to be removed by a better organization of society ; but a deadly personal sin. That a man should take advantage of the naked necessity of another in order to wring from him more money than was justly due, seemed to the mediæval Christian a combination of abominable dishonesty and utter cruelty, only possible in a man of the most abandoned wickedness. It was the criminality of such a man that Shakespeare satirized in *The Merchant of Venice*, where the moneylender was so brutalized that he claimed the life of his creditor. All through the Middle Ages and certainly well down to Shakespeare's time, the usurer was simply regarded as a

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demon ; and since the Jews alone, generally speaking, practised usury, without shame and without conscience, the Jew appeared to the mediæval populace as a kind of Satanist. The hatred that everywhere followed the Jew in the Middle Ages was not merely a religious hatred. The Saracen, whose religion was more militantly opposed to the Christian, was never regarded with quite the same loathing. It is true the taunts and jibes hurled at the Jews were often given a religious colour, but such taunts were the symptoms rather than the causes of the hate. "When we see you torturing the poor for profit," the Christian would say, "we can well imagine you were the kind of man who would put Christ to death." The protest, however, was not directly against a false religion ; but a furious clamour against an inhuman and brutal cruelty.

To-day there is not the same indignant clamour when poor men are oppressed. We seem to have lost this fine sense of shame, this hot sense of horror when men take advantage of the poor and reap profit out of their miseries and sufferings. It is only another indication of the extent to which the barbarian spirit has laid hold of our modern civilization and penetrated the common conscience of men. If we to-day are conscious that we do not share the righteous anger of earlier days against a terrible crime, then the first and last thing for us is shame for our shamelessness, and an effort by repentance to rekindle some spark of reverence and pity for distressed humanity. Usury is a sin the mention of which brings no blush of shame to our cheeks, yet it is a crime that we have shielded and encouraged. We have allowed it to grow thickly, a pestilential weed in our society. Pope Leo XIII named the source and root of our present-day social ills when he condemned the concentration of wealth in the hands of a small number of very rich men, who have obtained their wealth by "rapacious usury,

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which although more than once condemned by the Church, is nevertheless under a different guise, but with the like injustice, still practised by covetous and grasping men.”

Now, it does not seem a difficult thing to show that this Christian condemnation of usury is as valid now as it was in the fourteenth century. Never was the plain truth so much needed as in our own bewildered age. Never were justice and decency more openly violated and ignored. For, firstly, it is a notorious fact that the majority of our fellow-citizens are poor—I mean poor in the strict sense of the word, namely, that they have no property. They are not beggars or paupers, but they are poor. Our large industrial towns are simply large areas where the mass of the population own nothing but themselves and their own physical strength. Therefore the social powers that be treat them on purely business lines, from the standpoint of gaining profits. They give as low a wage as they can make the proletariat accept: they charge for commodities as high a price as they can make the consumer pay. Nearly all the industries of the land are run by what are called Companies. The shareholders give to the Company their capital or money in the form of a loan which is expended in the purchase of machinery. The net profit resulting from the human industry of the workers is paid out to the shareholders in the form of dividends. And all the while it is propertyless men and women whose labour is exploited for the payment of those dividends. The whole fabric of our industrial society is built up on a basis of money lent, and on the false principle that money lent should be and is productive to the money-lender. To sanction that principle is to sanction the sin of usury: it is to countenance the great moral evil of making gain out of the necessities and misfortunes of the poor. Only human labour using machinery

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upon raw material can really produce fruits and goods, and the first and chief claim upon those goods is due in justice to the labour that has produced them.

Let me urge the economic truth that underlay the Christian prohibition. Money, as such, remains as sterile and as unproductive as it was in the fourteenth century. I say money—I do not say capital. By money, I do not mean land, railways, machinery, or shipping. By money I mean the £500 or £5000 which my broker invests for me. Money to-day is no more than a means of exchange, that is to say, it is as unproductive as it ever was. This is no new truth: it is only one that has been forgotten and too rarely acknowledged. Many people will find it so novel as to sound perverse and untrue. Only within the last few weeks I have read this from a very learned and authoritative writer in England, usually a sound thinker, for whom I should always have the greatest respect. He was echoing the accepted and fashionable economics of the hour when he wrote the following: “Again, in speaking of mere loans, it is to be remembered that money fructifies, which it did not in the days when the Church legislated against interest. It was then only a medium of exchange and was consumed in its use like a loaf of bread that was eaten. When a man returns a loaf of bread for the one he has borrowed, the lender and borrower are quits. But now, if a man borrows money, and with it buys machinery and gains thereby, the money also abides in the machinery which is gaining for him all the time.” That is the accepted, popular statement: and I maintain that it is wrong. When a man borrows money, that money passes for the time being into the borrower’s ownership. If machinery is bought with the money, the money does not abide in the machinery and proceed to produce: the money is consumed as a medium of exchange, equivalent in market value

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to the machinery plus its power. Whatever products or fruits arise, come not from the money lent, but from the labour of the man applying and using the machinery as a tool. It is no reply to say that the money and the machinery are equivalent. The lender could not, even if he wished, use his money as a tool. True, he could himself consume it in exchange for machinery which he could apply and use as a tool, and the products arising from his labour would be justly his. Likewise, if the borrower exchanges the loaned money for machinery and applies his own labour, then the fruits of that labour belong to him, and his only obligation in justice is to return to the lender the sum of money he has borrowed. It must, of course, be always remembered that we are considering the mere loan of money where none of the three conditions, already described, is present. When there is no circumstance of harm, loss, or risk, when the lender undertakes no labour and incurs no expense or risk, then most certainly interest on such a loan is usurious, for the simple reason that such a loan is unproductive. The lender who claims interest on such a loan is claiming what is not his, and in claiming it, he is exploiting the poverty and the necessity of the multitudinous poor.

In conclusion let me, in confirmation of the thesis, quote the words of St. Thomas Aquinas (II^a, II^{ae}, 78, 1):—

“ To take usury for money lent is unjust in itself, because this is to sell what does not exist, and this evidently leads to inequality which is contrary to justice.

“ In order to make this evident, we must observe that there are certain things the use of which consists in their consumption : thus we consume wine when we use it for drink, and we consume wheat when we use it for food. Wherefore in suchlike things the

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use of the thing must not be reckoned apart from the thing itself, and whoever is granted the use of the thing, is granted the thing itself ; and for this reason, to lend things of this kind is to transfer the ownership. Accordingly, if a man wanted to sell wine separately from the use of the wine, he would be selling the same thing twice, or he would be selling what does not exist, wherefore he would evidently commit a sin of injustice. In like manner he commits an injustice who lends wine or wheat, and asks for double payment, viz. one, the return of the thing in equal measure ; the other, the price of the use, which is called usury.

“ On the other hand there are things the use of which does not consist in their consumption : thus to use a house is to dwell in it, not to destroy it. Wherefore in such things both may be granted : for instance, one man may hand over to another the ownership of his house while reserving to himself the use of it for a time, or vice versa, he may grant the use of the house, while retaining the ownership. For this reason a man may lawfully make a charge for the use of his house, and, besides this, revendicate the house from the person to whom he has granted its use, as happens in renting and letting a house.

“ Now money, according to the Philosopher (*Ethic. v. Polit., i.*) was invented chiefly for the purpose of exchange : and consequently the proper and principal use of money is its consumption or alienation whereby it is sunk in exchange. Hence it is by its very nature unlawful to take payment for the use of money lent, which payment is known as usury : and just as a man is bound to restore other ill-gotten goods, so is he bound to restore the money which he has taken in usury.”

AUSTIN BARKER, O.P.