

The Effect of Usury on the Well-being of Mankind

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In this paper I will argue that the Church has contradicted its own original teachings on usury which in turn has led what were once regarded as sinful practices to now be morally acceptable. The paper will further argue that the effects of usury have helped to perpetuate a financial system that has both led to production for the sake of production and the economic enslavement of the Third World. The original definition of usury will be examined and as too will be the Church's gradual change in approach to the matter. We will seek to argue that the Church should once more condemn usury for what it is—and set an example to the world by removing all its financial resources from interest-bearing accounts.

Usury Definition and Historical Background

It is therefore perhaps first of all necessary to define what usury is generally accepted to be!

Usury (from the Latin *usus* meaning "used") was defined originally as charging a fee for the use of money. This usually meant interest on loans, although charging a fee for changing money (as at a *Bureau de change*) is included in the original meaning. After moderate-interest loans became an accepted part of the business world in the early modern age, the word has come to refer specifically to charging very high interest on loans.

Usury is scripturally and doctrinally forbidden in many religions. Judaism forbids a Jew to lend at interest to another Jew. It's forbidden in Islam. The most recent Catholic teaching on usury is by Pope Benedict XIV in his *Vix Pervenit* from 1745 which strictly forbids the practice, though many Jews, Catholics and Muslims break their own laws in this matter.

Usury has been denounced by almost every major spiritual leader and philosopher of the past three thousand years. Plato¹, Aristotle², (See Plato (*Laws*, v. 742 and Aristotle (*Politics*, I, x, xi)) Cicero³ (see Cicero, "*De officiis*, II, xxv also see "*Usury - The Root of All Evil*". *The Spirit of Now*. Peter Russell⁴ <http://www.peterrussell.com/wordpress/index.php?p=29> accessed 21.9.12) It was also condemned by Aquinas⁵ (see, *Thomas Aquinas: On Usury*, c. 1269-71 <http://www.fordham.edu/halsall/source/aquinas-usury.asp> accessed 6.6.12) Mohammed⁶ (*The Prophet Mohammed's Last Sermon*, <http://www.fordham.edu/halsall/source/muhm-sermon.asp> accessed 6.6.12) and Moses (Exodus 22:25) are just a few.

Bible scripture is very clear on the issue; it strictly prohibits lending at usury and borrowing at usury in any form or disguise for any reason!

Leviticus 25:37 Thou shalt not give him thy money upon usury, nor lend him thy victuals for increase.

Deuteronomy 23:19 Thou shalt not lend upon usury to thy brother; usury of money, usury of victuals, usury of anything that is lent upon usury: (*The Hebrew Bible in English*, according to the JPS 1917 Edition. <http://www.mechon-mamre.org/e/et/et0523.htm> accessed 14.2.07⁷)

The early teaching of the Church clearly prohibited usury and yet now it seems that this position has changed somewhat, therefore then let us take a brief look at some of the early church teachings on the matter. The Roman Catholic Church has changed, or developed, its teachings on many occasions. Few are as clear as the case of usury. Making the briefest review of the history of this teaching, this work cites the undeniable references in the Old Testament, Church Councils, Fathers and Mediaeval theologians which all prohibited usury, this work also cites some of the excellent research done by Fr. Coulter⁸ in his *The Church and Usury: Error, Change or Development?* "There is no doubt that council after council and pope after pope condemned usury", as stated by Judge John Noonan⁹ in his 1957 book *The Scholastic Analysis of Usury*, cites as his final proof against usury, the 1745 encyclical of Benedict XIV, *Vix Pervenit* which Halsall¹⁰ in his: *Syllabus of Papal and Magisterial Errors* (1998), version 1.6, sec. B2, 66, claims forbids all interest. Here are some suitable extracts from the *Vix Pervenit*¹¹ to highlight the point that any gain on a loan beyond the original amount is usurious:

- I. The nature of the sin called usury has its proper place and origin in a loan contract. This financial contract between consenting parties demands, by its very nature, that one return to another only as much as he has received. The sin rests on the fact that sometimes the creditor desires more than he has given. Therefore he contends some gain is owed him beyond that which he loaned, but any gain which exceeds the amount he gave is illicit and usurious. (*Vix pervenit*, 3.I) II. One cannot condone the sin of usury by arguing that the gain is not great or excessive, but rather moderate or small; neither can it be condoned by arguing that the borrower is rich; nor even by arguing that the money borrowed is not left idle, but is in business transactions. The law governing loans consists necessarily in the equality of what is given and returned; once the

equality has been established, whoever demands more than that violates the terms of the loan. Therefore if one receives interest, he must make restitution according to the commutative bond of justice; its function in human contracts is to assure equality for each one. This law is to be observed in a holy manner. If not observed exactly, reparation must be made.

III. By these remarks, however, we do not deny that at times together with the loan contract certain other titles-which are not at all 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. Nor is it denied that it is very often possible for someone, by means of contracts differing entirely from loans, to spend and invest money legitimately either to provide oneself with an annual income or to engage in legitimate trade and business. From these types of contracts honest gain may be made.

IV. There are many different contracts of this kind. In these contracts, if equality is not maintained, whatever is received over and above what is fair is a real injustice. Even though it may not fall under the precise rubric of usury (since all reciprocity, both open and hidden, is absent), restitution is obligated. Thus if everything is done correctly and weighed in the scales of justice, these same legitimate contracts suffice to provide a standard and a principle for engaging in commerce and fruitful business for the common good. Christian minds should not think that gainful commerce can flourish by usuries or other similar injustices. On the contrary We learn from divine Revelation that justice raises up nations; sin, however, makes nations miserable.

V. But you must diligently consider this, that some will falsely and rashly persuade themselves-and such people can be found anywhere-that together with loan contracts there are other legitimate titles or, excepting loan contracts, they might convince themselves that other just contracts exist, for which it is permissible to receive a moderate amount of interest. Should anyone think like this, he will oppose not only the judgment of the Catholic Church on usury, but also common human sense and natural reason. Everyone knows that man is obliged in many instances to help his fellows with a simple, plain loan. Christ Himself teaches this: "Do not refuse to lend to him who asks you." In many circumstances, no other true and just contract may be possible except for a loan. Whoever therefore wishes to follow his conscience must first diligently inquire if, along with the loan, another category exists by means of which the gain he seeks may be lawfully attained.

4. This is how the Cardinals and theologians and the men most conversant with the canons, whose advice We had asked for in this most serious business, explained their opinions. Also We devoted our private study to this matter before the congregations were convened, while they were in session, and again after they had been held; for We read the opinions of these outstanding men most diligently. Because of this, We

approve and confirm whatever is contained in the opinions above, since the professors of Canon Law and Theology, scriptural evidence, the decrees of previous popes, and the authority of Church councils and the Fathers all seem to enjoin it. Besides, We certainly know the authors who hold the opposite opinions and also those who either support and defend those authors or at least who seem to give them consideration. We are also aware that the theologians of regions neighbouring those in which the controversy had its origin undertook the defence of the truth with wisdom and seriousness.

(<http://www.ewtn.com/library/ENCYC/B14VIXPE.HTM> accessed 6.6.12)

I would have to argue that usury is defined above in its original sense as any amount that exceeds the principle on a loan; furthermore such an amount may be equated with taking interest in the modern sense. It is the profit on the on a loan that was prohibited and condemned by the Church. It should also be noted that the Pope makes the distinction between healthy thriving commerce which he recognises as a necessary part of life, but he states that this can be done without resorting to usury. The condemnation of usury was prevalent until around 1830 when the church changed its policy with Pope Pius allowing the justifiable taking of interest¹². (*NPNF 2-14 the Seven Ecumenical Councils*, edited by: Phillip Schaff & Henry Wace, p. xvi CCEL 2009). Moreover there was a change of in the Canon¹³ Law code in 1917 advising the clergy to keep their money in interest bearing accounts. (T.L. Bouscaren and A.C. Ellis. 1957. *Canon Law: A Text and Commentary*. p. 825) for the view that Canon Law was misinterpreted see: Canon 1523¹⁴, 4° says administrators of Church property must use for the benefit of the Church, money which can be invested profitably. Cf. T. Lincoln Bouscaren, S.J. and Adam C. Ellis, S.J., *Canon Law: A Text and Commentary*, 2nd ed. (Milwaukee: The Bruce Publishing Co., 1951), 826. “Many actually misinterpret this Canon according to this commentary: “To invest money means to exchange it for non-consumable and productive goods, such as real estate, stocks, bonds, etc. Money deposited in a bank at call is not considered as invested¹⁵.”

(<http://www.frcoulter.com/presentations/usury/chapter1.html#footnote7>, accessed 6.6.12).

For further consideration one needs but to look at Paul Halsall’s *Syllabus of Papal and Magisterial Errors*, in which is which he states that he cannot think of a more important issue in which the Church has done such an about face; for no mention is made of usury under the Seventh Commandment under the section on love for the poor, but just an historical reference.¹⁶

It might be argued that such a change in position was inevitable with the changing times and the development of society, yet is the church not supposed to provide guidance and be a rock in the world of continuing turbulence and change? Noonan in his book on Usury¹⁷ sites some of the writings of various ecclesiastical masters, Ambrose, Jerome and Augustine. In a series of sermons collected in the treatise *De Tobia*¹⁸, (Lois Miles Zucker, *S. Ambrosii: De Tobia: A Commentary, with an Introduction and Translation* The Catholic University of America Patristic Studies, vol 35 (Washington D.C.: The Catholic University of America, 1933), 65)

St. Ambrose denounced the taking of anything on a loan, stating that "whatever is added to the principle is usury and is a violation of the law of God, prohibited by the prescriptions of both "the Old and Divine law. St. Ambrose primarily bases his argument on the prohibitions of usury in the Old Law, Exodus 22:25 and Leviticus 25:36.

St. Jerome defines usury as, "One calls anything whatsoever usury and surplus if one has collected more than one has given."¹⁹" (Jacques Le Goff, *Your Money or Your Life: Economy and Religion in the Middle Ages*, trans. Patricia Ranum (New York: Zone Books, 1988), p. 26) When Jerome commented on Ezekiel, he viewed usury as not only being prohibited by the Law, but also by the Prophets. Jerome cites Luke 6:35, "lend, expecting nothing in return Fr. Coulter in his excellent article: *The Church and Usury: Error, Change or Development?* Argues that "this passage becomes the basis for emphatically showing that the New Law of the Gospel also contains a commandment against usury and further that St. Augustine will add other biblical arguments such as Psalm 14, showing again that God does not will money to be given at usury."²⁰" (<http://www.frcoulter.com/presentations/usury/chapter1.html>, accessed 7.6.12) Similar prohibitions, using these same scriptural passages, were also taught by numerous Eastern (Greek) Fathers²¹. (*Luke 6:25 was translated by Jerome in the Latin Vulgate with clearly phrased legal exactness, "Mutuum date, nihil inde sperantes, 'Lend hoping nothing thereby.'" David J Palm, "The Red Herring of Usury," This Rock 8* (September 1997)

Coulter argues that: "As a final summary of the Church's early teaching on usury, we have the decrees of Gratian composed shortly after the year 1140. This *Concordia discordantium canonum* is essentially a summary of the ancient law of the Church, and embodies the teachings of the first ten ecumenical councils. Gratian's commentary established the following points²²:"

To demand or receive or even to lend expecting to receive something above the capital is to be guilty of usury; usury may exist on money or something else; one who receives usury is guilty of rapine and is just as culpable as a thief; the prohibition against usury holds for laymen as well as clerics but, when guilty, the latter will be more severely punished²³. (T.P. McLaughlin, C.S.B., "*The Teaching of the Canonists on Usury (XII, XIII, and XIV Centuries)*," *Mediaeval Studies* 1 (1939), 82) (<http://www.frcoulter.com/presentations/usury/chapter1.html>, accessed 6.6.12)

This brief overview leads us to argue that it was an indisputable fact that the Church has changed its position and accepted the charging of interest on money and thus one of the main concepts of modern banking.

To further add credence to the argument concerning usury being frowned upon, let us look at the example of the Knights Templar, an order founded for the defence of Jerusalem, they were aware of the church's teaching on usury and managed to get around them by charging a rent on what they lent i.e. "The rent was payable at the time the loan was granted and was added to the capital sum borrowed. By this euphemism the Templars avoided being brought before the courts on the un-Christian charge of usury. Templar wealth was such that their financial services were not only sought by the merchants and landowners of feudal Europe, but by the princes of the Church and State."²⁴ (*Africa Speaks: Origins of Corporate Domination, the Templar Bankers*.

<http://www.africaspeaks.com/reasoning/index.php?topic=1856.0;wap2> accessed 3.09.12)

Such was the wealth of the Templars that they were able to finance the building of cathedrals and churches as well as wars and Crusades.

The above would most certainly have been in keeping with the papal teachings of 1745, for the pope does not prohibit a man making an honest profit on his labours through sound investment, thus in the 1100's we have a religious order, that was well aware of its ecclesiastical obligations. Usury is prohibited on the grounds that it exploits the poor and is therefore contrary to the basic teachings of the church of Charity and Mercy which is due to the poor. Anything that contradicts this cannot be in keeping with the basic principles of the Church? If we take the arguments of Judge Noonan, we could say that usury was prohibited on grounds other than just social exploitation. The Church forbade usury because it saw money as being something that had a fixed value and that it was contrary to the nature of

money to try and sell it for a higher value and that it was not something that could grow of its own accord²⁵. (Noonan, 81)

If there was any spirit of the law in the usury prohibition, it is perhaps the fact that the law always focused on the intention of the usurer. Any intention of desiring dishonest profit was the primary cause of and vitiating factor in almost all usurious transactions. As Luke 6:35 was so commonly quoted by the Church, "*mutuum date, nihil inde sperantes*" - make a loan, hoping for nothing from that loan. A usurious intention, simply hoping to profit on a loan, was enough to make one a usurer. As the decrees of Gratian say, it is this love of gain that is found in those "who loan for usury... or who in any contract receive more than they give."²⁶ (McLaughlin, 95 referenced from:

<http://www.frcoulter.com/presentations/usury/chapter2.html#footnote26> accessed 20.9.12)

All the authors wrote vehemently against any intention to make profit on a loan, for it is considered dishonest gain and encouraged reprehensible avarice and greed. Note that one can illicitly receive more than was loaned as a gift, if it is given due to the borrower's gratitude; but one could not make a loan hoping to receive such a gift.

Changes in the Interpretation of Usury

The interesting thing is that the church has developed what it called exceptions, whereby, say for example a man might have made a loss on loaning out some money; he might have the opportunity of seeking some recompense for that possible loss. Say for example I had a sum of \$50,000,000 and wished to purchase an orchard, but was asked instead to loan the money to someone, prior to doing so I stood a chance of making 10% return on the purchase of the orchard, the church, states that is now fair for me to expect some kind of return on that money that I have lent out. These possible "exceptions", have now in modern times generally led to the acceptance of the charging of interest. Let us just take a slightly closer look at the matter, from a more canonical point of view²⁷. (Noonan p. 100) The real problem is a shifting in the definition of usury as these exceptions eventually led to the more common practise of taking interest; and as Noonan states "the scholastic analysis of usury comes to centre on the distinction between usury and interest."²⁸ (Noonan p. 100)

The question must be asked did the church then condemn all taking of interest on a loan, one would be inclined to argue simply—yes. Noonan states in his book *Usury* "Absolutely, unequivocally, without exception, all return on a loan was condemned." (Noonan, *Usury*,

57). Whilst one can argue that the Church has changed its teachings, there were exceptions on certain loans in the form of fees as stated by St Thomas in his *Summa Theologica*.

When dealing with the issue of Usury, St Thomas Aquinas says the following:

Obj.1. Now sometimes a man suffers a loss through lending money. Therefore he may lawfully ask for or even exact something else besides the money lent.

Reply, Obj. 1. A lender may without sin enter into an agreement with the borrower for compensation for the loss he incurs of selling something he ought to have; for this is not to sell the use of money but to avoid a loss²⁹. (Thomas Aquinas, *The Summa Theologica of St. Thomas Aquinas*, trans. Fathers of the English Dominican Province, (New York: Benzinger Brothers, 1947), II-II, q. 78, a. 2.)

The principle of (*damnum emergens*) is one by which a lender might charge some fee because of some loss incurred when lending the money rather than pure interest on the money lent. This principle of *damnum emergens* though not dealt with directly by St Thomas would be taken up by law makers and canonists who would agree that compensation for losses incurred in giving out the loan could be justifiably compensated for.

These fees were by which a lender could charge, not because of the loan of money itself, but for the economic loss incurred due to the circumstances in which the loan was made. This becomes the basis of a lawful and justified title for the taking of something above the amount lent. These titles are called³⁰ "extrinsic" because they are separate from the money lent itself; they are only involved in the loan transaction when viewed within the circumstances as a whole. ." If one could have made a profit with one's money instead of loaning it (and can prove it!) then this becomes a legitimate title for interest. This title would become much more important as commercial centres and opportunities for investment became prevalent. Much later, it might even come to include the cost of one's labour in making the loan (a just wage for bankers). "In the eyes of the Church, the most important and legitimate one [excuse], held that usury could be considered a salary, a remuneration for labour (*stipendium laboris*).³¹" (Le Goff p.73 Le Goff J. (1986) *Usury, religion and the birth of capitalism in the Middle Ages*) (<http://www.frcoulter.com/presentations/usury/chapter3.html>, accessed 6.6.12)

Although not developed by Thomas himself, many of his contemporaries would begin to discuss other titles to interest. A second title that was accepted after some debate was another type of loss, lost profit. "Loss occurring (*damnum emergens*) and profit ceasing (*lucrum cessans*) are the two great titles to interest, as interest is understood today, a return owed without fault of the debtor "We should notice that the Church teaching also allowed two types of contracts which were different than loans. The first is what would be called a rental or lease (*locatio*), for this is the loan of something that is returned itself. The loan (*mutuum*) involves fungibles (usually involving objects which are consumed such as money or flour) which are repaid with different objects of the same number, weight, and quality. In a rental, the object loaned is a non-fungible, where the same object loaned is the one returned, such as a horse, field, etc. So why can a charge be made for a rental (*locatio*) and not a loan? In a rental, the person maintains ownership of the property, thus "one may lawfully sell its use while retaining one's ownership of it." The owner maintains the risk of loss, plus in some cases there may be deterioration of the object lent which justly deserves remuneration³²." (<http://www.frcoulter.com/presentations/usury/chapter3.html>, accessed 6.6.12). One could argue that that this was the beginning of a slippery slope, in that gradually all this tinkering led to a narrowing of the definition of usury, to simply being an exorbitant amount charged on a loan as opposed to its original meaning of charging interest on money full stop. Whilst it might be argued that the church has the absolute last word in the interpretation of the contents of the bible, it is not able to change those contents, to suit a modern day agenda, and it is down to the conscience of the faithful to make their own judgment in certain matters. Therefore usury is usury, making money out of money without that money going to work in any useful capacity than beyond making money. I have yet to see a scholar in the modern day church of the statue of St Thomas, St Augustine or St Ambrose, yet all these great scholastic fathers, condemned usury for what it was, where they all wrong in light of the modern day canonical interpretations of usury? Was the 1745 pontifical decree, incorrect in its condemnation; are modern minds by the nature of their modernity, superior to, these wise, learned and august men that I have mentioned?

Modern Day Condemnation of Usury

Some modern writers like Dorothy Day of the *Catholic Worker* fame, Hilaire Belloc a Catholic English Layman and the Catholic philosopher Jacques Maritain have all condemned usury and its effects in the modern world. Day argues in an article entitled 'Usury is a Sin',

the charging of interest on loans is immoral." Why? Because it is contrary to the laws of God, the teachings of Christ, the Magisterium of our Church, the natural order, and justice for the poor³³. “(Cooperativas Christianas de Mexico, "Usury is a Sin," *The Catholic Worker* 60, (March-April 1993), 8.) (<http://www.frcoulter.com/presentations/usury/chapter5.html>, accessed 6.6.12). Belloc takes a slightly new approach in that he argues that we must make a distinction on what a loan is being used for whether for consumption or production, the consumptive loan should incur no interest but the productive loan can, as it is a means by which profit is sought. Belloc sees these loans as a form of partnership and not too indistinct from earlier church teachings³⁴. (Hilaire Belloc, "On Usury," *Essays of a Catholic* (Rockford, IL: Tan Books and Publishers, Inc., 1992), 15.) Jacques Maritain the Catholic philosopher argues that usury is now the norm with profit being an end in itself and perpetuates a system that is contrary to nature (*A Society Without Money*). This is following a more Thomasian Aristolian line and one that I as the author of this paper tends to agree with, for reasons that shall be laid out more clearly below.

We do not believe in "money lending" at interest. As Catholics we are acquainted with the early teaching of the Church. All the early councils forbade it, declaring it reprehensible to make money by lending it out at interest. Canon law of the middle ages forbade it and in various decrees ordered that profit so obtained was to be restored. In the Christian emphasis on the duty of charity, we are commanded to lend gratuitously, to give freely.

“The Catholic Worker is a newspaper founded by Dorothy Day in 1933 for promoting concern for the rights of the poor and workers. Even today it costs only a penny a copy, and its articles still express the ideas of its founder, being particularly critical of modern economic society, including the subject of the sinfulness of usury. One Catholic Worker article, actually entitled "Usury is a Sin,³⁵" says that "the charging of interest on loans is immoral." Why? Because it is contrary to the laws of God, the teachings of Christ, the Magisterium of our Church, the natural order, and justice for the poor. “(Cooperativas Christianas de Mexico, "Usury is a Sin," *The Catholic Worker* 60, (March-April 1993), 8.) (<http://www.frcoulter.com/presentations/usury/chapter5.html>, accessed 6.6.12) Father. Coulter offers a slightly opaque argument that the Church is contradicting its own immutable infallibility by contradicting one of its own original teachings:

“As many Catholics believe that the Church is indefectible, immutable, and infallible, some do not see any possibility of the Church's teaching on usury being changed. The obvious conclusion is then that the prohibition of usury must still be in effect, and we are entangled in sinful activity in our modern society, for usury is involved every time we accept interest on a savings account or pay interest on a loan. Noonan notes that some would go so far to say today: "It is a mortal sin to take or to seek profit on a loan."³⁶”
(<http://www.frcoulter.com/presentations/usury/chapter5.html>, accessed 6.6.12)

The theme of this contradictory position is further highlighted when we look at the usurious nature of *laissez faire* capitalism which is both exploitative and extremely oppressive on the poor, a point that was being emphasised by Day, Belloc and Martitain, and in 1891 Pope Leo XIII made some stinging observations of the economic situation, when he said that usury had led to a few rich men exploiting the masses³⁷ (Pope Leo XIII, "*On the Condition of the Working Classes*," *Rerum Novarum* (15 May, 1891), 6; [ONLINE]. Available from (<http://www.ewtn.com/library/ENCYC/L13RERUM.TXT> accessed 6.6.12)

Pius XIII further argues that: “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.”³⁸ (106)

(http://www.vatican.va/holy_father/pius_xi/encyclicals/documents/hf_p-xi_enc_19310515_quadagesimo-anno_en.html accessed 3.09.12)
This is a point that we shall attempt to touch upon when the ideas of Major Douglas are touched upon below.

St. Thomas Aquinas recognised that economic activity must always be viewed within a larger scheme. "Temporal goods are subjected to man that he may use them according to his needs, not that he may place his end in them and be over solicitous about them."³⁹
(<http://www.egs.edu/library/thomas-aquinas/articles/summa-theologica-part-ii-ii-secunda-secundae-translated-by-fathers-of-the-english-dominican-province/treatise-on-the-cardinal-virtues-qq-47-170/question-55of-vices-opposed-to-prudence-by-way-of-resemblance/> , accessed 6.6.12) For Thomas, all material goods, private property, and exchange transactions are governed by a view of man's final destiny. "The pursuit of material welfare was not to be regarded as an end in itself, but as a means to achieve the *summum bonum* [greatest good] of salvation."⁴⁰ (Raymond De Roover, "*Scholastic Economics: Survival and Lasting Influence*

from the Sixteenth Century to Adam Smith," The Quarterly Journal of Economics, Vol.69, p.163).

Detrimental Effect of Usury on Well-Being of Mankind

In order to underline the pernicious nature of usury and its effects, it is necessary to take a brief look at the current financial system and the ideas portrayed by Major C H Douglas, in his *These Present Discontents* (Published by The 'New Age', London, 1920). This is because here we seek to argue that a usurious system leads to the accumulation of the money for the sake of money and therefore has devastating effects on the economic and social well-being of Mankind.

Douglas was a soldier who thought that when he returned from the war he would return to a land "fit for heroes", yet upon his return he saw that much that he had expected to have changed, had simply remained the same.

Major Douglas believed that nearly all if not all forms of systems of government, were primarily concerned with administrative remedies, for the betterment of society, thus whether one were Communist or Capitalist or even Marxist, these there, are but administrative labels, that really don't get at the heart of the problem. "It is true that they are uniformly introduced to our attention by moral and metaphysical arguments of an exalted nature, but the concrete embodiment of these sentiments seems to suggest that the whole problem is to design a social structure which will still more effectually subordinate mankind to it, rather than that he might be enabled to be progressively conquered by the machine which now enslaves him⁴¹" (*The Present Discontents*, p 4). Douglas sees the world and the policies of the world as being clearly divided between domination and freedom, freedom being that system which allows a man to trade freely and accrue sufficient recompense for his labours, for example a man in Indian producing Jute, might in exchange for his product, receive Cotton from a man manufacturing such a product in Manchester, thus any system which makes it easier for the individual to benefit by association, without being constrained beyond the inherent necessities of the function involved in the association is freedom. Yet any policy that aims at complete sovereignty, no matter what its label, is aimed at domination, irrespective of the fine words that might accompany it.

Douglas basically cautions that all who advocate one form of freedom or another should have their motives questioned as part of the natural order of society, the prohibitionist who wished to abolish the sale of alcohol in order that he might make great profits, from the production of illegal whiskey. The fundamental question is asked, why is it that man in a modern age equipped with all the labour saving devices of modern technology, is unable to achieve economic security, after all the function of work is to provide food, clothing and shelter is it not? The modern economic system does not provide for the direct exchange of goods, but relies on the medium of money. Money holds its value for a man knows in his mind that it can be exchanged for goods of varying value, and is it this credit which gives money its value! Douglas highlights the fact that there are two forms of credit.

The worker for wages or other forms of pay, gives credit to the idea that the more he produces the more satisfaction of primal needs is thereby made possible, in other words the harder you work the more you get; and are able to produce, the financier uses this belief for the basis of financial credit, which is essentially a measure of the rate of making money. The nexus between the two are prices, what Douglas argues is that the lengthening of the nexus between the two is where the real problems begin in the current financial system. Man uses many machines which are now labour saving yet, whilst he is paid to manufacture these machines, it is not the machines that he wants but the ultimate product of the machine. Douglas further argues that whilst prices will rise, according to demand and that the machine owner is able to control the price of the ultimate product, with this control over prices and the means of production, it is only natural that such centralised control will result in the centralised control of finance and credit. If the purchasing power and the price of the ultimate product is kept from the hands of the public, for we have already seen that the purchasing power of the work is in the hands of the employer, then , there will be as Douglas puts it “an illusion of the constant necessity for which strenuous effort must be kept up, the price maker will want to make as much capital goods as possible, and deliver as few ultimate products at home and as will avoid revolution; and the workers who compose the mass of the public will progressively cease to believe in the purchasing power of work for money, and will demand goods of the kind for which they have a use. That is exactly what is happening at the present time.⁴²”(p.10)

Thus we are now left with a system in which real credit is given way to financial credit, and wealth may be accumulated, that does not serve the purpose of being put to use for baking a

loaf of bread or the building of houses. Such money, is normally used to beget more money, and in doing so usury is not too far off! Let us continue to further examine the views of Major Douglas!

The purpose of any industrial production system should be to produce the right amount of the right goods (i.e. those that people really need, rather than luxuries, for those who already have more than they can hope to use), with the minimum amount of discomfort to all, and the people themselves being the judge of the rightness and the quantity of the goods that are required. At no point in the system, should it be the purpose of work to give wages to people to for the sake of making things that the public don't need, in order that some premise of an obsolete financial system might be satisfied. This cannot be achieved until the governing powers realise that the control of finance and the issuing of money should remain in the hands of the state, which is ostensibly there to serve the people rather than the financier, who is simply there to serve himself, and increasingly governments seem to be there to serve him rather than the people.

The fundamental function of a bank should be to envisage the capacity of the community which it serves, and to take into account the needs of the community rather than those of the financier. Money should therefore be lent out to the community based on its capacity to produce those goods and services that the community decides that it needs, rather than the manufacturer, it would then be possible to democratise the means of production. This however cannot take place under the current system in which banks are a law unto themselves! We are at present left with a system in which usury is both rife and thriving, a system that leads to production for the sake of production, is leading to environmental problems, like Global Warming, which we only tinker with solving, but make no real efforts to deal with the real causes. If the Church would only take up its original protestations against usury then perhaps it might be possible have financial system which would be conducive to the ideas of social/community credit. A system that is not impossible to achieve one only need have looked at the Gaddafi regime in Libya where it was illegal for the state bank to charge interest on loans. Thus I will conclude by arguing that Douglas' ideas have highlighted a system where money is used to perpetuate money (which in itself is contradictory to the Church's original teachings, see St. Thomas' views above) and where things are produced for the sake of production.

Usury Making the Poor Poorer

I now wish to demonstrate how the combination of usury and a flawed financial system is virtually strangling the poorest of the poor. The following quote from the former Nigerian President Obasanjo when talking about Nigeria's debt crises; perhaps sums up the pernicious nature of usury and why it should be condemned unreservedly:

All that we had borrowed up to 1985 or 1986 was around \$5 billion and we have paid about \$16 billion yet we are still being told that we owe about \$28 billion. That \$28 billion came about because of the injustice in the foreign creditors' interest rates. If you ask me what is the worst thing in the world, I will say it is compound interest⁴³. (*Jubilee 2000 news update*, August 2000)

Debt has crippled many developing countries. Often based on loans taken out by prior rulers and dictators (many of which various Western nations put into power to suit their interests), millions face poorer and poorer living standards as precious resources are diverted to debt repayment⁴⁴.

Debts and the usury that follows are often imposed on developing countries by their former colonial masters, for the sake of exercising control, the back seat driver syndrome for want of a better term.

Odious debt is unfair debt resulting from illegitimate loans and is actually a legally defined principle, its characteristics being a loan that is made use of in ways that a contrary to the interest of people and with the full knowledge of the creditors. It is then deemed as a hostile act legally⁴⁵. ([G-8 Summit 2004; Iraq's Odious Debt: Rhetoric to Reality](#), *Jubilee USA*, 2003)

Many poor countries today have started their independent status with heavy debt burdens imposed by the former colonial occupiers. South Africa as another example, has found it now has to pay for its own past repression; the debts incurred during the apartheid era are now to be repaid by the new South Africa.

But it is not just South Africa paying for this; surrounding countries that have been destabilized from this are paying debts incurred to deal with it. The organisation Action for Southern Africa summarises this clearly, albeit in a report from 1998, when it estimates "apartheid-caused debt" amounted to £28 billion in 98 and that the neighbouring countries borrowed £17 billion "to maintain apartheid" the report goes on to argue that people are dying today (98) to repay the loans incurred by a repressive regime. The report then goes on

to contrast this to the position that the Americans took towards the Germans and the British after WWII, arguing that they were allowed to pay loans back at low interest rates and finally that in 1953 most of Germany's debt was cancelled, this is contrasted to the then S. African position where it is estimated that they are paying back three to five times what they British paid after WWII⁴⁶. ([*Paying Twice for Apartheid, Action for Southern Africa*](#), May 1998). The report further highlights the incidents of loans made to repressive regimes usually backed by the West; it might be argued that usury is being used to oppress whole nations. Not too difficult to see why it is contrary to Christian principles. The report terms it "immoral lending⁴⁷".

The argument against the pernicious nature of usurious debt is so clear that it almost speaks for itself, crippling debt, loans that are designed to make the poor poorer as well as holding them in thrall to the rich. Surely this is what the all those great and learned Saints such as Ambrose, Augustine and Aquinas foresaw when they condemned usury. Surely it makes a very strong argument for the Church to revert to its original teaching and denounce all usurious gain on money. Susan George, in her 1992 book, *Debt Boomerang: How Third World Debt Harms Us All*, calculated a net of \$418 billion borrowed funds flowed right back north between 1982 and 1990, she argues that the poor are subsidising the rich:

The world's poor are subsidizing the rich. The net gain to the over-capitalized countries (loss to the under-capitalized ones) of \$418 billion between 1982 and 1990 is more than double what was spent to rebuild Europe after World War II. "Capital flight from Mexico between 1979 and 1983 alone [was] \$90 billion — an amount greater than the entire Mexican debt at that time."⁴⁸ (George, *Fate Worse than Debt*, pp. 20, 236, quoted by Agee, "Tracking Covert Actions," p. 6.)

Continuing in this same vein about the role of bankers in fostering debt, George argues that most of the loan process seems to be focused on taking funds that Third World elites have taken from their countries and 'loaning them back to those countries,' thus earning a two way spread. The basic argument here is that more is being taken out than is loaned⁴⁹, and that this usury is causing hardship⁵⁰ on a large scale. (Dan Nadudere, *The Political Economy of Imperialism*, (London: Zed Books, 1977), p. 220; Michael Moffitt, "Shocks, Deadlocks, and Scorched Earth: Reaganomics and the Decline of U.S. Hegemony," *World Policy Journal* (Fall 1987)

One area of hardship is the decreasing value of wages in real terms, according to Fidel Castro in 1980's wages in Mexico were devalued by 60%, in Argentina 50% and in Peru by

70%. “more than \$70 billion in a single year in the form of money or merchandise for which [Latin America] didn’t receive anything in exchange.” Hence the decline in wages in real terms⁵¹. (Castro, *Nothing Can Stop the Course of History*, p. 69, New York: Pathfinder Press, 1986)

And further in the same vein how loans can undermine the capacity for production in the Third World by stifling the possibility of local production for a local market. This is largely caused with by over production in First World countries, the Third World is not really able to compete because they ‘can’t really obtain their share of high paying jobs and markets’ as a result they are forced to trade their resources for goods made by well-paid labour. The argument is basically that in-order for a loan to be productive then it needs to foster production rather than “unnecessarily consumptive consumption” and the argument is that only by fostering the means of production and internal markets can an economy escape poverty and gain some kind of equality in world trade, moreover that debt traps are created if all the majority of one’s financial resources go to paying back loans.⁵². (J.W. Smith, *The World’s Wasted Wealth 2*, ([Institute for Economic Democracy](#), 1994), pp. 139-141)

Thus one could argue from the above that whether loans or “aid” the purpose seems to be to gain control or to retain control over poorer economies

The economic decisions and influence in various international agreements, treaties and institutions by the wealthy and powerful nations also help form the backbone of today’s globalisation. That such immense wealth and prosperity for some have come at a time when most nations in the world have stepped into further poverty and debt is no coincidence. The policies of those who have the power and influence have been successful to help raise standards for some in their own nations, but at a terrible cost. Rich nations as well as poor incur debts, but often the wealthier and more powerful ones are able to use various means to avoid getting into the dilemmas and problems the poor nations get into.

Furthermore third world debt could easily be cancelled and with a little effect on the world economies, yet for the purposes of control and aggrandizement of the developed world such a thing would not be in their interests. In the *The Transfer of Wealth; Debt and the making of a Global South: Focus on the Global South* the author argues that the total amount HIPC debt amounted to \$200 billion in 99 which was less then less than 1% of total World debt of

\$37 billion). Therefore to cancel such an amount would hardly have had an adverse effect on the world markets, this is in contrast to the comments of James Wolfensohn (head of the World Bank till 2005); he is quoted as saying that, debt cancellation would “screw up” the market⁵³. (*The Transfer of Wealth; Debt and the making of a Global South, (Focus on the Global South)*). Chapter 5, p.39: <http://www.focusweb.org/publications/Books/Transfer.pdf>, accessed 11.9.12). In giving further weight to the usury argument and the use of debt as a tool of oppression we find the IMF and the World Bank playing their parts in the great scandal of debt:

“Some poor countries are told by the IMF and World Bank to pay around 20 to 25 percent of their export earnings towards debt repayment. Yet, Why then do they insist poor African countries pay what they refuse to pay and consider unsustainable? We are forced to make sad assumptions in the absence of a plausible answer” as Charlotte Bagorogoza [points out](#)⁵⁴.”

Report #581 January 2003: *Debate On the New World Order Imperialism By Debt Peonage And Use Of Compound Interest As A Weapon Of Enslavment!* (<http://belize1.com/BzLibrary/trust581.html> accessed 11.9.12)

A 2003 graphic from the *BBC* on [Africa's debt servicing](#) shows that a couple of countries even spend between 25-40% of government revenue on debt service, while many more fall within the 5 to 25% bracket⁵⁵ (See: http://news.bbc.co.uk/2/shared/spl/hi/africa/05/africa_economy/html/debt.stm, accessed 11.9.12)

One feels that one may logically conclude this paper by stating that those at the top don't want those who are at the bottom to threaten them economically so therefore they endeavour through debt to remove the ladder that they themselves have earlier climbed. Sir Bob Geldof in a speech on Africa put the matter quite succinctly when he said:

One possible assumption made by many, and hinted to here by Bob Geldof is that as throughout history, those at the top don't want others to succeed. His comments below come from a speech about Africa, but are relevant in general:

The truth is that throughout economic history those who succeeded economically kicked away the ladder beneath to prevent others from scrambling up behind. That is why today we are imposing so many impossible conditions, in the form of benign interference, which in truth to actually prevent them developing. Perhaps it's not conscious but this is the manner in which all wealthy countries have always behaved. That's what was so unusual about the United States Marshall Plan which after the Second World War rescued Britain and Wily Brandt's Europe. Yet the truth is that, without taking away from Americas legendary generosity, the Marshall Plan was devised to further America's self-interest and security. The US at that time needed a viable trading partner for their uniquely booming post war economy and a bulwark against the Soviets threatening Stalinism. Whatever...it worked⁵⁶.

(Bob Geldof, *Why Africa?* Bob Geldof Speaks at St. Paul's Cathedral, DATA.org, April 21, 2004)

From the above it is obvious why usury must be condemned in all its forms, as it is costing lives and destroying hope. As such it should be denounced vehemently by the Catholic Church, and be deemed as unacceptable as it was in the ancient Church and in the 1745 pontifical edict. As usury is contrary to the teachings of Christ, and does no more than to help promote man's innate love of gain, whilst the Church has on a number of occasions spoken of the crippling nature of Third World debt, it itself is still a banker and charging interest, perhaps it is time for it to set an example and set up its own non interest charging bank in which it might place all its financial resources and therefore set an example to all Christians and non-Christians that usury must be condemned. Until such time as it does it will always be open to criticism that it has contradicted one its original and fundamental teachings.

Leviticus 25:37 Thou shalt not give him thy money upon usury, nor lend him thy victuals for increase.

Deuteronomy 23:19 Thou shalt not lend upon usury to thy brother; usury of money, usury of victuals, usury of anything that is lent upon usury:

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- ¹ Plato. *Laws* (Volume V, 742. London: Harvard University Press, 1967/68).
- ² Aristotle. *Politics* (Oxford: Oxford University Press, 2009). *Politics, I, x, xi*.
- ³ Cicero. *De Officiis II* (Oxford: Oxford University Press, 1994). xxv.
- ⁴ Peter Russell, Usury - *The Root of All Evil". The Spirit of Now*.
- ⁵ Thomas Aquinas: *On Usury, c. 1269-71* <http://www.fordham.edu/halsall/source/aquinas-usury.asp> accessed 6.6.12
- ⁶ *The Prophet Mohammed's Last Sermon*, <http://www.fordham.edu/halsall/source/muhm-sermon.asp> accessed 6.6.12
- ⁷ <http://www.mechon-mamre.org/e/et/et0523.htm> accessed 14.2.07
- ⁸ Coulter, Fr. *The Church and Usury: Error, Change or Development?* <http://www.frcoulter.com/presentations/usury/chapter1.html>
- ⁹ John Noonan, *The Scholastic Analysis of Usury* (USA: Harvard University Press, 1957)
- ¹⁰ Paul Halsall, *Syllabus of Papal and Magisterial Errors* (version 1.6, sec. B2, 66, 1998)
- ¹¹ <http://www.ewtn.com/library/ENCYC/B14VIXPE.HTM> accessed 6.6.12
- ¹² Phillip Schaff & Henry Wace, *NPNF 2-14 the Seven Ecumenical Councils*, (Edinburgh: T & T Clark, 2009) xvi CCEL.
- ¹³ T.Lincoln. Bouscaren and Adam.C. Ellis, *Canon Law: A Text and Commentary*. (Milwaukee: Bruce Publishing, 1951), 825.
- ¹⁴ Ibid., 826.
- ¹⁵ <http://www.frcoulter.com/presentations/usury/chapter1.html#footnote7>, accessed 6.6.12
- ¹⁶ Paul Halsall *Syllabus of Papal and Magisterial Errors* referenced from: (<http://www.frcoulter.com/presentations/usury/chapter1.html#footnote7>, accessed 6.6.12)
- ¹⁷ John Noonan, *The Scholastic Analysis of Usury* (USA: Harvard University Press, 1957)
- ¹⁸ Lois Miles Zucker, *S. Ambrosii: De Tobia: A Commentary, with an Introduction and Translation* *The Catholic University of America Patristic Studies, vol 35* (Washington D.C.: The Catholic University of America, 1933), 65.
- ¹⁹ Jacques Le Goff, *Your Money or Your Life: Economy and Religion in the Middle Ages*, trans. Patricia Ranum (New York: Zone Books, 1988), 26.
- ²⁰ (<http://www.frcoulter.com/presentations/usury/chapter1.html>, accessed 7.6.12)
- ²¹ (Luke 6:25 was translated by Jerome in the Latin Vulgate with clearly phrased legal exactness, "Mutuum date, nihil inde sperantes, 'Lend hoping nothing thereby.'" David J Palm, "The Red Herring of Usury," *This Rock* 8 (September 1997).
- ²² (<http://www.frcoulter.com/presentations/usury/chapter1.html>, accessed 6.6.12)
- ²³ T.P. McLaughlin, *The Teaching of the Canonists on Usury* (XII, XIII, and XIV Centuries), *Mediaeval Studies* 1 C.S.B., (1939), 82.
- ²⁴ Africa Speaks: *Origins of Corporate Domination, the Templar Bankers*. (<http://www.africaspeaks.com/reasoning/index.php?topic=1856.0:wap2> accessed 3.09.12)

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- ²⁵ John Noonan, *The Scholastic Analysis of Usury* (USA: Harvard University Press, 1957), 81.
- ²⁶ McLaughlin, 95 referenced from:
<http://www.frcoulter.com/presentations/usury/chapter2.html#footnote26> accessed 20.9.12).
- ²⁷ John Noonan, *The Scholastic Analysis of Usury* (USA: Harvard University Press, 1957), 100.
- ²⁸ Ibid., 100.
- ²⁹ Thomas Aquinas, *The Summa Theologica of St. Thomas Aquinas*, trans. Fathers of the English Dominican Province, (New York: Benzinger Brothers, 1947), II-II, q. 78, a. 2.
- ³⁰ <http://www.frcoulter.com/presentations/usury/chapter3.html>, accessed 6.6.12)
- ³¹ Jacques Le Goff, *Usury, Religion and the Birth of Capitalism in the Middle Ages* (Paris: Hachette, 1986), 73.
- ³² <http://www.frcoulter.com/presentations/usury/chapter3.html>, accessed 6.6.12).
- ³³ *Cooperativas Christianas de Mexico, "Usury is a Sin," The Catholic Worker 60*, (March-April 1993), 8.
- ³⁴ Hilaire Belloc, *"On Usury," Essays of a Catholic* (Rockford, IL: Tan Books and Publishers, Inc., 1992), 15
- ³⁵ *Cooperativas Christianas de Mexico, "Usury is a Sin," The Catholic Worker 60*, (March-April 1993), 8.
- ³⁶ <http://www.frcoulter.com/presentations/usury/chapter5.html>, accessed 6.6.12)
- ³⁷ Pope Leo XIII, "On the Condition of the Working Classes," *Rerum Novarum* (15 May, 1891), 6. [ONLINE]. Available from <http://www.ewtn.com/library/ENCYC/L13RERUM.TXT> accessed 6.6.12)
- ³⁸ http://www.vatican.va/holy_father/pius_xi/encyclicals/documents/hf_p-xi_enc_19310515_quadagesimo-anno_en.html accessed 3.09.12)
- ³⁹ <http://www.egs.edu/library/thomas-aquinas/articles/summa-theologica-part-ii-ii-secunda-secundae-translated-by-fathers-of-the-english-dominican-province/treatise-on-the-cardinal-virtues-qq-47-170/question-55of-vices-opposed-to-prudence-by-way-of-resemblance/>, accessed 6.6.12)
- ⁴⁰ Raymond De Roover, "Scholastic Economics: Survival and Lasting Influence from the Sixteenth Century to Adam Smith," (The Quarterly Journal of Economics) Vol.69, 163.
- ⁴¹ Clifford, H. Douglas, *These Present Discontents* (London: The New Age, 1920), 4.
- ⁴² Ibid., 10.
- ⁴³ *Jubilee 2000 news update*, August 2000
- ⁴⁴ *Third World Debt a Continuing Legacy of Colonialism, South Centre, Bulletin 85*, August 2004. The history of third world debt is the history of a massive siphoning-off by international finance of the resources of the most deprived peoples. This process is designed to perpetuate itself thanks to a diabolical mechanism whereby debt replicates itself on an ever greater scale, a cycle that can be broken only by cancelling the debt. According to a new Working Paper on "Effects of debt on human rights" prepared by Mr. El Hadji Guissé for current UN Sub Commission on Human Rights (E/CN.4/Sub.2/2004/27), the developing countries' debt is partly the result of the unjust transfer to them of the debts of the colonizing States! A sum of US\$ 59 billion external in public debt was imposed on the newly independent States in 1960. With the additional strain of an interest rate unilaterally set at 14 per cent, this debt increased rapidly. Before they had even had time to organize their economies and get them up and running, the new debtors were already saddled with a heavy burden of debt.
- ⁴⁵ *G-8 Summit 2004; Iraq's Odious Debt: Rhetoric to Reality, Jubilee USA*, 2003
- ⁴⁶ *Paying Twice for Apartheid, Action for Southern Africa*, May 1998
- ⁴⁷ *Paying twice for apartheid: Action for Southern Africa*, May 1998
- ⁴⁸ Susan George, *Fate Worse than Debt*, (New York: Westview Press 1992), 20, 236, quoted by Agee, "Tracking Covert Actions," p. 6
- ⁴⁹ Dan Nadudere, *The Political Economy of Imperialism*, (London: Zed Books, 1977), 220.
- ⁵⁰ "Shocks, Deadlocks, and Scorched Earth: Reaganomics and the Decline of U.S. Hegemony," *World Policy Journal* (Fall 1987)
- ⁵¹ Fidel Castro, *Nothing Can Stop the Course of History* (New York: Pathfinder Press, 1986), 69.

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- ⁵² J.W. Smith *The World's Wasted Wealth 2*, ([Institute for Economic Democracy](#), 1994), 139-141.
- ⁵³ *The Transfer of Wealth; Debt and the making of a Global South*, (*Focus on the Global South*). Chapter 5, p.39: <http://www.focusweb.org/publications/Books/Transfer.pdf>, accessed 11.9.12
- ⁵⁴ Report #581 January 2003: *Debate On the New World Order Imperialism By Debt Peonage And Use Of Compound Interest As A Weapon Of Enslavment!* (<http://belize1.com/BzLibrary/trust581.html> accessed 11.9.12
- ⁵⁵ J.W. Smith *The World's Wasted Wealth 2*, ([Institute for Economic Democracy](#), 1994), 139-141.
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