

Money, Morals and Bankers

Moneylending has been taboo for most of human history.

So how did usury stop being a sin, and become respectable finance?

Usury has been a sin throughout most of human existence. In his Divine Comedy of the 14th century, the Italian poet Dante Alighieri put usurers in the seventh circle of Hell. How did bankers stop seeing their activities in moral terms?

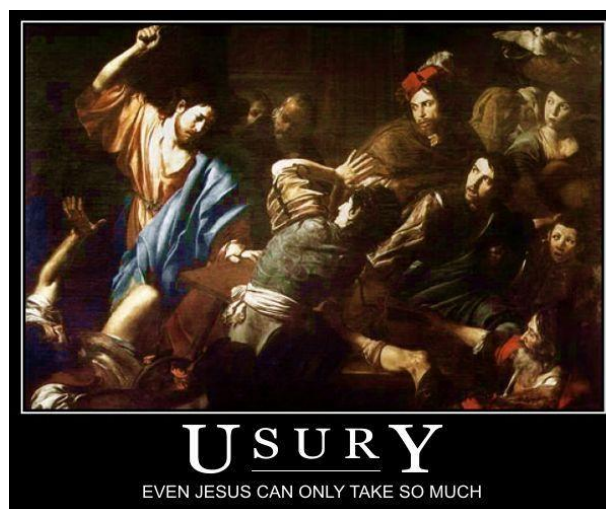
As set forth by Thomas Aquinas in the 13th century, because money was invented to be an intermediary in exchange for goods, it is unjust to charge a fee to someone after transferred ownership of the money. Because transferring ownership of property implies the right to use that property for its purpose:

"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.

Similarly, one cannot charge for a piece of cake, and then charge for the eating of that piece of cake.

Outlawing usury did not prevent investment, but stipulated that in order for the investor to share in the profit he must also share the risk. In short he must be a joint-venturer. Simply to invest money and expect it to be returned regardless of the success of the venture was to make money simply by having money and not by taking any risk or by doing any work or by any effort or sacrifice at all, this is the basis of usury or immoral exploitation.

From the earliest recorded times until the later 'Middle Ages', interest was forbidden by both canon and civil law, for interest then was synonymous with usury. According to an ancient book of the Exchequer, entitled 'Magister et Tiburiensis', usury was ranked with murder as an offense. Interest had no significant usage in English law until the usury law "An Act Against Usurie" was enacted in 1545, late in the reign of Henry VIII during the Great Debasement, which saw the amount of precious metal in gold and silver coins reduced and in some cases replaced entirely with cheaper base metals such as copper.



Aristotle's definition of Usury is perhaps the most cogent ever made. Usury, as originally defined, is any money made from a loan. Originally it did not mean excessive interest on a loan, but any interest. Subtle

changes in definition helped to corrupt and subvert the traditional ethos on usury and finally make usury victorious.

"Wherefore of all modes of making money, this is the most unnatural."1 Aristotle (384-322 B.C.)"

The Catholic Church in 1515, gave the following definition of Usury: when, from its use, a thing which produces nothing is applied to the acquiring of gain and profit without any work, any expense or any risk.

Following the Crusades the papacy had an ever-increasing need for banking services in order to transfer money throughout the Catholic lands of Europe, from the void of banking services and the desire to stay faithful to Church doctrine arose the niche of economic opportunity for the Jews. Using the Jews for money services did not go against theology. No sin was committed by letting the Jews do usury, as Jews' "souls were probably lost in any case" and Jewish presence could be tolerated for the benefit of extracting their taxes. Furthermore, the papacy was cognizant of the fact that Judaism did not consider it sinful to take interest. As Frederick II of Sicily noted, usury was "not illicit for them." Therefore the Jews were able to supply labour for an industry blocked to Christians. Jewish moneylending and exchange services began in Rome as least as early as the beginning of the twelfth century. The condotta carefully controlled the Jewish moneylenders by only licensing them for a set number of years and requiring a payment or money loan to the city's government for the opportunity to practice moneylending and for physical and legal protection.

During the fifteenth century, the Medici family emerged as a banking powerhouse. As they spread their services across Europe, they utilized keen business practices while staying in line with the Church's ban on usury. The presence of the florin, an internationally respected coin, made Florence conducive to becoming a center for international finance and the headquarters of the Medici bank. At the crux of the success of the Medici bank was the system of bills of exchange used to exchange different types of currency. The process of a bill of exchange involved the exchange of money between different branches of the Medici bank, over the course of several months. The change in rates of exchange in the different places over the length of time it took to travel with the money allowed the Medici bank to make a profit without charging interest. It was through this process of bills of exchange that the Medici bank flourished. The distinction of the bills' redemption at a different geographic location and at a different time—which occurred naturally because of the length of travel—was also crucial for ensuring that no usury was conducted. Bills of exchange provided the answer for which Christians had been looking. The rise of the Medici's as Christian bankers, meant, the Jews were no longer required.

Not only did the Medicis figure out how to overcome the Church's ban on usury to build up the banking industry, but with the establishment of the monti di pieta, the public leaders also balanced the need for loans with religious doctrine. Whereas formerly Christians had no choice because of religion but to take a hands-off approach to banking and rely on the Jews, the expansionism of the Renaissance propelled the combination of religion and secular business to produce modern banking.

The modern day immoral Banker, had been created, where the bank could have its cake and eat it.

The problem is not that capitalism is broken. The problem is that we are trying to operate a system in which the money itself is both irredeemable-fiat and usurious. Central Banking is broken beyond repair,

as it is predicated upon the central bank **manipulated** and **immoral** usury, where bankers do not by take on any risk or perform any work, or produce any economic outputs, by any effort or sacrifice.

It should be observed that all forms of legal tender, exist within all societies, as usury free money.

Of course, people, discuss the ethics of banking. We debate whether the banksters, deserve lucrative bonuses; we worry about the moral hazard of bank bailouts; we condemn banksters who sell financial instruments that they know will fail. But since so much of the language of economics and money is **amoral**, and built on the assumption that everyone acts in their narrow self-interest, demanding just outcomes from banksters, feels like expecting fair results from a war.

Money exist solely, as a public good.

The most important question is: Do you care, if bankers operate on an immoral basis?