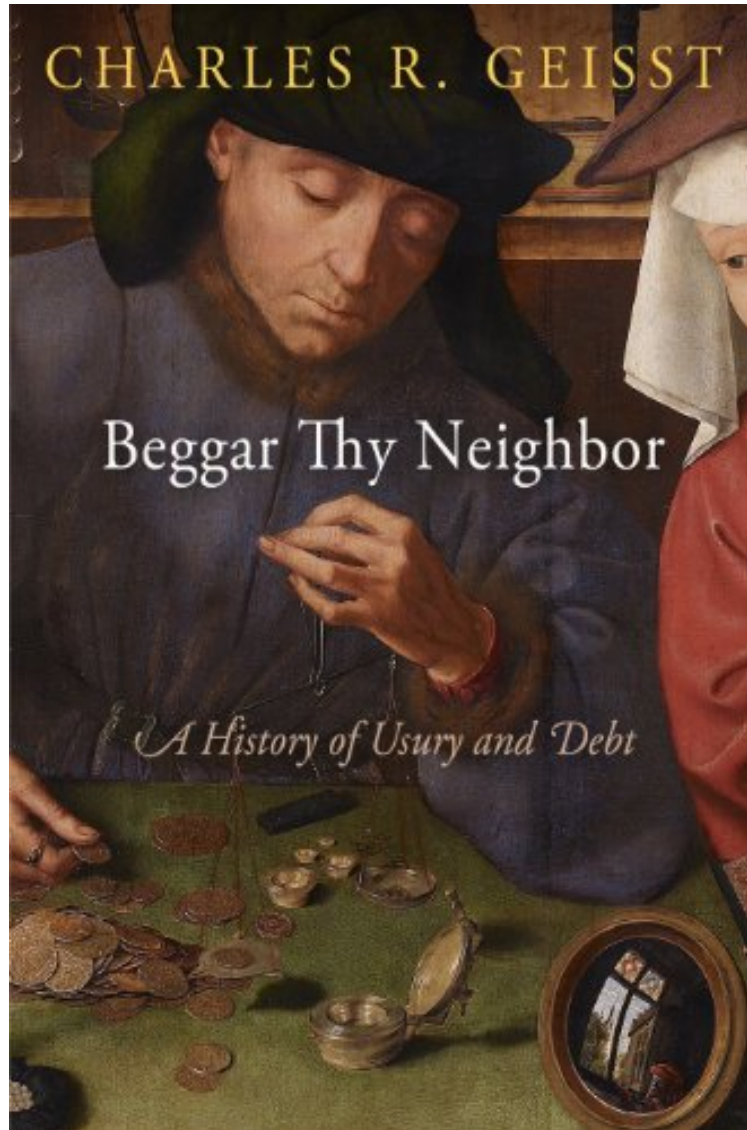


(Free and download) Beggar Thy Neighbor: A History of Usury and Debt

Beggar Thy Neighbor: A History of Usury and Debt

Charles R. Geisst

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Charles R. Geisst : Beggar Thy Neighbor: A History of Usury and Debt before purchasing it in order to gage whether or not it would be worth my time, and all praised Beggar Thy Neighbor: A History of Usury and Debt:

3 of 3 people found the following review helpful. Thorough, lots of sequential detail, but at stretches, leaves it to the reader to pull out and explicate deep themes By Phil O.I have enjoyed many of Geisst's books. This one, like the others, has boosted my general knowledge of the area it treats. I am very glad someone with his skills decides to write on these themes: often across multiple centuries, and a solid basic account of the topic on such a canvas. I have another book by him on order as I write this.I suggest a reader have at least some background in the rudiments of debt deals and basic European history, to get the most from this book. Otherwise it might seem obtuse and tedious. Also, there

should be some motivation to learn these matters in fairly fine detail. What I would do differently with this book would be to pause at various intervals in this continuous narrative stream, and pull together larger themes. Here, I wind up doing that for myself. At moments, though not all the way through, I feel the book could have been edited with more of a breakup of tempo and pacing, so as not to be simply, this happened and this happened and he did this and they said this. But I do not regret reading the book, and I compliment Charles Geisst for writing it. From here, I can confidently go onward in scholarship with a solid background on historical basics of usury. The earlier history suffers more from these imperfections in pacing and emphases, being a bit slow-running, but as the book transitions into more recent times, 1880s toward the present (and the reader having patiently got the background) the explanations of debt aspects of our society start to yield great insights. This approach may provide perhaps the single most telling explanation of the structure and behavior of the society we live in and many take for granted. We can grasp such things as why more personalized small loans in Medieval times gave way to the necessarily more impersonal transactions in big cities among people with little credit information about each other. This says a lot about the relatively impersonal nature of urban 20th century life and business, evenhandedly between individuals and businesses, based on circumstances they faced, and allows us to ask intelligent questions about whether how new tech is changing that texture of life and relations. We are then in a position to compare the circumstances of contemporary people to our forebears, and to look forward with new tools of thought and insight. And this is what I ask of a history book: to make me smarter. It does.

2 of 2 people found the following review helpful. Thoroughly Excellent
By W. Sampf
This excellent book surveys usury and the development of interest from biblical times to the present. What I found rewarding was that the author covers, in detail, biblical materials about usury in the Middle East and ends with the Dodd-Frank law. The best part is that it is a detailed financial history, talking about interest and how it was calculated, not just a string of anecdotes pieced together and called a history. The book does not give just the highlights but underlines them with rich facts and detail. It is clear that there was much confusion about interest in the ancient world and it spilled over into later years. There were those who understood interest and those who understood only its evil effects and naturally the knowledgeable always won the battle. The march of the western world toward capitalism and industrialization has always been thought to kill off the idea of usury but as shown, it lives on. The most important part of this book is its major theme. Laws against usury have become part of the natural law over time - those laws shared by all nations and religions. Today, the idea is still alive although it seems to be hiding in plain sight. If you take out a large mortgage you can't afford, the idea will come home to roost, as it always has. Payday loans exist, stronger than ever, and are advertised on TV and radio by well known personalities. Lots more examples are found here. This is the best financial history, or just plain history, I have read in years. It deserves a wide audience and should be around for a long time. An excellent synthesis of the old and the new.

1 of 1 people found the following review helpful. Five Stars
By Tommie McGowan
Excellent book

The practice of charging interest on loans has been controversial since it was first mentioned in early recorded history. Lending is a powerful economic tool, vital to the development of society but it can also lead to disaster if left unregulated. Prohibitions against excessive interest, or usury, have been found in almost all societies since antiquity. Whether loans were made in kind or in cash, creditors often were accused of beggar-thy-neighbor exploitation when their lending terms put borrowers at risk of ruin. While the concept of usury reflects transcendent notions of fairness, its definition has varied over time and place: Roman law distinguished between simple and compound interest, the medieval church banned interest altogether, and even Adam Smith favored a ceiling on interest. But in spite of these limits, the advantages and temptations of lending prompted financial innovations from margin investing and adjustable-rate mortgages to credit cards and microlending. In *Beggar Thy Neighbor*, financial historian Charles R. Geisst tracks the changing perceptions of usury and debt from the time of Cicero to the most recent financial crises. This comprehensive economic history looks at humanity's attempts to curb the abuse of debt while reaping the benefits of credit. *Beggar Thy Neighbor* examines the major debt revolutions of the past, demonstrating that extensive leverage and debt were behind most financial market crashes from the Renaissance to the present day. Geisst argues that usury prohibitions, as part of the natural law tradition in Western and Islamic societies, continue to play a key role in banking regulation despite modern advances in finance. From the Roman Empire to the recent Dodd-Frank financial reforms, usury ceilings still occupy a central place in notions of free markets and economic justice.

"A compelling book not only for history buffs but also for financial market participants who will find that events today have a long history leading up to our current travails."—Henry Kaufman, author of *On Money and Markets: A Wall Street Memoir*
"Geisst's book is fascinating and comprehensive. . . . The broad historic sweep that [he] brings to this study impresses."
—EH.Net
"[This book] serves as a useful introduction to the Christian and Muslim disdain for usury and raises important questions about the prevalence of debt in our economy. Geisst proves that legal, moral, and economic debates over usury and debt are here to stay."
—The Historian
"Charles R. Geisst takes us on a splendid tour of the law of usury from ancient times to the present. Along the way one encounters Cicero, Charlemagne, Shakespeare, Adam Smith, Karl Marx, Michael Milken and many others in this engaging yet critical

account of what may well be the oldest and most ubiquitous form of economic regulation. Highly recommended both for the lay reader interested in economic affairs and the academic specialist in money and banking."mdash;Hugh Rockoff, Rutgers University"An engaging, comprehensive history of the concept of interest and usury."mdash;Robert Wright, Augustana College, South DakotaAbout the AuthorCharles R. Geisst is Ambassador Charles A. Gargano Professor of Finance at Manhattan College and the author of many other books, including *Collateral Damaged: The Marketing of Consumer Debt to America* and *Wall Street: A History*.Excerpt. copy; Reprinted by permission. All rights reserved.IntroductionAfter the discovery of America, capital was in demand, and men were ready to pay interest on it. Then the theologians were obliged to review their teachings. If it had come to this, that money must be had, and men would pay interest on it, ecclesiastical ethics must be revisedmdash;Richard Henry Dana, 1867.Seven years before the assassination of Julius Caesar, an acrimonious dispute broke out between Marcus Tullius Cicero, at the time the provincial governor of Cilicia, and Marcus Junius Brutus, a young provincial Roman administrator. The elder statesman chided the younger man for using his administrative post in Cyprus to earn ill-gotten gains at the expense of the local people. Cicero received reports that Brutus had been lending money in Cyprus at four times the maximum rate stipulated by Roman law. To make matters even worse, he did it anonymously through an agent who did not mind using strong-arm tactics to collect the debts. When Cicero brought the matter to his attention, Brutus ignored him and continued to lend money. When he finally returned to Rome, he did so a wealthy man.The problem caused Cicero to coin a name for the practice which became a cornerstone of Roman law. The story was told innumerable times over the next eighteen hundred years. The Roman historians dutifully recorded it and Adam Smith alluded to it in the *Wealth of Nations*. According to Roman law, simple interest was permitted but compound interest was anathema. Compounding had been used in many ancient civilizations, but the Romans eventually made it illegal. By doing so, they also established a tradition that would create much confusion in the centuries to follow. They did not make all interest illegal, only compound or "accumulating interest."Prohibitions against excessive interest, or more properly usury, have been found in almost all societies since antiquity. Charging interest on loans is the oldest financial practice. It has also been decried almost from the beginning as predatory, with the lender seeking to take advantage of the borrower. Whether loans were made in cash or in kind, unscrupulous lenders were said to be practicing a beggar-thy-neighbor policy by ensuring that the borrowers were disadvantaged to the point of losing their collateral or in extreme cases even losing their freedom or families. Charging simple interest was barely condoned, but charging compound interest was unscrupulous, immoral, and rapacious. It was also practiced with near impunity.The problem was clear in the ancient world but became obscured over time. Over the centuries, usury prohibitions became part of civil law, and that unwritten law of nations generally referred to as the natural law. But it was still practiced widely and openly by the accursed moneylenders who quickly became part of legend and literature. This uneasy combination of theory and practice is partially responsible for the uneven patterns of economic development found in Europe from the decline of Rome to the Reformation. In the early Middle Ages especially, all interest was considered usury by the church. Compound interest became "Jewish interest," suggesting that it had dark, magical, non-Christian qualities that could be used for expropriation by the lender, considered a societal outsider.Through its long history, interest and usury have gone from being anathema to being big business in the contemporary world, but they remain at least partially illegal in many jurisdictions. Many American states still retain laws against criminal interest, or loan-sharking. At the same time, it frequently is ignored in the same places with impunity and only becomes the center of attention in poor economic climates or in times of capital shortage or high inflation. Perhaps that is why it has remained part of the universal canon of proscribed practices. Usury prohibitions firmly are part of the natural law tradition, in that natural law specifies what cannot be done. Since the fall of Rome, there have been more centuries characterized by what is known as capital shortage than there have been of periods of sustained growth and general prosperity. It is not a coincidence that the outcry against usury has been most shrill during those difficult times.Today, usury is considered excessive interest, but that definition is relatively new in historical terms. Originally, usura was interest and its actual rate differed from place to place. The debate over it was intense. Excessive interest in many ancient societies was interest on interest, or usurae usurarum, which added to the principal of an unpaid loan. In the ancient world and Middle Ages especially, this was anathema. The tribal tradition of the Hebrews prohibiting Jews from lending to each other at interest was cited by medieval churchmen as the major Old Testament source for proscribing all interest, not just simple interest. The great irony was that Jews were exempt from lending to gentiles and accepted as moneylenders by the church in the Middle Ages. That loophole allowed them to compete with the Lombards and Cahors who were allowed to lend at interest.In medieval Europe, these groups were the main moneylenders before the arrival of the Jews. Curiously, none was condemned for it and the Lombards were responsible for the development of the money markets in the fourteenth century. The Italian bankers in particular became financiers to monarchs and princes as far north as England. Their experiences with Edward III in particular were unpleasant, but their skills were highly sought after in countries where the treasuries were either low on cash or management skills. Despite the general ban on interest, the moneylenders were tolerated and even occasionally put the feet of monarchs to the fire when the interest bill was overdue. Jewish lenders usually were less fortunate. This apparent contradiction can be explained by a combination of tradition, religion, and law. The Lombards were the

barbarian tribe that conquered Rome in the sixth century; the Cahors were the descendants of the Visigoths who settled in France. Neither group had any provisions against interest or usury in their laws because both came from societies that originally used barter or payment in kind rather than money. Natural law in the late Roman Empire assumed a commonality among civilized societies, but that did not include barbarians. Neither group had a tradition against usury; each continued to pursue its newly acquired money-lending skills without interruption. No loud objection was heard until the Lombards were conquered by Charlemagne in 800, but by that time their tradition was established. The barbarian invasions also relegated much of Roman law to the shadows of history until the general revival of learning in the twelfth century. When many books that had been missing for centuries reappeared, those of Aristotle became the main reference for many churchmen, including Thomas Aquinas. This complicated matters for moneylending because the Scholastics accepted Aristotle's dictum that money was sterile, having no intrinsic qualities other than being used as a medium of exchange. It could not beget itself and therefore usury was not useful. Unknown (or ignored) was the discovery of Justinian's Code in 1130. In it, the prohibition against *anatocismus* (Cicero's term) and *alterum tantum* (doubling a debt by interest charges) could be found. Today those practices collectively are known as compound interest. Normal rates of interest were tolerated, but adding interest to outstanding principal was banned. But medieval church law would not even admit to ordinary interest despite the distinction between the two in Roman law. Compound interest would not become a math exercise until the Middle Ages when the Italian mathematician Fibonacci discussed compound interest questions and puzzles. Because of the usury prohibition, he carefully avoided discussions about loan values and instead focused on future value problems, an issue medieval philosophers were not acquainted with and did not discuss. He posed questions about the future value of a unit of currency and, most famously, how many rabbits would be the result of an original pair, assuming continuous rabbit compounding. But he avoided the usury issue, as did his equally famous countryman Luca Pacioli two centuries later when he discussed double entry bookkeeping for the first time. Fibonacci did, however, tackle the problem of debasing a currency, a politically correct topic in the thirteenth century for kings and princes. There is a great temptation to criticize various usury and interest ceilings as being inconsistent over the centuries. The medieval church adopted a ban on usury, similar to the one in the Muslim world, only to see it circumvented with great frequency between the twelfth and nineteenth centuries. Different commentators had sundry opinions on the subject, but all agreed that interest needed to be controlled. Even Adam Smith, considered the father of free market economic theory, favored a ceiling on interest. But as usury and interest approached the nineteenth century, it becomes more clear that there was a great deal of consistency in the way they were treated, given the differences in cultures and political motives of those opposed to them. The tendency to abuse one's position as a lender was recognized by most commentators regardless of their political or moral position. The expression "beggar thy neighbor" today is used to describe an international trade practice where one nation attempts to establish advantage over its trading partners through restrictive trade practices or policies. This derives from a mercantilist idea that owed its origins to an era when colonial powers exploited their far-flung colonies and ensured that they exported more than they imported. Before the mercantilist period, however, the term was associated more simply with borrowing and lending. The Shylocks of the world exploited the Antonios, seeking to extract their pound of flesh, when Christian principles demanded fairness and lenient lending policies. Equity and Christian charity suggested that lenders should treat borrowers as brothers, members of the same community. The idea was practiced only rarely. Shylock stood apart from that community; his religion and tradition were different; he was allowed to lend to non-Jews, a well-known, widely circulated biblical fact. Coincidentally Portia, who successfully defended Antonio against Shylock in Shakespeare's court, was also the name of Brutus's second wife, which was probably not a coincidence since Shakespeare was well acquainted with Roman history. The lending tradition became a nasty circle of recrimination and counter-recrimination that lasted for centuries. Lenders and early bankers, whether they were Jews, Lombards, Cahors, or the Templars, realized that their financial expertise and alien status in many European societies made them subjects of envy, derision, and ultimately retaliation from many hard pressed sovereigns. As a result, many of them charged compound interest to compensate for their business risk or disguised interest charges as hidden, discounted fees. The risks they faced were more than simple counterparty risk because they could be expelled from their homes, sent to the Inquisition, or expropriated. The fact that many well-known bankers in northern Europe prior to the Renaissance came from distant locales attests to the fact that foreigners were often sought as lenders precisely because borrowers could default on loans to them without much fear of reprisal. The history of usury usually has been divided into a general discussion surrounding borrowing and lending on the one hand and the legal treatment of usury by various societies on the other. Since the early years of the Roman monarchy, through the republic and ending with the empire, Rome always had what is known as statutory usury. Laws governing interest were embodied in the law, at first in the Twelve Tables and then later in Justinian's Code and Digest. The latter incorporated the writings of many prominent rhetoricians and philosophers, so together they were an excellent compilation of the major ideas on usury in Rome for the previous centuries. These laws, different in scope and sophistication, actually specified the maximum rate of interest that lenders could charge borrowers. They did not ban lending rates but only sought a level of interest that was considered practical and viable. To borrow an idea from Adam Smith, the more prosperous and wealthy a society, the lower was its rate of interest. It has been suggested that

the history of usury is nothing more than an exercise in intellectual history. Accordingly, usury is an idea with a long history, riddled with enigmas and inconsistencies, that exists mostly in the minds of economic historians. That is true but it ignores the subtext, which has proved to be one of the most powerful notions in all societies for three thousand years. As part of general natural law, it reflects societal notions of fairness and equity that have transcended ancient, medieval, and modern societies. The power of interest, and especially compound interest, cannot be understated. Usury and interest have been condemned together for centuries, although it is not always clear whether critics distinguished, or even understood, the differences between the two. Compound interest has commanded little discussion by itself until recently. John Maynard Keynes recognized the problems compound interest would cause for Germany in paying World War I reparations. Albert Einstein reputedly called it the eighth wonder of the world for its ability to produce future values far in excess of present value. The English clergyman Richard Price tried to use compound interest to retire the sizable British national debt in the eighteenth century. American lenders are now required to state the annual percentage rate they charge customers on unpaid balances, but the rates themselves have been left untouched by federal regulators. In the early 1980s, several large American banks went to great lengths and expense to establish credit card facilities in states with no functional usury laws in order to avoid potential prosecution for charging high interest rates, ratcheted even higher by daily or monthly compounding. There has been a clear distinction between misgivings about usury and the law of usury. The misgivings certainly have been more colorful. Dante relegated usurers to the inferno while numerous writers cited scripture to illustrate the pitfalls of lending money. In early nineteenth-century Ireland, the Reverend Jeremiah O'Callaghan refused the sacraments to a dying man until he recanted his alleged usury, an incident that eventually got the priest banished to the wilds of northern Vermont. When the Catholic Church finally reconsidered its ban on usury, it did so quietly through a letter by the pope to the Italian bishops in the eighteenth century, not through a papal encyclical as would have been expected. One hundred years later, the ban would politely be ignored. After centuries of condemnation, the lure of fixed income investment returns finally became too great to resist. Despite the colorful vignettes, it has always been easier to denounce the practice than actually pass a useful usury law. When the British government finally abolished its usury laws in the early nineteenth century, many of the arguments in the debate later surfaced in the United States. Banning usury was bad for business and therefore the usury laws should be abolished. No one could forcibly argue against the point, but no one could totally agree either given the abuses to which lenders often subjected borrowers. Advocates of maintaining a ban often cited the Old Testament and it became a major source of speech material for legislators in the nineteenth century. While much of it sounded like hell, fire, and brimstone, the laws that subsequently followed sounded very tame in comparison. Usury laws lived on in the United States for another one hundred years. The fact that a major credit crisis followed within a few decades did not seem to faze proponents of leverage and free market interest rates who apparently were not aware that the South Sea Bubble, the crash of 1929, and most of the American panics of the nineteenth and twentieth centuries all were caused by excessive borrowing and high leverage that spilled over into the equities markets. American usury laws, established during the colonial period, underwent a slow transformation. Since most of the meaningful laws were state rather than federal, they would change individually or in small groups rather than all be changed in one fell swoop. Pressure to change began before the Civil War when the economic debate shifted to competition from matters of justice or equity. The movement reached fruition in the late 1920s, and states began to raise their usury ceilings. This was another way of saying that they should be abolished. If lenders were allowed to charge higher rates, in the 30 percent range in many states, then loan sharks would be put out of business. This was particularly significant because loan sharks were a major source of consumption loans and a significant social problem because of the blatant usury they practiced. The sharks ran the gauntlet from unregistered lenders charging less than 100 percent interest to organized crime, which charged 1,000 percent or more. But the statewide movement to raise usury ceilings encountered several obstacles. The move toward higher ceilings was curtailed by the Great Depression and World War II. It also was a contributing factor to the crash of 1929 and the Depression, causing a slowdown in consumption because of the higher rates at a time when lower rates definitely were needed. The twentieth century in particular proved a watershed for interest. Most of the mysteries of compound interest have become more clearly understandable since Isaac Newton demonstrated the first interest rate calculation, showing a formula for effective compound rates in the early eighteenth century. Credit card companies and other consumer lenders then discovered continuous interest, the most frequent method of compounding a nominal rate. While the calculations are now understood by a larger segment of the population than ever before, the basic facts about compound interest that distressed previous generations remain the same. Loans made for consumption quickly become onerous when interest is added to the existing principal amount, the original and timeless practice of "accumulating interest." For that reason, many European societies enacted sumptuary laws for over a thousand years. People were willing to borrow in order to purchase items that allowed them to aspire above their station in life, a practice those in power deemed inimical to the common good, so consumption was often banned. Laws prohibiting the wearing of fur collars or fancy ribbons may seem quaint and repressive today, but by banning them many governments were attempting to dissuade those in the lower classes from consuming by borrowing. Unlike contemporary societies, they were intent upon removing the means of becoming overextended through loans, not simply extending lending facilities

to as many as possible and then letting the market decide who was successful and who was not. The users of credit were targeted, not the producers. The usury laws already on the books were not working well enough to protect the populace at large, according to this reasoning. Despite the long and arduous opinions about interest, borrowing, and usury over the years, interest has made most of modern life manageable for vast portions of the populace in the developed world, a statement that could not have been made three hundred years ago. Early, speculative instruments called tontines were first proposed in the seventeenth century and annuities and life insurance resulted, having developed along with the government bond markets. Long-term investment planning became possible for the first time on a large scale. Real property became more scarce as European populations grew larger, so passing financial assets from generation to generation and ensuring income in later years became crucial to overall economic growth. By the end of the Napoleonic Wars, it was possible to live comfortably in England without having wealth tied to land, as had been the case for centuries. Fixed income investments and life insurance provided the means to living better than one's ancestors. The number of financial debacles and panics also increased as a result, many of them caused by excessive leverage and inflated asset prices. Recent financial crises have demonstrated that the credit markets are central to understanding the asset markets. Despite the techniques and ingenuity of modern finance, when centuries-old maxims concerning debt, repayment, and the dangers of excessive consumption are violated, the same happens in the twenty-first century as did in the first: borrowers are impoverished and lenders become reluctant to make other types of productive loans that contribute to economic growth. Brutus found it lucrative to become a lender in Cyprus because Roman law allowed higher interest rates in lending in the provinces than in Rome itself. When Citibank moved its credit card operations out of New York in the early 1980s to avoid the local usury laws, it sought the same sort of flexibility from a state that would tolerate its activities in return for creating local jobs. This practice recently became known as "regulatory arbitrage": the process of dumping one regulator in favor of another that is more lenient and accommodating. The catchy phrase obscures the fact that it is the lending activities that should be under scrutiny. Less known about Brutus is that his agent locked the recalcitrant borrowers in a closed room and denied them food and drink until several of them died of hunger. Today, hard-put borrowers are extended more credit to tide them over until they face personal bankruptcy, an idea that has only been in existence since the nineteenth century. Before that, bankruptcy meant prison for the defaulted borrower and even his entire family. A notable dissent to Western finance has emerged from the Islamic world within the last thirty-five years. Building on the general ban on interest found in its holy writings, Islamic law (sharia) has joined forces with modern structured finance to develop what has become known as Islamic finance: the design and implementation of financial instruments that are compliant with the Koran and fatwas of Islamic scholars. All financial instruments and investments must comply with a strict code of ethical behavior that assiduously avoids interest or even the hint of it. This new market runs parallel to the development of microlending, a worldwide movement to extend working capital and very small business loans to the poor that began in Bangladesh. In its original form, microlending also embodied Islamic principles although at the opposite end of the financial and social spectrum from the model oriented on the City of London. No one ever considered lending to the poor on a massive scale before. The closest attempt was in the city-states of northern Italy in the late Middle Ages through institutions called montes. The only surviving monte is today one of Italy's larger banks. Twenty years after being founded it almost collapsed after making a loan outside its original lending model. The loan made to Christopher Columbus was written off as unpaid, making it the most memorable loan default in history. Charging interest, usury, and excessive leverage are common today, but in the twentieth century new financial techniques were developed that helped produce great prosperity while posing enormous risks at the same time. When securitization became popular in the mid-1970s, it led to a revolution in lending practices that helped democratize credit. Being able to pool loans and get them off a balance sheet allowed lenders to relax banking standards that had been in place for generations. Looser standards meant that more people were able to obtain mortgages than in the past, leading to the inevitable housing bubble that burst in 2007 and 2008. The idea of lending became decoupled from the responsibility of behaving as a prudent lender. Loans were understood as fungible and marketable. Extending credit and then off-loading it to investors in a securitized bond was easier than simply saying no to a poorly rated borrower in the first place. The same technique also led to the widespread use of credit cards, distributed without much regard for the ability to repay, which naturally suited the card lenders. Applying diversification principles normally associated with securities investing, credit card lenders were able to justify extending credit to marginal borrowers and even the poor on the assumption that the higher rates charged to those borrowers would enhance the returns on the pools of loans they sold through securitization. Like other lenders employing techniques relying on heavy leverage, their defense ultimately was that only a cataclysmic event would undo their financial structuring, something that had only a 1 percent chance of happening in any event. Forgotten was the point that excessive reliance on these techniques increased those chances exponentially. Looking back on the history of interest and usury, it is tempting to think that recent lenders and financial engineers either forgot or never knew the tradition preceding them and were destined to make the same mistakes repeatedly. When Mexico required a massive financial restructuring in the late 1980s, however, it was accomplished using a financial practice that originated under the Tudors four hundred years before. The term "defeasance" was not even found in the dictionaries when it was used again recently. Cicero's term for compound interest (anatocismus)

disappeared from English usage in the nineteenth century, although it still survives in other places that use elements of Roman law. As debt crises become more common, the debate about interest and usury will continue because the predatory element in lending still exists. The more onerous term "debt" has been used less in marketing financial products, suggesting that "credit" was a reward for the borrower rather than a caveat. The packaging is different, but the results are much the same when limits are exceeded. No one today will agree with the Scholastics that interest is inherently unjust and should be banned, except those in the Islamic world. Without credit facilities, modern capitalism would not have developed. But the temptations that finance presents have always been present, regardless of time and place. Charging high rates of interest was easier than productive work, as generations of Italian bankers and English merchants, including Shakespeare's father, discovered. The arch opponents of usury recognized the fact. In the sixteenth century, Thomas Wilson, a prominent writer and opponent of usury in Tudor England, tried to affect the outcome of a debate in Parliament about usury ceilings. He admitted, "I have been a doer in this world these 30 winters, and as fresh an occupier as another, and yet never found I better or more assured gain than by putting out my money for gain, the same being always the best and easiest trade in the world." The most recent twist on lending and interest rates came in the years preceding the credit market crisis of 2007. For generations, borrowing for consumption had been strictly separated from borrowing for residential real estate or for productive purposes. New financial developments obscured the differences when the home equity loan was introduced. This second mortgage allowed homeowners to "unlock the equity" in their homes, to borrow a catchphrase from the real estate industry, and use the cash in any way they saw fit. Often, the money was used for consumption because the interest rates were low when compared to credit card interest. When the mortgage crisis began, home values declined and consumer spending dropped sharply, leading to a severe drop in real estate assets values and forcing many borrowers into foreclosure and personal bankruptcy. In many ways, the home equity loan, a simple financial product, helped underscore the developments that had been made in lending. It also helped underscore the weaknesses in lending procedures that ignored consumer debt in favor of real estate. Once the two became intertwined, the debt revolution that began eighty years before turned full circle. Homeowners were increasing consumption to almost 80 percent of the gross domestic product from the 67 percent that had been in place since the 1920s. Once consumers used their homes as collateral for their spending habits, they began engaging in a form of "cannibal consumption," devouring what equity they held in their homes in favor of increased spending. The results demonstrated that axioms about borrowing in excess of the ability to repay were not simply old fashioned rules that could be violated willy-nilly. Usury prohibitions were part of the natural law tradition in Europe until the Enlightenment, when they were assumed to have faded from view because of the writings of Hugo Grotius and other jurists who demonstrated the finality of reason over moral sanctions and the vestiges of canon law. That judgment was premature because the usury laws persisted for several more centuries and still can be found in discussions of interest and unfair lending practices. Theories about free markets and competition have relegated them to a backseat in public policy positions, but the idea of usury still is alive and well. Discussions about limiting maximum rates of interest are still discussed. The notion proves as powerful as ever despite attempts to ignore it. Excessive interest still is a thorny problem. Paraphrasing Justice Potter Stewart, usury can be difficult to define, but one usually knows it when one sees it.