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Testimony to the Committee on Financial Institutions, Kansas House of Representatives March 13, 2014

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Thank you to the Committee for inviting me to present a summary of my years of research on the history of the regulation of usury.

In the early days of the nineteenth century, the Chancellor of the Supreme Court of New York[1] warned against what he perceived to be a growing historical arrogance—that we believed we were better than our ancestors and therefore the law need not restrain human injustice as it had for millennia. Speaking of usury laws, he said:

> Can we suppose that the principle of moral restraint of such uniform and universal adoption has no good sense in it? Is it altogether the result of monkish prejudice? Ought we not rather to conclude that the provision is adapted to the necessities and the wants of our species, and grows out of the natural infirmity of man and the temptation to abuse, inherent in pecuniary loans? . . . It is an idle dream to suppose that we are wiser and better than the rest of mankind. Such doctrine may be taught by those who find it convenient to flatter popular prejudice; but the records of our courts are daily teaching us a lesson of more humility.[2]

Throughout the twentieth century this idle dream became reality. For centuries consumer debt was viewed negatively, a sign of poverty or imprudence. Yet, the twentieth century worked a revolution in attitudes towards debt that wrought a revolution in law.

As Professor Oeltjen explains:

> With the passage of time, there evolved a new philosophy regarding consumer credit. No longer was borrowing a stigma, a sign of poverty, or financial mismanagement. Rather borrowing became the American way to instantly raise one’s standard of living. Indeed, it became desirable economic policy to facilitate consumer credit and thereby accelerate the movement of goods and services in the marketplace. Consumers accepted their duty to borrow with enthusiasm, and the availability of consumer credit exploded.[3]

The following chart summarizes the explosion of debt during the thirty year period 1976-2006, the three decades leading up to the eve of the great financial collapse triggered by the sub-prime mortgage market.

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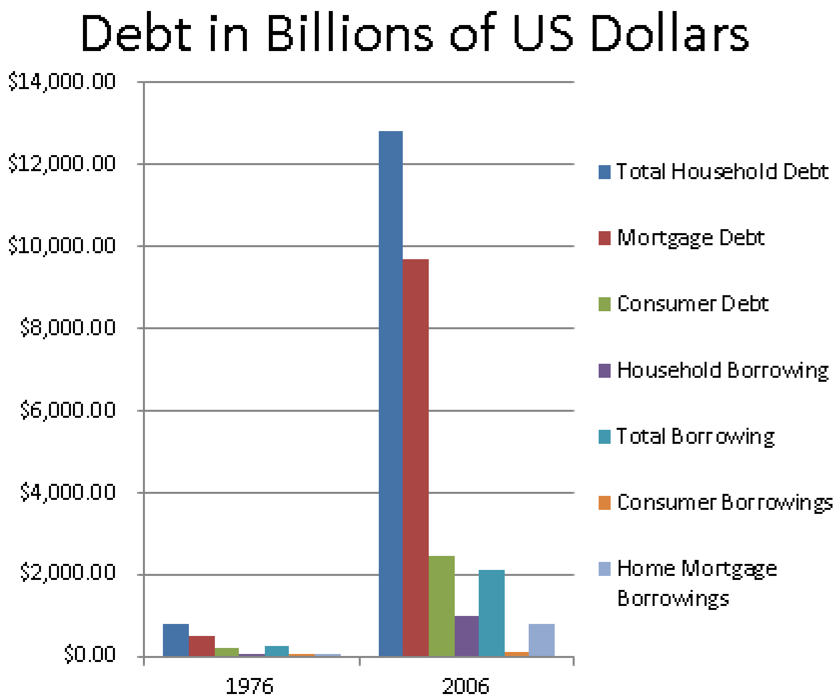
[1] The Supreme Court was at that time the highest court in the state of New York.
[2] *Dunham v. Gould*, 16 Johns. 367, 378-79 (N.Y. 1819).
[3] Jarret C. Oeltjen, *Pawnbroking on Parade*, 37 BUFF. L. REV. 751, 762 (1989) (citation omitted).



Based on data compiled from Brian M. McCall, THE CHURCH AND THE USURERS (Sapientia Press: 2013), p 2.

In 2006, household debt growth outpaced growth in gross domestic product (GDP) (with GDP growing by only approximately 6.3% and total household outstanding borrowings growing by approximately 8.6%). The growth of the consumer credit market can also be seen in the proliferation of new lenders. Payday lending, for example, was nonexistent thirty years ago, but by 2005 there were over twenty thousand payday loan "retail outlets nationwide, more than McDonalds, Burger King, Sears, J.C. Penny, and Target Stores combined. Debt seems to be our most popular consumer product!"[4]

This explosion of debt, and particularly enormously expensive debt was only possible by a subversion and elimination of laws which can trace their origin back to thousands of years before the birth of Christ. Usury, the charging of profit for the loan of money, has been restrained at some level for centuries. Before the founding of our republic, the early usury laws of the colonies and the first states were based on the restrictions of the English Statute of Anne which limited usury to 5%.[5] The colonies set usury ceilings at a variety of levels ranging between four and ten percent with most states after their independence settling on a maximum rate of six percent.[6]

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[4] Brian M. McCall, THE CHURCH AND THE USURERS (Sapientia Press 2013), pp. 2-3.
[5] Christopher L. Peterson, *Truth, Understanding, And High-Cost Consumer Credit: The Historical Context of The Truth In Lending Act,* 55 FLA. L. REV. 807, 844 (2003).
[6] *Id.*

Payday lenders, subprime lenders and others could not have functioned prior to the mid-twentieth century under such laws. Professor Peterson summarizes the legal revolution thus:

> In 1965 every state in the union had a usury limit on consumer loans. Today nine states have completely deregulated interest rates within their borders. In 1965 banks were bound to comply with all state usury laws. Today banks are free to charge whatever interest rate they choose within the loose and changing tolerances chosen by banking regulators for their safety and soundness guidelines. In 1965 no state had law either explicitly or implicitly authorizing prices with an annual percentage rate of over 300%. Today, at least 36 states have law allowing lenders to charge over 300%. In 1965 usury laws were drafted with sufficient rigidity that 45 states held actual allowed annual percentage rates to 60% or under. In 2007 the number of states accomplishing this has fallen to only seven.[7]

Historical memory is a rare commodity these days. Many cannot recall or imagine living in the legal world that predated the last forty years for more than a thousand years. Many no longer even know why a nearly universal agreement throughout the entire Western world considered usury unjust and therefore a legitimate object of legal restrictions. Although differences and debates emerged throughout the long centuries as to how much of the injustice could be restrained by law and how much needed to be tolerated for prudential reasons, agreement remained that some legal restraint on usury was justified and necessary.

My testimony will therefore summarize what the Catholic Church, legislatures, philosophers, and theologians all agreed about the injustice of usury before the recent destabilization. In the twelfth century the Second Lateran Council confirmed that the "insatiable rapacity of usurers" was "forbidden both by *divine and human laws*."[8] Christian philosophers, theologians, and lawyers translated the general biblical prohibitions against usury[9] (divine law) into the language of the Roman law (human law) and explained them in terms of Aristotelian philosophy[10] (natural law). Relying on these sources, throughout the centuries two major arguments against usury have been expounded. The first is rooted in commutative justice and the second in distributive justice.

Commutative justice requires equity in transactions between individuals. Usury violates the natural equality in exchange transactions because it exacts an unjust gain.

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[7] *Christopher L. Peterson, Usury Law, Payday Loans, and Statutory Sleight of Hand: An Empirical Analysis of American Credit Pricing Limits,* BERKLEY ELECTRONIC PRESS (Aug. 8, 2007), http://works.bepress.com/christopher_peterson/1 at p. 21 (citations omitted).
[8] 2nd Lateran Council, Canon 13, *contained in* H.J. SCHROEDER, DISCIPLINARY DECREES OF THE GENERAL COUNCILS: TEXT, TRANSLATION AND COMMENTARY, (B. Herder, 1937) (emphasis added).
[9] See *e.g.* Leviticus 25:35–40; Deuteronomy 23:19–20; Psalm 14:1–5; and Ezekiel 18:5–9, 12–13.
[10] See McCall, THE CHURCH AND THE USURERS, pp. 53-56.

To discern what Scripture and Tradition have taught we need to define some terms. This is somewhat tedious but necessary in this complicated area. To begin, we will start with some statements from the final major papal document which definitively summarized the usury doctrine, *Vix Pervenit* of Benedict XIV. Summarizing the argument in commutative justice, Benedict XIV says, "The nature of the sin called usury has its proper place and origin in a **loan** contract." He continues, "any **gain** which exceeds the amount he [the lender] gave is illicit and usurious." The two highlighted terms are critical to this summary of the doctrine. If a particular transaction is not a loan, any gain cannot be usury (although it may be licit or illicit as a result of a moral principal other than usury as when for example a merchant sells a product for more than its just price). Secondly only "gain" is usury. We need to examine carefully what these two terms signify.

In modern law and speech the word "loan" has a very broad meaning. It can be used to describe when a person gives money to another to buy food or medical care and expects repayment of that money at another date. It can refer to an investor who provides capital to a business for a time and expects the return of his capital and a profit. Further, it can describe when a person gives another a piece of property (like a car) to be used for a time and requires the return of that same property. In contrast, the Latin language and hence Roman law maintained distinct legal terms to better distinguish these different types of transactions recognizing that different rules needed to be applied to them. Today all of them are signified by our word "loan." Since most of the examples of the infallible teaching of the Catholic Church on usury use these Roman law terms, we need to understand that the law of usury only applied to those situations designated by the Roman word for loan in its specific sense and not the modern equivocal range of meaning attributable to the word loan.

The Roman word for a loan (the type of transaction in which usury could occur) was *mutuum*. It involved the transfer of ownership of a fungible good which was consumed in first use and a requirement that the borrower return at a later time property of the same kind and quantity provided to him. This definition only covers the first example cited above. The other examples were identified by other terms such as *societas, census commodatum, conductio locatio rei.* One could not commit usury when engaging in these other transactions (again other sins were possible but not usury).

Before progressing, we need to understand the concept of "consumed in first use." The *mutuum* only applied to the transfer and retransfer of fungible consumable property. It is something that cannot be used without its destruction or loss. Tangible property can be divided into three groups of things: (1) those that can be used without their total loss, (2) those that can be used only by their total loss and (3) those things which have different possible uses, some of which consume the thing and some of which do not. A house can be lived in and not destroyed. Wine cannot be used (drinking or cooking with it) without consuming it. A potato can be used without consuming it (for example by planting it as a seed potato) or by consuming it (eating it). From about 325 through the fourteenth century, money was thought to be exclusively or almost always in the second category of things that are consumed in first use. Due to the expansion of commerce, more opportunities to use money as capital in a productive way (like the seed potato) became common. Many theologians began to consider whether money was actually in the third category of things that can be used in first use or used productively. Money could be used without consuming it completely (like planting a seed potato to grow more potatoes). Usury law developed at a time before money commonly could be used in this third sense. After recognizing the change in money usury doctrine came to be applied only to money when used in the first sense, when consumed in use.

The next important concept in the Pope's statement is "gain." The injustice of usury occurs when a lender of a fungible thing consumed in first use requires that he be put in a better position than he was in before the loan. It is licit to require equality in position. Now we must distinguish gain from compensation for a loss. If a man steals my car and crashes it, he is obligated to give me a new car of similar quality in restitution, I do not gain; I merely return to my original position. The Roman law called the payment to compensate for loss "*quod interest"* or the difference. The original meaning of our word "interest" was not payment of gain for a loan but payment in compensation for a loss. Thus, secular law and the moral law always permitted the payment of interest in this technical sense, compensation for loss. They only prohibited usury. Our modern word interest has altered its meaning to include any payment regardless of whether it is compensation for loss or gain. This shift in meaning requires great care when reading older texts that approve of the payment of interest as they mean something more restricted than we do. For example, Marcus borrows 100 ducats from Linus and promises to pay it back in two months. Linus needs the money back in two months to pay his son's tuition at the university. Linus pays the money back two months late and as a result Linus has to pay a 10 ducat fine for paying tuition late. Marcus should pay Linus 10 ducats in "interest" to compensate him for that loss. This payment is not usury as it is not a payment for the use (consummation of money) but merely compensation for the harm done by not returning the money when agreed.

But why is charging more unjust? It violates the requirements of commutative justice. There were three main reasons supporting this claim. The first argument presented is that money as a medium of exchange has a fixed value established by the sovereign, and thus to transfer the ownership of money at a different price from its fixed value is to sell money for more than it is worth, which violates Aristotelian equality in exchange. The second, and more significant, argument holds that although it is possible to charge separately for the ownership and use of certain durable assets (one may sell a piece of real estate subject to a prior lease for its use), this is impossible with money since it is consumed in its use. It is not possible to separate the ownership and use of a consumable. If the ownership of a sum of money is transferred, the use will normally involve transferring the ownership thereof (i.e. by spending it). Unlike durable assets, use and ownership cannot be transferred separately and hence cannot be charged for separately. To charge $100 for the ownership of $100 as well as $30 (or 30%) for the use of the $100 is therefore to charge twice for the same thing, which is unjust. Finally if all the usurer was doing was charging for the time of the loan, no one owns time and it is therefore unjust to sell it.

As noted earlier the prohibition on requiring a gain on a loan did not prohibit charging interest, in the restricted sense in an amount no more than the loss occasioned in connection with the loan. In modern times, this concept of interest can apply to the perpetual decline in the value of money due to inflation (a phenomenon of only negligible importance from the fall of the Roman Empire until modern times). Thus it would be just to equalize the value of the loaned amount to the payment amount by taking into consideration the decline in purchasing power due to inflation over the course of the loan.

The writers Homer and Sylla explain the classical difference between usury and interest thus:

> The prohibition was against usury, 'where more is asked than is given.' The Latin noun *usura* means the 'use' of anything, in this case the use of borrowed capital; hence, usury was the price paid for the use of money. The Latin verb *intereo* means 'to be lost'; a substantive form *interisse* developed into the modern term 'interest.' Interest was not profit but loss.[11]

To summarize, usury is the injustice of charging a profit or gain for the loan of something which is consumed in use such as money. It violates commutative justice because it requires the borrower to return what was borrowed plus more, an unequal exchange. In the first millennium of the Catholic Church's teaching in this matter, money was considered something which could only be consumed in use. The injustice could only arise in a loan of such a consumable. Usury could not be committed in the rental of a field or plough. Second, the prohibition of usury did not affect the right of a lender to charge a borrower for loss or harm caused by the borrower.

In order to understand these arguments, a modern example may be helpful. The Attorney General of Pennsylvania testified to a Congressional Committee regarding the findings of an investigation conducted by the Pennsylvania Bureau of Consumer Protection.[12] Agents entered into a consumer credit transaction to acquire a 20 inch color television which provided for total payments of $1,709.[13] "The Attorney General testified that the television had a suggested retail price of $297 and could probably be bought at a discount store for $250."[14] Since money is a medium of exchange whose value is measured by its consumption, the financier provided a value of between $250 and $297 (the loan money was consumed at this exchanged value) and required the return of $1,700. Put another way, he sold a value of $250-$297 for $1,700, or sold the television eight times.

Throughout the centuries the injustice of usury was also explained in terms of distributive justice. This form of justice evaluates the distribution of goods within a community and requires that the distribution be according to a principle of merit. Usury works injustice

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[11] *See* HOMER & SYLLA, A HISTORY OF INTEREST RATES, 4th ed. (Rutgers University Press, 2005), p. 71.
[12] *See* Susan Lorde Martin & Nancy White Huckins, *Consumer Advocates vs. the Rent-to-Own Industry: Reaching a Reasonable Accommodation*, 34 AM. BUS. L.J. 385, 401 (1997).
[13] *Id.*
[14] *Id.*

in its harmful effects on the redistribution of wealth from the most needy to the wealthy. An unjust principle of merit to determine redistribution is at work in usury. Those in need of money, the poor, are required through usury to transfer wealth to those with excess wealth, the usurers. The principle of redistribution is an unfair one: from those with less to those with more. Pope Innocent IV focuses on the observable effects of usury. Usury results in the individual and societal decline of wealth. The borrower at usury transfers a portion of his future wealth to the usurer. The society suffers as usury diverts investment away from productive activities, such as farming, since the wealthy invest their money in usurious loans where the money is put to non-productive uses.[15] Defenders of the usurers suggested that the really needy poor and those who require money for a short time due to a temporary emergency (such as illness or crop failure) benefit from usury. St. Bernardino of Siena explained how no person needs usury since it only makes the needy worse off.[16] The first group needed social charity, or in modern language public assistance.[17] If they are really needy they cannot afford to pay the cost of the goods and services they need plus the usury.[18] The payment of usury only exacerbates their poverty. The second group is similar.[19] They are gradually impoverished as the usurer, taking advantage of their temporary need, transfers wealth from them to himself.[20] This group would be better off liquidating assets, forgoing consumption, or having recourse to social charity.[21] These arguments focus on the distributive implications of usury. Those who borrow at usury for needed consumption (*i.e.* food and shelter) are transferring what little wealth they have to those wealthier than themselves. Such redistribution is unjust, as it takes from those in need and enriches those with excess wealth. This is inherent in usury since one who is not in need of the money loaned would not pay usury to acquire it but would use his existing wealth.

An interesting perspective on this argument emerged in the debate over the English usury statute of 1571.[22] In addition to the debilitating effects on the poor, many of those in favor of the traditional English (that is, prior to Henry VIII) usury laws prohibiting all usury pointed to a broader macroeconomic effect, the diminishment of the middle class.[23] Borrowing at usury to maintain consumption requirements not only makes the poor worse off, but also reduces the middle class to a lower state or even to poverty.[24] Since usury involves paying more than the value of money received, it always involves a wealth transfer to the usurer. In this vein, Ben Johnson quipped that usurers were "base rogues that undo young gentlemen."[25] This is a perspective not usually noted even by modern supporters of strict usury laws. Not only are the poor made poorer, but the number of the

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[15] INNOCENT IV, COMMENTARIA: APPARATUS IN QUINQUE LIBROS DECRETALIUM, V, *De Usura,* ante *c.1.* (Minerva GmbH 1570, reprinted 1968).
[16] See JOHN T. NOONAN, JR. THE SCHOLASTIC ANALYSIS OF USURY (Harvard University Press, 1957), pp. 71, 73-74.
[17] *See id.* at 74.
[18] *See id.*
[19] *See id.*
[20] *See id.*
[21] *See id.*
[22] *Acte Against Usurye*, 1545, 13 Eliz., c.8 (Eng.), made perpetual by 39 Eliz., c.18 (Eng.).
[23] *See* NORMAN JONES, GOD AND THE MONEYLENDERS (BLACKWELL, 1989), pp. 43-45.
[24] *See id*.
[25] *Id.* at 45.

poor is enlarged over time by the declining numbers of the middle class. In the mid-twentieth century, the English intellectual Hilaire Belloc noted the debilitating effect of usury on borrowers thus:

> Such a demand "wears down"—"eats up"—"drains dry" the wealth of the borrower, and that is why it is called Usury. A derivation inaccurate in philology, but sound in morals, rightly connects "*usura*" "usury," with the idea of destroying, "using up," rather than with the original idea of "*usus*," "a use."[26]

Nearly 900 years after the arguments of Innocent IV and St. Bernardino, their truth is demonstrated by today's practically unbridled consumer credit industry in the modern economy. The example of Pam Sanson, who needed $300 for current consumption, is illustrative.[27] She borrowed the $300 from a payday lender, a lender who borrows against anticipated future wage income.[28] In six months she had accrued $900 in finance charges.[29] She transferred $1,200 of wealth for the consumption of $300 of value. If the consumption was necessary for her and her family's survival, she should then be a case for public provision of assistance for this consumption and not a target for a wealth transfer. Rather than providing the necessary assistance, a law permitting this usurious loan is requiring her to transfer future wealth for survival.

In addition to the observations of St. Bernardino and Pope Innocent IV, modern commentators have identified other social costs of permitting overextension of for-profit credit:

> (1) public subsidization of the credit regulatory system [a restatement of the Catholic argument that usury causes re-distribution]; (2) lost productivity due to "court appearances, meetings with creditors, and general psychological stress"; (3) loss of respect for government [which requires an unjust wealth redistribution to obtain the necessities of life]; and (4) extreme hardship for the debtor and his family.[30]

The effects of default in the consumer context are more than economic. They include increased risk of anxiety, sleeplessness, aggression, divorce and suicide.[31] Some debtors

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[26] Hilaire Belloc, *On Usury, in* ESSAYS OF A CATHOLIC (TAN Books 1992) (1931), pp. 29, 32.

[27] *See* Pearl Chin, Note, *Payday Loans: The Case for Federal Legislation*, 2004 U. ILL. L. REV. 723, 724 (2004).

[28] See *id.*

[29] *See id.*

[30] Oeltjen, *supra*, at 213 (quoting George J. Wallace, *The Logic of Consumer Credit Reform*, 82 YALE L.J. 461, 470-71 (1973)).

[31] *See* BRUCE BONGAR, THE SUICIDAL PATIENT: CLINICAL AND LEGAL STANDARDS OF CARE 86-92 (American Psychological Association 1991); DAVID CAPLOVITZ, CONSUMERS IN TROUBLE: A STUDY OF DEBTORS IN DEFAULT 280-83 (The Free Press 1974) (arguing that debt causes health problems); JANET FORD, THE INDEBTED SOCIETY, CREDIT AND DEFAULT IN THE 1980S 122 (Routledge 1988); MARTIN RYAN, THE LAST RESORT: A STUDY OF CONSUMER BANKRUPTS 50, 114-17 (Ashgate 1995) (noting difficulty in objectively correlating health problems with debt trouble but still concluding debt trouble probably causes emotional and health problems); Peterson, *supra* note 5, at 566-67 (citing W.C.A.M. Dessant & A.A.A.

have even sold their vital organs to meet debt obligations.[32]

Many opponents of usury regulation falsely accuse the Catholic Church of being opposed to a productive economy. Citing usury, intellectuals such as Weber and Tawney claim the Church's teaching discouraged investment. As we have seen, usury only applies to the loan of a consumable. The Church taught that capital could be invested in productive assets or ventures and the investor had a right to ask for a share of the production his capital helped to create. Those who pooled their capital and their labor in a common enterprise could agree among themselves how to share the rewards of their enterprise. These investments in productive assets and enterprises were not forbidden by the Catholic Church but were distinguished from usurious lending. Certainly the secular and Church authorities were wary of those who attempted to disguise a monetary loan to a consumer as a business investment. Such evasion was condemned, not investment in business. In fact as Innocent IV pointed out centuries ago, usurious lending, not usury law, reduces capital investment in business. Rather than investing capital in productive businesses the usurer puts it to a non-productive use and drains capital from business. Even John Maynard Keynes, who would not be considered an advocate of the ancient Christian tradition, was honest enough to re-evaluate his initial dismissal of the doctrine. He translated the principle into modern economic terminology:

> I was brought up to believe that the attitude of the Medieval Church to the rate of interest was inherently absurd, and that the subtle discussions aimed at distinguishing the return on money-loans from the return to active investment were merely jesuitical attempts to find a practical escape from a foolish theory. But I now read these discussions as an honest intellectual effort to keep separate what the classical theory has inextricably confused together, namely, the rate of interest and the marginal efficiency of capital.[33]

Returning to Benedict XIV and *Vix Pervenit* we can see how this document summarized these core principles. Demanding a gain on a loan of money is unjust but requiring compensation for loss is not. Investing capital in business is distinct from lending money. He restated the perennial teaching on this subject:

> 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

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Kuylen, *The Nature, Extent, Causes and Consequences of Problematic Debt Situations,* 9 J. CONSUMER POL'Y 311, 328 (1986)); T. Puckett, *Consumer Credit: A Neglected Area in Social Work Education*, 2 CONTEMP. SOC. WORK EDUC. 121, 121-23 (1978).

32 Christian Williams, *Note*, *Combating the Problems of Human Rights Abuses and Inadequate Organ Supply Through Presumed Donative Consent,* 26 CASE W. RES. J. INT'L L. 315, 323 n.36 (1994).

33 JOHN MAYNARD KEYNES, THE GENERAL THEORY OF EMPLOYMENT, INTEREST, AND MONEY 351-52 (Harcourt, Brace & World 1964) (1936).

> and usurious." Yet, the Holy Father went on to explain: "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 [i.e. claims to interest (meaning compensation)]. 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 [i.e. investing in productive enterprises]. From these types of contracts honest gain may be made.

He acknowledges that it is often difficult to discern whether a particular transaction is a usurious loan or another just title. As to some specific hard cases referred to him, he did not give a verdict as there was still disagreement among experts. Yet, Benedict XIV warned those who would attempt to exploit the existence of hard cases by engaging in transactions clearly usurious but using the false pretext of a different other title which did not in reality apply:

> [S]ome 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 [here he uses the term in the modern sense of pure payment on a loan not connected to a loss]. 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.

The fact that the application of moral principles may be difficult and opportunities for cloaked evasion exist, does not justify immoral behavior or the rejection of the moral norm in obvious easy cases.

The same difficulty faces human lawmakers today and is in fact exacerbated. Due to the introduction of fractional reserve banking backed by nothing and the prevalence of permanent inflation as well as the legal sophistication in drafting documents, it becomes much more difficult to detect usury as distinguished from interest and investment of capital. Yet, clearly at least at the more extreme cases we can identify cases of consumer loans which can make no colorable claim to being limited to interest. Human law may be forced to tolerate some usurious lending due to the difficulty of detection; yet it should not abdicate virtually all regulation as has happened in the past few decades.

Now, what does all of this mean for our world in the early years of a new millennium? If application of usury teaching was difficult in the sixteenth and eighteenth centuries, it is certainly more so today. One might speculate that the usurers who bleed our nation dry have designed this complexity to hide their ill-gotten gains. Money has become much more susceptible to manipulation and volatility. The dollar bills in our wallets are called “fiat’ currency. This means their nominal value is only a function of sovereign fiat. They have no intrinsic value. They are made of mere paper which if you read the fine print entitles you to the dubious right to receive another identical piece of paper in exchange. That is right; a dollar represents the right to trade in a dollar bill for another dollar bill. Even a child can see the circularity of this system. On top of that, the amount of money in the economy is not limited by anything fixing its value. At least in the sixteenth century it was limited by the amount of gold extractable from the ground. Now banks can just create money out of thin air.

So what does all of this mean? First, we need to be aware of how far the world’s entire monetary system has strayed from natural law and Catholic principles. Money has lost all meaning. Lenders are charging people a gain on loans of money that does not even exist but for the loan. Lenders are charging people amounts clearly constituting gain on loans of money to be used to buy things like cars, vacations and houses (rather than invest in production). As proof of this, credit card companies have calculated exactly how many months of minimum payments they need so as to have made such a large profit that they do not even care if the borrower ever pays back the original advance. An economy flooded with the injustice of usury cannot bear good fruits over time. We need change quickly and desperately.

Returning to ancient principles is the way to redeem our future. As you consider a bill that puts a very modest limitation and restraint on a segment of lending which most clearly oversteps the line, payday lenders, I ask that you take into account this timeless wisdom. Although the bill under consideration will not solve all of the problems of Kansas’ citizens who are caught in a vicious cycle of usurious payday loans, it puts some restraints in place that will curtail some of the most serious excesses of expensive debt cycles. The federal pre-emption of state usury law significantly restrains what this august body can do. Yet, this legislative body should be commended for considering what limited relief is within its legislative power. As a follow-up measure, I would commend this body to consider how it might support alternative programs that provide affordable loans to citizens who do require short term loans to deal with cash flow difficulties and who have the financial prospects to repay them. Such positive alternatives would complement the legislative restraints currently under consideration.