

USURY

Part II

“When I was first stammering out my elements as a boy at Oxford a learned professor assured us in his lecture that the text of Aristotle must have become corrupt, because he could never have said so silly a thing as to call usury wrong. What St Thomas called it, I will wager he never knew.”

Hilaire Belloc¹

“Evil does not cease to be evil just because it has come to be generally accepted.”

Pope John Paul II, speaking to the Roman Rota of divorce.

VI

Usury is objectively immoral but there are factors which affect the application of the moral imperative in the modern world. Chief among these is the effect for which usury is chiefly responsible, *inflation*. A man labouring carefully and prudently, saves portion of his earnings only to find his efforts undermined by the very economy which he labours to support. If he does not place his savings with a banker for a return which at least matches their rate of devaluation, he will suffer.

He cannot know how the banker will put out the amount represented by his savings. Much of it may be in shares, debentures, or other licit forms of investment. To this extent, the return made to him might be treated analogously with a sharing in those licit returns on investment of capital on which, as it were, the banker offers a fixed and certain rate of profit. Together with these licit investments, however, it is inevitable the banker will be advancing moneys for usurious returns. Yet, among such returns the banker will be entitled to levy a charge on his borrowers under one or other of the extrinsic titles. Nevertheless, interest rates are determined less by the productivity of licit investments than by systematic usury

Thirdly, not all businesses earn their money by producing wealth. Some do so by milking a return from a license granted by the state which permits the holder to exact money from the other members of society part of which may be just but the remainder unjust. Others earn money from prices artificially raised through monopoly control of some commodity in demand such as petrol, alcohol, chocolate or coffee; or in a monopoly by two or three corporations of the supply of essentials such as groceries, meat, fruit and vegetables. The charges in excess of a just price which arise from factors such as these enable the few to grow rich at the expense of the many. Their exaction of a charge in excess of a just price diminishes the common wealth.

Fourthly, speculation, the activity of trading in land, in goods, in shares, and in money itself, to no other purpose than to profit by working price against price,

¹ ‘On Usury’, reproduced in *Essays of a Catholic*, London, 1931; my copy a reprint by *Books for Libraries Press, Inc.*, New York, 1967, at p. 34.

benefits the few at the expense of all. Reprehensible practices such as 'short selling' where a man sells what he does not own in anticipation of a fall in the market when he will buy to cover his 'sale', would, in any decent society, warrant his imprisonment for dishonesty. In modern societies, facilitated and fueled by a universal usury, the practice is not only tolerated, but encouraged.

Fifthly, there is the ever increasing price of that commodity which underpins all social and economic life, land. Everyone must live on land and use a portion of it to earn his living. Different standards ought apply to land, then, than apply to goods generally: but land is treated as another commodity to be bought and sold at the best possible price.

Sixthly, there is the dilemma that if a man does not sell his small piece of land at the best price he can, he may never get enough to buy a home. If he does not sell the *poor* home he owns at the best price he can he will never be able to afford the *decent* home he wants for his family. In other words, he has to get on the usury driven merry-go-round so as not to fall behind. Usury like jealousy, it would seem, 'doth mock the meat it feeds on.' [*Othello* III, iii, 155]

The views set out in part I of this paper which argue an alteration of principle or a change in the function of money are unfounded, as has been shown. Nor has the Church's teaching on the topic altered. The most cogent explanation for the apparent change in the Church's attitude to it might be expressed in two propositions.

- First, the investor who places his small savings with a bank, a credit union, a bond guarantor, or other financial institution, may be morally entitled, in part at least, to the returns he receives under one or other of the extrinsic titles.²
- Second, the mixing of licit and illicit returns has the effect of making it often impossible to determine the extent to which the return a man recovers for the money he advances is, or is not, justified.

Mortal sin requires grave matter, full advertence and a resolute will. One cannot sin mortally when the gravity of the matter is in doubt.

VII

In his recent book, *After America*³, journalist Mark Steyn, deals *inter alia* with his country's financial problems.

"From 1947 to the start of the downturn in 2008, manufacturing declined from 25.6 percent of the economy to 11 percent, while finance, insurance, real estate, and 'professional services' grew from 13.9 percent to 33.5 percent..."

Much of this 33.5 percent, he says, related to the paperwork necessary to comply with burgeoning government regulation. But—

"[o]f the remainder, the financial sector ballooned in support of the Age of Credit..."

He then focuses on real estate.

² This is the view of Fr Edward W Coyne SJ [*Mr Belloc on Usury, Studies*, June 1932, Vol XXI, No 82, 283 at 293], and of Fr Henry Davis SJ in his respected *Moral and Pastoral Theology* [London and New York (Sheed and Ward), 1959, Volume Two, pp. 375-377.]

³ *After America*, Washington D.C., 2011.

“[F]or the majority of Americans the surest way of building wealth... involved neither knowing nor making anything: you bought a house, and, simply by doing nothing but eating, sleeping, and watching TV in it, your net worth increased.”

But not any more. According to an expert with the *American Center for Economic and Policy Research* he cites—

“[I]t will take two decades to recoup the \$6 trillion of housing wealth lost between 2005 and 2010.”⁴

But the assertion that “the surest way of building wealth” should involve doing nothing contradicts Steyn’s well reasoned arguments elsewhere in the book that the production of wealth requires the application of human industry and resource, arguments that reflect the thinking, eighty years ago, of Pope Pius XI.

“Universal experience teaches that no nation has ever yet risen from want and poverty to a better and loftier station without the unremitting toil of all its citizens, both employers and employed. Nor is it less self-evident that these ceaseless labours would have been rendered ineffective, indeed could never have been essayed, had not God... in His goodness first bestowed upon mankind the wealth and resources of nature...”⁵

Yet how many have grown wealthy as a result of nothing but their good fortune in owning, or inheriting, a home?

How is it that the price of houses has grown exponentially decade after decade to the point where it is often impossible for children to be able to live and to raise families in the town or suburb where their parents flourished? What influence made wealthy those who simply did “nothing but eat, sleep, and watch TV”? An objective observer would be forgiven for thinking the process involved a form of profiteering, one section of society prospering at the expense of another.

It was not the bricks and mortar, fixtures and fittings, that brought this about. The intrinsic value of these items did not change markedly, though their cost grew with inflation. The increase had to do rather with the land on which the houses stood. The price of that limited commodity increases with population, and with proximity to population centres. It is the presence of people and the facility they provide that gives value to one piece of land over another.⁶ Who would mind if the price of a home increased by fifty or eighty percent over time? But 1,000 percent? or 5,000 percent? Clearly, something more than a *natural* incremental force was at work here.

There has to be a source of supply for the profits the usurer takes on his loans of money. There has to be a source of supply for the windfall profits a landowner takes on the sale of his land. What is that source? It can be nothing but the wealth produced by the unremitting toil of the nation’s citizens that Pope Pius XI refers to.⁷

⁴ *After America*, op. cit., p. 93.

⁵ *Quadragesimo Anno*, 15.5.1931, II, 2.

⁶ As the eminent American economist, Henry George, noted at the turn of the nineteenth century.

⁷ Not all members of society are engaged in producing wealth. The farmer, the miner, the manufacturer and those who refine, temper, or build with, or those who distribute, their products are so. But the doctor, the lawyer, the accountant, the clerk, and such like, perform tasks which, while essential to the functioning of society, are not strictly productive, only qualifiedly so.

How do these drains on human productivity affect it? By progressively devaluing the currency; by progressively inflating the price of every commodity.

The toleration of an evil works further evil. It is the practice of usury which has brought about the unnatural increase in the cost of land.⁸ This is evidenced by the fact that those who benefited in this way by “doing nothing but eating, sleeping and watching TV” profited precisely in the way the usurer profits. For *he too* does nothing to earn the charges he exacts of those who borrow money from him.⁹ The landowner thus becomes an unwitting abettor of the usurious system.

Steyn addresses the current problems of banks and other moneylenders.

“If you’re a German bank, to whom do you lend money? With age distribution on your home turf heading north relentlessly, you don’t have enough young people to grow your business (sic). So you lend farther and farther afield... far enough that you’re operating in markets where your traditional forms of risk analysis don’t apply, even if you were minded to apply them...”¹⁰

And among the evils he comprehends there is—

“the individual homeowner with no one to sell his home to... the business that’s run out of domestic market, and the bank frantically loaning (sic) to jurisdictions it barely comprehends...”

It is implicit in this view that it is licit and normal to lend money for a usurious return, and that the only matters that need concern a reasonable man apart from return of the principal lent is payment of the interest charges and that there should be no default.

Why should a bank “frantically loan” to anyone? Only because its principals are stuck on the usurious merry-go-round. They have *to lend at interest* because they have themselves *borrowed at interest*. This is the force of the quatrain of Jonathan Swift (1720) that Steyn quotes to effect:

“A baited banker thus desponds,
From his own hand foresees his fall,
They have his soul, who have his bonds;
’Tis like the writing on the wall.”¹¹

By 2005 the siphoning of unearned wealth into the pockets of usurers and their hangers-on had reached the point where it was beginning to strangle the source. Just as the bleeding of natural vigour by a parasite sickens and will eventually kill its host plant or animal, so the bleeding of wealth by usurers and quasi-usurers from the body economic sickens it, and will eventually bring it to ruin. The sickening has been manifest for decades: what we are seeing now is the approaching ruin.

The difficult thing is to see the business in perspective; to understand that, had the facility of charging interest on a loan of money remained outlawed as was the case

⁸ Which resonates with Aristotle’s comment cited in part 1 of this article that “of all the modes of getting wealth, this is the most contrary to nature.” *Politics* I, x, 1258a & b.

⁹ The inflation of value is largely illusory for the same influence eats away at the purchasing power of the money they earn.

¹⁰ *After America*, op. cit, p. 117

¹¹ *After America*, op. cit, p. 2.

when the salutary influence of the Catholic Church ruled men's lives, ninety nine percent of all moneys lent would never have been lent! The direction in which western society has moved, the decisions taken, the development of relations between its members, all have been affected by the license of usury. Things would have been utterly different, not just at the economic level, but at every level—social, philosophical, religious—if that license had never been given. Human industry would have prospered through licit forms of investment, but the common good—the common wealth—of society would not have suffered as it has.¹²

Americans now borrow forty cents of every dollar they spend. It is the usurers' interest charges on this forty percent of America's wealth that is bringing the country to bankruptcy. Steyn is rightly critical of the irresponsibility of a nation that burdens its offspring via future taxation with the costs of the parents' indulgence. But he misses the disposing cause: a nation can do so *only because its people are able to borrow money without restraint*. And that only can only occur if usury is permitted.

VIII

Usury's evils have been compounded by others which have cooperated in distorting the course things should follow in a perfect society. Indeed, the modern world has a sort of genius in finding the *wrong* solutions to social problems.

The merest study of the original Latin word from which 'government' is derived shows that it is related to steering, or guiding, a ship; in this case, the ship of state.¹³ This sense is lost entirely in the modern world where 'the government' is supposed to be provider and director of the most private parts of peoples' lives. Modern society arrogates to government functions which have nothing whatsoever to do with its limited task, burdening society's members and adding to their sufferings with a stifling regulation and an interfering bureaucracy.

It rejects, moreover, a fundamental social principle, the *Principle of Subsidiarity*.

"[J]ust as it is wrong to withdraw from the individual and commit to the community at large what private enterprise and industry can accomplish, so too it is an injustice, a grave evil and a disturbance of right order for a larger and higher organisation to arrogate to itself functions which can be performed efficiently by smaller and lower bodies." [Pius XI, *Quadragesimo Anno*, 15.5.1931, II, 5]

In *After America* Mark Steyn draws attention repeatedly to the failure to adhere to this principle and the consequences that have followed.¹⁴

¹² There is a parallel in the encroachment by private owners of the Commons—the common lands available to all for the grazing of stock—which commenced in England and other parts of Europe after the Protestant Revolt and so flourished that all such lands were eventually assumed by the selfish few at the expense of society.

¹³ *Gubernaculum*, i, n, a rudder

¹⁴ *After America*, op. cit, at p. 50 in a quote from Justice Marshall of the US Supreme Court in *United States vs. Columbia Steel Co.* (1948); at pp. 78-9 dealing with the functions due to states and subsidiary jurisdictions; and in a quote from President Ronald Reagan in 1987, at p. 333.

A further evil in modern society may be illustrated with the following. A friend of the writer is wont to complain about the injustice he must suffer at the hands of smokers, not through the perils of 'passive smoking', but because he, along with the rest of society (the non-smokers), must pay via their taxes, for the inevitable treatment and hospitalisation of the smoker as he ages. But he and the other members of society have that burden only because the state compels them to fund the health care of all because it has adopted the ideology of socialism.¹⁵ It is no part of the function of government to run hospital and medical facilities. In the absence of such gratuitous compulsion to support him, the smoker would have no avenue of recourse for his health care but himself and his supporting family. Without the drain of excessive taxation needed to fund this adventure, moreover, the services of the doctors and nurses who treated the ailing smoker, and the carers who attended him, would cost a great deal less.¹⁶

It is a principle accepted in the western world that governments are entitled to provide educational facilities for the nation's children. Governments everywhere levy taxes to establish and to fund these educational facilities.¹⁷ The principle is false, the idea behind it, Masonic. There is no such right; nor is it any part of the function of government to educate children. Its duty is confined to ensuring appropriate standards.

The right, as the duty, of educating children lies with the parents. Condon with this right is the right not to be deprived of the funds necessary to carry it out. A taxation system that penalises those who do not have children by forcing them to fund the education of the children of those who do is rootedly unjust. A system that penalises parents who choose not to use the 'government' education system burdens them doubly. Not only must they pay for the education of their own children in the manner they choose they must also, through their taxes, pay for the education of the children of their neighbours. Government may only intervene to provide education where the normal course has, for some reason, become impossible.

Here in New South Wales, Australia, we have a government which depends largely for its revenue on taxes on gambling. Thus it promotes and encourages an activity which easily descends into vice. Families with a member afflicted by the vice suffer through the wasting of resources he causes. These turn to government instrumentalities in their need. And where do the funds come to assist them? From the taxes derived from the very evil which has brought about their dilemma! There is a sort of madness at work here.

These instances of social errors are but reflections of moral errors: they are consistent with the conduct of a society whose members are obsessed with love, yet

¹⁵ Cf. Pius XI, *Quadragesimo Anno*, 15.5.1931.

¹⁶ *In extremis*, he would look, as his ancestors for a thousand years before have looked, to the Church's charitable institutions to assist him. And this aid would be given him not compulsorily through exaction, but freely through charity.

¹⁷ The slogan loved by those who promote public education is false. There is no such thing as 'free education'.

deny the need to formalise it in the natural bond of marriage; or insist that unnatural unions ought to be dignified, if it were possible, with that bond;¹⁸ or who lament the murder and mayhem committed by Muslim extremists throughout the world, yet think it appropriate to kill their own innocent unborn, and elderly. Again, there is a sort of madness at work.

Just as divorce, contraception, *in vitro* fertilisation, abortion and sexual perversion are bringing civilisation to moral crisis, usury is bringing it to economic crisis. The scare at the failure in America of the so-called 'sub prime mortgages' brought about by a self-indulgent President with consequences readily foreseen, and the impending bankruptcies of a number of states in the artificial European Economic Union, are but outriders of a storm. Once the most productive country in the world, the United States is in an increasingly parlous financial state. More than nine per cent of its people are unemployed. The vaunted President Obama seems incapable of understanding that launching his country's immense health services upon the turbid waters of socialism must only accelerate the slide.

IX

Despite the views of materialists and their theorists men are not mere collections of accidents but substantial entities whose reality is determined by immutable forms in which matter plays no part but as receptor. We are created by an Author Who has put into His creatures and the circumstances that surround them, ordination and subordination. *In Him we live, and move, and have our being.*¹⁹ Everything created has an end intended and inbuilt. Insofar as a man acknowledges that ordination and that dependence he flourishes; insofar as he rejects them, he suffers. Insofar as *society* acknowledges that ordination and that dependence it flourishes; insofar as it rejects them, it suffers.

Economy has to do with means.²⁰ Philosophy and theology, on the other hand, have to do with ends. In the ontological order *end* is prior to *means* for an intellectual being adopts means only to achieve the end. It is folly, then, to think that mankind can hope to address the (political) economic evil of usury unless it first addresses the philosophical and theological issue of man's end.

Man does not live forever on this earth. He who realises that lives in the real world: he who does not lives, to a greater or lesser extent, in a fantasy world.²¹ To what end is political economy the means? Only this: that a man may be enabled with the materials at his disposal to live well his life on earth so as to prepare himself for the life which will begin when this life ends. As Pope Leo XIII wrote—

¹⁸ Since the bond of marriage derives from nature and not from human will, it is impossible that the unnatural (i.e., homosexuals) could ever be bound together through that bond.

¹⁹ *Acts* 17: 28.

²⁰ It is defined as an end among means.

²¹ Everybody *knows* this: but very few *realise* it, i.e., acknowledge its reality in the conduct of their lives.

“God has not created us for the perishable and transitory things of earth, but for things heavenly and everlasting; He has given us the world as a place of exile; not as our permanent abode.”²²

...

“The chief and most excellent rule for the right use of money is one which the heathen philosophers hinted at, which the Church has traced out clearly and has not only made known to men’s minds but has impressed upon their lives. It rests on the principle that it is one thing to have a right to possess money, and another to have a right to use money as one wills... Man should not consider his material possessions as his own but as common to all so as to share them without hesitation when others are in need.”²³

The mood which permits usury is ultimately atheistic for, as has been shown, the usurer levies a charge for the exercise of God’s bounty, arrogating to himself the rights of God to be generous with his own. Such conduct involves the formal rejection of those rights and, implicitly, the rejection of God Himself. How can a remedy be applied to these injustices in a setting dominated by atheistic determinism and materialism? It cannot. No endeavour to overturn them could hope to succeed which was not grounded in a principle *which is the obverse of* the principle of self interest which has characterised society since the Protestant Revolt. For if a man is to embrace a system which, though it may promise an increase in the common good for the future, requires sacrifice in the present, he must be moved by a higher principle than material self-interest. Hence, there can be no solution to the problem of usury until the problem of atheism is solved.

It is impossible for men to reverse the disturbance in which the world finds itself: economic disaster is inevitable. But nothing is impossible to God.

The abandonment of reliance on usury, as of reliance on the complementary social evils whose instances have been mentioned above, will only occur when the Catholic Church, the Church Almighty God founded, assumes her rightful place as guide and guardian of civic and social mores. Before that event—at whatever future time it may occur—there must occur a disposing of society for its benefits, and the one who will accomplish that work is one filled with the authority of the apostles, a bishop of Christ’s Church.

But no ordinary bishop! He will need the character of a Charles Borromeo, a Henry Edward Manning, a Baron von Ketteler, or a József Mindszenty; a bishop who will take to heart the teaching of Leo XIII—

“It is not to be thought that the solicitude of the Church is so concentrated on the spiritual concerns of her children as to neglect their temporal and earthly interests... Christian morality, when adequately and completely practised, leads of itself to temporal prosperity, for it merits the blessing of that God who is the source of all blessings.”²⁴

a bishop who will—

²² Pope Leo XIII, *Rerum Novarum*, 15.5.1891, n.18

²³ *Rerum Novarum*, n.19

²⁴ *Rerum Novarum*, n. 23. Cf. also n. 32.

- act to isolate his flock, so far as he is able, from the economic ills that surround them;
- establish an island in the sea of usury by establishing a sort of diocesan bank, one differing utterly from any secular bank, whose focus is not usurious returns but the welfare of the people in his care;
- reject, so far as he is able, each of the multitude of material evils which enslave and degrade his people, such as socialism and the claim of government to interfere in matters outside its warrant;
- preach against these evils and enforce, so far as he is able, a rejection of their claims and its demands upon those in his care;
- see to the repayment to government instrumentalities of any and all moneys paid to his diocese; and
- refuse all future funding from government, especially in the sphere of education.

We should pray that Divine Providence will ensure that this bishop is appointed young, for the task that confronts him will require time and application for its establishment and entrenchment.

X

There has been no encyclical on usury since Benedict XIV issued *Vix pervenit* 265 years ago. The public perception, a consequence of practical moral judgements taken by popes in the 1830s, that the Church has changed her teaching has been reinforced by a progressive reduction in attention to the evil by Church authorities, especially in the last fifty years.

Leo XIII addressed usury as a factor contributing to the injustices suffered by the working classes in the introduction to *Rerum Novarum* (15.5.1891). He also condemned it implicitly in texts such as the following—

[A]ll human subsistence is derived either from labour on one's own land, or from some toil or calling paid for either in the produce of that land, or in that which is exchanged for that produce... [n. 11]

[T]o gather one's profit out of the need of another is condemned by all laws, human and divine... [T]he rich must religiously refrain from cutting down the workman's earnings, whether by force, by fraud, or by usurious dealings... [n. 17]

Christian morality, when adequately and completely practised,... powerfully restrains the greed of possession and the thirst for pleasure—twin plagues which too often make a man who is void of self-restraint miserable in the midst of abundance: *The desire for money is the root of all evils* (I Timothy 6: 10)... [n. 23]

[I]f all may justly strive to better their condition, neither justice nor the common good allows any individual to seize that which belongs to another... [n. 30]

Forty years on Pius XI, looking afresh at vices his predecessor had considered, condemned evils to which usury is a major contributor, namely, the accumulation of wealth in the hands of the few (with the concomitant tendency to economic despotism), and “the international imperialism of money which holds that where a man's fortune is, there is his country”. *Quadragesimo Anno* (15.5.1931)

But on *Rerum Novarum's* seventieth anniversary John XXIII, far from condemning usury, seemed to accept it (*Mater et Magistra*, 15.5.1961) only urging public authorities to take account of the fact that “rural dwellers cannot pay high rates of interest.” [n. 134] While noting that “in one and the same country citizens enjoy different degrees of wealth and social advancement... because they dwell in areas which, economically speaking, have grown at different rates” [n. 150], he did not identify usury’s contribution to that disparity, or suggest that its outlawing would go far to resolving it. Instead, he proposed a sort of practical socialism:

“Where such is the case justice and equity demand that government make efforts either to remove or to minimise such imbalances [and so] efforts should be made, in areas where there has been less economic progress, to supply the principal public services as indicated by circumstances of time and place and according with the general level of living...” [Ibid]

In his encyclical on the development of peoples, *Populorum Progressio* (26.3.1967), Paul VI, despite dwelling at length on the evils of self interest and avarice inhibiting social progress, made no mention of usury.

The scandals involving the Vatican Bank in the 1970s and 1980s and the lack of any adequate response to allegations made about the conduct of the Bank’s President, Archbishop Paul Marcinkus, provided further evidence of disinterest in, if not refusal to address, the injustices involved in usury, by Church authorities.²⁵ Given this history, why should anyone be surprised to find the condemnations of usury in the 1917 *Code of Canon Law* missing from the 1983 *Code*? Or be surprised that the *Catechism of the Catholic Church* (1994) contains no reference to usury at all?

Consistent with this wilful nescience Church authorities display little competence in economic matters, something demonstrated by an editorial in *L’Osservatore Romano*, the Vatican newspaper, on 4th November 2011 purporting to address the current economic crisis in Italy. It is reproduced in the appendix.

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Money has not changed its nature: usury has not ceased to be a sin against justice: the Catholic Church has not changed her teaching.²⁶ Christ’s faithful people must wait patiently on the Holy Spirit to produce a pope who will again apply Catholic principle to political economy; who will expose usury for the evil that it is, and condemn the social evils it has brought in its train.

Michael Baker

8th December 2011 — *Solemnity of the Immaculate Conception*

²⁵ Here is another instance of that embrace of the secular which marked the ruminations of the fathers of the Second Vatican Council and which has affected Vatican authorities ever since.

²⁶ For an analysis agreeing substantially with the views here expressed the reader is invited to study the reasoning in an article by James Larson at <http://www.waragainstbeing.com/partiv>

APPENDIX

FACED WITH DEFLATIONARY PROSPECTS, A NEW MODEL OF LEADERSHIP

by Ettore Gotti Tedeschi

There have been serious errors, which continue to persist, in interpreting and underestimating the current economic crisis.

The true origins of the collapse of birthrates and the consequences of the increase of taxes on the GDP to absorb the costs of the ageing of the population were wrongly interpreted. The effects of the decisions made to compensate for these phenomena were underestimated, especially with the de-localization of production and consumer debt.

Then, the urgency to intervene and the criteria to follow in order to “deflate” the debt produced were not taken into enough consideration. Thus, the collapse of trust which led to the reduction of the value of the stock market and the debt crisis was not anticipated.

At this point, there are no longer many solutions.

To deflate the total debt – public, banking, business and family – and bring it back to pre-crisis levels, that is, to around 40% less, it is possible, though not advisable, to cancel a part of the debt with a type of “preventive agreement,” where creditors are paid at 60%.

It is possible, but it would be a hypothesis without a future, to invent some new bubble to compensate for debt with an increase in the value of real estate or goods.

It could be considered – but we hope it is only a temptation – to tax the wealth of families, sacrificing however, a necessary resource for development and at the same time creating an injustice.

One could also look for a way for rapid development, thanks to a growth in competition, which however in the global crisis is not easy to generate. There is no capital to invest, the banks are weak, the demographic problem penalizes demand and investments. In this context, besides, consumer debt is not even imaginable.

Western countries are expensive and to make them economical in a short period, one must intervene on the cost of labour. Protectionist interventions to sustain businesses that are not competitive however, would produce disadvantages for consumers and would reduce buying, already in decline

The single currency could be devaluated, but this would lead to an increase in the price of imported goods.

Someone, to lower the debt, has also thought of inflation. But inflation does not happen if economic growth is at zero, salaries are at a standstill, the shadow of unemployment looms and even the price of raw goods is diminished.

One could say that the spiral of inflation will not occur as long as there is lack of faith in one’s currency. The problem is that today, one cannot have faith in any currency: all of them, including the euro and the dollar, are weak.

Inflation will not take off also because liquidity does not circulate, but mostly because that created by the central banks has substituted that produced by the banking system to sustain debt growth.

The first problem today, then, is not inflation but deflation. Markets, in fact, are privileging liquidity. This is because in a deflationary regime, the value of currency increases while during inflation, it decreases.

To advance the economy today without increasing public debt means correlating interest rates with the GDP. For public debt superior to 100% of GDP, it is evident that to obtain a growth of 1%, without increasing debt, means not having taxes superior to 1% and penalizing savings.

The solution is in the hands of governments and central banks who must come up with a coordinated strategic action of re-industrialization, strengthening of credit institutions and support for employment.

This will take time, a time of austerity in which the foundations of economic growth must be rebuilt.

Above all, governments must restore citizen and market trust through a governance that is adapted to the times and which, more than just being technically competent, is also a leadership model. A governance which aims for the common good.

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