



Trade with the gifts God has given you.

Bend your minds to holy learning that you may escape the fretting moth of littleness of mind that would wear out your souls.

Brace your wills to action that they may not be the spoil of weak desires.

Train your hearts and lips to sing which gives courage to the soul.

Being buffeted by trials, learn to laugh.

Being reproved, give thanks.

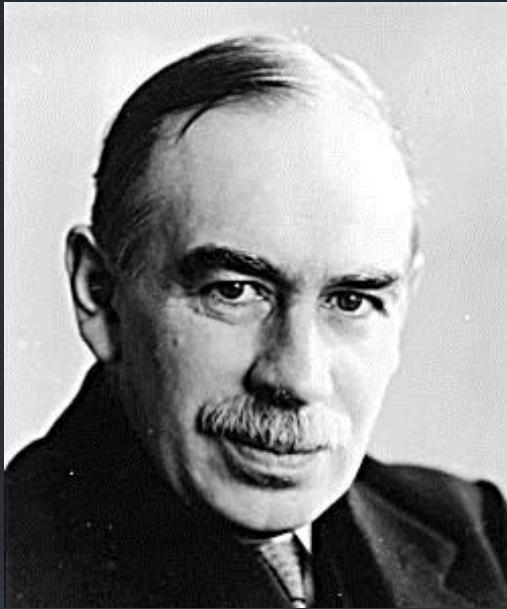
Having failed, determine to succeed.



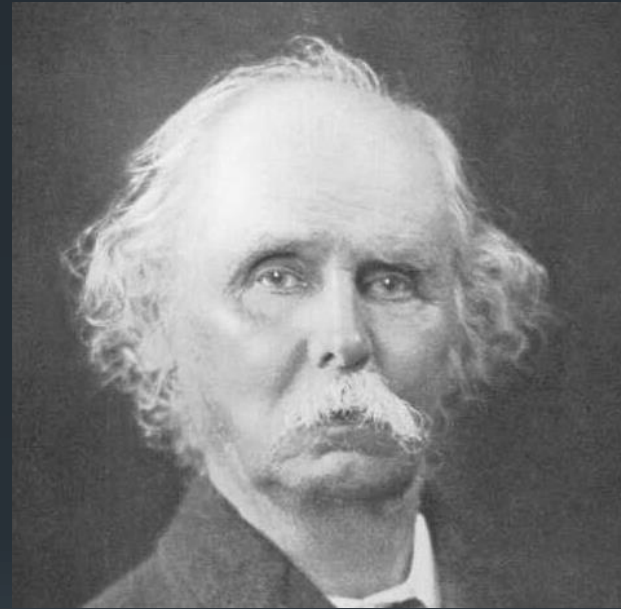
The surprising fertility of the concept of usury

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Maynard Keynes 1883-1946



Alfred Marshall 1842-1924



The fate of the usurers in Dante's *The Inferno*, by Botticelli




Pope Benedict XIV 1675-1758



Debt vs. Equity

- Debt
 - A loan of money, a contract to repay a sum of money at a future date in return for the advance of -usually less- money now
- Equity
 - A share in a business enterprise or asset, whether direct , or indirect through a financial claim
- Securities
 - Transferable debts or shares



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.

(Keynes, The General Theory, pp. 351–352)




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.

(Keynes, The General Theory, pp. 351–352)




Provisions against usury are amongst the most ancient economic practices of which we have record. The destruction of the inducement to invest by an excessive liquidity-preference was the outstanding evil, the prime impediment to the growth of wealth, in the ancient and medieval worlds.

(Keynes, The General Theory, pp. 351)



By uncertain knowledge, let me explain, I do not mean merely to distinguish what is known for certain from what is only probable. The game of roulette is not subject in this sense to uncertainty...Or, again, the expectation of life is only slightly uncertain. Even the weather is only moderately uncertain.

(Keynes, 1937, CWXIV, pp. 113-114)

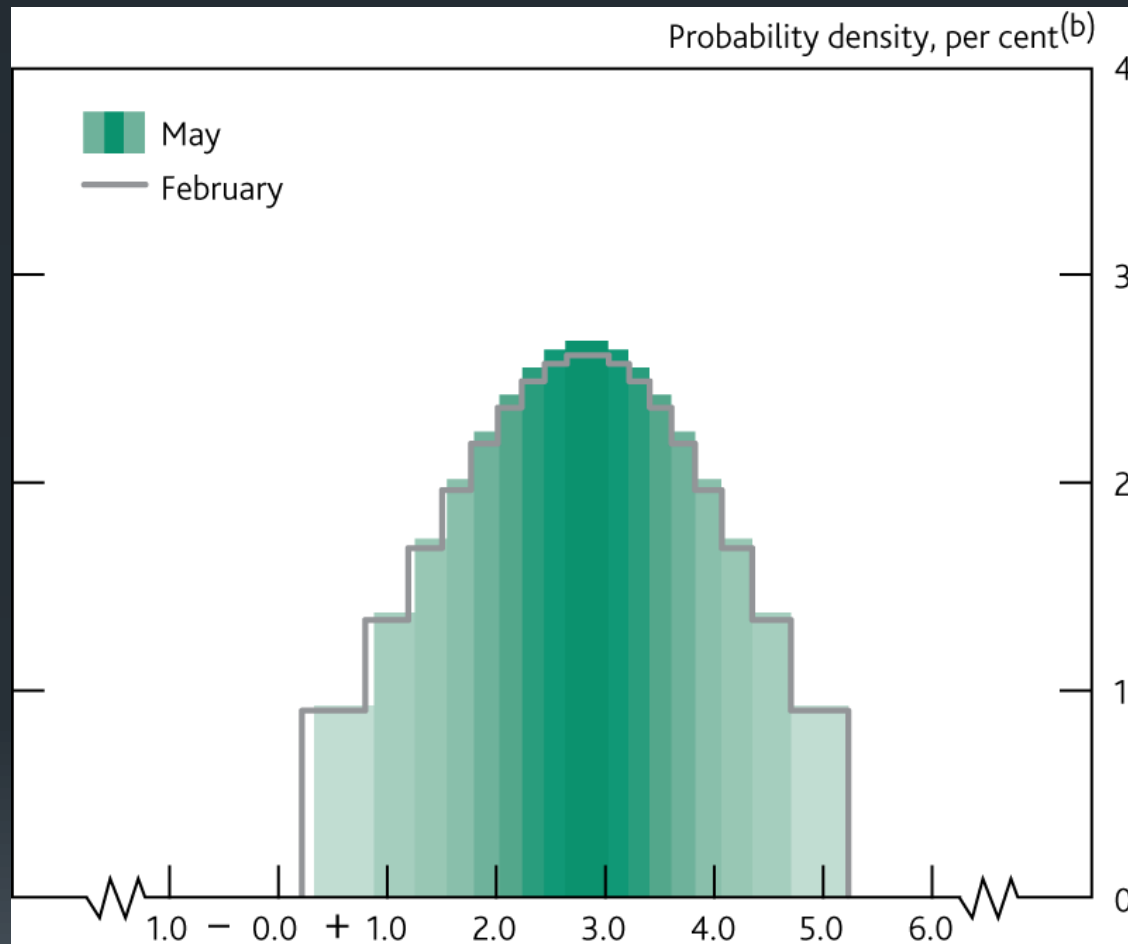


The sense in which I am using the term is that in which the prospect of a European war is uncertain, or the price of copper and the rate of interest 20 years hence, or the obsolescence of a new invention, or the position of private wealth owners in the social system in 1970.

About these matters there is no scientific basis on which to form any calculable probability whatever. We simply do not know.

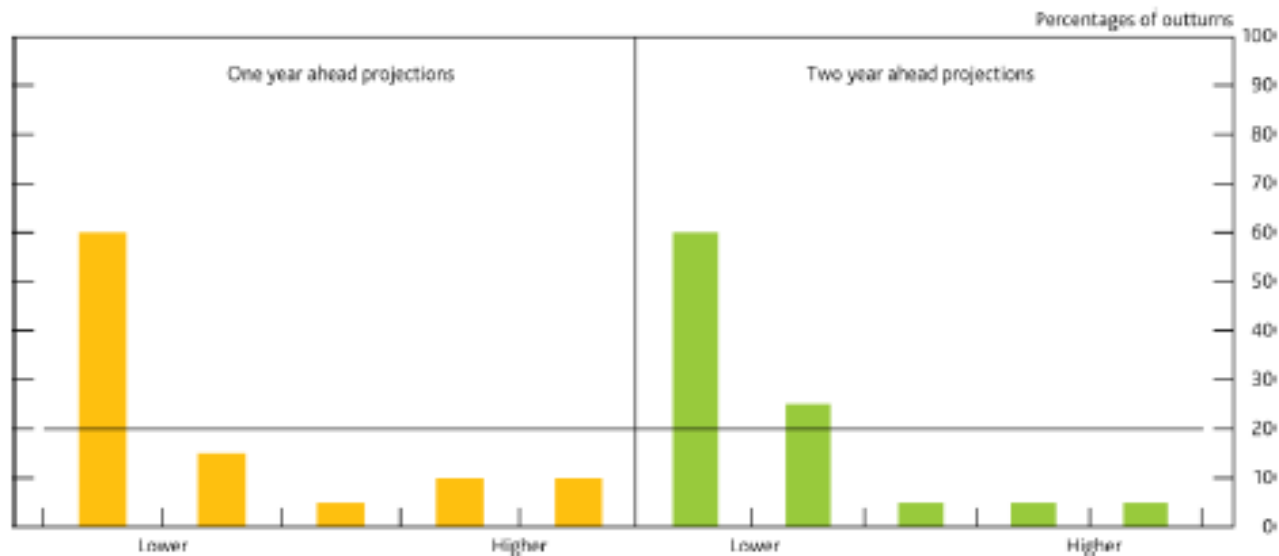
(Keynes, 1937, CWXIV, pp. 113-114)

Chart 5.7 Projected probabilities of GDP growth in 2016 Q2 (central 90% of the distribution)^(a)



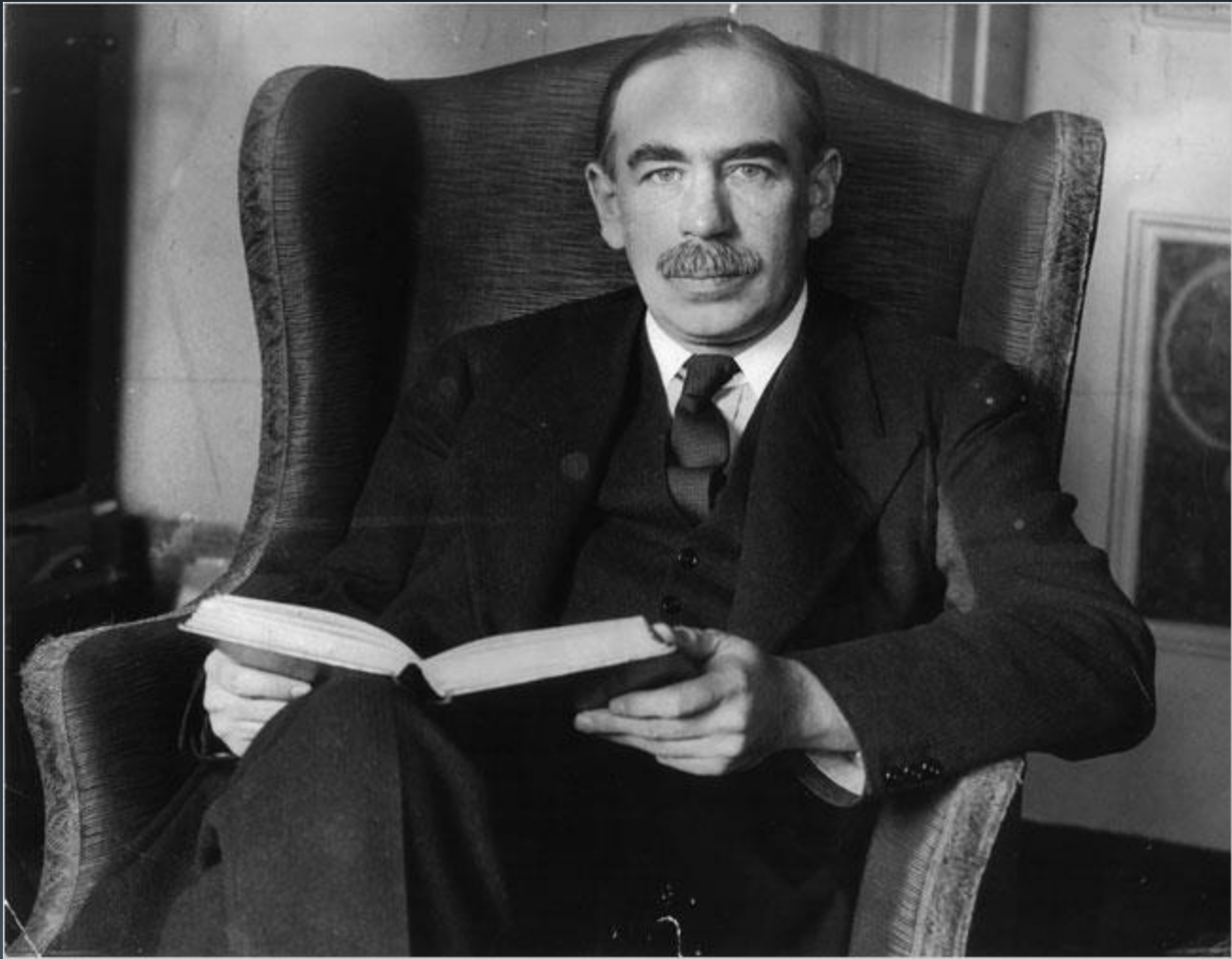
- (a) **Chart 5.7** represents the cross-section of the GDP growth fan chart in 2016 Q2 for the market interest rate projection. It has been conditioned on the assumption that the stock of purchased assets remains at £375 billion throughout the forecast period. The coloured bands in **Chart 5.7** have a similar interpretation to those on the fan charts. Like the fan charts, they portray the central 90% of the probability distribution. The grey outline represents the corresponding cross-section of the February 2014 *Inflation Report* fan chart, which was conditioned on market interest rates and the same assumption about the stock of purchased assets financed by the issuance of central bank reserves.
- (b) Average probability within each band; the figures on the y-axis indicate the probability of growth being within ± 0.05 percentage points of any given growth rate, specified to one decimal place. As the heights of identically coloured bars on either side of the central projection are the same, the ratio of the probability contained in the bars below the central projection, to the probability in the bars above it, is given by the ratio of the width of those bars.

Chart 1: Distribution of GDP growth since August 2007 across quintiles of the distribution forecasted by the MPC^(a)



^(a) The center of forecasts made prior to 2011Q3 have been adjusted upward by 0.3pp to reflect backdated methodological changes in GDP measurement introduced in that quarter.

Stockton, D. (2012) Review of the Monetary Policy Committee's Forecasting Capability, London: Bank of England





Doyce and Clennam in *Little Dorrit* by Charles Dickens, BBC 2009

Originate to Distribute Business Model

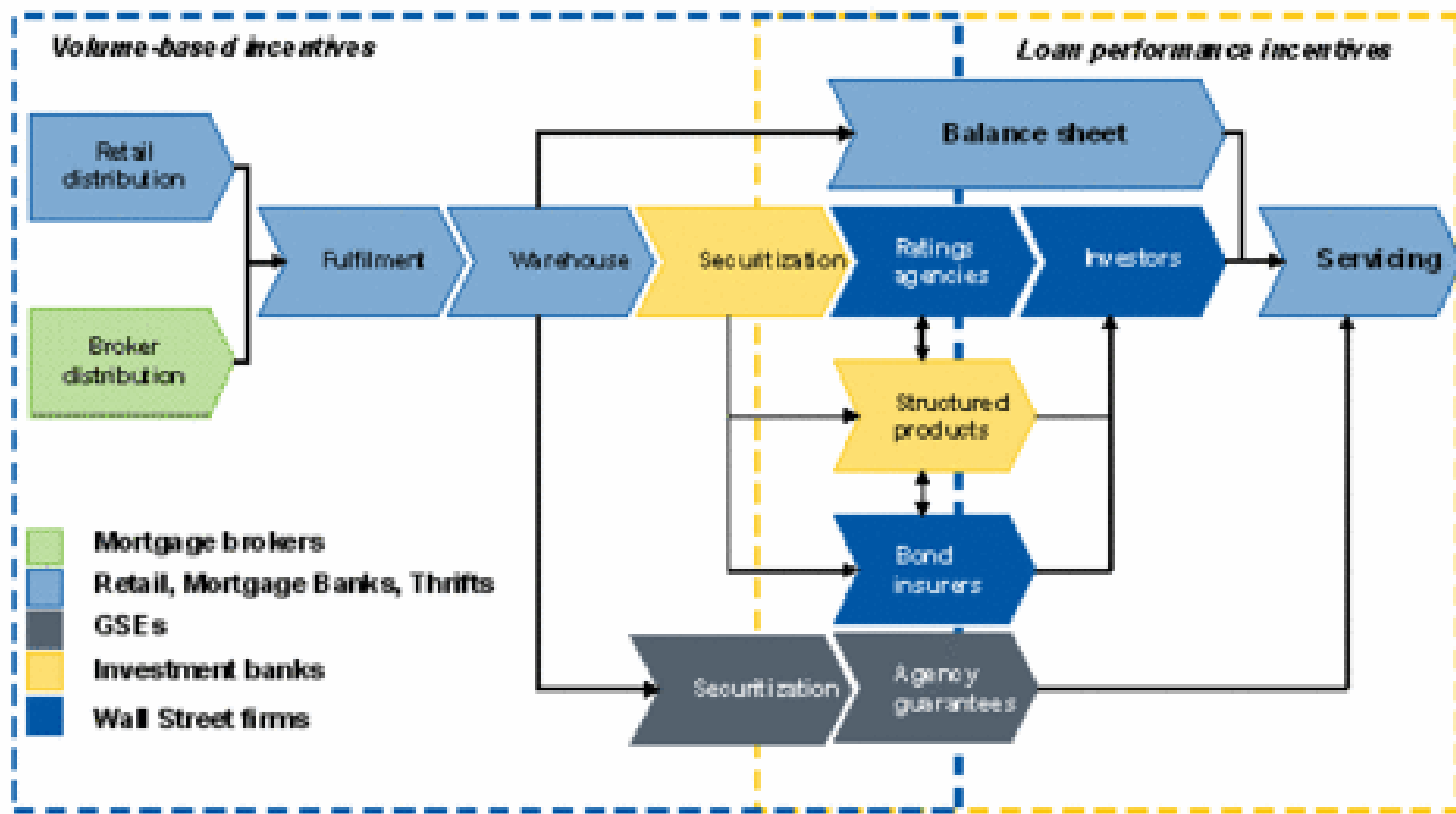






PHOTO: TIM GIDAL/MULTON ARCHIVE/GETTY IMAGES









In summary

- The difference between debt and equity hinges on the nature of time and our fear of the unknowable future
- Liquidity preference - the propensity to hoard - imposes a social cost yet commands a private rent in the absence of an ethical and legal prohibition
- Deposit insurance should be limited to state and utility banks paying little or no interest
- An international money that would promote global full employment would pay negative interest



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