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AND CITIZEN OF GRANVILLE.

C. H. WILEY, Editor.

"*Suum cuique tributo.*"

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For the Mercury.

Mr. Editor:—I have been pleased to see in the Mercury the very interesting articles on the Usury laws, and regret that you have not had the leisure or the inclination to pursue the subject further. Until a recent period of the world's history, the impracticability of laws assuming to fix permanently what is in its nature, variable and fluctuating was not understood even by the most enlightened. It remained for Dr. Adam Smith, and David Hume to demonstrate the futility of every attempt to give a permanent value to money, or to establish a uniform rate of interest.—The great principle which they discovered—a principle which is now acquiesced in by all political economists, and which has received new illustrations by their subsequent investigations, is, that the exchangeable value of money, like that of all other commodities, depends upon the demand and supply; and that the rate of interest, when not interfered with by legislative enactments, is regulated by the demand, the amount of riches in the community, and the degree of profit arising from commerce.

I am aware that much prejudice is felt on this subject, which has arisen from the fact that usury was prohibited by the laws of Moses; but the prohibition of the divine law extends as well to interest at six per cent. or less, as to twenty; so that, those who have religious scruples on the subject cannot permit themselves to take interest at all. It is said by those who profess to understand these matters best, that this was only a political ordinance, applicable to the particular circumstances of the Israelites, and in no degree obligatory upon us. This view of the question receives countenance from the fact that the Jews were, at the time of the institution of this ordinance a pastoral, or but partially agricultural people. In such a country, where there was but little wealth and no commerce, there would be but little use for money; and to demand a price for it where it was never used as capital, or in any other way with a view to realizing profit, would naturally enough seem inconsistent with that spirit of brotherhood which has ever been cherished by the "chosen seed." But the circumstances of the world have greatly changed in the course of three thousand years; and what might then have been iniquitous extortion, may now, owing to the different circumstances in which we live, be an innocent, or even commendable exercise of an undoubted right. Then, as trade, commerce and manufactures were almost unknown, money was literally worth nothing as capital—its circulation was not continual, and its use indispensable as now—and to charge interest for the loan of it when a sufficient security was given for its return, was rightly enough considered inconsistent with the duties of a neighbor and friend. But we of the 19th century have a thousand wants and a thousand means of gratifying them, that the children of Israel in their pristine days never dreamed of—these diversified wants are supplied by exchanging the products of one nation or

neighborhood for those of another, and this exchange can most conveniently, and in general, only, be effected through the medium of money. These circumstances combined with the use of money as capital in commercial and manufacturing enterprise, have given it a productive agency, which is not one of its attributes in a barbarous nation. It would therefore be as reasonable to require the landlord to lease out his lands rent-free as to require the moneyholder to lend his money without interest. What then, would be thought of the Legislature of North Carolina, should it adopt the laws of Moses on the subject of usury? The bare suggestion of the idea presents such an absurdity to the mind as to preclude all necessity for argument. I take it, that the Jewish laws upon this subject were merely political and peculiar to Israel; that there is no obligation resting upon christians to observe them; and that the spirit of wisdom and benevolence in which they were conceived, would, in our widely different circumstances, banish them from the land.

I have often felt astonishment to hear persons who profess to entertain religious scruples on this subject, rail most uncharitably against those who take seven per cent. while they themselves, with great complacency, will pocket six. Can such persons be of sound mind and serious? If it be a christian duty to obey the laws of Moses, in this behalf, shall we not obey them to the letter? Has the legislature of North Carolina the right to amend them? And if so, why may it not abrogate them altogether? There can be no such thing as obeying God's laws by halves, and though the legislature, as a *salvo* to the conscience, may revise and amend them. I apprehend that at the final reckoning, those who are found to have offended in one particular will be adjudged guilty in all.

I take ground against the usury laws as an unnecessary infringement of natural right. There is no more reason why the holder of money should not lend it at the highest rate of interest it will command, than there is why the owner of a horse or a wagon should not hire or sell it for the best price that is offered.—The cases are precisely similar; and the natural right of individuals to dispose of their property as they please, applies as well to the one case as the other. On the other hand, the same reason which is given for prohibiting a high rate of interest; the prevention of extortion upon the necessitous borrower, may be urged with even greater force in favor of the establishment of a uniform price for bread;—money may be dispensed with, but bread cannot. Therefore, I think the inference fair, that if wisdom would dictate the policy of making six per cent. the highest rate of interest at which money shall be loaned, it would be equally wise, and there is more necessity for the passage of a law fixing the maximum price of corn at two and a half or three dollars per barrel. In the same spirit of political forecast it would be proper to establish uniform prices for all other

breadstuffs, bacon, beef, &c., in total disregard of every principle of political economy, by which we learn that the value of commodities depends upon the demand and supply.

But I maintain that usury laws have the effect of producing the very mischief which they are intended to suppress; that so far from preventing extortion, they have the contrary tendency to cause extortion. The value of money, like that of all other commodities, depends upon the demand and supply; and when it is simply performing its functions of a medium of exchange, these are the only circumstances which affect its relations to other commodities—in other words, the greater or less demand and supply are the only circumstances that make it necessary that a greater or less amount of money should be paid for a given amount of other commodities. But it is important to distinguish between the value of money and the rate of interest that is paid for the loan of it—the two things have no dependence upon each other when left untrammelled by legislative interference. This will be apparent by considering that the interest is to be paid in money of the same value as that in which the loan is contracted—at least such is the calculation of the parties at the time, and consequently a given rate of interest, say six per cent. bears the same proportion to the principal when money is scarce, as when it is abundant. If the present amount of money in circulation were doubled, its nominal value would be diminished by one half, while the rate of interest would remain what it now is—because six or ten per cent. upon the loan of the depreciated currency would only be equal to the same rate of interest upon our present money. It is the increase of *wealth* generally, not money, which has the effect of lowering the rate of interest, as its diminution is attended with a proportional increase of interest; for when a loan is effected, it is the loan of wealth, value, not simply of money; and consequently the increase of wealth will necessarily tend to lower the rate at which that wealth may be borrowed. This principle will become evident by considering that money, when borrowed to be used as capital or for the purpose of spending, is to be laid out in materials or goods at the current prices; therefore, it is the value of the materials or goods to be employed that is borrowed, not a particular sum of money; and that value might be purchased at one time at the nominal sum of one thousand dollars, at another, at fifteen hundred, owing to the difference in the amounts of money in circulation at the respective times, the demand for it &c.—The increase or diminution of wealth, however, are not the only circumstances, which affect the rate of interest. The demand for borrowing, the degree of profit arising from commercial and other industrial enterprises, together with the hazard attending the loan are to be taken into the account. The weight of these considerations can only be estimated by the lender himself. No other person can be a judge of the degree of secu-

rity he has for the return of his money; no human foresight can tell us whether we are to have genial rains or parching drought—whether we are to be blessed with abundance, or starved with famine the next year—no experience can tell us what is to be the price of cotton or tobacco twelve months from to-day. To attempt therefore, to fix a permanent value to the medium of exchange, which is but the creature of these great elements of wealth—to say that the interest of money shall be the same to-day, next year, and forever, is unpardonable imbecility. It is an attempt to establish permanently, what is in its nature fluctuating with every breeze—not a sail arrives at New York from Europe, which does not in a greater or less degree, affect the value of commodities, and the rate of interest. It now remains to be shown that laws which are framed with a view of keeping down the rate of interest, have the contrary effect of augmenting it. I have already pointed out what are the circumstances, independent of legislative enactments, which cause a high or low rate of interest; and among those causes the hazard which the lender incurs is not without its influence. This hazard depends in a great measure upon the stability of Government and the security of property. M. Say, in his treatise of Political Economy instances the fact that the French King John in 1360, authorized the Jews to lend at the rate of eighty-six per cent when the productive agency of capital was probably not more than three or four per cent. more than the value of the money, in consequence of the insecurity of the tenure of property. This insecurity proceeded from the prejudice which seems to have universally prevailed against the Jews, who were, during the dark ages, the only dealers in money.—They were subjected to the most humiliating oppression—their rights trampled on and disregarded in every imaginable way, even with the countenance of Government. Thus it is related of the same King John, that the next year after granting authority to the Jews to lend at the enormous per cent. to which I have adverted, "he caused the quantity of pure metal contained in the coin to be reduced, so that the lenders no longer received back a value equal to what they had lent." In this country where the stability of government is generated by enlightened public opinion—and where there is the utmost security for property, these causes have but a slight influence upon the rate of interest. The only insecurity that is felt in this country, when legal interest is taken, arises from the circumstances of each individual case—the credit of the borrower and his sureties. But the laws against usury, which fix the rate of interest at six per cent., and denounce the severest penalties against those who violate them—the forfeiture of double the sum loaned to any one who will sue for it—have all the effect of producing a feeling of insecurity in the lender, which the most wicked and tyrannical government could have. It is no matter that the

hazard of the lender in this country proceeds from a different course from that of the Jew in France in the fourteenth century—the effect is the same. It is the uncertainty of ever recovering the principal which makes the interest high. This is a principle which may be traced through all the operations of trade and business. The merchant makes the consumer pay for the risk he incurs in importing goods subject to be damaged or lost—the planter makes the manufacturer pay for the uncertainty of the seasons, and, of course the money lender makes the borrower pay for the hazard he runs in parting with his money. This hazard is of course very great whenever unlawful interest is taken. The lender must not only be paid the intrinsic value of his money, which may be two, three, or four per cent. above the legal rate, but he must be indemnified for violating the law. He therefore demands fifteen, twenty, or twenty-five per cent. as a compensation for the risk; whereas, if things were allowed to take their natural course, he would be glad to take eight or ten. I think it is therefore clear that usury laws, however severe, are not only impotent for good, but that they are fraught with evil; and that sound policy would dictate their total repeal.

An indirect effect of the usury laws is to keep a large portion of the capital of the country out of employment, or to banish it to a clime where its value is better appreciated. All those capitalists who entertain conscientious scruples on the subject of taking unlawful interest, or who are unwilling to incur the odious appellation of Usurer, must, whenever money will bring more than the lawful interest, either forego the interest altogether, or else seek an investment of it in banks; within the State or elsewhere; and as there is but a very limited amount of bank capital in North Carolina, such persons are for the most part, driven beyond the limits of the State for an investment of their funds. Another unprofitable channel into which capital is thrown by the operation of the usury laws, is that of speculation. Its productive agency being hindered by the intervention of the law, it seeks employment in speculation; which however, profitable to individuals, can be of no service to the community. For what is gain to the speculator is so much loss to some one else. But capital employed in agriculture, in manufactures, or in commerce, is not only profitable to the individuals employing it, but also in an equal degree to the community at large.

I must now draw these remarks to a close, as they have been extended much beyond the limits which I had marked out for myself. I could not, in justice to the subject, have compressed them into a narrower compass. I took up the question about the propriety of usury law, as one of great importance, and it is difficult to conceive of one better calculated to call forth the energies of the mind; but it is one at the same time, upon which all candid enquirers, I think, must arrive at the same conclusion. I repeat my gratification at seeing the