

Mooney Answers Hodge

The Reply of S. C. Mooney to
the essay of Dr. Ian Hodge titled "Usury"

Dr. Hodge's essay¹ first appeared about 10 years ago as an appendix to his Doctoral Dissertation. In this essay he compares and contrasts my thesis on Usury² with that of Dr. Gary North³, as well as providing some historical and economic commentary, and discussion of Calvin's influence. Only lately have I become apprised of this essay and I find that it would be helpful to a number of inquirers should I offer reply to various points. I am not aware whether Dr. North has made any reply. It might be interesting should Drs. North and Hodge and I hash over these matters in a series of points and counter-points. I appreciate the effort that Dr. Hodge put into his essay, and I find in it much to agree with. His critique of the Social Credit idea of Money is quite able and sound. Also, I am in full agreement with his evaluation that Usury may be argued only economically and not exegetically. As well, I am in general agreement with Dr. Hodge's survey of the biblical texts, and particularly am quite encouraged to see his accurate and able handling of the Parable of the Talents. However, there are several points of disagreement that must command the bulk of my remarks. There must be further discussion of 1) Rent, 2) Calvin, 3) Foreigners, and 4) Ordinary Interest. I offer these counter-points to Dr. Hodge's essay, and welcome further discussion from any and all interested parties.

Rent

Dr. Hodge declares that I "redefine" the concept of rent. He provides a reference indicating that I do this on page 177 of my book. However, on that page and in its context the reader will find that what I do is an economic analysis of one of Jesus' parables. I do not consider this to be a redefinition of rent, but an exercise in showing that the parable does not involve what the Modern world knows as rent. In his conclusion, Dr. Hodge argues that, "Equity financing is an alternative that fits more appropriately with biblical ideals. Instead of lending, a financier would take a position as an equity partner in any venture, thereby linking himself, and his return on capital, directly to the success of the enterprise..."⁴ How is this any different than what I am arguing on my page 177? How am I "redefining" rent in any way that Dr. Hodge is not? The only reason that any discussion of rent comes into a treatment of Jesus' parable is that translators utilized the word *rent*. My effort on page 177 and context is not to argue that rent really ought to be conceived as described in this parable, but to argue that this parable really has nothing to do with rent as we know it. I argue that the economic arrangement described in this parable is precisely what Dr. Hodge himself argues for as "Equity Financing." My position is that, "God does not speak to us in His word of rent as we know it."⁵ I charge that those who read the Modern institution of rent back into English translations of Scripture where the term *rent* appears are the ones who attempt to redefine *rent*. It is invalid to import intact what Modern readers know as *rent* into every place where an English translation of Scripture says *rent*. In dealing with those texts of Scripture where

1. Retrieved from: <http://www.musicreform.com/facs/Economics/Usury.pdf> (Aug., 2005)

2. Mooney, *USURY: Destroyer of Nations* (Warsaw, OH: Theopolis, 1988) 248 pages.

3. Retrieved from: http://freebooks.commentary.net/freebooks/docs/372e_47e.htm (Aug., 2005)

4. Hodge, "Usury" p. 14

5. Mooney, *USURY...* p. 180

the English term *rent* appears it is most helpful to be aware of economic institutions and practices of the Ancient world and the origins of the Modern money rental fee. I pursue discussion of this to some extent in my book.⁶ In my reply to Dr. North I elaborate further on the origins of the money rental fee. Rather than to duplicate that discussion here, the reader is directed to that treatise⁷ for further discussion of this matter.

Beyond a few paragraphs comparing and contrasting my thesis with that of Dr. North, Dr. Hodge does not deal with the larger questions of the Modern economic institution of rent. Dr. North and I have agreed that the Modern institution of rent and the institution of loan interest, or usury, amount to exactly the same thing in terms of economic categories, *viz.* a fee that is imposed for the use of property. I quote from my reply to Dr. North: "...Dr. North has this inviolable monolith of rent to appeal to in the modern world only because the Scholastics [13th-14th Centuries] were willing critically to scrutinize the practice. If they had disapproved it, then today the only ones who would rent out property would be the social equivalent of 'loan sharks,' who inhabit a seedy underworld of dreaded 'lords' preying upon the hardships of struggling men. But the Scholastics did not take a position of condemning rent along with usury. It is not difficult to see that the only way that they could continue to condemn usury and at the same time approve the rental of property is if they posited some difference between them...The Scholastics legitimized rent by way of holding that usury and rent are *different*. Now that rent has become an inviolable monolith, which it is heretical even to question, many wish to legitimize usury by way of arguing that usury and rent are the *same*."⁸ Does Dr. Hodge agree that in terms of economic categories there is no difference between usury and what the Modern world knows as rent? Or, does he posit some fundamental distinction between them? In what he provides in this essay we glean no clear answer, and so it is not possible to pursue discussion of Dr. Hodge's view of rent at this time. It would be most helpful for Dr. Hodge to make his position on this point more clear.

Calvin

On the matter of Calvin Dr. Hodge and I share the view that, "Calvin, it could be concluded, is not a great help on this issue [of usury]"⁹ However, we arrive at this conclusion in markedly different ways. I do not wish to appear contentious, but I feel there is some value in commenting at length on this matter. Dr. Hodge argues that Calvin wavered on the question of usury because he wavered on the question of God's Law generally. In support of his view that Calvin softened in his stance toward God's Law, Dr. Hodge cites a couple of paragraphs from the *Institutes* wherein Calvin challenges those "...who deny that a commonwealth is duly framed which neglects the political system of Moses, and is ruled by the common law of nations."¹⁰ After citing further from this context, Dr. Hodge provides the following assessment:

6. Mooney, *USURY...*, p. 180f.

7. Retrieved from <http://littlegeneva.com/docs/North.pdf> (Aug., 2005)

8. *Ibid.*

9. Hodge, p. 8

10. Calvin, *Institutes...* Book IV, Ch. XX, para. 14

“In one statement, Calvin has opened the door to situational morality (at least on the subject of usury). We must regard the times, places and the nations, before we enact our laws, argues the great Reformer. On this basis, a murderer might be put to death in one place, while permitted to live in another. On this basis, we could have homosexuality condemned in one country, but accepted in another. And on this basis, we could have abortion on demand with full legal sanction, while elsewhere abortion might be treated as murder.

“So we disagree with Calvin at this point. We cannot subscribe to his view on the Old Testament and his basis for law. Considering Calvin’s influence in the modern world, it is not surprising that the Western world is experiencing a breakdown in law and order: it is merely following Calvin’s injunctions of situational law and ethics.”¹¹

However, Dr. Hodge has misread Calvin on this point. In the section he cited from the *Institutes*, Calvin is saying that it is not justified to insist that all nations must have a political order identical to Ancient Israel. His point is that if in their laws they accomplish what the Law of God requires, then this is sufficient. As Calvin put it, in a statement that Dr. Hodge omitted, “For, together with one voice, they pronounce punishment against those crimes which God’s eternal Law has condemned, namely, murder, theft, adultery, and false witness.”¹² This hardly amounts to a “situational morality.” There are many modern exponents of situational morality who would be quite surprised to hear that the Modern, immoral West “...is merely following Calvin’s injunctions of situational law and ethics.”

Part of Dr. Hodge’s difficulty in properly interpreting Calvin is his misunderstanding of “Natural Law.” He characterizes the Natural Law ideal as “...law that is not revealed in the Bible but is discovered by man ‘in nature’”¹³ He then follows with the observation, “There are no laws ‘in nature,’ of course, so natural law theory is merely a defence [*sic*] of man-centered law”¹⁴ This characterization misses the point of “Natural Law,” which is not to discover laws in “nature” generally, but to discover them in *Human* nature. Sir Henry Sumner Maine explains in his definitive treatise, *Ancient Law*¹⁵, that the idea of “Natural Law” was an Ancient Roman adaptation of an Ancient Greek ideal. Maine cites a passage from Emperor Justinian’s *Institutes*, “All nations who are ruled by laws and customs, are governed partly by their own particular laws, and partly by those laws which are common to all mankind. The law which a people enacts is called the Civil Law of that people, but that which natural reason appoints for all mankind is called the Law of Nations, because all nations use it.”¹⁶ As a result of the vast holdings of the Roman Empire there came to be domiciled in Rome peoples from all various nations. A pressing legal issue arose as disputes came to be heard involving parties of widely varying backgrounds and traditions. The genius of Roman Law was to

11. Hodge, p. 7

12. Calvin, *Institutes*... Book IV, Ch. XX, para. 16

13. Hodge, p. 7

14. Hodge, p. 8

15. Maine, *Ancient Law* (1861; New York: Dorset, 1986) 344 pages

16. Maine, p. 37

assemble a body of the “Law of Nations,” that consisted of the common elements of various particular law systems. They applied to this Law the term “Natural Law,” as they conceived it a concrete embodiment of the abstract Greek concept. Whereas Human nature is the creation of God and bears His image and likeness, the laws observable in Human nature cannot automatically be dismissed as sharply distinct from or contrary to God’s verbally revealed Law. “For when Gentiles who do not have the Law do instinctively [by nature] the things of the Law, these, not having the Law, are a law unto themselves, in that they show the work of the Law written in their hearts, their consciences bearing witness...”¹⁷

Of course, this brief expose of the matter likely raises a number of questions that are beyond this treatise to address. The matter is pursued here only to the extent to show that an appeal to “Natural Law” is not automatically a devotion to “man-centered law.” Calvin was not a moral relativist and is not responsible for the moral decline of Western Civilization. Dr. Hodge criticizes Calvin’s view of usury as simply an example of his lax view of God’s Law generally. Contrary to this, I criticize Calvin’s view of usury as simply wrong and inconsistent with his high view of God’s Law generally. This is a difference I feel must be stressed because in our campaign to rid our culture of usury it is neither necessary nor helpful to dismiss Calvin entirely.

Foreigners

Dr. Hodge declares, “The Old Testament did not place a total ban on usury: it allowed usury to be charged to foreigners.”¹⁸ In his discussion of biblical teaching he says, “...we do agree with Dr. North when he argues that the prohibition in the Old Testament was a prohibition within Israel, but lending to foreigners at interest was acceptable. While some might argue this is a double-standard in the Bible, the issue is not whether it is a double standard but whether this is what the Bible teaches. It’s [*sic*] fairness and equity are not ours to judge: this prerogative belongs to God. Our task is to faithfully interpret God’s Word and obey its every instruction.”¹⁹ But, what is a faithful interpretation? How do we obey the instructions? In his “Covenantal Conclusion” Dr. Hodge leaves the matter thus: “Therefore we are uncertain to what the Bible means by foreigners.”²⁰ In my book I provide extensive discussion of what the Bible means by *foreigners*,²¹ however, Dr. Hodge does not acknowledge this or deal with it. The present writing is not the proper context in which to repeat the extensive discussion of this question. As a reply to Dr. Hodge’s essay, the main point to be brought out here is that Dr. Hodge has not dealt adequately with this question. It is common for authors to gravitate to the Deuteronomic permission as proof that usury cannot be categorically wrong. And it also is common to see the Deuteronomic permission coupled with the prohibition of oppressing the “foreigner” in Exodus 22:21 and Leviticus 19:33, the conclusion then being drawn that usury cannot be inherently oppressive. The common

17. Romans 2:14-15

18. Hodge, p. 5

19. Hodge, p. 11

20. Hodge, p. 14

21. Mooney, *USURY...*, p. 144-153

view of these things depends solely upon the rather ambiguous English term *foreigner*. In the original Hebrew there is a duality of terms that provide much greater clarity concerning what is involved. In context of the original Hebrew, a “foreigner” was not simply non-Israelite. The prohibition of oppressing the “foreigner” has specific reference to non-Israelites who were sojourners living peacefully and lawfully in Israel. The Deuteronomic permission has specific reference to non-Israelites who were wicked, detestable enemies whom Israel was charged with eradicating. The questions of who were the Deuteronomic “foreigners”? and why was Israel permitted to exact usury of them? are not so mysterious as Dr. Hodge indicates. Though Dr. Hodge admits that there is no exegetical defense of usury, his position that there *is* an economic defense of usury, and his uncertainty regarding the Deuteronomic permission, leave him unclear on the questions: Is usury categorically wrong? and, Is usury inherently oppressive? It would be helpful for Dr. Hodge to make his position on these questions more clear, which cannot be done apart from his gaining greater clarity on the question of “foreigners.”

Originary Interest

Though observing that usury has only an economic and not an exegetical argument, Dr. Hodge nevertheless proceeds to give the economic argument some credence. Particularly, he sees quite a lot of merit in the concept of “Originary Interest.” I cite here a number of passages that represent Dr. Hodge’s view and also that indicate his critique of my treatment:

“Usury in its common understanding, means *loan interest*. This is distinct from what economists call *originary interest*. Originary interest is that increase in capital which arises when capital is put to work in some form. For example, a farmer who had ten bags of seed (capital) might use them to plant the next crop. If the result of the new crop was fifteen bags of seed, the farmer had made five bags of seed *originary interest*. Loan interest, on the other hand, applies when a person forgoes originary interest himself and hires out his capital in some form to another person. The hiring charge is called *interest* (or, more specifically *loan interest*) when the capital consists of fungible (replaceable) goods such as money.”²²

“Mr. Mooney suggests...that people should *not* discount the future, thereby establishing payment of interest as a compensation for time.”²³

“...we agree with Dr. North’s economic analysis that Mr. Mooney too glibly explains away the fact that time is a scarce economic resource. As such it commands a price. Interest is the charge for time. When a creditor forgoes present consumption to lend, his deferral commands and [*sic*] economic price. Now Mr. Mooney recognizes this but argues that we are not to consider the element of time in our business dealings....”

22. Hodge, p. 1

23. Hodge, p. 4

“While it may be true that people universally charge for time, the moral *ought* needs to be addressed. *Should* people always charge for time?

“These issues cannot be answered, however, without an understanding of how the biblical economy ought to work. Stable money and an increase in productivity, itself the result of hard work and thrift, should result in declining prices. That is to say, the value of money is rising. It can be said that this increased value of money is a form of interest, originary interest. It does not come as an extra payment to a lender, but it is an economic benefit that can come from investment... And, if this is that interest is indeed inescapable, then what it is that the Bible prohibits when it prohibits usury? [*sic*]”²⁴

The last sentence cited is given exactly as it appears in my copy of this essay. It contains numerous unfortunate editorial lapses, which is especially unfortunate inasmuch as this sentence comes at a critical juncture in the expression of Dr. Hodge’s thesis. The gist of what I get in this essay is that Dr. Hodge concurs entirely with the Modern economic theory of “time-preference,” as he understands it, which lies at the heart of the Modern economic idea of “originary interest.” He wishes to distinguish “originary interest” and “loan interest” in such a way as to portray “originary interest” as inevitable or “inescapable” in Human psychology, while at the same time acknowledging that “loan interest” has no exegetical leg on which to stand. He imagines a “hard money” economy that also is a productive economy. In this case the quantity of money remains relatively stable, while the quantity of marketable goods increases. The net result would be the decline of prices, which also may be expressed as an increase in the value of money. He wishes to put forward such increase in the value of money under such circumstances as an example of “originary interest.” Thus, Dr. Hodge proposes that in a biblical economy a lender who received repayment of exactly the nominal quantity of money loaned would nevertheless receive “originary interest” with the repayment due to the increased value of the money.

The psychological reality of “time-preference” is undeniable and so Dr. Hodge wishes to embrace this reality in such a way that will admit the legitimacy of “originary interest” while at the same time leave “loan interest” under the condemnation of God’s Law. He attempts this, as described above, by positing some distinction between “originary interest” and “loan interest.” However, Dr. Hodge has misunderstood “originary interest.” The fathers of “originary interest” will allow no such distinction. Grandfather Ludwig von Mises states, “Interest is a homogeneous phenomenon. There are no different sources of interest. Interest on durable goods and interest on consumption-credit are like other kinds of interest an outgrowth of the higher valuation of present goods as against future goods.”²⁵ Dr. North has bought into this notion of “originary interest” entirely, and so in consistency with this he seeks to legitimize “loan interest” in the same terms in which land rent is accepted. Dr. Hodge accepts the psychological principle involved in “originary interest,” but does not understand it sufficiently to prevent him from attempting to distinguish it from “loan interest,” which the theory will not allow. Dr. Hodge states, “Originary interest is that increase in capital

24. Hodge, p. 11

25. von Mises, *Human Action* (1949; Chicago: Contemporary Books, 1966), p 526

which arises when capital is put to work in some form.”²⁶ Mises states, “Originary interest is the ratio of the value assigned to want-satisfaction in the immediate future and the value assigned to want-satisfaction in remote periods of the future.”²⁷ It would require a discussion much beyond the proper bounds of this treatise to explain fully the difference in these two outlooks. A brief illustration will suffice for now.

As already cited above, Dr. Hodge offers as illustration of “originary interest” the case of a farmer who realizes an increase over and above the seed planted. Mises employs a similar illustration. He states that, “...the phenomenon of originary interest explains why pieces of usable land can be sold and bought at finite prices. If the future services which a piece of land can render were to be valued in the same way in which its present services are valued, no finite price would be high enough to impel its owner to sell it. Land could neither be bought nor sold against definite amounts of money, nor bartered against goods which can render only a finite number of services. Pieces of land would be bartered only against other pieces of land.”²⁸ Applying Mises’ theory to Dr. Hodge’s illustration, we would note that the difference in quantity between the seed planted and the seed harvested is not the interest. The “originary interest” is the difference between the price of the initial seed and the eventual value of the plants it may grow. Apart from the phenomenon of “originary interest,” Mises would say, the price of a bag of seed would equal the value of every potential plant. “Originary interest” allows one to negotiate a finite price for a bag of seed because the value of “future plants” is discounted relative to “present seed.” The difference between Dr. Hodge’s account and Mises’ account may seem to be insignificant, but it is very significant in that an understanding of “originary interest” as explained by its inventors does not allow for the functional distinction of “originary interest” and “loan interest.” For Mises, “loan interest” is but a particular example of the universal phenomenon of “originary interest.”

Dr. Hodge focuses his idea of the difference between “originary interest” and “loan interest” on the matter of an increase of value vs. an increase of physical goods. On the strength of his idea of the increasing value of money in a stable, “hard money” economy, he sees an increase in value of what is repaid to a lender as perfectly legitimate and, indeed, “inescapable” due to the universal principle of “originary interest.” He says, “If the lender is able to take a ‘natural’ increase in his money, then the Bible’s prohibition against charging interest has to do with the idea that the lender should get a greater physical amount of money as a result of lending.”²⁹ But, he frames this discussion in terms of lending and repayment consisting essentially of “purchasing power.” He declares that, “...increased purchasing power is what we are talking about when we talk about usury or interest: it is purchasing power in addition to that which has been loaned out.”³⁰ For Dr. Hodge, if an increase of “purchasing power” comes to the lender by way of the increased value of the same nominal amount of money repaid, then this is a case of “originary interest” and therefore is legitimate, but that if a lender has an increase of “purchasing power” by way of receiving a greater nominal amount of money in repayment, then this is usury and condemned in the Bible. Dr. Hodge spells out quite

26. Hodge, p. 1

27. Mises, p. 526

28. *Ibid.*

29. Hodge, p. 13

30. Hodge, p. 12

clearly the end result of the view he espouses, “If the money supply is relatively stable and prices decline say 5% over the year, should the person who loaned out \$100 have returned to him only \$95, the equivalent purchasing power that he lent? If the Bible’s teaching on usury does not require this, then there are legitimate grounds for arguing that receiving an increase on loaned money is acceptable.”³¹ In other words, if in times of the increasing value of money we are not going to require the lender to settle for less nominal amount of money in repayment, then in times of the declining value of money how can we fault the lender for wishing to collect a greater nominal amount? But, “purchasing power” is a Modern economic concept. Biblical Laws are not couched in technical economic concepts. The original Hebrew term that is translated *usury* is *neshek*, and literally denotes a bite, as of a serpent.³² This is pejorative term that does not accommodate economic nuances such as “purchasing power.” Contrary to nuanced views involving “purchasing power” and “originary interest,” the Law of God is clear and simple, “...you shall freely open your hand to him, and shall generously lend him sufficient for his need in whatever he lacks.”³³ Lending and repayment really have nothing whatsoever to do with “purchasing power,” and the increased value of money that Dr. Hodge describes really has nothing whatsoever to do with the Austrian Doctrine of “Originary Interest.”

As cited above, Dr. Hodge argues that, “... Mr. Mooney too glibly explains away the fact that time is a scarce economic resource. As such it commands a price. Interest is the charge for time.”³⁴ In my book I devote 14 pages to commentary of the “time-preference” idea of interest.³⁵ It is difficult for me to imagine how this could be considered “glib.” But, it is not helpful to argue the point. What is more deserving of emphasis is that neither Dr. Hodge nor Dr. North has provided any answer at all to the arguments I present. Instead, Dr. Hodge simply reiterates the concepts that time is a “resource” and as such commands a price. I challenge this whole way of looking at things with detailed arguments explaining that “time” really is incidental to the workings of the so-called “time-preference” psychology. Rather than to engage my arguments, Dr. Hodge simply repeats the concepts that I am challenging. It is much more credible for me to say that Dr. Hodge glibly dismisses my arguments than it is for Dr. Hodge to say that I glibly dismiss “time-preference.”

In fairness to Dr. Hodge I admit that my initial discussion of this matter as appearing in my book is not as comprehensive as it might have been. The whole discussion is rather tedious, as, no doubt, the present discussion must appear. It is understandable to a degree that several iterations of point and counter-point may be needed in order to clarify positions and to engage the arguments fully. I am grateful for the opportunity to clarify further my critique of “time-preference.” Dr. Hodge reads me as saying that, “...people should *not* discount the future, thereby establishing payment of interest as a compensation for time”³⁶, and that, “...we are not to consider the element of time in our business dealings.”³⁷ This is not fully accurate. I do not deny the psychology

31. Hodge, p.12

32. Harris, *et al*, *Theological Wordbook of the Old Testament* (Chicago: Moody, 1980), Vol. II, p. 604

33. Deuteronomy 15:8, see also v. 11, and Mat. 5:42 and Luke 6:34-35.

34. Hodge, p. 11

35. Mooney, *USURY...*, p. 197-210

36. Hodge, p. 4

37. Hodge, p. 11

of “time-preference.” My point is that the “discount” of future goods is not a matter of degrees, but is *total*. A “future” shovel is not worth one third or one quarter of a “present” shovel. The value of a “future” shovel may not be compared to the value of a “present” shovel at all. *Calculation of relative value cannot be carried out over time. The value of a “present” good may be compared only to the value of other “present” goods.* This is a point that I brought out more clearly in my reply to Dr. North. I refer interested readers to that treatise for a more comprehensive discussion, but also I cite the following from that discussion for greater clarity in the present context: “...I wish to posit the notion that it is not even possible to determine such a thing as ‘equivalent value’ over time. A ratio of values is a moment by moment judgment. Since there are no units in terms of which to express value, one cannot meaningfully say that he values a certain asset the ‘same’ one year as he did a prior year. The best that can be done is to note that the ratio of values between good A and good B is the same one year as it is the next, as expressed in terms of the quantity or quality of goods that one is willing to exchange. But not even this may be expressed in absolute terms according to any ‘unit of value.’ The impossibility of communicating magnitude of value in units - and thus the impossibility of comparing discrete values across time - is perhaps the greatest economic significance of time.”³⁸

I do not deny the universal Human psychology that any given man always would prefer to have a particular good now than he would to have now the promise of that particular good at some future time. I deny that such psychology in any way mitigates the requirement of God’s Law. Dr. Hodge’s appeal to this psychology fails mainly due to his misunderstanding of the concept of “originary interest.” Increased “purchasing power” as a “natural increase” accruing to the lender is nothing that is in view in the Austrian idea of “originary interest.” The Austrian School and Dr. Hodge err in characterizing the loan in the same terms as the exchange. In the exchange of goods, one good is the “price” of the other. The loan is not an exchange. There is no “price” involved. It makes no difference at all whether we conceive of “time” as “commanding a price.” There is no price involved in a loan. A lender lends goods. He does not lend “purchasing power.” The responsibility of the borrower is to repay that which was lent. He does not repay “purchasing power.” Even if it were possible - which it is not - to calculate value over time, and thus to determine that the “purchasing power” of what is repaid is equivalent to the “purchasing power” of what was loaned, this determination is completely irrelevant to the responsibility of the borrower as stipulated in the Law of God.

There are finer points on which I might extend this reply to great length. However, what I have presented to this point suffices to summarize the major challenges that I set before Dr. Hodge. I would be pleased to pursue these matters with Dr. Hodge, Dr. North, or any other interested inquirers.

38. See note 7