intervals only excepted, continued to be the legal rate until the Revolution. Laverdy, in 1766, reduced it from five to four per cent. *Instead, however, of the market rate being proportionably reduced, it was raised from five to six per cent.* Previously to the promulgation of the edict, loans *might have been obtained, on good* security, at five per cent.; but an additional per cent. was now required to cover the risk of illegality. This caused the speedy abandonment of the measure."

The same thing happened in Livonia in 1786, when the Empress Catherine reduced the legal rate of interest from six to five per cent. "Hitherto (says Storch), those who had good security to offer were able to borrow at six per cent.; but henceforth they had to pay seven per cent. or upwards." And such, we think, will be found to have been invariably the case wherever Governments have interfered to reduce the statutory below the market rate of interest.

"From the earliest period of the history of England (says M'Culloch), down to the reign of Henry VIII., the taking of interest was absolutely forbidden to all persons within the realm, except Jews and foreigners, who, nevertheless, were frequently plundered for the sake of enriching the Crown, under the miserable pretext of punishing them for what were then called their 'hellish extortions.' The disorders occasioned by this ruinous interference on the part of Government at length became so obvious that notwithstanding the powerful prejudices to the contrary, a statute was passed in 1546, legalizing the taking of interest to the extent of 10 per cent. per annum; and this because, as is recited in the words of the act, the statutes 'prohibiting interest altogether have so little force, that little or no punishment hath ensued to the offenders.' In the reign of Edward VI, the horror *against taking interest seems to have revived in full force; for in* 1552, the taking of *any* interest was again prohibited, 'as a vice most odious and detestable,' and 'contrary to the Word of God.' But in spite of this tremendous denunciation the ordinary rate of interest, instead of being reduced immediately, rose to *fourteen per cent*, and continued at this rate, until, in 1571, an act was passed (13 Eliz. cap. 8) repealing the act of Edward VI., and reviving the act of Henry VI., allowing ten per cent. interest. In the preamble to this act it is stated, 'that the prohibiting act of King Edward VI. had not done so much good as was hoped for; *but that rather the vice of usury hath much more exceedingly abounded*, to the utter undoing of several gentlemen, merchants, occupiers, and others, and the importable hurt of the commonwealth.'

"In the 21st of James I., the legal rate of interest was reduced to eight per cent by an act to continue for seven years only, but which was made perpetual in the succeeding reign. During the Commonwealth, *the legal rate of interest was reduced to six per* cent., a reduction which was afterwards confirmed by the act of Car. II. And finally, in the reign of Queen Anne, a statute was framed, reducing the rate of interest to five per cent., at which it now stands,"—(with the exception, we may add, of mercantile bills, having less than twelve months to run).

"In Scotland, previous to the Reformation, no interest could be legally exacted for money. But this great event, by weakening the force of those religious prejudices which had chiefly dictated the laws prohibiting interest, occasioned the adoption of sounder opinions on the subject, and led to the enactment of the statute of 1587, which legalized the taking of interest to the extent of ten per cent. In 1633, the legal rate was reduced to eight per cent., and in 1661, to six per cent. The statute of Queen Anne, reducing the rate of interest to six per cent., extended to both Kingdoms."

The same author whom we have already quoted so largely, says—for the purpose of showing how prejudicially the Usury Laws affected all classes of borrowers—"During the greater part of the late war, the Usury Laws operated, not to the prejudice of one, but of all classes of borrowers. The extent of the loans, the high rate of interest given by the State, the facility of selling out of the Funds, the regularity with which the dividends were paid, and the temptations arising from the fluctuations in the price of funded property, diverted so large a proportion of the floating capital of the country into the coffers of the Treasury, as to render it impossible for a *private individual to borrow at the* legal rate of interest, except from the trustees of public companies, or through the influence of circumstances of a very peculiar nature. The proprietors of unencumbered freehold estates, of which they had the absolute disposal, were almost universally obliged to resort to those destructive expedients which had formerly been the resource only of spendthrifts and persons in desperate circumstances. Annuities were not unfrequently granted for the term of several lives, at the rate of twelve, fourteen, fifteen, and even twenty per cent., exclusive of the premium of insurance on the lives of the persons named in the grant of the annuities. Mr. Onslow, in his speech on the Usury Laws, 23rd May, 1816, mentions that he knew the case of a gentleman possessed of a very large estate in *fee simple*, who had been compelled to grant an annuity for *four* lives (and the survivor of them), named by the grantee, for *eight* years' purchase."

But we have, perhaps, far stronger evidence than any yet adduced of the impolicy and pernicious effects of the laws in question, in *the Report of the Committee on the Usury Laws, laid before the House of Commons* in 1818, than anything we have already adduced. We shall, accordingly, quote at some length from it; and trust, from the great importance of the subject, that our readers will not consider us tedious:—

"Mr. Sugden, a gentleman very extensively concerned in the management of landed property (since Lord Chancellor of Ireland), stated, that when the market rate of interest rose above the legal rate, the landed proprietor was obliged to resort to some shift to evade the Usury Laws. For this purpose Mr. Sugden informed the Committee he had 'known annuities granted for *three* lives, at ten per cent., upon fee simple estates unencumbered, and of *great annual value in a register county.*' He had also known annuities granted for *four* lives, and more would have been added but for the danger of equity setting aside the transaction, on account of the inadequacy of the consideration.

"On being asked whether, if there were laws limiting the rate of interest, better terms could or could not have been obtained, Mr. Sugden answered, 'I am of opinion that *better terms* could have been obtained,—for there is a stigma which attaches to men who lend money upon annuities that actually drives respectable men out of the market: I never knew a man of reputation in my own profession lend money in such a manner, although we have the best means of ascertaining the safest securities and of obtaining the best terms.'

"The laws against usury" (says Mr. Holland, partner of the house of Baring, Brothers and Company, and one of the best informed merchants in the country), "*drive men in distress, or in want of money, to much more disastrous modes of raising it than they would adopt if no Usury Laws existed. The landowner requires* capital to increase his live stock, or improve his land, or for any other purpose, at a period when the Government is borrowing money at above five per cent.; no one will then lend to the landowner, because his money is worth more to him than the law allows him to take; the landowner must therefore either give up his improvements, or borrow money on annuity interests on much more disadvantageous terms than he could have done if no law existed against usury. The man in trade, in want of money for an unexpected demand, or disappointed in his returns, must fulfil his engagements or forfeit his credit. He might have borrowed money at six per cent., but the law allows no one to lend it to him, and he must sell some of the commodity he holds, at a reduced price, in order to meet his engagements. For example, he holds sugar, which is worth 80s, but he is compelled to sell it immediately for 70s., to a man who will give him cash for it, and thus actually borrows money at twelve and a half per cent, which, had the law allowed him, he might have borrowed from a money-dealer at six per cent. It is known to every merchant *that cases of this kind are common occurrences in every commercial town, and more especially in the metropolis.* A man in distress for money pays more interest, owing to the Usury Laws, than he would if no such laws existed; because now he is obliged to go to some of the disreputable money-lender to borrow, as he knows the respectable money-lender will not break the laws of his country. The disreputable money-lender knows that he has the *ordinary risk of his debtor to incur, in lending his money, and he* has further to encounter *the penalty of the law*, for both of which risks the borrower must pay. If no Usury Laws existed, in common cases, and where a person is respectable, he might obtain a loan from the respectable money-lender, who would then only have to calculate his ordinary risk, and the compensation for the use of his money."

In every part of the appendix to the Report in question, we meet *with equally conclusive evidence of the pernicious effects* of the laws restraining the rate of interest; but as our article has already extended beyond the usual limits, we must content ourselves, for the present, with adding the two following resolutions, which were agreed to by the Committee, and recommended in the strongest terms for the adoption of the House:—

"1st. That it is the opinion of this Committee that the laws regulating or restraining the rate of interest have been extensively evaded, and have failed of the effect of imposing a maximum on such rate; and that of late years, from the constant excess of the market rate of interest above the rate limited by law, they have added to the expense incurred by borrowers on real security, and that such borrowers have been compelled to resort to the mode of granting annuities on lives; a mode which has been made a cover for obtaining a higher rate of interest than the rate allowed by law, and has further subjected the borrowers to enormons charges, or forced them to make very disadvantageous sales of their estates."

"2nd. *That it is the opinion of this Committee that the construc*tion of such laws, as applicable to the transactions of commerce as at present carried on, have been attended by much uncertainty as to the legality of many transactions of frequent occurrence, and, consequently, been productive of much embarrassment and litigation."

We shall continue this subject in our next; meantime, we recommend the foregoing to the best consideration of our readers and the public.