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CONFISCATION BY THE RULER: THE RISE AND FALL OF JEWISH LENDING IN THE MIDDLE AGES*

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I. The Problem

The power to confiscate is a mixed blessing. A ruler who is truly absolute can confiscate from his subjects at will. In practice, however, no ruler is as "absolute" as the term implies. For example, a ruler may have to forgo investment projects that would otherwise increase his wealth because his subjects, fearing confiscation, are reluctant to deal with him and because he is not absolute enough to costlessly force subjects to do so. This problem is especially acute when the ruler stands to gain by borrowing from his subjects. As Bulow and Rogoff show, a debtor who cannot be penalized for repudiating his debt will repudiate.[1] Obviously, the same applies to an absolute ruler. As Veitch points out, however, he will not necessarily repudiate at his first opportunity.[2] As long as he expects his future borrowing to exceed his interest payments, he gains by waiting. What Veitch fails to realize is that no lender can operate indefinitely on such a basis and, consequently, that the ruler will repudiate when the present value of his debt is maximized. Since repudiation is inevitable, it might seem that an absolute ruler would be unable to find willing lenders.

Loans are often repudiated for the more prosaic reason that borrowers lack adequate resources at repayment time. Lenders may try to avert this outcome by lending only to borrowers who demonstrate that they will be

* I wish to thank Douglas Allen, Bruce Johnsen, Levis Kochin, and Robert Stacey for their comments.

[1] Jeremy Bulow & Kenneth Rogoff, A Constant Reconstructing Model of Sovereign Debt, 97 J. Pol. Econ. 155 (1989).

[2] John M. Veitch, Repudiations and Confiscations by the Medieval State, 46 J. Econ. Hist. 31 (1986).

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able to repay. Such a demonstration might require the borrower or his guarantor to reveal his or her business plans to the lender. Yet borrowers may be reluctant to supply the information because it gives lenders the opportunity to exploit the information to their own advantage by, for example, duplicating the proposed investment.

Though troublesome, these obstacles to lending under an absolute ruler are not insurmountable. One likely solution (perhaps the only solution) to the repudiation problem is to provide the ruler with a source of income that is tied to lending such that it will terminate if he repudiates. Consider the prospect of lending and borrowing among subjects. If this activity is allowed to flourish, it could become a source of substantial tax revenue to the ruler. Lending activities could flourish if lenders are assured that their loan obligations will not be confiscated and if borrowers are assured that lenders and their associates will not compete with their borrowers' businesses. A ruler who firmly agrees not to become a lender himself and, in addition, prevents lenders from competing with their borrowers loses much of the incentive to confiscate loan repayments because of the loss of the tax revenue it entails. The fear of lenders that the ruler will confiscate their claims on subjects' debts is reduced further if they extend loans to the ruler as well. It is evident, then, that absolute rulers can create conditions to avert lenders' fears of confiscation, just as they can create conditions to avert other forms of confiscation.[3] This article develops these propositions and tests their implications against the history of Jewish lending in medieval England.[4]

II. A Rationale for Jewish Lending

During the Middle Ages, the Catholic church adopted the scholastic principle with roots in the Old Testament that everything that accrued to the capital constitutes usury, and, therefore, the church prohibited charging interest on loans. The state's attitude toward usury is more difficult to uncover. The literature I studied shows that some medieval French rulers enforced the church's restrictions whereas others were quite lenient toward Christian lenders. The literature says little regarding the

[3] Yoram Barzel, Property Rights and the Evolution of the State (unpublished manuscript, Univ. Washington, Dep't Economics, March 1992).

[4] Douglass C. North & Barry R. Weingast, Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England, 49 J. Econ. Hist. 803 (1989). North and Weingast are also concerned with the ruler's confiscatory power. They show how a constitutional solution to the problem eliminated the ruler's power to confiscate. Whereas the ruler was able to borrow before his power was constrained, North and Weingast demonstrate the drastic fall in the cost of borrowing that ensued in the imposition of the constitutional constraint.

English kings' policy on this issue, except for noting that one or two Flemish lenders were in operation (and thus tolerated) in England during part of the twelfth century. Italian lenders were prominent in England during much of the thirteenth century. I found no clue as to why these and not other Christian lenders were permitted to operate. Some Englishmen, of course, lent money to others, but interest was seldom charged openly. There were ways to evade the constraint on interest payments by, for example, overstating the size of the principal or repaying cash loans in underpriced commodities. Such evasions, however, had the drawback of making it difficult to renew loans. In any case, it is clear that in England individuals felt constrained and that, by and large, the church's prohibition on its Christian subjects was enforced by the state. Thus, Richardson states that "what the king's ministers could not do [after confiscation] was to retain the bond and require the payment of interest arising."[5] The enforcements, however, were applicable only within faith. The Mosaic code barred Jews from charging interest within faith, but, like the church, it did not apply across faiths. Jews, then, could freely lend to (and sometimes borrow from) Christians.

In the Middle Ages, the repayment of loans made by Jews was exceedingly vulnerable to confiscation by the ruler. Indeed, confiscation of Jewish property was a recurring event in the Middle Ages. Nevertheless, for much of that time Jews were an important source of loans. I will now examine those factors that enabled Jews to keep their capital in states where the ruler had confiscatory power, and I will discuss the conditions that caused the protection to fail periodically.

The activities of Jews in England were severely circumscribed; they were permitted to engage in financial transactions with Christians but were barred from virtually any other business relationship with them. It is generally taken for granted that capital markets always generate net benefits to their participants, that the church-imposed restrictions on charging interest hindered the realization of such gains from trade, and that the existence of a non-Christian group that could engage in lending raised income by simply evading the restriction imposed by the church. Could it be, however, that lending entails some major, albeit hidden, costs and that Jewish lending was largely free from that hidden cost? As argued above, borrowers may fear that the information they reveal to lenders in order to secure the loans could be used to take over their businesses or to compete with them. In medieval England, Jews, who were the primary lenders to the Christian population, were barred from

[5] H. G. Richardson, The English Jewry and Angevin Kings 75 (1960).

most other occupations where they could have interacted with Christians. They were also restricted in the location of their residences, which increased the costs of their illegal business activity. Borrowers, then, could more readily reveal to their Jewish lenders the necessary information, which may explain the occupational restrictions imposed on Jews. Since the demand for loans is higher if aspiring borrowers do not fear competition from potential lenders, the occupational and residential restrictions imposed on Jews largely eliminated the fear of such competition.[6] The simultaneous restrictions on within-faith lending and on across-faith business dealings other than lending are consistent with the notion that their purpose was to increase the ruler's tax revenue from lending and to lower his gain from confiscation.[7] Indeed, Jews who converted to Christianity lost the right to charge interest and in so doing lost their usefulness to the king; the king confiscated the property of converts.

But how did the ruler allay the fear of confiscation? The ruler would have gained from confiscation had he been the sole borrower.[8] Jewish lenders, however, provided a service valued by the rulers' subjects as well. My argument is that the ruler would not necessarily gain from confiscating Jewish claims if some or all of the borrowing from Jews were done by his Christian subjects and if that service could be taxed. Confiscating the promissory notes Christian borrowers gave to their Jewish lenders would have entailed a cost to the ruler. Any Christian ruler who were to confiscate the promissory notes, called "bonds" in this literature, would personally have become the owner of the agreed repayments. (Christians, apparently on a modest scale, lent money to Jewish lenders by buying their bonds. Such lending has to be netted out to obtain the total amount the ruler could confiscate from Jews.) As a result of the confiscation, borrowers simply acquired a new claimant on their payments. The ruler, however, then had to liquidate the loans or at least refuse to make new ones; otherwise, he would have violated the lending prohibition.[9] The ruler, of course, could use the confiscated funds di-

[6] I am indebted to Ron Barzel for this idea.

[7] The hypothesis above implies that consumption loans should be allowed more readily than business loans. Long ago, however, Jews expressly removed the within-faith restriction from business loans.

[8] J. R. Hicks, A Theory of Economic History (1969). Implicitly considering borrowing only by the ruler, Hicks concludes that confiscation is inevitable.

[9] A ruler who abided by the church's position on charging interest either was not absolute or, alternatively, viewed the constraint on himself as well as on others as advantageous or at least as a worthwhile concession to the church. The discussion in the text suggests that the constraint benefited the ruler.

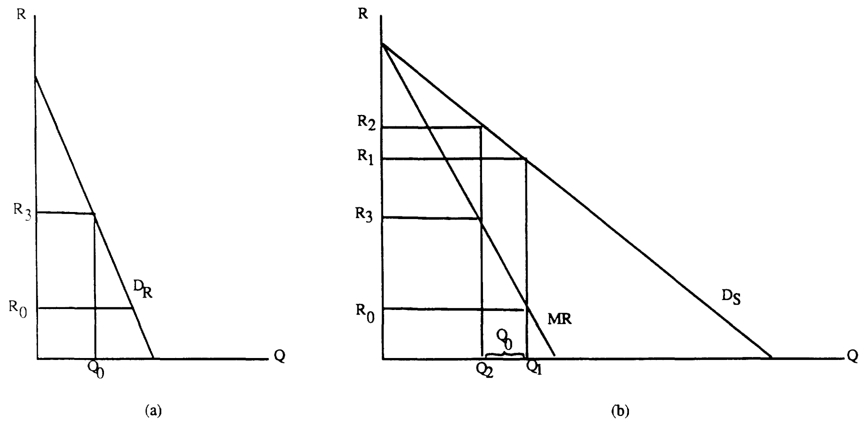

FIGURE 1

rectly, thereby earning whatever rate of return the extra funds yielded when used on his own projects. Instead of confiscating lenders' claims, however, he had the option of allowing subjects to borrow, albeit at a high rate, for their own investment projects and of taxing the lenders. By taxing Jewish lenders, the ruler in effect was able to collect high, "usurious" interest while deflecting the populace's animosity from himself to the Jews. Taxes that are not fees for services are a form of confiscation. The taxes on lending confiscated part of the associated income flow; repudiation confiscated the capital stock. My argument is that under the appropriate conditions the present value of the former could exceed the value of the latter. A rate of taxation at least as high as the rate of return that the ruler would have earned on the confiscated capital obviously would have yielded no less than confiscation. By imposing such a tax, the ruler's promise not to confiscate became self-enforcing; he gained from keeping his word. Under these conditions, lenders would not have been squandering their money when they lent it.

Figure 1 illustrates the argument on the ruler's cost of and gain from confiscation and elaborates on it. In each of its two panels, Q is the amount lent, R is the interest rate, and R_0 is the average and marginal cost of capital to Jewish lenders. In panel a, D_R is the ruler's demand for capital. In panel b, D_S is subjects' demand for capital net of collection and default costs, and MR is the corresponding marginal revenue. A rising cost of capital will be considered below. The ruler's objective is to extract the largest amount of tax revenue. Abstracting from price discrimination,[10] he will impose a single tax rate $R_1 - R_0$; the rate that equates aggregate lenders' marginal cost to their marginal revenue. Given the tax rate $R_1 - R_0$, lenders lend to subjects an amount Q_1 and charge interest R_1, and the ruler extracts the amount $Q_1(R_1 - R_0)$. If, instead, the ruler chose to confiscate the claims on the debt, he would have gained Q_1, the entire amount lent. The annual income Q_1 generates is the area under his demand curve D_R (panel *a*), up to quantity Q_1. It is obvious that, if the ruler's demand D_R lay entirely above D_S, confiscation necessarily would have benefited the ruler.

The opportunity to tax subjects' borrowing is the fundamental force that lowers the gain from confiscating the lenders' bonds, that is, borrowers' obligations to lenders. In general, however, lending to the ruler in addition to lending to his subjects will further reduce that gain. As long as the vertical intercept of the ruler's demand is higher than R_1, diverting a nonzero number of loans from subjects to ruler would generate to the ruler a higher income than he could earn from taxation, correspondingly reducing the incentive for confiscation. The maximizing amount of borrowing by the ruler should satisfy the condition that the return on the last unit he borrows should equal the loss in tax revenue due to the transfer of lending from subjects to ruler. In order for the ruler to maximize his wealth, he should borrow an amount such that the marginal revenue from lending to subjects equals the height of his demand curve at the quantity released by subjects. In the figure, this condition is satisfied when, out of their total lending funds of Q_1, Jews lend the amount Q_2 to subjects and lend the remaining amount Q_0 to the ruler. At Q_2, average revenue is R_2, and this is the rate they should charge subjects. The marginal revenue is R_3, which is the rate lenders should charge the ruler. The ruler's net gains from taxing Jewish lenders, then, is higher when he also borrows. He would then gain less from confiscation since he is already extracting some of the rent that the confiscated funds can otherwise generate.

For clarity of exposition, the focus of the analysis here is the rate, but it can be carried in lump-sum terms. Instead of charging a unit tax $R_2 - R_0$, the ruler could have imposed a lump-sum tax amounting to $Q_2(R_2 - R_0)$, which would have changed the form of the tax but not its total amount. Taxes were usually lump sum.

Two more elements must be introduced into the model—one is the fact

[10] Jews needed the ruler's permission to become lenders. The ruler could have franchised all lending to a single lender. He must have believed, however, that he was better off by allowing competition among lenders, as numerous Jewish lenders apparently competed with each other in England in 1066–1290, the period of this study.

that conditions are not static, and the other is the emergence of alternative lenders. The ruler's demand for capital was likely to fluctuate over time. This is of particular importance. He may have altered the tax rate as his demand changed or, given the cost of change, stayed with whatever tax rate he imposed. In either case, an upward shift in his demand D_R made confiscation more profitable to him. When his demand increased enough, he would confiscate. Regarding alternative lenders, their emergence implies that the demand facing Jewish lenders became more elastic. More elastic demand means a diminished capacity for taxation making confiscation more attractive.

III. Refutable Implications

I hypothesized above that during the Middle Ages confiscation was costly to the ruler because by confiscating he must have forgone the opportunity to tax the net income Jews would earn by lending to his subjects. The ruler's loss from confiscation was larger the lower R_0, the lower D_R, and the more restricted the subjects' access to alternative sources of funds. If this is true, then the following should be observed.

First, Jewish lenders were heavily taxed by the ruler. Assuming that when Jews arrived in England they possessed (or had access to) only a small amount of capital for lending, growth of the Jewish capital stock should be observed since the ruler would have gained from taxes low enough to permit accumulation. The ruler protected his tax base as an asset that was one source of his income. Second, the bulk of Jewish lending was to subjects rather than to the ruler. Third, the rate of interest charged by Jews was higher than they were where usury laws were not as stringently enforced and lending not so easily taxed. Fourth, Jewish claims on subjects' debts were confiscated when competing but untaxed sources of lending became available. Fifth, Jews were not allowed to engage in the same business activities as were their borrowers; and, like Jews, other prominent lenders were easy to distinguish from their borrowers. And sixth, the amount taxed and the likelihood of confiscation of Jewish claims on debts increased as the ruler's demand for loans increased relative to that of his subjects.

IV. The Evidence from Medieval England

I will use the history of Jews in medieval England to test the hypothesis. It seems that no Jews lived in England in the years preceding the Norman Conquest. Jews came to England in the wake of the Conquest as feudal subjects of the monarch.[11] Jews were allowed to engage in lending and were barred from virtually any other occupation outside the Jewish community. Until Henry III ascended the throne in 1216, Jews in England thrived under the king's protection. In the midst of his long reign (1216–72) Henry III departed from his predecessors' practice and imposed a series of confiscatory taxes on the Jewish community. He also provided Jews with much less protection against harassment than did his predecessors. Edward I, his successor, continued these policies. In 1290, apparently yielding to prevailing anti-Semitic sentiments, he expelled the impoverished and decimated Jewish community from England.[12] The relevant period for the tests, then, is from 1066 or soon afterward to 1290.

I will now discuss how the propositions introduced above fare against the facts. First, prior to the confiscation that Henry III initiated, the Jewish community was heavily taxed, as is implied by the hypothesis. Roth states that "[i]t has been estimated that an average of £3000—that is, something like one-seventh of total revenue—was derived at this period [the second part of twelfth century] from the Jews every year."[13] He indicates that this tax was separate from many special impositions that Jews were required to pay. At the same time, the Jewish community was allowed to prosper within these constraints, which is consistent with the implication that the Jewish capital stock would grow. Until the rule of Henry III, the English monarchs vigorously protected the Jewish community and assisted in enforcing repayment of their loans. A major ingredient in the loan-security mechanism was the registry of loans, a procedure introduced in the 1190s. Loans that were registered with the authorities were easier to enforce; such loans were also easier to tax. Registry was compulsory.[14]

The second implication is that Jews are expected to have lent mostly to subjects rather than to the monarch. Roth's discussion makes it clear that Jews extended loans to numerous individuals and that their operations covered the entire country. Although he does not dwell on the

[11] Frederick Pollock & Frederick William Maitland, 1 The History of English Law before the Time of Edward I, at 468 (2d ed. 1898).

[12] Cecil Roth, A History of the Jews in England (1987). Roth is the main source for the historical background.

[13] *Id.* at 16. In a personal communication, Robert C. Stacey maintained that the one-seventh figure underestimates the king's total revenue, particularly if account is taken of the king's revenues from his holdings in France.

[14] *Id.* at 28–29. Six or seven cities were designated as registration centers. "All deeds and contracts had to be drawn up in duplicate, in the presence of [two reputable Jews, two Christians, and two clerks], the counterparts being deposited in a chest (archa, huche) provided with three locks and seals" (*id.*).

extent of lending to the monarch, his account suggests that such lending was on a modest scale. When discussing certain large lenders, he states that the transactions of three or four prominent Jewish businessmen from London were mainly with the nobility and that another large lender was "making advances to the crown also, though of relatively small amounts."[15] The facts, then, are consistent with the hypothesis that the bulk of Jewish lending was to subjects rather than to the ruler.

Third, regarding interest rates, Roth's data indicate that the rates charged by Jewish lenders in England exceeded the prevailing rates in areas where usury laws were not enforced vigorously. Interest rates were usually stated in pence per pound per week. With 240 pence to the pound, a pence per pound per week (not compounded) amounts to 21 2/3 percent per year. Jews were prohibited from compounding the interest. Roth states that Jewish lenders charged from 21 2/3 to 43 1/3 percent per annum and exceptionally would charge 60 percent or even 87 percent,[16] whereas "in southern Europe . . . the standard rate was far less—23 percent to 37 percent in Italy, 20 percent in Spain."[17] Richardson, whose work is subsequent to Roth's, provides no information on non-English borrowing. For England he states that "2 pence per pound [per week, an annual rate of 43 1/3] seems to be the usual rate of interest."[18]

The fourth hypothesis implies that confiscation will occur when alternative sources of loans emerge. Consider first the alternative sources of loans. Italians, who were becoming the most active financiers in Europe, eventually became the chief substitute source of loans. Roth states that Italian lenders began their financial dealings in England in 1223.[19] By the middle of the thirteenth century they were already very prominent. Additional bits of data on the Italian presence in England are provided by Shatzmiller and by Kaeuper. Shatzmiller notes that prior to 1244 the priory of Canterbury dealt with Jews, but in the subsequent fifty years it dealt with Lombards.[20] Kaeuper states that "[t]he Italians . . . had lent money on occasion to Richard (1189–1199) and John (1199–1216) . . . but it was during the reign of Henry III [1216–1272] that they began to flourish."[21] He also states that the Riccardi of Lucca, who were bankers

[15] *Id.* at 7 and 16.

[16] *Id.* at 106.

[17] *Id.* at 107, n.1.

[18] Richardson, *supra* note 5, at 70.

[19] Roth, *supra* note 12, at 69.

[20] Joseph Shatzmiller, Shylock Reconsidered (1990).

[21] Richard W. Kaeuper, Bankers to the Crown: The Riccardi of Lucca and Edward I, at 76 (1973).

to Edward I in the period 1272–94, were also "money-lenders to great and lesser men alike on a considerable scale."[22] In one fundamental respect, Italian lenders were treated differently from Jewish lenders—there was no compulsory registry of their loans. So, Italian lending presumably was not taxed. It is evident that Italian lenders did not consider themselves vulnerable to the forces that led to the confiscation of Jewish property. The reason, however, eludes me.

The emergence of Italian (Christian) lenders more or less coincided with the onset of the imposition of confiscatory taxes on the Jews. Stacey provides a more detailed account than does Roth of the timing of the confiscation, placing the onset of confiscatory taxes in 1239 or 1240. He states that, "[b]efore 1239, Jewish taxation had made a modest but fairly steady contribution to the king's finances."[23] "This pattern . . . changed dramatically when [in 1239] Henry demanded from the Jews the third part of all their chattels."[24] He concludes that "there can be no doubt at all that Jewish fortunes in England changed dramatically and permanently between 1240 and 1260, and that this change was in large part a consequence of the new approach to Jewish taxation initiated by King Henry III and his council between 1239 and 1242."[25] The protracted process of confiscation may be explained by the fact that the ruler could extract more from Jewish lenders by letting them continue to apply their specialized skills while alternative sources of loans were being developed.

I cannot test the fifth implication—that Jewish lenders would be barred from their borrowers' trades—because I formed the hypothesis only after having learned about the Jews' occupational restrictions. That Jews were restricted in residential location and required to wear distinctive clothing or marks is, however, consistent with the hypothesis. The implication that other lenders would be distinct from borrowers is borne out by the evidence. As just discussed, Italian lenders replaced Jewish ones. Moreover, Richardson states that around 1160 there were, besides Jewish lenders, only two other prominent lenders.[26] Both of these lenders were Flemish.

The last implication is that confiscation will occur when the ruler's rate of return from using the capital increases. This implication appears to correspond with the popular notion that the ruler's increased "need" for capital, particularly to finance wars, tends to lead to confiscation. It is

[22] *Id*. at 31.

[23] Robert C. Stacey, Politics, Policy, and Finance under Henry III, 1216–1245 (1987).

[24] *Id*. at 144.

[25] *Id*. at 155.

[26] Richardson, *supra* note 5, at 53.

not, however, a simple matter to identify what the discount rate facing the ruler was. Moreover, the common assertion that such a rate must be high at a time of war is not generally true.[27]

The question that must be answered first is whether the change in the discount rate associated with a war is due to a shift in demand conditions or in supply conditions. Consider a ruler who has standing plans to attack another ruler and is just waiting for the right circumstances. He might go to war, for example, if his adversary has weakened. When this happens, the ruler's demand for funds increases, and on the margin his discount rate is higher. Or the ruler might go to war if there is a rightward shift in the supply of funds he faces, that is, if he faces a more abundant supply of funds.[28] When such a shift occurs, the ruler's discount rate is lower on the margin (as well as on average). Thus, the discount rate of a ruler who is observed to go to war can be lower than it was before the war; it is not necessarily higher. Regarding the discount rate of the ruler's adversary, when the adversary himself is weakened, his demand for funds also increases, and his discount rate is higher. In the case where one side faces a shift in the supply of funds, it is not clear what rate of discount is faced by the other side because, while a ruler may be forced to go to war, the supply of funds facing him may have also shifted out. For medieval England, at least, it is too difficult to sort out these forces and determine what the ruler's rate of return was or how and why it fluctuated. Thus, I am unable to test this implication.

The model predicts not only conditions for (full) confiscation but also conditions for change in the tax rate (or tax amount). The taxes imposed on Jews were indeed changed every so often, and in 1210 an especially heavy tax was imposed. Once again, however, it is too difficult to isolate the factors that could lead to a clean test of the rate of return hypothesis.

A few words are in order regarding the test of the hypothesis under

[27] Historians and political scientists, in their discussions of financing wars, tend to consider the cost of warfare as an exogenous force. Increases in unit costs—of weapons, for example—are often asserted to require a correspondingly higher expenditure to fight a war. This view is fundamentally flawed. Restricting the discussion to fighting for financial gain alone, the cost of weapons has little to do with the cost of war. The expected gain (or the expected loss) is the fundamental determinant of how much to spend on fighting. By and large, an increase in the costs of producing given weapons will, as a first approximation, affect both sides equally. Its main effect is simply reduced purchases, leaving a country's total fighting budget unchanged. The increase in the total cost of warfare is the result of the expected gain and not the cause of the search for war financing.

[28] North & Weingast, *supra* note 4, at 830. They provide a dramatic illustration of how the reduced cost of finance enhanced military activity. They say, "the funds made available by the growth in debt [at lower interest rates] from 1688 to 1697 were surely a necessary condition for England's success in this war with France as well as the next one (1703–1714), from which England emerged the major power of the world" (*id.*).

conditions of the Jewish experience in medieval France. The history of Jews in France has many parallels with that of Jews in England, and French Jews were expelled from (Capetian) France in 1306, just sixteen years after the expulsion from England. The French case is "richer" than the English one. Confiscation and expulsion had several phases and applied differently in different areas.[29] In England, the Jewish policy was much more narrowly a royal policy. In order to test the model for the French experience, many more data are needed than in the English case. As sparse as the English data are, there are even less French data. Therefore, the model is not tested for the French case. It is interesting to note, however, that during the late twelfth and the thirteenth centuries, the Templars, a Christian order active in the Crusades, became major lenders in France.[30] The Templars' property was confiscated by the French king at about the same time he confiscated the Jewish property. These acts of confiscation occurred after Italian lenders acquired a major role in French finances.[31]

V. Summary and Conclusions

An absolute ruler's ability to confiscate hinders his opportunities to strike deals with his subjects. Loans to the ruler are especially vulnerable to confiscation. In medieval England, Jews who were major lenders were entirely at the king's mercy. This article argues that the Jews' exclusive right to charge interest and their exclusion from other business activities enabled the formation of a self-enforced commitment on the part of the ruler not to confiscate. This article then derives several implications. The available evidence is entirely inadequate for testing one of the implications—that on the rate of return. The evidence used to test the other five implications is rather spotty and probably subject to substantial error. Still, in every case the data are consistent with the hypothesis. Taken as a whole, the results provide strong support for the basic hypothesis.

The results tend to confirm the hypothesis that Jewish property was protected from confiscation by the ruler only as long as Jewish lenders were able to produce a higher tax income to the ruler than the ruler could have had by confiscating their property and managing the funds himself.

[29] William C. Jordan, The French Monarchy and the Jews: From Philip Augustus to the Last Capetians (1989).

[30] E. B. Fryde, Public Credit, with Special Reference to North-western Europe, in 3 The Cambridge Economic History of Europe 447 (M. M. Postan & H. J. Habakkuk eds. 1963).

[31] *Id*. at 451.

In turn, the high level of tax revenue depended on Jewish lenders' ability to charge high interest on loans to the ruler's subjects. Once outside (and untaxed) competitors emerged, confiscation of Jewish loans became the maximizing course for the ruler to take, and that is the course he adopted.

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