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XXII.6 For what reason the price of usury diminished by half upon the discovery of the Indies

- The Spirit of Law - Book XXII. On laws in their relation to the use of money -
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The Inca Garcilaso [1] says that in Spain after the conquest of the Indies, interest, which was at ten percent, fell to five percent. That is what had to happen. A large quantity of silver was all at once shipped to Europe ; soon fewer people needed silver, the price of everything went up, and the price of silver went down ; the proportion was thus broken, and all prior debts were paid off. We can remember the time of the System [2] when everything was highly valuable except silver. After the conquest of the Indies, people who had silver were obliged to lower the price or the hire of their merchandise, in other words the interest.

Since that time, lending has not been able to return to the former rate, because the quantity of silver has increased every year in Europe. In addition, as the public funds of some states, based on the wealth which commerce has procured for them, were yielding very modest interest, private contracts had to be adjusted in consequence. Finally, exchange having given men singular ease for transporting silver from one country to another, silver could not be scarce anywhere without pouring in on all sides from places where it was common.

[1] *History of the Spanish Civil Wars in the Indies.*

[2] This was the name given to the project of Mr. [John] Law in France.