Beyond *Puerto v. CA* and *Pascual v. Ramos*: The Rigidity of the Usury Law and the Economic Rationale of Central Bank Circular No. 905

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"The application of economic analysis to the law is based on the proposition that economic efficiency is useful for examining legal rules and institutions." Following the scholarly tradition of "law and economics," this Comment investigates the underlying economic rationale for suspension of the Usury Law by the Central Bank Circular No. 905.

The Comment uses the recent cases of *Puerto v. CA* and *Pascual v. Ramos* as starting points for an economic analysis of the Usury Law and its moratorium. Using economic principles to examine the two cases, the Comment establishes that a policy of floating interest rates, determined solely by the equilibrium of supply and demand for money, is almost always the better alternative over managed interest rates. In conclusion, the presumption in favor of liberalization and non-intervention of the government should be the general rule in deciding what economic policies should be implemented, and government intervention being the exception.