

Can The World Work Without Interest?

Questioning the ethics and economics of usury

By Wayne Visser

Wayne Visser writes from Edinburgh University in Scotland where he is studying a fascinating and thought-provoking course in ecology. Subjects include environmental economics, ecological ethics and education, resource economics, principles of human ecology, and management of sustainable development. He is now working on his dissertation, for which he has chosen to examine the social and environmental effects of usury.

Lending at interest, or excessive interest (known as the practice of usury), has a long history of condemnation on moral and ethical grounds by most of the major religions, as well as by various modern socio-economic reformers.

His aim, says Wayne, will be to research the effects of usury, such as redistributing wealth from the poor to the rich, and the encouraging of environmental exploitation by treating nature as a substitutable asset. He will also look at case studies of possible non-usurious economic practices, such as Islamic banking, ethical investment funds, and LETS schemes.

In the meantime he has sent *Odyssey* an essay outlining and explaining the historical condemnation of usury. The following points have been condensed from the essay.

The practice of usury can be traced back approximately 4 000 years, and there are references to it in the Vedic texts of ancient India and other scriptures. It has been repeatedly condemned, prohibited, scorned and restricted, mainly on moral, ethical and religious grounds. Among its most visible critics have been the religious institutions of Hinduism, Buddhism, Islam and Christianity (Roman Catholic and Protestant); ancient Western philosophers and politicians; and also modern socio-economic reformers.

Among the ancient Western philosophers who condemned usury were Plato, Aristotle, Cicero, Seneca and Plutarch. It was Aristotle who argued that "a piece of money cannot beget another".

The usury debate prevailed with great intensity within the institutions of early Christianity for well over 1 000 years. In the eighth century (under Charlemagne) usury was declared a criminal offence, and in 1311 Pope Clement V made the ban on usury absolute, declaring all secular legislation in its favour null and void.

Later the anti-usury movement lost its momentum and, along with the increasing tide of commercialism, the pro-usury counter-movement began to grow. During the seventeenth century usury passed from being an offence against public morality, which a Christian government was expected to suppress, to being a matter of private conscience. A new generation of Christian moralists redefined usury as “excessive interest”.

Among the modern socio-economic reformers opposed to the practice of taking or charging interest is Margrit Kennedy, who holds that interest acts like cancer in our social structure.

What are the reasons for the long history of condemning usury? While some reasons are unique to particular traditions of individuals, many have a common base - for instance, the concept of usury as unearned income, which relates to the idea of “Just Price”. The Lateran Council of 1515 expressed the view of the Christian Church: “This is the proper interpretation of usury, where gain is sought to be acquired from the use of a thing not in itself fruitful (such as a flock or a field) without labour, expense or risk on the part of the lender”. To take from others in a way that short-cut the process of living by the sweat of your brow was regarded as unacceptable.

Usury has been seen as a form of *double billing*, where you pay for the use of the goods purchased, as well as paying for the use of the money with which you bought the goods.

It has also been condemned as a form of *exploitation of the needy*, whereby “the poor have to sweat doubly so that the rich might live on interest”. Third World countries are crippled by interest payments on national debts, and their natural resources are exploited and exhausted in order to meet these payments, instead of providing for the real needs of the people.

As a *mechanism of inequitable redistribution of wealth*, usury is a way in which the rich get richer and the poor get poorer. The essay also looks at role of usury as an *agent of economic instability*, and at its long-term negative affects regarding the depletion of natural resources and the needs of future generations.

We live in a global economic system that is more usurious, or interest-based, than ever before. Are the above criticisms sufficiently convincing and relevant to merit a legitimate challenge to the status quo? The writer believes that, for the most part, they are. He points to the existence of alternative models, such as the circulation-free economy, the Islamic political economy, and the LETS system, as possible ways forward into a more liberating economic system in which usury has no place.

In primitive societies the taking, in return for a loan of money or goods, of anything in excess of the loan, appears always to have been a practice that was repugnant, or even unknown. This is because, in the early stages of civilisation, the thing loaned is not used as a productive capital, but for consumption, generally by persons in want. The exaction, then, of a return, seemed to be a taking advantage of another’s need for life necessities.

- *Webster's Dictionary*

Thou shalt not lend upon usury to thy brother, usury of money, usury of victuals, usury of anything.

- *Deuteronomy XXIII v 19*