

Presentation given at a Conference on Community Life and Debt, at Leeds Church Institute on September 25th 2008, by Revd Dr Philip Bee of the Oastler Centre for Faith in Economic Life

Usury in the Christian Tradition

I'm very grateful this morning to a number of my colleagues from the Financial Inclusion Steering Group in Leeds giving up their time to talk in the first place about the work that Leeds in particular has pioneered in recent years, and in the second place about the way that work is evolving in the turbulent economic times that we currently inhabit. Financial Inclusion recognises that not everybody has access to banking services that most of our society takes for granted. Those services include, of course, access to credit. The result is, as you will see, that excluded people find other ways of borrowing that are often intrinsically unfair, or at worst illegal. Leeds wanted to stop predatory lenders and loan sharks from bleeding the poorest communities of valuable resources that were being pumped in for the purposes of regeneration. We will here more of this later.

I want to begin this morning, though by tracing the issue of usury through the Christian traditions and into the modern world, in part to provide a theological context into which to pitch what others will say later, and in part to offer clarity to a subject which is often discussed as though we are all felons for taking our hard earned savings down to the local building society to earn a little interest. The question of when and if money can be lent at interest for a guaranteed return is one of the oldest moral and economic problems and has taxed the church's theologians for centuries. Should we denounce it, accept it or control it? We begin with the Bible, which is often presented as being unequivocal about usury. This is not the case, but the Bible does, quite rightly have concerns over lending at interest.

The Bible

The Israelite experience of slavery in Egypt, although not rooted in debt as such, makes them acutely aware of the capacity that usury has to so indebt one person to another that they become a slave to them. So there are injunctions against this. The standard texts are:

Exodus 22:25-27 (New International Version - UK)

If you lend money to one of my people among you who is needy, do not be like a money-lender; charge him no interest. If you take your neighbour's cloak as a pledge, return it to him by sunset, because his cloak is the only covering he has for his body. What else will he sleep in? When he cries out to me, I will hear, for I am compassionate.

Leviticus 25:35-38 (New International Version - UK)

If one of your countrymen becomes poor and is unable to support himself among you, help him as you would an alien or a temporary resident, so that he can continue to live among you. Do not take interest of any kind from him, but fear your God, so that your countryman may continue to live among you. You must not lend him money at interest or sell him food at a profit. I am the LORD your God, who brought you out of Egypt to give you the land of Canaan and to be your God.

Deuteronomy 23:19-20 (New International Version - UK)

Do not charge your brother interest, whether on money or food or anything else that may earn interest. You may charge a foreigner interest, but not a brother Israelite, so that the LORD your God may bless you in everything you put your hand to in the land you are entering to possess.

Notice that the injunctions against usury spring out of belief in a compassionate God, who rescued his people from slavery. Notice also that these injunctions apply to fellow Israelites, but that charging interest to foreigners is regarded as legitimate. That becomes important later as attitudes to usury begin to change.

When it comes to the New Testament, there is very little reference to usury. Luke 6: 34-35 is the most direct where Jesus advises his disciples:

Luke 6:34-35 (New International Version - UK)

And if you lend to those from whom you expect repayment, what credit is that to you? Even 'sinners' lend to 'sinners', expecting to be repaid in full. But love your enemies, do good to them, and lend to them without expecting to get anything back.

Less directly, in Luke 4: 18-19 Jesus identifies his arrival among the people as inaugurating the year of jubilee that we read about in Deuteronomy and which was the basis of the Jubilee 2000 campaign of the late 1990s, to become Make Poverty History in the new millennium.

Luke 4:18-19 (New International Version - UK)

The Spirit of the Lord is on me, because he has anointed me to preach good news to the poor. He has sent me to proclaim freedom for the prisoners and recovery of sight for the blind, to release the oppressed, to proclaim the year of the Lord's favour.

There is recognition here that unbridled markets have the habit of favouring some individuals over and against others, thereby creating inequalities in society that effectively enslave one person to another. The real worry is that usury makes the rich wealthier and the poor more impoverished. The compassionate God that Jesus reveals to us is interested in turning such inequalities around.

Paradoxically, the Financial Inclusion measures that Leeds has implemented which include creating access to credit, have been intended to address such inequalities! But for now, take it that the Old Testament injunctions relating to usury are carried over into the New and are certainly picked up by the early theologians of the church.

Christian Theology and Practice

Theology and practice do not always walk hand in hand. The Church's approach to usury across the ages is sometimes principled, often pragmatic (or accommodating), and occasionally corrupt.

Early Christian theologians, following Aristotle as well as Hebrew scriptures, regarded usury as a sin - St Jerome went as far as to declare usury as equivalent to murder since it deprived the borrower of life. By the twelfth and thirteenth centuries, however, the approach seems more confused. Thomas Aquinas seems to be hostile to usury in principle, whilst allowing that those who lend their money deserve some compensation for not being able to put it to other uses themselves. But he is vague as to how much compensation and why.

In spite of the principles or reservations of its theologians, parts of the church and wider society were already moving in a different direction. Since Jews were permitted, as above, to charge interest to foreigners, they occupied a useful role in Christian societies as moneylenders, a role sometimes imposed on them. At the same time, there are accounts of medieval Christians pretending to be Jewish in order to make money from lending it out. In addition, some of the great religious houses had become bankers by the ninth century, and bishops were regarded as second only to the nobility in their reliance on borrowed money. We should not forget, however, that many of those who held higher ecclesial positions, unlike those in monastic orders, had purchased the office expecting it to offer good returns from church revenues. There are instances of bishops not having been ordained or even baptized before purchasing their position!

If there was any sense of ethical consensus in the Middle Ages, it was to say that lending which involved the sharing of risk in the venture was legal, but that lending at a guaranteed rate of return was unacceptable. This is close to the position that Islam holds today. It meant that merchants could still get loans, as long as they made the lender a partner to the risk. It also meant the agreement of contracts that creatively worked their way around the prohibition on usury by effectively incorporating interest into an inflated price paid for some product.

The development of international banking also stimulated changes in the attitudes towards usury. Existing to facilitate the transfer of large amounts of money without having to transport cash vulnerably over long distances, banks originated in Italy. By the fourteenth century there were 173 major Italian banks each with a network of branches in different places. They predominantly operated out of Florence, Pisa, Genoa, Lucca, Venice and Milan, which of course were still quite small communities at the time. They accepted deposits of money from customers, for which they charged a fee and, as a result, they were often condemned as usurers. When they began to credit and debit

accounts from one another's depositors, it meant that large amounts could be transferred without involving coins. Since the church was by far the largest international financial enterprise of the era and needed frequently to transfer large sums, it inevitably became closely involved with Italian banks that were located close to the centre of the world church in Rome. The banks were very large, having the capacity to finance the kingdoms of the time, though the power relationship between rulers and bankers was asymmetric, most obviously so when Kings and Lords simply decided to renounce their debts.

The poor, by contrast, were required to pledge collateral against loans. Many Christians regarded this as oppression of the poor by Jews operating outside the prohibitions of canon law. In order to address this concern, a poor men's bank was opened in Perugia in 1461 and publicly run pawn shops were approved by the pope in 1467. These were not-for-profit banks that lent to the deserving poor at low rates of interest. Although the Franciscans spread these all over Europe, they were never legalized in England.

In the context of all these developments, theologians came to accept that lending at interest was not always theft. Catholic theologian, Johann Eck defended a 5% rate of interest as harmless if the loan was for the purposes of pursuing a business opportunity - the measure of what counted as usury revolved around the intent of the borrower and lender. Some of the Protestant Reformers were horrified by this position. Martin Luther, for instance, allowed only that loans should be available for the support of the most vulnerable members of society.

John Calvin's famous letter on usury in 1545 offered a different perspective, pointing out that there are two words for usury in Hebrew - *neshek*, meaning to bite, and *tarbit*, meaning to take legitimate increase. To Calvin, it was biting loans that were forbidden, so that one could lend to business people who might make profit using the money. To the working poor one could lend without interest, expecting repayment. To the impoverished one should give without expecting repayment.

There was then increasing tolerance to charging interest for Catholics and Protestants alike if loans were made with good intentions. It was agreed that lending at interest could be a social good. A remaining source of concern was whether or not the rate of interest was punitively high. 10% was allowed by Elizabeth I's Parliament of 1571, but this was reduced to 8% in 1624 in the Act Against Usury.

One could say that by this time, lending at interest and deposit banking had become normal practice that was regulated by the state for the benefit of business and protection of the poor. Adam Smith, for instance, supported the cap on interest rates because it made borrowing cheaper for those who

wanted to invest in production, whilst forcing those who simply wished to spend on consumption out into the unregulated market where interest rates were prohibitively high.

A laissez faire position on usury finally arrived with Jeremy Bentham's 1787 *Defence of Usury* in which he argued that adults of sound mind, acting freely with their eyes open ought to be allowed to borrow in whatever way they saw fit. Following on from this, Parliament abolished the law against usury, leaving the matter to private conscience. The Church was left redefining usury as lending at excessive interest without actually defining what either excessive or fair might be.

This is the position we find ourselves in today. And this is the theological context into which we pitch the rest of our conference on Life and Debt in Leeds...