On the Continued Relevance of Usury Restrictions in Early Christian Though

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Usury is the taking of interest on a loan. Although Christians in the capitalist, Anglo world do not appear to have lost much sleep over biblical condemnation of usury over the last several centuries, a lack of desire to resolve this condemnation is not substitute for resolution itself. Usury was condemned across Hebrew Scripture. A cursory glance may lead one to believe that usury is not so strongly present in the New Testament, however, the attitude of the early Church toward wealth and lending was no less radical. Early leadership in the Church did not set aside a disposition against usury.

My intention is neither to condemn nor to resolve this tension for those Christian capitalists who choose to ignore the problem or, at least, believe that appropriate apologetics have been developed to justify their activity. Rather, I seek to identify the bounds of financial activity that are clearly acceptable according to scripture and ancient Christian tradition. I draw upon the moral reasoning of Scripture and early leadership within Christianity. I close with consideration of early scholastic perspective on the issue of usury. By identifying clearly acceptable bounds and principles that led our forebearers to condemn usury, I identify the fundamental attribute of usury that led to its condemnation: displacing the supremacy of divine economy with one's narrow self-interest. Usurers who lend with expectation of expropriation of the borrower abandon mutual responsibility that is inherent in Christian community. We will see, thankfully, that this is not true for all forms of investment.

Context of Usury Restriction

It is not without reason that a Christian Europe embraced usury. There existed a great incentive to engage in the activity since the turn of the first millennium. The commercial revolution in Europe greatly increased demand for financing. While Christian tradition is not opposed to investment, usury was considered an illicit form of finance. Both the shared heritage with Hebrew tradition and suspicion of commerce and finance in the ancient world comported with this restriction. Those subject to Mosaic law were directed:

> You shall not charge interest to your countrymen: interest on money, food, or anything that may be loaned at interest. You may charge interest to a foreigner, but to your countrymen you shall not charge interest, so that the Lord your God may bless you in all that you undertake in the land which you are about to enter to possess. (Deuteronomy 23:19-20)

Those outside of the Hebrew society could be subjected to an activity otherwise considered unjust.

As the blessing of Abraham is universalized through Christ, this out-group exception would not be effective. Christian tradition maintained the restriction on usury without granting an exception for extracommunal usury. According to Philo, "[T]he reason for the ordinance against usury [within the community] is not to protect the Hebrews from those outside of the community and keep them in a fair financial state with respect to neighboring trade communities, but to protect Hebrews from those within their own society who suffer from the illness of greed" (Ihssen 2012, 96). Consider these presentations of the restriction on usury[1]:

> If you lend money to one of my people among you who is needy, do not be like a money lender. (Exodus 22:25)
>
> Now in case a countryman of yours becomes poor and his means with regard to you falter, then you are to sustain him, like a stranger or a sojourner, that he may live with you. Do not take usurious interest from him, but revere your God, that you countryman may live. (Leviticus 25:35)

Moneylending to the poor was seen as a grievance. Reverence toward God is presented in juxtaposition to taking interest from one's countryman. Within Christianity, what might take the assertion a step further. To care for another is to care for Christ. To defraud another is to defraud Christ.

We must keep in mind that loans are typically provided given that the borrower has collateral. To accumulate funds, one can either sell one's asset or offer it as collateral that will be transferred to the lender in the case of default on a loan. In the ancient world, a loan to a distressed party was subject to a high probability of default. While economists might view market transactions as improving the welfare of both parties, distress loans within a community was a means of consolidating wealth for lenders. At best, such lending can be viewed as morally neutral.

The principle of interest seeking asserted in economic analysis makes no claim concerning what individual agents ought to do. Rather, it simply recognizes that individuals take action that they believe will promote their own interests.[2] Thus, to economists restrictions on lending at interest may seem peculiar. Although allowing individuals to pursue self-interest is a powerful and necessary component of any society, one need not conceive of self-interest purely in narrow terms. Further, institutions – effective rules that constrain and incentivize action – may be formed to overcome problems that arise due to the pursuit of narrow self-interest (North 1990). In a world where usury was viewed as a final step moving one party toward poverty and another toward consolidation of wealth, usury rules were to play a role in maintaining a healthy social order. In the case that the rules were violated, as in the case of the Hebrews, the Law itself served as a moral compass guiding critique.

Unanimity of the Early Church Fathers on Usury and Scholastic Apologetics

According to Maloney, an important authority on usury in early Christian thought, "the Fathers turn directly to two sources as the base for their teaching on usury: the Old Testament prohibition and the conviction that usury was incompatible with Christian love (Maloney 1973, 242)." Their view is, of course, consistent with Christ's admonition:

> And if you lend to those from whom you hope to receive back, what credit is that to you? For even sinners lend to sinners to receive as much back. But love your enemies, do good, and lend, hoping for nothing in return; and your reward will be great, and you will be sons of the Most High. For He is kind to the unthankful and evil. (Luke 6:34-35)

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[1] For a useful summary on usury restrictions in Christian Scripture, see Brand (2015)

[2] It may not be obvious to the modern economists that the emphasis on self-interest emerged as a means of constraining passion (Hirschman 1977; Caton 2023; for example, see Smith 1759).

The well-being of the borrower is considered paramount. The powerful are responsible for the well-being of the vulnerable. Agape, rather than interest-seeking, is the paramount virtue.

I have seen nowhere presented a convincing argument that the Fathers of the early Church approved of usury. The sub-apostolic Church – those who followed in the footsteps of the first generation of apostles, many of whom walked with Christ – tended to say little of usury, but were clear that Christians were to be generous and always ready to give. Though we sometimes make business life the Christian calling – worldly asceticism – more often in the modern world we have theologically neutered our interpretation of wealth and of wealth accumulation. We are prone to divorce wealth from religious duty and, in so doing, allow it to compete for our affections. All belongs to God. We are stewards of His wealth much as the servants were stewards of talents from the master (Matthew 25: 14-30).

Let us not forget the fate of Ananias and Sapphira who dishonestly withheld a portion of their wealth. Christians are to offer all to Christ, and to the extent that we do not, we must be honest concerning what we have withheld. Or recall the parable of the debtor who had his own debt forgiven by the master but refused to forgive borrowers who failed to repay him. Inflamed at this asymmetry, "his master . . . said to him, 'You wicked servant! I forgave you all that debt because you begged me. Should you not also have had compassion on your fellow servant, just as I had pity on you? (Matthew 18:32-33)'". The early Christian attitude toward lending is more radical – and dare I say, more Christ-like – than us moderns are prone to admit.

Condemnation of usury lived on as the Church flourished. Robert Maloney identifies those opposed to usury in a list that includes Philo, Cyprian, Tertullian, Lactanius, Clement of Alexandria, Athanasius, Basil the Great, and Gregory of Nyssa, Ambrose, Chrysostom and Jerome. His conclusion is clear:

> 1) The Fathers saw the Old Testament prohibition as still binding. . . .
> 2) The Fathers continually treated usury in the context of oppression of the poor, though they applied the probation quite generally even to cases where the poor were not involved.
> 3) Usury was forbidden to all, not just to prophets or clerics. There is no evidence that the prohibition came to be applied to everyone only gradually.
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> . . .
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> 6) The Fathers regard usury as gravely sinful . . .
> 7) They deal explicitly with the fact that usury was legal, but condemn it nonetheless. (Maloney 1973, 263-264).

Consensus amongst the Fathers must be taken with grave seriousness. Their perspective on usury is consistent with Old and New Testament perspectives. Despite our modern proclivities, we must confront this perspective. Any apologetics must seek to validate their concerns rather than treat them as obstacles to be surmounted. In this spirit, let us recognize that wealth and finance play a critical role in Christian participation in Divine Economy.

The Problem of Usury

Fountains of theological thought in the East, the Cappadocian Fathers vociferously attacked usury and the greed of the wealth. Like the prophets of the Hebrew Scriptures, the Cappadocian Fathers observed usury as means of transferring wealth from those who struggle financially to those who had already accumulated much wealth (Gonzalez 1990, 173-186; Ihssen 2012, 134-183). Basil admonishes the borrowers, “If you have the money to pay, why not solve your present problem using that? And if you do not have it, you are simply heaping evil upon evil . . . Now you are poor, but free. If you borrow, you will not become rich, and you will lose your freedom (Basil cited by Gonzalez 1990, 175-176).”

Usury was a means to extract wealth from those most vulnerable. At the core of the problem is the nature of collateral. This is particularly true in a one-shot game, where the borrower and lender do not expect to engage in future transactions beyond the loan in question. If the borrower is capable of absconding with funds borrowed, his incentive to abscond grows with the size of his debt. If the lender is allowed to deprive the borrower of collateral in case of default, his incentive to do so grows in proportion to the size of the loan. Modern institutions mitigate the problem of absconding by the borrower – the information is attached to a persistent identity of the borrower – however the nature of collateral remains the same. Even honest default leads to confiscation of collateral. In the extreme, loans have the property of setting the borrower and the lender at enmity with one another.

Institutions that support markets are substitutes for trust. Robust institutions in the modern world have allowed us to increasingly think of markets in terms of anonymous interactions. We tend to transact with strangers. Thus, economic life seems to be separated from spiritual life in community. The logic of usury seems to be confined only to the realm of business transactions governed by self-interest. One might shrug at the idea of default that leads to bankruptcy. Such an occurrence is an outcome whose terms we agree to upon the creation of a debt contract. The borrower and lender expect to be made better off by the transaction. This is sufficient to justify the creation of a loan contract. To approach the significance of usury to Christian life from this perspective is to give modern social and economic norms supremacy over matters of faith. Yet, this is common practice in modern society. Usury is justified because we have observed that it supports economic development that appears to promote flourishing. Yet, imagine if lender and borrower attended the same weekly service. Imagine if they participated in the same community.

Social proximity within the life of the Church should encourage us to work to promote mutually beneficial outcomes all parties engaged in financial activity. Business life stretches well beyond the context of one’s local community. Under such circumstances, what forms of finance better promote mutually beneficial outcomes?

Consider the nature of the relationship of borrower and lender under an interest-bearing loan. Juxtapose this to the relationship between holders of equity and those charged with managing resources for those owners much as occurs in the parable of the talents. If we recognize that one might simultaneously manage wealth of shareholders and that the managing party may also be counted among those shareholders, the significance of the parable becomes clear even to us moderns.

Investors have a stake in being repaid. That may incentivize the investor to support the borrower in other ways. However, a legal claim to repayment in full leaves open the possibility that lender can still demand repayment from a defaulting borrower. Yet as Christians, are we not called to act as the master who forgives debts? Compare a usurious loan this to the value of an equity that depends upon good management of a resource. If the party managing the investment does a poor job, the investor also suffers. But if the one managing the investment grows this wealth, so too does the investor benefit. Thus, the interests of one who invests in a business and the party who administers the business are more wholly aligned. The shareholders interest in maintaining value is not isolated the health of the party receiving the funds.

What kind of interest payments *may* be acceptable?

Exceptions developed among scholastics tend to refer to the self-interest of the lender. These exceptions include:

> *Periculum sortis* – payment of interest to a partner of a risky business venture
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> *poena convenionalis* – interest only paid due to late repayment
>
> *lucrum cessans* – payment of interest to offset foregone gain; typically occurred at the end of the life of a loan
>
> *damnum emergens* – interest due to "emergent loss or damages"[3]

Many others more qualified than myself have written at length about scholastic discourse on usury. I only wish to add that discussion amongst the scholastics focused largely on self-interest and justice in relation to self-interest. In short, costs to the lender needed to be offset, including foregone gain (Wood 2002, 190, 192). [**Develop analyzing each form in turn. Follow with recognition in various official doctrines.]**

The notion of opportunity cost dissolves the argument in favor of usury. Aquinas was sensitive to this problem:

> The moment such a claim to compensation [from *lucrum cessans*] was seen to be predetermined and fixed, however, it failed to meet the required conditions of loss under commutative justice, thus making the return usurious. For these reasons, Aquinas himself, and most medieval canon lawyers, popes, and Church authorities rejected *lucrum cessans* as a legitimate extrinsic title justifying the exaction of a return beyond the principal (Munro 2003, 511)."

Despite this concern, admonishments by political and religious authorities proved incapable of preventing the unfolding of the logic of self-interest and opportunity cost. It seems that the exceptions of the scholastics were a pragmatic response that, in the end, proved not to support the limitation that they desired to promote. Rather, their work seems to represent reasonable apologies for commercial practices that had developed in the 13th and 14th centuries.

While accepting that banning usury in the modern financial environment would likely lead to socially deleterious outcomes, we can also accept that at the heart of admonitions against usury in Scripture is a concern about exploitative contracts. Scholastic discourse identified exception that proved to be the rule. Yet, Christian finance should take seriously the two parables presented here. How can we forgive debts *and* invest in a manner that proves fruitful? The structure of equity investment appears to play an important role. Likewise, to the extent that direct lending does occur, the Christian is called to act beyond contractual constraints and to lend directly only what he is willing to lose. This calls into question the relationship of Christians to the modern financial system. Should we one keep accounts at fractional reserve depository institutions that lend at interest? Or would it be in better keeping with scripture to employ other instruments – perhaps equities and exchange traded funds – even at the cost

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[3] For useful discussion of scholastics on usury, for example, see Noonan(1957), Munroe (2002), Hutchinson (1952), Kerridge (2002)..

of increased risk to one's own financial position? What sort of institutions exist that can help procure this behavioral transformation? What new institutional forms can be developed to support increased demand for these particular forms of investment? The first step toward resolution of the problem of usury for modern Christian life is to recognize that we can use our imagination to make our financial lives more Christ-like.

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