The Never-Ending Debate On Usury:
From Aristotle to Mohammad Yunus

The oldest known records of usury are believed to have originated between 2000 BCE and 1400 BCE in Ancient Indian religious manuscripts (Visser). Since then, the debate about usury and whether or not it should be a used practice seems to have been never-ending. Philosophers, theologians, economists, and others have provided different arguments in an attempt to determine whether the controversial practice of usury should be allowed, and if so, what level of usury is acceptable.

The debate about usury may result partly from the fact that the main term “usury” has been poorly and vaguely defined throughout time. In the past, usury was defined as “the fact or practice of lending money at interest” (The Oxford Shorter Dictionary on Historical Principles). Today, usury is understood as “the illegal action or practice of lending money at unreasonably high rates of interest” (New Oxford American Dictionary). Given the different definitions, the debate has been easily clouded, and at times it is unclear whether the practice of lending is being questioned, or whether only the question of high-interest-level lending is contentious.

This paper will discuss the various views on usury and their justifications, as well as assess the impact of these views on the world at their time in history. The paper will also focus on how the long-lived debate on usury has affected our world and how it continues to affect it. To frame the discussion, the paper will explore the views of various detractors and proponents throughout time, beginning with Aristotle and ending with a modern-day banker of the "unbankable," Mohammad Yunus.
Aristotle (384 – 322 BCE)

One of the earliest views about usury stems from Aristotle, the renowned Ancient Greek philosopher. Aristotle believed that money has three distinct roles: to serve as a unit of account, to serve as a store of value, and to serve as “an instrument of measure, relating the value of two goods to each other” (Mews). Aristotle explained that four monetary relationships can exist in an economy (Howden):

1. **Bartering.** Exchange of a commodity for another commodity.
2. **Trade.** Exchange of a commodity for money that can be used to purchase another commodity
3. **Arbitrage.** Exchange of money for a commodity which can in turn be exchanged for money, often as a result of the same good being priced differently in different locations.
4. **Debt contract or foreign exchange.** Exchange of money for money.

Of the four transactions, Aristotle believed that the first two are natural transactions and are therefore ethical, whereas the last two are unnatural transactions and are therefore unethical (Howden). Thus, Aristotle promoted the idea that the only monetary transactions which should be allowed are those in which money is a means to an end, and not an end in itself.

Aristotle's ideas about money were engrained in his view on usury, which he considered to be “the worst kind of exchange because money, intended to be used for exchange of goods, here becomes an end in itself” (Mews).

Although Aristotle explicitly showed that he did not support usury, his views on the subject did not have any remarkable effects on Ancient Greece as his writings failed to gain public attention in the Latin West until the 13th century (Mews).
Saint Thomas Aquinas (1225 – 1274 CE)

Saint Thomas Aquinas was a well-known Scholastic theologian who applied “Aristotle’s economic thought to the patristics’ interpretation of scripture” (Meeks). During the period before Saint Thomas Aquinas’ time, interest was banned because it was believed that: (1) debtors are hurt by interest, (2) interest removes the natural role of money, (3) money is for buying goods, not money, (4) money is "barren"—it has a face value and that value does not include the potential uses of money, and (5) interest is the “unnatural sale of time” (Howden).

Aquinas' view on usury dovetailed with Aristotle’s view that money is merely a means of exchange and that it should not be treated as an end. Although Aquinas and Aristotle shared the same idea about the role of money, Aquinas discarded usury for different reasons. Whereas Aristotle said that usury is immoral because money is not an end in itself, Aquinas focused on the idea that usury essentially means paying twice.

Aquinas further believed that time is a “free gift of God’s grace to which the lender has no exclusive title” (Meeks). Thus, one cannot justify usury by saying that time has a cost. Aquinas explained his view on usury in his Quaestiones disputate de malo (Woods):

“In those things whose use is their consumption, the use is not other than the thing itself; whence to whomever is conceded the use of such things, is conceded the ownership of those things, and conversely. When therefore, someone lends money under this agreement that the money be integrally restored to him, and further for the use of the money wishes to have a definite price, it is manifest that he sells separately the use of the money and the very substance of money. The use of money, however, as it is said, is not other than its substance: whence either he sells that which is not, or he sells the same thing twice, to wit, the money itself, whose use is its consumption; and this is manifestly against the nature of natural justice.”
In other words, Aquinas believed that one can not charge for money itself nor for its usefulness. For Aquinas, usury should not be allowed as it implies that the borrower is “paying twice” since the borrower would have to pay for the money and at the same time pay to use the money over the loan period.

Aquinas’ contributions arose at a time when feudalism and capitalism were becoming increasingly popular, especially during the new commercial era of economic growth called the “commercial revolution” (Woodyard). In addition, the market for loans was expanding from the concept of loans just for consumption to loans for “wars, new functions of the state, expansion of the church, and new ventures in trade” (Meeks).

At the time of Aquinas, there was no established difference in lending to someone for survival, lending to start a business or increase production, and lending for making money (Meeks). Although the lender’s objective may have been as important as the loan itself when evaluating the loan’s morality, no distinction existed at the time between the concept of a loan and that of an investment requiring debt contracts or foreign exchange.

Anybody who was caught making loans with usury was considered sinful and would face certain consequences. The lender, believed to be the main beneficiary of usury would have "external" consequences, such as having to pay a fine or serving a prison sentence. The borrower, being generally less well off than the lender, would have only to face "internal" consequences such as having to repent at Church (Howden).

The various restrictions against usury led Christians to explore numerous ruses and interpretations in order to widen the religious laws on usury (Meeks). At the same time, certain Christians, such as the Jesuits, favored making usury legal. Jesuits argued that: (1) loans with interest would continue to happen no matter how much the Church went against it, and (2) usury was a necessary evil.
The fact that Christians were increasingly looking for alternatives led to certain forms of interest becoming legitimate. Even so, many Christians still looked for additional options, including using Jewish third parties in order attain a loan, since Judaism did not condemn usury in the same way.

**Judaism**

Judaism “was born in the primitive agricultural society of the ancient Middle East” (Jafri). Because loans at that time mainly consisted of seeds and animals – which are both considered to produce added value to the original lending value – charging interest on a loan was considered acceptable. Although lending with interest was acceptable, it did have some rules. Jewish scripture allowed Jews to charge interest only to non-Jews: “To a foreigner you may lend upon interest, but to your brother you shall not lend upon interest; that the Lord your God may bless you in all that you undertake in the land which you are entering to take possession of it” (Deuteronomy 23:20-21).

Thus, because Jews could not charge their fellow Jews interest, they looked into lending money to Gentiles in order to generate profits. This seemed to be an optimal situation as Jewish people could now – on top of making profits – increase their importance in society, while at the same time Christians could receive additional funds for projects they required, and at lower cost and risk. In fact, “for the Christians, borrowing money from the Jews was a way [...] to bridge the gap between the ethics preached by the church and the economic reality displayed daily in the marketplace” (Shatzmiller).

Although Judaism allowed Jews to charge interest to non-Jews, Judaism recognized that there are instances where charging interest is sinful. One such instance occurs when charging interest to the poor (Lewison). Judaism put forward the view that “lending money to the poor man is a more meritorious deed than giving charity to him who begs for it, for the
one has already been driven to begging, while the other has not yet reached that stage" (Maimonides). Furthermore, Jews believed that more shame exists in accepting charity than in accepting a loan. Thus, granting a free loan – not only money, but also tools, food, or anything that the borrower needs – is considered one of the very highest forms of charity (Maimonides).

Because Judaism allowed Jews to make loans, Jews became more and more in demand within Christian societies. This resulted in various countries' seeking Jewish emigrants so that they could conduct a business forbidden to Christians” (Jafri). Thus, the idea of providing loans with interest became more and more common within these societies, and may have in fact helped make people feel comfortable with the idea of charging interest.

Mohammad Yunus and the Grameen Bank

A modern-day example of the importance of lending can be found in the example of the Grameen Bank, which was founded in Bangladesh in 1983 by Mohammad Yunus. Yunus got the idea to lend money to the poor when he was teaching economics at Chittagong University. He had witnessed the devastating effects of Bangladesh's 1974 famine in which more than one million people died and then decided to focus his attention on the problems of the rural poor. According to Yunus:

"While people were dying of hunger … I was teaching elegant theories of economics … I felt as … as if I knew everything, that I had all the solutions. But then I would walk out of the classroom and see skeletons all around me, people waiting to die …. It made me realize that whatever I had learned, whatever I was teaching, was all make-believe; it had no meaning for people's lives …. I decided that the poor themselves would be my teachers." (Scrapek)
Yunus credits his chance encounter with a poor young woman as being the source of his inspiration for creating a bank that would lend to poor rural people. The woman "had borrowed about 25 cents from moneylenders charging exorbitant interest rates approaching 10 percent per day" (Mainsah et al.). The woman used the borrowed money to make bamboo stools. As a condition of her loan, she had to sell her finished products to the moneylenders at such a low price that her total profit earned was about 2 cents (Mainsah et al.).

Yunus began by lending $27 to 42 poor people in a similar situation as that of the young woman. The average loan amounted to 62 cents per borrower, and all the borrowers repaid their loans (Mainsah et al.). From that humble beginning, Yunus founded the Grameen Bank. Small businesses supported included weaving, rice husking, cattle raising, and shopkeeping. Some 94 percent of Grameen Bank's borrowers were women, who were living in a mainly Islamic country where women's influence and ability to earn money were minimal (Scrapek).

Since those beginnings, the bank expanded its work to 36,000 villages in Bangladesh (Scrapek). Among the bank's endeavors was a joint venture with a water services company that provided affordable drinking water to rural Bangladesh, and the creation of a mobile phone company that brought mobile phone technology to 40 million subscribers in that country (Yunus et al.). As of 2004, Grameen Bank had given loans that built 600,000 homes, 95 percent of which were owned by women (Mainsah et al.). In addition, the concept of Grameen Bank was replicated in more than 50 countries throughout the world (Scrapek).

For Yunus, poverty "was not a personal problem due to laziness or lack of intelligence, but a structural one: lack of capital" (Scrapek). In analyzing Grameen Bank's beginnings, it can be said that the bank worked to prevent usury in the form of extravagant interest rates charged by moneylenders to poor people who had no other source of loans. Mohammad Yunus founded the bank "in the belief that capital is a friend of the poor and that
its accumulation by the poor represents their best means of escaping the abject poverty that
the welfare state and wasteful, corrupt and incompetent international aid organizations have
failed to combat" (Mainsah et al.).

Whereas Saint Thomas Aquinas and others believed that lending went against the
"nature of natural justice," Yunus believed in a "more humanist, but no less competitive,
economic system in which obstacles preventing the poor from competing effectively, such as
lack of credit, are removed" (Scrapek).

Yunus has faced his own modern-day critics, such as Muslims who have criticized
Grameen Bank for being anti-Islamic. Yunus, who is a Muslim himself, says that "religion
should take into account the reality of people's lives and religious leaders should strive harder
to improve people's lives here on Earth" (Scrapek).

So while philosophers, theologians, economists, and others may argue the pros and
cons of usury in theory, in the end it is the reality of people's lives and improving those lives
that should be at the forefront of any discussion about usury.
Works Cited


