The critique of usury in Oriental, Occidental and Islamic literature: A historical perspective

Prof.(Dr.) Mohammed Galib Hussain, Emeritus Professor & Rector, Islamiah College (Autonomous), Vaniyambadi, India

Abstract

In the interest based present day global economy the intense criticism of interest by philosophers, social reformers and religious traditions is not properly highlighted. On the grounds of cultural ethical social justice, economic stability, ecological preservation and inter generational equity the institution of interest is attacked. This paper presents historical evidence of critique of usury in oriental, occidental and Islamic traditions over a period of 4000 years.

Keywords

Interest, Usury, Riba, Hinduism, Buddhism, Judaism, Christianity, Islam, Greek philosophy, Western economists.

Introduction

Interest is usually conceptualized as the practice of charging extra money over and above the principle amount of a loan. The condemnation of usury can be traced back approximately from thousand years and during this period it has been disapproved, sometimes out rightly condemned, scorned on moral, ethical and legal grounds. The semantic religious institutions of Judaism, Christianity, Islam have outrightly prohibited it. Non semantic religious like Hinduism Buddhism have condemned this practice. To the list of these religious traditions we may add Greek philosophers like Aristotle in outright condemnation of interest as well as modern western economists. This paper traces the history of criticism of interest and the rationale employed by these critics.

Oriental Religious Literature(1)

The critique of interest in Hinduism and Buddhism the Vedic texts of ancient India (2000-1400 BC) speak about interest. Vedic texts refer usurer (kasidin) at several places and interpreted as money lender for interest. Sutra texts (700-100 BC) give frequent and detailed reference to interest payment; they speak condemning usury.

Buddists Jatakas (600-400) BC express strong condemnation for usury. It was during this period, Vashishta a well-known Hindu law maker of that time prohibited higher castes of Brahmanas (priests) and Kshatriyas (warriors) from practicing money-lending business at interest. However the definition of interest was modified and interpreted as to mean “stipulated interest beyond the legal rate”. It means law prescribed rate was accepted. Such contracts were enforceable. Interest beyond legal rate of interest was termed usury; the amount beyond the legally permitted limit could not be recovered.

This dilution was brought about by the laws of Manu. Through the remaining course of financial history of India, though the usury is repugnant to public morality, but acceptable as long as it was within the socially and legally acceptable limits.

Interest in Greek Philosophy

Aristotle(2) says in his politics, the most hatred sort of such exchange is usury, which makes again of money itself and from its natural use. For money was intended as an instrument of exchange and not as the mother of interest. “This usury (tokes), which means the birth of money from money… is of all modes of gain, the most Unnatural”. Aristotle contention was that money should not breed. He felt that a free man should not engage himself in money making or finance. Function of money should be restricted to medium of exchange and not as a store of value. If time dependent values are assigned to the money supply, it undermines thestability of money as a measure of value. This was the view of Italian philosopher Thomas Aquinas (13th century A.D). Even among the ancient western philosophers who condemned usury are Plato, Roman Stoic, Seneca (65 AD), Cicero and Plutarch. The writings of these philosophers is reflected in the civil law of that period which outlawed interest altogether in Republican Rome (340 BC). With the passage of time in practice, ways of circumventing such legislation were found, usury was once again life. The sufferings of the people under the burden of the debt was realized by the democratic party in Rome, which rededicated itself to the cause of debt ridden people under the banner of Julius Caesar, a ceiling of 12 percent was set.

Interest in Judaism

Interest is forbidden, discouraged in several bibilginal passages in the Old Testament (Torah) “Neshekh” is the Hebrew word used in Torah for interest which means “a bite” and it refers to the extraction of money from the doctor. In the exodus and Leviticus texts, this word is used to mean extracting extra money from the poor and destitute. Deuteronomy, another text of the Torah expressly prohibits interest based loans even for business dealings. Every loan remaining outstanding seventh year was to be cancelled. Taking any type of interest was defined and condemned usury. However, these regulations were applied to fellow members of Jews, but for non-Israelic partners; it was nothing wrong in accepting interest.
Interest in Christianity

Basing on the authority of the Old Testament and the New Testament as early as fourth century AD, Roman Catholic Church prohibited the taking of interest by the priests, a rule which was extended to the common Christians in fifth century. It was declared as criminal offence in the eighth century. Anti-interest movement gained momentum all through the middle ages. In 1311 Pope Clement V banned usury and declared null and void.

However with the growth of Protestantism and pro-capitalism, Christians found loopholes in the law and contradictions in the agreement of church. Interestingly both Luther and Calvin expressed reservations about usury but they did not condemn its universal acceptability. In 17th century, the concept of usury underwent metamorphosis from being an offence against public morality to being a matter of private conscience. The present day Christian moralist have redefined usury as excess interest.

Usury and Islam#

The word used in Islam is riba; etymologically it means as increase in common parlance it refers to interest.

The definition of riba in Islam is very simple as in all other religions: It is surplus value to be paid at the repayment of loan. For example if loan taken at point O time is $10,000 at the end of the year if the borrower repays $11,000 the excess amount of $1000 is riba.

The Quran and the Sunnah, two main sources of Islam specifically and categorically prohibit riba. On the topic of riba the first verse to be revealed was Surah al Rum, “Whatever riba you give so that it may increase in the wealth of the people it does not increase with Allah.( The Quran 30:39)

The Quran mentions about riba eight times and surah Baqarah uses strong language in the following words: O you who believe! Fear God, and forgo what remains of usury, if you are believers.

If you do not, then take notice of a war by God and His Messenger. But if you repent, you may keep your capital, neither wronging, nor being wronged.

But if he is in hardship, then deferment until a time of ease. But to remit it as charity is better for you, if you only knew(The Quran,2:277-280).

The Prophet declared the practice of riba worse than committing adultery with one’s mother.

Notes
#Authentic translation of the Quran and the Hadith are quoted.
1 Jain L.C.(1929), Indigineous Banking in India, London:Macmillan & Com(pp. 3-10).
5 Fisher, Irving (1933), "The Debt-Deflation Theory of GreatDepressions", Econometrica

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