

Usury, Debts & Loans

The basic principle is to *owe no one anything*,ⁱ since *the borrower is servant of the lender*.ⁱⁱ So if you can pay your debts do so today.ⁱⁱⁱ There is no *pautang-utang* (a Filipino debt of gratitude, it doesn't need repayment at least for now, but it remains in the back of our minds) in the Kingdom of God. We are to work to support ourselves, to live within our means, and we are to look after our poor.

Charitable Loans

In lending to a poor believer we are to lend without interest,^{iv} since *they who are kind to the poor, lend to the Lord*.^v Indeed, Jesus takes the principle of giving generously even further. We should *lend, expecting nothing in return*,^{vi} being unconcerned with the fact that it cannot be repaid. Good will come to those who lend freely, conducting their affairs with justice.^{vii} There is no 5:6 in the Kingdom of God (Indian money lenders in the Manila slums lend five pesos today and you must repay six pesos tomorrow). If a poor person is so poor that the only collateral they have is their coat, return it to them that day.^{viii}

Since the poor get poorer and eventually become slaves, the Lord commanded periodic cancelling of debts and release of those who had been enslaved.^{ix}

Don't make loans to strangers,^x and don't countersign a note unless you have extra cash.^{xi}

Commercial Loans

Notice that all the above instructions are in the context of lending to help people get out of *personal poverty*. It appears that at the time of the Exodus and on into the Monarchy borrowing capital for business was not highly practiced.

In modern society, commercial loans are considered as a way of giving money to a person to manage for a fixed length of time. This person through business or investment is to make money - enough for himself and enough to repay the back capital plus interest. It is a contract between borrower and lender that benefits both.

Do not borrow on depreciating asset (i.e. on things that will decrease in value) since the loan will not increase your money and you will be unable to pay it back (e.g. do not borrow money to buy a motorcycle for personal use since it decreases in value yearly). On the other hand, if you borrow to buy land or a motorcycle to extend your business contacts you will make money, since land over time usually increases in value and business contacts bring more income). If this advice to weigh risks carefully is followed Rom 13:8 will be fulfilled to *owe no one anything*.

*O Peter don't you call me, cause I can't go,
I owe my soul to the company store.*

Usury and Sub-Prime Lending

The historic term, *usury*, in the scriptures means giving loans to the poor. It has come to mean loans at excessive interest rates, that push people further and further into debt. This is forbidden in the scriptures.

It is forbidden to exact usury from your poor brother.^{xii} We are to give to the poor and not expect interest on the payback. St Jerome (340-420) argued that the term brother had been universalised by the Prophets and New Testament. Thus there is no basis for taking usury from anyone. St Ambrose (340-397), in contrast, proposed a clear discrimination against the enemy, the alien, the outsider. But as Max Weber describes, the evolution of Europe from tribal to universal man, indicates the application of the principle for all becomes reasonable.^{xiii}

The church historically has declared it to be reprehensible to make money by lending at interest. The early church fathers, and canonical laws of the Middle Ages absolutely forbade the practice. There is a most enjoyable or perhaps horrific story of the wanderings of a Catholic priest who had spoken in his churches against usury and been dismissed by his bishop from preaching. He wandered back and forth from Ireland to France to the

Pope and the Americas in order to have the church disprove what he had written which then became a standard text. *Usury is destructive of that equality ordained by common sense and reason in the dealings of man with man...against the law of nature.*^{xiv}

When I have spoken against the evils of Capitalism in various contexts, some good friends have taken me to task. “Capitalism is Christian!” they tell me. But I dig out old books, and the histories of Capitalism from the prolific English author of fifty books on economics, including a classic on Imperialism, John A Hobson (1927), developing his English economic history off the seven hundred page history by German sociologist and economist, Sombart (1902),^{xv} indicates that nearly all of the processes of amassing capital during the foundational shifts from feudalism to Capitalism were exploitative, beginning with the papal treasury in Rome, and the knightly orders with their pillaging and plundering, the royal treasuries of France and England and the higher grades of feudal nobility who gained their treasures by rents. The exception is those families (the burghers) that were originally in possession of ground in which towns were built, and hence over time could control rents and mill and markets - to some extent through relatively just means.

Surplus capital is the foundation. From these feudal contexts, the discovery of precious metals through global conquest or piracy, enabled the formation of the business class. But to fund such wars, and sustain the role of nobility, moneylenders were essential. In England, these were first Jewish (not subject to the church’s ban on usury), then Italian, and by the sixteenth Century, English families. But it was colonialism that fuelled Capitalism:

The exploitation of other portions of the world through military plunder, unequal trade, and forced labour has been the one great indispensable condition of the growth of European capitalism ... the previous destruction of Arab civilization, the plundering of Africa, the impoverishment and desolation of Southern Asia and its island world, the fruitful East Indies, and the thriving states of the Incas and Aztecs.^{xvi}

This is a statement of a sage economic historian, over one hundred years ago, closer to those dynamics than we are. Thus, to be emotional when one speaks of usury, exploitation, colonialism and Capitalism is not irrational. Some roots of Capitalism may be Christian according to Tawney and Weber, but history tells of a dark side from its inception, that must be resisted and controlled.

In addition to capital, the global exploitation resulted in the slave trade providing the second leg of Capitalism, cheap labour, as the migration from the rural peasants to the cities was not sufficient in itself, to fuel the full emergence of the British Capitalist enterprise. This condition continues to this day, with the in-migration of labour from poorer nations being essential to any nation’s expansion of industry.

Calvin took a different approach to usury to that of historic Christianity. He taught that lending money with interest was not wrong in principle, but that extortion that goes along with it was wrong. He prohibited excessive interest or lending that did injury to a neighbour. Thus, he bestowed a religious endorsement on the principle of credit.

The Catholic church claims its doctrine has not changed...

The change in the attitude in Calvin and of the Church since the 1700’s is due entirely to a change in understanding of the nature of money by the present system, not any change to a prohibition on usury. [The Catholic]Church itself now puts its funds out at interest, and requires administrators to do the same.^{xvii}

Max Weber, in *The Protestant Work Ethic and the Spirit of Capitalism* indicates a cluster of teachings and values that resulted from Calvin’s teaching. Along with this change related to usury at a structural level, Calvin taught about a God-ordained destiny for some to fulfil their vocations in business, their success demonstrating their salvation, and affirmed qualities of thrift, diligence, sobriety, frugality. Religion thus became harnessed to economic development.

But over the last decades, this now common understanding that interest is acceptable, but excessive interest is not, has faced new challenges with the creation and expansion of new forms of credit.

The prime sector in the US banking system is where loans are made to those with clear credit histories determined by inflexible computer programs in three large credit rating agencies. In contrast, the US sub-prime

sector is a significant sector of the population who have bad credit, immigrants who cannot get credit, or those who have never accessed the credit system. It has gained wide notoriety as a result of the part it played in precipitating a crisis in the global credit market. Mortgage loans made in the United States with insufficient regard to borrowers' ability to pay were sold on to other investors in a secondary market— and when the underlying loans were found to be of much less value than expected, many financial institutions found themselves under severe pressure. This caused the 2008 downturn.

There is a flip side to the system. We have had the experience of entering the United States and despite a good income and years of good credit in New Zealand being denied credit because we are not in the credit system of the three credit rating companies that control US bank decisions. Excluded from bank credit, and with initial high costs through the move till the first pay checks start coming, how then do you obtain loans for your initial car to get travelling (a necessity in LA) or a house. It is a situation of oppression (control by three companies based on execution of computer programs with no face) and exclusion from the US economy. We could not enter the *prime* banking system.

Sub-prime lending is lending directed to those who do not meet these computerised conventional criteria of credit-worthiness. The traditional sub-prime market, referred to in the UK as 'home credit', is the offering of small unsecured loans at high interest rates to consumers with low incomes, with repayments often collected door-to-door on a weekly basis. Sub-prime secured lending provides mortgage and home equity loans secured on property to those who have difficulty in obtaining credit elsewhere.

In New Zealand, there has also been a multiplicity of largely unregulated loan shark shops being set up in corners in poorer suburbs. Unsecured money of a few hundred to a few thousand dollars is easy to get before payday – at usurious interest rates. This occurs in all countries in poor areas. A nation needs constant vigilance to protect the poor and wisdom to provide support for the poor.

Access to and use of consumer credit has also expanded enormously over recent decades through the expansion of the credit card industry, again controlled by global companies, charging interest rates which by historic global standards are *usurious*. This wider use of credit accentuates the exclusion from society experienced by those who cannot access mainstream credit facilities. If you cannot pay off your credit card in a given month, you then start paying interest. At that point you should cut it up.

High fees by the lenders in most cases fall within the historic category of charging usurious interest (often hidden in excessive fees). Many experienced this in New Zealand when the banks charged exorbitant break fees (fees to re-mortgage at cheaper rates) once the interest rates dropped – the small print on these was so small that you needed bifocals to read it. In a report in April 2006, the General Board of Pension and Health Benefits of the United Methodist Church in the UK advanced a definition of predatory lending:

Predatory lending is a form of subprime lending characterized by unscrupulous or unethical lending practices. These practices can include the application of excessively high fees and interest rates, the use of balloon payments, flipping (successive refinancing of the original loan at increasingly higher rates), packing (linking the issuance of the loan to the purchase of some form of insurance) and steering (directing otherwise credit-worthy borrowers into high-priced subprime loans). Predatory lending tends to target certain segments of society, most often the elderly, the poor and minorities. The United Methodist Church has directed all general agencies to invest in banks that have 'policies and practices that preclude predatory or harmful lending practices.'^{xviii}

ⁱ Rom 13:8.

ⁱⁱ Prov 22:7.

ⁱⁱⁱ Prov 3:27, 28.

^{iv} Lev 25:36.

^v Prov 19:17.

^{vi} Luke 6:34,35.

^{vii} Psa 112:5.

^{viii} Lev 25:26; Deut 24:10-14.

^{ix} Lev 25:10.

^x Prov 6:1-5; 11-15; 20:16; 27:13.

^{xi} Prov 22:26,27.

^{xii} Ex 22:25, Deut 23:19-20

^{xiii} Nelson, 1969, pg. 3.

^{xiv} O'Callaghan, 1834, loc. 1166.

^{xv} Sombart was of equal significance in the development of historical economic sociology as his peer, Max Weber. But his fascist and anti-Jewish perspectives have left him with little recognition (Grundmann, R., & Stehr, R., 2001). When it comes to his extensive analysis of the historic roots of Capitalism his work on Imperialism (1902) is the classic source.

^{xvi} Sombart, 1902.

^{xvii} Vermeersch, 1912.

^{xviii} Resolution 213, Investment Ethics, GBPHB, 2006.