

Usury

By Ian Hodge

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This essay on usury was originally written as Appendix A to my Ph.D. dissertation: *Mumbo Jumbo: The Economics of Social Credit*. The Social Crediters have been against usury on economic grounds, and this essay is an attempt to provide a biblical answer to the issue. This essay interacts with the views of Dr Gary North and S.C. Mooney who, for a while, raised the level of the debate.

Social Credit theory has raised the question of usury by calling for interest-free loans. The concept of interest has not only economic issues involved in it; there also theological issues as well. Therefore, some discussion on the topic of usury is appropriate.

Usury in its common understanding, means *loan interest*. This is distinct from what economists call *originary interest*. Originary interest is that increase in capital which arises when capital is put to work in some form. For example, a farmer who had ten bags of seed (capital) might use them to plant the next crop. If the result of the new crop was fifteen bags of seed, the farmer had made five bags of seed *originary* interest. Loan interest, on the other hand, applies when a person forgoes originary interest himself and hires out his capital in some form to another person. The hiring charge is called *interest* (or, more specifically *loan interest*) when the capital consists of fungible (replaceable) goods such as money.¹ In this chapter, the designation *interest* refers to *loan* interest unless otherwise stated.

Social Crediters have a particular argument against the idea of interest. Their theory concerning interest, however, is unfortunately isolated logically from the remainder of their arguments. For example, the panacea for economic ills in the Social Credit scheme is insufficient money. They want more money to be created. However, this money is to be created and distributed as loans without interest payments. Their objection to interest is along the following lines.

When money is created under the economic theories which are almost universally practiced throughout the world at this time, the money is not simply given out to individuals. It is granted as loans, and loans in the modern context mean interest. According to Social Credit theory this scheme is flawed. Say the money creators create \$100 of money. They loan it out at, say, 10% interest. The recipient of the loan, however, cannot meet the interest payment because he only has the \$100 given to him. Thus, the borrower in this instance must borrow more in order to meet the interest payments, and so the creation of money with interest puts the borrower and the money creators into a perpetual circle of lending and borrowing just so the borrower can meet the interest payments.

There are a couple of points worth noting about this theory. The necessity of creating more money in order to pay the interest is only applicable in a “closed” economy. For example, on a desert island with five people, if one became a banker and created all the money that he loaned to the other four inhabitants, the Social Credit criticism is valid. On the other hand, since a normal economy is not “closed” in this sense, then it is quite possible for the borrower to get money elsewhere that he can use to make the interest payments. Thus, we can agree that the Social Credit theory is logical and true under certain conditions. Since the real world is one where not all the money in existence is created by lenders, then we cannot accept the Social Credit call for interest free loans as a cure to the economic problem as they define it. Anyway, we’ve already discounted their theory and suggested that they have made a serious error in economic analysis by claiming that the economic problem is a shortage of money.

1 Eugen von Böhm-Bawerk, *Capital and Interest*, trans. George D. Huncke and Hans F. Sennholz, 4th ed., 3 Vols., (South Holland, IL: Libertarian Press, [1921] 1959), Volume I: History and Critique of Interest Theories, pp. 4-7.

Rather, as we have argued, the economic difficulty is a pricing problem, and flexible prices — prices that can move higher or lower — are the solution to the problem.

In the normal world, prices of goods are always fluctuating. The price of grapes can go up because of a crop in one part of the country is destroyed by rain. Where does the “extra” money come from to pay for the higher price? It comes as people make adjustments in their valuations of other goods in relation to the higher price for grapes. Those who want the grapes at the higher price will cut expenditure elsewhere in order to make money available to pay for them. A similar problem occurs when the grape harvest is larger than before. It is a higher volume of goods chasing the same amounts of money, *ceteris paribus* — other things being equal. What happens when the extra grapes hit the market that there must again be a re-evaluation by both buyers and sellers of the grapes in relation to other goods. Normally extra goods cause a lowering of the price as a market clearing mechanism. This is the same principle when it comes to the creation of money: the laws of supply and demand still apply, even though money has some characteristics of its own in the market place.

Since Social Crediters are prone to argue their case on moral grounds, even though we have questioned their theological presuppositions, a discussion on the idea of interest free loans is appropriate. The idea is not new, and the Christian Church has had a long history of being against usury — the charging of interest on money and other goods.

The two views in this debate have received recent public exposure with the publication of a book, *Usury: Destroyer of Nations*, by S.C. Mooney.² That book evoked a response from economist Dr. Gary North in his monumental *Tools of Dominion: The Case Laws of Exodus*.³ Our purpose here is to provide a general analysis of the debate and offer what I believe to be a constructive answer to the question: Is the charging of interest legitimate in the New Testament era? This question is not intended to necessarily imply that the charging of interest was legitimate in the Old Testament. If Gary North’s arguments are valid, then the charging of interest was valid in both the Old Testament and the New Testament eras. Our purpose in framing the question in this manner is to attempt to provide an answer to a perplexing issue in the modern era.

In summarising the two views, Mr. Mooney has argued that the Bible prohibits all forms of usury (= interest), including rent on property. This is based on his reading of Old Testament passages such as Exodus 22:25 “If you lend money to any

2 Warsaw, OH: Theopolis, 1988.

3 Tyler, TX: Institute for Christian Economics, 1990.

of My people who are poor among you, you shall not be like a moneylender to him; you shall not charge him interest.”⁴ His argument quite well establishes this point.

In addition to this, however, Mr. Mooney attempts to address the economic arguments concerning time-preference and the economists’ argument that the charging of interest will always occur because it is a part of human nature to charge for everything that commands a price. And money commands a price.

Gary North, on the other hand, has reacted rather sharply to the position of Mr. Mooney. His response falls into a number of points. *First*, Dr. North makes an erroneous assumption that the sabbath year debt release was something that the debtor was to do. He says, “no debt should be contracted by the debtor that is longer than seven years (Rushdoony says six years).”⁵ The text itself, however, puts the onus on the lender, not the borrower: “And this is the form of the release: Every creditor who has lent anything to his neighbor shall release it; he shall not require it of his neighbor or his brother, because it is called the Lord’s release” (Deut. 15:2). It is the creditor, not the debtor, who is to cancel any loan. While it may have the connotation that the borrower should get out of debt every seventh year, it certainly cannot mean that it is all right for borrowers to go into debt for as much as they like so long as they get out of debt at the end of every seventh year. This continual cycle of borrowing, paying off in the sabbath year, then starting the process again, while it may not be prohibited in this verse, is certainly prohibited by the general biblical emphasis concerning debt: “owe no man anything” (Rom 13:8). Elsewhere I have provided a comprehensive survey of the biblical texts concerning borrowing and argued that the bible, while not necessarily condemning all debt, certainly discourages the idea that people should voluntarily put themselves into debt.⁶

Second, Dr. North admits that Mr. Mooney’s book changed his perspective about charity loans and business loans. Formerly, he treated charity and business loans as the same. This is because Mr Mooney placed the modern concept of rent in the same category as interest. Mr. Mooney, however, does not argue against all payments for use of other people’s economic resources: he redefines the concept of rent to the equivalent of “share-cropping.”⁷ According to Mooney, the biblical concept of rent is not what is understood and practised in the twentieth century. The biblical idea, he argues, is that of sharing risk. In the modern world, rent is paid, let’s say on a house, and the rental payments are fixed. In the biblical model of Mr Mooney, the rent paid would be linked

4 See also Lev. 25:35-37: “If one of your brethren becomes poor, and falls into poverty among you, then you shall help him, like a stranger or a sojourner, that he may live with you. Take no usury or interest from him; but fear your God, that your brother may live with you. You shall not lend him your money for usury, nor lend him your food at a profit.”

5 North, *ibid.*, p. 716.

6 Ian Hodge, *A Christian and His Wealth*, Th.M. thesis to the Faculty of Whitefield Theological Seminary, 1994. Subsequently rewritten and published as *Making Sense of Your Dollars: A Biblical Approach to Wealth* (Vallecito, CA: Ross House Books, 1995).

7 Mooney, *ibid.*, p. 177.

to the renter's profitability. The landlord would share in the profits *and losses* of those renting his property. In share farming this is obvious, and Mr Mooney's arguments simply extends this concept. Unfortunately, Dr North makes no reference to this redefinition of rent in his reply to Mr Mooney.

Third, Dr North's response to Mr Mooney is based on the concept of economics. He recognises, correctly in my view, that interest is an inescapable phenomenon. Everyone discounts future goods. Of course, Mr Mooney replies, this is an economic argument, not a moral one. Mr Mooney suggests, however, that people should *not* discount the future, thereby establishing payment of interest as a compensation for time.

Before offering a response which attempts to break this impasse between the views, it will be of interest to briefly survey the history of the usury debate, since one theologian in particular, John Calvin, stands at the centre of the controversy.

Historical Perspective

A history of the debate over usury has been provided by Böhm-Bawerk and Tawney.⁸ It is not our intention to reiterate this history, but it is evident that the debate revolves around two issues. On the one hand, there are those who have argued from the Bible that the idea of usury (loan interest) is forbidden. The other perspective taken is the economic argument. On this side, curiously, there are those who have argued both against and in favour of usury. For example, the older economic viewpoint about money being sterile was an argument against usury. A number of economists, however, have argued that this view does not stand the test of rigorous economic thought. Hence, modern economists no longer attempt to defend an anti-usury position based on economic theory.

Before analysing the biblical texts on this topic, it may be relevant to recall that, according to Böhm-Bawerk, the theological arguments against usury developed in the early Middle Ages. Now the Middle Ages have come in for a lot of criticism at many points, and much of this criticism is valid. However, there is another aspect of the medieval period that has been long neglected, and that is the very strong development in this time of applied biblical law. While the Middle Ages may well have had a number of defective views in certain areas, one area in which they surpassed the modern era was in an acceptance of the Law of God as the basis for all civil laws.⁹

Because of the high commitment to biblical law in the Middle Ages, it seems we should not so easily dismiss their anti-usury position. Contemporary Christian thought has a very low view of biblical law when compared with the what was a

8 Böhm-Bawerk, *ibid.*, Vol. 1, chapters 1-3; R.H. Tawney *Religion and the Rise of Capitalism* (Harmondsworth, Middlesex: Penguin Books, [1922] 1937).

9 Stephen C. Perks, *Christianity and Law: An Enquiry into the Influence of Christianity on the Development of English Common Law* (Whitby, North Yorkshire: Avant Books, 1993).

somewhat common view in the medieval world. Consequently, any argument based on the law of God, especially as given in the Old Testament, is not readily accepted. While recognition of the view of biblical law in the Middle Ages does not constitute proof for any position, it should at least lead to us to take more seriously any argument from that period.

On the other hand, just as the Church is being influenced by the new Italian and French humanists in the twelfth and thirteenth centuries, the anti-usury argument shifted from a theological basis to an economic one. This, at least, is implied in Böhm-Bawerk's history of the usury debate.

What is also clearly evident is that from the period of the twelfth century onwards, there was an increasing movement away from biblical law as the basis for all human laws.

What seems to be indisputable, though, is that the pro-usury argument is based on economic arguments rather than exegetical ones. Thus, we must ask the question: are there any biblical arguments, other than the general economic position argued by Dr. North, that might provide support for a pro-usury position? It appears not, as will be discussed below.

The View of John Calvin

A recent reprint of a letter by John Calvin to Oekolampadius¹⁰ provides us with insight into the great reformer's view on the topic of usury. It also provides an opportunity to view any biblical arguments that might be found to support the pro-usury position. Calvin's views have been discussed in some detail by S.C. Mooney¹¹ but the recent reprint provides us with evidence to make some inferences about the reformer's position. Using Calvin as an authority on the topic is difficult because he mixes categories that in later economic thought have become separated. These are the categories of originary and loan interest. He defends the latter on the basis that the former is recognised, but Calvin does this because he does not distinguish between the two. Later economists, such as Adam Smith, according to Böhm-Bawerk, adopted a pro-usury position because although they recognised the two categories, they felt that the existence of originary interest was sufficient grounds to justify the other, loan interest.¹²

Calvin's position, however, appears somewhat ambiguous. For example, he argues on the one hand that "there is no scriptural passage that totally bans usury." This is true, but the issue at stake today is not whether there is a general ban on usury, but whether there is any ban *at all* on the charging of usury. The Old Testament did not place a total ban on usury: it allowed usury to be charged to foreigners.

10 John Calvin, *Calvin's Ecclesiastical Advice*, trans. Mary Beaty and Benjamin W. Farley (Edinburgh: T. & T. Clark, 1991), reprinted in *Calvinism Today*, Vol. III, No. 1, January 1993, pp. 5,6.

11 Mooney, *ibid.*

12 Böhm-Bawerk, *ibid.*, p. 37.

Calvin, while he is not prepared to argue against usury on biblical grounds, nevertheless attempts to put moderation on the charging of interest. He prefers that “usurers were chased from every country.” Nevertheless he is not willing to place any prohibition on charging usury. He is careful to place the emphasis on Christian charity and moderation in our dealings with others.

But using Calvin on the topic is risky when the following words are taken into consideration. “I conclude now that we must judge usuries not according to some certain and particular sentence of God, but only according to the rule of equity.”¹³ In fact, Calvin is even more precise on one issue: that the Old Testament is no longer to be taken as the standard for determining the answer to the issue of usury. Instead, Calvin posited a new standard, that of “equity.” Thus, Calvin says, “It is well known that usury was forbidden to the ancient people. But at the same time, we must confess that it was a part of the judicial law which God appointed for the Jews in particular; whence it follows that usuries are not to be condemned today, save wherein they contravene equity and brotherly union. . . .”¹⁴

In his *Institutes of the Christian Religion*, Calvin had this to say about Old Testament laws. There are some people, he argues, “who deny that a commonwealth is duly framed which neglects the political system of Moses, and is ruled by the common law of nations. Let other men consider how perilous and seditious this notion is; it will be enough for me to have proved it false and foolish.”¹⁵ For Calvin, God’s moral law was the equivalent of natural law. Since natural law at that time was heavily influenced by biblical law and the judicial laws of Moses, while we understand why Calvin can equate the moral law with the laws of nature, we cannot agree with his conclusion. Calvin effectively undercut biblical law theory. So intent was he in making the point, he repeated his argument two paragraphs later:

For the statement of some, that the law of God given through Moses is dishonoured when it is abrogated and new laws preferred to it, is utterly vain. For others are not preferred to it when they are more approved, not by a simple comparison, but with regard to the condition of times, place, and nation; or when that law is abrogated which was never enacted for us. . . .¹⁶

13 Quoted in Herbert Lüthy, *From Calvin to Rousseau* (New York: Basic Books, 1970), p. 78.

14 *Ibid.*, p. 77.

15 John Calvin, *Institutes of the Christian Religion* (trans Ford Lewis Battles, Philadelphia: The Westminster Press, 1975), Bk. IV, Ch. XX, para. xiv.

16 *Ibid.*, para. xvi.

In one statement, Calvin has opened the door to situational morality (at least on the subject of usury).¹⁷ We must regard the times, places and the nations, before we enact our laws, argues the great Reformer. On this basis, a murderer might be put to death in one place, while permitted to live in another. On this basis, we could have homosexuality condemned in one country, but accepted in another. And on this basis, we could have abortion on demand with full legal sanction, while elsewhere abortion might be treated as murder.

So we disagree with Calvin at this point. We cannot subscribe to his view on the Old Testament and his basis for law. Considering Calvin's influence in the modern world, it is not surprising that the Western world is experiencing a breakdown in law and order: it is merely following Calvin's injunctions of situational law and ethics.

Justice, on the hand, is not altered by time and geography. Rather, justice is inscribed in the eternal nature and character of God, and His righteous laws as given in the Old Testament reflect His true nature and His true standards of equity. If God limited usury in the Old Testament, then unless He has declared otherwise, the nations of this world are required to put this law into practice, just as they are required to punish murderers.

It is this ambivalence in Calvin concerning the Old Testament judicial law that raises hesitation in relying on Calvin, the biblical scholar whom some believe released the world from the shackles of medieval usury. What does appear evident is that Calvin is already subscribing to some concept of New Testament "equity" that is apparently in opposition to the Old Testament prohibition against usury. This, however, is begging the question. What is this new standard of equity? How does it apply? How should it be interpreted? Who should define when usury surpasses the bounds of equity and brotherly union? Does this New Testament idea of equity somehow abolish the Old Testament law governing usury, especially since God Himself declares that *all* His ways are just and righteous?¹⁸

By untying himself from Old Testament law on the question of usury, Calvin opens a Pandora's box concerning the issue of equity. Calvin and Beza found it necessary to legislate a ceiling of five percent on interest rates in Geneva. Thus, we can see that for Calvin, the Old Testament prohibition against usury has given away to the New Testament concept of equity which now needs defining by man himself. The regulation of usury by Calvin is recognition that his New Testament concept of equity is so vague that it requires some source to give it definite meaning. Our choices of sources are not many: God or man. Having rejected God's view in the Old Testament, Calvin is left to find the definition of usury in man. This amounts to man-centred law, rather than God centred, and is a departure from Calvin's usual adherence to Scripture. But it also reflects Calvin's ambivalence to Old Testament law, and the movement at the time favouring "natural" law, law that is not revealed in the Bible but is discovered by man

17 Calvin was too good a scholar to open the doorway to a philosophical situational ethics. Rather, he displays lapses of his more otherwise more consistent approach to biblical ethics.

18 See, for example, the whole of Psalm 119.

“in nature.” There are no laws “in nature,” of course, so natural law theory is merely a defence of man-centred law.

Calvin’s ambiguity, rather than providing us with a biblical answer, pushes us back to the Scriptures. He summarises his position as follows: “I am unwilling to condemn it [usury], so long as it is practiced with equity and charity.”¹⁹ Calvin is too good a biblical scholar to recognise that the Bible opens the floodgate on the charging of usury. He wants it, therefore, to be conducted with equity and charity. But who is to define what equity and charity are in the context of usury? Who is to say what is an equitable interest rate? Either we follow the modern free market economists and say, along with David Chilton, “that the only way of determining equitable prices is to allow free men to make free choices,”²⁰ or else we must argue for controlled prices. The free market position means there can be no limit on interest rates provided both borrower and lender have agreed to the rate. But if we are to control interest rates so that equitable prices occur, as Calvin wanted, then we need the Bible to tell us what would be an equitable interest rate.

Calvin, it could be concluded, is not a great help on this issue. While some feel he might have provided us with a biblical justification for a pro-usury position, we do not accept that his arguments do justice to the biblical text; nor can he, by virtue of his position in history, have done justice to later economic arguments. Calvin, in an unusual departure from his normal dependency on Scripture, uses logic and natural law arguments to justify a *limited* position for the charging of interest.

One thing is certain, however. Calvin *cannot* be used to justify a modern, free market approach to usury. For example, he disapproved “. . . of anyone engaging in usury as his form of occupation.” His opening of the doorway was so covered with so many exceptions, that it must be fairly asked whether Calvin did at all provide a pro-usury argument. While it is true that he broke with Old Testament law, and while it is true he also allowed usury to be practised in Geneva, he still maintained a healthy disrespect for the usurer.

If anything, what Calvin did argue for is the position of this writer, that lenders, rather than simply lending at usury, should lend as equity partners. (See below for more on this). This seems to be Calvin’s position, for one of his “exceptions” for usury was as follows: “whoever borrows should make at least as much, if not more, than the amount borrowed.” On this basis, the borrower should only pay if he makes enough money to be able to do so. The lender would then be tied in to the profitableness of the borrower’s activities. Unfortunately, we are not provided with Calvin’s extended thought on this point. But it is plausible that he was insisting that the charging of interest was somehow linked with the profitability of the enterprise that the money was provided for. This, in contemporary terminology, is equity financing rather than simply lending at interest. This is am

19 Calvin’s letter to Oekolampadius.

20 David Chilton, *Productive Christian in an Age of Guilt-Manipulators*, 3rd ed., (Tyler, TX: Institute for Christian Economics, 1985), pp. 182, 183.

important distinction and one which, I believe, is what the Bible is actually encouraging by its prohibition against usury.

This leaves us, then, with the one area that is the central issue in the debate: What is the biblical and theological position concerning usury?

What the Bible Says

The Bible does not give us a rate of interest that can be charged. What it does give us, however, is a number of laws prohibiting certain actions. Among these is the charging of usury to a fellow-Israelite, or, in the New Testament era, a fellow-believer. It makes several points concerning usury. *First*, there is a general prohibition against charging of interest to the poor (Ex. 22:25). In another passage, the prohibition on usury is not confined to the poor. Anyone who is a brother must not be charged interest. “You shall not charge interest to your brother; interest on money or food or anything that is lent out at interest” (Deut. 23:19).

Second, all debts were to be cancelled in the seventh year (Deut. 15:1-6). There was a moral obligation on the part of the lender to cancel the debt in the sabbath year. However, this was not a requirement if the loan was to a foreigner. Thus, it can be argued that lending to foreigners and the charging of interest was a legitimate activity. As the Israelites obeyed God, He would bless them. Their wealth would permit them to lend to many nations but not borrow from them. Debt, as is seen in Proverbs 22:7, is a form of slavery, and God’s people could not put themselves into voluntary slavery through debt to godless and wicked people. However, because foreigners were, in the first instance, slaves to sin, they could be enslaved. Debt has been used as a first step in overthrowing a nation,²¹ and it is quite possible that God’s people were permitted to use debt for this purpose.

Third, there is an implied obligation on the part of a lender considering the general prohibition against borrowing. Not only should the ancient Israelite be charitable in his lending, he should, insofar as humanly possible, not become a borrower. What should the lender do, however, when a brother comes to borrow? First, he needed to determine if there was a genuine need. It is doubtful that consumer debt for motor vehicles, hi-fi, and T.V.s would fit into an area of genuine need to qualify for a charitable loan. However, the necessity to put food on the table, or clothing, was a genuine area where a person might borrow. Those who did not need charitable loans should probably be counselled about their actions, the lack of wisdom they portrayed in seeking to borrow, and the necessity for them to exercise a restraint in purchasing on credit.

Fourth, the passage in St. Matthew’s Gospel raises Jesus’ view of the subject of usury. In this passage we have the parable of the man who, going on a journey, entrusted three

21 The connection between economic slavery and political slavery has been well-made by R.E. McMaster in his book, *No Time For Slaves* (Phoenix, AZ: Reaper Publishing, 1986). Referring to the Assyrian empire of the Ancient World, McMaster observes that, “Before the Assyrians conquered a people militarily, they would first send in their merchants to enslave them with debt, thereby instilling economic slavery. This way the target people would be softened up for the military and political slavery that followed” (p. 103).

of his slaves with certain amounts of money. Upon his return he calls them to account. The first two slaves returned double the amount. The third, however, had buried his money in the ground and returned only that which had been given to him. The master's reply raises the point on usury: "So you ought to have deposited my money with the bankers, and at my coming I would have received back my own with interest." There seems little dispute that in this parable the master is illustrative of the God of Scripture. So the question then arises, is God here saying that if nothing else, the gifts we have should be put to usury so that He gets at least some return on the capital He entrusts to His slaves?

In many ways, the exegetical issue here is not unlike that of John 8:1-11 and the woman taken in adultery. On first reading, it appears that Jesus is overturning the Old Testament laws concerning the death penalty for adultery. It seems we have the same kind of hermeneutic problem in our passage in Matthew's Gospel concerning usury: is Jesus changing the Old Testament prohibition against usury?

In answering this question, I believe we are bound to follow the same interpretive approach that is necessary on the adultery issue. Following Bahnsen's argument, that the words of Jesus in Matthew 5:18 — "For assuredly, I say to you, till heaven and earth pass away, one jot or one tittle will by no means pass from the law till all is fulfilled." — must govern our reading of the New Testament, it seems we should be looking for explanations of the text that do not violate these words of our Lord. He did not change any of the laws. And an explanation that fits this hermeneutical approach is the one offered by Mr. Mooney in *Usury: Destroyer of Nations*.

The third servant in the parable did not hold a very high opinion of his master. He was, according to the slave, "a hard man, reaping where [he had] not sown, and gathering where [he had] not scattered seed" (Matt. 25:24). The slave thought his master, thus, to be a man whose hardness caused him to get an economic benefit when he did not deserve it. In response to this criticism, the master replies that since the slave knew he reaped where he did not sow and gathered where he did not scatter seed, then the very least the slave should have done was put the money in the bank and pay him back with interest, or usury.

On this approach, our Lord, rather than altering the Bible's teaching on usury, rather reaffirms it. According to the interpretation offered here, our Lord is equating interest with the perceived hardness of the master. If the slave really thought his master was a hard, and basically unjust master, then the least he should have done his follow through his assessment of this master and put out his money at interest. This meaning is obvious in the similar passage in Luke 19:22-23. Here, the master says that the unfaithful servant will be judged by his own words.²² Jesus is seen here to be reinforcing the unjust nature of usury. Rather than condoning the charging of interest, our Lord is thus equating it with unfair practices — the practices of a hard and unjust taskmaster. Thus, we cannot

²² This idea of judging people by the standards they set themselves is an application of our Lord's teaching in Matthew 7:2.

agree with Dr. North when he argues that the Bible “does not prohibit interest payments on business loans, as Jesus’ parable of the talents indicates. . . .”²³

On the other hand, we do agree with Dr. North when he argues that the prohibition in the Old Testament was a prohibition within Israel, but lending to foreigners at interest was acceptable. While some might argue this is a double-standard in the Bible, the issue is not whether it is a double standard but whether this is what the Bible teaches. It’s fairness and equity are not ours to judge: this prerogative belongs to God. Our task is to faithfully interpret God’s Word and obey its every instruction.

At the same time, we also agree with Dr. North’s economic analysis, that Mr. Mooney too glibly explains away the fact that time is a scarce economic resource. As such it commands a price. Interest is the charge for time. When a creditor forgoes present consumption to lend, his deferral commands an economic price. Now Mr. Mooney recognises this but argues that we are not to consider the element of time in our business dealings.

We believe, however, that while Mr. Mooney has argued there should be no interest, and while Dr. North has argued that it is acceptable to charge interest, it needs to be recognised that in a social order governed by the law of God, even if no interest rate were to be charged on loans, people would still receive an economic gain over time on their loans. Following Van Til, we would rather argue that interest is an inescapable concept. My reason for this statement is not equivocal with the reasons that Dr. North argues for “the phenomenon of *interest as a universal aspect of human action.*”²⁴ He argues, following the writings of certain economists, that *time-preference* is a universal aspect of human action. That is, that people will always calculate a cost for future goods as against present goods. This argument begs an important question. While it might be true that people universally charge for time, the moral *ought* needs to be addressed. *Should* people always charge for time?

These issues cannot be answered, however, without an understanding of how the biblical economy ought to work. Stable money and an increase in productivity, itself the result of hard work and thrift, should result in declining prices. This is to say, the value of money is rising. It can be said that this increased value of money is a form of interest, ordinary interest. It does not come as an extra payment to a lender, but it is an economic benefit that can come from investment, even investment loans, that provide additional goods and services. The benefit does not accrue to the lender alone, but is a benefit that many other citizens receive as well. However we look at it, it has a cash benefit to the lender. It is a form of interest, though we do not use the word interest to describe this phenomenon.²⁵ And, if this is that interest is indeed inescapable, then what it is that the Bible prohibits when it prohibits usury?

23 North, *ibid.*, p. 722.

24 North, *ibid.*, p. 723, emphasis in original.

25 One of the difficulties we have is understanding the idea of a general lowering of prices. Historically, this has occurred in previous periods of history. For most of us alive today, inflation has been a constant companion, hence we have only witnessed the continual increase in the general price level.

One aspect of a Christian social order is its money. Both Mr. Mooney and Dr. North recognise the illegitimacy of paper currency as money. Both call for a return to “hard” money — that is, money that is an economic good. Dr. North would argue that money can be whatever people want it to be; but we believe that Dr. Rushdoony has shown convincingly that money, in a Bible-based economy, will be either gold or silver.²⁶ A sound and expanding economy, with a relatively stable gold-silver based money supply, will display a general tendency for prices to decline over time. As an increase in goods and services are brought onto the market, the ratio between money and goods is altered. If the goods increase faster than money, prices will tend to decline. This is the market’s rational response to more goods and services chasing a stable money supply. If prices are declining in the economy, loaning out \$100 and receiving \$100 back at the end of the year would still see an economic gain attribute to the lender. If prices in general have declined 5% over the year, then his \$100 has come back to him with increased purchasing power. And increased purchasing power is what we are talking about when we talk about usury or interest: it is purchasing power in addition to that which has been loaned out.

What happens, though, if the society does not have a relatively stable money supply, such as most of the economies in the world today? While money is being expanded at the same rate as goods and services, the general price level will tend to remain the same. Thus, \$100 today would buy about the same as \$100 in a year’s time. But if the money supply is expanding faster than goods and services, the prices of goods and services increases. Or, to put this another way, the value of money is declining. It now takes more dollars to buy things than it would have taken, say, a year ago.

Under these circumstances, it is tempting to argue that if under zero monetary inflation interest will naturally accrue to the lender, then it should be acceptable for the lender to protect his wealth by the charging of interest when monetary inflation erodes the purchasing power of money. However, when we argue like this we take ourselves on shaky ground, exegetically speaking. The fault with the argument, however, is that it is logical, rather than biblical.

So, if we hold, as argued above, that any increase in purchasing power over the loaned out money is usury, then what would happen in the biblical economy? If the money supply is relatively stable and prices decline say 5% over the year, should the person who loaned out \$100 have returned to him only \$95, the equivalent purchasing power that he lent? If the Bible’s teaching on usury does not

26 Rousas John Rushdoony, “Hard Money and Society in the Bible,” in Hans F. Sennholz, ed., *Gold is Money* (Westport, CT: Greenwood Press, 1975). Dr. Rushdoony argues that money may only be what God says it should be. Man is not free to determine for himself what commodity should be used as money; he must have only that money which God has ordained. And the biblical economy ordains gold or silver as legitimate money. Dr. North, on the other hand, is not so rigid. While he too is against fractional reserve banking and manipulation of the money supply, he is not so adamant that the Bible teaches such a narrow choice of commodities for money.

require this, then there are legitimate grounds for arguing that receiving an increase on loaned money is acceptable.

However, that leaves us with the biblical text concerning a prohibition on usury. If the lender is able to take a “natural” increase in his money, then the Bible’s prohibition against charging interest has to do with the idea that the lender should get a greater physical amount of money as a result of lending.

On this basis, we can say that the collection of increased value is legitimised in the Bible provided it is undertaken within a biblical framework.

Thus, we can both agree and disagree with Dr. North. Whereas he sees the economic fact of interest and concludes that accepting more physical money as a result of lending is morally acceptable, we offer an alternative in the case. In our view, while we recognise the legitimacy of interest, we say that any increase must come through a raising of the purchasing power of money. We can also both agree and disagree with Mr. Mooney. While accepting his general exegetical arguments concerning usury, we do not believe he has gone far enough in handling the economic questions. Too readily he dismisses the “time preference” theory of modern economics.

There are further reasons why the biblical position put forward here is plausible. *First*, debt and the charging of interest are intimately connected with unsound monetary practices. The modern concepts of paper currency unbacked by any commodity, fractional reserve banking and the creation of *fiat* (out of nothing) money, very much depend on the notion that any debt should have an interest rate attached to it so that the lender gets back more physical money than he lent. In the world as we know it in 1995, the lender and the borrower play into the hands of those who do not wish to establish sound monetary policies. Both Mr. Mooney and Dr. North are keen to have a Bible-based monetary system, and the biblical notion of usury must become an integral part of a Bible-based approach to economic theory.

Second, the view given here overcomes the criticism of lending that is given by the Social Crediters. We began this appendix with the Social Credit argument that if someone is given \$100, he has not necessarily been given sufficient money to pay back \$110. However, if the concept of interest outlined here is correct, then we have both an answer to the Social Credit dilemma while, at the same time, allowing the lender to be “paid” for lending.

On the other hand, we do not believe the Social Crediters go far enough when they call for the official establishment of paper currency as the form of money. Their scheme, as outlined earlier in this manuscript is to create money “as needed,”²⁷ but the money is to be put into the economy without the interest charge, as is the common practice. In short, they want monetary inflation. Unfortunately, their economic analysis is too superficial for them to respond to questions concerning the economic effects of increasing the money supply, no matter how that is achieved.

27 Naturally, they make no effort to define what is needed. Apparently there are some experts available whose knowledge of the economy is so comprehensive that they know exactly, or relatively close to exactly, how much money needs to be created. We believe this is wishful thinking, not supported by the biblical evidence nor the experiences of life.

Equity Financing

There is, however, another important aspect to the usury debate. It might be too easily assumed that an argument against usury is an argument against the modern notions of capital, its formation and use. This would be wrong, because the Bible does not seem to be against the use of capital and the capital process used to increase the number and range of goods and services. What the Bible does do is put certain limitations on man's actions. It says, in effect, some actions are wrong and those not prohibited are thereby legitimate for man to use.

While lending is one way in which someone can get use of another's capital, it is not the only way. Equity financing is an alternative that fits more appropriately with biblical ideals. Instead of lending, a financier would take a position as an equity partner in any venture, thereby linking himself, and his return on capital, directly to the success of the enterprise to which he is granting his capital. While there is no general prohibition against joint ownership ventures, there are still biblical parameters around this. Second Corinthians 6:14 is a limitation on partnership ventures: "Do not be unequally yoked together with unbelievers. For what fellowship has righteousness with lawlessness? And what communion has light with darkness?" (NKJV).

Covenantal Conclusion

In this evidence we can summarise the biblical position on usury as follows:

1. Lending to fellow-believers (Israelites) must be undertaken interest-free. However, there is no prohibition against partnership ventures where a potential lender instead becomes a joint risk-taker in a particular venture thereby increasing his capital as a result of the success of the venture.
2. Lending to foreigners at usury is acceptable. However, the biblical injunction to love one another does not appear to be confined to fellow believers only. Therefore we are uncertain to what the Bible means by foreigners. What happens, for example, if the foreigners convert to the faith? Clearly they are to be treated as fellow believers and receive interest-free loans. Then we would need to transfer our loan agreements into partnership agreements. It seems the foreigners therefore have a choice: be treated as foreigner with no interest free loans, or become members of the household of faith, and be treated with the full rights of the citizens of the Kingdom of God.²⁸ Whichever way we look at it, usury as practised in the modern world, does not fit anywhere into the scheme of things. Thus we can rightly condemn the modern concepts of interest while, at the same time, providing biblical guidelines to the reconstruction of money and banking that would fit better with the biblical texts.

28 This has interesting connotations for modern-day evangelism.

3. On the other hand, partnership ventures with unbelievers are prohibited. We may loan to them, but should not become unequally yoked to them. This is because the non-believer has a different frame of reference. It is unlikely that he will defer to the laws of God in all that he does, preferring to remain a law unto himself. The Christian cannot agree with this attitude, nor condone it by using his time and wealth to support it. He may put the unbeliever into debt-slavery to remind the unbeliever that he is a slave to sin and that he should seek salvation from Him who alone is able to save sinners.

On this basis, we can say that *covenantal relationships* determine the way in which we deal with others on the issue of usury. This position seems to do justice to the biblical texts while, at the same time, providing a valid economic alternative to lending at usury. Neither should this conclusion be surprising, since it is the basis of all God's dealings with His creatures, and, by analogy, the manner in which we deal with others.