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Notes on the Moral History of Usury

John Thorp

University of Western Ontario, jthorp@uwo.ca

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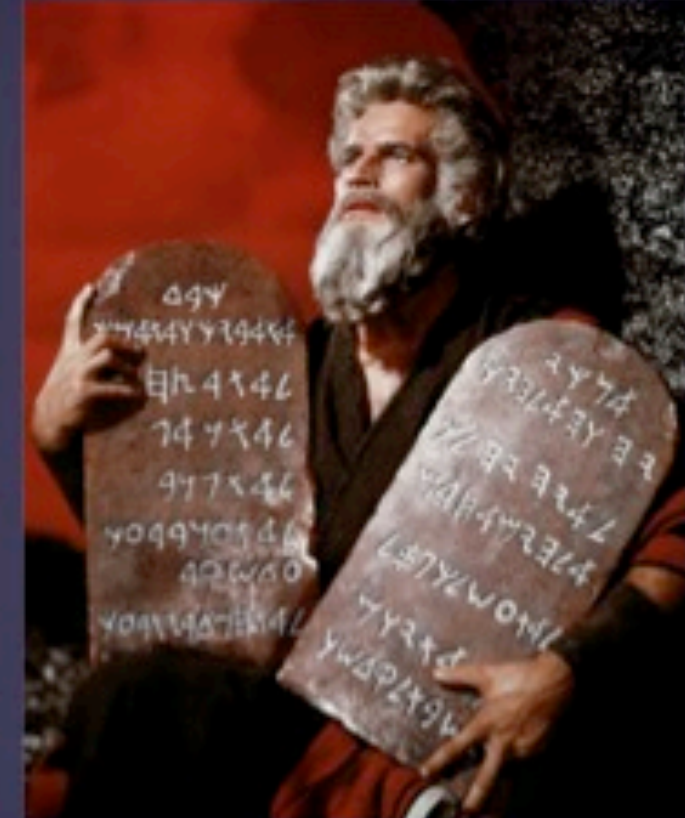
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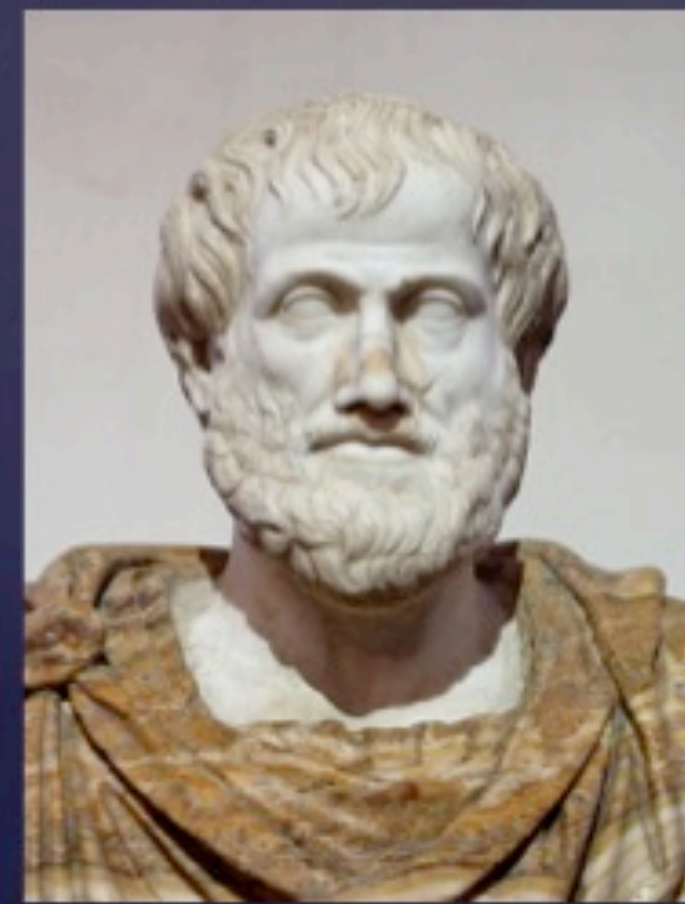
1. Sources



Until a century and a half ago, western culture was obsessed by its hatred and suspicion of usury, that is, of the practice of charging interest on loans. Now that making money by lending money has become one of the engines of our prosperity, we easily forget how much moral repugnance the practice had to overcome.

The Torah forbade Jews to lend money at interest to their brothers, that is, to other Jews, though it permitted moneylending to others. (The Hebrew word for interest is *neshek* = "bite".) Aristotle had particular hatred for making money by charging interest: he thought it was an act against nature, perverting the purpose of money, which was simply to represent goods. (The Greek word for interest is *tokos* = "offspring".)

The hatred of usury was thus fed by both principal streams of our moral culture: the Judeo-Christian Scriptures and Greek Philosophy.



2. Execration & Excoriation



Dante punished usurers even lower in Hell than sodomites.

It wasn't just that usury was a moral fault—on a par, for example, with anger, gluttony or jealousy. It was a practice that was *loathed and despised*, and that attracted the most virulent condemnation. We do not just hear moral prohibition in this decree of the Second Lateran Council of 1139; we hear *revulsion*:

Moreover, we condemn as reprehensible and detestable that insatiable rapacity of usurers, denounced by both human and divine laws, in both the Old and the New Testaments; and we cut them off from all the consolations of the Church: we order that no archbishop, bishop, or abbot of any kind or any clergyman whatever should presume to receive usurers; let them rather dwell in infamy throughout their lives, and, unless they repent, let them be deprived of Christian burial.

3. The Jews

Jews couldn't lend at interest to Jews; Christians, obedient to the Old Testament laws, couldn't lend at interest to Christians. Nobody was going to lend anything to anyone *without* interest. Jews, however, were permitted by Scripture to charge interest to Christians, and Christians to Jews — though this latter situation seems scarcely to have occurred. And so the Jews became the moneylenders of Mediaeval and Renaissance Europe. Antisemitism was reinforced by the long-entrenched loathing of usurers, and it is hard not to suspect that, at the same time, the loathing of usurers was reinforced by antisemitism.

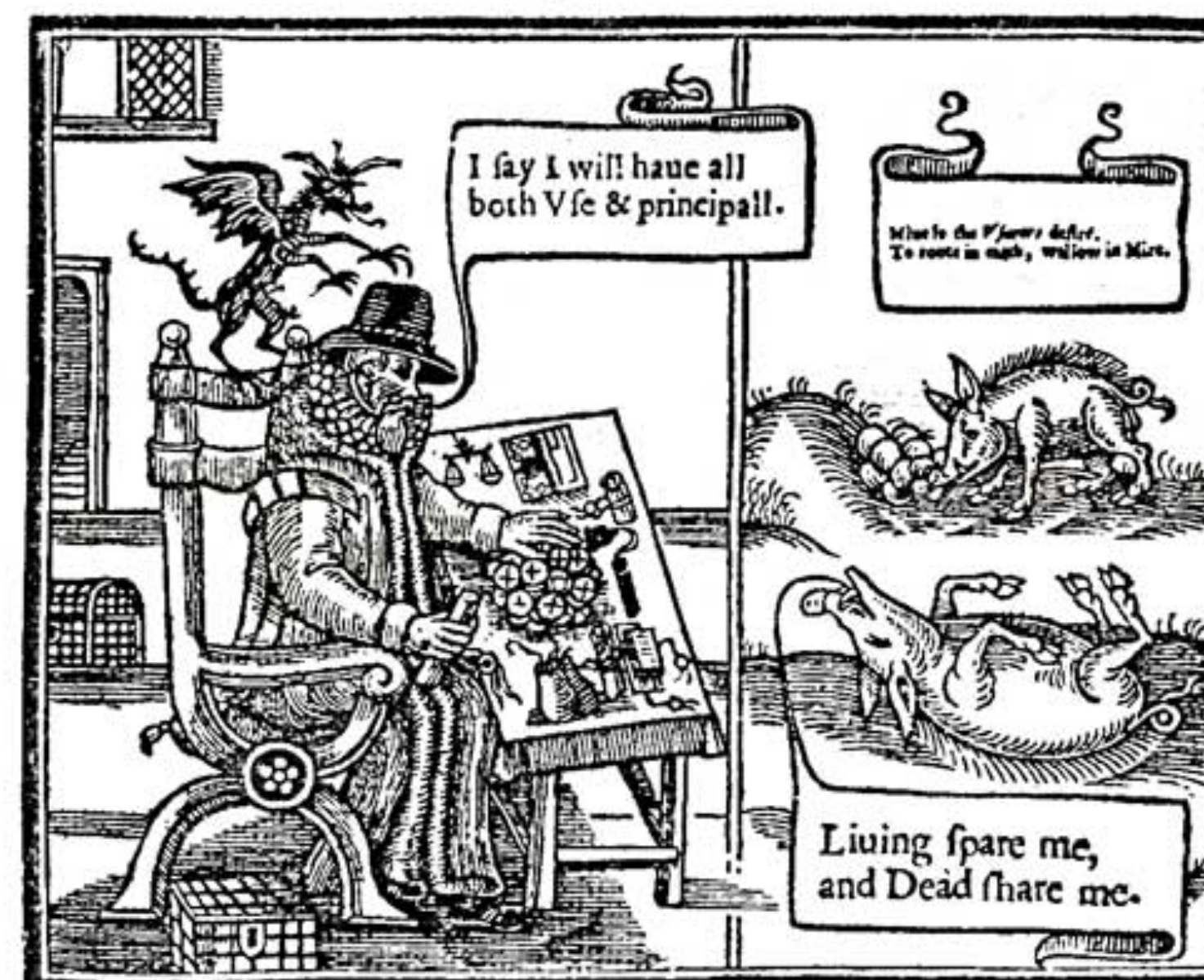


4. Loopholes

Economic historians have written of the "age-long rural slumber" of Europe, the many centuries when industry was constrained by the lack of capital. The strictures on usury had to give way. But they gave way only slowly, only by opening loopholes, only, essentially, by redefining "usury" so that the loopholes were excluded from it. Thus it was still possible to condemn "usury", while allowing lending at interest in a variety of ways. Here are some loopholes.

1. Usury may be exacted from heretics and infidels (Alexander III, 1159)
2. Condemnation of those who practise "heavy or immoderate usuries" (Fourth Lateran Council, 1215) (Usury is illegal in Canada, but it is defined as charging interest in excess of 60% *per annum*!)
3. "A person who lends a certain sum to a ship's captain or someone going on a voyage, expecting to receive something more than the lent sum in compensation for the risk (*periculum*) he takes, is not to be condemned as a usurer. ..." (Gregory IX, 1227-1241)
4. The Church should not meddle in the sphere of civil law. And in any case laws must often choose between evils, and a small exercise of usury is a lesser evil than allowing a citizen to be destitute. (Gerson, c. 1450)

The English Usurer.



Calvin Epist. de Usura.
In repub. bene constituta nemo sanus ac tolerabilis est, sed omnino debet e confosita hominum reici: An Usurer is not tolerable in a well established Commonwealth, but utterly to be rejected out of the company of men.

5. Calvin's View

6. An Anglican Evolution



By what means soever, thou receivest more than was lent thou are a usurer towards thy brother, and God will be a revenger against thee...All reason and the very law of nature are against it: all nations at all times have condemned it, as the very bane and pestilence of a commonwealth. (Edwin Sandys, Archbishop of York, 1519-88)

[The Israelites] were allowed by God's law to receive interest on the loan of money lent to a stranger, and this shows that there can be nothing wrong in receiving interest. (Richard Whately, Archbishop of Dublin, 1787-1863)



Money like every other talent is to be made the most of; and it is our duty to see that we do make the most of it...But making the most of it does not necessarily mean the highest possible return for it; simply the highest interest, compatible with good security. (Anthony Thorold, Bishop of Winchester, 1826-1895)

John Thorp,
Rotman Institute of Philosophy