Interest and Morality

An exploration around the morality of interest in religion

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European Academy on Religion and Society

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About this whitepaper

Three of the world's major monotheistic religions — Christianity, Judaism, and Islam - all hold similar positions on interest and how it is situated within their understandings of morality. Interest is often seen as exploitation or immoral behaviour. How do each of these religions cope with the issue of making interest moral?

This whitepaper is based on the outcomes of our virtual round table meeting. Several articles were written as an inspiration for the round table discussion. We would like to acknowledge the authors of these articles, the round table report, and the introduction to this whitepaper: R. Anthony Buck, Ghila Amati, Muhammad Faisal Khalil, Thom Lamers, and Prof. dr. Matthias Smalbrugge.

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Interest and Morality

Introduction written by Prof. dr. Matthias Smalbrugge

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Interest, the word seems clear: the compensation received for the lending of money. Makes sense, one would say: who lends money has a right to receive a certain compensation, because he cannot use the capital himself. Yet, that is untrue. He makes use of it by lending it and receiving this compensation. In other words, it is not about the capital that is not being used; it is being used to certainly generate an income.

The large religions have always been against interest and especially against excessive interest, usury. The reason was clear: it seemed like money was multiplying itself and thereby providing an unequal benefit compared to income generated by labour. Nevertheless, the prohibition on interest was not Piketty *avant la lettre*. Rather, it focused on avoiding a certain dependency, which would take away any form of autonomy from the people.

Later thinkers changed their interpretation of interest and noted that interest can also exist in the form of social or intellectual capital. In addition, interest was seen in a more positive way. It created the dynamics of investments and consumption, matters that are necessary to the existence of a healthy economy. The fact that interest rates are currently almost down to zero, is for a similar reason: stimulating spending and investments, even though already by forced involvement by the ECB. It still all makes sense, although the attitude towards interest changed from purely negative to moderately positive.

However, questions remain. These consider the extent to which moral points of view are connected with the dynamics of the economy. The original religious viewpoint on interest plays an important role here. If economy and morality are permanently split, what are the tools to steer the dynamics of economic developments in society? Or is directing the economic developments unnecessary, and is there an *invisible hand* that ensures an optimal distribution of money and goods?

The Netherlands did not trust this *invisible hand* when we look back to the Greek debt crisis and to the current COVID-19 crisis. A Pan-European investment fund could be created, but only under strict requirements: Southern countries did not have their economic situation organised, according to some countries. The fact that the Netherlands had to be supported by German hospitals in the COVID-19 crisis, that the Dutch military lacks investments which are being paid by e.g. France: we forgot all this. The Netherlands had an organised economic situation because they outsourced their deficits to other countries.

It is time to ask ourselves if moral points of view have any connection with the economy. Note that we are not aiming for moralism or preconceived notions. Rather, as European faculties of religion and theology, we know that the Netherlands has lost credits as a result of its amoral (or immoral) approach in recent European debates. Is Europe, then, still more than an economic and monetary union?

Interest and Morality

Report written by Thom Lamers

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At first glance, 'interest' seems to have a simple definition: the compensation received on the loan of money. You are compensated for not being able to use your money actively. When taking a closer look, however, something different is happening as well. Interest is not purely a passive action. It is not only about capital that cannot be used, but rather about actively using interest to generate income with particular certainty.

Over time, the concept of interest has shifted from purely negative to moderately positive. The big religions have always been against interest, especially concerning usury. The reason: dependence, which counters autonomy, should always be avoided. Money should not be given a dynamic of its own. Several great thinkers have given the concept of interest a different spin, stressing the social and intellectual parts instead of just the economic viewpoint. Gradually, a more positive view developed and interest became weaved in our economy, through investments, consumerism, and financial institutions. But questions remain. How do viewpoints on morality hold against the dynamic of the economy? And if they grow apart, how do we control this dynamic? Or is any form of control unnecessary? In addition, what are the consequences of interest for European cohesion? In this meeting, we discussed these and other questions with various Dutch experts in the field of economics and theology.

Interest and equality: a paradoxical relationship?

In the theological world, economic interest is like trying to draw a square in a circle. If you lend to someone in need, you should not try to profit from that. A prohibition on interest, so to say. In antiquity, people already differentiated between interest and investments. The latter being actively taking risks, often with other parties. But the times have changed. In the past, fewer instruments aimed at creating equality. Lending was a way of redistribution, and debts could lead to forms of slavery. In our modern society, we have more ways of stimulating equality. And the concept of limited liability prevents creditors from seizure on human capital. That is a crucial difference compared to old times.

However, when thinking about debts in modern times, do we still not put people from a bad situation into a worse one? Limited liability has shifted from people to companies nowadays. For example, think about wage garnishments. In Dutch law, one has to inform their employer if they are receiving help restructuring debts. Even though seizure of human capital has mostly been neutralised, the consequences of debt are still dramatic. People in debt remain a slave to themselves. What does that mean for a future of equality?

A slave to our consumerism

It is not unusual to pay with money we do not have. In the US, it is common practice for people to have debts, but buy a car to pay off later. Combine that with a large credit card system and the total of debts rises steadily. In Africa, debts are increasing as well. Rather than buying a car, other forms of spending money (gambling for example) seem to be increasing in popularity. The problem seems to be similar in many situations: once the need to consume has arisen, it stays put.

This raises the question of whether our current images and regulations concerning interest are maintainable. There is a clear difference between consumptive credit (particularly when buying a house) and other forms of credit (from companies, government, or other institutions). Similarly, there is a difference between buying a house with loaned money or buying a new plasma screen. Not everyone can make smart decisions when it comes to investing. So is it too paternalistic to say we should limit the way money is spent, thereby preventing people from chances of being made a slave? The three monotheistic religious traditions (Judaism, Christianity, and Islam) seem to have a sound guideline: be very careful with loaning money.

"Connecting economics and morality more often might also be beneficial for both areas. Not to view it as opposites, but as possibilities of mutual fertilisation in a given frame."

The challenge of a generation

With the development of Catholic social teaching around 1891 and onwards, the first steps toward our current welfare state and pension system were taken. As we now know, those steps led to massive economic growth and prosperity for the Netherlands. However, younger generations do not always hold the same viewpoints as generations before them. Whereas saving money to buy a house was one of the top priorities in the past, millennials do not seem to be so concerned about that. They seem to be searching more for competencies that help them move through the world.

One could also argue that the assurance of money or being able to buy a house is less important because the younger generations have relatively rich parents compared to older generations. So could it be the case that the luxury of certainty has become something that is being taken for granted? And what has replaced that luxury? Perhaps a higher need to belong.

It seems that meeting societal expectations might be the new reason to get into debt. As times are changing, the future might require a broader focus. Not only looking at financial capital but also social capital. Being someone that you can justify to yourself, and satisfying the innate need to belong. Perhaps that is what keeps us from being ultimately free. As Christianity learns us: belonging is being free. But that belongingness often comes with high pressure, causing serious mental issues. Handling that in a good manner might truly be the challenge of a generation.

What about the relationship?

The main issue regarding interest is taking a risk. Risk is essentially our reference for certainty. If we enter a relationship or commitment with someone, we want a form of assurance. The problem with debt exists because we expect some sort of guarantee ('I will always get something in return'). Because we live in a risk-averse society, interest rates have dropped. If you want certainty, you will most likely have to settle with low compensation. This is reflected in our economy.

However, religions say there is no such thing as certainty. When in a relationship with someone else, you'll have to accept uncertainty as a given. In Christianity, the only being that is absolutely trustworthy is God. He will reward you if you waive your claim (certainty). In relationships with other people, you will have to accept that uncertainty is part of the deal. Since that flexibility and trustworthiness is seen less and less, does that reflect a decrease in faith in our society as well?

In good times and in bad times

Some people might ask where the solidarity has gone: taking care of others in good times and being taken care of by others in bad times. Is that not what should be the basis of the subject of interest? One of the five basic principles of Islam is the alms, meaning to give as an act of virtue. This fits neatly into the idea of solidarity.

However, interest is a risk contract (with tough obligations), not a gift exchange. Regardless of the situation, you will always want something in return as agreed in the contract. Whereas trust was very important in the past, now consumptive financing is based on modulations. When wanting to loan money, you will get points for bringing some of your own money to the bank, but deduction if you have an active registered debt. Trust has been replaced with a system of points that is framed as representing certainty.

Anonymous decision making

As mentioned above, we have made loaning anonymous by installing modulations as a replacement for trust alone. This can be interpreted in two ways. On the one hand, this makes sure we have a well-regulated procedure and independent exploitation is being tackled. On the other hand, the trust that a bank had for giving out a loan (based on social control in the same social network) was the instrument for which this system was set up in the past.

The fact that people get deeply into debt is rooted in our society. Our national debt has grown five times faster than our national income. And the fact is: we subsidised that in a way, by making loaning relatively easy. Some may question the morality behind that. Is everyone in our society capable of that responsibility? Should people be given the freedom to get themselves into a situation of debt?

How it all came to be

To know the future is to know the past. Let's look at what happened in the 1990s. The profiteering insurance policy was bought in huge numbers. People were not necessarily looking for certainty (except concerning their pension) but for various new ways of investing. The stock market became increasingly popular. And what did that lead to? We saw a great rise in prosperity which led to generally high financial resources. This made it lucrative for financial institutions to think of new products for the mass market, instead of for the very few as it used to do. From that moment on, the sector was deregulated. Whenever there is money, people will think of ways to do something with that money.

That same accessibility is seen today. As a result of money, SPACs came into existence, making it possible for small investors to get access to big initiatives. Both illustrate not a search for certainty, but inventive ways of institutions taking money from the population.

Smart or not so smart investing options

When looking at the diaconate from a Protestant perspective, another problem occurs. Money that is spent on religious purposes, and not intended as an investment, might get bookmarked as investing, unintentionally adding interest. This causes big funds to not be able to spend their money because they are so strict in maintaining their spending requirements.

For private individuals, this creates opportunities through a continued search to get a fiscal advantage. Nowadays, when buying a house, the tax specialist might advise you to loan more money than you need simply because it gives you a tax advantage. That way, you become a slave of your own money, but also of the creditor, as they do not have to put in much effort to

loan more money (and increasing the amount of their interest along the way). And some might take it even further: a slave to the government (as banks are governmental agents).

In the ideal situation, financial markets are a place of solidarity. Sharing risks and giving people with no money the possibility to invest. Sharing risks causes human growth. And should that not be above all else? At the same time, financial markets are a place of robbery and theft. There are a lot of sharks on the financial market, only there for personal gain. But life is full of risks. It is inevitable that things go wrong on the financial market. We make mistakes and that is part of life. Perhaps we should not try to moralise that. Our biggest mistake: wanting to live in a world where everything goes well.

Cultural differences

Another part of the relational transaction is culture. Moral differences in societies. Would a German, for example, trust others easier than an American? Based on anglo-saxion and Rhineland thinking: perhaps yes. They uphold different mores on how to behave. Cultural habits are much more resistant than (financial) systems. The word debt has a very negative connotation to Germans, for example. That influences the way the country operates. No surprise that the German government has installed regulations concerning the height of their state debt.

Financial crises are of all times, even though they have occurred more often recently. But the fact is that over the years, we have made our economy dependent on the financial veil through social-economic policies. Think about the housing market, but also pensions. Our pension system is dependent on the number of working people and non-working people, not the big jar of money that keeps on being filled. Stocks in the pension market are only valuable because there are people who work (economic cycle). We pay the pension for generations before us.

What is the recipe?

As an individual, the recipe for the future could be to engage in better relationships with Europe and other countries. That means accepting the possibility of failure. But from a religious background, specifically Christianity, taking risks is good because there is a chance of hope. At the same time, however, you do not want to swap horses for pigs. Are we morally bound to continue our relationship with different European countries that are not as financially stable as we are? It all depends on how we look at each other individually and as the European Union as a whole. In any case, solidarity seems to be a vital aspect in solving tomorrow's problems.

Appendix

Between God and money: The morality of interest

Written by Ghila Amati, R. Anthony Buck, and Muhammad Faisal Khalil

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Three of the world's major religions — the monotheist traditions of Judaism, Christianity, and Islam — all hold similar positions on interest and how it is situated within their understandings of morality. All three religions traditionally reject the idea of interest, defining it in eminently moral terms: the exploitation of people's need for money for profit or personal benefit. A key priority for these religions has been to protect their own faith communities from this exploitation, even if not the communities of other faiths. With the advent of modern economic systems, however, these religions have struggled to maintain this morally-defined position, even for their own faith communities. While medieval monotheists did allow for an attenuated existence of interest, particularly in Judaism and Christianity, modern understandings of interest have diversified significantly. New positions accepting interest have emerged, either as a result of practical concessions to its undeniable prevalence or as genuine efforts to reform economic thought in their respective traditions.

Interest and morality in Judaism

The Jewish view of interest

The Hebrew Bible (the old testament of the Christian Bibles) holds a negative position towards interest. In the book of Exodus it is stated: "If you lend money to any of my people who are in need, do not charge interest as a money lender would.[1] Similarly, in the book of Leviticus it is written: "Do not take interest or any profit from them, but fear your God, so that they may continue to live among you. You must not lend them money at interest or sell them food at a profit."[2]

In the Book of Ezekiel, the charging of interest is described as one of the most terrible sins and as an outrage. It is stated, he who "takes advance or accrued interest; shall he then live? He shall not. He has done all these abominable things; he shall surely die; his blood shall be upon himself."[3] The Talmud — the Rabbinic Jewish text that is the primary source of Jewish religious law — based on the Ezekiel text and the Hebrew Bible, prohibits lending money with interest. According to the Jewish law, loans should be given as a form of charity, not for personal profit.

Nevertheless, it is important to underline that the *halakha* (the Jewish law) prohibition to lend money with interest applies only to other Jews and it allows charging interest to non-Jews. The English journalist and popular historian Paul Johnson suggests that this is because the Hebrew Bible approach towards lending is that of philanthropy and charity inside the Jewish community that strived to survive collectively. Therefore, interest could be charged to non-Jews, as Jews were not obliged to be charitable towards other communities.[4]

Yet, several Rabbis throughout the centuries — and among them the Jewish commentator Rabbi Isaac Abarbanel — argued that the prohibition of charging interest should apply to non-Jews such as Christians or Muslims as well. This is because these Abrahamic religions share with Judaism the faith in monotheism and similar ethical values.[5] Moreover, the medieval Rabbi David Kimchi (also known as the Radak) argues that a non-Jew who is kind and respects Jews should be treated with the same respect when given a loan.[6]

Interest in modern Judaism today

Today, especially as a result of the institution of the State of Israel in which most of the population is Jewish, Jews struggle to find creative solutions in order to allow charging interest. In fact, receiving mortgages or other kinds of loans from banks is essential for the survival and wealth of the state and its citizens. As a consequence, today, banks in Israel and other parts of the world are allowed — according to the Jewish law — to lend money even to Jews. The Jewish law in fact came up with a document formula called in Hebrew '*heter iska*', which converts loans into business-type investments, thereby avoiding the interest-loan prohibition. Israeli banks allow their clients to choose to sign this document for all types of loans, thereby eluding the Jewish ban on interest. Besides, in the US, Israel, and around the world, there are hundreds of 'free-loan-societies' among religious Jewish communities that provide interest-free loans (usually of smaller size than mortgages, though).[7] [8] An example of these organisations is the International Association of Hebrew Free Loans (IAHFL), an umbrella organisation for Hebrew Free Loan societies and organisations that offer interest-free loans to Jews.[9]

Interest and morality in Christianity

Christian scriptures on charging interest

The question of charging interest first arises in the Old Testament (known as the Hebrew Bible in Judaism). As summarised above, there is a clear prohibition in Exodus 22.25 (Hebrew v.25) against charging interest to a poor member of the community. Deuteronomy 23.20-21 (Heb. vv.19-20) specifically narrows the prohibition as not extending to foreigners but does expand the forms of interest from "interest of money" to include things non-pecuniary in nature: "interest of food and interest in the form of anything you might charge as interest."

In the New Testament, the subject of interest appears rarely. Whether that is because the Old Testament is straightforward and needed little reiterating, or because interest as a financial function was beginning to change, is open for debate. The main passage where lending and interest coincide is Luke 6.34-35. "And if you lend from what you hope to receive, what kind of grace is it to you? Even sinners lend to sinners to get back the equivalent sum. Rather love your enemies and do good and lend expecting to get nothing back. Then

your reward will be abundant, and you will be sons of the Most High, because He is kind to the ungenerous and wicked."[10] This short section possibly implies a society in which sinners offer loans without interest, but with an expectation of repayment. In this way, at least within the conceptual schema of the New Testament, there seems to be the assumption of an interest-free society but in which Christ calls his followers to go beyond merely loans to generosity. This can be seen as intensification of the Jewish *halakha* understanding of loans as a form of charity.

Interest in Church History

The Christian position regarding interest for the majority of its history remained fairly consistent. The Church Fathers (early Christian leaders during the first four to five centuries of Christianity) categorically opposed interest, decrying it as a severe sin. First, they held that it violated the Old Testament laws and passages outlined above. Second, they understood it to transgress the Christian ethic of love.[11 12] While interest was commonly practiced in the ancient world, the Fathers continually and courageously denounce it as oppressive to the poor and (apologetically alluding to Aristotle) contrary to the created order of animate beings' reproduction.[13]

The Middle Ages largely carry forward this understanding of interest as the sin of usury, supplementing it with a focus on interest as a form of robbery and thus even more strongly prohibited. Thus, usurers were subject to being not just socially ostracised but excommunicated from the sacraments.[14 15 16 17] Nevertheless, there were loopholes that were occasionally exploited within European medieval society. Namely, while Christians could not charge other Christians interest, it was not prohibited that Jews charge interest, even if the practice was not celebrated.[18 19 20] However, certain non-Jewish ethnic groups (e.g. the Lombards and Visigoths) were also enfolded into the category of 'Jew' and allowed to charge interest.[21] Other workarounds included: renaming the interest to 'discretionary payments', setting a repayment date that would be intentionally missed so a fee could be assessed, or borrowers making 'gifts' to the lender.[22]

Interest in modern Christianity

By the beginning of the Reformation and on into the modern era, Christian attitudes towards interest turned. Reformer John Calvin interpreted that the prohibitions of the Old Testament were embedded within a particular economic system, but that modern economies operated differently. In them, a loan with interest could benefit both the borrower and lender, rendering the prohibition somewhat non-applicable.[23 24] Yet, the reformers strongly limited the interest rates allowed. Eventually, Catholicism followed suit.[27]

"[B]oth Islamic thought and Muslim practice have faced significant difficulty in maintaining the consistent application of the Quranic prohibition of interest"

Thus, modern Christian attitudes towards interest consider that the nature of trade and commerce has developed in such a way as to make interest, not necessarily bad. Much of this is embedded in a distinction between personal and business loans. Where the former seem to exploit the poor, the latter can produce opportunities where people can escape poverty or at least make a living for themselves.[28 29] However, some Christians are asking whether the economic systems of the West are becoming overly reliant on interest as a mechanism and if the prevalence and expanding commercial operations of interest even have become usurious once again and led to the oppression of the poor.[30 31]

Interest and morality in Islam

The Islamic view of interest and its rationale

Under the category of 'riba', the Quran defines 'interest' as money earned out of money, most normally in the form of excess money taken on an existing amount of money. Islamic law, most conventionally in the form of per-modern law 'fiqh', is consistent with the Quran's understanding of 'riba'. The most conventional form of 'interest' that Islam deals with is when a person lends money to someone and then demands profit on it. While this at first glance may not appear to be significantly different from rent, Muslim scholars argue that there is a stark difference between the two: "rented out items can be used while keeping them intact."[32] Money, it is argued in Islam, cannot be used in this way; "it is in fact used up and after spending it, it is needed to be produced again."[33] Under the Quranic principle of *akl al-amwāl al-bātil* (devouring wealth through unfair means), if an amount over the original amount is demanded, it constitutes oppression: a contravention of our moral obligations towards each other. The Quran accordingly explicitly forbids interest,while justifying its law-giving on the prohibition of interest by claiming that the difference between interest and rent is subtle, and that human intellect can fail to recognise this difference.[34]

The contemporary challenges of and solutions to interest

While consensus in Islam on the moral status of interest has remained largely consistent across pre-modern and modern times, both Islamic thought and Muslim practice have faced significant difficulty in maintaining the consistent application of the Quranic prohibition of interest. Specifically, the appearance of interest-based banks in Muslim communities has led to challenges in the clear application of Islam's law on interest. Leading scholars in India, Egypt, and Syria have contended that modern banking does not charge interest at all, since a bank only receives a portion from the profit of a commercial venture it had financed on the basis of a loan. Other scholars have defended participation in modern banking with the claim that with interest so prevalent, it is unavoidable and those who pay it are not doing something sinful. "The issue of interest is mentioned in more than one instance in the Quran. Not at one place has the Quran condemned those who pay interest. In fact, it calls them oppressed and asks the lender to give them time if they are facing financial constraints."[35] Then there are other scholars who fully deny any legitimacy or participation in modern banking, basing their argument not on the Quran but on a prophetic narrative which curses "the person who consumes interest and makes others consume it."[36] These debates, focused on the permissibility or otherwise of interest-based banking, intensified from the 1940s in the context of the emergence of the Islamic neo-revivalist movements across the globe, such as the Jama'at e Islami in South Asia and Muslim Brotherhood in Egypt. The debate, however, remains unresolved. An alternative that has emerged to modern banking is interest-free or 'Islamic' banking, which relies upon the utilisation of rent rather than interest. A key paradigm of Islamic banking is profit-and-loss sharing, "where borrowers share profits and losses with the banks, which in turn share profits and losses with depositors."[37] While this approach seems morally more palatable, in practice however, it "is not very different from conventional banking."[38] Even the activities of Islamic banks eventually rely on a larger

modern banking system that is based on interest. Muslims, therefore, remain unable to develop full Islamic law that deals with interest in a way that is consistent with not only the Quran but that is able to navigate the complexities of modern banking.

Is interest here to stay in religion?

Modern attitudes of the three monotheist traditions of Judaism, Christianity, and Islam towards interest have undergone significant transitions, particularly since the emergence of modern economic systems. While their foundational sources have largely denied the use of interest on moral terms, all three religions have eventually developed new positions not immediately identifiable in these sources. Judaism's conversion of loans into business investments, Christianity's acceptance of interest as means to help the poor, and Islam's distinction between charging and paying interest, all represent the transition towards a wider acceptance of interest. But this acceptance has been an uneasy one. Jewish communities have developed 'free-loan societies', while Muslim countries have introduced 'interest-free' banking. Christians are highlighting the over-reliance on interest as a basic method of economic life. Notwithstanding this uneasiness, no clear resolutions between interest and morality have emerged. The reason for this perhaps lies in the fact that the challenge interest presents is not simply a moral one: it is eminently practical in nature. Criticisms of contemporary religious solutions to interest reveal that it has become a force of nature in modern life, one that cannot be dealt with and excluded from life simply on the basis of principles. All three religions face the challenge of not only needing to overcome any evolving moral justifications of interest but also the prevalence of interest in the modern world.

What do religions do when they can no longer offer moral guidance on issues that they have no influence over? One can arguably take lead from Islam, which says that when we no longer have moral control over something, we should take two moral actions. Firstly, that such a state is one of oppression, and we must seek to change the world they live within to remove or reduce oppression; so to stop interest, we must pursue and advocate for reform (*islah*).[39] But until this first action of reform does not take fruition, we must continue to individually make moral choices at every twist and turn of our economic life to avoid interest as much as possible.[40] This is the second action. Together, these two actions place us in a position where the moral work that lies ahead of us is not only difficult but is essentially relying on our individual moral agency on an issue that was once considered a collective one.

Debt and moral obligation in Europe

Written by Muhammad Faisal Khalil

EARS

What is the right price to pay for the use of someone else's money? The question of 'interest' has often challenged economists, politicians, and religious authorities. Many economists and politicians have argued in favour of a material determination of such a price as opposed to a moral one, claiming that economic forces must prevail over moral values. This conflict between the material and moral took centre stage in Europe over the past decade-and-a-half with Greece's debt crisis.

Paying debts at all cost

The Greek economy crumbled as a result of the international economic crisis of 2009. Greece's debt became unwieldy and threatened the eurozone. While some saw the Greek debt crisis as a global conspiracy, others, such as Greek Orthodox fundamentalists, saw it as a punishment from God. The crisis was a failure of their moral obligations towards God and each other, and this needed "an attitude of repentance and an attitude of dynamic defence of traditional values."[1] In 2010, despite widespread protest and wildcat strikes in the country,[2] reactive austerity measures curtailing government spending were introduced by Greece first and then by the 'troika' – the European Commission, European Central Bank, and the International Monetary Fund (IMF) – who offered a bailout over concerns that the Greek crisis would impact the value and stability of the eurozone. Keynesian economists, such as Joseph Stieglitz, warned that the austerity imposed on Greece would fail, stifling growth and increasing: "We hardly needed another test. Austerity had failed repeatedly, from its early use under US President Herbert Hoover, which turned the stock market crash into the Great Depression, to the IMF "programmes" imposed on East Asia and Latin America in recent decades. And yet when Greece got into trouble, it was tried again."[3] Despite this, the 'troika' defended austerity.[4]

The moral jeopardy of debt

Time perhaps proved the Keynesian economists right, with Greece meeting its obligations under the bailout but at great cost. In August 2018, Greece officially ended its reliance on the more than $330 billion in bailout money that it received. With the contraction in government spending, unemployment remained the highest in the eurozone and the Greek economy was about one-fourth smaller than it had been before the crisis.[5] Living in a country of budget cuts, reduced benefits and pensions, and high taxes, nearly one in three Greeks lived near poverty.[6] Vulnerable and minority groups within Greece were particularly affected. Greece's dispersed Catholic minority faced severe hardships, which accounts for just three percent of Greece's population of 11 million. Church leaders argued Catholics were facing the dual challenges of economic poverty and social isolation. In 2013, a 48 percent tax rise drastically reduced the Greek Catholic Church's income, "forcing it to close charitable projects and cut clergy earnings."[7] "Our whole church faces great difficulties," explained Archbishop Nikolaos Printezis of Naxos, Andros, Tinos, and Mykonos, and secretary-general of Greece's six-member bishops' conference. "The state won't help us, since it says we're supported by the Vatican; and the Vatican can't help us because we're still considered a relatively rich country in the European Union."[8]

There was strong outcry over the effects of austerity. Two Geneva-based international church groups declared that Greece was facing a humanitarian crisis, and appealed to the European Union (EU) to help the struggling nation. In an open letter, the secretaries-general of the World Council of Churches (WCC) and the Conference of European Churches (CEC) revealed that the country's high youth unemployment and basic services were at risk. "In Greece, basic human services such as health care and even the availability of medicines are at severe risk," the letter from the WCC and CEC said. "Together with the Church of Greece, we also take seriously the political and societal implications of growing racism and extremism in Greece," it said. "These are storm clouds on the horizon that cannot be ignored or wished away." Olav Fyske Tveit of the WCC and Guy Liagre of the CEC urged EU leaders to give "urgent and proper attention to the emerging humanitarian crisis in Greece."[9] The EU had, for them, a moral obligation to help.

"[C]onflict between the material and moral in Europe has finally been decided in favour of the material."

"A debt is a debt is a debt"

Yanis Varoufakis, a former economics professor who served as Minister of Finance in 2015 during the debt crisis, warned against the "short-sighted" austerity policies of the 'troika'. Claiming that the rising authoritarianism of the 'troika' had stonewalled his efforts to resolve Greece's debt crisis, he departed from his office to eventually create the left-wing political party MeRA25 in 2018, which promotes European internationalism, economic rationality, and social emancipation. Varoufakis has accused the EU of double moral standards, contrasting how Greece was treated in 2010 to what happened to Germany in 1953: "The German state was allowed to write off almost all its, very large debts, including those that were the result of forced loans extracted at gunpoint by the Nazis from occupied nations… So, eight short years after German troops had wrecked our continent, Europe and the United States gave the German people a chance to recover by striking off, at the stroke of a pen, a mountain of debt. Rightly so, I think. That write off was essential in bringing Germany back to the land of the living and kickstarting Europe's revival."[10] Greece, in contrast to Germany, Varoufakis argues, has been subject to a moral obligation to repay its debt: "Compare and contrast this to today when most German commentators refuse to countenance debt relief for the economically ravaged parts of Europe, arguing that if repaying the Periphery's debts requires that the people of Greece or Portugal must be screwed into the ground, so be it: "a debt is a debt is a debt". To say the least, this is a case of double standards."[11] Based on what Varoufakis argues, it can be claimed that conflict between the material and moral in Europe has finally been decided in favour of the material.

Who fulfilled their moral obligations?

Did Europe fail in its moral obligations to help Greece, as Varoufakis argues? Does the repayment of interest and debt in general justify the economic and social devastation that Greece faced? Could Europe not have repeated its moral actions with Germany in the case of Greece? Many argue that Europe in fact did act morally. Since the debt crisis began in 2010, the various European authorities and private investors that took part in the bailout loaned over 300 billion euros to Greece, the biggest financial rescue of a bankrupt country in history. In return for the loan, the EU mandated Greece to adopt austerity measures so that it would strengthen its government and financial structures. Indeed, even Greece's Finance Minister Euclid Tsakalotos characterised Europe's continuation of its bailout program as a fulfilment of moral obligations.[12] But as Varoufakis's MeRA25 claims, this perspective fails to see the moral failures of the larger economic system, which according to Varoufakis created these jeopardies of interest in the first place, while at the same time undermining Europe's social contract with the poor and vulnerable.

Rethinking capital and interest

Written by R. Anthony Buck

EARS

Expanding our understanding of capital and interest with Pierre Bourdieu

Pierre Bourdieu was one of the 20th century's most eminent sociologists, who developed an approach to sociology that seeks to account for the highly integrated sets of relations in human society. Bourdieu showed how the concept of capital found in economics and economic philosophy applied to a wider range of human activities, institutions, habits, and spheres of consideration.

He suggests that there are three main types of capital: economic, social, and cultural.[1] Economic capital includes things like currency, property, the means of production, labour, trade, debt, interest, banks, and economic laws.

Social capital is the sum value of social relations an individual, family, collective group, or institution has with other individuals, families, groups, and institutions. These social relations involve things as simple as access to a person, favours given or owed, and recommendations.

Cultural capital takes on many different forms as it relates to various features of cultural production: things like education, art, prestige, technology, information, science, religion, and legal systems.

Bourdieu saw the need to expand the concept of capital to other types while doing anthropological research among the Kabyle in Algeria. In particular, he noted that strictly economic transactions existed among the people. But more importantly, that other transactions occurred outside of its strict confines and involved types of loans whose interest or value was not met in economic terms.[2]

In this sense, Bourdieu exposes that not only is the nature of economic capital more complex than monetary profit, but that in many cases the repayment being charged is not even monetary in nature. That is, a generous loan/gift to a struggling member of the village might not come with any fiscal repayment, but with repayment taking the form of a favour or political loyalty. The return is non-monetary in nature, but it is still expected. As the goods and services available for exchange are highly variable and not always economic in nature, so are the types of capital used in the exchanges. Likewise, transactions in any form of capital can charge any capital as repayment and/or interest.

In social interest, Sarah introduces John to James and expects that John introduces her to Jane in the near term, but expanding to also Alex and Jennifer as time passes.

In cultural interest, university A recognises qualification X of university B expecting that university B will recognise university A's qualification Y. University A charges interest by three years later forcing university B to also recognise qualification Z.

Expanding our understanding of capital and interest means we must simultaneously broaden our consideration of the nature of usury.

Can you have non-monetary usury?

In the Abrahamic religions, there is an established concern over the concept of economic interest.[3] In fact, for much of the history of these religions, charging interest (at least to those members of the same religion) was strongly and expansively prohibited.[4 5 6] Charging interest was considered the sin of usury. This forces us to consider: if economic usury is morally problematic, what about non-economic interest? Is there any biblical precedent for widening our understanding of interest beyond the economic?

In fact, there is biblical precedent for expanding our understanding of interest beyond merely monetary charges. Deuteronomy 23.20-21 reads: "Don't charge your brother interest, whether interest in the form of money, interest in the form of food, or interest in the form of anything that someone can charge as interest. To a foreigner you can charge interest, but don't you ever charge interest to your brother, so that Yahweh your God will bless you in everything you put your hand to in the land where you are entering to possess."

Two things are relevant to our consideration of interest here. First, the passage explicitly expands interest beyond the most common forms of economic capital, money and food, to include any kind of capital. While surely this could be applied to staples like oil, wine, sheep, etc., it is intentionally vague and intends to leave the additional types open, specifically because

"Is there any biblical precedent for widening our understanding of interest beyond the economic?"

the forms that capital can take are so variable. In other words, the point is to make the prohibition as inclusive as possible. In a nearly Bourdieusien move,[7] it is the *set of relations* established between parties that are problematic, not simply the nature of the particular capital involved.

Second, one could argue that the social contract involved between the lender, the debtor, and God was one of mixed capital. While the lender and debtor are joined economically, they are also joined socially and culturally. Their relationship within the community maintains reciprocal social debts to honour and love one another. Further, the social and cultural capital value of this relationship always outweighs the economic capital value.

Similarly, following the prohibition establishes a social relationship between the lender and God, in which God could be seen as paying the interest on behalf of the debtor to the lender in the form of a future favour, that is in social capital. Yet, social capital is the intermediary stage, but the final repayment form is a vague 'blessing'. It could be economic, social, or cultural. A loan then could be in any of the capitals (presumably repaid in kind) between two human parties, but with God being seen as the surety for both the lender and borrower.

Potentially, one could even construe an implicit understanding of the lender as themself a borrower, if one understands that whatever capital they had is from God. Likewise, while the blessing is promised to the lender who does not lend with interest, the withholding of blessing could be considered the calling in on the debt of the lender which received their surplus from God by grace.

It is important to remember from this perspective that God has distributed all things to all people by grace, that is not on the basis of effort or deservedness. But God as non-contingent being also retains 'control' or 'ownership' of all things. Their distribution is in many regards (as far as God is concerned) 'arbitrary' allotments. Grace is the only way to have anything. However, if one does not receive them by grace, but presumes them as an entitlement, expressed in an unwillingness to express grace oneself, then the gift of grace is resignified according to the perceptions of the gifted (the lender) as that which they have apart from grace. The lending, after all, was God's grace. Further, God is content to allow the lender to assume this false perception in order to subvert it. Thus the ungracious lender has removed themself from grace and (perhaps unwittingly) converted their grace into debt, a debt which — because in reality it is conferred on the basis of grace — they can never repay. In this way, God would force the lender back towards grace through debiting the grace and then gracing the debt.

Grace always reigns even in debt by integrating justice to provide the conditions required that all return to grace. In this sense justice forces humanity to grace and His grace moves God to justice. Grace makes more grace possible, extending into the possibility of reward for grace and justice. Consequently, while all have all by grace, simultaneously by lending generously and non-oppressively to the poor one depends upon the Christ for greater grace, so that by justice and by grace God blesses. A loan to the poor is a loan to the Lord (cf. Prov 19.17), but likewise grace to the poor is grace from the Lord, but to both borrower and lender.

Thus, it seems that not only is there precedent for expanding our understanding of forms of capital as well as interest, but the prohibition against usury demands it as it forces into the spiralling dialectic of justice and grace. Justice demands non-oppressive loans to a brother because it assumes all humanity is predicated on God's grace. All that we have is on loan to us, so to speak. Usury, therefore, rejects both justice and grace.

Who are the socially and culturally poor?

Usury is a form of oppression, but it cannot be considered to be limited to exclusively the economic realm. It must include the diverse forms of capital. The trouble is, some might posit, that while we can easily see who the economic poor are, is it possible to easily see who are the socially and culturally poor?

Two responses. First, often there are high degrees of correlation between one form of poverty and the others.[8] Thus, part of what it means to be 'poor' is to lack not just economic means, but also social and cultural means.[9 10 11 12 13 14] A poor person often faces trouble paying their bills, social isolation, and worse educational opportunities and outcomes.[16 17]

Second, while often correlated, possession of the forms of capital are not always correlated. It is possible to have varying degrees of the diverse forms of capital. Someone could have middle-class economic capital, but lower amounts of social capital and higher amounts of cultural capital. For example, someone went to a prestigious university and now owns and operates a small business, but remains socially snubbed by many on the basis that their uncle was an infamous war criminal.

Being socially poor means having fewer beneficial social connections. This could be from guilt by association as above, or it could just be from living in a rural area or even being too busy or introverted to expand one's social network. Similarly, being culturally poor can be from having less valuable (to the dominant in society) educational background, but it could just as easily come from having a discriminated ethnicity, 'poor taste' in art, or 'inappropriate' religious values.

What is social and cultural usury?

Social and cultural as well as economic usury is simply leveraging one's relative wealth in any or all of those

areas in an oppressive way, expecting a significant repayment beyond the borrowing party's ability to reasonably repay. This violates justice by working to keep the poor indebted to the loaner. The danger with usury economically is that it can do more than bankrupt the poor economically.[18] To the extent that social and cultural capital correlate to economic poverty as noted above, usury risks bankrupting them socially and culturally as well.

Social usury likewise always keeps a person beholden to another person or institution, where loyalty does not have to be earned or even maintained, rather it can be imposed. A person under an usurious social debt is never able to fully repay the owed favour. This for example is how some dysfunctional institutions control their employees. People feel too guilty to leave.[19]

Culturally, one can effect usury by continuously inflating the qualifications needed for a particular position, changing just enough that year over year the culturally poor are always locked out from being fairly considered.[20 21 22 23] Similarly, acceptance and praise of a particular ethnicity can be contingent on their ongoing willingness to parrot the cultural values of the dominant members in the culture.

For example, cultural acceptance can be contingent on abiding statues of racist figures.[24 25] In French schools, secular culture is demanded for acceptance in the ban on yarmulkes, crosses, and burqas.[26 27 28]

In Iceland and Denmark cultural expectations have led to calls to ban circumcision.[29 30 31 32] At a more institutional level the EU parliament recently critiqued Polish abortion laws (as a manifestation of cultural attitudes).[33 34]

Obviously, for many people these topics are remarkably controversial. But that is the point. These are expressions of diverging sets of cultural values. Which values win out and what it takes to be accepted by the dominant holders of cultural power is contingent. In Poland, for example, those with cultural capital seem to demand the rejection of abortion to have access to cultural influence, but in the EU parlement the reverse is true.

Consequently, cultural usury can be the hardest to see or admit. It is precisely because it forces one to recognise in-group/out-group dynamics. It also requires facing the possibility that one's positions are not merely the reflection of the intrinsic morality or value of a given situation (though intrinsically good values exist). Rather it could be merely a reflection of power and cultural capital inequity.

A world without usurious interest?

All human beings are under an umbrella of grace. All of us find ourselves with the allotment of economic, social, and cultural capital that we have by grace, at least to some extent. The problem with usury is that it does not take into account grace or justice, but sees one's personal set of advantages as an opportunity only for personal gain, rather than common benefit and improvement.

Likewise, it only assumes one's efforts for outcomes, rather than recognising that what could appear as a short-term loss could work to a long-term gain. Even if one was not prepared to believe in a future reward or cosmic-interest from God, then one could imagine how orienting towards one's wealth through the lens of grace could result in the common benefit of humanity for the coming generations with a society that enjoyed greater equity between the rich and the poor.

Human beings deserve a life free from oppressive relations with those who have the capital, whether economic, social, or cultural. The question is whether human individuals, institutions, and societies will be willing to rethink capital and interest beyond questions of cash and profit to holistic and collective human flourishing by integrating justice and grace.

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Between God and money: The morality of interest

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