

# ON USURY: THEFT OR REWARD FOR FACTOR OF PRODUCTION?

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Sadly, we are stuck with credit. There appears to be no alternative method of recycling monies from surplus to deficit agents that will practically provide the necessary liquidity for the efficient operation of a modern free-market economy. For instance, if the government seeks to expand its redistributive function, through the expansion of tax, this is fiercely resisted. Yet, as El Diwany notes, the usurer extracts substantial tribute from the productive economy and this income-stream, in contrast to wealth held in other forms, is not subject to the universal principle of entropy (El Diwany, 2004). For *rentiers* this means that there is an increasing accumulation dynamic and through time, in conjunction with bank consolidation, this forms what Lenin had called a ‘financial oligarchy’ that wields an increasing amount of social power in world affairs (Lenin, 1916). Meanwhile, debt reaches epidemic proportions. Is there a way out? The proposals of binary economists and Islamists suggest there is but, first let us consider the activities of the creditor in closer detail.

The subject of usury has often been an emotive one and raises ethical issues. Marx cites the following passage from Martin Luther, worth quoting at length (Marx, 1867, p.740).

*“The heathen were able, by the light of reason, to conclude that a usurer is a double-dyed thief and murderer. We Christians, however, hold them in such honour, that we fairly worship them for the sake of their money...Whoever eats up, robs and steals the nourishment of another, that man commits as great a murder (so far as in him lies) as he who starves a man or utterly undoes him. Such does a usurer, and sits the while safe on his stool, when he ought rather to be hanging on the gallows, and be eaten by as many ravens as he has stolen guilders, if only there were so much flesh on him, that so many ravens could stick their beaks in and share it. Meanwhile, we hang the small thieves...Little thieves are put in the stocks, great thieves go flaunting in gold and*

*silk...Therefore is there, on this earth, no greater enemy of man (after the devil) than a gripe-money, and usurer, for he wants to be God over all men. Turks, soldiers, and tyrants are also bad men, yet must they let the people live, and confess that they are bad, and enemies, and do, nay, must, now and then show pity to some. But a usurer and money-glutton, such a one would have the whole world perish of hunger and thirst, misery and want, so far as in him lies, so that he may have all to himself, and every one may receive from him as from a God, and be his serf for ever more. [This is what gladdens his heart, and also] to wear fine cloaks, golden chains, rings, to wipe his mouth, to be deemed and taken for a worthy, pious man...Usury is a great huge monster, like a were-wolf, who lays waste all, more than any Cacus, Gerion or Antaeus. And yet decks himself out, and would be thought pious, so that people may not see where the oxen have gone, that he drags backwards into his den. But Hercules shall hear the cry of the oxen and of his prisoners, and shall seek Cacus even in cliffs and among rocks, and shall set <sup>1</sup>the oxen loose again from the villain. For Cacus means the villain that is a pious usurer, and steals, robs, eats everything. And will not own that he has done it, and thinks no one will find him out, because the oxen, drawn backwards into his den, make it seem, from their footprints, that they have been let out. So the usurer would deceive the world, as though he were of use and gave the world oxen, which he, however, rends, and eats all alone... And since we break on the wheel, and behead, highwaymen, murderers, and house-breakers, how much more ought we to break on the wheel and kill...hunt down, curse, and behead all usurers” ( Martin Luther, 1540, *An die Pfarrherrn, wider den Wucher zu predigen. Vermanung*, Wittenburg).*

These are strong words from Luther but he makes several points worthy of discussion. Firstly, he suggests that the heathen is capable of identifying the crime of usury whilst, the religious person is not – suggesting they are in consort with lenders. This is consistent with Marx’s own ideas whereby religious leaders, through acquiescence towards the ruling order, condone injustice by default and assist in the appeasement of the masses. Marx is thus misrepresented as opposing Christian faith when, in fact, he opposes religious hypocrisy. It is certainly not clear what his personal convictions were – opposing religious hierarchy is not evidence of atheistic personal faith. Marx, of course, is often a victim of misinterpretation and as Freeman, Kliman, Potts *et al* have noted, he has also been misrepresented in his economic analysis (Potts, 2005).

Luther goes on to mention that usurers extract a surplus from the productive economy and likens this to theft on a grand scale. This view can be contrasted, of course, with the *bourgeois* notion of ‘capital providers’, who receive an income (interest) for their service to production. A small reward for *rentiers* would probably be uncontested but, as Lenin noted, the usurer’s return on capital lent (combined with bank fees) often greatly exceeds the surpluses of productive capitalists and helps to form the ‘financial oligarchy’ (Lenin, 1916, p.53). Francis Bacon had also commented that the usurer does not need to extend

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<sup>1</sup> When Marx is discussing the comparability of commodities, where the value-form of linen (being equal to a coat) is different to its use-value, he uses the analogy of a Christian and says (p. 143) “just as the sheep-like nature of the Christian is shown in his resemblance to the Lamb of God” Marx, K. (1976). *Capital: Volume One*. St Ives, Penguin.

energies and attributes towards the productive economy, in order to receive income and, therefore, society is denied the benefit of their unused resources (Roll, 1973).

This image of a thief is continued with Luther's use of Greek mythology, where the popular hero Hercules frees society from the fire-breathing monster Cacus, who is stealing from everyone for his own consumption. Hercules had previously been given a task by Eurystheus to defeat the three-bodied Geryon who had a herd of oxen that, perhaps, could be considered to be analogous to the resources required by the productive economy. Whilst returning with the spoils, Hercules had some of the cattle stolen by Cacus. It is interesting that he tried to conceal the crime by dragging the oxen backwards into his cave, to give the impression that they had moved in the other direction. Hercules becomes wise to this and defeats Cacus (Linderman, 1997). Perhaps the modern usurer manages to conceal their activity (crime) because the common understanding is that there is no alternative to credit (nowadays, of course, created endogenously *ex nihilo*) and, consequently, debate rarely takes place. When Hercules comes to defeat the giant Antaeus (son of Gaia and Poseidon), who had been terrorising society, he becomes wise to the secret of Antaeus's strength – 'mother earth'. Hercules is able to lift him off the ground and strangle him (Linderman, 1997). There are various groups that advocate 'monetary reform' who have studied the mechanics of credit and 'unearthed its secrets'. However, this threatens to undermine the *rentier* oligarchy and is fiercely resisted.

Financial power is, of course, mainly located amongst a transnational *rentier* class whose financial assets are contained within the private banking system. In addition to the accumulation of these assets, the (rentier) private bankers also control the creation process of credit money that constitutes an increasing proportion of global monies. Binary economists explain these processes and subsequently aim to reassert a stronger (and interventionist) state that can regain some of this financial power, in order to facilitate a social agenda. The key advantage of their proposals is that they recommend that the present capitalist order remains intact, operated on market principles, but that future capital investments are given a broader common ownership. It is hoped that the transition would not be disruptive yet lead to a 'democratisation' of financial power, since capital and labour-based incomes will be socially extended. (Shakespeare and Challen, 2002). This, of course, is consistent with Marx's notion that the root of the capitalist economic system is the private control of the means of production, increasingly in fewer and fewer hands.

The binary notion of the 'economic problem' is that, to varying degrees, states have under-utilised resources, concentrated capital ownership and widespread wants/needs. It is assumed that incomes are derived from both capital and labour (hence the term binary) and further suggest that labour incomes are only capable of purchasing a small proportion of total output. New capital investment and the state consume a further portion and the rest is hoarded, leaving credit expansion to aid the sustainability of the capitalist order. This credit is regarded as detrimental since it perpetuates crises and uneven development.

Their proposals intend to create 'effective participation' by broadening the ownership base of productive capital, within the present confines of the capitalist order, and

encourage the formation of new capital with a broader social ownership. This is to be financed by state-issued 'interest-free' debt. The concentration of capital ownership is to be discouraged and the use of credit diminished. The debt principal is to be paid from incomes derived from the capital acquisition and when the monies are paid they are cancelled, thus leaving an ongoing income for the capital recipient. It is argued that this would be counter-inflationary, providing there is spare capacity and money expansion matches new production. Also, it is claimed, 'interest-free' prices in general will be lower. These anti-inflation arguments are based on the substantial 'inflation-effect' that interest exerts on the financial order in the modern era. It is further argued that repayment of interest and principal presently engenders pressure for increased economic activity that is in excess of requirements. To match the 'counter-inflationary' tendency it is further proposed that public works are funded by state-issued credit and that some 'debt-free' money is created to achieve the 'appropriate' balance in the money supply. These are, of course, radical proposals if implemented in full and, subsequently, have received little political support. (Shakespeare and Challen, 2002).

Islamic scholars go even further than binary economists and advocate the abolition of usury (riba), on Koranic grounds, altogether. The proposals involve the notion of profit-sharing (and risk-sharing) between investor and productive capitalist, the establishment of a commodity money standard as well as the elimination of fractional reserve banking (El Diwany, 2003). In order for these policies to be adopted an Islamic state would be needed to ensure the enforcement of the relevant monetary principles, the development of new contract law and regulatory supervision. This, of course, would necessitate a centralisation of social power, in favour of the *mullahs*, and is unlikely to be acceptable outside of moslem communities. So, it appears, we are stuck with credit after all.

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