

INTEREST AND ITS ROLE IN ECONOMY AND LIFE (PART 4 OF 7): PROHIBITION TO JUSTIFICATION

Rating: 4.7

Description: How something so despised such as interest could be justified and even institutionalized as a standard.

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Over time, it was considered that the prohibition of interest was nothing more than a religious dogma that needed to be done away with. Religion could no longer be allowed to run economics. This was certainly the sentiment expressed by famed economist historian Richard Tawney when he stated, "The whole scheme of medieval thought attempted to treat economic affairs as a part of hierarchy of values embracing all interest and activities of which the apex was religion."^[1] At the same time, though, it seems that the change in attitude that took place was not based on purely economic reasons. Lawrence Dennis stated,

Aristotle, the Roman Catholic Canonists, the Jewish Torah. . . all forbade loans at interest, or denounced interest as usury. Lending at interest took its rise in the medieval centuries largely as a matter of accommodating princes who needed and could not raise enough money for war and other public purposes. Contrary to current ideas, lending was not originally developed as a way of financing commerce. The Venetians, Dutch, Henseatic, British and other merchants up to the seventeenth century financed their operations with partners' capital contributions.^[2]

Dennis further states,

The Catholic Canonists did not disapprove of profits on commercial ventures, rent for the use of land or the sale of the fruits of the land or other capital. They disapproved of money interest on money lent. During the Reformation Period, interest came to be rationalized mainly by the Protestants in a way to get around Canonist objections. The Catholic Church never abandoned its attitude towards usury, but it acquiesced in, or tolerated loans on, the basis of certain assumptions. This moral acquiescence by the Catholic Church and positive endorsement by the Calvinist traders came to be embodied in laws and thoughts and behaviour patterns of modern societies.^[3]

The rationalizations Dennis is referring to can be seen in a number of commentaries on the Bible. Even though the Old Testament texts are very clear in their condemnation of

interest, this did not keep later scholars from virtually ignoring or seemingly distorting this prohibition.^[4] For example, the *Henry's Concise Commentary* to Leviticus 25:37 states:

And thus far this law binds still, but could never be thought binding where money is borrowed for purchase of lands, trade, or other improvements; for there it is reasonable that the lender share with the borrower in the profit. The law here is plainly intended for the relief of the poor, to whom it is sometimes as great a charity to lend freely as to give.

This explanation is refutable on its face as interest has never been about the lender sharing with the borrower in the profit. If that were the case, many of the evils of interest would be removed. Similarly, in the Jameison-Fausset-Brown commentary it states:

“Usury was severely condemned (Psalms 15:5, Ezekiel 18:8,17), but the prohibition cannot be considered as applicable to the modern practice of men in business, borrowing and lending at legal rates of interest.”

How did the act go from severely condemned to not possibly being applicable to the “modern practice of men in business”? No logic or proof is offered for such a leap. Similarly, in their commentary on Deuteronomy 23:19-20, the Jameison-Fausset-Brown commentary states:

“Thou shalt not lend upon usury to thy brother . . . Unto a stranger thou mayest lend upon usury--The Israelites lived in a simple state of society, and hence they were encouraged to lend to each other in a friendly way without any hope of gain. But the case was different with foreigners, who, engaged in trade and commerce, borrowed to enlarge their capital, and might reasonably be expected to pay interest on their loans.”

Again, no evidence is given for their proposition. (There, however, seems to be attitude that the sacred texts are not able to express themselves properly.) In fact, even a famed economist was willing to provide Biblical commentary: Paul Samuelson wrote in his classic textbook on economics, “The Biblical utterances against interest and usury *clearly* refer to loans made for consumption rather than investment purposes.”^[5]

With the removal of “scholastic” objections, it then became the role of the budding science of economics to justify the paying of interest. This, it turns out, is much more difficult than it sounds. Haberler was certainly correct when he stated,

The theory of interest has for a long time been a weak spot in the science of economics, and the explanation and the determination of the interest rate still gives rise to more disagreement amongst economists than any other branch of general economic theory.^[6]

In reality, among economists, “There is not a single adequate and generally accepted theory of interest which can give a sound explanation of the origin and the cause of

interest.”^[7]

Footnotes:

[1] Quoted in Qureshi, p. 7.

[2] Quoted in Qureshi, p. 167.

[3] Quoted in Qureshi, p. 167.

[4] Many of the followers of such religions expect the Muslims to follow in their footsteps, even though their arguments do not seem reasonable or logical whatsoever. The vast majority of the Muslim scholars throughout the world have, to date, avoided such clear and outright playing and tampering with the texts of the Quran and hadith.

[5] Paul A. Samuelson, *Economics* (New York: McGraw-Hill Book Company, 1976), p. 605. Emphasis added.

[6] Haberler, *Prosperity and Depression* (1st edition), p. 195. Quoted from Afzal-ur-Rahman, p. 9.

[7] Afzal-ur-Rahman, p. 9.

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