



Is the term "usury" really applicable to the payday lending debate?

The Misuse of "Usury"

By Marc Kilmer

In Ohio's debate over payday lending, those seeking to ban the practice often throw around the word "usury." This term, dating from the Old Testament, is one of condemnation and those who use it seek to cast payday lenders as breaking Biblical commandments. But what is usury and is it really applicable here? It appears that a close examination of the word doesn't lend itself to the interpretation desired by those opposed to payday lending.

What exactly is usury? It is usually defined as lending money at excessive rates of interest. But in the Old Testament, usury meant lending money at any rate of interest. The Mosaic Law prohibited the Jewish people from charging any interest to each other, although it was permitted if they lend money to outsiders. Those who did charge interest were said

to be practicing usury and condemned.

The idea that usury was not the charging of any interest but the charging of excessive interest is not a Biblical concept. The definition changed during the Middle Ages as scholars and governments began trying to figure out how to permit the lending of money at interest while still trying to be consistent with the Bible. But in doing so they departed from the text of the Scripture and its clear meaning.

Those who seek to condemn payday lending or any other type of lending as usury need to be careful about how they use this word. For instance, when supporting the ban on payday lending, Governor Strickland said that usury was "one of the oldest of sins." Unless he and his allies are prepared to condemn all interest, they have no Biblical basis upon which to stand. And, in fact, it also seems that, to be consistent with the Biblical prohibitions, they must also condemn a variety of other things. For instance, one of the verses in Leviticus which condemns usury also condemns the selling of food for a profit. Is it time to start picketing Kroger's?

This type of interpretation may bring joy to the hearts of the fringe elements in our society who see profit as evil. But to try and use the Bible to make this point leaves out the wider context of when it was written and our current economy.

As with much of the Mosaic Law, we no longer strictly adhere to the prohibition on charging interest. We recognize that what was written for the Israelites three thousand years ago may no longer apply to our situation. That is not to say that Christians should disregard what the Bible says on these subjects, but few in the modern world think that the Mosaic Law should be enshrined into civil law.

Allowing lenders to charge interest is the foundation of our modern economy. Without being able to make money from this activity, there would be few people who would lend money to businesses or individuals who need it. And whether we are talking about a mortgage or a payday loan, we are talking about the same principle - one person agrees to lend money at a certain price and another person agrees to accept it at that price.

That is what people who oppose payday lending do not seem to understand. The people taking these loans have a real economic need for the cash. The interest and fees charged on these loans are necessary to provide this short-term, unsecured loan. The borrower takes this loan because paying the fees and interest are a better deal to them than going without the money provided by the loan. It's the same as any other loan taken by any other person.

That is also why the idea of condemning "usury" as meaning excessive interest doesn't make any economic sense. The premise of that condemnation is that there is some sort of natural interest rate. But an interest rate is merely the price of a loan. Loans, like other items, have no "natural" price. Their price is set by the seller and the buyer. If two people voluntarily agree that this price is acceptable, then they make a transaction. Clearly the borrower who takes a payday loan does not think the interest rate is excessive or else he or she would not agree to take the loan.

Condemnations of payday lending as usury misunderstand both the Bible and economics. It is a shame when one picks and chooses Bible verses as a means to a political end. It is an even bigger shame when this political end puts government, not individuals, in control of Ohio families' finances.

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