Introduction

There is a distinction to be made between usury and interest in Muslim thought. However, that distinction is a legal one, and one that has been made and is well-documented. I will accept that there is a distinction, and use it in my paper, eschewing the Arabic term riba, which is often used to refer to both concepts. My goal is not enter into a legal question, but an ethical one about the role capital plays in religious observance. Muslim traditions generally affirm capitalism, see capital as playing an important role in societal transformation, but, like all human activity, needing limits and conventions to makes sure that God-consciousness prevails. The prohibition of usury is an attempt to make sure God remains in the middle of human activity.

God-consciousness, Giving, and Human Interaction

Goodness does not consist in turning your face towards East or West. The truly good are those who believe in God and the Last Day, in the angels, the Scripture, and the prophets; who give away some of their wealth, however much they cherish it, to their relatives, to orphans, the needy, travelers and beggars, and to liberate those in bondage; those who keep up the prayer and pay the prescribed alms; who keep pledges whenever they make them; who are steadfast in misfortune, adversity, and times of danger. These are the ones who are true, and it is they who are aware of God. (Qur’an 2:177)

This passage from the Qur’an is important for several reason. It implicitly states that ritual observance is not the marker of “goodness,” rather it is basic elements of belief, coupled with action that is independent of ritual. The Qur’an, then, clearly outlines the elements of belief, including believing in God, the Last Day, in angels, in scriptures and prophets that God has sent. The actions that define “goodness” involve giving some part of one’s wealth, “no matter how much [one] cherishes it.” It is these actions that demonstrate God-consciousness (taqwa).

The relationship between giving up something that one values and being God-conscious is an important concept in Muslim thought. Arguably, the greatest sin in Muslim thought is to be ungrateful to God, and that comes from forgetting God. There are numerous ways one may forget God, but to become overly attached to the goods of the world is by the far the easiest. Creation is meant to serve as a reminder of God, not a distraction from God. To give up wealth is a reminder that your obedience is to God, not God’s creation, and especially not to the things that humans create, such as capital.

However, giving is meant to be transformational as well. It is not just for a personal benefit, and to increase one’s private relationship with God. Imam Jafar (d. 765) holds that human action is defined by four elements: conduct with God, with ourself, with each other, and with the world. He says not considering all of these as a complete whole is a failure of faith.
Giving functions as a way to keep these relationships in balance. More importantly, it is meant to be transformational. Although this particular verse, for example, talks about freeing the slave, the Qur’anic message is very clear that the goal is about ending slavery. The freeing of the slave is simply a step in that process.

**Muslim Traditions Affirm Capitalism**

It would be easy to read the focus on giving as a type of anti-capitalist sentiment, especially in a cultural context of Christian majority. However, the Qur’an is generally supportive of trade, which we can read as capitalism in general, but highly critical of usury. In fact, the Qur’an pairs the two ideas, stating, “Allah has allowed trade but forbidden usury” (2:275).

Capital is a temptation of this world, but is not inherently evil. It more closely parallels food, sleep, and sex. All of these things are expected part of human existence, but moderation is the key. To become overly focused on any one thing is to neglect something else, mainly God.

Of course, capital is the creation of creation, rather than a direct creation of God. It is therefore much more pernicious, because it pulls on our senses of pride and self-sufficiency. The result is that there must further conditions on the proper acquisition and distribution of capital so that a healthy spiritual relationship is crafted between the person and the Divine. Humans earn nothing except by the will of God, and thus we have to see capital as something that belongs to God, of which he allows us to keep a portion.

**Types of Giving**

The Qur’an talks about multiple types of giving for charity. However, it is also understood that we have the remainder of what is due God, so that we are the actual recipients of Divine largesse. For example, the most well-known type of giving in Muslim tradition is zakat, which is approximately 2.5% of annual profit. One can see that as surrendering 2.5%, or receiving 97.5% back, from the 100% due to God.

That latter reading receives support from the idea that capital is meant to be purified through this act (9:103) of “passing through” God’s possession. This cleansing may be a subtle nod to the idea of “filthy lucre” (1 Tim 3:3), but without the sinful aspects associated with capital.

In addition to zakat, there are two additional types of giving that are relevant for us: sadaqah, or general charitable giving, of which zakat is a part, and khums, or a fifth of one’s profit. Sadaqah, cognate with the Hebrew tzedekah, is the general act of giving. As zakat is obligatory and well-defined, it would imply that sadaqah is simply charity and unstructured. However, if the idea is that capital is not ours, but God’s, then that understanding of sadaqah is overly simplified. We should see zakat as a minimum that is due to the public good. We also need to understand that sadaqah is not charity in the sense that it is a voluntary act that exceeds
an obligation. Rather, it is the obligation to use capital to fulfill the Divine vision of a more just and equitable world.

*Khums*, is a more complex term, referring, in part, to the fifth of income that is due to the family of Prophet Muhammad, who function as Divinely appointed religious leaders. It comes from the idea that war spoils have an extra obligation placed on them because they are not anticipated. By analogy, the *khums* can apply to the idea of bonuses in modern American society: an unexpected windfall of capital that is not planned or budgeted. It functions as a limit on the excessive accumulation of capital.

**Usury**

In much the same way that *khums* can be read as a limit on “bonuses,” the prohibition on usury limits the focus on everyday capital, and reorients the person towards God. One cannot understand the prohibition against usury as strictly a legal rule. Rather, it must be seen as part of ethical complex that forces an individual to consider their obligations to God and to God’s creation, including humanity. The network of conditions on capital revolve around the idea that it is meant to be put into service. That service can be accomplished through direct giving or by forcing circulation of capital. Usury removes capital from circulation by taking it from those who would spend it, and encourages hoarding from those who collect it.

The practical implementation of the prohibition against *riba* in Islamicate societies has historically recognized a difference between interest and usury. In the modern period, many vehicles of modern Islamic banking are often fictions to disguise interest, and arguably cost more than simply using interest. The focus on the interdiction of *riba* as a legal point fails the ethical goal of the prohibition and allows for an easy elision between interest and usury. In the case of capital, religious law is used to validate a system that operates in contradiction to religious values and goals.

However, what this higher price for “Islamic finance” shows is that usury is not indexed to a specific percentage, but to a process and result. For example, a home mortgage may offer a 6% interest rate in a non-Islamic system, and under an Islamic system a buyer may end up paying the equivalent of 7% interest over the same length of time. Context becomes important in determining what is permissible and how it functions.

It is the qualification of context that enables the emergence of microfinance and microcredit. Nobel-laureate Muhammad Yunus is founder of Grameen Bank in Bangladesh. As a Muslim, creating an institution such as this in a Muslim-majority country, he addressed concerns around the bank through a legal lens. Although not explicitly making a claim to the common good (*maslaha*), it is the most compelling argument to me about interest rates that can exceed 30%. While such rates would be considered usurious in an American context, within the context of Bangladesh they are transformative in the betterment of the individuals who receive them.

The illustrative comparison here is between payday loans and microcredit. Superficially, both offer high interest loans to individuals under-serviced by traditional banking structures. In
the case of payday loans, the individuals who are taking the loans are often trapped in a scenario where ready access to cash is a matter of survival. However, by entering into a payday loan scheme, they cannot actually break the cycle of debt and dependency in which they find themselves. It is almost a text book example of the prohibition of collecting usury that the Qur’an prohibits in 3:130, which is about the multifold collection of interest on a simple principal. In addition, the capital is taken from an individual who needs it, who would put it into broader circulation, and is instead put into corporate interest.

While I do not wish to gloss over the many problems of microcredit that we do see, the intent and ideal structure is nearly the opposite of what we witness with payday loans. The credit is extended explicitly with the goal of alleviating poverty, putting capital into circulation, and tying it to the idea of community, rather than individual, success. The lending institution, like a credit union, must put the capital back into circulation, instead of acquiring it as profit.

**Conclusion**

What we see is that the proscription against usury can be read as a simple legal rule. However, I argue, it is part of a larger worldview that sees the need for human activity, and the results of human of activity, to be in service of a greater, God-conscious good. The extension of this argument is that corporations that seek to maximize shareholder wealth over the general welfare are also practicing usury from an ethical perspective, maximizing individual desires over community benefit, and increasing obstacles to the remembrance of God.

This approach is not a condemnation of capitalism, but an awareness that capitalism, like all human systems, needs balances and limits. In the contemporary period, we see the rise of social enterprise as an attempt to regulate the acquisitive nature of modern capitalism. It is a move away from an abstract idea of common good, which can degenerate to a point of shareholders being the commons that matter, to a concrete notion of common good that a corporation serves to provide. Keynesian economic theory shares some of the critiques of capitalism that this talk seeks to address, especially in recessionary periods and the needs for more capital to flow. Capital that is immediately put to use cannot spend time replicating and taking a life of its own, but can be put to use in changing society.

Usury is an extreme form of capital wishing to replicate itself, thus confusing the tool for the goal. As a web of ethical limits on capitalism, banning usury is a simple reminder to serve God and to serve others are inextricably linked. Capital, like many other enjoyable aspects of this world, is meant to be appreciated, but in moderation. With that idea, it becomes easier to live with Imam Ali’s (d. 661) guidance that “Whosoever is happy with the sustenance God has given him will not be saddened if another has more.”
NOTES


2 cf. 63:9. O you who have faith!
   Do not let your possessions and children distract you
   from the remembrance of Allah,
   and whoever does that
   —it is they who are the losers.