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The Ban on Interest: Dead Letter or Radical Solution?

by Paul Mills

Summary

Financial disasters are currently everyday occurences. Many are attributable to the workings of a debt- and interest-based economy. Rather than argue the case for and against the biblical prohibition of interest from the texts themselves, this paper attempts to demonstrate the injustices and problems that have arisen because we have ignored traditional Christian teaching on finance. In so doing, a pragmatic case is made for taking seriously what the Bible teaches on this aspect of econonics, rather than dismissing it as an ancient irrelevancy.

Introduction

Bankruptcies are at record levels. Thousands of houses are repossessed each month. Banks and building societies increase their interest rate margins to cover their bad debts. Only the debt counselling and pawnbroking industries prosper. Financial disasters seem to dominate the economic headlines. Indeed, it is not difficult to argue that the explosion of indebtedness in the mid-to-late 1980s has been largely responsible for the recent boom and bust of western economies, particularly in the English-speaking countries, Scandanavia and Japan.

What have Christians had to say about the issue? Apart from a vague sense of uneasiness about the materialism embodied by credit-financed spending, the Christian response has been woefully inadequate. This reflects the absence of a well-developed Christian analysis of economics in general, and finance in particular. Such was not always the case. For three quarters of her history, the Church upheld the prohibition of interest found explicitly in the Old Testament (eg. Deuteronomy 23:19; Ezekiel 18:8,13) and implicitly in the New (Luke 6:34,35; 19:22,23 [1]).

The Church sought to universalize the ban on interest that applied originally only within the Jewish community. It sought to replace interest-bearing loans with either profit-share financial partnerships, rental charges for the use of physical property or charitable, interest-free loans. In addition to the early and medieval church, the ban was subscribed to by Luther and Melancthon in their early writings, as well as by many English Puritans before 1640. Now, only orthodox Jews and some Muslims regard the prohibition of interest with any seriousness.

Rather than discuss the relevant biblical texts in detail, this paper will seek to question the legitimacy of interest with reference to the current state of financial

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1 The Parables of the Talents (Matthew 25:14-30) and the Ten Minas (Luke 19:11-27) are often cited as examples of Jesus implicitly sanctioning the receipt of interest by Christians. A different reading of the texts is possible, however. The lazy servant is 'judged by his own words'. *If* he had truly believed that his master was a 'hard man', then he should have put the money on deposit at interest, for this is what a 'hard man' would expect. The receipt of interest is effectively 'reaping where one has not sown' (Luke 19:22,23). Detailed discussion of the biblical texts can be found in Mooney, S. C., 1988, *Usury: Destroyer of Nations*, Warsaw, Ohio. Theopolis; and Mills, P. S., 1990, *Interest in Interest: The Relevance of the Old Testament Ban on Interest for Today*, Cambridge, Jubilee Centre Publications.

conditions. Are the workings of interest responsible for our current mess? Would a non-interest system be more just and efficient? If so, a favourable reappraisal of the biblical prohibition of interest seems in order.

An Illustration: Low Income Country (LIC) Debt

Perhaps the most obvious example in which the interest-based financial system has manifested most of its undesirable traits is that of LIC debt. Christian opinion in rich and poor countries alike has condemned the injustice of billions of dollars being paid by the poorest countries to the richest without recognising that this is how an interest-based financial system typically operates.

The immediate causes of the crisis are well-known. Banks lent and LICs borrowed heavily in the late 1970s when interest rates were low and commodity prices were increasing rapidly. In the early 1980s, rising world interest rates coincided with a collapse in the prices of commodities produced by the most heavily indebted LICs. In order to maintain their interest payments and receive IMF emergency loans, most LICs have been forced to increase exports dramatically and submit to austere IMF 'adjustment' programmes. The results have included the degradation of the world's environment (to produce more cash crops for export); the net transfer of resources from poor to rich countries (despite aid and further loans); and cuts in the living standards of the world's poorest populaces, to pay for loans from which they have derived little benefit. The lives of millions have been lost as a direct result.

Responsibility for this tragedy must be shared. Banks lent huge sums without adequately considering the potential for circumstances to change, the uses to which the loans were put and the lending of other banks. LIC governments oversaw the misuse of borrowed resources in the funding of public deficits, capital flight, imports of arms and luxury goods, and 'white elephant' development projects.

That such errors could be perpetrated, however, can be fundamentally attributed to the cost of debt finance being unrelated to the profitability of its use. If lenders had been rewarded with a profit-share return rather than interest, the loan demand would have been tempered prudentially, whilst lenders would have taken far greater care over what projects they were investing in. If these proved to be failures, the suppliers of capital would have shared in these losses rather than being able to impose greater and greater interest burdens on the world's poorest populaces. To the critic of interest, it is no surprise that banks have been able to survive only by governments providing generous tax reliefs, deposit insurance and a powerful debt collection agency in the form of the IMF.

The LIC debacle illustrates many of the side-effects of the workings of interest. This example is not a one-off occurrence. It is a typical consequence of the unrestrained workings of an interest-based financial system, as the following discussion will attempt to demonstrate.

Preliminary Definitions

Before the question at issue can be addressed, some preparatory definitions are required:

A 'loan' is the temporary transfer of property from a lender to a borrower. It is repaid when the same property, or its equivalent in value and quality, is returned to the lender. For the loan's duration ownership, and hence the risk associated with the use of the property, is transferred to the borrower.

'Interest' is the amount that the borrower repays the lender in excess of the original sum lent ('principal'). Interest is usually charged as a percentage rate per unit of time, irrespective of how the money is used. The loan may be 'secured' on 'collateral' – that is, property of the borrower that must be forfeited to the lender if the loan and interest payments cannot be met.

A rental or hire arrangement is also the temporary transfer of property from the owner ('lessor') to the user ('lessee'), but one in which the legal ownership and risk of accidental damage and depreciation remain with the lessor. A hire or rental charge covers payment for the use of the property and the risk of its loss, damage or depreciation. Such a distinction between loan and hire arrangements seems to have been drawn in Exodus 22:14,15.

A profit-share partnership is an arrangement whereby a commercial enterprise is financed by two or more partners who receive a proportionate share of the enterprise's profit or loss in return. Ownership of the financial capital, and hence risk of its loss, is retained by the partners. Public or private limited companies are variants of such partnerships, in which the share of the profit paid out to shareholders ('dividend') is at the discretion of the board of directors, and in which the shares are transferable.

The Fundamental Issue

At the heart of the interest debate is a moral question. Is it just for lenders to receive back more than the amount lent simply because they have been deprived of their property for the duration of the loan? Conventional wisdom and economic theory answer in the affirmative. After all, interest is the reward for 'abstaining' from immediate consumption; a sum of money now is automatically 'worth' more than the same sum in the future because people are impatient creatures, and because the sum can be invested profitably in the meantime; without interest, no-one would save and everyone would want to borrow; if rent can be charged for the use of property, why can't interest be charged for the use of money? Notwithstanding the morality of the use, how can finance be efficiently allocated without interest to act as a price signal?

Many of these objections are valid. However, they do *not* apply to the traditional Christian position on interest, but to that of socialism. Put simply, this regards the exercise of labour as the only true source of all economic value. Consequently, all income that is not derived from the exercise of labour – that is rent, interest, dividends and most profit – are the fruits of exploitation of the workforce. The logical conclusion of this result is that charges for the use of property should not exist. Many of the criticisms of the previous paragraph then apply. If no charge can be made for loans or the use of property, then a market for financial capial cannot exist. Some other mechanism is needed to determine the level of savings and the use of capital. This has usually taken the form of a state planning bureaucracy.

Whilst some Christian socialists have interpreted the ban on interest in this way, it has not been the traditional approach. Rather, the legitimacy of a return being made on financial capital (eg. dividends) or property (eg. rent) has been accepted, on condition that these contracts involve direct risk of loss – reflecting the retention of legal ownership rights and responsibilities by the original owner. For instance, when cash is invested in a business on an equity or profit-and-loss-share basis, the owner of the money is risking its loss for the prospect of eventual gain. The return, if forthcoming, can be seen as a reward for bearing risk. Similarly, in a rental

arrangement, ownership, and hence the attendant risk, remains with the lessor who is compensated by the rental payment.

This sanctioning of returns on risked capital answers most of the aforementioned objections. A price for capital can be established in the market for shares[2] and rented property, and in fluctuations in the profit-share ratios charged for the supply of risk capital in partnerships. Such returns provide an incentive to save and economize on the use of finance, and a mechanism whereby capital can be allocated to those ends in which it will be used most efficiently.

In a loan arrangement, ownership risks and responsibilities are temporarily transferred to the borrower, who is then under a legal responsibility to repay at the specified time, irrespective of how wisely the property has been used in the meantime. (Of course, the lender suffers risk of non-repayment but this is not inherent to the loan arrangement, and can be catered for by specifying collateral and/or penalties for default). This fact prompts the question as to what service does interest pay for? Why should my voluntary and temporary relinquishment of my ownership rights be *always* deserving of reward, especially considering that the borrower bears the risks of use and ownership in the meantime? Given that the alternatives of profit-share or rental contracts exist, the traditional Christian response has been that the lender of funds had no just grounds for claiming such a reward.

Another way to view the issue is to examine what the loan is needed for. If it is to finance hopefully-productive investment, then a profit-related arrangement can be used instead. Such a contract does not assume that future profitability is a foregone conclusion, as an interest-based loan implicitly does (cf. James 4:13-16). If the loan is to finance the acquisition of property that the borrower needs now, but cannot afford (eg. a house), then either a rental, hire purchase or income-share arrangement can be devised. These would share risk more fairly between the consumer and the financier than with a consumer loan or mortgage. Finally, if the borrower is too poor to pay the rental equivalent to acquiring the good, the loan should be charitable (ie. interest-free), or not granted at all. Scripture is replete with references to the potential for interest-bearing loans to oppress the poor (eg. Exodus 22:25; Leviticus 25:36,37; Nehemiah 5:1-11).

The Consequences of Permitting Interest

All this comes as something of a shock to the modern mind grown accustomed to the omnipresence of interest. After all, if interest was so iniquitous or inefficient, would it not have been dispensed with centuries ago? However, a number of our economic ills can be ascribed to our economic system being reliant upon interest-based debts rather than non-interest financial arrangements. Like most diseases, however, only the symptoms of the interest malaise are recognised. The acceptance of interest is now so deeply ingrained in conventional thought we cannot conceive that interest is the underlying cause of the symptoms. We have ruled out that diagnosis before the patient enters the examination room, Here, however, are some of the results that can be attributed to the workings of interest:

(i) *The unjust and destabilizing allocation of returns between the users and suppliers of finance*

Economic theory claims that the long-term rates of profit and interest are inexorably linked. No-one claims that such a connection exists over the short- or medium-term. This leads to obvious injustices. When a borrower's profits are rising, the lender receives no extra reward for having the foresight to lend to a successful business in excess of the basic rate of interest. Yet when a borrower's profits are falling, small or nonexistent, the responsibility to pay interest at the going rate remains. The lender does not suffer for financing an unsuccessful business, and may foreclose on a business that could continue to survive if it need not pay interest. Hence, the current perception that banks have deepened the recession by bankrupting firms unnecessarily. As bank depositers, we tend to forget that the banks are acting in this way on our behalf.

This same aspect of interest actually tends to amplify the economic cycle. On the upswing, businesses that borrow heavily retain a greater proportion of their profits, and will be encouraged to borrow and invest even more. On the downswing, these businesses will find themselves burdened by high interest costs when profits are low or negative. Most will reduce their investment and production – many will be bankrupted unnecessarily. If businesses were more heavily dependent on forms of finance that shared profits (or losses), and spread these widely to savers, the financial system would destabilize the economy far less.

(ii) *The misallocation of finance to the safest borrowers rather than to the most productive*

A frequent claim of orthodox economics is that the market for loans will allocate finance to those borrowers most likely to use it most profitably or well because they are prepared to pay for most of it. Unfortunately, lenders have no direct incentive to ensure that this happens because they only receive the going rate of interest, no matter how profitably or well their loan is used. However, they will suffer losses if borrowers default or are forced into bankruptcy. Consequently, lenders have a direct incentive to slant their lending towards those borrowers who pose least risk of default. Of course, the level of anticipated profit has a bearing on this risk, but it is not the overriding consideration. Rather, it is the size of the borrower's assets that the loan can be secured upon that is paramount.

This is why the loan market is biased towards those who have already acquired valuable assets (ie. large firms and wealthy individuals). Meanwhile, small firms and less wealthy borrowers are lent less at higher rates of interest despite offering the prospect of using the funds more productively. This is how lenders are *forced* to operate in an interest-dominated system. If they were to lend on a profit-share basis, however, they would have a direct incentive to lend to those borrowers offering the best prospects of a high return, rather than those that posed the least risk. Indeed, given that a non-interest/profit-share system would place more emphasis on the expected profitability of the investments funded, it might even allocate finance *more* efficiently than an interest-based alternative (if one accepts that profitability is a satisfactory signal of efficiency). This much was recognised by *The Economist* when discussing Islamic banking:

> "Islamic banking is not merely consistent with capitalism (ie. with a market-driven allocation of capital, labour and other resources), but in certain

2 Although shares have the advantage of sharing risk, this is not to say that the current workings of the Stock Market are above moral censure. The dilemma for the Christian responding to the prohibition of interest, and yet cognizant of the ethical shortcomings of the Stock Market, is explored in Mills, P. S., 1992, *Christian Principles for Saving and Investment*, Cambridge, Jubilee Centre Publications.

respects may be better suited to it than western banking" ('Banking behind the veil', *The Economist*, 4th April, 1992, p.76).

(iii) A propensity to finance speculation in assets and property

A further misallocation of funds that can occur in an interest-based economy is the financing, and exaggeration, of speculative booms and busts, as seen of late in UK housing and Japanese shares, to give but two examples. When the price of an asset in relatively fixed supply begins to rise, buyers borrow to purchase more of it, so as to maximize their capital gain. Lenders comply because the value of their collateral is rising and they face little risk of loss even if the borrower defaults. The process spirals with more lending causing higher prices, which encourages even more lending. However, when the 'bubble' bursts (due to sharply increased interest rates or the publicising of a financial scandal or crisis), and asset values begin to fall, speculators are forced to sell their assets on a falling market in order to pay their debts, and lenders are reluctant to finance the purchase of depreciating assets. These factors depress prices even further, leaving many borrowers with debts greater than their assets are worth, as in Britain today.

Throughout their history, interest-based credit markets have displayed a remarkable penchant for financing speculative booms, and exaggerating the ensuing slumps, when governments have been foolish enough to give them the opportunity. Financial arrangements whereby risk and speculative return, if any, were shared between borrowers and lenders would make both more cautious when asset values were rising, and force fewer 'fire sales' when they were falling.

(iv) An inherently unstable banking system that can only survive with government guarantees

It is all very well to say that it would be better if lenders bore more risk, but wouldn't this make banks and building societies vulnerable to collapse? The fact is, however, that banks and building societies are already unstable by their very natures. This vulnerability partly stems from the interest-based arrangements that they undertake with their depositors. Currently, banks offer deposit terms whereby the nominal value of the deposit is guaranteed, interest is paid on the deposit and withdrawal can be instantaneous, or at short notice. These conditions may be convenient to both bank and depositor, but they render the bank open to collapse on two counts. Either it could sustain losses on its loans in excess of its reserves and capital, and go bankrupt because it has guaranteed the nominal value of its deposits, or it could suffer a 'run' where depositors demand immediate repayment, and be unable to satisfy them, because most of the money has been lent out.

Only the first of these threats is definitely the result of operating on an interest basis. By guaranteeing the value of its depositors' funds, the bank gives the impression of keeping them safe and secure. And yet, if a return is to be made for depositors, this money must be risked by being lent out. A conventional bank tries to give the impression of doing these two irreconcilable things simultaneously. That banks have largely succeeded with this legerdemain is due partly to their ability to diversify their lending, and partly to the guarantees that central banks and governments have been forced to give banks to protect them from losses of confidence by the public. Central banks often act as 'lender-of-last-resort' for private banks unable to acquire emergency funds from elsewhere. Governments often provide deposit insurance protection, thus pledging taxpayers' money to bail-out the depositors of a collapsed bank in part (eg. BCCI). No other private sector operation enjoys such generous guarantees from government, and it is generally agreed that these 'safety-nets' encourage banks to take excessive risks in some circumstances, (witness the US Savings and Loan crisis).

The problem of potential bank insolvency would be addressed in a non-interest economy by insisting upon depositors sharing in some of the risks of the investment process through receiving a profit-or-loss related return on their invested deposits. Consequently, when the bank makes a profit or loss on its assets, this is shared *pro rata* with depositors. Hence, if a bank deposit is liable to receive a return, there must be some possibility of it incurring a loss. In this way, the bank cannot become insolvent because losses are shared with depositors, who would then also take far greater care over which bank they entrusted their money to. (For current accounts, banks could guarantee the nominal value of deposits, but be unable to invest these funds, or pay a return on them).

(v) A 'short-termist' investment strategy

Interest promises that a compound return can always and everywhere be made on the loan of money. 'Real' investment projects are forced to match up to this rate of return in each period, or risk being neglected in favour of the money being deposited with a bank. Consequently, the pervasive influence of interest tends to bias business investment towards quick return, short-term projects even though longer-term, more risky ones may offer greater benefits in the long run. This is one of the reasons for the perceived 'short-termism' of the UK Stock Market and business managers. The more successful financial systems (eg. Germany, Japan pre-1985) have been those that have ensured that banks have stakes in the long-term of their business customers.

A related point is that the existence of an interest rate, against which the return on every other asset is compared, can lead to the over-exploitation of natural resources. For instance, a high rate of interest encourages owners of non-renewable resources (eg. oilfields) to exploit their resource more quickly, and to bank the proceeds. Such an outcome could severely damage the interests of future generations. In the case of renewable resources however, (eg. forestry, fish stocks), the resource may by physically incapable of growing or reproducing at a rate equivalent to the rate of interest. In such circumstances, the owners will maximise their return by exploiting the resource to such a degree that its price continually rises so as to reflect its growing scarcity. In extreme cases, a high rate of interest could even indicate that profits would be maximized by the extinction of the resource.

(vi) The concentration of wealth into fewer and fewer hands

Interest automatically acts to transfer wealth from net borrowers to net lenders. Not surprisingly, the former tend to be the less well-off and the latter tend to be the richer members of society. This tendency arises in any society that permits unearned income to exist, including a non-interest one. However, interest works to exaggerate the process in two ways. First, it permits the augmentation of wealth in a relatively risk-free manner, so enabling interest to compound upon itself, and funds put out at interest to grow exponentially. This means that, so long as they do not spend extravagantly beyond their income, rich individuals will always remain

rich. Secondly, those who borrow at interest and fail to make their businesses pay, or keep up with their interest payments, are penalized heavily. They may be forced into bankruptcy, or into financial stringency for an indefinite period, and still be unable to extricate themselves from the debt trap due to their outstanding debt growing at a compound rate. (In circumstances where the supply of credit is uncompetitive, the concentration of wealth can be further increased by lenders deliberately seeking the default of poor borrowers so as to permit the seizure of undervalued collateral, usually land or property.) By allocating risk so unevenly, interest ensures that the rich can largely protect themselves from uncertainties, whilst the poor can be legally subjected to financial servitude.

Both of these features would be moderated under a non-interest system that would share the risks of investment more equitably. (However, the inclusion of periodic debt cancellation in the Old Testament Law - Deuteronomy 15:1-11 - suggests that the prohibition of interest may not be sufficient to prevent the polarisation of wealth through lending and borrowing.)

(vii) A rapid flow of financial capital across regions and countries

It is of the nature of interest that it economises on the information necessary for funds to be transferred from saver to borrower. Only the rate of interest and the quality of the collateral need be known for a transaction to occur. With profit-related or rental contracts, however, because investors are incurring more risk, they need more information before committing their capital (eg. on the trustworthiness of the borrower or the exact amount of profit being made with their funds). Such information is most readily available at the local or regional level. Consequently, interest permits financial flows to occur on a far greater scale than would otherwise occur. Economic theory may believe that this will improve the efficiency of investment, but it contributes to the erosion of community and regional cohesion as jobs tend to follow flows of financial capital.

The Fallacy of Compound Interest

Although economists have rarely recognised the point, scientific observers of economics have often been puzzled by a logical contradiction posed by the existence of interest. This is that the ability to charge a positive compound rate of interest means that money wealth can increase at an exponential rate if left unspent[3]. However, natural resources are physically unable to sustain exponential rates of growth for anything other than a short period of time. If productivity cannot be increased at a perpetually compounding rate, something, somewhere has to give. A financial system cannot sustain the exponential growth of debt claims indefinitely:

> "An economic system that includes the positive feedback of compound interest can only endure if it also includes a counteracting force such as inflation[4], bank failures, confiscatory taxes, robbery, bankruptcy, revolutions or repudiations of debts. Conventional wisdom considers these events are pathological. Understandable they may be; but at least one such force must be included . . . if they system is to endure" (Hardin, G., and Bajema, C., 1978, *Biology: It's Principles and Implications*, San Francisco, W. H. Freeman, 3rd ed., p.275).

But . . .

The preceding discussion illustrates what goes wrong when a society permits a rate of interest to exist on money loans. State intervention has usually been required to prevent interest-based financial systems from periodically destroying themselves. Such an outcome is unsurprising given that exponentially-growing debt claims are unsustainable over long periods.

This is not to suggest, however, that a non-interest system would be easily achievable. Its practicability is qualified in a number of ways. First, a complete change of attitude would be needed on the part of lenders. The notion of interest is so ingrained in our thinking that savers will always expect the 'something for nothing' deal that interest offers. Consequently, it would come as an enormous shock to find that one couldn't receive a return on one's savings without incurring some risk. Savers might respond by trying to move their money to countries where a risk-free return was still offered, or hoarding cash rather than investing it with a financial intermediary.

Secondly, the relationships between lenders and borrowers would have to be closer than they are now. For instance, if a bank finances small businesses on a profit-share basis, it would have to take more care over who it lends to and whether the accounts of its borrowers are trustworthy. Similarly, depositors would have to take more care over which bank they chose, since their return would directly depend on the success with which their bank invested their money. With risks shared more evenly between lenders and borrowers in a non-interest system, more information must flow between the two parties. Although these are grounds for believing that a more efficient allocation of funds would be the result, and that the costs of producing this information would diminish over time, there would unquestionably be an initial period in which these costs would outweigh the benefits of moving to a non-interest system.

Thirdly, interest enables some highly convenient financial arrangements to be devised. For instance, companies and individuals often find it useful to have access to overdraft and short-time credit facilities which ease the transacting of awkwardly-timed payments. Non-interest revolving credit arrangements can be devised, often on a cooperative basis, but their availability would be much more restricted than those offered by current banking operations.

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3 The extraordinary power of compound growth rates has often been commented upon. A recent illustration was given when the newly-independent republic of Ukraine recently sought to reclaim a barrel of gold deposited at the Bank of England in 1723 by a Ukrainian nationalist. Using compounded market rates of interest, the claim came to £16,000,000,000,000 or 130 times Britain's national income ('Ukraine Claims Gold', *Financial Times*, 23rd July 1990).

4 It is sometimes claimed that the existence of inflation means that interest must exist in order to compensate savers for the erosion of the real value of their wealth. This is an inadequate justification for interest, however, because interest would exist even if the price level were stable, and profit-related or rental returns on financial could offer as good as, if not better, inflation-proofing as nominal interest rates. It must also be considered whether the existence of interest, and the type of banking system thereby permitted, is responsible for persistent inflation in the first place.

Perhaps the most important implication of non-interest operations, however, is for the running of government finances. For it is impossible to devise non-interest substitutes for government debt for anything other than revenue-raising public projects (eg. toll roads). Since there is no profit to share in most of its spending arrangements, a government could not borrow to finance education, health, defence, welfare or whatever. Many see in this restriction implicit support for the belief that governments ought not to be allowed to spend beyond their tax-raising means. Such borrowing often imposes unwarranted burdens upon unrepresented future generations of taxpayers and/or gives government an incentive to permit inflation so as to alleviate its debt burden. However, sustaining the required government surplus necessary to repay the accumulated national debt would require a radical change in the way government finances are currently administered.

Assessment

Undoubtedly, a non-interest financial system - built along the lines suggested by the traditional Christian critique of interest - would have many costs. It would involve the repudiation of the illusion that financial capital can be both return-bearing and 'safe' simultaneously. As a result, wholesale changes to current financial institutions would be required.

A non-interest financial system is perhaps too radical a solution to be realisable in the near future. However, some of its lessons could still be applied within our current ways of operating. For instance, the economy would become more stable if less reliance was placed on interest-bearing debt in favour of profit-sharing and rental arrangements. This process ought to be fostered by the removal of the remaining tax incentives to incur debt - notably mortgage tax relief and the deductability of interest payments against corporation tax. Banks could be permitted to offer chequeable unit trust accounts, so as to provide them with a long-term stake in the profitability of their business clients. Less reliance could be placed on the expansion of credit to finance consumer spending.

Nevertheless, whilst interest continues to operate, injustice and inefficiency will remain, even if governments re-regulate financial markets to protect them from their own self-destructive urges. The current plight of many western and LIC economies is eloquent testimony to the damage wrought by reliance on debt finance. The foundation for an alternative that offers greater fairness, efficiency and stability is the biblical prohibition of interest, and the Christian analysis developed from it. The detractors of Old Testament economics need to take care. Experience has shown that there is far more wisdom in this biblical teaching than Christians have realised for the last five centuries. Without it we will have no cogent response to the financial chaos that rages about us.

Paul Mills has recently submitted a PhD thesis to the Faculty of Economics at the University of Cambridge entitled 'Should Interest Exist? - Non-usurious finance in economic thought, theory and practice'.