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7. *Riba,* Usury, and the Evolution of Moral Finance

A Comparison of Two Arguments

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Abstract

This article compares the historical transformation of the prohibition of usury in Christianity and the current disagreement in Islam over what forms of finance are forbidden by the prohibition of *riba,* now often interpreted to mean interest. It first sketches the controversy over *riba* in Islamic banking and economics. It then describes how the Christian understanding of usury evolved from any profit returned on a loan to merely exploitative lending. This article then identifies and considers divergences and correspondences between the substance, prompting causes, tenor, and method of development of these two debates. It concludes by suggesting some reasons scholars of religion and religious ethics may find this comparison useful, both when studying these specific traditions, and when reflecting on moral issues arising in modern finance.

Keywords: usury, Islamic banking, Islamic ethics, Christian ethics, comparative religious ethics, Thomas Aquinas, economic ethics, finance, interest

Introduction

In the first centuries of Christianity and Islam these traditions shared an ethical prohibition against usury (in Arabic, *riba*), and in both this was interpreted as forbidding taking more in return for a loan than the principal sum lent. In the centuries leading up to the modern era, Christian understandings of the morality of finance slowly developed, such that now the label of usury is only applied to forms of lending deemed to be exploitative. In Islam, a related debate over how to interpret and specify *riba* remains ongoing and has arguably intensified in recent decades.

Some scholars argue that, as with the current Christian consensus regarding usury, *riba* only describes excessive interest rates and unjust forms of lending. However, the majority opinion is that *riba* describes all interest, which is therefore forbidden in Islam. Since the 1970s, the growing field of Islamic banking and finance has developed a number of practices that accordingly avoid interest, or are at least presented as such. It is estimated that assets worth roughly 2 trillion USD, or 1 percent of the global economy, are now managed according to Islamic principles using interest-free banking practices (Thomson Reuters). These practices have generated a good deal of controversy, with scholars both supportive and critical of Islamic banking alleging that various attempts to avoid interest are ineffective and hypocritical. A number of scholars argue that this hypocrisy is a predictable consequence of the recent equation of *riba* with interest, and that this equation hinders creative and sustainable moral development in the realm of finance and, in its place, encourages sophistry.

Some centuries earlier, the Christian argument over usury proceeded along rather similar lines. As with the debate over *riba*, it arose in response to the need to think through the morality of particular emerging financial practices, and was shaped through a process of case-by-case reflection on whether these contained or avoided usury, which was understood at the beginning of the debate not as interest, per se, but strictly as profit on a loan. Further, it was also marked by controversy, as canonists and theologians disagreed over whether various new forms of insurance, credit sales, and other contracts were or were not effectively loans and therefore, usurious. These engendered claims of disingenuous semantics are strikingly analogous to those seen in the ongoing debate over *riba*.

In light of these similarities, it seems reasonable to explore whether the two debates share any similarities that may be instructive. To do this, this essay briefly sketches the shape of these two conversations, beginning with the concerns of current Islamic scholars, and then moves to those of Christian scholastics. Having set these alongside each other, this essay then considers key differences and interesting points of convergence with regard to the substance and tenor, prompting causes, and methods of development of these arguments.

This comparison may seem like an unlikely one, even when conducted at this level of generality. For one thing, this contrasts a debate that spanned nearly a millennium with conversations largely begun in the 1970s (although these have their roots in exegetical debates begun in the seventh century, as noted below). For another, one of these debates is taking place amidst well-developed and globally integrated financial markets, while the other slowly generated many of the concepts integral to what would become modern capitalism; this essay will discuss this difference in further detail. A comparison of these two debates may be useful for a few reasons. First, it provides a window into the imaginative moral architectures of two global religious traditions precisely as these architectures are being reconfigured through the simultaneous alteration and reaffirmation of a core moral norm. As such, these debates illustrate one way that traditions adapt over time to respond to new socioeconomic contexts. Second, this comparison may be useful for the study of these two debates, as each provides a contrast case against which to see in clearer relief aspects of the other. This article will explore, for example, how the backdrop of the scholastic debate may render more visible how the equation of *riba* with interest may be a semantic constraint upon innovation (as some critics allege) and an integral prompt to moral creativity. Third, this article suggests that ethicists and scholars working within one of these traditions may find this process of comparison useful provocation for thought on issues of morality and finance, as each of these debates contain sincere and thoughtful attempts to use tradition-based resources to consider complex questions of justice in the marketplace.

Debates in Islam Today

Riba is unequivocally forbidden in Islam. The Qur'an condemns it many times, warning that *riba* commits wrongdoing against the vulnerable, corrodes the moral health of the Muslim who engages in it, and will be judged harshly by God (verses condemning *riba* include 2:275-79; 3:129-30; 4:161; and 30:39, although only 3:130 specifically describes *riba* as "doubling and multiplying" [the sum lent]; all translations from Nasr). Numerous hadith of the Prophet Muhammad also condemn it; one records him as having a dream about *riba* in which a man standing on the bank of a river of blood throws rocks into the mouth of a man trying to escape the river (cited in Kettell: 38). Despite the consistency of these stark denunciations, however, neither the Qur'an nor the Sunnah (the verbally transmitted record of Muhammad's life and teachings, as well as those of his companions) explicitly clarifies what qualifies as *riba* (Farooq 2009a, 2009b). As a result, the question of how to correlate *riba* with actual financial practices "has been a subject evoking deliberation and debate over the centuries that followed the age of divine revelation" (Siddiqi: 13).

The word *riba* literally means "growth," "excess," or "an increase," and in the Qur'an is depicted as the opposite, not of trade (*bay*), but of voluntary charity (*sadaqah*) (Rahman: 31; see also Nasr: 121). The "doubling and multiplying" to which the Qur'an refers appears to indicate a form of lending common in pre-Islamic Arabia in which a debtor unable to pay was granted an extended repayment period by doubling the principal owed. This often had the result of stripping the debtor of all his belongings and landing him in slavery before too long (for more on this, see Rahman: 5-7; Farooq 2009b: 106).

In addition to the exploitative nature of these practices, such lending is also objectionable in Islam for the way that it generates wealth from other wealth, without either labor or risk on the part of the lender. Islamic moral thought is characterized by a deep suspicion of wealth that has not been generated by either productive labor or tangible commodities, and in turn that is not "put into circulation" in the community (Bonner). Islamic scholars accordingly affirm the importance of wealth being used for the "real economy" – that is, for the satisfaction of concrete human needs, and for the benefit of society as a whole (see, e.g., Mansour, Ben Jedidia, and Majdoub: 55; Chapra: 210).

This suspicion of abstract financial transactions also has its roots in a related moral norm prohibiting *gharar*, which means "uncertainty," "hazard," or "risk." Although it is impossible to entirely avoid risk in business transactions, *gharar* specifically describes risk deemed either excessive (as in gambling) or exploitative (Ayub: 58-61).[1] With *gharar* in mind, the judgment against *riba* especially forbids the kind of effortless income that would result from exploitative financial transactions relying on asymmetric risk.

In the early centuries of Islam, the understanding of *riba* was slowly broadened so as to forbid an increasing number of transactions (Rahman). However, its precise definition is still a matter of considerable debate, and Islamic scholars have not univocally decided that *riba* ought to be interpreted as including all modern forms of interest. The reference to "modern" here is key, given that the consensus among early Muslim jurists was that receiving interest on loans was illicit. As contemporary scholars have pointed out, however, "neither the Qur'an nor the Sunnah made any distinctions between consumption loans and business loans" (Mourad: 69-70).

Finding this distinction morally significant, some contemporary scholars have argued that *riba* should not be equated with interest itself, but merely forms or rates of interest that are exploitative (e.g., see Zaman; Ahmad 2005, 1993; Rahman). Citing such reasoning, in 1989 the Grand Mufti of Egypt, Muhammad Sayyid Tantawi, issued a legal opinion stating that "harmless" forms of interest, such as those paid on government bonds and savings accounts, "do not violate the spirit of Islam" (Esposito: 206). In support of this view, scholars have cited classical commentators on the Qur'an, such as Ahmad ibn Hanbal, who argued that because the scriptural injunctions against *riba* specifically indicted the form of usury common in pre-Islamic Arabia, that is the only type of debt the "prohibition of which is beyond any doubt" (cited in Farooq 2009a: 101). With this in mind, they conclude, the ban on *riba* need not apply to modern forms of lending and interest that are otherwise just and compliant with the aims of sharia law.

Islamic Banking Practices: A Norm Evolving in Practice

This minority opinion notwithstanding, the majority view has come to define *riba* more expansively, and now equates it with all forms of interest (see, e.g., Ayub; Siddiqi).[2] This view is foundational for the quickly growing field of Islamic banking and finance. Starting in the 1970s, many conventional banks and newly chartered institutions have begun offering sharia-compliant financial services as alternatives to secular products and contracts. In keeping with the wide social and spiritual goals of sharia, these aim to "combin[e] profit maximization with efforts directed at ensuring spiritual health, justice, and fairness at all levels of human interaction" (Mansour, Ben Jedidia, and Majdoub: 56).

In lieu of interest, sharia-compliant practices rely upon a range of profit and loss sharing methods designed to ensure that risk and gain are equitably shared between lenders and

[1] This norm helps explain why, on average, Islamic banking institutions lost less during, and recovered more quickly from, the global financial crisis of 2008 than did conventional banks; the prohibition of *gharar* rules out many of the derivatives and other speculation-based instruments that led to the crisis (see Hasan and Dridi; Farooq and Zabeer]).

[2] Although it overstates the situation, a 1983 report released by Pakistan's Council of Islamic Ideology is illustrative of this: "There is complete unanimity among all schools of thought in Islam that the term *riba* stands for interest in all its types and forms" (cited in Tripp: 131).

borrowers. An example of one such alternative is the *mudaraba* contract, a financing technique in which one party brings capital to a joint venture, while another brings personal effort and time and a business plan (Usmani: 33). In this contract, profits are shared between these parties according to a predetermined agreement, but losses are born by the capital investor, which may be the bank itself. As a result, *mudaraba* "can usefully be thought of as limited recourse debt finance" (Kettell: 84). Unlike conventional business loans, however, it functionally treats financial and human capital as equivalent. Similar methods are used to finance mortgages, lines of credit, and business loans to avoid *gharar* and *riba* and equitably allocate risks and gain (for more on these, see Kettell; Ayub).

These practices are evaluated and approved by a decentralized network of scholarly and juridical bodies, many of which are attached to specific financial institutions. It is interesting to note, however, that the practices these bodies evaluate have largely been developed within the applied field of Islamic banking rather than through legal or religious scholarship. As a result, jurists and religious scholars are often, in a sense, "catching up" to understandings of *riba* (or, more accurately, to understandings of what is not *riba*) that develop in practice before they are reflected in the articulated tradition.

Not all scholars welcome these practical developments. Indeed, it is not uncommon to encounter the claim that some or many financing techniques described as Islamic are really a sham – that they are "functionally indistinguishable" from secular interest-bearing instruments and contracts, and merely relabeled to appear in keeping with Islamic ethics (Khan: 805; see also Hideur: 18). Interestingly, this claim is advanced by both critics and proponents of Islamic banking.

Proponents of Islamic banking view "convergence" between Islamic and conventional practices and products as evidence of the "social failure" of the Islamic banking and finance industry – that it is oriented toward the goals of conventional banking more than toward those of the Islamic moral economy (Asutay 2012: 100; see also Asutay 2013). For example, Mansour, Ben Jedidia, and Majdoub argue, "Islamic banking has *de facto* failed to meet the social and ethical goals claimed by *shari'a*"; it is, they suggest, "more concerned with legal and mechanistic aspects of adherence to Islamic law rather than with promoting Islamic ethical values" (53; see also Ahmed). Others point to the "legalistic-rational method applied by the *Shari'ah* scholars" as part of this problem, claiming that this method "ignores the substance [viz, whether a product overall achieves the moral aims of sharia] by prioritising the form [whether it is technically *riba*-free]" (Asutay 2012: 107-8; see also Dusuki: 114, who argues that too much attention to form over substance reduces Islamic banks to "practitioners of semantics"). In addition to claiming that allegedly interest-free banking practices are un-Islamic, others allege that bankers offer them in bad faith, and simply "use religious slogans" to line "their own coffers at the cost of depositors," at times through the clandestine use of conventional investments that rely on interest (Zaman: 9). Many such critiques are offered as a call to more careful reflection upon the essence of *riba,* and upon how to promote a distinctively Islamic moral economy.

Other criticism is not aimed at improving the current field of Islamic banking. Islam scholar Timur Kuran, for example, sees what he argues is the functionally interest-bearing nature of Islamic services not as proof that bankers have gone too far, but as an indication that Islamic economic ethics threatens to hold back bankers and investors (see also Ahmad 1993: 6). Indeed, Kuran argues that the equation of usury with interest "undoubtedly stunted the development of economic thought within the Islamic world," and finds "the Middle East's failure to narrow the scope of the Islamic 'interest ban'" partly to blame for the underdevelopment of the Islamic world as compared with the West (1997: 68; 2009: 595). Moreover, Kuran finds the effort to craft a distinctively Islamic approach to either economics or banking misguided. As he points out, the initial goal when the field was first developed in the late twentieth century was Islamization rather than economic growth; "the charters of Islamic banks . . . were developed largely by activists eager to make a cultural statement, who knew little economics" (2010: 490). It is, he concludes, an "invented tradition" (2004: x).

Others agree with the "Kuran Thesis," and find Islamic banking – at least, as it has developed thus far – a misguided venture at best, and at worst predatory upon observant Muslims. Furthermore, they express concern that the incentive structure created by the institutional framework of Islamic banking has functioned to distort Islamic jurisprudence on economic matters. Mahmoud El-Gamal, for example, has coined the term "sharia arbitrage" to describe how Islamically labeled services often benefit banks at the expense of depositors, and thus do not distribute risk or wealth as equitably as the sharia intends. Likewise, Feisal Khan has suggested that because scholars serving on the sharia boards of Islamic finance institutions are simply engaged in "rent seeking," their rulings regarding various financial offerings are no more than "rubber stamps" (817). In the view of such scholars, contemporary Muslims would be better served to rethink the Islamic approach to finance entirely (and probably to admit the permissibility of certain forms of interest), if not to abandon it altogether, and straightforwardly embrace conventional markets.

The Evolution of the Christian Debate

Let us turn now to consider a related debate in Christian history that "exercised the finest theological and canonical minds" for eight centuries – all over how precisely to specify "usury" (Jonsen and Toulmin: 181). Up until roughly 1050, the widespread, if somewhat hazy, understanding was that usury was a sin of greed or a failure of charity (Noonan 1957: 17). The sin itself was only loosely defined; in 806, Charlemagne (the first ruler to extend the prohibition on usury to laypersons and clergy alike, and thus make it a matter of both ecclesiastical and civil law) issued a capitulary that described usury as "claiming back more than you give" (Latouche: 155-56).

Beginning in the early medieval period, usury was more clearly located in the loan contract (*mutuum*); where usury was present in other contracts, it was reasoned, it was because these implicitly functioned as loans. At this point the sin was accordingly classified not merely as avarice, but as one of injustice, for which restitution ought to be paid (on the evolution of this restitution, see Nelson). Having added natural law reasoning to earlier ecclesiastical authority, at this point the theologians and canonists were unanimous in interpreting the usury ban as forbidding all forms of profit upon loans and even the mere expectation of receiving in return any sum over the original principal lent (Noonan 1957: 80).

This interpretation rested on a number of significant assumptions. One of these had to do with the nature of loans at the time: during the early medieval era, the paradigmatic understanding of loans was as a form of assistance offered to those in need, and could be a form of almsgiving (Harper and Smirl: 566; on loans as alms, see Brown: 60). The concern with this is obviously that such persons are vulnerable to exploitation. In response, the moral norm was that lenders ought to act out of charity rather than in pursuit of gain.

Another assumption regarded the nature of money. From Aristotle onward, money was understood to be sterile, unlike livestock or crops. Whereas these naturally reproduced themselves, money did not. Neither could it offer usufruct, or right of use and enjoyment. This latter point is neatly summed up by Thomas Aquinas's classic response to the question of whether it is sinful "to take money, as the price for money lent." His answer explains that indeed it is, because money is more akin to wine – a consumption good – than to a house – which can be used without being used up (*Summa Theologica* II-IIae, Q78; also, *de Malo* XIII.4).[3] A house can be borrowed and returned; money, he thought, could not – much less could it generate the increase that usury demanded. With this in mind, Aquinas found the charging of interest on loans to be usurious and, at its core, an act of theft from those in distress.[4]

Not very long after Aquinas, however, merchants began to seek loans when not in situations of distress, and to use money in ways that treated it rather less like wine, and rather more like a house, for example in order to finance future purchases. In beginning to think through such issues, scholastics and canonists turned to the few exceptions permitted to usury laws, which, as John Noonan has argued, contained already in an "embryonic state" a theory of interest "which would in later times become a giant" (1957: 100). Whatever it would become later, however, at first this theory was only ever put into use implicitly, through casuistic reasoning that extended the few exceptions permitted to cover new forms of financing.

One such exception dealt with situations in which a debtor fails to repay a loan at the determined time. In such cases, it was thought legitimate that the lender should charge a penalty (*poena*) in addition to the principal. However, this addition was conceived of as punitive in nature, rather than compensatory, and reserved for extraordinary circumstance in which borrowers were at fault (e.g., see Noonan 1957: 107-9). The earliest scholastics were clear that a lender should not knowingly design a loan so that a penalty is unavoidable, and certainly

[3] Although Aquinas's formulation of the natural law argument against usury was influential, it should be noted that several other natural law arguments were offered, emphasizing different aspects of the issue; see Noonan 1957: 38-81. Moreover, it is interesting to note that elsewhere (*Summa Theologica* II-II 62.4) Aquinas appears to work with a conflicting theory of money, attributing to it a causal power that is not in keeping with the view at work here, and with the articulated consensus among canonists and theologians up until that point that money is purely sterile.

[4] Not to be overlooked, too, is the role of anti-Semitism in facilitating this interpretation of usury, both conceptually and practically. Laws that barred medieval Jews from a number of economic activities "tended to channel" them into others, including tax collecting and moneylending at interest (Nirenberg: 197). Although stigmatized for this, Jews were permitted and even required to offer lending services on the putative grounds that they "were not subject to the prohibitions of canon law, and were condemned in any case to perpetual damnation because of their repudiation of Christ" (Muller: 16). Medieval (and later early modern) rulers thus temporarily resolved a growing dilemma – as one commentary on Dante's *Divine Comedy* put it, that "those who engage in usury go to hell; those who fail to engage in usury fall into poverty" – by effectively outsourcing usury to Jewish communities (cited in Muller: 16; on how this special relationship with Jews benefitted European monarchs, see also Nirenberg: 194). Given the association of Jews with usury, anti-Semitism also featured significantly in many of the heated debates mentioned below; such that in the twelfth century Bernard of Clairvaux could refer to taking usury as "Jewing," and labeled Christian usurers as "baptized Jews" (cited in Muller: 16).

ought not to prefer a late and augmented repayment to a timely one; this would render a loan usurious. Nevertheless, the validity of *poena* provided one conceptual resource that would much later be used to construct an argument for compensating a lender for the time value of their money.

Before such an argument could be conceived, however, a number of intermediary concepts had to be developed and put into use. Through a fifteenth century controversy over whether non-principal returns could be paid to citizens by Italian city states who had demanded compulsory loans from them, for example, it was finally determined that the Roman legal concept of *damnum emergens* (loss which occurs) could be used to justify returns given as compensation for a loss imposed upon the lender by a debtor's failure to pay on time (Noonan 1957: 121). This was still, however, organized around the presumption of the debtor's fault. By 1605, however, it was possible for the Jesuit theologian Leonardus Lessius to argue that money is like "the fruitful seed of gain by industry [*semen fecundum lucre per industriam*] in which the gain itself is contained virtually as in a seed" (cited in Gordon: 248). With this in mind, Lessius considered adding "lack of money" (*carentia pecuniae*) to the increasing acceptance of foregone profits (*lucrum cessans*) as just extrinsic titles to returns on a loan greater than the principal. (These titles are extrinsic in the sense that they are calculated and justified through attention to the situation of the creditor and debtor, which is external to the contract itself.) Although Lessius ultimately rejected this additional title, the reasoning he used to describe it implicitly recognized the time value of money (Van Houdt 1998: 3) and illustrates how the late scholastics had come to view money as "not just a coin to change, but also as a businessman's tool" – that is, as capital (Monsalve: 233).

Just as existing concepts had to be stretched and adapted to encompass new insights, older legal forms likewise were reintroduced, altered, and morally justified to meet the changing needs of the emerging economic order. In order to finance projects such as long-distance shipping, for example, lenders revisited the old Roman business arrangement of the *societas*, in which (much as with *mudaraba*) one party contributes funds while another manages operations. This was understood not as a loan, but as a way of equitably sharing risk in a joint venture. As soon as this was widely accepted, "innumerable forms of partnership could be devised, and as fast as ingenious parties devised them, theologians and canonists scrutinized them" (Jonsen and Toulmin: 185).

In the sixteenth and seventeenth centuries, it became important to provide insurance in order to underwrite mercantile ventures to the East and West. A 1237 decretal issued by Pope Gregory IX had seemed to forbid this. In 1530, a group of Spanish merchants sought guidance on a number of commercial practices from scholars at the University of Paris, including scholastic John Mair. Using analogical reasoning, Mair argued that maritime insurance is fundamentally a partnership involving services provided, rather than a loan, and therefore not subject to the usury prohibition as long as agreements are not fraudulent. Mair's reasoning illustrates how the high casuistry of this period (as compared with that of Aquinas's time) focused less on the "essential notion of an object like usury, loaning, justice" and so forth, and increasingly upon particular instances, and "embodied ways of acting" (Keenan: 93; for more on the evolution of arguments for buying and selling risk, see Ceccarelli). In these centuries, the scope of the usury prohibition was adjusted and clarified primarily through practical reasoning on individual cases.

Although a certain amount of the justifications offered for such new and renewed contracts were certainly sophistic, it would be a mistake to read either the contracts or the arguments on their behalf merely as attempts to circumvent the usury prohibition. Each new contract and scholastic distinction did, however, tacitly propose to shape its definition, and often seemed to reduce its scope. As a result, each new argument naturally prompted a certain amount of reluctance, uncertainty, and in cases, outrage.

Indeed, the evolution of the definition was nowise linear, and many of the new forms of lending and scholastic innovations generated heated controversy. The controversy around Franciscan *montes pietatis,* profit-free pawnshops that offered low-interest loans to the poor, "waxed hot," and "the Dominicans used their inquisitorial authority on occasion to investigate the defenders of the *mons* as heretics" (Noonan 1957: 296). In the two centuries after Leonardus Lessius' death, canonists who adopted his "lack of money" argument were all condemned (Van Houdt 1995: 26).

In many cases, these disagreements had a direct impact upon local lending practices. In 1569, Pope Pius V issued a bull condemning personal annuities of 5% then common in Germany. After the death of that pope, however, in 1573 a Jesuit commission argued that a contract of partnership could justify the 5% interest on an annuity. In 1586, a later papal bull condemned this, declaring "the decent name of partnership was being used as a pretext for usurious contracts," and indicating that persons found guilty of enforcing such contracts were to be denied Christian burial. While this bull "seemed to be the death sentence" of this contract, it was not; later theologians found ways to specify its application to not prevent reasonable annuities (Noonan 2005: 140; see 138-40 for discussion of the controversy over this annuity). And so, the conversation developed, with new contracts, new theological explanations and critiques, and in turn new charges of pretext and usury (and more than a few excommunications), for centuries.

Comparing These Debates

These two debates are far from identical. For one, the Christian argument over what the usury ban disallows has been long settled, whereas in Islam, the debate over how to avoid *riba* is ongoing. More importantly, the Christian debate coevolved with the emergence of modern markets, and influenced the concepts, cultural assumptions, and legal and financial institutions now foundational to global capitalism. Although the Islamic debate is certainly shaping the form that capitalism is taking in Muslim majority nations, it is nonetheless also taking place against the backdrop of a fully formed, and globally integrated, capitalist financial order that relies on interest.

Given its temporal location, distinctively Islamic reflection on finance is inevitably in conversation with modern economics (even if only indirectly; for more on this, see Tripp), and with concepts central to modern finance such as liquidity preference, the time value of money, and capital itself. These were available to the early scholastics only in an inchoate form, at the very best (we ought not be too ready to see in earlier thinkers modern patterns of thought), and were only rendered articulable through a centuries-long process of case-by-case analysis. The challenge of Islamic banking is not to develop these, but to discern whether and how they may be useful in developing genuinely Islamic grounds for distinguishing between just and unjust forms of finance.

These processes of discernment also take different institutional shapes. At the time of the usury debates in Western Europe, the Catholic Church wielded considerable cultural, political, and economic influence. As a result, scholastic debates measurably influenced ecclesiastical legislation and commercial practice (although this influence was never total). Despite the emergence of a number of international associations and forums for discussing Islamic banking, no unified authority that could serve a similar function exists today within Islam. Instead, Islamic banking – and as a result, arguably Islamic ethics, as well – is largely shaped in region-specific ways as it develops in diverse institutional settings. It is not always clear whether and how reflection in these contexts is integrated with, or shaped by, other religious and academic scholarship on ethics and economics. Furthermore, in most countries the sharia-compliant banking sector exists alongside a secular sector, and Islamic, interest-free practices are available alongside conventional products and investments. Juridical reflection on Islamic banking is an important, but not the sole, factor shaping Islamic capitalism and the lived practice of Islamic ethics in markets.

Casuistry and Controversy

Despite significant differences, it is interesting to note the similarities in the shape of these debates, both of which have evolved largely through decentralized processes of casuistic analysis of specific financial innovations, and through argumentation over that analysis. In both cases, this analysis has been often oriented to discern which forms of finance are demonstrably distinct from the historically received understanding of usury and *riba*. For the scholastics, given the understanding that usury designated profit on a loan, the question was whether and how new forms of credit and insurance could be distinguished from loans. For Islamic bankers and scholars, given the equation of *riba* with interest, the discussion is shaped by the concern to discern which forms of profit are essentially interest, and which are not.

This constraint necessarily places a kind of semantic pressure on the discussions that forces scrupulous attention to the moral as well as practical descriptions of financial practices. At the same time, this pressure can also threaten to reduce moral and legal reflection to textual and conceptual trickery – at least, this is certainly what critics of individual judgments allege. Indeed, both debates have been characterized by consistent accusations of sophistry and hypocrisy. To a certain extent, such reactions are to be expected, and reflect anxiety over the moral change that these debates reflect and advance. Such accusations are always a possible reaction to moral innovation, given that change anywhere, even when salutary, brings up the unsettling specter of change everywhere. As John Noonan memorably puts it, "analogy . . . is agonizing. If this one goes, why not that one?" (2005: 195).

It thus would be easy to read such reactions merely as expressions of reactionary atavism. But they may also be evidence of the moral vibrancy and vitality of the traditions in question. In both debates it is possible to discern a decentralized process of moral adaptation that slowly develops new specifications for a long-held prohibition. Arguably, such change reaffirms rather than challenges the binding nature of the norm, by shaping it to speak critically about new economic practices – through its transformation, the norm takes on new shape, and is preserved from obsolescence.

Moral Adaptation to Changing Socioeconomic Contexts

In both cases, this change has been prompted (if not necessitated) by shifts in the cultural and institutional environment, and the need to use the intellectual and moral resources of a tradition in order to understand and direct emerging economic behavior. In the scholastic debate, the new environment was a slowly emerging one, and it co-evolved with the development of Christian thought. In medieval and then renaissance Europe, merchants, bankers, and various Catholic Church orders led the way in creating financing methods that enabled them to do all this. In response, religious scholars scrambled to understand those methods in light of their tradition, and to orient merchants and bankers to the moral dimensions of their actions. In marking some of these innovations as illicit and others as licit, they both altered the larger field of Christian moral reflection on economic issues. In narrating this development from the vantage point of modern capitalism, it may be tempting to suspect that the material incentives brought by the changing institutional environment compelled the Catholic Church's reversal of its prohibition on interest (as perhaps they were for the usury ban itself beforehand), and that the final acceptance of interest was thus an *ex post* moral rationalization of a *fait accompli* (e.g., see Koyama; Ekelund, Hebert, and Tollison 1989, 2011). But that seems reductive and cynical, and is not the thesis suggested here. It seems more likely that merchants, bankers, and scholastics unknowingly coordinated in an undirected process of moral innovation over time, extending key moral inheritances of their tradition in a way that allowed them to simultaneously adapt to and in turn shape the pressures and incentives stemming from new institutional arrangements.

Similar practical and conceptual pressures can be seen at work in debates over *riba*. These are compounded, however, by the presence of a fully established capitalist economic order and the increasing global integration of international capitalist institutions and cultures (though these are also undoubtedly still evolving). As a result, what is at stake in these debates is not just the practical question of what forms of insurance, lending, and investment are morally acceptable. The larger question is how to shape an emerging practical field to be a morally wholesome realm of action. Both questions can be seen in the Christian debate. Also at issue is the still larger question of Islam and capitalism: the relationship of Islamic moral thought to the economic institutions and cultural norms of the modern West.

In the Christian case, it is only possible to pose in retrospect such a question about the compatibility of Christianity and capitalist practices and culture. Given that European capitalist markets themselves emerged within and out of European Christendom, a potential conflict would not yet have been visible. Since its inception in the twentieth century, however, Islamic banking and the scholarly and juridical controversies it has occasioned have been concerned with precisely such questions about whether and how capitalism can be harnessed toward Islamic ends, and what forms of finance legitimately promote the spiritual and social ends of sharia. Even where not mentioned expressly, such concerns animate debates over how to specify and avoid *riba*.

Conclusion

Given the limited scope of this essay, the description and comparison just offered sketches the possible contours of a more finely-grained analysis of these rather interesting debates. A fuller inquiry would be promising, given that these conversations provide useful windows into the imaginative moral and social architecture of two global religious traditions, even as they are being reconfigured and expanded. In so doing, these cases offer a picture of one of the ways that moral traditions evolve: by way of decentralized and inductive analyses of emergent practices, and despite – or perhaps even through – often-heated argument over the validity of those analyses, and over whether a given proposed moral innovation crosses over into disingenuous semantics. Indeed, considered in light of the usury debates, the frequency of claims of sophistry in the *riba* debates appears not only to be expected, but somewhat paradoxically a potentially salutary force contributing to and signaling the vitality and sustainability of the moral adaptation that is slowly taking place. Setting these two debates alongside each other raises the possibility of seeing elements of each in clearer relief, as each serves as a contrast case for the other.

Finally, considering the debates over *riba* and usury offers scholars the opportunity to encounter new habits of thought and unfamiliar ways of framing shared commitments that provide useful provocation for thought. Comparative religious ethicist Aaron Stalnaker proposes "'global neighborliness' as a regulative ideal for comparative studies of religious thought and for relating to religious 'others' generally," and argues that this entails approaching religious neighbors as "potential teachers" (299). In the careful analysis of financial ethics in the debates engaged here, both traditions undoubtedly offer such potential instruction. The imaginative world of each stands at a significant remove from that of secular capitalist culture. Moreover, over the years of each debate, committed scholars have brought to their analysis of specific market practices both a rigor and creativity that is uncommon in much public reflection on financial matters. As a result, in taking seriously the moral dangers the scholastics and contemporary Islam scholars discern and the solutions they offer, we may also find welcome insight into how to develop long-held moral commitments to critically engage the novel issues that developing socioeconomic contexts invariably generate.

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