JUST MONEY AND INTEREST: MOVING BEYOND ISLAMIC BANKING BY REFRAMING DISCOURSES

by

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ABSTRACT

Enlightenment discourse advanced an idiosyncratic cognitive framework and epistemology that rationalized the overturning of usury laws. Under capitalism, money innately changed as banks gained the institutional right to create credit and lend it into existence at interest. The implicit ideologies of this discourse instantiated a reframing of traditional conceptions about money and interest worldwide. In contradistinction, Islam prohibits *riba*, a term approximated as usury/interest, presenting ethical problems to banking practice. This conflict has yielded Islamic banking and finance (IBF), bolstered by a small cadre of Shariah scholars, even though it continues to fail in its stated social justice imperatives. IBF evidently charges what is commensurate to interest while declaring it does not, promoting its products as 'Shariah compliant' – a term producing different meanings to different interpreters. This study adopts an Islamic *maqasid* methodology and analyzes discourses in reframing how such an industry emerged, how its practice departed from its claims, how it sustains itself, and asks why Muslims have not moved beyond it towards alternatives that procure greater possibilities for social and environmental justice. It reexamines discourses connected to the historical and contextual reframing of money, usury, interest and *riba*, and isolates the associated semantic obfuscations that power has influenced.

DEDICATION

بِسۡمِ ٱللَّهِ ٱلرَّحۡمَٰنِ ٱلرَّحِيمِ

I would like to dedicate this work to all of those who have helped me along my path. To them I express my gratitude. This pertains to my teachers, to my loving parents who did an exceptional job in raising us, and to my dear wife.

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LIST OF DEFINITIONS AND ABBREVIATIONS

'Adl = justice
Aqeeda = creedal belief
'Aql = the intellect
Credo = credit: derived from Latin, belief, to believe in
Ex-nihilo = out of nothing
Gharar = excessive speculation or risk taking in investment
Hadith = a report, but used in reference to a Prophetic tradition
Halal = permissible or lawful in Islamic law
Ibadah = an act of worship
IBF = Islamic Banking and Finance
Iconolatry = unusual reverence for a signifier or an icon
IFI = Islamic Financial Institution
Ijtihad = independent juristic reasoning in Islamic law
Iman = belief
Islah = repair, used in reference to restoring a Prophetic practice
Jahiliyya = pre Islamic era of ignorance
Khubara = a learned coterie of scholarship
Maqasid = plural of *maqsid*, an ultimate *telos* or purpose
Riba = a composite Arabic term comprising various economic immorality i.e. usury and interest
Ribh = profit, legal and ethical profit
Maslahah = a neutral term that can take on positive or negative correlations depending on context but oft taken to mean 'social benefit' in an Islamic context
Mujtahideen = plural *mujtahid*, an independent legal jurist
Sunnah = a Prophetic practice
Qist = justice, denotes putting things back in their proper places
Tafsir = Quranic exegesis or interpretation of scripture
Ulama al waqi' = scholars of contemporary sciences
Ulama al nusus = scholars of religious texts
Zakat = a poor tax

CHAPTER 1: INTRODUCTION

1.1 Background

This work focuses on two terms in modern discourse that mean different things to different interpreters: money and *riba* (often translated as interest/usury). It utilizes an ethical (*maqasid*) framework informed by the normative (scholastic) Islamic tradition in order to examine discrepancies between faith and practice associated to these terms, as they are detectable in discourse, by identifying how power affects the discussion. In introducing the crux of the problem, an anecdote seems most appropriate.

Home purchasing is the lower to middle-class's biggest investment prerogative and life-long aspiration, and many claim that buying a home is cheaper than renting, which thereby makes it a prevalent objective (Topham, 2012). Accepting this claim, an unsuspecting lay Muslim with aspirations of making his first major investment in a home, enters an institution advertising its services as 'Islamic'.[1] However, the patron's initial excitement begins to wane as he looks through the proposed financing terms, which seem to mirror the conventional bank's proposal. The semantics of the two contracts seem similar enough; however, the pricing of the 'Islamic' financial institution's (IFI) contract is noticeably higher (Meera, 2009).[2] How can it be that this 'Islamic' bank, advertising its services as 'interest-free', charges more for overall financing than the conventional bank charging compound interest? For this proletarian, who

[1] Popular culture promotes mortgages over renting, alleging it to be £200,000 cheaper over the span of a lifetime. One issue with extracting financial advice from popular culture is that it is usually inserted into public's psyche by marketing campaigns and corporate sponsors of the banking apparatus, as is the case with this notion of mortgaging over renting, which is promoted by Barclays bank researchers in this article.

[2] IFIs are known to place stringent demands of more secured collateral only to give back diminished insurance entitlements in addition to costing more. Meera writes that the Islamic bank contract "always carries a higher financing balance compared to the conventional loan of similar APR" on page 4.

neither has the time nor the inclination to delve deep into the historical factors behind the options being presented to him, the decision to use the traditional bank may create a feeling of guilt, for the local Imam has endorsed one option as ‘Islamic’ and the other as ‘prohibited’.

This is only one aspect of a much larger discourse; and on the other side of the desk, the banker, who may or may not be a Muslim, also faces a quandary. The banker’s career training in economics was undertaken at a university that instantiated in him an undoubtedly laissez fair view towards both interest and profit maximization and so the precepts of his training likely conflict with his moral convictions and the banks’ marketed axioms of being an ‘Islamic’, ‘interest free’ and or ‘ethical’ lending institution. Ultimately, the most important aspect of economic survival in today’s capitalist markets is to beat the competition; thus, under the constraints of the current monetary system and its legislative authority, Muslim financiers argue that they too must think and behave like capitalists if they are to survive. Hence, many of them have been reticent to vocalize their tacit acknowledgement that serious moral predicaments in their practice exist.

We may benefit from looking at this conundrum syllogistically.

Major premise: Islam prohibits *riba*.

Minor premise: Banking is (a business quintessentially based on) *riba* (lending debt into circulation at interest for profit, which is one of the manifestations of *riba*).

Conclusion: Banking is not Islamic i.e. attempting to merge conventional banking practices and imperatives into an Islamic legal and ethical framework presents an intrinsic clash of values.

The universals understood in this Aristotelian deductive syllogism seem to be at odds with the tangible outcome even though the premise (*protasis*) in both instances is sound, because the conclusion (*sumperasma*) that results of necessity is defied by the existence of banks that call themselves 'Islamic' (Aristotle, 1989).[3] This seems reason enough to investigate the formation of this interesting quagmire. This thesis looks at how such a peculiar arrangement has come about and tries to explain today's status quo, where banks wield enormous power over the lives of sovereign people, to an audience that comprises not primarily of economists, but rather of those who are simply interested in solving practical issues of morality in society. For that reason, the targeted audience for this work is not exclusively an academic one, although academics may be interested in what is proposed. Rather, the intended audience comprises people that are driven by questions related to ethics, social justice and wealth inequality. This would include the proletarian previously described, who has unanswered questions about why his options seem to be between two equally unequitable choices. However, it goes into depth in a way that classical economics treatises cannot due to the conventions of the field.

The Islamic tradition emphasizes and engenders the qualities of compassion, justice and integrity and therefore many people from the Islamic tradition are interested in issues of wealth inequality. However, there are many overlapping areas of mutual interest being deliberated upon

[3] As a bedrock of deductive reasoning Aristotelian and Stoic syllogisms were defined by Aristotle as "a discourse in which certain (specific) things have been supposed, something different from the things supposed results of necessity because these things are so" in his *Prior Analytics* – where he limits his assertions to three categorical propositions, including modal syllogisms. There are infinitely numbered possibilities with 256 distinct types of syllogisms.

and proposed within this discussion, which is about exchange parameters that affect us all – not only the person looking for a home mortgage. However, both banking and Islam as independent discourses underpinned by their own epistemic communities, have their own value systems, each of which contain deleterious effects. Hence, in merging these two distinct epistemic systems into an institutional formation, one of the value systems will cede to augmentation. In this case, the power-influenced augmentation is aptly traced by analyzing the relationship between discourse, knowledge and ideology and by analyzing the historical discourses and cognitive framings that have shaped these issues and terms.

Today's reality is that banks are for-profit enterprises that are legally entitled to manufacture money as an interest bearing debt instrument i.e. creating debt to lend it at interest. Hence, whether the terminology employed is 'interest' as conventional banks label it, or 'profit rate' as 'Islamic' financial institutions term it, the banks' functionalities are the same (as financial intermediaries) although the contract semantics differ (Meera, 2013). Therefore, the contemporary utilization of the term 'Islamic' does not necessarily translate into 'ethical' practice, although discourse framers intending to communicate to Muslim audiences intentionally use these two terms interchangeably. Therefore, operating within this ambiguity there is apparent obfuscation in need of examination regarding the cognitive framing and semantic representation of terms and discourse communities dealing with this phenomenon. Hence, the discourses articulated by the dominant narrative connected to banking need examination; and a similar examination is needed regarding the adoption of mainstream nomenclature and its amalgamation within discourses about Islamic terminologies.

To draw an analogy, if we consider a situation where the pervasiveness of taking performance-enhancing drugs becomes the norm to the point where it is in fact detrimental for an athlete to compete without performance enhancers, what should he do? How can he realistically compete when what is considered cheating within certain communities becomes the norm in others? In that situation, does winning become problematic?[4] Should he still compete in an arena that does not consider his ethical boundaries? The Islamic response to this is nuanced, but there are certain lines that cannot be crossed.

However, banking, unlike sports, is not an arena of optional participation. Banking is a reality that everyone must face in the capitalist world. The wider Muslim discourse community, like many others, is still trying to negotiate and navigate the rules and parameters that were set up for a ‘game’ that was instituted and developed without its direct participation, involvement or consultation in regards to its ethical parameters. Such development occurred within a Western discourse community during the Enlightenment era that did not consider Islamic sensibilities as its cognitive framing made a departure from traditional values on key issues and terms like money and usury. The development of the present global monetary system has its own complex, idiosyncratic history. However, Muslims are lacking a unified solution to the greater monetary issues presented by this framing because Muslim societies are suffering from, among numerous other crises, a crisis in imaginative philosophizing, and ultimately, in applied ethics, and this has been pointed out by several contemporary thinkers and Muslim ethicists (Ramadan, 2008).

The crisis of ethics is a result of numerous factors, primary of which is the presence of long-standing Western cultural imperialism. This influence has been examined by scholars of post-colonialism and graphed by communication scholars. It is defined aptly by Schiller (1976) as: “The sum of the processes by which a society is brought into the modern world system and how its dominating stratum is attracted, pressured, forced, and sometimes bribed into shaping

[4] Another example, maybe more relevant to the average person is the issue of downloading pirated material. Downloading copyrighted material has always been illegal, but then why is it so accepted today in society when a person downloads a movie or song that he or she has not paid for?

social institutions to correspond to, or even promote, the values and structures of the dominating centre of the system" (pp. 9-10).[5] Operating as only one aspect of such hegemony, (economic), the paradigm of capitalism triumphed in modernity, stifling out all other traditional ideologies and conceptions of exchange. As a result, we can understand the context from which 'Islamic' banking and finance (IBF) was developed in the 1970s. It did so as the most observably concerted Muslim reaction to capitalism, emerging while some Muslims succumbed ideologically to the secular capitalist paradigm in large numbers. During which time, numerous others were enticed by what was perceived as its antithesis in Marxism, which seemed to offer a shrewd and perspicacious criticism and alternative to the injustices in capitalism. However, the adoption of the nomenclature from the binaries of this dialectic has not boded well for most Muslim societies. Moreover, as IBF describes itself in text and talk as an identifiably 'Islamic' business operation, it, and the historical factors that can explain its emergence, become the primary focuses of this research. The intent of which is to explain how Islamic thought and discourse could not only embrace an industry like commercial banking that is built on charging interest for intermediation, but how this continues to be morally justified, rationalized and exonerated all while claims persist from within its practice that dispute that there is a functional problem.

There seems to be a clear departure between faith and normative ethical practice, which subsequently is connected to sociopolitical power relations. When history is re-contextualized in a manner that looks for a better macro explanation for this, the 'Islamization' of banking comes to represent only one aspect of a greater capitulation to an entire power paradigm that has obfuscated traditional understandings of entire semantic fields including that which comprises money and *riba* as terms. In turn, this reframing has altered Islamic thought's traditional

[5] The terms cultural hegemony and cultural imperialism are used synonymously.

understanding of the prohibition of general market injustices by relegating the terminologies of its scholastic discourse to an issue of semantics – easily undermined by legalistic maneuvers – as currently practiced in IBF.

IBF has been around for several decades, yet industry insiders and external observers are coming to the realization that something has gone seriously afoul in the establishment of it as an alleged 'alternative'. The question looms, why has IBF not distributed greater economic justice? That is what research continues to show (Kamla & Rammal, 2013). Why has IBF not significantly uplifted the poverty in the Muslim world, in which over half subsist on less than $2 per day (Obaidullah & Khan, 2008)?[6] Moreover, if IFIs are such better alternatives, then why have the majority of Muslims not embraced them? Studies on this are still scant, but *The Economist* (2012) claims that only about 12% of Muslims worldwide utilize IFIs. Moreover, one Gallup World Poll (2012) conducted across five MENA region countries in 2012 revealed that 48% of the respondents had heard about 'Islamic' banking, but that only 2% of them were currently using such services.

Beck et al. (2009) estimate that 2.7 billion adults have yet to open a bank account, and some of this can be attributed to the trepidation people in traditional societies have about aspects of banking that conflict with their religious sensibilities and traditional practices, whereas some of it is attributable to a lack of opportunity and development. These figures do not provide enough substantive data to test any hypotheses and more research about Muslim perceptions of banking must be conducted beyond what is investigated here. In addition, Demirguc-Kunt et al. (2013) agree to this assertion in their inconclusive ethnographic study. However, here, a logical

[6] These researchers from the Islamic Development Bank estimate that this poverty level is in the five most populated Muslim-majority countries: Indonesia, India, Pakistan, Bangladesh, Egypt and Nigeria. In the age of resource-rich Muslim-majority regions, and during an era of never before seen technological possibilities, where the cultivation of food and the manufacturing of essential products can be assisted by automated machines and green alternatives, how then can people – who claim to live by divine moral standards – still allow such destitution amidst so much excess?

conclusion can be reached that Muslims have not largely embraced the operations of IFIs. And so, why is that? Some argue that IFIs are a failure because there is an Islamic crisis of faith preventing Muslims from using them (Bhatti, 2010). Thus, it may benefit to look at a few numbers.

Paying a credit price above the sales price of an item (finance installments) has become normalized in today's world. For instance, paying more than double for the sales price of a home, over a long period (a mortgage), is today, a societal norm. An average mortgage of $200k paid over 30 years at 5% interest ends up paying back approximately $461,511.57 to the bank, and of this amount $176,011.57 (or 38%) of the total payments go towards interest. This is a significant amount of money to pay for financing. However, what is considered 'significant' is actually relative, depending on the context of one's cognitive frame. To some 5% is considered a 'good' rate. Hence, instead of $555 per month, which would be the price without interest, one pays $1281 – more than double. In modernity, this operation seems normal.[7]

Why is it acceptable to charge, for what is essentially time? The answer is not straightforward, but it can be found by examining a long history of cognitive framing that has happened through discourse affecting the knowledge (justified beliefs) of certain communities. Regarding this process of paying for fees on borrowed money, Muslims aware of the precepts of their religion fear that such a transaction is an aspect of *riba*. Yet it seems that there is also an observable crisis in faith and understanding of this issue because 25% of the Muslims polled admitted that if given two choices they would opt for whichever option was cheaper, regardless of whether or not Islamic law or ethics sanctioned it. This diversion between faith and practice is usually explainable by identifying the appeals of the claimants, who largely argue on utilitarian

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[7] Calculations are generated using a standard amortization schedule available at mortgagecalculator.org, based on a 5% mortgage, with $0 down on a new purchase, which may or may not factor in components of the agreement like taxes and tax write-offs.

and or materialist grounds. Under mounting pressure to these social norms, some Muslim scholars have capitulated to such sentiments and have responded by producing endorsements of conventional mortgages. An oft-discussed and controversial example of this is a Dr. Yousef Qaradawi fatwa from a 1999 meeting with European Council for Fatwa and Research, which tried (unsuccessfully) to give an Islamic justification for purchasing homes with traditional mortgages (Research, 1999).[8] This fatwa was widely refuted, but in the midst of all of this, Islamic scholars who endorse such notions have often themselves become paid members and advisors of bank boards, a conflict of interest and potentially another symptom of power shaping discourse and knowledge (Al-Sawi, 2001).[9]

However, despite this reframing, the consensus in scholastic Islamic scholarship has strictly maintained that conventional mortgages are unacceptable because of their structural connection to *riba*; and because of faith commitments, many Muslims are willing to forego the ownership of property if the only means of obtaining it is through measures unacceptable in Islamic terms. However, this religious conviction provides an opportunity for an exploitative market that intends to make money in offering 'alternatives' to mortgages. We can see that of those polled, 45% said they would be willing to pay more than the conventional loan price for a truly Islamic alternative (Demirguc-Kunt, et al., 2013). Epistemic community resistances to concepts, although significant, are open to various interpretations. However, this now leads to

[8] Taken from the fatwa translation, the following succinctly displays the utilitarian argument, "Prohibiting usury is a matter that concerns the host non-Muslim countries, and which Muslim communities can do nothing about [it] (sic). It has many things to do with the socio-economic philosophies of the host countries. However, in these countries what is required of the Muslim is to establish the shari'a's rulings in matters that concern him in person such as the rules that govern acts of worship, food, drinks and clothes, marriage, divorce, inheritance and so on. If Muslims choose not to deal with these invalid contracts, including contracts involving usury in non-Muslim countries, this would weaken them financially. Islam is, however, supposed to strengthen Muslims not weaken them, increase rather than diminish them, benefit and not to harm them" (p. 1).

[9] Al-Sawi's 86-page refutation was produced to pinpoint the inaccuracies in the Qaradawi fatwa, chief amongst which was the identification of Western lands as 'abodes of war' wherein Muslims are not responsible for the economic rulings of Shariah and that all necessities become permissible under extreme conditions (*darura*). However, any land where a Muslim is allowed to follow the precepts of his religion is a land of peace, and therefore the very basis of the mortgage fatwa was faulty.

the crux of the matter: why are we even having this discussion? The mortgages offered by IFIs cost even more than conventional bank mortgages; therefore, interest fees are clearly being levied, but they are simply not being called ‘interest’. Therefore, if IFIs are charging amounts commensurate to, or more than traditional banks, but they maintain that they are not charging interest, what is really going on?

The aforementioned illustrations simply elucidate some of various issues being raised about the ethical nature of commercial banking in general, but within a context that is tied to a community that wants its ethics and business transactions to be informed by Islam. For the individual buying a house, this is a big issue; but why should society care if this person can or cannot get an interest-free loan? The answer takes much historical contextualization to reframe. In essence, this issue is connected to a greater apocalypse that human beings and the natural world are all facing, which is intimately tied to the notion that the entire monetary system has failed to serve its purpose of assisting and benefiting societies. Its failure continues to have measurable social, political and environmental ramifications (Brown, 2012).

The crux of the problem seems to be that discourses of power are redefining terms and parameters, which thereby affect perceptions and meanings, allowing the legal justification of unethical practices that simultaneously prevent the emergence and development of ethical alternatives. Mortgages, derivatives and hedge funds are part of a global system built on debt and interest. Global debt in 2008 was $152 trillion; and within the decade subsequent to the 2008 crisis it has grown to $186 trillion, which is 212% of global GDP, a system that literally ‘piles new debts on top of old’ (The McKinsey Global Institute, 2013). In this exchange paradigm, money is itself an instrument of debt attached to interest. The very nature of money has been grotesquely altered as an idea because of the way it comes into existence today, by banks creating debt. In brief, money *is* debt and there is not enough of it ever in existence to pay back what is owed, which ultimately means the system is perpetually dependent on unnatural growth. All of this is a huge catalyst in driving systems to the brink of irreversible damage; and the state of the environment and impending extinction of numerous species speak to this fact (Al-Jayoussi, 2012).

One study claims, “In a business-as-usual scenario, our demands on planet Earth could mount to the productivity of 27 planets Earth by 2050” (Mora & Sale, 2011, p. 261). This is in no way a problem exclusively facing Muslims. The debt and interest system is a global issue. The connection that is not being made, however, is that in recreating destructive systems, Muslims are adding to the problem whereas their ethics should be driving them to be catalysts for progress. An IBF scholar, Prof. Habib Ahmed acknowledged in a presentation (2014) that the IBF sector creates “legal contracts to expand debt in Muslim societies,” conceding that in IBF “you may have an act which is legal” that “can be unethical” (Ahmed, 2015).[10]

The contention made in this research is that if we use an ethical lens to redefine the semantic field that comprises money, usury, interest, and *riba* by considering overlooked historical and contextual knowledge, money then clearly becomes delineated as a part of the commons. Therefore, monopolizing it and charging for its ‘use’ is identifiably an ideologically motivated framing, which in practice translates into an ethical violation of human (property) rights. However, the converse to this argument, which presently prevails, is a cognitive framing of money that is very ideological, as a type of commodity to be hoarded and controlled by a process entirely inequitable in its arrangement, which therefore sanctions the ‘renting’ of money as any other tangible commodity; traditionally this was called usury. Hence, adopting and

[10] This quote is taken from a presentation posted on YouTube on March 6, 2014 titled *Defining Ethics in Islamic Finance | Professor Habib Ahmed, Durham University,* in which the professor discusses some of the issues regarding current practices in IBF.

supporting the ideological assumptions that underpin banking is, thus, in a re-contextualized understanding, a form of iconolatry – the adoration of an image (from Greek *eikōn*/image) that places money as the ultimate item of adulation – an item that is able to take on a personality of its own that makes human affairs subservient to it. In *Theology of Money*, Goodchild (2009) suggests that this ideation of money is similar to treating it as a god. However, for reasons largely attributable to greed and power, this knowledge has been obfuscated and largely detached from the mainstream narrative. The same can be said for the sub-discourses framing this issue within Muslim polities.

Identifying that this is how we should frame this issue and analyzing how it took place within Muslim discourse communities in this context is largely uncharted territory because economics discussions are usually centered on policy decisions, and not particularly entrenched in ethics. The ethical problems with this arrangement are being addressed in monetary reformist, environmentalist and ethical sustainability circles; however, they are simply not gaining traction in 'Islamic' ones. For instance, Petifor (2013) highlights notions in support of the contention that money, if removed from ideological influence, ought to be defined as a 'social construct' and a 'public good'. She argues that it can never be claimed that there is simply 'no money' for public needs, major threats and fighting poverty. This may sound utopian, yet more context is needed; 'the commons' are the naturally existing resources available to all members of society, like air, water and habitable land. A free society has certain rights, one of which is the right to exchange items freely. In order to do that, society uses money, which should never be artificially kept scarce or hard to come by (Greco, 2009). The pragmatics contextualizing our understanding of 'currency' denote a concept that implies circulation as a current does in a body of water. A sophisticated economy's life force is dependent on currency circulating the way blood does in a body. The smoother and faster it flows, the better. Therefore, what credit is at its essence is our future obligations to one another, the fulfillment of promises made towards one another.

Pragmatics, which looks at how context affects meaning, would help to contextualize how the term credit is used today as our obligations, our commitments, or our IOUs. Each individual getting up and going to work every day, creating value, creates these obligations. People and their potential to provide value to each other are the source of wealth; this is true in both cosmologies that acknowledge the divine source of all things, and those that do not. Metaphysics would simply require going a step further and recognizing the divine agency behind allowing people to create such wealth. Nevertheless, people must maintain the *right* to exchange goods or services with one another. However, to facilitate such transactions in advanced societies an instrument of record keeping is needed. This is credit. Credit comes from *credo*, meaning a 'belief' that someone is going to pay back what he or she has promised. In order to keep count of 'who owes what to whom' a system of bookkeeping is needed.

Graeber (2011) cites numerous examples in his assertion that anthropology has shown for over a century that this is indeed how almost all traditional societies created and managed money, through bookkeeping and maintaining systems to issue, manage and regulate it in communal credit-clearing houses. Their formations varied, but these systems all essentially shared similar features of assessing credit and creditworthiness, risk, skill, and allowing communities to govern and audit these systems. These communal credit-clearing houses operated in the Agrarian Age (3500 BCE- 800 BCE), the Axial Age (800 BCE- 200 CE), and for many communities they endured through the Middle Ages up until the capitalist age. A distinct feature of communities issuing credit it such a manner is that it incurs little to no opportunity cost because it is free for someone to offer up his or her commitment (promissory note). What this tells us is that most of the charge connoted by the term ‘interest’ is unnecessary in a system where credit is money. Likewise, by a credit-clearing house inexpensively insuring against a borrower’s pledge, such a commitment can be immediately transferred to other members in a system – a necessary feature of credit – to be used as communal credit i.e. money. Hence, very inexpensive communal credit issuing and bookkeeping is what contemporary society needs its monetary institutions to do (Greco, 2009).

However, instead of people having the right to access their own credit, based on localized, democratic institutions assessing their risk profiles and etcetera, a long historical process led to Western governments enacting legal tender laws underpinned by a distinct ideology that together has usurped this fundamental right and granted it to banks. Banks therefore enjoy a monopoly on credit creation and allocation. What is more detrimental is that banks are for-profit institutions that charge mathematically compounding ‘use fees’ for the commoners to swap their credit with each other – hence credit is made artificially scarce – and the compounding fees are such that natural production cannot keep pace (Kennedy, 1991). That production cannot keep up with compound interest is not a matter of opinion, but simply a matter of mathematics and the boundaries of physical production because debt plus interest is always more than any given debt (P+I > P). However, instead of treating money as part of the commons, money has become defined as a commodity that has a ‘time value’.

Money in the Middle Ages in some communities, especially European ones, started to distinctly gravitate away from being credit-based to being eventually replaced by circulating gold and silver, which became the default exchange practice in many societies leading up to the modern era. However, money today is no longer some cow, malleable metal or tangible item of utility: it is simply a promise. These two different histories essentially formulate into two different signifiers of the same semantic term: money. Moreover, what the field of economics has done, is to embrace notions of money that are essentially informed by semiotic renderings of money as a commodity while in actual practice, banks create money as debt i.e. credit. Thus, herein lies an operation that must be critically examined in terms of semantics. What exactly are we referring to today when we say the word money? Banking as an operation benefits from premeditated ambiguity of this semantic field, i.e. obfuscation. Therefore, so too do IFIs.

This chosen arrangement for the genesis of all credit in the global system has ethical issues: i.e. the concept that the possession of money today is absolutely worth more than money tomorrow and that one should be able to charge for the definite opportunity loss that would occur from lending it. What opportunity is lost? If money is invested, it has the potentialities of both increase and decrease. However, a fixed return nixes all of that and eliminates potential risk by ensuring a payment purely for the *use* of credit – credit that is today simply created on ledgers and computer screens at virtually no cost. This seems bizarre, and as Galbraith said, “The study of money, above all other fields in economics, is one in which complexity is used to disguise truth or to evade truth, not to reveal it. The process by which banks create money is so simple the mind is repelled. With something so important, a deeper mystery seems only decent” (2001, p. 1). This is possibly an oversimplification, but it encapsulates nonetheless, the widespread schema of interpretation that justifies interest charges in our contemporary monetary system. However, in truth, there is no deep secret to creating money. We are the money. When we promise to work and pay it back, it becomes real. It is that simple.

The financial system is a set of rules and social institutions that decide how and why someone has the right to own and manage wealth generated in the economy; it decides the terms of distribution, and within those limitations rests the concept of property rights (Galbraith, 2001).

In such a system, money is just a tool to distribute ownership; it is the carrier of economic power used to allow agents to acquire different services and goods, a quality called liquidity (Smith, 2013). In order for money to operate in a sophisticated economy, it must assert the right of ownership. Whenever people are assured that they can obtain other goods and services with an instrument, such an instrument instantaneously qualifies as money. When money loses this quality, it ceases to be money. So 'just' money, though not simple to define unless historically reframed, does have some stark characteristics. It is 'neutral' (meaning it does not unfairly benefit its creator), and it serves the purpose of the credit commons – meaning it is not made artificially scarce – and in order to remain stable it cannot have a compounding fee attached to its usage that imbalances its supply to the benefit of a minority at the expense of the majority.

Now in the midst of a crisis of ethics, the most identifiably 'Muslim' concerted response to this has been to mimic the operations of commercial banking, by charging for the same operations and relabeling them with Arabicized names. However, the trajectory of this development has been very different from the trajectory by which usury became accepted in the West and renamed as interest. An ethical consideration of this starkly different history seems to have been overlooked in the development of IBF and its discursive literature. Today, IFIs similarly charge fees that are commensurate to or greater than bank fees, simply for keeping the public's books and ledgers for them (Beinhocker, 2007). Instead of focusing on the fact that this is unnecessary, and unethical in various ways, the discourse instead revolves around the semantics of how the stratagems utilized by IFIs are 'legal' and 'Shariah-compliant'; and therefore, the industry alleges that its operations must be an improvement on old-fashioned usury in its unsophisticated form. It is further argued that there is a qualitative value that IFIs provide to the Muslim community by avoiding the direct financing of products that are considered prohibited in Islamic law like pork, alcohol and pornography.

Undoubtedly, there is some ethical value in trying not to channel money towards illicit industries. And one being critical of IBF would have to acquiesce that this is a qualitative difference between IBF and conventional banking that should be noted. On the other hand, this is a strange conundrum: banks that avoid financing liquor and pork while operating under religious pretenses only to hide interest charges through semantic obfuscation. Additionally, these are banks that consistently feature abysmally in social corporate responsibility studies (SRI). For instance, a report by Hayat (2013) recently assessed IBF as a 'profit-seeking first' banking industry. Nevertheless, the industry continues to proceed on its trajectory with impunity. Because there is no existing authority that can hold institutions accountable for advertising their services as 'Islamic' – which is a signifier of different things to different interpreters – but as a marketing tool, it is terminology that is powerfully employed in order to frame a conception of religious adherence to the prohibition of *riba*. However, these institutions are clearly charging interest of some sort (implied interest rates); although the claim is that, these calculable financing charges are not interest, and not *riba*. Yet the majority position of scholastic Islam is that any increase on a loan whatsoever is *riba*, which is against Islamic law for moral, social and economic reasons (explored in Ch. 4). In Islam, trade and business are very much promoted. However, money does not beget money and so money is not charged for money. This parallels many other religions and their rulings on usury (Reed & Bekar, 2003). But resulting from pressures created by the normalization of interest in the global economy, the topic of usury has been reopened for reinterpretation, and discourse communities that are identifiably Muslim are now seriously questioning what is being presented by banks, both 'Islamic' and conventional.

Because the traditional semantic fields defining the terms usury, interest, and money, are no longer applicable to today's non-traditional and 'modern' world, numerous new understandings are being cogitated of what Islam *actually* prohibits in re-contextualized terms. This is why the issue becomes an ethical inquiry into comparing principles to practices by examining the effects of cognitive framing, semantics and contextual (pragmatic) meaning within discourse communities. Although it is true that "discourse analysis is a term which has no stable definition" (Hogan, 2013, p. 2), it is a vital tool nonetheless. As critical discourse analysis takes a normative stance, and clearly points out, power is ubiquitous and hegemony always benefits from the preservation of maintaining certain status quos in discourse and debate (Van Dijk, 1993). As a result, some Muslim writers, clearly influenced by this discourse, have adopted positions arguing that interest is no longer a sin because the global banking industry has been modernized and regulated in a way that prevents systemic injustice (Masud, 1996). Because of the points of divergence on the semantics of what constitutes usury, interest, and *riba*, several different interpretations of justice are competing for implementation.

This uncertain vision and lack of uniformity cannot function as a long-term solution for Muslims living in the West, or for polities comprised of Muslim majorities. Furthermore, the current economic plight of the world's poor, the most affected by this macro financial scheme, is having ever-increasing repercussions on global society and the environment. Evidenced by the uprisings sweeping through various parts of the world, many societies now feel like a new social contract is necessary. According to emerging research on the factors that led up to the Arab uprisings which began with Tunisia and Egypt in 2011, the dire economic situation, particularly for young males and the unemployment numbers in the MENA region were considerably the prime instigators (Tikuisis & Minkov, 2015). Quantitative and qualitative analyses continue to contextualize the uprisings by examining the 2008 U.S. economic crisis and the resultant measures taken to adjust the United States' monetary base (by bailing out banks). Such moves translated into commodity price explosions and social instability for poorer MENA nations that could no longer afford to import the foodstuffs priced in dollars that were needed to maintain social stability (Farha, 2015).

Meanwhile, IBF and the role it fails to play in any social change, is drawing criticism from former practitioners, policymakers and insiders who have become dissidents. For instance, there is El-Gamal (2006), and El-Diwany (2010), whose works are examples of scathing reviews of IBF operations written by experienced, ex-IBF insiders. However, the recommendations made by the authors of these two works cannot be reconciled on what the proper direction forward towards something more ethical and sustainable should be because the authors can neither reconcile on the semantic signifier of money, nor can they agree on what constitutes *riba*; thus, a uniting vision remains elusive. This dearth of a unified solution allows the maintenance of the status quo, while energy is simultaneously diverted away from moving beyond these institutional frameworks to radically different ethical alternatives.

There are many ideas being promoted under the general scope of monetary reform that range from the very sensible, to the purely ideological, to the outright erroneous. This ubiquitous situation is the same within discourse in Muslim polities. There are groups, primarily in Southeast Asia, that have been lobbying for a full reimplementation of precious metals as money for over a decade (Maurer, 2002).[11] This argument for a return to money with 'intrinsic' value gained some traction because there has been a growing understanding that an alternative needs to

[11] Maurer goes into the arguments of different groups but it is much more complicated than his narrative. For instance, the Murabitun World Movement, a Sunni Muslim group, has amongst many other similar groups adamantly called for a return to using physical precious metals in the marketplace as money for over a decade. Interestingly, Dr. Abdulqadir Al-Sufi, formerly known as Ian Dallas, issued a statement calling to cease and desist all dinar propagation in 2014.

be addressed. However, steering sentiments towards alternatives that do not address the core issues has also likely helped to derail serious discussions about monetary ethics and justice. This is especially the case in Malaysia where ex-Prime Minister Tun Dr. Mohamed Mahathir, on several occasions, called for the use of gold dinars in trade, which was interpreted as an endorsement for returning to a bimetal economy by dinar advocates (Bhal, 2007).

However, whether it is recognized or not, this nostalgic yearn to using gold dinars and silver dirhams in global trade plays into a narrative entirely acquiescent to the biddings of power. It is an understandable, yet simplistic yearn for a return to a glorious past in the midst of an abysmal present. Yet, central banks and multinational mining companies have little to object to regarding a return to using their products (metals) as money instead of credit, as they would stand to gain heavily in its implementation. Mammoth-sized multinational corporations have markets cornered in most of the mining areas throughout the third world and it makes little sense that the solution to a complicated economic problem would lie in something so anachronistic – and similarly – so beholden to the power structure. It in fact becomes a circular argument, again, in support of iconolatry: 'let us use gold coins and the market will work itself out'. Gold, however, cannot distribute justice. Humans have always been tasked with that. When governments are in a liquidity crisis, and in need of money to feed their starving populations, are they to go digging in the dirt for gold? It still would not alleviate the problem of interest.

In taking a clear normative stance on the issue, when it comes down to it, interest really appears to be the most crucially unaddressed problem in terms of economic and social inequality. This is because it is so identifiably at the center of income disparity, but remains tritely ignored and unquestioned because the word 'usury' conjures up unsettling religious baggage that a modern secular world flouts and sequesters to an area removed from serious mainstream discourse. Those who are able to best articulate the money creation process in conventional banking belong to different discourse communities than those who best articulate signifiers like *riba* in Islamic scholarship. What the signifier *riba* has traditionally represented can be interpreted into a plethora of modern operations if contextualized properly. One such operation is the banking process of creating debt plus interest as a money supply (Greco, 2009). However, traction is unremarkable in framing this within the Muslim discourse community that addresses Islamic financing issues. Moreover, one would question why this issue is not paid more attention to when quantitative analyses directly tie the issues of deforestation, poverty, starvation and climate change to the effects of this type of money creation (fractional-reserve banking) (El-Diwany, 2010).

Again, only an ethical analysis will cause the reconsideration of this on a systematic level because most of what is done in banking is conducted within the confines of the law, which in capitalist nation-states, is the only dynamic authority presiding over human agency. Although, aside from interest, there is an equally important tertiary issue, which is the lack of economic justice being administrated by the functionality of banks in general, including IFIs (Kamla & Rammal, 2013). IFIs operate under the guise of religious and moral axioms. Therefore, their inability to facilitate any generally measurable instances of greater wealth distribution in society after four decades – even if we dismiss their participation in hiding interest charges through linguistic denotative ambiguities – has been a telltale sign of the ethical quality of their modus operandi, which, no different than Western-styled banks, seems to be pure profit-seeking. The 'Islamic' products are in fact often more expensive for customers because of the fees IFIs collect to pay an elite class of shareholders, which are in addition to the fees collected to retain Sharia scholars to oversee their operations that El-Gamal (2006) calls ‘Shariah-arbitrage’ (paying for fatwas and oversight committees).

Observant Muslims desire financing options that are ethical, which they ideally envisage as truly interest-free financing arrangements, where one only pays the sale price of an item and nothing more. What is presented instead to Muslims are options that use the jargon of ‘Shariah-compliant’ and ‘*riba*-free’ that still cost the same, if not more than other financing options. Currently, 0% financing options for big purchases such as homes do not exist in any institutions that claim to be ‘Islamic’. Therefore, it may seem that the problem is systematic because despite the arrangement of the current economic system, 0% financing has existed in other spheres of exchange for decades. Take the unique example of JAK Members Bank (*JAK Medlemsbank*), an authentic interest-free institution in Sweden that gives interest-free home loans to its 38,000 plus members, while operating under the following principles:

- Charging interest is inimical to a stable economy
- Interest causes unemployment, inflation, and environmental destruction
- Interest moves money from the poor to the rich
- Interest favors projects which yield high profits in the short term (short-term thinking) (Burton, 2008).

Admittedly, JAK is not highly profitable; it only survives on co-op like yearly dues as it facilitates interest free financing for its members from its pool of savings. But that is exactly the point, that without ideological commitments to charging interest, credit facilitation facilities can be distribution centers for society’s access to their own credit, rather than monopolies on wealth or highly profitable businesses. In recognizing the intrinsic difference here, JAK does not utilize the axiom of ‘interest-free’ (or *riba* free) to charge more than the price of the item being financed, whether it is a car or a home. Since it is possible, then, the question looms, why are Muslims unable to move beyond 'Islamic' banks and establish more of these types of ethical exchange facilities?

Some may find this question itself to be insignificant. Others may question why it should matter if IFIs are swindling an insignificant amount of observant Muslims. However, the IBF industry now annually registers in the trillions of dollars, making it significant (*Financial Times* estimates 1.8 trillion) (Barnes, 2013). In addition, the answers to these questions are connected to a growing trend in research that seeks to question our conceptions about money, which means considering the possibility that we may need to replace the entire capitalist banking system that governs world trade. Because of the observably flawed system of exchange we presently use, these questions are also being raised from the inside of institutions that have vested ideological commitments to the continuance of the status quo as such. Thus, as expected, due to stakes, some take the opportunity for re-evaluation to opine solutions that reform certain aspects of the system while consciously ignoring others. For example, an IMF paper by Benes and Kumhof (2012) that questions money creation powers without addressing the question of interest.[12]

Stiglitz (2002), among others, points out why institutions like the IMF are controversial and not impartial.[13] This should be expected as Foucault has explicated in *Truth and Power* (1979), that "truth" becomes a "system of ordered procedures for the production, regulation,

[12] Another popular platform is Positive Money in the UK, headed by monetary reformers who argue that it is unethical and unfair that commercial banks have been granted the right to literally create money from debt. However, they similarly intentionally avoid tackling the issue of charging interest on that debt.
[13] The Chicago plan white paper alludes to Fisher's 100% reserve argument that requires banks to lend out what they actually have in reserves rather than creating loans against money they do not have, but simply leverage. In monetary reform, this is actually seen as a distraction because it only addresses money creation and not interest, which is identifiably the bigger issue. Stiglitz discusses the ten points of the Washington Consensus and the neoliberalization that was pursued after the fall of the USSR. Stiglitz points out that the conditionality placed on the ten points compromised the political and economic sovereignty of the nations it was implemented on among other criticisms. Hence, the IMF is controversial, and its funding of studies ultimately leads to people reacting timidly and apprehensively in poorer nations that have constantly been victims of financial exploitation.

distribution, circulation, and operation of statements" that has a circular relation with systems of power (p. 1). This leads us back to the question that is at the root of this discussion: is interest that bad? Is it something that actually needs to be entirely reevaluated as a norm? If this indeed is the case, it entails questioning the ideologies and the quintessential values underpinning the entire monetary sphere of exchange and the historical evolution of the legal systems underpinning it. However, just a cursory glance at some available statistics is overwhelmingly convincing that interest does need such reexamination.

A false assumption prevails today that avoiding debt avoids paying interest. Yet, scholars working in this under-researched area have cited empirical data revealing that the poorest 80% in society generally pay more interest than they ever receive, to the top 10%, a pure wealth transfer of approximately $10 trillion per year to the richest 10% in societies across the world (Creutz, 2010). Margrit Kennedy (d. 2013), a German architect, scientist, and environmentalist whose work was driven by a research question that asked which factors were responsible for humans destroying their own natural environments, similarly quantified data from her native Germany demonstrating that interest was a leading mechanism behind understanding this phenomenon. Her research suggests that interest causes inflation (Kennedy, 1995).[14] She adds that even those of us who do not pay interest directly, do in fact pay lots of it indirectly. Embedded in every price tag is an implicit interest-fee, passed on to the end purchaser. Kennedy claimed that on average, 40-45% of the cost of every single item we purchase goes to paying interest, an astounding figure that often reaches 50% for government projects and 77% for rents. These are interest fees passed on at every level of production to the final consumer. In other words, "within

[14] Kennedy took German statistics from 1982 that revealed that 2.5 million households paid out 1.8 billion DM in net interest whereas the richest 2.5 million households received 34.2 billion DM in net interest. Furthermore, she demonstrated how income, Gross National Product and salaries of the average German income earner rose approximately 400% between 1968 and 1989 whereas the interest payments of the government during that same time rose by approximately 1,360%. The implication is that interest is inflationary.

our monetary system we allow the operation of a hidden redistribution mechanism which constantly shuffles money from those who have less money than they need to those who have more money than they need" (pp. 1-2).

An additional study done by a Jubilee (debt relief) advocacy group estimates that "the current $4tn of external debts owed by developing countries costs them more than $1.5bn a day in repayments – and $34m of that comes from the very poorest countries" (Mead, 2012, p. 1). Such debt servicing is mostly comprised of interest payments, leading to the unfortunate scenario where over 3 billion people, nearly half the world, live on less than $2.50 per day (Shaw, 2013). Rowbotham (2001) argues that 'third world' debt is immoral, invalid and un-repayable. He contends it is so because, contrasted with the natural growth patterns found in nature, compound interest grows on debts in a geometrically exponential growth pattern typical of an abnormality in the physical realm, like cancer, or decomposition, and that natural ecosystems and human societies simply cannot compete with such a phenomenon.

Another study befittingly titled *The Network of Global Corporate Control* quantifies figures revealing a capitalist network that exercises measurable, grossly disproportionate control over the world's economy. The researchers devised a model analyzing the Orbis database's 37 million listed companies and investors worldwide, and from that data extracted the 43,060 transnational companies, along with the share ownerships linking them (Vitali, et al., 2011).[15] What has emerged from the research is evidence that from the 43,060 transnational companies, 1318 exist with interlocking ownership, and these 1318 companies exercise controlling shares and rights of the other 43,060 companies. This signifies that 1318 companies directly control over 60% of the world's economy.

[15] The term transnational corporation (TNC) is used according to the taxonomy established by the Organization for Economic Co-operation and Development (OECD).

As this power conglomeration reaches the top, it exerts even more identifiable influence. An even smaller group of 737 companies, controls over 80% of the entire world's income and, at the very top, 147 corporations, a super-network, directly control 40% of the world's income. The top 49 of those 147 companies are all banks.[16] This means that banks, which are not producers of any tangible goods, exhibit direct control over most of the economy. Interest is a key facilitator in this scenario. Furthermore, it is not hyperbole to state that under modern capitalism in its normative function that commercial banks monopolize the entire system – which is one – and that shareholders who are not beholden to the demands made in the political processes of sovereign nations, in turn, own the banks. Defining what the researchers claim to be *control* the researchers point out the problematic notion of such power:

> …by control we mean how much economic value of companies a shareholder is able to influence. Moreover, we did not limit our focus on the control of a shareholder of a single firm. Instead, we look at the control each shareholder has over its whole portfolio of directly and indirectly owned firms. As a result, the shareholders with a high level of control are those potentially able to impose their decision on many high-value firms. The higher a shareholder's control is, the higher its power to influence the final decision. In this sense, our notion of control can be related to Weber's definition of "power", i.e. the probability of an individual to be able to impose their will despite the opposition of the others (Vitali, et al., 2011, p. 31).

The potential of such power is reflected in discourse, which then shapes knowledge in society. Another study by the charity Oxfam has reported that the 85 richest people on the planet own the wealth of approximately half of the world's population, a situation that clearly threatens egalitarianism and social stability. Meanwhile since the 1970s, tax rates for 29 of the richest 30 countries have fallen to appease the rich (Fuentes-Nieva, 2014). Another study conducted by the

[16] The top 50 are all banks, with the exception of one Chinese petrochemical manufacturer listed at number 50: CN 6511 T&T, registered number 39.78.

World Wealth Organization (2013) shows that the combined wealth of the world's millionaires increased by 10% to $46.2 trillion in 2012 alone. This figure is three times larger than the entire economic output of the United States economy. The study took into account 98% of the world's global earnings by collecting data from 71 of the world's countries.[17] Additionally, research discloses there to be approximately only 12 million millionaires in the world (Pennington, 2013). This is approximately .0017% of the world's population according to population census estimates (World Bank, 2013). One final statistic is that "The wealth of the one percent richest people in the world amounts to $110 trillion" (Fuentes-Nieva, p. 2).

All of this alarming data gives more of an understanding as to why the ancient world and the great religions all made such strong stances against usury. Although interest on debt cannot explain away the entire world's economic injustices, it is seriously under-considered and therefore understudied as a catalyst, and this seems to be a failure in ethics and of the ability of religious traditions to influence modern normative economic practices through discourse. All of the aforementioned studies reveal the peculiar nature of capitalism as a system that facilitates some serious economic injustices.

Moreover, interest aside, the banking industry is continuously involved in other scandals, which is also understandable once context is considered, regarding the impunity that banks legally operate with in society. One major instance was the LIBOR scandal that surfaced in 2012 implicating the most powerful banks and their involvement in manipulation, which in turn just paid off some inconsequential fines that amounted to significantly less than the profits they

[17] The World Wealth Report was prepared in conglomeration by the Royal Bank of Canada Wealth Management and Capgemini, a French technology and finance firm.

garnered in swindling investors (USA Today, 2012).[18] An even bigger scandal emerged in 2015 regarding HSBC and criminal tax avoidance (Obrien & Dixon, 2015). These scandals continue to happen despite the existing legal penalties. This discussion also brings into question the way in which the modern concept of a corporation shields responsibility from individuals directly responsible for corporate crimes. Banks, after all, are corporations, and limited-liability corporations are central to the capitalist paradigm. To understand a paradigm, as Foucault and others have explained, is to understand how power works and permeates, more aptly termed "Biopower" as "an explosion of numerous and diverse techniques for achieving the subjugations of bodies and the control of populations" (1976, p. 140).

Pinpointing usury as a mechanism chief in the subversion of power has not been undetected by all observers. In fact, historically the discussion about usury has been very lively. One special characteristic of the arts is the way they timelessly manifest social theories penetrating the minds of society, to be then expressed through text and talk, including poetry and other mediums as measures of dissent against paradigms. Ezra Pound (1885-1972) incorporates his dissent of usury:

> Usury kills the child in the womb
> And breaks short the young man's courting
> Usury brings age into youth; it lies between the
> bride and bridegroom
> Usury is against Nature's increase (Pound, 1997).

What expressions from the past like this show us is that interdisciplinary inquiries, for instance, into the arts or ethics, can possibly yield introspective answers that fields like

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[18] The LIBOR underwrites approximately $350 trillion of derivate assets. Thus, the extent of the manipulation is unknown; however, the banks have paid billions of dollars in penalties although the actual individuals responsible have evaded prosecution.

economics and business cannot. This is especially true with arts like poetry because poets speak in universals. This is a reminder that with the contemporary complexities of a globalized world, a single lens rarely captures reality. The previously discussed siphoning of wealth has essentially permeated every facet of society, so it is not surprising that it has also affected the thinking of religious people. Islamic teachings do not condone artificially securing profits through interest. However, it is still taking place while the discourse in Muslim polities remains very conflicted about what to do with an interest-based system, and not enough has been done to address it. Moreover, although nothing is structurally different about its outcome, IBF is still touted by its proponents as a way to offer ‘alternative’ means of financing to Muslims who want to fully subscribe to their religion in contemporary times (Kamla & Rammal, 2013). What a telltale sign it is then that the top banks in the world, and Western governments like the UK, flock to the prospects of implementing ‘Islamic’ banking (Vizcaino, 2013). The word is out that it is extremely lucrative. Hence, some legitimately ask; if this is the way Muslims want to be integrated into the system, then why not let some government or sector profit?

As postcolonial studies have narrated, however, early in the 20th century nascent Muslim-majority states inherited the banking models bequeathed to them by European imperialists that had established banks throughout the Islamic world during the colonial era (Wilson, 1995). Tripp (2006) has been one of the few to cover the various responses that Muslim discourses had to the economic hegemony of the West in the 20th century. In his (2006) *Islam and the Moral Economy*, he examines why Muslims were so enticed by Marxism, only to then embrace capitalism as despotic regimes in the MENA region capitulated to the arrangements of multinationals and Western hegemons. However, in general, there is a dearth of studies taking these individual paths further and examining factors behind why certain pathways were chosen over others, comparing their rhetoric and discourses. For instance, why was IBF *the* path chosen over other various options? Moreover, why does it continue to enjoy support from religious figures as it continues to fail in achieving its axioms about ethicality and social responsibility?

This study examines the phenomenon of how the most visibly 'Islamic' reaction to capitalism essentially props up a system that in many ways thwarts the possibility of socioeconomic justice, and how this remains largely unrecognized in the Muslim sub-discourses about money and economics, which generally continue to rationalize and justify the continued trajectory of IBF. It further argues that only critical lenses of ethical evaluation can decipher the semantic ambiguities, obfuscations, and cognitive framings that allow such an operation to continue.

1.2 Statement of the Problem

(a) Banks, as institutions, are legally obliged to create credit and exact interest on it as businesses based on financial intermediation. (b) In Islam, the prohibition of *riba* puts checks on such operations. (c) Therefore, banking, by definition as a for-profit business, poses significant ethical problems to contemporary Islamic practice.

The proliferation of IBF, which has secured legalistic approval from a small cadre of Muslim scholars, developed out of a field initially known as the Islamic Moral Economy (IME), which was an attempt to negotiate Islamic framework in a modern economy. One small yet significant component of IME was supposed to be the financial institutions that carried out its moral imperatives. However, due to various factors and obstacles the banks (IFIs) were launched first, without governmental support, and in an environment during the 1970s that was very hostile to the proposals of IME scholars. Banking practices developed, while the theoretical development of IME never took off, leaving IFIs to operate alone in an unprotected sphere dominated by conventional banks. In order to compete, normative practices were developed on utilitarian grounds permitting any operation deemed ‘Shariah-compliant’.

However, the conflicts of interest in operating for-profit banks under ‘Islamic’ banners became manifest when it was quickly discovered that everything ‘legal’ was not fundamentally right or ethical. Therefore, it must be considered, that if complex factors have steered IFIs into adopting a perfunctory definition of *riba* due to the obfuscation of certain terms and realities, then it is plausible that the continued existence of IBF remains an obstacle to the realization of institutions that can actually engender socioeconomic justice.

1.3 Hypothesis

In Western history, the concept of usury has been the topic of much discussion, and most of the contributors to its early discourse were rooted in the Christian tradition. This traditional understanding was then supplanted by a changing conceptualization of the practice, and eventually, the West exonerated the practice setting Western finance on a very non-traditional developmental trajectory. The Islamic prohibition of *riba* attempts to ban a phenomenon that is very similar to what the West has articulated as usury, now deemed archaic, although this phenomenon has also sailed under the name ‘compound interest’. Although the terms usury/interest and *riba* do share some overlapping characteristics, the prohibitions in the Christian and Islamic traditions are not entirely the same. However, contemporarily the Islamic prohibition has been conflated with the Western understanding of usury, the archaic rendering, which has created a semantic loophole in Islamic law for banks to exploit in ways unprecedented in Islamic history.

In taking a normative position, such violations can only be detected with a new reimagined vision of applied Islamic ethics. By utilizing a new methodological vision this research investigates the possible misappropriation of Islamic law and ethics regarding IBF's uncritical adoption of essential ideological premises from capitalism, which are sets of a priori truths that cause ethical conflicts with the Islamic tradition's notions of just money, the prohibition of *riba*, monopoly and other axiomatic principles related to justice. Continuing to prop up such a project misallocates energy and simultaneously prevents the development of ethical alternatives as measured by outcomes. This hypothesis is discussed further in Chapters 5 and 6.

1.4 Political Context of the Study

Given the circumstances of today's over-militarized milieu, a zeitgeist plagued with the recurring 'Islam versus the West' tensions which seek to emphasize societal and theological differences, one might wonder what benefit an analysis of Islamic discourses and machinations offers to widening the scope of knowledge. As Arnold J. Toynbee presciently examines in his 1946 series of essays, during crises civilizations have the tendency to repress what is actually most needed, a "self-reflection" and "assessment" rather than deflecting blame towards "the Other" (Toynbee, 1948, pp. 172-6).[19] Toynbee's meta-historical analysis is that civilizational

[19] Ironically, and very relative to this study, the era his aforementioned projection is written in describes how communists and capitalists were seeking to shift blame on each another in a dialectical discourse taking place during the middle of the 20th century. Toynbee notes that when civilizations fall under great stress they find "bug-bears," people to blame their tribulations on, and that, "Whenever things go awry in circumstances that seem ever more

rises and falls, though cyclical, do not necessarily have to take place, but that Islamic civilizations in modernity are facing the crisis of being enveloped by Western civilization.

Toynbee portentously asserts that Islam would once again become problematic for the West as an ideological, and or political entity. Moreover, he claimed that in that event one of two things was likely to occur: ‘Herodianism’ or ‘Zealotism.’ These reactions were first applied to characterize how Jewish society dealt with the impact of Hellenism at the dawn of Christian civilization. Along these lines one choice for societies has historically been to opt for ‘Herodianism,’ which is mimicry, by which conquered peoples emulate the dominant culture that has subdued them, seeking out the apparent superiority of ‘the Other’ that has enabled the envelopment of the prior’s culture. Alternatively, the other choice has been to opt for ‘Zealotism’ and yearn nostalgically for some utopian and glorious return to an antiquated ideological superstructure. Toynbee presciently suggested that the most probable places for the occurrence of such a recurrent pattern of reactionary events was in Najd (Saudi Arabia), Afghanistan and or Yemen (pp. 172-6).

Now, while Toynbee has his own particular approach to history that has not been entirely accepted by all historians, we can opine here that one thing Toynbee does insist on, that must be considered, is that for civilizations to continue thriving they absolutely need religion. Moreover, whatever religion that is, it needs continuity within its own discourse community in order to be effective. In comparison, IBF and its ideological underpinnings were developed largely in the Arabian Peninsula and the Asian Subcontinent by physically conquered and ideologically colonized civilizations, during times of post-colonial duress. Therefore, the importance of readdressing commentaries from classical and scholastic Islamic scholarship becomes

intractable, we tend to accuse the enemy of having sewn tears in our field and thereby implicitly excuse ourselves for the faults of our own husbandry” (p. 176).

abundantly befitting. Is it plausible that both possibilities predicted by Toynbee have simultaneously occurred? The Western political approach to Middle Eastern foreign policy, and particularly the neoconservative doctrine, does indeed pursue a revitalized conflict with Islam.[20] Additionally, there is a presence of both mimicry of the Western system in the Muslim world in several aspects, as well as an over-reactionary movement of Islamic nostalgia crudely lumped together in the Western milieu under the crude label of 'political Islamism'.

In addition, to continue within the context laid out by Toynbee's thought, IBF may conceivably be a combination of both prognoses, an attempt to find the secret of Western success that attained an impressive temporal and global dominance over the last several centuries as well as a nostalgic return to terms and contracts deemed 'Islamic'. This phenomenon appears to be at least partially attributable to nomenclature that was injected into the Muslim discourse with absolutely no continuity. Banking was a phenomenon adopted overnight in the Muslim world. Whereas the resurgence of zealotry in the form of extremism and ultra-conservatism that manifests itself sometimes into ultra-separatist pietism, but at other times into resistance movements, often violent, is ever-present and overly sensationalized by the media to become a fixture of 21st century tragic reality. IBF support does come, at least in part, from the latter phenomenon. Although it is not the emphasis of this study to pinpoint all of the ideological connections of IBF, it should be considered that there are political ramifications for developing IBF as an alternative means to advance certain agendas. In fact, some research has linked

[20] This assertion has been heavily debated, and would likely be phrased differently by neoconservative thinkers. See "The Doha Debates" where Tim Sebastian debated this issue with a panel of Islamic scholars and secular thinkers from Thursday April 28 2005. Retrieved March 13, 2014 from thedohadebates.com. After the debate, the panel and audience remained split 50/50 on the issue.

ideological connections between Islamic revivalist movements and the simultaneous development of IBF, such as a (2009) paper by Ayoob and Koebalban.[21]

The macroeconomic banking paradigm, inclusive of IFIs, operates as a tool susceptible to political manipulation. Many researchers who have documented the links of this wider network would say that these operations take place with the full cognizance and even complicit assistance of some Western intelligence agencies (Gibbs, 2002). It is problematic trying to assert that a grand collusion exists, but it is generally accepted in theories of power that certain individuals wish to continue profiting from a specific labyrinth of financial arrangements in place between petro-monarchies and the West. Of course, there are those voices that insist that any such consideration is “nonsense” (Roy, 2004, p. 291). Nevertheless, the notional possibility of this political influence cannot be ignored in a serious study. It should be considered that some have even argued that IBF is merely a ploy to lure money from the Gulf States into Western coffers (Calderwood, 2007). Regardless, using banks in such a manner is incompatible with Islamic distributive justice and ethics. However, what these hypotheses could potentially explain is why real transcendent economic justice has not been achieved through the IBF vehicle, and why Islamic scholarship has not been able to move beyond ‘Islamic’ banks to institutions that actually embody Islamic ethical values.

[21] The 18th century ideological movement spearheaded by Ibn Abdul-Wahhab (1703-92), known by many as Wahhabbism, which sought to revive a ‘pure’ Islam and eradicate ‘deviant’ beliefs from the Arabian Peninsula, may have an ideological relation to IBF. Wahhabism is the predominant sectarian strand of Islam operating in the Arabian Peninsula, and state ideology of Saudi and Qatar, which are influential in establishing IBF hubs in the GCC region. Wahhabism is also used synonymously with the term Salafism although it is a crude overgeneralization. Furthermore this assessment is met with resistance by Saudis who view the term Wahhabi as a pejorative, and recognize the notion of their faction as a sectarian movement as a canard. Nevertheless, the relationship between the ideology of the Saudi state and the jihadist movements is debated. Moreover, the ideological influence of the Saudis, Qataris and other Gulf Cooperation Council (GCC) countries operating in the Arabian Peninsula has been oft-linked to militant groups with extremely low visibility. This aspect, that there may be some subversive ulterior motives, at least deserves some consideration.

In times of such crises, the perennial plague is a dearth of erudition in possession of the ability to conduct the ideological disengagement of terms and hostilities systematically and tranquilly. This research has been undertaken within the economic environment in the decade following the lingering ‘Great Recession’ of 2007-9. Some areas recovered from the downturn but many industrialized nations did not. For many, a depressed economy has become the new normal. In many ways, capitalism is still mimicking the symptoms of a virus subduing its host, indicators tantamount to the end of all historical periods of magnanimous alteration of social and economic cycles. Anthropologists would call this an end of a paradigm. Hence, within such a context the ability and willingness to reexamine all ideologies should be on the table – even those underpinning something so commonly accepted in society – like interest.

1.5 Rationale

The rationale driving this research is that analyzing discourse can only study the way injustice is reproduced through power; whereas ethics are necessary in providing solutions. To delve into the discourse contemporarily taking place within Muslim polities, the controversial subject of ‘reform’ tends to highlight a chronology of propositions regarding different methodologies used in interpreting religious scriptures and documents anachronistic in content. Regarding ‘reform’ in Islam and the building pressure on Muslims to address it, a seminal conference took place at the Oxford Union in 2010 aptly titled “Rethinking Islamic Reform” that centered on the understanding in scholastic Islamic history of the general impermissibility of reforming Islam, and how this notion presents challenges to Muslims today. The two speakers represented very different spheres of thought.

The first of the two speakers was Sheikh Hamza Yusuf, a leading proponent for the revivification of classical Islamic learning approaches (Korb, 2013).[22] While rejecting naturalism, Yusuf argued that the vast Islamic tradition has, within its own textual account, the cure for its modern ills if qualified Muslims were to study their own rich tradition through a rededication to traditional approaches. He noted that Islam cannot be reformed in the manner that many different groups are calling for (feminists, liberals, modernists, etc.), because the word ‘reform’ has its own idiosyncratic connection to an Enlightenment understanding in Europe towards Christianity and the Protestant Reformation. Furthermore, because “Reformation can be a complete restructuring of something, whereas in the Islamic tradition the idea is that the house is fundamentally of sound foundation, but it often needs renovating” (Yusuf, 2010, p. 1). However, Yusuf’s keenest insights were regarding what is most relevant to this study, in which he made the explicit connection to one of the negative outcomes of the Protestant Reformation that still affects us today through its impact on our cognitive framing of interest.

> [The Protestant Reformation led to] the banking state of Switzerland and this is often the danger of reformations because there is a wonderful statue of Calvin in Geneva because the bankers love the fact that the Protestants allowed for usury. Whereas the Catholics opposed usury and now we're living in a world that is economically disintegrating before our eyes because of this hegemonic banking madness that is out of hand (Yusuf, 2010).

Yusuf further opined that the Islamic tradition has traditionally been cosmic, and that to be faithful to it means seeking for answers within its sources and positive historical commentary. However, not beyond the bounds of two classical terms – repair (*islah*) and renewal (*tajdeed*) –

[22] Yusuf along with Zaid Shakir and Hatim Bazian and others, have founded the first Muslim liberal arts school of higher education in the United States, Zaytuna College, in Berkeley, California with the intent on providing students with the necessary tools with which they can use in approaching religion. Yusuf advocates that such tools be utilized in tandem with liberal arts training as an effective amalgam for equipping scholars for responsible and transcendent scholarship.

islah meaning to rectify something after it is corrupted, and *tajdeed* taken to mean a type of renewal. The contextual implication derives from an understanding of one particular Prophetic tradition that the Shariah (or the Sunnah) can be corrupted, and that its application can be deviated from its originally intended prescription (Yusuf, 2010).[23] He stressed that all foundational documents need to be revisited regarding their textual meanings in order to keep the door closed to perfidiously explosive interpretations, which lead to ideologies that threaten stability. Yusuf, the student of many of the Muslim world's most erudite sages, articulated the classical tradition's position judiciously, "The Islamic tradition has within itself all of the needs to renovate the house, but it's going to take an immense amount of intellectual energy. It's going to take very highly qualified people, which necessitates institutions that can train and produce the types of people that are needed to engage in this activity" (Yusuf, 2010, p. 1).[24]

Yusuf's sentiments were juxtaposed with the 'political-activist approach' of Professor Tariq Ramadan that places a strong emphasis on applied ethics and a reevaluation of approaches to fundamentals that utilizes technocratic experience of experts across all spheres and disciplines

[23] Yusuf quoted the hadith of the strangers (*ghuruba*) and the reply to the question asked to the Prophet about who were the strangers, to which he replied "*Al-latheena yuslihuna shariati ba'da ma afsadaha an-nas*" which means that people can restore (*yuslih*) the Shariah after it has been corrupted (*afsada*). What I have found in the Arabic books of hadith is a similar tradition with slightly different wording in the narration from Abu Huraira in *Sahih Muslim* regarding Islam beginning as a stranger. It says "*allatheena yuslihuna ma afsad min sunnati*" and that can be considered a close rendering because to corrupt the Sunnah would be similar to corrupting the Shariah. Sh. Abdullah Bin Bayyah distinguished his preference for also not using the word reform, opting instead for the French loan word 'renovation' which translates to something closer to *tajdeed* or renewal. Yusuf connected it by saying, "sometimes the faucets aren't working anymore, the water's not flowing, people aren't getting fresh air because the window can't be opened; so you need people to come in and renovate the house, and this is the idea". Yusuf's argument highlighted that convergent calls for Islamic reform make claims for a 'living' Quran, as well as a 'liberal' and a 'literal' Quran, all of which have their dangers, but the resurging robust push galvanizing support for literalism in creedal interpretations (*aqeeda athariya*) may be the most precarious of them. The term *athari* denotes a literalist approach to scripture, which is a modern phenomenon heavily overrepresented in the mainstream discussion of Islam due to a copious influx of Saudi petrodollars subsidizing its maintenance. Furthermore, in regards to *tajdeed*, as the foundational document has surpassed the bicentennial mark in the United States, which is the basis of the legal system in the country, a certain amount of ambiguity in the founding fathers' writings presents the dilemma of interpretation. Such ambiguity leaves the door open for perfidiously explosive interpretations, those of Trotskyites or Straussian Neoconservatives for example, to align ideological ambitions up with a politicized reading of the texts. Such prospects are increasingly dangerous as certain ideologies threaten political stability and global security.

[24] Yusuf studied under the tutelage of many sages, but is perhaps most well known for being a disciple of the Mauritanian Sheikhs Murabit al Hajj and Abdullah bin Bayyah.

– not only those trained in the Islamic sciences – in re-envisioning the purposes and intents of Islamic law and ethics in contemporary times. At the conference, Ramadan introduced a book on ethics that culminated from a decade of his contemplation on the contemporary ethical crisis in Islam. The book titled *Radical Reform: Islamic Ethics and Liberation* (2008) sets some guidelines for a more comprehensive utilization of ethics within a higher objectives (*maqasid*) theory perspective, and a reexamination of the reasons why 'adaptive' methods have not been fruitful for Muslims during their sustained contemporary crisis in ethics. Ramadan corroborated the classical accord, that the Islamic corpus cannot be reformed, but that the minds and the approaches to the religion must be.

Yusuf's approach is the soundest for those equipped with the requisite tools. However, Ramadan's approach is more accessible for a methodology adopted as a framework and expanded upon in a doctoral thesis describing 'this is what has happened' scenarios, which consider discourses outside of Islamic legalistic framework. This is primarily because undertaking a doctoral thesis essentially culminates in producing a piece of research that requires substantially little to no comprehensive mastery. Therefore, its provisionary requirements are incommensurate to the amount of rigor and training required for independent juristic reasoning (*ijtihad*) in all areas of substantive Islamic law – the requirements of which have been acknowledged by consensus for centuries and articulated by jurists like Al-Ghazali (d. 1111) and others. Hallaq (1984) has translated and commented on the depths of such requisite knowledge.[25]

[25] On page 7, the discussion covers how scholastic Islam has traditionally been preserved by a class of learnedness that was required to have mastery of several spheres of knowledge. The perquisites of which usually entailed the memorization of the Quran, possibly in several variant recitations in addition to rote memorization of additional entire corpuses of data (hadith collections, treatises on branches of law) and a strong grasp of logic, rhetoric and several other secular fields. The tradition's history is not short of biographical works entailing the routines and habits of such scholars, and the non-hagiographic narrations of extraordinary breakthroughs and talents (photographic memories, penetrating insights, high levels of spiritual and metaphysical awareness). Al Ghazali enumerates the requirements in his classical work *al-Mustasfa*: "1. Know the 500 verses needed in law; committing them to memory is not a prerequisite. 2. Know the way to relevant hadith literature; he needs only to maintain a

Therefore, it is arguably neither deferential nor realistic to propose an entirely new substantive contribution to scholastic Islamic thought in any meaningful way within a doctoral thesis if that thought is supposed to challenge textual understanding of the existing textual corpus amongst authoritative coteries of textual scholars. Furthermore, Yusuf's closing remarks made it clear that the crisis of authority in Islamic scholarship, in the minds of such scholars, is attributed to what he called the "Sheikh Google" syndrome of "Weekend Muftis". Meaning that the negative outcomes (and externalities) of unqualified individuals making proclamations within Islamic thought continues to have real devastating effects on the Muslim community (Yusuf, 2010).

However, what can be offered as a substantive proposal, and in that sense something considered a 'distinct' analysis, is the hypothetical application of an already cogently articulated methodology to a sphere previously uncharted. It can therefore be proposed in a manner that argues that only *now* are we able to properly contextualize a phenomenon unprecedented in Islamic history (like banking) by contextually backdating its discussion several hundred years and utilizing previously inaccessible lenses of analysis. Thus, what can be suggested with such new information, is that the inheritors of the scholastic tradition need to reimagine some of the modalities they utilize in assessing the *telos* of classical rulings and prohibitions in contemporary times. In this instance, it would pertain to the signifier of *riba,* and how its prohibition should be

reliable copy of Abu Dawud's or Bayhaqi's collections rather than memorize their contents. 3. Know the substance of *furu'* works and the points subject to ijma, so that he does not deviate from the established laws. If he cannot meet this requirement, he must ensure that the legal opinion he has arrived at does not contradict any opinion of a renowned jurist. 4. Know the methods by which legal evidence is derived from the texts. 5. Know the Arabic language; complete mastery of its principles is not a prerequisite. 6. Know the rules governing the doctrine of abrogation. However, the jurist need not be thoroughly familiar with the details of this doctrine; it suffices to show that the verse or the hadith in question had not been repealed. 7. Investigate the authenticity of hadith. If the hadith has been accepted by Muslims as reliable, it may not be questioned. If a transmitter was known for probity, all hadiths related through him are to be accepted. Full knowledge of the science of *al-ta'dil wal tajrih* (hadith criticism) is not required". It is further noted that Abu Husain al-Basri (d. 1044) was the first to enumerate such a list of conditions in his *al mu-tamad fi usul al fiqh*.

contextually understood in contemporary situations. Therefore, applying some of Ramadan's articulations of the higher objectives (*maqasid*) to a sphere that he has not investigated with the same lens, is a conscious decision to raise new questions and produce new findings in a reimagined context. Ramadan's approach is apposite because it ventures out of the traditional parameters in discussing the mutable and immutable aspects of Islam within the context of renewal (*tajdeed*). It thereby simultaneously remains authentic while proposing a change in the methodological modalities of how technocratic experts across all disciplines exchange information with textual scholars; the common interest remains in evolving the understanding of the discourse community that articulates these mandates by expanding perceptions and approaches towards various temporal realities and fields so that socioeconomic justice can be realized.[26]

1.6 Methodology, Limitations and Delimitations

In this era, two of the most influential voices within the wider Islamic discourse in the English language are Yusuf and Ramadan. They both make insightful normative statements about the unethical nature of the ideologies underpinning modern economic thought and practice, and the associated negative externalities produced thereby. However, neither has focused on this area in any considerable depth, and both tend to speak in overviews regarding the semantics of economic exchange. For instance, Yusuf was invited to speak at the 2015 World Economic Forum in Davos, Switzerland, but in a capacity that did not provide a platform for him to

[26] Yusuf clearly contends that the most problematic areas are issues of "*ahkam al-sultaniyya*" which are the governmental categories and the penal code and encompass things like alcohol, sexual morality and inheritance laws. However, he asserts that a utopian enforcement of such laws is just that, utopian, and that the system was prophesized to only last 30 years.

articulate a robust economic vision. Moreover, Ramadan pointed out (at a 2009 lecture in Vancouver, B.C.) that the IBF model generally fails in its facile worldview and lack of profundity. He mentioned its rusticity saying, “I’m sorry to tell you if your answer to the economic global crisis today is that ‘we have the solution, no *riba* no speculation,’ that’s fine thank you, but this is a simplistic answer to a complex problem” (Ramadan, 2009).

Similarly, Ramadan’s (2009) *Radical Reform* contains several important areas of discussion, and in only 384 pages, it covers a theoretical and practical proposed reevaluation of several problematic spheres for Muslims in modernity including women and gender relations, the arts, education, ecology, ethics and in a very brief manner, economics. However, Ramadan’s writings only touch on the need for these areas to be re-examined, which leaves this task to be taken up by others. Pertinent to this study, Ramadan identifies a problem that is the essence of the problem statement herein:

> The economic sciences have grown more complex just as their object of study has, and it is impossible to outline ‘an applied Islamic ethics in economics’ without relying on contemporary expertise and research, unless one reduces economic activity to the use of a few tools without going to the trouble of thinking through the philosophy and objectives of human behavior in that field. Unfortunately this is what can be observed, and the dysfunction comes from the answers offered by successive *fuqaha* (scholars), in light of the elements made available to them by their (mainly Muslim) economist advisors: a partial (and often biased) accounting of the complex workings of the contemporary economy, an obsession with tools and norms leading to ends that are dangerously overlooked, and finally-according to most practitioners-structural, marginal, and often cosmetic answers to questions about the global economic order (pp.117-118).

The obsession with ‘tools and norms’ leading to ‘dangerous ends’ is the main focus in this research, an emphasis on avoiding what is rendered *riba* in name, when its essence (injustice) is clearly part and parcel to normative banking practices, which then translate into visibly observable ‘dangerous ends’. Thus, clearly a reevaluation needs to be driven by ethics that considers the impact of products labeled ‘Islamic’. Furthermore, the expertise and research consulted in any in-depth analysis cannot be limited to purely scientific or economic data. Ramadan has established the Research Center for Islamic Legislation and Ethics in Qatar with the expressed intent of supporting research that focuses on Islamic ethics in relation to these various problematic spheres. However, a conference held in 2014 titled “How Ethical is the Current Islamic Banking System?” was significantly telling about where the limits of this discussion still lie.

At the conference, Professor Mohammed Fadel cogitated on the fact that IFI’s are for-profit institutions that by definition must make money from money, arguing that in this context, critiques of them should not be too harsh. Additionally, Dr. Abdulazeed Abozaid added some criticism of certain mechanisms within IBF. A pioneer of the field, Dr. Umer Chapra mentioned some of his grievances as well. However, the most that was proposed was an idea that has been floated by Asutay (2012) and others, that the creation of some other types of institutions may be needed in order to help balance the unethical externalities of IFIs. Furthermore, until now Ramadan’s proposal of expanding the modalities used for an analysis of economic exchange has not been taken to the limits in any significant way because it is clear that throughout all of the disagreement, the critically important voices are unable to ‘move beyond Islamic banking’ to more ethical exchange paradigms.

The assumed responsibility herein, then, is to utilize the *maqasid* as the lens with which all other information is viewed and normatively evaluated, so that it becomes clear that there are more ethical paths to traverse than IBF. This epistemological framework facilitates reimagining the modalities utilized in creating spheres of exchange by reconsidering historical framing, and all of the newly available discourse-related and context-providing knowledge. The approach herein is not going to use economics, econometrics or mathematic theorems in any quantitative sense to chart out this territory. The immediate necessity is to establish that at the heart of the epistemology underpinning the modern economic system are certain beliefs with a peculiar and idiosyncratic history. And to further point out that the ‘philosophy’ and ‘objectives’ of human behavior in economics have not been considered in light of all new available knowledge emerging in interdisciplinary research.

If it is acknowledged that this reevaluation has not been approached yet properly, it becomes clear why nothing radically different has emerged within a governing paradigm, if thought is limited by the parameters set forth by that very governing paradigm. What is necessary is an introspection that articulates deep introspection on the workings of the system, at least in one new, vital aspect, in how the connotation of *riba* as a signifier of meaning has departed from its historical denotation, and what the effects of this are. If problems are getting deeper, one then needs an even deeper understanding of the substantive causes of the problems in order to offer appropriate responses. If contemporary assessments are inaccurate, or reached with cursory understandings of the causative issues, one would only expect superficial and facile responses.

My aim is to develop a wide-ranging ideological context; this includes consulting both the historical (antiquated) and contemporary moral opinions on economic justice and how it is meted out today by neoliberal capitalism. I particularly focus on the convergent moral outlooks on interest, their historical conflation, and on delineating how the contemporary macroeconomic paradigm became interest-based, which phenomenally witnessed an entire reversal in social consciousness. In addition, I try to establish a context for analyzing and contrasting the moral taxonomy of the Western neoliberal economic system with the Islamic explication of economic morality. After such evaluation, within a normative discussion on seeking the higher ethical objectives (*maqasid*), I analyze the ostensibly unethical aspects of IBF in addition to exploring how and why they became fundamental and inherent practices in IBF. The ultimate aim is to argue that within an Islamic normative ethical framework, the application and way forward for such ideals is to move beyond using the cognitive frames that the discourse regarding exchange has been using.

Therefore, it must be prefaced that because of taking normative stances and pre-commitments to seeking out more ethicality and social justice in economic exchange, such implicit biases will steer the evaluations and readings of historical narratives and economic analyses in a way that challenges them in their inconsistencies. This also affects the manner in which I select to cite authoritative scholars. If scholars promote ends that can fit within the wide range of solutions, then their works would be preferred over other scholars who opine for methods that cannot fit within a just vision for change. Some types of ideologies are versatile, whereas others are simply intolerable. In fact, every man-made attempt at legislating morality is inherently flawed because humans are imperfect. This is readily observed by taking just a cursory look at the past and present ideologies of autocracy, oligopoly, democracy, technocracy and all of the associated branches of isms. For instance, the 20th century was likely the bloodiest in human history, but its conflicts were largely areligious secular clashes of ideology. Similarly, human excesses under the guise of religion have also claimed untold numbers. All ideological structures, then, have the potential of serving the interests of the few because of humanity's inherent qualities, which are susceptible to political influence, corruption and tribal affinities.

However, in specific regards to the economy, the ultimate goal herein is to seek out an arrangement that is faithful to Islam's moral essence, one that fulfills the higher objectives. Therefore, the etiology of 'modern' definitions of money and interest/usury (*riba*) need to be reexamined in light of all available knowledge in connection to how they are connected to power and framing, and how they are semantically conflated with Islamic terminologies that share considerable likenesses to terms articulated in the Western corpus of thought and religious commentary. Within the framework of Islamic ethics, questions are asked and then answers are sought with an interdisciplinary lens. By utilizing an eclectic combination of lenses, we are able to make sense of complicated histories and narratives. There is no traditional focus group in the sense that the tradition of ascertaining people's perceptions, beliefs and attitudes towards specific products or concepts cannot alone produce answers to the driving research questions on ethics and power. The focus is instead on the historical justifications for certain concepts. The notions of duty, obligation and right or wrong are examined among ideologically bound communities by analyzing their narratives. The analysis herein also utilizes the contextual tool of historical research, which in the social sciences generally allows us to answer questions of meta-history such as, 'where have we come from?' and 'where are we going'?

Usury was once prohibited in the West. Then it became interest. Now interest is okay. Why is that? This narrative has its own trajectory that is dissimilar to the historical discussion of *riba* in the Islamic tradition. According to early discussions on this issue, *riba* was once all bank interest, but now bank interest is not *riba* if the IFI contract is careful in framing its terminology. Why is that? This is a macro study of a large system and a large period of history. Hence, it cannot delve in to the contours of every economic function. However, it can focus on the concept of interest and how it affects understandings of money, manifests, exploits and recurrently results in visibly negative outcomes. Furthermore, it can examine how Muslims have understood this on different, arguably deficient, levels in the modern period, and the relationship this has to impeding social (economic) justice. I focus on the unit interest occupies, money. I also focus on the business practice built on interest, which is banking. In addition, I focus on the larger institutional system framework and the ideological and legislative support for it, which is neoliberal capitalism.

Since the stated focus remains on extracting the pertinent points from a diverse assortment of literature, there are additional limitations to the study. Most of the information about banking is either attained from discourse (text and talk) or theoretical commentary (via disclosures made in a number of annual reports), and therefore no mathematical modeling is analyzed or quantified herein, which some may view as a major limitation.

Lastly, IBF scholars write much of the history of their own field. Thus, there is a clear slant in much of its literature, in which the departure its practice made from its promoted axioms is often downplayed. In contrast, the biases herein are explicit and therefore the present contradictions in practice need to be connected to their underlying political and social reasons. I attempt to do this in Chapter 5. Not a lot exists in terms of interdisciplinary investigations into Islamic responses to capitalism, especially ethical evaluations of IBF and therefore this is an attempt to add to the existing literature on this topic. In keeping with my methodology, all chapters are analytical and normative.

1.7 Motivations

Addressing this issue is important because inequality is the genesis of many other conflicts. As with most research, mine started with questions that seemed to be unanswered or answered unsatisfactorily. How can an entire well-compensated field of economists be unable to guide human civilization toward a more equitable model of distribution? Moreover, how is it, that with all of the available modern technology and tools at our disposal, the world's wealth is still so controlled by such a small number of people, while the majority remains excluded? What sustains that? What role does interest play in that? What are the alternatives? A wide-scale rejection of the rapacious version of modern capitalism led to various developments. One happened to be 'Islamic'. Hence, it must be asked, is IBF an earnest attempt to provide an ethical alternative to *riba*-financing, or is it a ruse set up to attract Muslim liquidity? If it is the latter, why can the Islamic discourse not move beyond this failed experiment? Why has the media not already put such an enormous amount of pressure on it that it is forced to change?

I felt that in order to avoid the same pitfalls economists seem to succumb to when they set the scopes of their inquiry, I had to widen mine beyond purely economic modalities. Because it is evident that the *a priori* truths that are held in the epistemology of Western economics are very much (ideological) subjective social theories influenced by the growing positivist body of modern and post-modern reductionist scientific literature. Even though 20th century pioneers of 'Islamic Moral Economics' (IME) tried to be unique and equitable, the field was built upon accepting very similar presuppositions and it borrowed much of the same indubitable taxonomy and nomenclature. IBF formulates logic based on a mélange of propositional and prescriptive knowledge that has become an interdisciplinary paradigm in itself, taught in prestigious universities as a distinct discipline called 'Islamic' finance, typically in colleges of business.[27] I

[27] At this time, Islamic banking and finance is taught in UK business schools at Durham, Aston, Bangor, Salford and Cass Business School, as well as internationally in the GCC region and southwest Asia (primarily Malaysia).

see this is as part of the problem. The imaginative modalities have already been truncated by the father science, the wider discourse. The emphasis of such research is on the propositional instead of the transcendent. In contrast, this research is approached from interdisciplinary perspectives traditionally deliberated on in colleges of arts and science as well as theological academies wherein the motivations are often to solve problems with the human experience.

1.8 Scope

A question that sequentially led to more tightly narrowing the scope was, is it possible that some false premises about the prescriptive knowledge of Islam have been misappropriated at the expense of a modern profit-seeking endeavor? If so, how was this cognitive framing done? Islamic jurisprudence is quite robust, detailed, and specific about prohibitions and the insistence on ensuring justice, especially regarding the prohibition of *riba*. Therefore, it seemed that obfuscation, if it existed, was likely to be detected in examining the pragmatics of discourse and the obfuscation of semantics. If this is where a divergence between 'legal' and ethical has taken place, it helps contextualize the phenomenon. The scope of this research is a critical examination of the history and interrelationship of two concepts: money and *riba*, (which approximated into English is translated as both usury and interest). If an identifiable trajectory exists, that can illuminate this conundrum, it is the history of the Muslim understanding of these terms and where these semantic articulations meet Western conceptualizations of these same terms and cognates. Tracing this history includes an examination of how the non-Muslim world (the West) made a significant departure from its traditional understanding of usury and money, which developed into globalized banking practices that later challenged scholastic Islam's legal positions on exchange, thereby creating numerous difficulties for Muslims. The scope is limited to covering the most identifiable manifestation of this clash through a critical analysis of the IBF apparatus and its development within a context that sees it as a sub-discourse happening within a wider neoliberal discourse. The scope covers the changing concept of usury/interest back to its historical emergence, that context, and the influences that facilitated its permeation into modern culture. Where this clash most visibly plays out contemporarily is in this arena. The focus is regarding the framing of meanings and normative practices that IBF has adopted from the neoliberal capitalist paradigm.

1.9 Sources

This is an interdisciplinary work. Constructing the knowledge necessary for contextualizing this topic is best done through qualitative data analysis of texts that encapsulate the debates between scholastic Islamic scholarship and the negotiated limits of Islamic law as it converges with Western society and globalization. Therefore, I analyze relevant commentary on the topics of money and usury from social theorists and prominent Western commentators like William Shakespeare, Francis Bacon, Isaac Newton, Adam Smith, Charles Darwin, Thomas Malthus and David Hume among others who have shaped the Western discourse on money and interest in ways both subtle and evident. The imprint of such thinkers is still quite palpable on the ever-changing discourse within economics and its adopted views on reality, and humankind’s place within that worldview. I do not cover the entire development of economic thought, but I rely on sources that show how these prominent thinkers influenced societal views towards usury through cognitive framing. Sometimes it is the case, as scholars of literature contend that thinkers simply express views that are increasingly commonplace in their milieus. However, other times, what is interjected into text and talk actually frames cognitive spheres. Irrespectively, linking the issue of usury as it appears and morphs throughout Western literature creates a mind map of the Western economic tradition, not entirely explanatory as an exposition of the history of economics, but a pragmatic and context-producing examination of a concept and its role in framing connoted notions on exchange. Additional references used are Western and Islamic works in English, Arabic, Persian, Turkish, French and German on history, anthropology, banking, communications, ethics, globalization, linguistics, philosophy, philology, politics, sustainability, and other relevant areas.

In examining Islamic discourse I also use, as primary documents, the Quran, Hadith collections and classical legal positions regarding Islamic views of moral exchange, and the higher objectives. As the methodology entails, I must also look at alternative sources of knowledge about money, credit and exchange. In addition to utilizing academic texts, I cite numerous periodicals, conference lectures, web articles, populist commentaries, and interview comments made by monetary reformers.

1.10 Objectives

This study has three (3) grand objectives, which are:

1. To re-contextualize the history of changing perceptions in the West towards usury and trace how society embraced it as interest.

2. To explain how embracing interest has affected the cognitive framing of how we discuss the ethics and morality of socioeconomic issues (like banking).

3. To triangulate reasons why the Muslim adoption of the cognitive frames redefining money and interest (*riba*) led to the development of IBF, a framework that prevents communities from 'moving on' to more ethical alternatives.

CHAPTER 2: SHIFTING HISTORICAL PERCEPTIONS OF USURY IN THE WEST

2.0.1 Introduction

This chapter backdates the discourse on usury in the West. It historically analyzes the concept of usury as a signifier and its historical relationship, and effect, on money as a concept, specifically after money takes the form of credit created and lent into existence by banks at interest. The most influential normative statements in the evolving dialogue on usury in Europe, and the emergent consensus on vindicating it as a crime and delineating it as a necessary tool in political economy, is a significant departure away from the classical Islamic worldview wherein *riba* – often seen as usury's cognate – is a universal, rather than a relative proposition. The chapter seeks to analyze how a semantic rendering of money as commodity is conflated with money as bank credit, and how in the process, usury gradually becomes interest, the necessary driver of economic stimulation. This is the aim because the system developed around these notions becomes capitalism and banks become the institutions that facilitate capitalism's authority, and what happens as a sub-discourse within banking, in Muslim polities, remains the emphasis of this study.

Part 1: Injustices Associated with Usury

2.1.0 Linking Usury to Plunder

The history and development of capitalism is an etiology intertwined with the history of warfare and subjugation that ineludibly entails the development of a system that Smith (2000) calls 'plunder by trade' replacing 'plunder by raid'.[28] Analyzing it with scrupulousness innately comprises a discourse analysis that may seem to border on a philippic in the analysis of its institutionalization because some of its presentation requires positing a normative position against discursive injustices. Human history is replete with tales of men trying to domineer and subdue each other in the pursuit of power, the outward form of warfare. In contrast to warfare, plundering via trade takes its form in sundry ways, some of which are more sophisticated than others, but this chapter's emphasis is on the manner in which plunder has manifested in the institutionalization of certain exchange practices in connection with the 'legitimization of usury'. There has existed a recurrent pushback against the legal protections granted to all market participants in human spheres of exchange, and such protections were traditionally inspired by religious ethics. Those seeking to plunder within such spheres have perennially called for tolerance towards their preferences, in regards to exchange, this has taken the form of lobbying for 'free markets' wherein market participants are unrestricted in their capacities to exploit through all 'legal' means. Part 1 analyzes the history of the abuse most prominent in that narrative, the development of a culture that, through framing and changing discourse, exonerates and rationalizes the practice of usury.

2.1.1 Pertinent Background Information Related to Usury

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[28] Smith writes, "There are two primary causes for both poverty and war. 1. Plunder by trade. 2. Property rights law, as applied to nature's resources and technologies, denying others their rightful share of what nature offers to us all for free". Smith attributes to nature what Islamic cosmology would attribute to God (the *musabbib*), but the two views can agree that the sources for strife lead back to the same issue, which is dominating the commons via unjust means.

Western civilization, as an observable congeries of ideas took some two and a half millennia to develop. Most of academia asserts that the foundations of Western civilization began in Greece (Hamilton, 1954), although that narrative is challenged (Ben-Jochannan, 1988). Many of the traditions, however, came from the East. The prohibition of usury is one such concept. Researchers now acknowledge the archaeological and philological evidence supporting the idea that the prohibition of usury is traceable to approximately 2500 BCE (Hudson, 2000).

The concept of usury has disparagingly affected the concept of money; therefore, the two concepts are inextricably linked. In the first millennium BCE there is evidence from Babylon, the Indian subcontinent, Roman law, and later, Old Testament Law that all predate the Christian, Islamic and modern secular articulations of money and usury (Hudson, 2000).[29] To understand why usury has been such a perennial problem one must examine the conditions that led to its widespread practice.

Usury is defined in two different ways. One is now deemed archaic and the other passes as 'modern'. Prior to the spread of capitalism, we observe that usury meant "any money taken for its use", or financing costs over 0% (J.F.B., 1865, p. 321). This meant that *any* money paid over and above the amount of a loan was usurious. There were several reasons for this. Prior to examining them, however, the traditional definition of usury, inscribed in a 19th century journal of law interestingly says that when money is "paid for the use of money according to the law [it] is denominated [as] *interest*; if more be taken it is *usury"* (p. 321). Consequently, by the 19th century differentiating between usury and interest was an issue of legal semantics. One rejects the legal possibility; the other allows it to exist but attempts to monitor its severity, which is

[29] The three primary civilizations where Hudson's research uncovers the history of interest-bearing debts is in Bronze Age Sumer, Classical Greece and Rome.

rather relative. Once society allows a certain percentage, drawing concrete legislative parameters that attempt to limit it becomes a relativistic task.

2.1.2 Usury Appears in Babylon

Usury abided for millennia with an accepted common definition as any increase on the repayment of a loan, or the rental price of money (Persky, 2007). The rediscovery of Cuneiform tablets in Ancient Lagash, Sumeria has been the focus of several economic historians in relation to tracing this history. Michael Hudson finds that in the old world divine royal saviors ruled and that once agrarian societies had submitted to such hierarchal systems, usury appeared quickly thereafter (1993). Naturally, agrarian societies developed the need for loans. The first usurious loans were lent on seeds and produce, and "Since one grain of seed could generate a plant with over 100 new grain seeds, after the harvest farmers could easily repay the grain with 'interest' in grain" (Zarlenga, 2010, p. 1).

Thus, the forces of human labor in combination with nature were understood for their regenerative capacities. When loans were made against cattle, for instance, the usury was repaid by paying the lender back in cattle plus the offspring the cattle had borne. Thus, loans took on a connotation of being something that was feasibly paid back with an increase. The Babylonian word for interest that emerged was *mas*, which literally meant to give birth. Hudson (2000) contends that the actual interest rates were decided out of simplicity rather than any insightful mathematical formula.[30]

[30] Hudson writes "…the smallest unit fraction in each of the above fractional systems: 1/60th in Mesopotamia, 1/10th in Greece, and 1/12th in Rome. The birth or calf/kid metaphor for interest thus referred to 'baby fractions', not literally baby animals".

2.1.3 Government Interventionism: Jubilee

Issues did variably occur because when people suffered a difficult year in agricultural production, for whatever various reasons, they were rendered unable to pay back their loans. In such circumstances, those people would fall into debt, which inevitably meant bondage. This occurrence began to take place frequently enough for the Sumerian kings to intervene and begin playing more centralized roles in economic affairs. The kings would attempt to upset the structural flaws in the economy created as a result of usurious loans by monetizing the exchange rates in the market (Hudson, 1993). These attempts to absorb the debt also did not work. Therefore, people worked under compulsory labor, and kings were tasked with determining how much of each commodity to store each year. It is the first time in documented history that governments permitted usury, although governments intervened in markets in attempts to contain its effect. The substantive evidence of this lies in the Hammurabi code (2130-2088 BCE). The lesson learned was that usury led to imbalance and injustice that required market intervention.

Then, the entire market dynamics changed. When the concept of *mas* was transferred to interest accumulating loans on barren commodities, specifically on precious metals, catastrophic problems erupted. The critical perceptual error made was that the Sumerians "…treated inorganic materials as if they were living organisms with the means of reproduction" (Zarlenga, 2010, p. 2). Thus, it was discovered that anything lent on usury which was inherently lacking the power of regeneration would lead to even greater problems of repayment. Any such loan's surplus payment was to be siphoned from another source within the economy, something that truly served as a good or service (note: *actual wealth*). Evidence shows that rates of 20% and more were made against silver and barley, prompting more governmental intervention (Mierop, 2005). Therefore, on the authority of the Mesopotamian kings, every seven years the government "cancelled debts, freed debt-servants, and restored land to cultivators who had lost it under economic duress" (Hudson, 1993, p. 6).

The people who had become slaves would be freed every seven years in what was called the Jubilee. The underlying motivation for the institution was twofold. It released the economic pressures caused by too many citizens becoming indentured and destitute, a mechanism resulting in concentrated amounts of wealth falling into a few hands, which relieved pressure on the monarch because power concentration as such was a political challenge. Additionally, the people of greater Mesopotamia, called Habirus, feared the wrath of their deity in retribution for failing to deal equitably with one another. Therefore, Babylon became an organic example of how the *new year, clean slate* concept was decreed every seven years. The OT (Levit. 25.10) mentions that the Grand Jubilee celebrations took place every 50 years (Holy Bible, 2004).

It was soon discovered that usury was indeed a powerful weapon, and if put into the wrong hands, it had the potential to overtake entire economies by riddling them with debt. Hudson remarks, "What was radically disturbing in archaic times was the idea of unrestrained wealth-seeking. It took thousands of years for the idea of progress to become inverted, to connote irreversible freedom for the wealthy to deprive the peasantry of their lands and personal liberty" (1993, p. 44). Koyama (2008) hypothesizes that the prohibition of usury was continuously adopted as a political strategy that allowed rulers, the Church, and a minority class of merchant bankers to impose monopolies on rent collection. Koyama's hypothesis develops the earlier claim of Roover (1974) that the medieval usury prohibition can be understood as a result of regulatory capture.[31] Thus, those who could exploit did so, and usury procured monopolies.

[31] Adding to that, some merchants were in more opportune positions to benefit than others by their ability to evade the usury laws, which was feasible because although the debt servicing added additional costs that were self-

2.1.4 Usury and the Israelites: The Hapiru as Hebrews

The phenomenon of prohibiting usury was not only isolated to Babylon and its periphery; however, this area remains the most documented (Gopal, 1935).[32] After the captivity period (586-539 BCE) usury begins to appear manifestly among the Israelites (Zarlenga, 2010).[33] The Pentateuch amalgamated the Babylonian usury laws, which made an emphasis on redeeming men and land. It became necessary for social prophets among their community to address the usury issue, delineate its prohibition, and impose the Jubilee as a safety net.[34]

Meek (1936) first proposed that the Babylonian people called Hapirus, or Habirus later became the Hebrews. Campbell (1960) construes that "The terms 'Apiru, Habiru and Hebrew' relate to those who have renounced a relationship to an existing society, who have by a deliberate action withdrawn from some organization or rejected some authority, and who have become through this action freebooters, slaves, employees or mercenaries" which is a hypothesis

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inflicted, competitors were unable to keep up with higher costs imposed by the usurious environment. The term for this economic weapon is called 'cost predation' where the imposition of statutes creates infra-marginal rents for specific lenders. Following this train of thought and historical reconstruction of economics, it would seem that the usurers welcomed the prohibition because of the confidence they had in their ability to avoid the legal ramifications of it, thus, they gained monopolies on lending.

[32] Gopal explains that the society used cast copper coins as well as silver coins as money throughout their international trade routes, which extended all the way to Greece with whom they had established economic treaties. For instance, the Mauryan Empire of the Indian subcontinent (325-185 BCE) is another illustration of the prohibition. In the Vedic Law of the Early Period in India, usury was condemned as a mortal sin and regulated by the government.

[33] There is a period after the collapse of the Bronze Age (1200 BCE) where syncretic systems suffered and mayhem reigned for roughly five centuries. Within that period, there is an intellectual decline due to the high levels of warfare, recurrent droughts and famine, and these economic factors led to much forced migration. It was after this period that usury emerged as a weapon, fostered by the lack of just law enforcement for several centuries.

[34] Scholars debate where the laws came from and exactly when they were amalgamated into Mosaic Law but it is accepted that they are related to the efforts of Isaiah, Jeremiah, Ezrah, and Josiah (641-609 BCE).

that “presents real possibilities” (p. 11). Greenburg (1955) challenged this history, yet it abides as an important hypothesis that the Hebrews brought usurious practices westward.[35]

2.1.5 The Holiness Code in the Bible

Biblical scholars have labeled Leviticus chapters 17-26 the Holiness Code. Some scholars believe it to have originated in the seventh century BCE (Cougan, 2009). The OT says, “Land must not be sold in perpetuity, for the land belongs to Me and you are only strangers and guests. You will allow a right of redemption on all your landed property… and restore it to its customary cultivators every fifty years” (Lev. 25.23-28). This echoes the spirit of the Babylonian Jubilee. The destitute, unfortunate people who had slipped into bondage were to be set free during Jubilee years because they belonged ultimately to the Lord, not to any person (Lev. 25.54). In the *Book of Deuteronomy* (31.10), there is a directive to have the laws read aloud publicly every seven years (*shemitta*).[36]

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[35] The Habiru are first discovered in the Amarna letters, they are described as a source of social turmoil and at the heart of rebellion within many Canaanite city-states. The evidence argued for Hapirus being the Hebrews' antecedents is an etymological hypothesis combined with the study of migration and economic habits. Hebrew's root meaning, ‘*ibri*, is “to go over, or across” signifying people who traveled across long distances. It would signify that such people were nomadic and patriarchal, migrating from place to place. However, to see the side of the debate that does not accept the connection in its entirety from the time Hebrew was discovered to be an appellation of Habiru, see Greenburg's work as cited above; it contains a complete bibliography of the debate up until the time of its print.

[36] The Hebrew terminology employed to represent the Jubilee debt cancellation concept was *shemitta*. This egalitarian aspect to the code tried to ensure that literate as well as illiterate people were granted the opportunity to hear the enforcement of the law. It was an attempt to mitigate the potentiality of miscommunication as well as continued bondage past the seven-year threshold. It is interesting that today the credit reports in Western nations retain debts on them for a period of seven years, a remnant of this old practice. Furthermore, there is something transcendent about the number seven related to debt; for instance, a piece of paper cannot be folded more than seven times at its center; or a piano chord cannot extend beyond seven notes. The passages command the Hebrews to deal justly with society, especially in matters of exchange. The commands were taken seriously because they were considered divine law once they became a part of the Old Testament; this was a key element behind their gaining social acceptance. The spirit of the law focused on ethics, rather, it focused on function over form. Ceremonial purity was secondary to morality in that sense. As an undeniable weapon, governments and religious doctrines were forced to take stances on usury. For centuries, Muslims and Catholics prohibited it for its inimicality. Promoting the notion that ethical trade is based on mutual consent, Muslims remained as interlocutors and trendsetters in the

The spirit of such a law underscored the importance of righteousness and justice in all social exchanges, but especially in trade. Seeking usury from a person was viewed as an immorality within the Biblical discourse. This is demonstrated by the virtues embodied by Ezekiel in the OT (Ezek. 18.8), "He grants loans without interest, stays away from injustice, is honest and fair when judging others..." (Holy Bible, Ezek. 18.8). According to Rabbi Cohen's *Everyman's Talmud* (1995) usurers were not allowed to bear witness, neither were they allowed to give legal testimony. Their word was deemed tainted and they were societally rejected. The *Halakhah* law prohibited any financing charges on loan transactions because "someone who pays the higher price is actually paying an additional fee for credit. This is *Ribbis*" (Reisman, 1995, p. 112).[37] Furthermore, the notion that the rich and poor were created equally, in the image of God substantiated the fact that charging any interest was usury, which was also denoted as *neshekh* (Lev 25:35-37). The literal meaning was 'snakebite' (Jewish Encyclopedia, n.d.).[38]

2.1.6 Employing Usury as a Technique in Warfare

Islam shares the stance taken early on by other civilizations regarding the immorality of usury. Amongst the Israelites a contract of risk sharing replaced usurious lending, called *heter iska*. However, a hermeneutic duality would emerge that departs from the common ethical ground shared with the Islamic tradition, which declared the Gentile ineligible for the protection

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ethical parameters of global trade during the Middle Ages until Islamic and Catholic influence in Europe and its periphery waned thereby creating a vacuum that was later replaced by the amoral system of banking. As a result, the predominating Jewish, Protestant and secular embrace of interest procured an environment in Europe where predatory industrial capitalism could emerge and thrive.

[37] He further adds on p.112 "The prohibition of *Ribbis* is not limited to situations where cash changes hands. It also applies to purchases made on credit. In this case the customer has the status of a borrower and is prohibited from paying interest on the credit he owes the seller".

[38] According to the Jewish Encyclopedia, *nacash* in Hebrew signifies a serpent; therefore, its linguistic derivation *neshekh* means to strike with a serpent's sting to the debtor. The language provides vivid imagery and this moral teaching was consistent with the greater ethical teaching of the Hebrew tradition.

against usury proscribed within the OT. Thus, it became *kosher* to lend to all gentiles as a stratagem, similar to how the Canaanites were lent to as a warfare technique (Gordon, 2013).[39] Not only was this method highly controversial, but it also seemed to falsely represent the spirit of the law, which had been established for social harmony, not as a weapon. In addition, Mosaic Law demands the Israelite community not to obfuscate, "You must not molest the stranger or oppress him, for you were strangers in the land of Egypt" (Exod. 22.21). It goes on, "If you lend money to any of my people, to any poor man among you, you must not play the usurer with him; you must not demand interest from him" (Exod. 22.25).

Injudiciously, the normative practice amongst usurers emerged defining all Gentiles as 'foreigners' and or 'sojourners' even though there were directives to treat foreigners with equity; "The same law will run for the native and the foreign resident among you" (Exod. 12.49). However, an exegetical reading of *Deuteronomy* 23.19 emerged stating, "You may demand interest on a loan of a foreigner, but you must not demand interest from your brother. . ." Additional commentary in support of this hermeneutic is found in the *Talmud* (Bava Metzia, n.d.).[40] This diktat was an isolated ruling; Jews still had to abide by general, non-market related injunctions in dealing with Gentiles (Nelson, 1969). Mews and Abraham remark "While this concession is often interpreted as a double-standard, it can also be understood as enabling Jewish moneylenders to gain legitimate compensation in their dealings with an outside world, in which charging interest was a normal procedure" (2007, p. 3).

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[39] According to some opinions, this is even an obligation. A reading of the OT's verses dealing with usury reveals some interesting results. Although there is no ambiguity in the text regarding the immorality of usury, a loophole exists if interpreted in a fashion that allows usury to be used as a weapon of warfare. It was under these auspices that usury was introduced as such a technique.

[40] The Talmud's book *Bava Metzia* (70b-71a) commented on by Moses Maimonides's *Laws of Loans* Chapter 5 law #2 says it is only permissible to loan on usury to 'sojourners' in order to provide a basic living standard, and that it is impermissible to charge a 'high' rate. Usurious loans were given to the Canaanites, which were mathematically impossible to repay as compounding interest acted as a stronger force than natural labor or ingenuity could check. The Canaanites were bled through loan repayment, eventually leading to their weakening and demise.

The prohibition of usury had been marginalized to make room for exceptions, these exceptions became the norms, and the rules became contradictory to their original conditions. The first departure from law and ethics regarding usury is witnessed in this context. Of course, not all rabbinical authorities were in agreement (Klein, 1994).[41] Nevertheless, in essence, the politico-religious stratagem that some Israelites embraced in dealings with Gentiles was a wealth extraction technique; the only stipulated exception was that Israelites were not allowed to charge any interest amongst each other (Nelson, 1969). As a result of the practice that developed on this understanding Muller (2010) purports that "So closely was the reviled practice of usury identified with the Jews that St. Bernard of Clairvaux, the leader of the Cistercian Order, in the middle of the twelfth century referred to the taking of usury as *Jewing*" (p. 24).

2.1.7 Usury in the Classics and the Medieval World

In Ancient Greece, Aristotle delineates just money in his *Nicomachean Ethics*, asserting that money is purely an instrument used to measure the value of goods against each other (1952). In his *Politics*, he addresses the issue of usury; he denounces all methods of acquisitive (retail) exchange contrary to pure economic exchange or that concerned with the running of a household. The Ancient Greek term he refers to is *campsoria*, which within this context denotes usurious money changing, "Usury he considers to be the worst kind of exchange because money, intended to be used for exchange of goods, here becomes an end in itself" (Mews & Abraham, 2007, p. 3).

[41] There was an instrument developed in the Jewish tradition called '*heter iska*' that tried to turn the borrower lender relationship into a profit and loss scenario similar to Islamic products of profit and loss sharing. Unfortunately, this practice has not been widely embraced.

Aristotle's discourse demonstrated that money was sterile as an ethical truth. Additionally, he articulated the moral argument for why money must be something that is carefully managed by society, and preferably by elected representatives, in order to prevent unethical practices of charging for the usage of money. However, Aristotle's writings did not penetrate the West until the 13th century, playing an inconsequential role in early trajectories of Western economic thought.

2.1.8 Christian Mores Battle Against Usury

One of the observable reasons for the prohibition of usury is because it visibly guarantees returns for the rich at the expense of the poor, which widens disparity. Usury exploits the poor by loaning amounts to them that grow in geometric progressions that nothing can match because of the limits of the physical world. Furthermore, usury taxes the money supply. In one respect, it becomes an issue, not of morals, but of mathematical restraints. In terms of stating its immorality, Christianity and Islam were in agreement. However a departure in terms utilized in the West from those used in the Islamic world starts to emerge, which later expands as connotations further depart from denotations. Due to the resilience of usurers and the lack of organized interest-free capital funding in European economies, the arguments in support of legalizing usury consistently put the Church's moral teachings to the test. Christianity's struggle with the usury prohibition shows a trajectory of long-standing resistance to usury, which wanes over a long period.

Of the many avenues pursued in attempts at weakening the prohibition, the first was to render the issue to a matter of semantics. In Latin, the noun *usura* denotes the use of anything, as in using borrowed capital; the price paid became the use of money. *The Oxford Dictionary on Historical Principles* (1992) reports this vaguely, as other dictionaries do, as an archaic understanding of usury (Boyes, 1982).[42] One inadequacy of the Christian argument was that its reliance primarily depended on a rational articulation of Christian ethics by scholars, rather than on scripture.[43] Islamologists further argue that the Christian argument was heavily dependent on borrowings from Islam and cite numerous similarities (Ahmad, 1995).[44] Helmholz (1986) quotes the medieval stance of the Church:

> Since almost in every place the crime of usury has become so prevalent that many people give up all other business and become usurers, as if it were lawful, regarding not its prohibition in both Testaments, we ordain that manifest usurers shall not be admitted to communion, nor, if they die in their sins, be admitted to Christian burial, and that no priest shall accept their alms (pp. 364-365).

Birnie (1952) documents how the church criminalized the offense at times. However, as strong as the stance was verbally, the lack of ethical economic infrastructure led to problems because people did not have access to interest-free credit. The Church's worldview emphasized

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[42] The Latin *usuria* lacks the same negative connotation of the perspicuously termed 'biting usury' from the Hebrew term *neshekh* in the OT. It is more similar to the replacement of *neshekh* with *marbut* in selected parts of Ezekiel, denoting any credit towards the lender, which loses some of the pejorative of 'biting.'

[43] The concessions previously consented on by Rabbinical authorities were rejected by the Church because the scriptural OT evidence did not allow such exclusionary measures. On the other hand, there were no blatantly specific prohibitions of usury in the Bible. The existence of such a clear mandate would have added a doctrinal and legalistic aspect to the rational understanding. However, its absence was significant. The Christian doctrine taught to love God and to love one's neighbor, whether he was a sojourner, Israelite or Gentile (John 2.4). Early on Christendom's theological disagreements led to the ceding of some tenets, but the usury prohibition was not initially one of them. The issue was later firmly upheld at the Council of Nicaea (325 CE). The dispute was fervently debated and its articulation expounded as a rational and moral argument.

[44] There is considerable evidence that Islam played a role in shaping the moral economic atmosphere of global trade and Christian reinforcement of usury. Ahmad cites parallels between the Church position and Ibn Khaldun's (d. 1406) *Prolegomena* and opines that Charlemagne's prosecution against usury was influenced by the Muslims, who had instituted the prohibition of usury a century prior to him and with whom he had been in contact with. He mentions, "It is also significant that the Christians of that era opposed usury not as unjust, but as uncharitable. Every criticism of usury in the Qur'an is in the context of a discussion of charity". In addition, the first official prohibition was in the 4th century CE, but it was limited to the clergy. The edict was later extended to all laymen by the 5th century CE. Birnie (1958) notes that when things shifted in Europe was when Charlemagne (d. 814) was crowned as the Holy Roman Emperor and temporal protector of the church in the West. He made usury a criminal offense.

the importance of the afterlife very strongly and rarely did it focus on formulating ethical parameters for business dealings. The Church taught that society was incorrigibly corrupt and that all insatiability was sinful avarice, rendering temporal existence subsidiary to spirituality, which likely played a role in the absence of a robust economic jurisprudence. In the absence of necessary lending institutions, there existed a substantial void in the lives of people in need of guidance and opportunity in the financial sphere, especially those seeking working capital (Viner, 1978). As law prohibited charging fixed rates of interest, and capital was scarce, the practice of lending for a fee was forced underground, and it thrived, and this led to "…crippling rates of interest" and in this crisis "Canonists and theologians sought to distinguish what constituted unlawful usury from the legitimate compensation incurred by the lender" (Mews & Abraham, 2007, pp. 3-4).

2.1.9 The Scholastics Discuss Usury and Just Compensation

Scholasticism (1100-1500) is a method of critical thought known for its coalescence of morals, philosophy and Christian theology in its production of dialectical reasoning. Its scholars wrangled over the moral arguments against usury articulated by classical philosophers. On the issue of money, Aristotle had asserted that "it exists not by nature but by law…there must then be a unit, and that fixed by agreement" (Aristotle, 1952, p. 1133). Plato corroborated, and therefore regarded usury as a means by which the rich gained a vantage point of exploitation over the poor (Noonan, 1965).[45] The most distinguished of the Scholastics was St. Thomas

[45] Noonan discusses the connotations of the two terms as antonyms, furthering the argument that *tokos* is unnatural. To the Sumerians *mas* meant both calves and interest because both gave birth. A similar loan word was used in Ancient Egypt. Similarly, Aristotle had argued that money lent was not to increase upon repayment because it was sterile. Aristotle described usury with the term *tokos*, which meant a bringing forth, or a birth. It shares a likeness in

Aquinas (d. 1274). In his *Summa Theoligica*, question 78 (*The Sin of Usury*) specifically addresses usury in a discussion spanning several sections. First, it provides all of the arguments in favor of usury, some of which erroneously attribute their usury to following a precedent set by Jesus.[46] To them Aquinas replies, "I answer that, To take usury for money lent is unjust in itself, because this is to sell what does not exist, and this evidently leads to inequality which is contrary to justice" (Aquinas, 2013, p. 1512). In this way, he portrayed usury as a form of bondage (as discussed in Ch. 2 section 1). Aquinas railed against the people who distorted the image of money by claiming its rental was akin to renting an asset.[47] Furthermore, he addressed the Jewish moneylending practices contemporary to him, "The Jews were forbidden to take usury from their brethren, i.e. from other Jews. By this we are given to understand that to take usury from any man is evil simply, because we ought to treat every man as our neighbor and brother, especially in the state of the Gospel, whereto all are called" (Aquinas, 2013, p. 1512).

Scholars concede that Aquinas's position is reliant on the concepts of 'just exchange' as articulated by Al Ghazali (1058-1111); and, Aquinas indeed acknowledged this indebtedness (Smith, 1944).[48] These shared sentiments on just exchange were a common ground between the two faiths, which shared much in their discourses on justice. The Franciscan Scottish theologian Duns Scotus (d. 1308) was also aware of Al Ghazali's treatises, and historians of philosophy

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describing a phenomenon the Babylonian *mas* and original Latin term *faenus* endeavored to delineate. All of which made no distinction between increase and usury.

[46] Though there was not much ambiguity regarding the spirit of the entire corpus of Christian doctrine, a few anecdotes in the NT would later serve as contentious areas, which some thought were justification for interest. One example is "The Parable of Ten Minas" where Jesus seems to scold a person for not investing the monarch's funds in an interest-bearing account (Luk. 19.23).

[47] For the rental of something tangible that has its usufruct destroyed by its usage, such as food, the usage is destroyed upon the food's consumption. Therefore, commodities, like his example of food, cannot be rented; thus, whoever comes into possession of the commodity has the right to use its usufruct. One should not have to pay twice, once for buying the food and a second time for using the food. The reckoning of such he deems unjust. Furthermore, Aquinas relies upon Aristotle, who he calls "The Philosopher" and he cites on how it is unnatural to accept payment for the use of money lent, reaffirming that money is for the usage of society and inherently sterile.

[48] Al-Ghazali was influential on many European scholars. Aquinas studied at the University of Naples where "the influence of Arab literature and culture was predominant at the time" according Smith on p.220.

argue over how much influence that had on Scotus' works in his advancements of the concept of 'just compensation' (Speer & Wegener, 2006).[49] Other prominent Scholastics like Alexander Lombard and Henry of Ghent (d. 1293) wrote on the subject with similar sentiments, often by alluding to Jesus's renowned episode of violently forcing the moneylenders from the temple in Matt. 21.12, often interpreted as an anti-usury statement (Koyama, 2008).

Aquinas's arguments influenced how usury was increasingly discussed as a "social justice issue" as the context of his milieu's discourse centered on what was considered usury and what was considered profit (Langholm, 1998, p. 67). Kaye (2005) argues that Aquinas transformed the earlier, more primitive discussion by emphasizing the inequity of a borrower and lender relationship wherein the wealthy lender exacts payments from a poorer person against his will. Thus, in this understanding the Scholastics allowed two types of investment that they deemed 'just' compensation to lenders, *census* and *commendas*.[50] Both operated under equitable risk sharing principles.[51]

However, the sophistication of unscrupulous methods was progressing rapidly. Many moneylenders were happily filling the void of an agreed upon public finance system. El-Diwany

[49] Franciscans were followers of St. Francis of Assisi, and claimed Scotus was their answer to the Scholastics' Aquinas. The first of the order, friars, followed a lifestyle of total poverty. On pages 620-622, Podkonski mentions that Al Ghazali's fifth argument in his *Metaphysics* refers to the example in his Ash'arite argument of atomism that "The shadow of a rod of a sundial necessarily moves according to the movement of the sun. Therefore, if the Sun moves by one atom, the shadow will move proportionally, i.e., by less than one atom". He compares this to Scotus' mention of the same anecdote, "If the shadow does not move when the Sun moves, then one line would have two limits on one end. The first in the place where the Sun was before, the second in the place where the Sun moved afterwards – which is impossible".

[50] Furthermore, contextualizing Aquinas' milieu wherein the idea prevailed that usury did not exist on cases of price uncertainty about future goods, which centered specifically on what was considered profit and what was considered usury. Alanus Anglicus had argued around 1236 that usury did not exist in cases on price uncertainty about future goods, and what resulted from 1246-1253 in the legal system of Pope Innocent IV.

[51] This is plausibly adopted from a consensus reached in an interfaith dialogue with the Islamic civilization and its periphery's wider business practices. It is very interesting that Muslims developed these loans called *hawala* in the medieval period but that much of the contemporary literature citing their existence alludes to terrorism and money laundering, which really obfuscates an academic search into what they stood for in essence. The *census* and *comenda* loans made moral considerations for just repayment, limited the amount that could be ultimately repaid and mitigated risks of exploitation through moral legislation by mimicking the concurrent Islamic loans that forced lenders and investors to share equitably in risks and profits (profit and loss PLS). Charging minimal administrative fees for drawing up a contract was allowed, whereas exacting usury was not.

(2010) adds, "During these times, the willingness of Jews to advance money under usury saved many a Christian exchequer from financial embarrassment" (p. 24). Nevertheless, the amassed wealth of the moneylenders caused resentment and shifted public sentiments in Europe. Reverend Patrick Cleary (1972) notes "The people clamoured for their expulsion, and at length in 1290 Edward, yielding to their importunities, ordered all Jews to quit the kingdom with their goods and chattels under penalty of death" (p. 72).

2.1.10 The Islamic Concept of *Rizq* Loses Influence in Europe

Jewish, secular and Christian aristocrats were finding unimaginable wealth in the avarice of lending.[52] Medievalist historians have triangulated several reasons for the chipping away of the usury prohibition during the 'commercial revolution' of the 12th and 13th centuries (Baldwin, 1970). Because the vitality of Scholastic arguments hinged on social justice, protecting the poor was imperative, but an emerging rationalization in Europe gave way to the idea that legitimate compensation to investors was indispensable in order to maintain equity among financial relationships. In Islamic nomenclature, this was connected to the concept of *rizq*. However, the concept's denotation would be unhinged as lenders became conflated with investors.

The Quranic concept of *rizq* (29.7) meaning 'to seek one's reward or bounty from God', which views God as the one that bestows wealth (*ar-razzaaq*), first appeared translated into Latin as *resicum* (or *risicum*) in 1156 (Noonan, 1957).[53] The concept denoted that a return on

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[52] Avarice is contradicted by the Pauline theme that it serves as the root of all evils (1 Tim. 6:10). Consequently, although Christian societies essentially adopted 'Islamic' understandings on usury, they never instituted the alternative, which is the enforcement of equal-risk and profit and loss sharing contracts (discussed in Chapter 4).
[53] The word risk appeared in a financial document in Genoa undertaken by an agent named Jordan who assumed the risk of investing someone else's capital. Noonan maps the chronological sequence of events covering the Church's attempt to deal with the semantics of usury. In the 13th century Pope Innocent IV (1250-1261 CE) upheld the ban,

investments must not be *guaranteed*, as usurious loans were; thus, *rizq* meant that God may or may not confer, and that investors had a legitimate right to seek compensation if, and only if, a venture's risks and profits were equitably shared. However, it has been pointed out that a major cognitive reframing of *rizq* took place whereby the meaning of 'risk', at least to some Europeans, was secularized to mean 'chance' or 'danger' and it increasingly became something to be avoided in the quest for 'risk-free' returns (Kedar, 1969). This semantic obfuscation is significant.[54] Things denoted as 'risky' made investors 'risk averse' whereby danger was linked with *rizq*, a major shift in discourse, which several arguments emerged to substantiate.

2.1.11 The Rationale in Arguing for Usury: Time Value of Money

As discourse about lending became 'risk-averse', elite commentators began to frame usury upon rational justifications. If no religiously inspired ethical regulation exists to counter immoral and or ideological assumptions, the rationale for charging usury can be very compelling. It is, after all, very attractive in a utilitarian sense to make a return on one's money without exerting any effort, or taking any risks. The idea that fundamentally underpins this concept is that money has a 'time value' to it. In support of the time value argument people often postulate, "Would you give me an interest-free loan? I didn't think so". Such postulating is supposed to substantiate the need for interest in society. However, the question is ill phrased. What we should ask ourselves is if we would grant a loan to our children or our parents interest-free if we had a surplus amount of money, the likelihood of them repaying was exceptionally

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claiming it was contradictory to divine and human law and that its spread would lead to the abandonment of industry.

[54] The way it is translated into Arabic even now shows this obfuscation as risk now means *khattr* (danger) or *mukhaattra*. Hence, low risk *munkhafidh al mukhattr* still gives the connotation of danger, which was never the case in classical jurisprudence.

high, and the amount requested was very reasonable. For this properly contextualizes lending by considering numerous other factors such as the dynamics of trust, kinship, credit worthiness and social setting.

Nevertheless, a major framing breakthrough for usurers occurred by 1220 CE when the canonist Hispanus (d. 1277) identified an ostensibly legitimate charge that a lender could claim on a usury-free loan if a borrower was late in repaying. The point argued was that legitimate compensation should be given to the owner of said funds for his ‘loss’ of the ability to use his funds in the interim period, for waiting for his funds to be returned. Capitalizing on the ambiguity of what defined money, the argument exploited the conflation between credit and commodity money, ignoring the fact that credit, issuing a debt obligation, holds almost no opportunity cost. Nonetheless, the argument gained traction. In Latin, ‘*interess*’ (*inter esse*) derived from ‘in-between’, signified the ‘lost period’ of waiting; it later became ‘interest’ (El-Diwany, 2010). Soon, “fictitious late payments became an accepted if disingenuous way of circumventing usury laws” (Persky, 2007, p. 228).

Soon thereafter, arguments arose to justify a payment from the onset of the loan (El-Diwany, 2010). Additional ploys came about that circumvented the usury prohibition by padding three contracts into one, called *contractum trinius* (Rehman, 2007).[55] An investor would invest money with an entrepreneur with one contract; a second agreement would insure against any possible loss; and a third would waive the rights to any profits above an agreed percentage (Chown, 1994). Combining three contracts in such a manner resulted in a guaranteed interest payment to the initial ‘lender’ who marauded as a ‘seller’.

[55] To illustrate *contractum trinius* (Latin) linked to banking families like the Medicis, A loans B 100 coins in order to start a business. A then sells another promise to B that claims A will not ask for any interest, however, this contract costs 20 coins. Finally, B would sell A another contract insuring him that he would pay back all of the money, an insurance policy, and for that B would charge A 10 coins. The result is that B ends up owing A 110 coins rather than 100, which is a guaranteed 10% interest return.

The growing societal tolerance of such practices allowed an astute class of merchants to develop banking in northern Italy and the periphery during the 15th century. The circumvention of usury laws between the 14th and 16th centuries led to the adoption of similar techniques throughout Europe, which attracted investment, but discriminated against the poor who were charged a minimum of "35% compound interest" (Mews & Abraham, 2007, p. 6).

2.1.12 The Protestant Reformation: A Paradigm Shift in Tolerating Interest

It is difficult to make a paradigmatic statement on an entire movement, but in general, the Protestant Reformation (1517-1648) effectively embraced usury as a positive function and within its milieu, usury increasingly became conceived as an archaic and obsolete term. Several individuals, self-identifying as reformers, protested the ecclesiastical hierarchy and claims of apostolic legitimacy of the Catholic Church, and thereafter galvanized support for a rearticulated Christian discourse. Martin Luther's *The Ninety-Five Theses* (1517) is often credited as the starting-off point of the movement, which had some peculiar characteristics. On the one hand, those protesting wanted nothing to do with ecclesiastical traditions, courts and rituals. On the other hand, since individual and lay interpretation of the Bible had little established precedent, the movement had to forge religious jurisprudence ad hoc.[56] When the issue of usury came up, the leaders of the Reformation disputed, leading to further schism. The strongest Christian arguments against usury and immense wealth grabbing had always taken the form of rational arguments articulated by clergy, so when Protestants began construing transactions from purely

[56] The Reformation was precipitated by events such as the Western (Papal) Schism (1378-1417), the wide dissemination of Bibles and Renaissance ideas, the Black Death, and the vacuum created by the fall of Byzantium (1453). Much of the ideological underpinnings relied on Augustinianism (Augustus of Hippo 354-430 CE), which was heavily reflected in John Calvin's writings.

economic perspectives, by default, it meant excluding many of the strongest available Christian moral filters.

Since the distinction between interest and usury assembled in a nuanced decree of whatever was considered the legal rate imposed by any said government on a case-by-case basis, the difference between the two remained rather arbitrary and relative. Martin Luther started his preaching career copiously against usury saying, “Money is an unfruitful commodity which I cannot sell in such a way as to entitle me profit” (Wilson, 1941, p. 104). He did struggle with articulating his position consistently, but he spoke against it nonetheless (Zarlenga, 2002).[57]

2.1.13 Calvinism and Usury

In contrast, personal commentary and statements made in letters written by the French John Calvin (d. 1564) would have an entirely different effect on the discourse on usury. [58] Noonan (1995) narrates that from 1150-1550 there existed a consensus that asking for any compensation on a loan, not an investment, was against natural law, the gospel and the Church. Calvin seemed to disagree. His theological writings opined that signs of God’s favor could be evidenced by people’s ability to amass wealth (Glaeser & Glendon, 1998).[59] Moreover, this

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[57] Then, there is a period (1523-1525) where political pressures forced his theology to accommodate some room for the practice, viewing it as an “evil necessity” (p. 191). Then in 1539, reformer Martin Bucer’s (1491-1551) polemics against the anti-usury stance, claiming only the *neshekh*, or biting usury was prohibited prodded Luther to respond emphatically against every type of increase on loans. Lutherism was more of a Germanic phenomenon. By simply condemning usury without offering an alternative macroeconomic model, the periphery where his followers resided remained in the same pre-capitalist conditions, where usury was illegal, but still widely practiced and unregulated.

[58] Calvin’s treatment of usury is limited. It is not an emphasis in his theology. However, three of his commentaries discuss biblical texts that cover the topic of usury covering Ex 23.25; Lev 25. 35-38 and Deut 23. 19-20 and a reference to the eighth commandment. There is also a posthumously published commentary on Ezek. 18. 8-17 and a lucid personal letter on usury written in 1545 to his companion Claude de Sachin, published by Beza in 1575.

[59] This paradox has been discussed because it is highly contentious amongst Christian scholars, that there is “faith” with “no works”.

sentiment influenced Christian movements in Holland, where capitalism's foundations would assimilate the new embracing attitudes and frames related to the charging of interest on loans.

A snapshot of Calvin's imprint on this discourse provides a purview into Protestant thoughts on the issue. In 1536 in *The Institutes of the Christian Religion,* his seminal work, Calvin remarks, "I do not consider that usury be forbidden amongst us". He then rhetorically asks, "When I buy a field does it not breed money?" The implication is that money grows without labor. Yet the perennial truth is that fields have multiple potentialities, none guaranteed. They may either perish or grow with guided assistance. In contrast, as a representation of measurement, money has no such qualities. Yet, Calvin acknowledges, "It is a very rare thing for a man to be honest and at the same time a usurer" although the teachings can be semantically interpreted in different ways, and because of the nuanced rhetorical devices he employs, Calvin's words are interpreted as approval for the practice of charging interest (Calvin, 1813, p. 4.3.9).

The most influential pronouncement of Calvin in this sense was semantic, which was that civil society – not scripture – should decide on an acceptable interest rate, in the pursuit of social utility (this theme is recurrent in modern history). Calvin made no distinction between wealth and money as productive capital, a conflation that gave great strength to the rationale of lending at interest. Moreover, in Book I Ch. IX he criticized Luther's case against usury as "abandoning the scripture" and "much misled by error" (Calvin, 1813). Hence, these pronouncements encouraged "a shift in focus away from the need to protect vulnerable consumers toward supporting the demands of a nascent bourgeoisie, needing capital to fuel economic expansion" (Mews & Abraham, 2007, p. 6). Some would argue that voices like Jeremey Bentham had more of an influence in defending usury than Calvin, although this is a minority opinion, because Calvin's pro-interest slant quickly gained popularity with the European upper echelons of society

(Dunn, 2008).[60] Therefore, as a tool adopted by power, the next step was the institutionalization of practices that imbibed the values of such discourse shapers.

2.1.14 The Protestant Work Ethic and Capitalism

Once interest is cognitively framed as an accepted mechanism within Protestant discourse, the emphasis shifts away from debating its legality to debating other aspects of its effect on culture, aptly labeled as capitalist. Several writers on The Reformation have tried to gauge the significance and impact that Calvinism had on the rise of capitalism and the reasons why its paradigm emerges from Holland and England to lead to the industrial revolution. In *Protestantism and Progress* (1912), Ernst Troelstch claims the great problem of economic history is defining the "character and origin of capitalism" (p. 139). He claims that capitalism largely grew out of a perversion of Reformist thought, inscribing, "Its turning to gain for gains sake, to fierce and ruthless competition, its agonizing for lust and victory, its blatant satisfaction of the tyrannical power of the merchant class has entirely loosed it from its former ethical foundation…" (p. 139).

In *The Protestant Work Ethic and the Spirit of Capitalism* (1905), Max Weber flouts at the possibility that capitalism is an adoption of usury and mammon. Instead, he apportions two distinct types of capitalism: a Jewish version he calls "speculative pariah capitalism, while the bourgeoisie [version] was [the] organization of labor" (p. 271); and an opposing Protestant

[60] Calvinism would spread by other names; in England, it sailed under the flag of Puritanism. Important to note is that Calvin's father had been denied the sacraments and a Church burial for being accused of embezzling the Church. Thus, we can see the existence of some clear animosity in Calvin's teachings towards rituals, sacraments, traditional priesthood and good works. The rhetoric challenged the Catholic (Jamesian) moral message of balancing faith with good works, which sort of nullified the point of traditional Christian business ethics and limiting the pursuit of mammon. By opening this door to the Protestant community, capitalism seemed quite appealing to capitalists.

version that he calls a "…rational industrial organization attuned to a regular market and neither to political nor irrationally speculative opportunities for profit" (p. 271). Weber's statements played a significant part in the reframing of economic thought, especially in regards to treating the normalization of interest as a forgone conclusion that was disconnected from irrationally speculative practices in explaining how and why Christian populations embraced capitalism.

Thus, many have built their works in response to Weber's thesis.[61] For instance, Werner Sombart's reaction in *The Jews and Modern Capitalism* (1911), hones in on the similarities between the Calvinist and Judaic stances on usury. He argues, "That which is called Puritanism is in reality Judaism" because "those parts of the Puritan dogma which appear to be of real importance for the formulation of the spirit of capitalism are borrowed from the realm of ideas of the Jewish religion" (1951, p. xx). Sombart suggests that Calvin's bibliolatry (excessive adherence to the Bible as the 'literal word of God') renders the Bible an easy political tool of zealotry. Calvin's inclusion of *Hebrews*, a spurned scripture in Greek Bibles, is part of his argument that the Christian opinions are "founded on testimonies found in the Old Testament" rather than St. Paul's authority (p. xx).

It is further argued that Calvin's use of Masoretic (Hebrew) texts rather than Greek texts gave a new significance to the Jewish peoples, their traditions, scriptures and ways.[62] Similarly, Calvin's theology taught a special 'chosen people' doctrine similar to Jewish orthodoxy (Tawney, 1920).[63] Zarlenga (2000) further adds, "Calvinism's legalization of usury would be

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[61] Weber's thesis is considered a seminal work in the field of economics to this day, but his representation of capitalism seems oxymoronic as it dismisses the fact that Puritans and Jews were both culpable for the same market practices. Additionally, a 'rational market' had never previously incorporated usury in such a manner, but this seems to be overlooked.

[62] Masoretic here refers to any of Jewish scholars from the 6th – 10th centuries CE who contributed to a recognized text of the Hebrew Bible, and the compilation of the Masorah.

[63] In contrast, there were other works that deferred with Calvin. Using some of Weber's research as a benchmark, R.H. Tawney's thesis *Religion and the Rise of Capitalism* (1926) bemoans the way The Reformation brought a division between commerce and ethics, leading to the Christian religion's subordination to the pursuit of material

very important to the Jews, condoning their primary monetary activity at that time" (p. 196). The consequence was the "elevation of Jerusalem over Athens" and that meant a slighting of Aristotle, Scholasticism and the Christian/Islamic moral argument against charging interest (p. 196).

Part 2: A Precursor to Capitalism: The Birth of Banking

2.2.1 The Pre-Capitalist Sphere of Exchange and its Credit System of Trust

Highlighting a significant departure from how cosmopolitan trading networks comprised of both Muslim and international traders traditionally dealt with credit helps contextualize the reframing of interest that took place in the West. Abu-Lughod (1989) contrasts the main differences between the trade parameters established by the Muslim civilization and those that later spawned banking and capitalism in Europe. In traditional Muslim societies, most notably those throughout the Middle Ages, both commodity and fiat specie circulated simultaneously throughout global trading networks. Abu-Lughod notes that Muslims first popularized 'promises to pay' (*hawala*) notes through the Mediterranean trade routes in the 14th and 15th centuries, that were, essentially, bills of credit. Financiers would back ambitious international traders by issuing 'promises to pay' that could be redeemed for gold and silver at safekeeping storage houses within their trading networks.

In contrast, the key innovation in Europe was a civilizational pivot back to using credit money under the auspices that it was still redeemable for specie. That is, a proliferation of

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wealth. Tawney's criticism was expanded from his work *The Acquisitive Society* (1920) in which he argues for a more egalitarian and principled society and censures against capitalism due to it propelling modern society towards extreme individualism.

conflating different qualities of commodity money with credit money. This move capitalized on the social capital built by centuries of trustworthy international trade and the acceptance of credit bills in a manner intrinsically similar to how commodity money was accepted. As Geoffrey Ingham (1999) mentions (in footnote 17), “in Islam the bills of credit were not transformed into credit money as they were in early modern Europe” (p. 96). This meant that credit obligations in Muslim trade networks had limited transferability, and they were not discounted. Discounting is a mechanism in which a debtor pays a creditor a fee for delaying repayment, essentially an interest charge for the ‘time value of money’. Discounting would become a key mechanism in the development of banking.

2.2.2 Goldsmiths Monopolize the Money Supply

The word banking likely derives from the word ‘bench’ (Hong-tao, 2007).[64] The first banks started when merchants in Europe, like the Italian Medici family, circumvented usury laws and began extending commercial loans for profit. The practices spread through Europe and later culminated into a full-fledged system of lending networks. In Europe, there had been a return to

[64] Bench refers to the benches on which the medieval moneychangers conducted their affairs. When moneylenders went broke the law officials would come destroy their place of business, leading to the rise of the term ‘bankrupt’. The climate that allowed the procurement of credit money was a decline in state powers as Europe’s political structure described best as acephalous and fragmented; in addition there was diminishing religious adherence to strict Catholic and Orthodox pronouncements on usury. The process entailed transforming an abstract commitment of money into a future commitment of credit and thereby monetizing it, turning it into currency. However, banks lent signifiers that did not contain within them any specific usufruct or utility, like that of a home, a vehicle or even an animal. This is where the semantics again become important. Banks did not begin by renting out items. They began by renting out credit, however, not credit based on people’s creditworthiness, but they instead rented out slips of paper that gave the impression that the banks were backing their operations with gold and silver. Specie lending was replaced by the lending of IOUs created *ex nihilo*, which was done by utilizing the future goods and resources in society – the public’s credit – and spuriously charging the public to pay interest for what it did not understand was nothing more than people’s monetized commitments to each other. The proliferation of this practice happened only upon goldsmiths discovering that breaching their clients’ safe-depositing contracts and utilizing the clients’ gold savings to back up this scheme was possible under the provision that the goldsmiths had a monopoly over this right, and that others in society could not create their own credit slips.

using precious metals over credit as money, although there was a historical dearth in the supply of such coinage, which created economic stagnation and collapse as metals stayed in the East due to its trade imbalance with the West (Day, 1978).[65] Goldsmiths served as depositories; people would leave their commodity monies (coins) with goldsmiths in order to safeguard their funds. Upon depositing gold, goldsmiths would issue a bailment, a receipt of deposit, to the depositor confirming its legitimacy and quantity. Soon, goldsmiths realized that patrons who left their gold in the safe houses did not all return to pick up their gold at the same time. Moreover, the aggregate demand of gold reclaimed daily was significantly smaller than general deposits. People in society gained so much confidence in the goldsmiths' abilities to always furnish the gold back to the redeemer that they began accepting the bailment 'receipts' as payment for goods and services. This acceptance was critical (Ingham, 2004).

During 1664-1699, a major transition happens whereby one to one commitments became transferrable as third party bills of exchange. For something to become money, society must accept it as payment. Any person in possession of a bailment pledge could present it and reclaim whatever good was stored later. Therefore, by the year 1670 the words 'bearer receipt' began appearing on slips. Due to growing confidence the 'bearer receipts' began circulating as currency. Goldsmiths began circulating indistinguishable, purely fiduciary slips that mimicked the 'bearer receipts' in appearance. The slips were not 'backed by gold or silver', but the goldsmiths led on that they were (Tomlinson, 1993, p. 28). The oldest surviving British record of a goldsmith furnishing a 'bearer receipt' as money is dated back to 1634 (Morgan, 1965). Society's confidence remained so high in the receipts, now operating as currency, that people's

[65] In particular, the Great Bullion Famine (1457-1464) showed that the mercantile trade imbalances were susceptible to manipulation of market forces.

preferences began to shift towards holding the paper currency over gold; it was generally easier to carry and more manageable.

Goldsmiths had been granted the power of creating and extinguishing money, but as for-profit entities; they would typically never lend money on a profit and loss sharing basis. They saw no benefit in 'unnecessary risk' and preferred artificially guaranteeing their returns through interest fees (El-Diwany, 2010). This fundamental aspect has always underpinned commercial banking. To maintain public confidence in this system, the goldsmiths had to procure gold to their patrons 100% of the time. They were careful to keep a certain proportion of coins in the vault as a reserve. This amount came to be known as the 'cash reserve ratio' (Ingham, 2004). Playing the odds, only a fraction of the people's gold was kept on hand in the vaults. This was the creation of what is called 'fractional-reserve banking' (FRB), meaning that the slips being circulated in society were only backed by a fraction of their actual representative number. As long as this process was managed carefully (today this is called liquidity management), no issues would occur because new patrons taking on new debts continuously paid more interest payments, which was seemingly an endless flow of profit generation for the goldsmiths, thereafter known as bankers.

Naturally, bankers began to loan out more credit slips to borrowers they deemed creditworthy, even though the gold did not exist in the vault to back up the loans. It was simply the confidence exuded by bankers, and their leading on as if gold existed to back up loans, which ultimately underpinned the system. In addition, gold was scarce, whereas paper receipts were easy and cheap to manufacture. This policy was obviously controversial and breached certain ethical limits; in order to bring some stability to the system some opined that the bankers should keep 100% of the gold in the vaults at all times (Ingham, 1999).[66]

Regarding meaning, Ludwig Wittgenstein (d. 1951) authoritatively said, “The meaning of a word is its use in the language” (Biletzki & Matar, 2014, p. 1). Bank receipts became ‘money’ in society. Thus, bank money, as discourse rendered it, became prevalent in medieval Europe (1300-1500) and differed from any other payment media in history. Its implementation by governments heavily politicized the money supply because the public could now be taxed through direct tax as well as through inflation (Goldsmith, 1987). Ingham (1999) maintains that, “In all its essential structural features the system remains the same today” (p. 88).

2.2.3 The Moral Hazards Created by Banking

Banking created several moral hazards. For whatever market reasons (crisis, war, fear, yearn to invest), people would disproportionately require their gold at simultaneous intervals, and in such events the bankers were unable to procure the gold to every customer in possession of ‘bearer receipts’ (now functioning as money). During such times, the façade would be unveiled, confidence would be lost, and the banker would go out of business, causing society

[66] This is known today as the 100% reserve requirement argument. Others thought that different numbers like 20% or 30% in reserves could suffice. The percentages, regardless of their amounts were only nominal because the system was running on confidence, not gold. A 100% reserve requirement is more beneficial to society because among other factors it reduces (interest-bearing) debt and mitigates issues linked to the business cycle. On p.4, Ingham writes “Depersonalized, transferable promises to pay were eventually woven into deep and complex layers of debt in which the most trustworthy promises, such as those of an established bank or – even more effectively – a strong legitimate state, became a base-money for the entire system. Of course, this was a hesitant, fragile and unstable process and there were many spectacular failures. But lessons were learned and a legal and normative framework of banking practice and trustworthy relations was painstakingly fabricated over the period between the fourteen and late seventeenth centuries”.

much anguish and forfeiture (Laeven & Valencia, 2013).[67] This became known as 'making a run on the bank'. It still happens occasionally.[68] However, bankers became better at managing ratios. Eventually, the ratio no longer required that anyone holding a note be paid in gold, each bill became simply fiduciary and redeemable for another like bill (Ingham, 2004). The necessity of any restricted commodity was removed from the process and the reserve became known as the 'statutory reserve requirement'. Legal precedent in support of this was established in the Carr vs. Carr case of 1811, wherein the UK courts confirmed that when money is deposited with a bank its ownership is transferred to the bank, thus, interest is paid on it as if it is a loan. This was reiterated again in 1846, in Foley vs. Hill, which changed English law in its treatment of bailment, which thereafter excluded money even though banks were engaged in what was delineated as fraud since they were creating multiple legal claims of ownership on single receipts (Serval & Jean-Pascal, 2014).[69]

The concept of lending out money that does not belong to a person has a connection to the environment of nominalism that it was birthed in wherein universals and moral truths do not exist. The practice of double entry bookkeeping appears in two places, in Dubrovnik in Benedikt Kotruljević's (1458) *Book On the Art of Trade,* and in Milan, in the Franciscan monk Luca Pacioli's *Summa de Arithmetica* (1494), which centers on the Pythagorean cosmological fixation on the belief that numbers constitute the true nature of things. This esoteric cosmology placed an emphasis on the transmigration of souls, and hence keeping exact hypothetical measurements. This translated into businesses focusing on the calculation of profits (the bottom line) and losses

[67] On average, bank runs cost societies up to 20% of their yearly GDP according to a study of major bank runs from 1970 to 2007.
[68] In the UK Northern Rock in Newcastle suffered a bank run during the economic crisis of 2008. The bank was phased out in 2012; lack of consumer confidence was cited as one of the reasons. This bank was one of the banks that were allowed to count securitized credit as tradable assets as Lehmann Brothers and Dutch Ambro banks were allowed to by their respective governments.
[69] See page 108 for information of the Carr vs. Carr case of 1811.

on money that only existed in theory. Inculcating this idea into a banking culture that charged hypothetical rents on hypothetical money, bankers in Milan made use of this development and garnered mammoth profits.

Bank money therefore became only a signifier of an exchangeable agreement, which would seem to be a positive development away from using gold, which limits the money supply and has historically encouraged lending at interest. However, FRB, as practiced by banks that charge interest on that money supply, has raised perceptible moral hazards. Thus, similar to ancient sovereigns, contemporary governments have created legislation that attempts to mitigate the perceived negative systematic externalities of banking through the implementation of offsetting schemes, like federal deposit insurance (Brusco, 2007).[70] In *The Ecology of Money* (2000) Douthwaite points out that among numerous other negative effects, this system of monopolizing money creation produces a highly unstable economic climate, that it necessitates constant growth, which is not sustainable; and that it promotes competition over cooperation.[71]

El-Diwany (2010) writes, "Gradually, word spread among the wealthier classes that the provision of banking 'services' was nothing other than the most profitable business idea of all time" (p. 42). Principal-plus-interest was always a larger sum than the principal was of any loan. Hence, FRB created mathematically impossible-to-pay debts allowing banks to create money that made real claims on real wealth and an imbalanced economy that led to issues such as

[70] Such schemes typically employ analogous disreputable arrangements.

[71] Douthwaite points out democratization rather than monopolization of money creation can mitigate many of the resultant issues. Although bankers came to enjoy monopolies on the power of money creation, they definitively could not create their own money and spend it in these networks because eventually those bills of currency would repatriate to their own storage rooms. There would be a demand for gold, which had never existed in commensurate amounts in the first place. Therefore, lending the receipts at interest meant that the bills would circulate among others, and when returned, the borrowers would be forced to procure interest payments represented by actual goods and services rather than like slips. If the interest portion was repaid with gold – an actual item of value – it was more preferable to the banker, who would simply receive more free 'reserves'.

bankruptcy, insolvency, recession and "slavery" (Merriam Online Dictionary, 2015).[72] Certain family names became associated to the idea of banking. And due to the pressures against such banking families by people who objected to the unfair advantage bankers had in this process, bankers were forced to start paying interest dividends to shareholders who stored their money in banks, and this is essentially the arrangement that banks operate under until this day (Fugger, 1932).[73]

One of the many other negative externalities created by banking was the boom and bust cycle, a phenomenon created entirely by intentional human clairvoyance, recast in discourse as the business cycle, giving it a connotation of normalcy. Thus, it has become a very profitable venture for institutions to create boom and bust cycles by expanding, then contracting money supplies (Rowbotham, 1998).[74] Werner (2003) mentions another moral hazard created, was that

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[72] Since the bankers had a monopoly on currency creation and they charged compounding interest fees, it was impossible for the debts in society to be repaid. If, for example, the bankers have 1 million (pounds, dollars or etc.) circulating in society at 10% interest per annum, after a year the debt on that 1 million grows to 1.1 million (pounds, dollars or any currency). How can the extra amount be repaid if it has not been created? It cannot, so it forms a binding agreement of perpetual debt that breaches the parameters of sovereignty, which draws comparisons with enslavement because by every definition of sovereignty, being beholden to an entity by an unconscionable and impossible to pay sum, is representative of being subordinated and subdued. Merriam Online Dictionary's reference of the second definition of slavery is: 2. "Submission to a dominating influence".

[73] The anecdotal evidence of the Fugger banking family's rise and the subsequent decline of the Habsburg dynasty illustrates how powerful compound interest is. The Fuggers, who were invited to manage some financial affairs for the Habsburgs, made their first loan to them in 1494. The Habsburg dynasty expanded their temporal powers and sovereign borders and thus came into possession of nearly all of the existing silver and gold mines in the discovered territories. Despite of the fact that they Habsburgs were consistently conquering new lands and mining new commodity money (gold and silver) Philip II, the Habsburg King of Spain went bankrupt trying to keep up on the usurious interest payments being made to the Fuggers within 70 years of the initial loan. Known for their usurious lending, many claim the four-letter *f*-word in English is thought to be a pejorative derived from the family's name connoting disgust with usury.

[74] As the money supply grew, business would boom, people would take on more long-term projects, commitments would increase and things seemed merry. However, since goldsmiths would destroy slips upon repayment, it meant that destroying debts simultaneously destroyed the money supply. Bankers also realized that simultaneously calling in loans for payment would decrease the money supply, thus, people who were unable to find enough money in circulation to repay their debts (because there were not enough created in circulation) would end up having to give some other form of collateral in repayment – real wealth and real assets – not artificially created IOUs. The collateral was often negotiated unfairly due to the borrower's disadvantageous position. Like a game of musical chairs, someone must mathematically end up without a chair, and when they do, they are in the weakest bargaining position, easily exploitable if and when they want to return to the market (game). Rowbotham has argued that this well-orchestrated game, called commercial banking in today's terms, is more aptly defined as "institutionalized usury" (p. 28).

banks usurped what should be a democratic decision about how much money (volume) is created for societal use, and what it will fund, as for-profit institutions banks have tended to always lend to certain industries disproportionately, which always leads to asset bubbles and more collapses instead of productive ends. At the highest levels within government, it has been acknowledged that this has cycle causes recessions (Bernanke, 2000).[75]

Part 3: The Emergence of Capitalism

Banking would summon the intellectual aid of the elite rationalist, Enlightenment philosophers that largely spurned religious conviction, and consequently the associated morality that had previously underpinned Western societies and markets. Hawkes (2001) narrates in *Idols of the Marketplace* how, what he calls ‘idolatry’ and ‘commodity fetishism’ in the market, really took form in Europe between 1580 and 1680 CE. In that period, money had taken on its own autonomous power, making its own demands. Engraining the legitimacy of banking into the public psyche would require a cognitive framing aided by the Enlightenment principles’ interlocutors, the shapers of discourse, who articulated the rationale of interest, which supported the notion of governments backing private commercial banks in their enterprises. A shift in consciousness and an institutionalization of banking would transition capitalism from a private affair of minimal risk, into a state-sponsored function of wagering public assets and posterity as the norm. This reframing was essentially fueled by ideology.

[75] It was acknowledged by ex-chairman of the Federal Reserve Bank that the intentional reduction in the money supply was a significant trigger in leading to the first Great Depression. Bernanke acknowledges this in addressing Milton Friedman as he remarks, “Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve System. I would like to say to Milton and Anna: Regarding the Great Depression. You are right; we did it. We are very sorry. But thanks to you, we won't do it again”.

2.3.1 Capitalism Emerges in Holland: The Origins of Institutionalized Usury

Baruch Spinoza (1632-1677), who the Dutch now claim as their greatest philosopher, was instrumental in developing a philosophy that would pave the way for a new secular world, one that included secular humanist ethics as a replacement for religion (Vardoulakis, 2011).[76] Nevertheless, Spinoza's pantheistic ideas did not conform to the status quo and his writings were initially suppressed (Kasher & Biderman, 2013).[77] The notion of a 'secular Jew' challenged his climate tremendously within the realm of exchanging ideas about pluralism and democratic liberalism (Joyce, 2013).[78] Spinoza's thoughts would become influential on important figures shaping the discourse on capitalism through interlocutors from the neoconservative bent (Halper & Clarke, 2005).[79] Despite the fact that Spinoza was persecuted, his 17th century Holland was

[76] His thought is typically linked to his predecessor Descartes. Yet, it would be imprecise to label him as a Cartesian philosopher, although, he was indeed a rationalist. Descartes laid foundations for other thinkers to later expand his worldview of atomic physics and motion. Descartes divided the world into matter (*res extensa*) and thought (*res cogitans*). Matter to Descartes, was all connected into one fabric and motion occurred when atoms bumped into one another. He makes inquiries into the nature of validating religious knowledge and contrasts faith with other areas of understanding. Some historians claim Spinoza was affected by the milieu of his time, whereas others see his rejection of it. However, Spinoza's criticism of Descartes's world of doubt, in his *Ethics*, is where he distances himself from Descartes's alleged errors and arrives upon his own epistemology. It may or may not explain why his Jewish community first offered him money to conform to specific prescripts, and later excommunicated him for nonconformance.

[77] The Jewish community quickly established themselves there in banking activities and in the field of printing. As the Jews enjoyed hegemony on printing, editorial decisions were held in the hands of few. At age 23 Spinoza was excommunicated in a practice called "*cherem*" (Hebrew חרם). His writings are acknowledged by some as the beginning of transcendent ethics overtaking religion, thus, adding to the societal progression towards massive dismissal of literal acceptance of scripture where good and evil become relative concepts. While at the same time, Puritans were starting to do the exact opposite as Bibles were flooding the market in Holland and England. Spinoza's *Ethics* (n.d) however, was only published after his death, and although he did enjoy more intellectual freedoms than his European contemporaries did, he was somewhat persecuted by the state as well as shunned by the Sephardic community.

[78] His image has ranged from 'pariah to messiah'. He explicitly believed in a non-providential God, and Mason claims he was likely a cabbalist (p. 88). Spinoza did not take much stock in capital being the connector of all things – the materialist tradition that thrived in his milieu.

[79] 'Spinozism' has become the aberration that fuels the neoconservative war mongering. Leo Strauss's interpretation of Spinoza would go on to become the underpinning of neoconservative ideology. Once in the United States, and during stints at New York's New School for Social Research, and later at the University of Chicago, Strauss was able to combine his love for 'Spinozism' with his decisive role in the founding of neo-conservatism. This ideology would have profound effects on the economy and hinder peace between the East and West because of the so-called "Clash of Civilizations".

distinctly liberal in comparison to other states, and liberalism meant open attitudes and tolerance, an environment wherein previously unacceptable notions like usury could thrive (Israel, 1995).[80]

The underpinnings for all of the aspects of modern capitalism considered exploitative, speculative and usurious were principally introduced and cultivated in Amsterdam during the liberal 1600s, which included the first stock exchange, the first multinational corporation, the first central bank, the first legal monetized speculation, the first bubble (tulips) and the first legal financialization of 'everything' (French, 2006).[81] Most of Antwerp's Jewish and Protestant traders had moved to Amsterdam.[82] They provided services such as currency exchange. They also lent capital at interest. However, their offered rates were deemed usurious because the debt servicing fees fluctuated wildly. Usury, by this time, meant that the interest being charged was higher than the going 'acceptable' rate. Thus, sentiments soured quickly, and in 1609, the government forbade Jews from engaging in banking. A culmination of these events spurred support for the eventual founding of the first central bank, the Bank of Amsterdam, in late 1609 (Morgan, 1965). Some of its features are still debated amongst economic historians (Van Dillen,

[80] Holland was more liberal than predominantly Christian states that enforced the ideologies of the predestination of human souls and state enforcement of religious creed. In contrast, Holland preached the concepts of religious tolerance and free will, expanding upon natural law and concepts extolled by the Dutch theologian Jacobus Arminius. However, the climate of prevailing Jacobism did not always protect radical thinkers. Ben Israel was known for exerting control over the printing industry in the Dutch Republic during the 17th century and was behind the plan to print one million Athias Bibles starting in 1627 after converting to Judaism and sensing the need for reconciling puritanical Christianity with Judaism.

[81] Nearby Antwerp was a major financial center in the 1500s. However, due to politico-religious turmoil between Catholic Spain and the Protestant North, Antwerp fell in 1585 forcing a wave of the city's intellectual elite and its trading class, especially Protestants and Jews, to migrate, many of whom ended up in Holland, a sought-after land of refuge. Holland's climate was one of change and a cultivator of new norms; the first European enactment of a "free coinage" law put in place by Holland (1575) facilitated the ease by which bullion and coinage could be exchanged by entrepreneurs. Additionally, governmental support of monopolies in both trade and banking played a large part in emboldening the birth of the stock market. In 1540 an imperial ordinance in the Habsburg Netherlands had permitted interest payments up to 12%, although meant only for commercial loans, the financial restrictions had begun taking a lax stance on money abuses.

[82] Holland had commerce from its shipping industry that was so efficient it could flood the market with goods imported by its newly acquired control of Indian trade, which by that time had overtaken Portugal's previously dominant position there. The city comprised of 1.5 - 2 million Dutch, approximately 6 million English and roughly 20 million French. Additionally, Jews emigrated there to fill the vacuum created by the absence of a banking industry able to efficiently accommodate various needs associated with large-scale trading.

1964).[83] However, there is a consensus that Holland was undoubtedly the first nation-state to legitimize and protect usurious bank practices through state legislation (Israel, 1989).[84]

2.3.2 Limited Liability Corporations as Institutional Platforms for Power

Van Dijk, who is one of the most authoritative researchers working in the field of critical discourse analysis, has attempted to study the relationship between knowledge and discourse because relatively little has explored this relationship except for a few works in the fields of cognitive and social psychology. What his research shows is that from a socio-cognitive perspective, knowledge is justified belief shared by members of an epistemic community (called K-communities); and furthermore, that different knowledge communities may have different epistemic criteria and standards. Van Dijk enumerates "K-criteria may be formulated by recognized organizations, institutions or experts of the community" and that "knowledge is contextual" and is further categorized into different categories i.e. declarative knowledge, procedural knowledge and social (shared) knowledge. Regarding this shared knowledge he writes, "Social knowledge is represented as distributed cognition in the semantic memory" (2012, p. 588).

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[83] Documents are scanty. Much of what is known about the bank is from Van Dillen. The Bank of Amsterdam exhibits critical features that later generations of monetary reformers have been able to examine which unearth possible solutions to ethical quagmires in today's banking sector.

[84] The key feature was perceptibly simple; it started as a bank for the public, and was run by the government. It did not charge interest. This mitigated the likelihood for usurers to thrive or make money by clipping coinage and benefitting from seigniorage. That is, the difference in the cost of producing or minting a coin and the actual cost of the bullion it is made of. The pivotal decision, to allow the civic bank to facilitate the banking needs of the market essentially prohibited a banking class of private merchants to rise to an elite level. And for a short time this seemingly ingenious move was successful. Nevertheless, the bank did temporarily succumb to creating debt-based money that was serviced with interest. The principle reason for establishing the bank "was not to provide credit but to prevent unscrupulous money changers ruling the course of exchanges for all places and to provide fast efficient and reliable exchange facilities. The Bank's most vital feature was that it was a civic and not a privately owned and managed institution" (p. 88).

Hence, we are able to contextualize the link between power, knowledge and discourse that aided the concept of limited liability corporations in their garnering wide acceptance within an elite discourse community for their potential utility as vehicles (institutions) through which power could be further extended. As such, limited liability corporations were a perfect institutional formation for the newly emergent practice of banking, a practice that had an epistemic community supporting the rationale of interest charges benefiting wealthy and powerful shareholders. This community had already embraced the concept of interest; it was now only an issue of institutional formation and negotiating how this formation would merge into the concept of the nation-state and the liberal democratic process. Pushing this recognition would meet much resistance and take an immense amount of effort and articulation in reshaping social knowledge represented as distributed cognition of the semantic memory within the discourse community.

However, the ethicality of states granting special privileges to corporations has been controversial from its inception, because individuals have historically been able to shield themselves from retribution, litigation and prosecution for personal decisions taken at the helm of businesses in ways unprecedented in legal history. Lawmakers have since struggled with the concept of a corporation as a legal entity, and the legal status it is granted. This relates to two ethical issues connected to banks as such institutions. Firstly, governments, at war and otherwise, felt pressures to spend money they did not possess (deficit spending). Thus, such states could now borrow at interest from private institutions intimately tied to government, although not beholden to the electoral political process. Secondly, loans grew at rates of interest impossible to service, which transferred escalating debts to citizens. This operation sequentially undermined the sovereign statuses of countries because state credibility has always been contingent upon a state's ability to pay its debts (Chown, 1994). The implicit ideology in this discourse was first negotiated in Holland (Zarlenga, 2002).[85] It then transferred to England before becoming part of the global discourse on how contemporary nation-states organize economically.

2.3.3 Reframing the Discourse of Usury in the English Milieu of the 16th - 18th Centuries

This section looks at how the discourse focused primarily on the rational promotion of grounding this knowledge in the neurological structure of the discourse participants in the English milieu. To backtrack, the discourse community that was responsible for formulating the epistemological support for social (shared) knowledge was primarily an elite class of writers of various backgrounds and disciplines. The discourse arguably starts with English statesman and philosopher Francis Bacon's (1561-1626) arguments in support of legalizing interest, which are important to consider in a major shift towards empiricism in the West. Bacon acknowledges that usury reduces the profits of merchants and that it similarly causes destitution and "bringeth the treasure of a realm or state into few hands" (Bacon, 2008, p. 471). However, Bacon's discourse favored naturalistic explanations, scientific analysis, and as the 'father of empiricism', he discounts even his own moral musings. He furthermore vociferously attacks the Scholastics and their moral arguments against usury for "almost having incorporated the contentious philosophy of Aristotle into the body of Christian religion", labeling Aristotle an ostentatious heretic (Bacon, 2008, p. 499).

[85] Zarlenga discusses how in Holland the special relationship of the Dutch East India Corporation (DEIC) compromised the nation's sovereignty by inhibiting Holland's elected officials from maintaining its accounts current. The large secret overdrafts of the DEIC "Changed the nature of the bank into a covert issue. It was really a mixed system of precious metals and bank credits, pretending these two were the same" (p. 230).

Ad hominem attacks against persons, however, do not rebut their arguments, and in this case, Bacon's attacks do not address the Scholastic position against usury. Nevertheless, Bacon shifts the direction of the discussion away from addressing the moral issues and instead discusses the pragmatics of lending at interest. He later endorsed state regulation of 5% interest and 9% on loans to merchants and large centers. Writing on this issue, Bacon reflexively construes a dynamic, pragmatic model of the communicative situation as he sees it (i.e. a context model that sets the discourse appropriateness). In his essay titled *Of Usury* (1625), he argues, "[People say] That usurers should have orange-tawny bonnets, because they do judaize. That it is against nature for money to beget money; and the like. I say this only, that usury is a *concessum propter duritiem cordis* (a thing allowed by reason due to the hardness of men's hearts); for since there must be borrowing and lending, and men are so hard of heart, as they will not lend freely, usury must be permitted" (Bacon, pp. 91-92). Here we can note two things: Bacon conflates lending with investing; secondly, Bacon contextualizes criticism of usury as something connected to Judaism, and hatred of Jews, a key contextualization. He also contrasts criticism of usury with the naturalistic argument that humans are fundamentally unable to construct a usury-free system, a notion bereft of ethic yet at the same time lucidly ideological. Bacon's thought centered around the utopian idea of conquering nature, which he promoted in his (1626) *New Atlantis*, a work that influenced subsequent generations of physicians and natural philosophers into taking up the 'new science' of empiricism, which later culminated into influential organizations like The Royal Society.

2.3.4 Isaac Newton, Alchemy and the Scientific Revolution

Alchemy may appear like an odd interjection to segue into discussing Newtonian thought at this point in the discussion, but there is relevance in the common ground its contextual discourse has with writers who framed the discussion on usury. According to some scholars, alchemy was the result of an amalgamation of occult philosophies, thought to have intersected in the 6th century BCE as Persian armies advanced westward (Cumont & Marie, 1922).[86] John Hopkins (1934) claims alchemy was born in Alexandria and that Plato and Aristotle furnished the underpinning philosophical fundamentals for it.[87] Alchemy promoted the ancient belief that matter consists of atoms that could be manipulated (Sertima, 1994). The essential understanding was allegorical. The concept, improved by the Byzantine historian Zosimus (491-518AD), was that the mystic's aim was to free the soul prior to it returning to anointment with God (Lindsay, 1970). This emblematically meant that gold had to be freed from the base materials that imprisoned and soiled it. In this understanding, transmutation of lead into gold was synonymous with purification of the soul and it took on the astrological connotation of ascending through the six planets, shaping an image of the sun as gold (Lindsay, 1970). In essence, alchemists engaged in the occult in order to make money, through the realm of what many consider magic. Van Dijk writes, "Context models not only feature a knowledge device to handle epistemic strategies.

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[86] Primarily Persian, Egyptian (Greco-Roman Alexandrian) and Greek. The culmination of these traditions swapping their knowledge became an amalgam later very influential on some of the philosophical foundations of capitalism. The tradition was maintained in the West throughout the Hellenistic period in history (323-31 BCE) and later manifested in the works of the mystery schools. Works attributed to the Persian sage Zoroaster, likely of pseudepigraphical nature, preserved the rites and traditions of the Chaldean Magi of Babylon. Belgian historian Franz Cumont, the founder of Mithraic studies, suggests such a connection was due to heretical Magi's influence on the Orphic cult of Dionysis during the Hellenistic Age. For some, alchemy's purpose was to circumvent the process by which humankind toiled in labor in order to produce a good or service. Alchemists sought to exploit certain natural properties in order to produce gold and silver, thereby bypassing the entire process of searching, mining, sifting and welding.

[87] The Zurvanite understanding of Zoroastrianism, or magic, either had an effect or a coincidental likeness to the Hermetic traditions in the sense that the belief systems both maintained that mankind could elevate above the repercussions of fate. Moreover, the Ionian philosopher Democritus (BCE 460-370) had preserved the Babylonian folkloric belief of the Magi purporting that base metals ostensibly had a connection to the seven planets in the Hermetic cosmogony: Mercury, Venus, Mars, Jupiter, Saturn, the Moon and the Sun. After passing these spheres, it is thought that the soul may attain a purer understanding (p. 27).

They also represent the mutual intentions of the participants. Recognizing the intentions of others is a basic condition of all human interaction" (Van Dijk, 2012, p. 589). A clear parallel can be made between the contextual framing of writers on alchemy and those arguing for the general acceptance of wealth generation through institutionalizing interest banking, based on a very similar concept, that wealth, or claims on hypothetical wealth, could be created *ex nihilo* through concealed knowledge.

2.3.5 Newtonian Framing of the Discourse on Interest

English statesman and scholar Sir Isaac Newton simultaneously belonged to several discourse and epistemic communities. In the scientific realm, a distinctly positivist trend in scholarship was continuing to construct context models built on presupposed relevant knowledge of discourse recipients. Interest was semantically being represented as such, and the term usury was receding from common use. Newton was also a closet alchemist for over three decades (Angier, 2010). Subsequently, his alchemical research had an influence on his discursive scientific and economic views, which in turn would heavily influence the economic discourse in England, and later, the world. Newton's alchemical philosophy was partially borrowed from Empedocles (490-430 BCE) who saw the sphere of commerce under his macro vision of the entire universe as a coherent system functioning under the governance of laws (Hopkins, 1934).[88] Newton corroborated the belief that all matter consisted of atoms while rejecting the Aristotelian view of stagnancy (Sertima, 1994). The laws pushed towards general ends; thus, the universe, as he framed it, was a 'complete machine'. Professor William Newman has attempted

[88] Plato and Aristotle inherited their ideas about the universe being composed of four fundamental elements: fire, water, earth and air. Plato admits this in his surviving dialogue *Timaeus*.

to explain Newton's alchemical thought as a "perfectly reasonable" pursuit for someone in his milieu because most of his 17th century contemporaries found legitimacy in it, which Newman claims, was for them a field synonymous with chemistry (Angier, 2010, p. 1).

Newton's *Principia Mathematic Philosophia Naturae* (1687) revolutionized science by uniting Johannes Keplar's (d. 1630) celestial mechanics with Galileo Galilei's (d. 1642) terrestrial mechanics into a unified system defined by the inverse square law. Newton simplified the celestial movements by claiming two laws governed them: inertia and gravity (Solmsen, 1965).[89] This mirrors Empedocles's ancient view of matter in connection with love and strife (Kneirim, 2013). Empedocles had contended that love and strife were the two primary moving factors in a cyclical and eternal universe, and Newton acknowledged that long-held belief (Sertima, 1994). Gravity and inertia plausibly came to Newton via the alchemical tradition and his exposure to study of Greek thought at Cambridge University. However, many of Newton's contemporaries would question the scientific veracity of Newton's claims because they had detected occult elements present in his explanations, which at the time, were hard to triangulate (Westfall, 1983).[90]

Newton's timely influence on ideology through discourse in England came at a time of revolution and political machinations that would change the governing paradigm. Newtonian thought replaced the Aristotelian version of the universe, in which things were naturally static and had an ultimate goal, with the concept of inertia (discord). He contended that all bodies in motion would continue in motion unless acted upon by other bodies. In addition to inertia,

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[89] Love and strife are spoken of as diametric opposites in Empodocles's cosmology. Love is harmony, an attractor and uniting force whereas strife is a destroyer of all things. The notion bears resemblance to the yin and yang concepts of ancient Chinese wisdom.

[90] See p. ix. Where he talks about the dissent Newton's *Principia* received from Christiaan Huygens and Gottfried Wilhelm Leibniz who rejected his thesis as absurd. Leibniz thought Newton's gravity reduced attraction to a mechanical cause but was amazed that he had not found the cause of it remaining a law. Leibniz and Huygens were unable to identify alchemy as the route by which Newton's system emerged rather than Papism or Scholasticism as they had claimed.

Newton claimed that gravity was the force that brought everything in the universe together, the universal force of attraction (love). To Aristotle, this would have consisted of violent motion, unnecessary movement away from a place of natural rest (Solmsen, 1965).[91] But to Newton, as Michael White's *Isaac Newton: The Last Sorcerer* (1999) points out, his Cartesian universal view of atoms and motion combined with his laws of 'love versus discord' would come to serve as one of the principle underpinnings of modern scientific, economic and political thought.

2.3.6 Usury Formally Returns in England's 'Glorious Revolution'

The legal basis of today's capitalist system culminates in the financial structure implemented in late 17th century England, often called the 'Financial Revolution'. The turn of events that transpired during this short period were unprecedented. Written in 1215 CE *The Magna Carta* alludes to the perennial usury problem stating "If anyone has taken anything, whether much or little, by way of loan from the Jews, and if he dies before that debt is paid, the debt shall not carry usury…" (Magna Carta, n.d.).[92] Likewise, Jews had been banned from England since 1290 for clipping coinage and usury. Since that time, the law had prevented them from working in finance. However, an ordinance initiated by Henry VIII in the 16th century confirmed a reversal of the long-standing prohibition. Notably, the discourse at that time, still within the cognitive framing initiated in Bacon's milieu whereby statements made careful semantic differentiations between usury and interest, were set within a context that inferred that

[91] For Aristotle motion was not the rule, it was the exception whereby the four elements slowly made their way toward their natural places and, upon arrival, would remain static. Violent motion would be any movement away from a place of natural rest.

[92] This is an annotated translation from the original Latin in clause 10, which reads: "Si quis mutuo ceperit aliquid a Judaeis, plus vel minus, et moriatur antequam debitum illud solvatur, debitum non usuret quamdiu haeres fuerit infra aetatem, de quocumque teneat; et si debitum illud inciderit in manus nostras, nos non capiemus nisi catallum contentum in carta".

recipients had the general knowledge to differentiate between amounts legislated by states as being legitimate, rational, and hence intrinsically unalike rates that were not sanctioned by states. Monroe (2011) chronologically narrates the discourse formations that produced certain understandings and initiated political machinations to the effect that interest rates set by governments were absolved of any negative connotation:

> In England, Henry VIII's Parliament of 1545 enacted a statute permitting interest payments up to 10% (on all loans); any higher rates constituted usury. But, in 1552, a hostile Parliament, with radical Protestants, revoked that statute, and revived it only under Elizabeth, in 1571. Since the maximum rate was also taken to be the minimum, subsequent Parliaments, seeking to foster trade, reduced that rate: to 8% in 1624, to 6% in 1651 (ratified 1660-61), and to 5% in 1713: a rate maintained until the abolition of the usury laws in 1854 (p. 1).

However, the first major consequence of states (England and the Low Countries) legalizing interest, and consistently decreasing the rates considered usurious, had far-reaching effects. The legalization of interest included the approval of discounting (Munro, 2011).[93] This meant commercial bills could now be discounted openly, and money again became a commodity. It benchmarked the beginning of an identifiable gravitation towards the discourse implicitly adopting the ideological 'time value of money' argument in economics. Munro (2011) notes that evidence "…demonstrates that discounting, with legal transfers either by bearer bills or by endorsement, with full negotiability, began and became widespread only after the legalization of interest payments…" (p. 1). From there, the commercial manufacturing of money took off. This is best observable in examining the simultaneous political machinations in England.

[93] Monroe mentions that medieval bills of exchange were also often usurious, but "the usury doctrine [of the Church] nevertheless required that they be non-negotiable, held until maturity, since discounting would have revealed the implicit interest" (p. 1). Therefore, discounting (a debtor purchasing the 'right' to repay later) was not allowed.

During the reign of Charles I (1625-49), the king found himself overwrought in financial woes, paying excessive interest to moneylenders; and when he was strained to seize 130,000 pounds from the Tower of London claimed by merchants, he made enemies with the moneylending class that was getting rich through discounting bills of exchange. Later, and with the financial assistance of moneylending investors, Oliver Cromwell won the English Civil War in 1649 and Charles I was executed (Munro, 2011). Cromwell established the short-lived Commonwealth of England, which challenged the house of Stuart and the 'Divine Right of Kings'. Religious tensions were high, and it could be considered a revolt in many ways sectarian in addition to being an ideological victory for usurers because Cromwell mildly tolerated the informal homecoming of Jews who began returning to England in 1650 (Ben Israel, 1987).[94]

From a discourse perspective, the thought of polemicist and public servant under Cromwell, John Milton (d. 1674), encapsulates the changing tolerance towards usury as a reflection of quickly changing social cognition. This analysis is extrapolated from Milton's various semantic usages of the verb 'to use', which show his reframing of its legal and semantic heritage. Hawkes writes,

> While he sometimes echoes the popular denunciation of usurers as living from 'the sweat of other men,' Milton also defends usury in certain circumstances. He does not view usury as a narrowly economic phenomenon, but explores its impact on politics, aesthetics, theology and sexuality. Despite his complex and nuanced treatment of the subject, Milton ultimately portrays usury as Satanic. It involves the attribution of autonomous reproductive power to financial signs, and thus stands convicted of the same epistemological error as liturgical idolatry (Hawkes, 2011, p. 503).

[94] Manassah Ben Israel and Rabbi Ben Ayabel were instrumental in arguing for the re-admittance of Jews to England. Manasseh pleaded that the messiah would return once Jews were all over the earth and that their admittance to England would herald his return. He published a book in conglomeration with a Puritan preacher named Moses Will who sought to unify the Jewish and Puritanical movements.

Intriguingly, despite his criticism, Milton and his father were lifetime usurers. This is explainable in Milton's iconoclasm, which seemed to find idolatry in the representation of all things, except the original semiotic rendering of usury, a signifier that he redrafted to mean the idolization of money over God. Hence, while Milton condemned usury, he overtly accepted the legitimacy of interest rates on money lent, which he made a semantic differentiation of because he did not consider usury any longer associated to its original meaning (Hawkes, 2011). One written statement stands out where Milton appeals to the authority of a certain discourse community, "As for what they instance of usury, let them first prove usury to be wholly unlawfull, as the law allows it; which learned men as numerous on the other side will defend them" (Wolfe, 1980, p. 425).

A similar parallel can be drawn in changing semiotics if William Shakespeare's (d. 1616) writings related to the issue are examined. Shakespeare's father John (d. 1601) similarly lent at usury, an offence he was fined for in the 1570s (Bryson, 2007). Furthermore, Shakespeare's *Merchant of Venice* portrays the historic dispute of usurers versus equitable risk taking investors as a dispute between Shylock and Antonio, a portrayal that is also anti-Jewish in sentiment. Shylock hates Antonio because "He lends out money gratis and brings down/ the rate of usance here with us in Venice" (Shakespeare, 2003).[95] But Shakespeare's framing here is part of a wider discourse that was taking place within an environment that saw the 1571 Act Against Usury pass legislation, and thereafter the release of several impactful pamphlets such as *The Death of Usury* (London, 1594) and *Money Monger, Or the Usurers Almanacke* (London, 1626).

Thus, one generation later, the political machinations reflect the changing sentiments. Upon Charles II's return (1660-85) in The Restoration, the moneylenders' demonstrable sway over Parliament had grown, and by the time James II's designation as King came about, the

[95] This discussion takes place in Act I, Scene III.

Parliament had reduced the powers held by sitting monarchs. The *Free Coinage Act* of 1666 had weakened the Crown's monetary prerogative and strengthened the goldsmiths and lenders significantly. Moreover, James II's Catholicism and anti-usury stances were now viewed as intrinsically unacceptable to the Whig party of Puritan persuasion. Along with the help of some influential Tories, Parliament invited William of Orange from Holland to become King (Firth & Lomas, 2006).[96] William, himself a foreigner to England, was hesitant to invade. His wife was the Protestant daughter of James II. However, William's financial worldview was congenial to bankers because, among other reasons, it would bring state enforcement and legitimacy to usurious contracts (Rowbotham, 1998). Many of his supporters, Protestant and Jewish merchants, had become wealthy in Holland via such means. Davie (1988) writes that William, the "ideal banker's man" arrived in England "with Francisco Lopes Suasso, the banker, followed by many financiers" (p. 10). The usurious debts he legitimized through the state would hinder English posterity (Abrahams, 1937).[97]

2.3.7 The Bank of England and the Capitalist State

Charging interest makes a gigantic leap into institutional legitimacy with the establishment of The Bank of England in 1694 as it garners state protection (Baxter, 1989).[98] In 1841 Archibald Alison narrates, "Various motives combined to induce the Government,

[96] Edward Hyde, 1st Earl of Clarendon (1609-1674), wrote of the changing milieu: "Bankers were a tribe that had risen and grown in Cromwell's time, and had never ever been heard of before the late troubles, till when the whole trade of money had passed through the hands of the scriveners: they were for the most part goldsmiths" (p. 73).

[97] Wisselbank ledgers in the City of Amsterdam archives show "that William received 1.5 million guilders between 1689 and 1690, as a result of which the British people were *Amsterdammed*". It has also been alleged that nepotism was a concern in his administration. Isaac Lopez Suasso, a Jewish financier from the Hague, gave William an interest-free loan of two million crowns, later receiving repayment as becoming Baron d'avernas le Gras.

[98] It would replace the centuries old tally-stick system of interest free credit in England and precipitate banking's global vanquish under the salvation of state protection.

immediately after the Revolution, to adopt a system of borrowing on the credit of the State" (p. 256). The state effortlessly commoditized the public's promises because it proclaimed in official declarations that metals were money, all while operating with the gnosis that modern credit money was really the future promises of people; Van Dillen (1964) recapitulates, "The bank was founded upon a reserve that could not fail but with the nation" (pp. 92-93). In its final form (1757) the bank "meant the establishment of permanent, funded, national debt based not on the sale of interest-bearing bonds but on perpetual annuities or rentes" (Munro, 2011, p. 1).

Sir Edmundbury Godfrey and Charles Montagu facilitated the organization of London's merchants with the intent of galvanizing their support for the bank's charter (Bannister, 1859).[99] The bank's establishment was precipitated by a scarcity in coinage; subsequently the public yearned for some type of positive development in public finance. Evidence of this is that there were 60 charters proposed before it (Broz & Grossman, 2004).[100] Only possessing 72,000 pounds in gold, the bank loaned William 16.75 times that amount, 1.2 million pounds at 8.25% interest, which was legislated to be paid back in perpetuity by the citizenry; and thus, under William's tenure the interjection of the new concept of a 'National Debt' was legitimized.[101]

2.3.8 Usury as a Tax on the Money Supply

With this shift in institutional formation, usury became a civil affair. Alison (1841) narrates that government "was taught the dangerous secret of providing for the necessities and

[99] Charles Montagu later became Chancellor of the Exchequer, in charge of all economic and financial matters. Montagu's family had held heavy sway in England since the Norman Conquest of William of Normandy (1066). A rehash of the political and social connections associated with the founding of the bank is covered in Paterson's biography on pp. 24, 68 and 69.

[100] The work is a detailed history of the bank charters, failed and otherwise.

[101] The professed reason for the loan was to fund William's third government. The bank would pay 4% to the shareholders and issue its own banknotes that were used as money and redeemable in gold.

maintaining the influence of present times by borrowing money and laying its payment on posterity" (p. 256). The repayments of 8.25% in interest on £1.2 million brought £100,000 in revenue per year for the bank.

The pivotal development was that the state declared the receipts legal tender (Feavearyear & Morgan, Oxford).[102] Therefore, the bank enjoyed a monopoly on its notes being the lone media accepted for all tax payments due, governmentally sanctioned for all official expenditures. This gave the privately owned bank an affiliation with the government that seemed to denote an official status; as a result, the public naturally began to associate the bank with being a governmental entity, when it had never been the actual case in legal terms, again an operation built on semantic ambiguity. Sir Francis Baring (d. 1812) echoed the people's thoughts, commenting later in 1794 that the gullible public has "always considered their notes as government paper" (Bloom, 1935, p. 172). The major conflict of interest was that private ownership meant that control was placed in the hands of a small monopoly that benefited off of interest paid by the public (Quigley, 1966).[103]

Bannister (1859) notes that William Patterson headed the project. Hinting at its low visibility he comments, "The very name of a bank or corporation was avoided, though the notion of both was intended…to soften and remove, the prejudices and bad impression…" (pp. 83-84). These 'bad impressions' were essentially the full disclosures that free societies would legislatively require about such institutions in order to make informed decisions about how to

[102] It brought in £100,000 but it had only possessed £72,000 at inception; the total was a 140% profit per year. When it was rumored the bank lacked the amount of gold to meet its commensurate demand in receipts it was floating, the state declared the receipts legal tender. This narrative is corroborated by numerous scholars of philology and economic history.

[103] William Patterson became involved with William of Orange in 1685. He returned with William's army, became influential and established the North London Water Company. He helped pass the charter for the Bank of England but resigned within one year. Later, he fought the national debt and proposed it be cancelled or paid off. His proposal was burnt. Quigley adds to this phenomenal claim that "This was repeated by Sir Edward Holden, founder of the Midland Bank, on December 18, 1907, and is, of course, generally admitted today".

vote on them. However, Patterson would later become disillusioned with the bank and sell his shares when he realized the national debt he had helped create was an un-payable detriment to the nation, conceding, “The Bank hath benefit of interest on all moneys which it creates out of nothing” (p. 84).

2.3.9 Central Banking and Political Capture

The establishment of the Bank of England was a consequence of wider political machinations as well; the Whig’s were being heavily financed in their war ambitions, and an economy dependent on growth and consumption demand welcomed wars that increased production. Some of his peers described Isaac Newton as puritanical and an “extreme Whig” (White, 1999, p. 232). Equally important is that he voiced no moral qualms about usury. According to Westfall (1983), in Newton’s days at university, and against the standing rules there, he “made loans to a number of … [his colleagues]… though to be sure most of his extensive business in usury was conducted among his fellow sizars” (p. 76). Statesman Charles Montagu (d. 1715) appointed Newton to the title of Master of the Royal Mint in 1696. By then the Whigs had begun to rack up war debts, and the newly created National Debt was growing (Broz & Grossman, 2004).

Newton had made a study of economics with his colleagues John Locke, Francis Brewster, William Lowndes and Jean Boizard. He saw a way out of the financial crisis that was threatening the Whig revolution and its legitimacy. Westfall (1983) writes, “The monetary crisis, which bedeviled the financial crisis by reaching a climax when it could least be tolerated, occupied him almost completely for more than two years” (p. 551). Secretary of the Treasury

William Lowndes wanted to debase (inflate) the currency to repay the debt and Newton was "one of the few who agreed with Lowndes's plan" (p. 555).

Among others, Locke, another ideological supporter of usury who had likewise practiced alchemy with Newton, argued that instead of debasement, the state needed to begin the production of a stable currency by reminting coins, another oscillation back to commodity money. These sentiments culminated into Newton becoming a remorseless vigilante tracker of currency debasers (Solmsen, 1965).[104] Tom Levenson's *Newton and the Counterfeiter* (2011) narrates an account of Newton's pursuit of notorious counterfeiters like William Chaloner, who he would have hanged, part of a narrative of the endemic problem of counterfeiting in London that was accounting for about 10% of all coins (The Science Show, 2013). Lydon (2009) adds, "Chaloner's fatal sin was trying to debase not only England's currency but also Newton's beloved quasi-religious art and science of alchemy" (p. 1). Newton's clear message was that only the new revolutionary authority was allowed to monetize credit and charge interest on it, which was an ideological stance, and another assertion of inertia (White, 1999).[105]

States have traditionally enjoyed monopolies on force. Furthermore, as part of a government's responsibility, preventing the act of counterfeiting is considered by many to be a noble aspect of running a sound economy. However, when private banks are allowed to counterfeit and produce as much money as they wish for profit, it is not hard to fathom why

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[104] Locke and Newton had a strained relationship. In 1692, they had tried to create philosopher's stone together. Yet, in 1693, Newton wrote a scathing letter about Locke's intention to force Newton to be "embroiled" with women. Newton had a manic personality, which is well documented by his biographers. His resignation to live a life of solitude, working on alchemical transmutation, fit his personality, which may have also been scarred by the fact that his mother had abandoned him at a young age to marry a rich man who stipulated in the marriage proposal that the young Newton was to be left with his grandmother. It is only speculation, but psychiatrists or psychoanalysts may make the connection between his documented threats against his mother, bottled up hatred and his later scientific conclusions that elevated strife, gravity and discord over the property of inertia and love.

[105] After the revolution, Newton was able to escape his boring and intellectual stifling life at Cambridge and travel to London's circles of elite. He dined with the king two nights after being elected MP in the 1688 revolution coup of James II, a Catholic. James II was feared for his potential to convert England to a Catholic nation, a notion Newton was allegedly horrified of. Solmsen mentions this on p. 252.

counterfeiters do not respect legal tender laws. Power dynamics are again visible in institutional formations around the support of interest charging and monopolies on credit. One of the most perilous aspects of the Bank of England's development was that the government could have created the exact same paper notes based on creditworthiness (the public's commitments) without paying interest to the bank or any other entity.

2.3.10 Adam Smith's Impact on the Discourse about Interest

The positivist continuum of Enlightenment framing on the discourse about interest continued to influence writers of significance. Adam Smith (1723-1790) was an interlocutor in this discourse, which influenced his philosophy and career trajectory. Smith, a Scotsman from Glasgow, lived through the period of the last Jacobite revolt that had been brutally defeated in 1745. Scotland was attempting to recover from a pogrom and subordination; it was a period of Scottish humility and resurgence in attentiveness towards intellectualism (Winch, 1978).[106] Whig oligarchs recruited the ambitious and aspiring Smith to help augment the principles underpinning regional legal institutions and normative traditions. Motives were explicit; Whigs coveted the prospects of a biddable workforce over constant insurgence, and saw philosophy as a way to encourage industry (Ross, 2010).[107] When Smith returned to Scotland and started lecturing in 1748 at the University of Edinburgh, he transitioned away from his Oxford (Scholastic) training in favor of 'modern' philosophical foundations, which were among other trends comprised of:

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[106] Smith, with his London accent and Oxford training represented the ideal modern Scot, he was also a Whig and did not relate with the common sentiment. Smith studied at Oxford on scholarship but found it stifling, later lamenting about its curriculum's emphasis on Scholasticism and Ontology and its lack of what he considered top caliber lecturers.

[107] Smith's father had also been a Whig. Smith sums up their family's political struggle and plight on page 2 saying "Our forefathers kicked out the Pope and the pretender [to] preserve the pretious right of private judgment".

Newtonian physics, the philosophy of John Locke, and sentimental morals, and within these discussions was the now entirely reframed outlook on interest.

The apparatus of social engineering highly emphasized laissez fair economics, which grew out of a larger "programme for the science of man" that Smith had collaborated on together with his mentor and contemporary David Hume, another important interlocutor (Hume, 2013, p. 1). Smith's belief in what was labeled the 'free market' was strengthened by physiocracy, which was a school of economics popularized by François Quesnay (1694–1774) that derived value from a nation's ability to develop land and agriculture (Vaggi, 1987).[108] Smith appears to adopt Quesnay's discourse via the physiocratic belief that the economy, like the human body, should not be tinkered with.

On the subject of interest, Smith supported the right to charge it and in his epistemological system, "the interest of the use of money…is the compensation which the borrower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower who runs the risk and takes the trouble of employing it; and part to the lender, who affords him the opportunity of making this profit" (Smith, 1776, p. 55). By this time, conflating loans with investments was a standard part of the justification of charging interest. Leaning to the left, Smith further professed his belief in "allowing every man to pursue his own interest in his own way, upon the liberal plan of equality, liberty and justice" (Aspromourgos, 2006, p. 215).

Smith's reliance on interest rates as an indelible mechanism to control the business cycle was in line with his discourse community's stance. Although Smith was willing to debate Jeremy

[108] An interesting note about Quesnay was the effect his background as a physician to the king of France had on his economics. Thus, physiocrats viewed the economy analogous to the human body and so intervention into the human body's natural metabolism was not preferred as to not upset its natural harmony. They also believed in directing commerce and industry through some type of government planning or moral interventions whereas Smith did not. Vaggi offers an interpretation of how Hume's relationship with Smith goes deeper than simply an exchange of ideas.

Bentham, who propagated usury in his *Defence of Usury* (1787), Smith ignores the point that an elite 'fourth class' has occupied money renting. In fact, this aspect is entirely removed from the semantic field of terms comprising an explanation of his political economy. Therefore, Smith and Bentham had a debate surrounding the limits of *how much* interest/usury should be charged as regulated by the state, rather than *why* it is immoral and unnecessary. The fact that it should be charged, for them, is already a given. By attempting to "revalorize the notion of 'usury' Bentham wanted to rupture the tradition linking finance to ethics, for which he had little sympathy" (Mews & Abraham, 2007, p. 7).

2.3.11 Smith's Lasting Imprint on Economic Discourse

Smith's articulation of the Newtonian view of commerce helped shift the field of economics out of moral philosophy and into the realm of physics, and arguably pseudoscience. Essentially, the two fields were reversed; moral philosophy and the study of sentiments became a branch of wider economic study. Smith's value theory, heavily dependent on Hume and John Locke, was that "everything in this world is purchased by labor, and our passions are the only causes of labor" (Hume, 2013, p. 1). However, inexplicably, Smith supported the commodity definition of money. This influenced later thinkers like William Stanley Jevons who affirmed Smith's narrative that money developed from barter, who had a "great influence which helped to condition conventional economic thought for a century" (Davies, 1996).[109] Here we can only hypothesize that this stance was due to the influence of Hume, for whom moral judgments were

[109] This is discussed in the context of how economics now teaches that if banks were to cease existing that society would somehow revert to barter. It is extended through an anecdote Jevons used about a community that would go home hungry if barter did not suffice its trade needs in the Malay Archipelago, a falsely constructed narrative to substantiate banks. The trajectory would continue to leave its imprint and the last remaining usury laws limiting percentages would finally be abolished in 1854.

logically independent of empirical beliefs (Hume, 1752).[110] Moreover, the notion of 'progress' introduced by the French physciocrat Turgot (d. 1781) was becoming commonly accepted (Nisbet, 1980). As was the idea that ethics and economics were separate endeavors.[111]

Smith began his career as a moral philosopher attempting to answer the questions of how and why people make moral decisions. In his first book *The Theory of Moral Sentiments* (1759), he seeks to find out where human virtues come from. He identifies the key to morality and self-identity as social unity, which is enabled through sympathy. He also writes about self-interest, borrowing Al-Ghazali's illustration of the division of labor (Graeber, 2011).[112] With this moral assertion he refutes Thomas Hobbes and Bernard Mandeville in their relativist assertions that benevolence does no good, and that vice is ultimately behind explaining human progress (Boonin, 1994).[113] Interestingly, Smith initially avoids this nihilistic road in his moral philosophy and instead repudiates it, asserting that altruism *is* possible.

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[110] Hume's stance was largely a reaction to mercantilists who overstated the importance of gold as money. Gold and silver were being plundered from the Americas by slave labor during Smith's time and it is hard to understand how his value theory matches his definition of money considering that the Bank of England had been operating for nearly a century using commercial money.

[111] Ann Robert Jacque Turgot (d.1781), in his *A Philosophical Review of the Successive Advances of the Human Mind* (1750) makes the first mention of the idea of progress. For Turgot progress encompasses not only the arts and sciences but also culture comprehensively including law and its application, the economy, institutions and societal norms. Nisbet discusses that (Ch. 5) Hume's embrace of the concept is clear by his assertion that industry leads to refinement of society and virtuosity. In addition to moral arguments it was necessary to demonstrate that commerce led to civilizing; "the more these refined arts advance the more sociable men become…Thus industry, knowledge and humanity are linked together by an indissoluble chain."

[112] Smith's example of the division of labor borrows Al-Ghazali's illustration of how markets work in which he narrates the production in a needle factory. Al-Ghazali explains that different people take on different responsibilities and come together to make the needle, or whatever product, better than an individual trying to complete each individual task himself. Smith repeats Al-Ghazali's words *ipsis litteris*, choosing to use a pin instead of a needle. Graeber covers this in *Debt* (2011). In today's terms, this would be deemed plagiarism. It is noted by some scholars that Smith spoke in morally contradictory ways, one was utilitarian and the other was moral – or as a philosopher who understands morality.

[113] Thomas Hobbes argued that 'good' is just another term for 'that which people desire'; Mandeville goes as far in *The Fable of the Bees: Private Vices, Public Benefits* (1714) as to say that benevolence does no good, and that bad behavior in fact has a positive social impact. Contrasted with Christian values, Mandeville promotes vice as the root of human motivation. Hume and Smith never agreed with this extreme nihilism although some neoliberals would disagree. Smith was influenced by Latin translations of Al-Ghazali (1058-1111) and Smith's conception of why markets work employs Al-Ghazali's explanation that people naturally prefer to cooperate, although Smith dismisses the moral content of that argument.

Seventeen years later, however, Smith published *The Wealth of Nations* (1776) in which he extended his theory on economic growth brought forward by the division of labor and the interconnectedness of people's decisions. As an admirer of Newton's physics, Smith wanted to develop economics as a discipline that operated by its own rules, unassociated to morality or politics. In the work, Smith deviates from the moral conclusion drawn by Al-Ghazali to the incongruous view that market participants are only interested in egoist selfish gain, which is a key reversal.

What matters most is not as much what Smith asserted, but how economists have interpreted his convictions in discourse. In the second half of the 20th century economists like Frank Hahn, Gerard Debreu and Kenneth Arrow presented a certain conception of Smith's ideas about the 'free market' and the 'invisible hand', terms sparingly used in his works. However, classical and neoclassical economists disagree about the central message of Smith's works, especially in *The Wealth of Nations*. Moreover, neoclassical economists assert that Smith's referral to an 'invisible hand' is an acquiescence of the fact that everyone following his or her own greed and self-interest best fosters the economy (Wight, 2002). This reading of the 'invisible hand' has helped catapult the conviction in ostensibly 'free markets' and non-interventionism into discourse recipients' consciousness, extending the occult emphasis on numbers, hypothetical bottom-line profits and an unsound etiological account of money's origins that defines it as a commodity.

However, there are some apparent contradictions in Smith's writings and their interpretations (Dobb, 1975).[114] The word 'fair' is subverted by Smith's usage of 'free' interpreted by later economists to mean an exchange between a consumer and a producer that has

[114] Classical economists tend to focus on Smith's physiocratic stance of deepening the division of labor and mitigating unproductive labor. Smith propagates labor, but does not seem to consider the exploitation of the labor force under his division of labor scheme, which ironically has been an impetus in exploiting labor.

the least amount of cultural or legal market friction between it. Furthermore, Smith does give primacy to the law of price on important items like labor and land. Hence, for economists fair trade is free trade. However, this is possibly a departure from Smith's contextualization of trade stipulations, which mention necessary restraints on governmental oversight and monopoly. He also exempts basic needs like food and shelter. However, the position of economists causes them to reject notions such as fair trade because its framework disrupts their overemphasis on dependence on the law of price. In fact, there are passages from Smith that can entirely reframe what is believed of his episteme. For instance:

> How unnatural, how impiously ungrateful not to reverence the precepts that were prescribed to him by the infinite goodness of his Creator, even though no punishment was to follow their violation! This sense of propriety, too, is here well supported by the strongest motive of self-interest. The idea that, however, we may escape the observation of man, or be placed above the reach of human punishment of God, the greatest avenger of injustice, is motive capable of restraining the most headstrong passions, with those at least who, by consultant reflection, have rendered in familiar to them (Smith, 2010).[115]

It is rare to see Smith contextualized in this fashion. Clearly, economists have ignored this encapsulation of his writings. However, the case can be made that the economics profession has overlooked much of Smith's contextualization in order to make him the scapegoat for the profit-maximization model that has become very damaging to societies and natural systems.

2.3.12 Evolutionary Discourse Merges with Economic Thought

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[115] Credit must be given to a lecture by Prof. Michael Northcott titled "Fair Trade or Free Trade? Competing Moral Economies in a Changing World" for articulating this line of questioning about Smith's different voices, which tend to be interpreted in favor of unrestricted pursuit of the material, whereas there is much said by Smith about certain necessary restrictions.

Smith's views on economics seem to be vitiated by his ideological commitment to the moral Newtonianism that prevailed in his discourse community, that people are driven by their own desires, essentially egoism. Moreover, regardless of his personal conviction in this matter, these notions, along with assuming that people are essentially rational beings driven by greed, culminate in making up the most fundamental assumptions of classical economics. In his *Principia* (1687), a very important passage summarizes Newton's ideological support for institutionalizing 'natural' forces into capitalism:

> …Strength should be the lord of imbecility.
> And the rude son should strike his father dead.
> Force should be right, or rather right and wrong,
> Between whose endless jar justice resides
> Should lose their names, and so should justice too.
> Then everything includes itself in power,
> Power into will, will into appetite,
> And appetite, a universal wolf,
> So doubly second with will and power
> Must make perforce a universal prey,
> And last eat it self up.

Inheriting a similitude of this sentiment, Adam Smith would construe gravity and inertia as economic competition and greed whereby such greed, checked by competition, and under the guidance of an invisible hand, would presumably create a perfect equilibrium of motion within the economy. The notion was prevailing that this assertion could be scientifically substantiated. Furthermore, economists built on this momentum of 'positivism' (to use Comte's term) and progress, creating a basis for establishing a separate field for economics that excluded ethics.

Various influential thinkers would respond to the intellectual assertions of Newton. However, these sweeping conclusions were reframing vitally important traditional truths, and the effects were ruinous. For instance, Anglican priest Thomas Malthus (1834) advanced the

Lockean liberal principles of natural (property) rights and Smith's version of 'competition versus greed' to arrive at an apathetic conclusion, that ethnic cleansing was a somber necessity because of overpopulation. In Malthus's *An Essay on the Principle of Population as it Affects Future Improvements of Society* (1798) he "portrayed the economy as a competitive struggle for survival and a constant race between a population's growth and humankind's ability to improve its productivity" (Beinhocker, 2007, p. 17).

Malthus surmised that the world had a population problem that, combined with the notion of unlimited greed, could only lead to mounting claims on limited amounts of resources (Malthus, 1798).[116] These conclusions then naturally affected policy-making. Malthus worked for the imperialist tool, the British East India Company, known for plundering weaker nations, and his callous philosophy led him to opine for engineered population reduction. He advocated against Anglican Church assistance to the poor and promoted the idea that "Instead of recommending cleanliness to the poor, we should encourage contrary habits. In our towns we should make the streets narrower, crowd more people into the houses, and court the return of the plague", thereby principally encouraging population control instead of dealing with the issue of wealth stratification (Malthus, 1798).[117] This evolutionary economic discourse starkly differed from the normative positions of traditional exchange parameters built on Christian and Islamic ethics (although there has been some interesting pushback to this myth) (Thornton, 2005).

Beinhocker's (2007) *The Origin of Wealth* compares and contrasts the dissemination of English economic ideology that began manifesting in various fields, and most specifically between economics and biology. The connections he presents between ideologues are important

[116] See Chapter II, p.18. Many wars have been launched, including economic and psychological, in defense of this false doctrine i.e. Nazi Germany.
[117] See: book IV Chapter 5 in Malthus and Chapter II where the (now refuted) 'science' of Malthus is on display. Since his postulations, economics has often been called the 'dismal science'.

to note. For example, Charles Darwin (1809-82) would discover his substructure after reading Malthus's thesis. Hindus (1994) notes Darwin remarked that:

> Being well prepared to appreciate the struggle for existence which everywhere goes on from long-continued observation of the habits of animals and plants, it once struck me that under these circumstances favorable variations would tend to be preserved and unfavorable ones would be destroyed. The result would be the formation of a new species. Here then I had at last got the theory by which to work (p. 122).

Thus, "Darwin's great insight into the critical role of natural selection in evolution was inspired, at least in part, by economic ideology. It was not long after Darwin published his *Origin of Species* (1859) that the intellectual currents began to flow back the other way from evolutionary theorists to economists" (Beinhocker, 2007, p. 39). Darwin was a late product of the 18th century Scottish Enlightenment, who had contact with Smith, was influenced by him, and therefore, produced a theory of evolution remarkably compatible with the invisible hand theory of free enterprise economics and natural selection. This is, by every definition, what critical discourse analysts would call a discourse community best described as privileged, and one able to shape social knowledge and create institutions, all of which suit the purposes of power formations within societies (Van Dijk, 2012).

2.3.13 Conclusion

All of the functionalities in the word usury were accepted as the term was discarded. The same phenomenon was called interest, which took on a positive connotation as the cost of money and the legitimate return for money lent, as lending was equated with investing. Open to many interpretations, Smith's writings are used today as support for the continuation of Newtonianism in economics, [*my greed is my inertia and your greed* (competition) *is the only thing stopping me* (gravity)]. Some attempt to defend him from this interpretation, like Noam Chomsky, who in (1995) *Class Warfare* argues that Smith's teachings are exploited.[118] However, most classical and neoclassical economists choose to hail Smith as the father of the 'free market', where greed governs, and the survival of the fittest extends to the marketplace, and what this allows is for interest to serve a function in finance that is difficult to augment (1995).[119]

Smith's articulation of intellectual tradition "endured in the new industrial world that emerged in Britain in the late eighteenth century and prevailed in the nineteenth. Evidence of this is to be found in the currency of the phrase 'the system', meaning the mechanized production unit in which all the parts of the plant [textile mill, etc.] had to cooperate" (Ross, 2010, p. 8). Although Smith never uses the term capitalism, he instead refers to it as 'commercial society', the discussion continues. According to Smith (in Book I Ch. 6), it is "A complete system, governed by and directed to general ends, viz. its own preservation and prosperity" and this ideology embedded in discourse fundamentally describes the 'free market capitalist system' that underpins neoclassical and neoliberal economics today (1776).

Perhaps it is blasé, but this 'system' is best described as promoting a cognitive frame that is distinct in exonerating usury, framing it as a necessity and a right, a rationale justified by a positivist tradition of writings stretching back several centuries. Since this key reversal, mainstream discourse has not revisited the once axiomatic universals prohibiting this action.

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[118] Chomsky further argues on page 19, "What we would call capitalism he despised. People read snippets of Adam Smith, the few phrases they teach in school… not many people get to the point hundreds of pages later, where he says that division of labor will destroy human beings and turn people into creatures as stupid and ignorant as it is possible for a human being to be. And therefore in any civilized society the government is going to have to take some measures to prevent division of labor from proceeding to its limits".

[119] Chomsky thinks that Smith is subversive, however, as poignant as some of his analysis is, he opines for anarchy which is not an alternative; and in many ways it serves as another form of exploitation through the management of chaos. The Adam Smith institute in the UK maintains the stance that Smith does not necessarily mean 'greed' when he alludes to the leading motivational factor of the human being and that "he has in mind a concern for our own welfare that is only natural." However, there is much evidence to the contrary in Smith's two works.

Regarding this, Hawkes (2010) suggests “Perhaps the reason for this neglect is that usury has so successfully remolded postmodern culture in its own image that it has rendered itself, or at least its social and psychological effects, invisible. The fish knows nothing of water” (p. 1).

CHAPTER 3: CONSIDERING THE OBSTACLES OF UTILIZING ISLAMIC ETHICS

3.1.1 Introduction

This chapter builds on the previous discussion and expands on the *maqasid* methodology by considering how this transcendental composite can take into consideration all new sources of knowledge in discourse in order to develop a reimagined vision of ethical exchange. This methodology sets the normative discourse. The chapter first considers some of the various obstacles faced in presenting an analysis from an ethics informed by 'Islam', a term defined herein. It further contrasts 'Islamic' objectives with those of today's overarching capitalist paradigm and addresses the complications created in amalgamating these two different systems.

Part 1: Contextualizing Islamic Ethics

3.1.2 Shariah: Context, Sources and Immutabilities

There are several immutable aspects to Islam.[120] Immutable is God's oneness (*tawheed*). *Tawheed* is a concept that elevates God's transcendent status as the ontologically necessary existent entity, a being above all conceptualizations and physical boundaries. Islam's immutable source is the Quran.[121] Equally immutable, are the sound, authentic pronouncements (*ahadith*) from the Prophet Muhammad ﷺ. All teachings become susceptible to dilution or expropriation

[120] As for immutability, the areas primarily subjected to the ultimate authority of religious texts are beliefs (*'aqa'id*) and ritual worship (*ibadat*); otherwise, the scholarly consensus is that permissibility in all things is the fundamental starting point of rationalizations pertaining to any social issues outside of those *sine qua non* mandates of God.

[121] From the Islamic perspective the Quran enjoys a sublime position in Islamic philosophy and law as the verbatim word of The Creator delivered to the Prophet Muhammad ﷺ, via the angel Gabriel during the 7th century in Arabia.

and therefore in every epoch, reaching an authentic scholarly consensus is necessary for preventing against culturally influenced misreading and or spatiotemporal restrictions in textual interpretation.[122] As the ultimate source of all divine inspiration, God has transmitted messages that stand as the basis of the moral, theological and legal tradition, the Shariah. As a term, Shariah has its linguistic root in the 'path to water', but it also has taken the religious connotation of 'divine legislation', or 'The Way towards correct action'. A simple rendering as 'law' in the Western sense of the word renders a deficient denotation of it. Traditionally Shariah has meant the legal guarantee of the 'rights of humans', which entail life, the protection of property and legal process. It has also differentiated those rights from the ones God has over believers, hence, it is a comprehensive and evolving corpus of legislation that holds the final say on certain fundamental aspects of life, and what things are legislated *halal* (good/praiseworthy) and *haram* (prohibited).

Contemporarily, this word has become a semiotic trigger point because "To many, the word 'Shariah' conjures horrors of hands cut off, adulterers stoned and women oppressed" (Feldman, 2008, p. 2). Therefore, referring to this source as an immutable, in this context, is one observable obstacle for proposing an Islamic ethics.[123] Additionally we must consider the pervasive Orientalist-generated thesis, oft echoed uncritically by Muslims, about the Shariah. That is, that Islamic scholarship closed the gates of exhaustive interpretive reasoning (*ijtihad*), or

[122] In essence, the overall Quranic message is, in essence, no different from previous dispensations, "Nothing is said to you, [O Muhammad], except what was already said to the messengers before you" (Quran 41:43). This ayah endorses the validity of preexisting dispensations (of the Israelites, Christians and others), which has given Islamic civilizations a more tolerant attitude towards multicultural societies historically. The guarantee in the Quran promises its own protection, "Absolutely, We have revealed the reminder, and, absolutely, we will preserve it" (15:9).

[123] Although some of this is attributable to an unsavory image of Islam in the news cycle, there is some validity to the stereotype; the modern nation state has removed the traditional institutions for cultivating Shariah scholarship, which has rendered it an ineffectual and punitive practice as implemented in many modern contexts.

relegated it only to an elite class (Kamali, 2003).[124] This idea emerged in the context of an Orientalist attempt by Schacht (1965) and others to cast the Shariah as inferior to Enlightenment principles. This ‘reconstruction’ has been challenged by Muslims, but also by academics of non-Muslim background. For instance, there is the argument of the scholar of Sharia, Wael Hallaq (1984), who calls this narrative a ‘myth’ designed in order to prove the inflexibility of Islamic law, all of which served to foster the integration of Muslim lands into capitalist nation states.

Hallaq’s later work (2012) *The Impossible State* expands upon all of the moral, political and economic issues that are quintessential parts of the modern nation state. He further explains why the deleterious effects of the nation state program make merging it with the ethical nature of the Shariah an impossibility, elucidating why modern attempts to do so have been unsuccessful models focused on overly punitive aspects of law. He further argues that the modern state has its own idiosyncratic history, formulated out of everything but altruistic diplomacy, and thus it remains an unsuitable vehicle for direct transference and application in Muslim societies (Anderson, 1998).[125] Additionally, the colonial dismantling of the institutions necessary for cultivating Shariah, like endowments (*awqaf*) and religious schools (*madaris*), led to their replacement with European legal codes contextually insensitive and often irrelevant to non-European societies. The classical application of Shariah in Islamic societies was not punitive; to the contrary, Shariah was an ethical institution with the sole purpose of functioning as a maintainer of social harmony and cohesion and it prevented the centralization of power by giving local judges the authority to mediate between disputing factions.

In a classical context, the basis of morality in the Islamic episteme begins with God’s definitive descriptions of right and wrong: “Have we not shown him the two highways [of good

[124] Kamali’s text focuses on the principles of *Usul al Fiqh* wherein he takes up this thesis and in the process cites Schacht, Coulson and other Orientalists as authorities on this contentious interpretive history of Islam.
[125] Anderson offers a chronology of how diplomacy came about in Europe.

and evil]?" (Quran 90:10). Although profane logic would opine that certain behaviors, and aspects of business are innocuous (i.e. drug trafficking or pornography), the Islamic perspective, on the other hand, fundamentally begins with *accepting* the prohibitions of the Shariah regarding such things *without necessarily* reaching the *telos* for them, thus, differentiating between the wisdom (*hikma*) and the obligation is important. This is because the virtue of obedience has an inherent metaphysical aspect connected to recompense in the after-life.[126] Yusuf asserted this difference at the 2010 conference in Oxford, declaring that by their very essential natures the Shariah and the post-modern world's capitalist nation state are 'non-complimentary paradigms'.

3.1.3 The Islamic Legal Tradition and the Human Task of Interpretation

It is often said that the problem with religious textual interpretation is in the faulty understanding of its interpreters. Within mainstream Islamic thought, exegetical methods have historically centered on issues like whether to interpret verses with naturalistic or formulaic language (Hawting & Abdul-Kader, 1993).[127] Meaning is an incredible phenomenon and linguists are constantly having to update theories on language transmission. Yet, interpreting the Quran is not purely a rational pursuit, it requires context, which is the justification of why a messenger is necessary.[128] In the Quran, there are successive reminders to "…obey God and obey the messenger" (Quran 4:58) and that "Whatever the messenger gives you, take it and

[126] Surah Al-Taubah (9:11) elaborates on this principle of later rewards in a bargain/pact between believers and God: "Surely Allah has bought of the believers their persons and their property for this, that they shall have the garden; they fight in Allah's way, so they slay and are slain; a promise which is binding on Him in the Taurat and the Injeel and the Quran; and who is more faithful to his covenant than Allah? Rejoice therefore in the pledge which you have made; and that is the mighty achievement".
[127] This source is an academic work undertaken in the modern age, including issues that the classical exegetes like Tabari and Ibn Kathir faced (such as discerning problems related to genre).
[128] A befitting manner for Him to propagate his message, "Just as We have sent among you a messenger from yourselves reciting to you Our verses and purifying you and teaching you the Book and wisdom and teaching you that which you did not know" (2:151).

whatever he forbids, abstain from it" (Quran 59:7). Some rulings are plainly clear, whereas others require a study of the Prophet's actions, his Sunnah and the context (Abdal-Haqq, 2002).[129] Departure from this epistemology appears when questions arise not directly answered from reading the corpus of Islamic texts, and this is where the culpability of the rational component comes in to play.

The Prophet ﷺ encouraged the interpretive effort of independent reasoning (*ijtihad*) in his well-known exchange with the companion Muadh Ibn Jabl where Muadh was asked what he would do if solutions for a predicament were not found in the religious canon, to which Muadh replied that he would use reasoning (Glasse, 2008).[130] Thus, scholarship is also dignified in its interpretive role and its utilization of rationality (*'aql*). Hallaq classifies the manner in which legal sources came to utilize interdisciplinary methods of legal reasoning, interpretation and the sanctioning instrument of consensus (*ijma'*); he highlights that creative jurists (*mujtahideen*) representing the community at large can render issues conclusive and epistemologically certain. This process of reasoning, "subsumed under the rubric of *qiyas* (analogical reasoning)" represents the fourth source of Shariah. Alternative methods are based on "juristic preference (*istihsan*) or public welfare and interest (*istaslah*)" (1997, p. 1).

[129] The Sunnah, however, is not analogous to hadith (a written report of something the Prophet did). Hadith are susceptible to fabrications and numerous other issues like the ambiguity of context in certain narrations. Hadith scholarship is an entire discipline in itself, which tries to verify the limitations and scope of the hadith, whether it is something accurate, or whether it was something situational, dated, or even abrogated. The Sunnah then, is something that was an actual Prophetic practice, established with the Prophet's ﷺ intent of the act being to facilitate later replication of the act by his followers. Confirming what constitutes a Sunnah is verifiable through the observation of that established practice being replicated elsewhere by the Prophet's family and closest disciples. Thereafter established, it would gain acceptance by an undeniable majority of people who were witness to its formation. Abdal-Haqq's view is classical, that the hierarchy of authority in Islam is best expressed through the verse (*ayah*) in Surah al-Imran that states: "O you who have believed, obey Allah and obey the Messenger and those in authority among you. And if you disagree over anything, refer it to Allah and the Messenger, if you should believe in Allah and the Last Day. That is the best [way] and best in result" (Quran 4:59).

[130] Muadh was on his way to act as a judge in Yemen; the Prophet ﷺ asks Muadh what he will use to judge if the Quran and prophetic practices have no precedence in a matter, and Muadh replies "*ijtihad*", to which the Prophet approved (p. 188).

The way in which the immutable sources are used varies, as does the approach to ensuing judgments. Reiner (1983) enumerates that by the end of the 11th century "these different approaches had crystallized into four schools of thought (*madhhab*). These were the Hanafi (named after Abu Hanifah), the Maliki (named after Malik Ibn Anas), the Shafi'i (followers of Muhammad Ibn Idris al-Shafi'i) and the latest school to develop, the Hanbali" (p. 200). These schools essentially established the normative scholastic tradition in Islamic thought, and it is the continuum of thought evolving from this corpus of knowledge that is referred to when the term 'Islamic' is used herein.[131]

During the evolution of the legal schools, differences of opinion were tolerated because at the root of the Islamic system of legislation (*usul al-fiqh*) is nuance, flexibility and calculated ambiguity. Al Ghazali says, "The roots (*usul*) of moral discernment (*fiqh*) are the indicators (*adillah*) [that point] to [moral] determinations (*ahkam*)" (Al-Ghazali, 1997, p. 5). However, aside from the cut and dry injunctions that in Western legal terms would be classified as statute law, in Islam there are more fluid directives, possibly comparable to constitutional law, whereby a judge or someone of authority is not restricted in his or her ability to make concessions or amendments to the legal limits (Johnston, 2004).[132]

3.1.4 Human Fallibility and Attaining Certainty

[131] The focus here is on how mainstream Islamic discourse has treated these issues, and not on strands within Islamic thought. In orthodox Islamic legal theory, incremental and fluid development of the Shariah emerged over a span of several centuries, reaching its final stage as an integrated methodology in the 10th century. Whereas prior to that point it was rudimentarily assembled in various ways by various approaches.

[132] Quranic verses related to this are categorized as *'qa'tiatil dilala*, meaning that they are predisposed to suit multiple interpretations. Additionally, methodologies differ in trying to ascertain the answers to hypothetical answers. Some prefer scholarly interpretation made from personal independent reasoning (*ijtihad*); others prefer to achieve consensus with logic and analogical reasoning (*ra'y* and *qiyas* respectively).

The Shariah therefore is interminable, and can never be annulled by Muslims in their personal lives. Acceptable Shariah reorganization (*islah*), then, can manifest in method, but it cannot happen faithfully through esoteric annihilation of the law; nor can it evolve precisely as Enlightenment thinking did, by seeking to reduce the religiously inspired law to its lowest common denominators and relative principles in order to asphyxiate potential disputation (Ward, 2008).[133] Nevertheless, certainty in some affairs remains elusive. As Ibn Qayyim (d. 1350) has noted, fatawa (edicts pl.) are simply human, non-binding attempts to approximate what God *may* intend or want (Al-Jauziyah, 1991).[134] Notably, the classical Arabic word for 'certainty' (*yaqeen*) is used in the Quran in one context to mean death, implying that entire certainty is not always possible in this domain; "And worship your lord until there comes to you the certainty/death" (*al-yaqeen*) (Quran 15:99) (Ar-Razi, 1990).[135] Lastly, certainty is contrasted with despair, and it is a tenet of faith to never give in to despondency. As the renowned scholar of creed Imam At-Tahawi (d. 933) understood it, people should remain conscious of God's final reckoning, but also remain hopeful about His mercy (Pill, 2014).[136]

3.1.5 The Prophetic Example in Ethics

[133] Again, refer to the unfolding of the Western tradition's trajectory that arrived upon a distinctly different view of human rights and the role of the human being in the universe.
[134] Remaining fully cognizant of human limitations provides a context of emphasizing human fallibility versus God's infallibility. The renowned scholar Ibn Qayyim Al-Jawziya (d.1350) famously addressed the issue of calling one's own fatwa 'a ruling of God' with full certainty – that a fatwa is only a fallible human attempt to articulate God's intended meaning.
[135] The classical exegete Al-Razi expounds *yaqeen* in the following manner; "That Day, the people will depart separated [into categories] to be shown [the result of] their deeds. So whoever does an atom's weight of good will see it, And whoever does an atom's weight of evil will see it" (99:8).
[136] Pill relates this from Abu Ja'far al-Tahawi al-Hanafi's (239-321 AH) point number 60 from the famous summation of 130 beliefs in *Aqidah al-Tahawiyya*.

With the legal sources characterized, we now need to focus on what the essence of an Islamic ethic is. One Prophetic tradition is expressly cumulative, that, "Actions are only but by intentions" (Zarabozo, 1999, p. 1). The connotation is that the essence of *akhlaq* (character) is purity, an inward action (Nasr, 2002).[137] Another impactful Prophetic tradition is the eminent proverb, "I was *only* sent to perfect noble character" (Zarabozo, p. 1). Aisha, the wife of the Prophet ﷺ, said of him "He was the embodiment of the Quran" (Muslim, n.d.). The Quran confirms in the second person, "Indeed you [Muhammad] are of noble character" (68:4). This type of emphasis on personal virtues translates into today's terms as virtue ethics. Reinheart (1983) hypothesizes that schools of jurisprudence were not compelled to classify ethics (*akhlaq*) as a standalone science because theology, philosophy and ethics were all integrated into one normative body of thought and practice as an ample amalgam, classical *fiqh*.

However, in developing an applied ethic for how Muslims should behave contemporarily in an environment entirely different from that, which witnessed the birth and spread of Islam, careful articulation and introspection is necessary. In contemporary society, there has been a lack of emphasis in this area, and this has been problematic. For instance, ethicist and sociologist Raymond Baumhart's classic study on business ethics asked over 100 businesspeople, "What does ethical mean to you?" Over 50 percent of the respondents defined ethical as "What my feelings tell me is right," and 25 percent defined it as whatever is "in accord with my religious beliefs," (Velasquez, 2006, pp. 7-8). The subject matter that ethics investigates is morality. Velasquez defines morality as "The standards that an individual or group has about what is right

[137] The Muslim belief is that the Prophet Muhammad ﷺ was an exemplary figure in demonstrating ethical behavior in a wide variety of difficult scenarios, including but not limited to: his ability to deal with persecution, attempted assassinations, economic exclusions and boycotts made against his family and followers, physical abuse, libelous attacks and experiencing the tragedies of war. The moral qualities and virtues espoused by the Prophet ﷺ in various situations translate into the essence of Islamic ethics, which at its core is an attempt at replicating prophetic character to one's own abilities whereby attaining prophetic virtues is the *telos* by which God is pleased.

or wrong, or good and evil" (p. 8). Thus, different communities ascribe to different moral standards, and moral standards are based on impartial considerations, not law or legislature. In contrast, non-moral standards are "the standards we call the law by which we judge legal right and wrong" (p. 9). Thus, it becomes clear that actions can be deemed legal, and yet very divergent from what is right.

In regards to how the Islamic tradition would articulate it, a ruling from a jurist (*faqih*) deeming an action legal does not necessarily mean the action is ethical. In fact, a legal action may be entirely unethical. We can see for instance the prophetic narration that "I am only a human being, and you people (opponents) come to me with your cases; and it may be that one of you can present his case eloquently in a more convincing way than the other, and I give my verdict according to what I hear. So if ever I judge (by error) and give the right of a brother to his other (brother) then he (the latter) should not take it, for I am giving him only a piece of the Fire" (al-Bukhari, 1987, p. 281). The Prophet ﷺ was not himself a theorist or philosopher. Rather, he as all prophets were, was an inspirational figure that encouraged and inspired people towards better behavior and upholding justice.

3.1.6 Prioritizing the Higher Objectives: The *Maqasid Al Shariah*

The ideas of seeking justice, fighting against tyranny and covetous behavior are indeed collective principles. Muslims cannot make a claim that they are in any way only 'Islamic' principles. However, there is an established tradition within Islamic thought of identifying and examining such principles. The 'higher objectives' (*maqasid al-shariah*) (plural) is a methodological classification of thought that ruminates on the philosophy underpinning the

Islamic legal tradition. It identifies virtues and principles. Developing axioms from *maqasid* understandings facilitates the transference of the Prophetic virtue ethics into applied practice. The *maqasid* are human attempts at explaining the teleological purposes behind Islamic moral teachings and legal decrees. The profound expansion in this area emerged around the fifth Islamic century. Auda (2008) categorizes the historical development of *maqasid* theory into three chronological periods: the era of the companions, the foundational era of Islamic schools of thought, and the successive epoch between the 5th and 8th centuries CE.

As time elapsed and certain contextual Shariah constraints became problematic for scholars, it was identified that that societal needs were shifting and evolving, and that some societal norms could become needs as new means became available. Scholars developed concepts like ‘unrestricted interests’ of the people (*al maslahah al mursilah*) in order to compensate for the dependence on analytical reasoning (*qiyas*) in areas where textual ambiguities involving the immutable sources caused problems with legal rulings.

Starting with Al-Juwaini (d. 1085) a trend in scholarship dealing with a more complex world sought to identify the rational basis of the Shariah, the “Purpose, objective, principle, intent, goal, end, or principle in the Islamic law” which in other words could be understood as pursuits in the “interest of humanity” (p. 4). Al Juwaini’s *Al-Burhan fi Usul al-Fiqh* (*The Proof in the Fundamentals of Law*) was the first treatise to construct a legal theory for different levels of societal needs by classifying: necessities (*darurat*), public needs (*al-hajah al-aamah*), moral behavior (*al-makrumat*), recommendations (*al-mandubat*), and anomalous things not attributable to any specific reason.

On the meta-question of why Allah revealed the Shariah, scholars have weighed in differently. Al Juwaini proposed that it was for the protection (*ismah*) of people’s faith, souls, minds, private parts (honor), and wealth (Al-Juwaini, 1977). He further hypothesized that if all legal theory vanished, a faithful reconstruction of the Shariah could be reassembled from using "fundamental principles, upon which all rulings of law are based and to which all rulings of law converge" (Al-Juwaini, 1979, p. 434). Notably, a key element of business and trade he identified was that all trade should be based on mutual agreement, that manipulation, speculation and usurious agreements were prohibited because of the disadvantage they placed the weaker parties in.

Al Juwaini's student, Abu Hamid Al Ghazali (d. 1111) believed the *maqasid* were simply a means for achieving the realization of human benefits in this world. However, his faithful adherence to the (Shafi'i) legal tradition restrained him from giving the *maqasid* independent legitimacy (*hujiyah*) (Auda, 2008).[138] He expanded on the necessities of his teacher's classification in his *Al Mustasfa* (*The Purified Source*), which consisted of the preservation of religion, life, lineage, intellect and property (Al-Allaf, 2003). Thereafter these categorizations were widely accepted as the Shariah standard par excellence (Al-Ghazali, 1997).[139]

However, a significant departure would occur. Imam Abu Ishaq al-Shatibi, a prominent medieval Maliki scholar from Andalus (d. 1388), incorporated the *maqasid* into his legal thinking. Al-Shatibi's *Al-Muwafaqaat fi Usool al-Sharia* (*The Reconciliation of the Fundamentals of Islamic Law*) made three significant improvements to the science. First, he expanded on Al-Ghazali's conception of *maslaha* by dividing all human needs into three

[138] It should be considered that Auda's training in systems analysis has given him a different perception of dissecting concepts within an overall macro-analysis of the Islamic corpus of knowledge as an episteme, or system of knowledge. In the modern era, Maslow organized a human hierarchy of needs ranging from basic physiological requirements to then moved on to the emotional support systems like love, to the final point of 'self-actualization'. Maslow's suggested five levels of needs later became seven, which Auda contends, is a natural progression of thought similar to the way the *maqasid* has grown in the minds of Islamic scholars throughout time.

[139] See page 416 where Al-Ghazili elaborates on the concept calling it 'unrestricted interests' (*al-masalih al-mursilah*). Al-Ghazali's definition of the *maslahah* is imbued with the deeper understanding as that which 'secures a benefit' or 'prevents harm'.

categories according to their religious significance. Since he believed the *maqasid* to be "fundamentals of religion, basic rules of the law, and universals of belief" he unpegged the 'unrestricted interests' from their delineation and made them 'fundamentals of law' (Al-Shatibi, 2003, p. 25). He also made a radical departure from classical Maliki thought by shifting the 'wisdoms' (*hikma*) behind rulings to becoming the 'bases' for rulings (El-Raisouni, 1992).[140] Furthermore, Al-Shatibi argued for the status of attaining certainty (*qat'iyah*) by using the inductive method, arguing that it was not speculative (*dhaniyya*), a departure from a heavy dependence on Greek thought that had dissuaded philosophy-based arguments in that manner.

Al-Shatibi's proposals, which called for accepting induced universals to serve as the basis of the Shariah was a fundamental shift in methodology. In fact, it could be misconstrued in some respects as a thrust towards the esoteric if not carefully constrained. His contemporaries widely rejected this shift and it failed to secure the status of 'consensus' (*ijma*). However, despite the historical preservation of certain theoretical limits in Islamic thought, researchers have noted the popularity of the *maqasid* being reintegrated in 'modernity' as both a philosophy and a method of determining the *ratio legis* ('*illah*) behind Islamic injunctions. According to Johnston (2004), since the 1970s the method has grown even more significantly, witnessed in works such as Ibn Ashur's (d. 1973) *Treatise of Maqasid Al-Shariah* (2006), as well as in work by Rane (2010).[141]

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[140] See El-Raisouni on p. 169 where he discusses that Maliki fiqh usually gives precedence to specific and partial evidences (*daleel*) over general principles that can transcendentally permeate into various fields. This is a major move towards philosophical rationalism. He made the caveat that knowledge of the *maqasid* should be a condition for the correctness of juridical reasoning on all levels. This is something accepted although not practiced with as much cognizance as necessary.

[141] This arguably begins with the Tunisian scholar Muhammad Al-Tahir Ibn Ashur (1879- 1973). He fashioned a criteria by which to approach the prophetic hadiths, which would seek to understand the intentions behind prophetic actions. In his method, he differentiates contextual restrictions of time and place in realms of prophetic commentary regarding different issues like political statements, conflict resolution and marital advice. He also interjected modern concepts into the discussion on the original five *maqasid* and extended them to include freedom, rights, civility and equality. Professor Halim Rane has utilized the *maqasid* to look at issues of human rights, political struggle and Islam's relationship with the West. Rane gives context to why the *maqasid* approach is both true to Islamic values and mandates from the Quran and Sunnah, but at the same time takes more contemporary context into consideration than an ultra-literalist approach.

Nonetheless, some Muslim scholars have pointed out the associated dangers of putting too much of an onus on the *maqasid* as an independent 'school' by raising the concern that the legal tradition can be circumvented by over-rationalizing and over-emphasizing 'social benefit' to the point where the intents of the Shariah are manipulated to suit 'other' aims (Al-Allaf, 2003).[142] Historically though, identifying the ethical higher objectives behind Islamic rulings has added a multi-dimensional vastness to the classical Islamic tradition (Raysuni, 2005). And it is towards identifying such moral ends within the boundaries of the legal tradition that this research seeks to extend the utilization of the *maqasid* to the realm of human affairs, chiefly to commercial exchange and the discussion of how rights are infringed upon in markets (Soualhi, 2009).[143]

3.1.7 Arriving Upon a Methodology in Islamic Ethics

Muslims have preserved a rich tradition that encompasses all spheres of life, but in the 'modern' era, they have struggled to negotiate an applied ethics, imbued by Islam, whereby religious values and higher objectives (*maqasid al-shariah*) visibly benefit greater society in the public sphere. There are numerous reasons why, most notably of which is modernity's disastrous annihilation of the traditionally cohesive Muslim political system, indispensable as the historical

[142] Ibn Taymiyyah (d.1328) for example, believed that the purpose behind the divine law was simply to achieve justice. Others argued the purpose was merely for attaining happiness. All of these views are essentially complementary according to Al-Allaf. One of the earliest contributors to the concept was Abd al-Malik al-Juwayni (d. 1185 CE). He used *maslahah* and *maqasid* interchangeably; thus, to al-Juwayni the peoples' 'public interests' were, in fact, the 'higher objectives' of the Islamic doctrine.

[143] Different Muslim commentators have arrived upon different definitions of the ultimate ends and objectives through utilization of *ijtihad*. Building on the precedent of the prophetic usage of *ijtihad* as well as that of the companions, different scholars induce different principles from the Quran and Sunnah. Yet, different names have been applied to what we can view as a comprehensive understanding of the exact same phenomena. Younes Soualhi argues that during Al-Shatibi's era attempts were made at utilizing the *maqasid* as a method in order to revitalize the methods of inference, but that this has ultimately had little effect on the dynamicity of *fiqh*. He is rightly critical, that often, scholars subsumed in fulfilling the letter of the law have overlooked the spirit of the law.

protector of requisite Islamic ‘rights’ (*huquuq*). Nevertheless, the reality is that Western secular civilization has come to dominate in determining the acceptable forms of political and economic expression, as well as dissent. Subsequently, Muslims like others, have imbibed secular Western values, which have consequentially affected their interpretations of religion. But such amalgamations have created problems because of secularism’s irreverent sequester of religion to the personal sphere, which diminishes the traditional role it has played in shaping ethics and law; this phenomenon threatens essential components of citizens’ identities who feel that religious identity is a major part of ephemeral existence on earth (Ar-Razi, 1990).[144]

In the mid-20th century, M.A. Draz developed an ethical theory based on concepts that emerge from the Quran, which center on: obligation, responsibility, sanction, intention and inclinations, and effort. Several writers on ethics have utilized Draz’s framework, yet much has transpired since then in terms of how complicated various fields have become.[145] In his (2008) *Radical Reform,* Professor Tariq Ramadan seeks ways of continuing the pursuit for a transformative paradigm shift in the approach to an applied Islamic ethics through a combination of scholastic Islamic thought in tandem with an emphasis on the *maqasid*. In the work, he makes three propositions, which stem largely from propositions made by Ibn Ashur (2006) decades ago. (1) Muslims must reconsider the “terms and modalities of the reform process (*islah*, *tajdid*)” because the preexisting modalities have reached their functional limits. (2) “The geography and sources of *usul al-fiqh* must certainly be reconsidered” because it is no longer enough to rely only upon “scriptural sources” in order to “examine the relationship between human knowledge

[144] Al-Razi builds a human needs theory. Classically ethics in Islam used to be called *ilm-al-akhlaq*, more similar to virtue ethics, whereas contemporarily the shift in ethical focus has witnessed gravitation towards an evolving applied, or meta-ethics. In a challenging field that requires a pronounced capability of navigating both the Western tradition and the rich Islamic legal tradition.
[145] In practical ethics, other others build *ijtihadaat* on ethical models that mimic Platonic or Peripatetic (Aristotelian) models, such as Ibn Miskawayh’s *Tahdib Al-Akhlaq*.

and applied ethics". (3) "The center of gravity of authority in the Islamic Universe of reference must be shifted by ranking more clearly the respective competences and the roles of scholars in the different fields" (pp. 3-4).

Ramadan's methodology was inherited from the prodigious discussion surrounding how to best arrive at legitimate understandings of Islamic textual sources, how to reconcile content related to textual ambiguities, and how to find harmony between faith and practice in sundry environments. In this sense, he displays a lucid respect for the sources of the legal tradition and emphasizes *faithfulness* to them. Still, the manner of such advocacy is not without criticism, strife and conflict from numerous angles. Nonetheless, the entire discussion leading up to this point forces taking a normative position in discussing concepts like usury, interest and money, which affect the rights of people. Therefore, the remainder of the thesis will extend and expand on these three propositions in examining the institutional realm of capitalism (neoliberalism, 'Islamic' banking, etc.).[146]

3.1.8 Extending and Expanding on the *Maqasid* Methodology

Epistemology can be understood through analyzing methodology and tacit categorizations of knowledge. Ramadan opines that scholars today, like the scholars of old, can employ the tools of evaluation and *faithfully* weigh issues lacking historical precedent or articulation in religious texts. Regarding Ramadan's first proposition about changing the terms and modalities of *fiqh*, he argues that the way 'critical reasoning' (*ijtihad*) has been approached in modernity has reached its limits. He further points out that Muslims want to participate in society, as Islam calls for them to do so, but that they do not want this participation to force a

[146] Expansion here in means a word's employment as a rhetorical device.

ceding of their dearly held values. Furthermore, secularism has proposed big challenges, and for centuries, Muslims have largely been simply “adapting” to all of the changes associated with the annihilation of the traditional economic, civil and political systems that previously addressed these issues in Muslim societies.

Such adaptation cannot bring the change needed, and as Ramadan puts it, the “crises are still there and are getting deeper” and “Muslims seem to be at a loss for a vision and projects for the present and future” (p. 7). Therefore, the conclusion he draws is that the modalities of reforming the methods and approaches have to be reconsidered in order to produce “transformation reform which equips itself with the spiritual, intellectual, and scientific means to act on the real, to master all fields of knowledge, and to anticipate the complexity of social, political, philosophical, and ethical challenges” (p. 3).

There is not anything profoundly new about these propositions, and Ibn Ashur preceded Ramadan in this dialogue. However, contemporarily dealing with the second one, which necessitates changing the contents and geography of the sources of *fiqh*,is a task that requires Islamic scholars to refer to the “Universe, the social and human context” as a “source of Law” and not merely an object or fact of law to be considered (pp. 82-83). Because only then, Ramadan opines, will transcendental change come to fruition because Islamic scholars “cannot lead the way alone” (p. 4). Reminiscent of Al-Shatibi’s medieval proposal, there are associated dangers about this slippery slope towards perpetual and unrestrained rationalism, which is possibly the reason why this method never reached the status of consensus.

But why Ramadan thinks this is necessary is his contention that the world changes so drastically *now* that the phenomenological innovations and applications through various sciences are far surpassing the abilities of Islamic scholarship in its ability to even react to the systems and their growing epistemic knowledge. This argument is indubitably true and is substantiated in examining the lacking scholastic erudition displayed in current fatwas. Therefore, rather than remaining in a perpetual condition of reactionary philosophy, and slow at best responses, what is suggested is a dynamic leap to the next paradigm in consciousness – fundamentally changing the approaches to the way Muslims view knowledge in contemporary times.

Ramadan's rationale focuses on expanding the instruments available within the classical tradition utilized for understanding Islamic philosophical legal theory and praxis (*usul al fiqh*). Over the last few centuries, such relentless pursuit of rational truth seems to have diminished in the Muslim world and Ramadan complains that the dearth of sophisticated critiques is one of the "evils undermining Islamic thought" (p. 4). Such thought never leads to transcendent thinking. Hence, in order to achieve transcendence, the relationship between human knowledge and applied ethics cannot rely purely on Islamic textual sources. Scholars of modern sciences and sub-fields cannot only "shed light on scriptural sources" but must also "constitute a source of law on their own" (2008, p. 83).

This has been proposed before in a similar manner. However, the most contentious aspect of his analysis is in his third proposition, that the authority of knowledge must be shifted, and that Islamic scholars should be placed on "equal and permanent footing" with (secular) technocrats of each field (p. 2). Ramadan argues that what is required in order to produce *fatawa* that are truly transformative, is that the scholars of the texts (*nusus*) and the scholars of the various branches of knowledge (*khubara'*) must come together in producing *fatawa* aimed at reaching the higher objectives (*maqasid*). On one hand, Ramadan says that his argument is "much clearer and more radical than simply calling for a punctual consultation of experts and specialists (*khubara*') in the different fields of knowledge (pp. 4-5). On the other hand, as one observer notes "he does not specify how such a [consultative] body is to be established, who would fund it, how it would function, or from where it would derive its authority. As a result, the idea remains vague" (Al-Mutawa, 2012, pp. 311-312). Thus, there is some functional ambiguity on how each community will integrate these knowledge exchange colloquiums.

These far-reaching recommendations have drawn substantial criticism. Some secular academics have argued that the way this is proposed seems to have an unambiguous inclination towards natural law (March, 2010).[147] It is also alleged that Ramadan seeks to "dissolve [Shariah] law and its frame of mind in favor of holistic ethics" (p. 266). Such accusations cannot be entirely ignored, but after a serious study of what is actually proposed in his text and numerous expansive presentations, one must conclude that this is not the case (Baum, 2009).[148] Despite all of the criticism and opposition, and some functional ambiguities that remain in the third proposition, Ramadan displays his cognizance of the issue being addressed herein. The fact that Ramadan has identified neoliberal capitalism precisely as a paradigm that contains within it "homogenizing" factors that have the propensity of manifesting in what he calls "murderous" manners, speaks to the lucidness of his analysis, and further refutes the idea that he is simply pandering to audiences yearning to hear populist rhetoric. However, he is still accused of such and much worse according to Bawer (2010), and Berman (2010).[149] Nevertheless, the fact that his take on the *maqasid* methodology is robust in extending the dialogue to a sphere wider than

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[147] In Andrew March's critique of *Radical Reform,* he appears either unwilling or unable to distinguish the difference between Ramadan's usage of "applied ethics" and that of "law".

[148] Baum argues that Ramadan's methodology attempts to remain faithful to Islamic principles while at the same time attempting to integrate through 'pillerization' and finding honest spaces of negotiation within multi-cultural polities.

[149] The attacks come from various perspectives, take for instance this study that claims that Tariq Ramadan is trying to undermine the West and that his comments against capitalism undermine him as a potential bridge builder. Much of Bawer's argument is incoherent. He accuses Ramadan of "habitual practice" of "taqiyya" the age-old art of religious dissimilation, a practice that – although practiced by certain Islamic sects – is not even allowed in Orthodox Islam. In addition, the attacks against Ramadan come from within the community as well. For instance, Paul Berman identifies Bassam Tibi as a bridge builder because he thinks Islam should be practiced privately whereas he condemns Ramadan's support of finding a way to be faithful to the Shariah while still maintaining faithful citizenship to Western nations.

just a coterie of Islamic scholars in a way that addresses power makes it a very effective platform for discussing institutional power.

3.1.9 Further Methodological Expansion

Expanding principles and axioms can be very beneficial. However, essential caveats are needed are in primarily two areas: (a) the methodology behind determining beneficial knowledge in the sciences, and (b) how the relationships should be governed.[150] If the higher objectives are not properly contextualized, what may result is the championing of a flawed and obfuscated system of knowledge. Nadwi (2012) has been vocal about warning of such potential deconstruction of the Shariah by way of promoting the *maqasid* as a source of law and rendering the Shariah to mere principles, easily taken apart and reconstructed in any neo-rationalistic desired manner.[151] Therefore, in the first case, some necessary precautions should be taken when placing the ‘textual scholars' and ‘contextual scholars' on the same footing. This is because the issue of authority is so pivotal and because not all knowledge is value-free. Sometimes the

[150] Putting scholars of any science on par with textual scholars on a permanent basis and on equal footing, however, is still tricky, because by extension, even with the noble intention of safeguarding it, this proposal opens the door to the possible further annihilation of the Shariah. Because what Ramadan proposes is to widen the scope of the classical higher objectives in Islam by identifying and universalizing certain Islamic principles, which those qualified can then reorganize rationally. On page 138 he reduces the *maqasid* to "respecting and protecting Life (*hayah*), Nature (*khalq*, *tabiʿah*), and Peace (*salam*)". My trepidation is valid though and I elaborate further on the historical reasons for this in Chapter 5 where I discuss how Muslims reduced much of the Shariah to principles in the development of ‘Islamic' banking. Under descending levels of importance the *daruriyyat* (the essential), the *hajiyyat* (the complementary) and the *tahsiniyyat* (the desirable or the embellishments), the five objectives (*maqasid*) of the *maslahah* are life, faith, intellect, lineage, and property. Other scholars have added honor as a sixth universal principle.

[151] At the Oxford Centre for Islamic Studies Mohammad Akram Nadwi has written on the topic at nadwifoundation.co.uk about the dangers of manipulating the *maqasid*. He argues that Islamic finance is essentially a farce because moneylending is not Islamic and neither is creating money out of thin air as an arithmetic trick of accounting. This, Nadwi argues, is done in the name of breaking the Shariah down to principles and then applying them in any way desired in order to appease investors and banks.

intrinsic values within a given science are antithetical to human freedom, even though they may have become institutional norms in society.[152]

Van Dijk argues that opinions and ideologies involve both beliefs and mental representations. Ideology plays a critical role in coaxing people toward action. It also succeeds in validating the psychological feelings that mobilize people towards action and provides the terrain on which people acquire perceptions. Van Dijk's definition of ideology is interdisciplinary, as is this study's inquiry. However, where it is underpinned by naturalism, this study differs. Regarding the normative stances taken in being critical of the abuses of power, we need to replace the relativism that underpins naturalism with ethics that refer back to a worldview that recognizes the divine in a context that places man in a dignified role in the universe, as a responsible custodian on earth (*khalifa*).[153]

Therefore, we must take a cognitive perspective, one that does not look primarily at personal beliefs but at institutional beliefs that translate into the mobilization of people (in this case Muslim customers). It must be adroitly understood that power can infuse itself into every aspect of every field, from the religious and the profane, to the economic and the medical. Thus, regarding the second caveat, whenever professionals are consulted, whoever they may be, the shared goal must be the most ethical solution for society (*maslahah*), and not what is most

[152] Take the study medicine for example. Eastern medicine, which has amalgamated millenniums worth of knowledge, places a greater emphasis on diagnosing problems and treating them from the 'inside out'. Meaning in essence that concepts such as energy meridians, *yin* and *yang* balance, and the notion of *qi* (internal energy) are considerably incorporated in many treatments in Eastern medicine. In fact, the oldest chronological medicinal knowledge stems from the Ayurveda, which has been linked to several modern medical breakthroughs.
[153] In Genesis 1:28 *New International Version* (NIV) God blessed them and said to them, "Be fruitful and increase in number; fill the earth and subdue it. Rule over the fish in the sea and the birds in the sky and over every living creature that moves on the ground." The Islamic concept of *khalifa* draws some similarities to this concept of *Radah* in the OT in giving man a higher, dignified purpose.

profitable. Because, from the effects of ideology, this influence happens both knowingly and unknowingly.[154]

Part 2: Contextual Considerations

3.2.1 Contextualizing the Obstacles of an Islamic Alternative

Before normative statements can be fully considered, that utilize Islamic ethics as a driver in identifying ethical spheres of exchange, several contextual considerations need to be presented and discussed for the challenges they present to paradigmatically 'Islamic' normative analyses. By examining a few of the characteristics of the episteme underpinning Western economic assumptions, this section first covers some of the obstacles associated with presenting an Islam-oriented ethical solution to this already developed realm of discourse and thought. This pertains specifically to the role that greed and interest are allowed to play in underpinning economic thinking, as well as concepts like 'progress', and the issues created by treating economics as a separate amoral discipline disconnected from ethics, as it is in capitalism.

3.2.2 Economic Discourse Develops into a 'Scientific' Discipline

[154] Ramadan seems adroitly aware of this potentially misleading convergence of misrepresentation; his example is the converse in which he mentions the *fuqaha* rejecting massive bodies of work in psychoanalysis due to a reductionist understanding of Freud's work which leads them to ignore advances in cognitivism and behaviorism (p. 117). Regarding the economy he mentions that some Muslim economists and *fuqaha* have carried out "thorough" work but that the fatawa being produced are still seriously lacking in transformative qualities and rigor, asking "after all, what is truly 'Islamic' in this economy - its tools, its methods, its norms, its goals?"

Adam Smith and others who adopted free market attitudes fundamentally agreed on specific values, which created the classical position established in Western economic thinking. For Smith and those who accepted the axiomatic premise that greed was the driving force of the market, an entirely separate positive discipline was substantiated (Smith, 1776).[155] In the process, credit was conflated with wealth, and the notion of harm was understated as metaphysical questions were deferred (Keynes, 1930).[156] The emergent practice, banking, propelled the already rich to become ostentatiously richer through a monopoly on credit creation, promoted as a 'business' (Beinhocker, 2007). Furthermore, this inkling staunchly opposed any interference, and such aptly defined market fundamentalism has come to outline the environment where the West's version of economic justice is determined. This inequitable market, vacuous of morality, has become the accepted default apparatus for the regulation of human interactions.

Furthermore, Smith, Hume and their ilk were philosophers who never reduced their assertions to mathematical expressions. However, those who followed them did by attempting to apply emerging theories of 19th century physics to the economy.[157] There remained apparent paradoxes of 'why' people behave certain ways; for instance 'why' people willingly paid more for diamonds or gold than they would for water, even though water possesses more utility. And from these inductions emerged the late 19th century 'Marginal Revolution' led by Stanley

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155 The oft-cited passage from *The Wealth of Nations* in 1776 (Book I. Ch. 2.) by Smith reads "[i]t is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity but their self-love, and never talk to them of our own necessities but of their advantages". This encapsulates what has become the bedrock of consumer utility maximization models, producer profit maximization models and an indispensable assumption in positive neoclassical thought.

156 Keynes traces this thought to Senior Mill Carnes' methodology and premise, that it's scientifically possible to distinguish between the alleged positive science of economics between preferred and real, or 'what is' and 'what ought to be' notions. That economic events can somewhat be isolated from other phenomena. That a posteriori induction is an unacceptable point for assumptions. That a priori deductive Darwinist 'indispensable' assumptions about human nature provide the best starting points; and that political science is a science of tendencies, not facts, because the economic subject studied is a hypothetical maximizer.

157 Examples of this are James Maxwell's electromagnetism or Joseph Schumpeter's attempt to put entrepreneurialism at the forefront of economic models and ignore or downplay the effect of production relegating to the economy as being in perpetual dynamic change.

Jevons, Carl Menger and Leon Walrus who all desired to resolve the paradoxes surrounding the concepts of value and utility (Tag el-Din, 2013).[158] French economist Leon Walras (d. 1910), for example, yearned with alacrity to reduce economical axioms into the most quantitative (mathematical) language as possible, so that economics could become a true 'science'. The filtration of the elite 'consensus' on economic debates boiled down to accepting a cognitive frame that is distinctly Newtonian, Darwinist, positivistic, reductionist and materialistic, which likewise defined parameters of exchange in such terms (Nanay, 2010).[159] Within a world described as such, everything material can be commoditized and hence bought and sold. This included, of course, money and credit itself (Glausser, 1990).[160] However, the oversimplification of complex equations (borrowed from physics) had enormous effects, and "Walrus's willingness to make trade-offs in realism for the sake of mathematical predictability would set a pattern followed by economists over the next century" (Beinhocker, 2007, p. 2)[161]

[158] The theory of marginal utility was developed in response to this paradox and economics developed into a dangerous independent discipline that eschewed purely non metaphysical answers to the 'what is' questions rather than addressing the 'what should be' axioms in order to employ the postulate of self-interest and greed so that it could inform corrective policies (p. 57). Marginal utility is the gain from an increase or, in contrast, the loss from a decrease in the consumption of that good or service – the first unit of consumption of something yields more utility then the subsequent consumption.

[159] The British political philosopher, proponent of liberalism, and Bentham's utilitarianism, John Stewart Mill wrote a text (*Principles of Political Philosophy*) (1848) that became the go-to standard text around this time at institutions like Oxford until *Principles of Economics* by Alfred Marshal (d. 1924) replaced it in 1919 and became the leading text taught for generations to economics students. By this time, usury was an afterthought and not a single chapter is dedicated to it. The obsession with defining the inquiry as to why has overshadowed the attempt to inquire into how, the German's have called this the Adam Smith Problem.

[160] Equally long-standing was the commoditization of humans of non-Anglo heritage. It is amazing to read the calls of John Locke and others for reforms against tyrannies and pursuits of liberty all the while their practices and writings supported slavery of ethnic peoples and mutinies in the colonies. John Locke consistently invested in the slave trade while simultaneously arguing the minutiae of rights and liberties. Glausser somewhat elaborates on this hypocrisy.

[161] Walrus called this the equilibrium of cleared markets, which largely assumed that Smith's ideas on equilibrium were correct. Thus, the assumptions made in the model were very simplifying and hence, led to some trade-offs between reality and predictability. Schumpeter disagreed and proposed that markets are never in equilibrium. Instead they were, according to Schumpeter, always in a dynamic state of change. Similarly, John Kenneth Galbraith famously said "the only function of economic forecasting is to make astrology look respectable…We must always remember that economists make forecasts not because they know but because they are asked to".

3.2.3 Greed as a Prime Motivator

Upon deeper introspection, there are unifying ideological themes to be found within the 'system', which affect the discussion here. One of them is the role that greed plays in economic discourse and epistemology, which again, presents an issue to applying ethics informed by Islam. Proponents of the system allege it to be a complex 'design without a designer' that naturally finds its equilibrium, even as it enables a select few to conglomerate wealth and power.

These reductionist assumptions are built on several suppositions, one being that individual greed is the "moral equivalent of the force of gravity in nature"; and this arrangement stands as the genesis of money creation and market participation (Meyers, 1983, p. 4). Clearly then, economics is not actually 'value-free' because of the epistemological dependence on a scientific worldview that is a belief system which implies deep suppositions about the nature of reality and the human relationship to it.

3.2.4 The Incommensurable Relationship between Progress and Ethics

Looking at this pecuniary scenario from a wider lens, we can place the subject of exchange into greater context by observing that the Western philosophical tradition has principally embraced progress, the notion that mankind has become morally refined as technology and empirical sciences have advanced, even though this notion is just "an act of faith" (Bury, 2011, p. 2). Many assume that since capitalism has become the governing paradigm, it must be a result of such progress, a logical fallacy.[162] Another misnomer is the understanding that capitalism is purely an economic and political system of commerce built on private ownership, as its proponents claim (Weintraub, 2013).[163] Yet it is much more than that. It is an over-arching ideology, a *Weltanschauung*, which comes along with policies that create and extinguish privileges, making it political because it affects how people are governed. Undoubtedly, the distribution of power is linked to human freedom; and so political elements remain associated in the deciding of whose interests are best served in various economic arrangements.

The political economist Karl Polanyi (d.1964) contended in *The Great Transformation* (1957) that 'modernity' only emerged when this inexorable combination of 'modern' Western nation-states and 'modern' markets yielded the 'Market Society' where the market became paramount.[164] However, as Gray (2004) asserts, making decisions on things like politics, ethics or economics falls prey to confirmation bias, rather than creating a forced reassessment of values, "Ethics and politics do not advance in line with the growth of knowledge—not even in the long run" (p. 1).[165]

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[162] The false premise of accepting progress has led to many researchers to a skewed and myopic understanding of economic history; progress is indeed still a philosophical assertion, one 19th century historian J.B. Bury challenged for its validity.

[163] Neoclassical economics rests on three assumptions: 1. That people have rational preferences, which lead to an establishment of value; 2. That people act independently on the basis of accurate information and full disclosure; 3. That all people maximize utility, and that all corporations maximize profits.

[164] Polanyi further argued that people only started behaving rationally in 'modern' times because of the "Market Society" and that this truly culminated into manifestation during 18th century England.

[165] He writes, "The core of the belief in progress is that human values and goals converge in parallel with our increasing knowledge. The 20th century shows the contrary. Human beings use the power of scientific knowledge to assert and defend the values and goals they already have. New technologies can be used to alleviate suffering and enhance freedom. They can—and will—also be used to wage war and strengthen tyranny. Science made possible the technologies that powered the industrial revolution. In the 20th century, these technologies were used to implement state terror and genocide on an unprecedented scale. Ethics and politics do not advance in line with the growth of knowledge—not even in the long run". Gray questions whether human nature exists. He claims that there is unanimity between the unlikeliest groups on the matter such as Marxists, feminists and liberals who would otherwise disagree on fundamentals. He further asserts that humans are just another type of animal with no soul and no greater purpose.

Thus, contrary to what was previously forecasted by disciples of progress, Beinhocker (2007) points out, “The field of economics [today] is going through its most profound change in more than a hundred years” in reference to the growing acceptance that economics has erred in trying to use a few simple equations to model the economy as an equilibrium decision. In reality, the phenomena related to economic markets and wealth creation are complex systems that economic formulas cannot provide comprehensive understandings of (p. 2).[166] Nevertheless, even this buoyant analysis seems not to appreciate that even the computer simulation he advocates cannot and will not recreate morality; exchange will always be a human interaction, and thus, it is not a pure science, but an issue of ethics, which should be a matter of moral policy. Although the recent debate has cast the relationship between religion and ethics in a negative light, there is some academic recognition that religious belief can provide moral vision and motivation (Sia, 2008).

Part 3: The Idiosyncratic Nature of Knowledge and Discourse in the Western Episteme

3.3.1 Limiting the Scope of Examining Idiosyncrasy

This section focuses on the ways epistemic knowledge forces the discourses of interlocutors and ostensibly unbiased researchers to accept designated truths – in this case – the normative parameters of discourse that implicitly have negative ramifications on drawing conclusions in support of ethics-based conclusions (Islamic or otherwise). That is, it is necessary

[166] Beinhocker proposes that computers (programed with agent-based social simulation programs and evolutionary theory) are more qualified to do the analysis than humans are. Beinhocker contends that the economic system is an advanced biological development analogous to wealth creation, both he argues, are simply functions and products of evolution. The background for this are simulation programs like *Sugarscape*, which seek to simulate human behavior in an evolutionary model.

to identify how the mainstream and academic discourses are tacitly cultivated by a culture of post-Christian secularity that has a history of anti-Islamic influences on discourse, and how these areas may potentially affect the conclusions reached herein. The following sections consider the nature and development of several distinctly liberal, Western and secular idiosyncrasies in regards to literature, which is at the center of discourse (text and talk) in most civilizations. It does so in order to analyze how ideology affects social structures. Therefore, it additionally considers some of the peculiar characteristics and ideologies the epistemology of the aforementioned culture has retained in modernity that have reached a status beyond reconsideration.

3.3.2 Western Civilization as Sacred Myth

Western civilization is, in the academic sense, a sacred myth; "Myths are prose narratives which, in the society in which they are told, are considered to be truthful accounts of what happened in the remote past. They are accepted on faith; they are taught to be believed….Myths are the embodiment of dogma, they are usually sacred…" (Bascom, 1984, p. 9). The sacred myth of Western civilization is no different. It is presented as a construct with tacitly dogmatic and distinct characteristics, and fathomably so because various experiences of despotic, sectarian, and partisan rule long-ravaged Europe in its history, a continent that remained embroiled in disputes for centuries. In reaction, a certain counter movement of unanimity emerged which sought to replace the role of Christianity as the source of Western values. Hobbes, Locke and others are renowned for their contributions towards constructing principles meant to replace

Christianity while still being accepted universally. Thus, certain identifiable ideological stances were adopted in its discourse as a result.

The Hegelian vision of humankind, disputably Cabbalistic, sees the progress of Western civilization as a continuum that begins in Greece and evolves until people reach the Enlightenment realization that man, in fact, is the deity it has been searching to deify all along. Rather, that "Man, finite spirit, is to be seen as a finite 'moment' of the infinite divine spirit who is God" (Lauer, 1982, p. 141). It is for that reason that Hegel's, and subsequently the West's admiration for Ancient Greece is elevated, as Greece was ostensibly the first civilization to reject religious dogma and pursue reason – in other words – Greek thought is in this sense considered genius because of its advancement of materialism (Taylor, 2015).[167] Thus, terms like 'liberty' and 'freedom' are laden with an entire circumstantial context, not easily summarized, but made essentially as expressions of freedom against religion, and hence, the divine. Upon closer inspection, of course, there are cracks in this sacred narrative; for example, newer information points out that Iona, the birthplace of 'Greek' philosophy, was under Persian occupation and intellectual influence during the birth of philosophy in the Greek language (Cumont & Marie, 1922).[168] Yet so much is built on fundamental assumptions that some may be beyond reproach,

[167] Where Islamic ethics faces potential obstacles from the governing paradigm is here. For example, Taylor, in Chapter VII "The Road to Manifest Religion" writes "the gods are seen as subject to a blind fat, just as men are; whereas later in Christian theology, this will be seen as divine providence….The reconciliation of Greek civilization is thus doomed to be rent asunder: and yet it has a special beauty and fascination for Hegel. For unlike the higher solution which will succeed it, it is not dependent on fully explicit rational thought. The universal norms of reason can only be brought to fruition is men's lives by the hard conquest of rational consciousness….The universal Geist on the other hand is exalted in the Jewish religion. And here too it demands a reconciliation with subjectivity, which comes in the Incarnation…..But the only external reality which it can accept is one which reflects the universal spirit…This it finds in the incarnation".

[168] Although this area of probing has not become fully mainstream within academia, there are several leading scholars in the area of Greek and Babylonian thought that have argued that it was not orthodox Zoroastrian thought that affected Greek thinking, but rather, it was a heterodox or heretical version of Zoroastrianism, or Zurvanism, that transferred the first elements of what is called 'Greek philosophy' from the Babylonian Magi to Ionia. Franz Cumont's work on Hellenism has been carried on by Walter Burkert and M.L. West.

hence, it may be as George Orwell wrote, "He who controls the past controls the future…He who controls the present controls the past" (Orwell, 1977, p. 35).

This context is pertinent to the discussion under examination, of what constitutes right or wrong action. If religion is to be rejected, and humans are given the divine authority to legislate all morality, then obviously, not all will agree on right and wrong. The corresponding thought of Nietzsche also displays an acknowledgment that by proclaiming God as 'dead' and replacing the Divine Legislator with the whims of men (*Übermensch*), (even as man progressed to become superhuman by mastering the sciences and etcetera) that a genuine possibility of descending into nihilism was likely without the construction of an alternate narrative (Nietzche, 1883).[169]

Such a narrative has been presented to the world under the banners of human rights, secular humanism and liberal democracy, which, for the West, began underpinning philosophical ethics after religion was thought superfluous. The problem with this in a global context is that the rest of the entire world with its cultural and religious intricacies cannot always fit into this Western post-Enlightenment vision of the world without being forced to rescind certain fundamental and precious aspects of identity. So the general question at hand is what is morality? If it is just a set of manufactured principles, and there is no divine order to the universe then what is the point of it? And why should an idiosyncratic Euro-centric discourse dictate it for others?

One of many palpable answers is that morality is a primordial, cultural universal inspired by the divine, evidenced by the fact that every single language has words to express 'good' as

[169] Most Nietzsche scholars shy away from interpreting this concept in categorical ways, and claim that this is one of his least comprehensive writings. Nevertheless, certain interpretations of Nietzche's key concepts of the 'Superman' or 'Overman' discussed in *Thus Spake Zarathurstra* (1883) have been disastrous in their 20th century application: one example is the Nazi substantiation of a super Arian race and an entire eugenics program intended for breeding 'super' people instead of 'inferior' people. Nietzsche did recognize that people would do terrible things in his name, but did not seem to care. Of course this continuum of esoteric thought was discussed by others before Nietzche such as Johann Wolfgang von Goethe in his *Faust* as 'Beyond-man'; also it was discussed by Ralph Waldo Emerson, in fact, this discussion can be traced all the way back to the concept of *hyperanthropos* as discussed by the Greek Lucian of Samosota (d. 180 CE).

something desirable, and ‘bad’ as something undesirable. Therefore, as we unfortunately label these cultures as ‘primitive’ it seems that this is in fact an oversight, and that all cultures have conceptualized the sacred, the divine, and a cosmology that derives morals and ethics from other than human whims. Brown (1991) has mentioned it as some version of the Golden Rule (do unto others...) in perennial contrast with materialistic nihilism. In this sense, Western civilization would be the outlier, as it has uniquely made a significant departure away from traditional understandings of universals.

3.3.3 Consequences of Nihilism

Once the divine is discarded with, there are consequences. Nihilism, denying any moral order, allows the rationalization that some people are inherently unequal, that some are inferior and that there is no moral obligation to assist them. How then does this pertain to business or human interaction? If business is profitable, some ask, ‘why should I not maximize my profits at any cost?’ Unfortunately, we have witnessed that human rights cannot deter such nihilism. This amoral stance is intriguing because it tolerates the commodification of every single materially quantifiable aspect in existence. Everything is for sale in the modern age including both ‘good’ things and ‘bad’ things. Humans are commodities. Sex, child labor, contraband, narcotics and every sort of vice imaginable all have a ‘price’ whether it is registered in the ‘legitimate’ market and thus legally sanctioned, or whether it is in the black underground antipodal.

3.3.4 Eurocentric Epistemic Preference Presented as ‘Global Truth’

We must also take a look at how today's paradigm has an effect on the way Islam as a civilization and religion informing ethical worldviews is, in turn, viewed by the West. And, how this relates to the way that Western thought has classified knowledge, specifically in the way it has classified and projected its epistemology as 'global' or 'universal' truth. When the concept of globalization started to gain traction, making its way into human consciousness by appearing in writings during the late 18th century, many of its associated hitches were still unforeseen. In response, the emergent concept of a global ethic has been tossed around recently (Religions, 1993).[170] However, if we are to look back and put this expansive type of proposition into context, we must look to fields like the study of history, philosophy or literature, a diverse and rich proof of the highest levels of eloquence human civilizations have to offer.

3.3.5 Western Literature and Global Literature

We see the idea of a global literature first being discussed shortly after Johan Gottfried Herder (d.1803) proposed a "World Culture" in his *Ideen zur Geschichte der Menscheit* (*Ideas for the History of Mankind*), that the creation of world history is not as much political as it is an ideological construct built by people (Botz-Bornstein, 2006, p. 15). This postulation was directed towards history and philosophy, but we can also understand that these questions arose within an emerging capitalist construct, which would soon encompass every human sphere.

We see for instance, only forty years after Herder's utterance of the notion, the German polymath Johann Wolfgang von Goethe (1749-1832), known for aesthetic criticism among many

[170] People like Australian philosopher Peter Singer and others have tried to articulate morality without religion. The Parliament of the World's Religions created *The Declaration Towards a Global Ethic* in Chicago, Illinois on September 4, 1993. It recognizes that the planet is being destroyed societally and ecologically through global politics and the global economy.

other talents, injecting the word *Weltliteratur* into his writings pertaining to the international reception of Western literary works. He did include international works into that scope, but they remained embedded within a Eurocentric outlook of value judgments being applied towards 'exotic' manuscripts (Spivak, 2003).[171] The rest of the world's literature was eventually incorporated under one large umbrella, but the value judgments used to decide the inclusiveness were always value-laden.[172] Goethe's classification of "World Literature" as not being bound by geography or class is admirable. Yet his view oscillates between traditional elitism and relativism as he was confounded by the task of structuring the entire world's literature after making the decision to divide its contents into aesthetic and ethical truths (Botz-Bornstein, 2006).

Goethe's suggestion displays the type of partiality we are trying to identify in this grand examination of bias and ideology projected in discourse, which links back to meta-ethics. He suggests as a temporary set of abstract guidelines for judging and measuring value, that Greek beauty should be used as an aesthetic exemplar of beauty by which one may evaluate the literatures of other cultures, like ancient China and Egypt (Botz-Bornstein, 2006). Thus, although Goethe is able to somewhat remove the subjectivity of value in world literature by claiming that everyone has the ability to produce it, he "did not really know what to think of this 'space' in which the new exotic could be discovered on a daily basis" (p. 16). Furthermore, the problem was that Goethe, as others, could not fuse together an entire corpus of human knowledge without first taking a stance on where the epistemology was to begin.

[171] Marx and Engels would borrow the term in their overgeneralization of the arts and project it as the bourgeoisie's intellectual production resulting from human desires beyond the material. This was called the "cosmopolitan character" in Marx's *Communist Manifesto* (1848).
[172] The delimitations of what comprises "World Literature" is still debated; Gavatri argues that translation debases the richness of textual messages, whereas authors like Franco Moretti claim that a distant reading of observing patterns in foreign works serves as the best method for preserving their richness as works are translated. Westerners hoping to extract meaning on a point-by-point basis cannot capture it, in this sense.

Global philosophy has suffered the same fate of being a futile pursuit of fusing antagonistic values into one mélange. Russian Pan-Slavism took this up in stride, as has Pan-African and Pan-Asian studies. However, we can see that in all areas of thought that a dominant role must be played in steering the discourse. In psychology for instance, the school of 'universalist scientific' positions claim that cultural differences are simply conventions that will pass away with the rise of scientific knowledge (Botz-Bornstein, 2006). All of these shifts are dynamically headed towards supporting a global infrastructure of thought as it is codified and represented by 'liberal democracy in general' as the world's foremost philosophical principle. Yet all of this is under the guise of a system that defends certain human rights while allowing certain carnages, one of which is the decimation of the planet's resources and human societies as compound interest ravages through long-standing social institutions, benefiting only a very small number of people.

Therefore, certainly an extreme paradigm shift is necessary when discussing what Islam has to offer towards a global ethic on how human beings should exchange items, create and manage money, and conduct business affairs. Because proposing that the role of interest should be reevaluated in any future system, or that money should at least be neutral, rather than interest bearing, is considered very radical when being evaluated within a system that values interest as the central tool for managing credit. Compound interest is one of the few consecrated concepts to have safely escaped the wrath of poststructuralist and deconstructionist critiques, belying the prerogative of postmodernism, which ostensibly privileges no such dogma to remain sanctified and unquestioned.

3.3.6 Applying Islamic Ethics in an Islamophobic Milieu

Developing an Islamic applied ethic to deal with an interest-driven economy is not a simple task. For one reason, the lexicon associated with hegemonic power that is initiated in the Western world of dominant discourse has impeded the West from viewing Islam in morally relevant ways. This phenomenon has lingered since the Middle Ages because of Islam's seeming inability to compete with the West's recent temporal achievements (Southern, 1978). The way in which "the West narrates itself in relation to Islam and Muslims is not only a window into its collective psyche, but also consequential for its own moral growth" (Barlas, 2012, p. 1).

According to anthropologist Alan McFarlane (2012), there are essentially four domains of human pursuit: economic, political, social and ideological.[173] This enumeration is quite materialistic, but still, what McFarlane points out, and this is also the case with Islam, is that these four areas have historically only been partially separated. True, the conception of separating ideology and state is commonplace today, and hence not accepting it is to some staunch defenders 'indefensible' simply because Western values have been conflated with 'universalness'. In fact, the West succumbs to the paradox of tolerance in this area, the notion that 'tolerant' peoples might be antagonistic to what they view as 'intolerant' peoples or religions (Popper, 1945).[174]

We also must consider the three "travelling tropes" that have defined the relationship between Islam and the West for over a millennium, and how they may skew Western bias in

[173] There is the drive towards material sufficiency, getting physical needs met through exchange mechanisms in what we now call 'the economy.' The second area where humans strive is in the realm of power, seeking to dominate each other through both physical and symbolic violence - we call this 'politics.' The third area where humans strive is in the realm of social relations, the relationships that people make through kinship and reproduction - this is called 'the social sphere.' And the fourth and final drive is the pursuit of knowledge and understanding through belief systems, religions and ethics - the realm of 'ideology'.

[174] Austrian-British philosopher Karl Popper's assertion is that the West is warranted in not tolerating "intolerance". John Rawls on the other hand, disagrees with this notion, seeing the logical flaw in the argument by presenting his own similarly flawed analysis that the West should accept "intolerant" people out of fear of being labeled unjust.

accepting what an Islamic applied ethics has to offer in today's discussion about global business ethics (Barlas, 2012, p. 1). The 20th century medievalist R.W. Southern developed a thesis in *Western Views of Islam in the Middle Ages* (1978) that divided the West's views towards Islam into three eras. First, according to medieval Christianity, Islam was the farthest-reaching problem. In modernity, remnants of this ideology have been retained from the secular West's inheritance from Christian European civilization. This trope is not an uninterrupted continuum of loathing, but it remains despite epochal shifts in consciousness, and harbors in the Western psyche. The second concept is the depiction of Islam as an antichrist, which lingers in Western secular society by painting Islam and the West as antithetical. Thus, the retained Christian description of Muslims as infidels and barbarians now translates into a secular depiction of Muslims as the 'new barbarians' instead of the enemies of the faith (Bisaha, 2004). In fact, in the West egregious depictions of the Prophet Muhammad ﷺ historically precede the emergence of free speech. This fact is probably not given its due consideration. The last point is that the practice of burning the Quran and banning its reading has a long tradition in the West, and thus revived attempts at replicating this behavior as public relations stunts today have some connection to the long-held tropes on the 'Islam versus the West' antithesis.

Thus, in summation of these points, the following needs to be very much recognized, considered and put into perspective. Capitalism is the eccentric economic child that was born from an entire evolution of European thought (of a certain bent), which became secular hegemony after a process including, but not limited to, the Enlightenment, ideological wars, imperialism and colonialism, all of which culminated into the Western rise to dominance after the industrial revolution. Furthermore, ethics must be approached with the understanding of existing biases and nuances because "Occidentalism created the epistemic privilege and the hegemonic identity politics of the West from which to judge and produce knowledge about the Others" (Grosfoguel, 2012, p. 18). In addition, when the social sciences were formed, these assumptions were wrapped up together with the ego politics expressed and encapsulated by Descartes proclaiming "I think therefore I am" (*ego cogito*); however, Enrique Dussel (2012) reminds us that the aforementioned era was preceded by, and therefore connected to, centuries of "I conquer therefore I am" (*ego conquirius*) (p. 9).

Entire academic careers have been built on erroneous revisionism that is easily dismissed with the discovery of one or two 7th century manuscripts. Unfortunately, these pseudointellectual ideas permeate within the highest echelons of authoritative discussions on Islam as they circulate under the guise of 'academic' studies undertaken by seasoned antagonists towards the faith. For instance, in *God's Rule* Crone (2004) erroneously alleges that if Muslims are to remain faithful to Islam, that they are under a 'religious obligation' to subdue the "infidels" wherever they live.[175] The implications of such affronts are tragic (Wessely, 2012).[176]

3.3.7 Remnants of Orientalism: Considerations and Suitable Disciplines

Scrutinizing conceptions of the human requires analysis of the human role within modernity's essential constituents like capitalism, democracy and secularism. This can be done

[175] The circles of modern Orientalists are also known for promoting the refuted theory of *Hagarism* which alleges the erroneous claim that the Qur'an was not revealed during the time of the Prophet Muhammad ﷺ, but that it was written and compiled by a collection of other figures in a later period and later attributed to the Prophetic era. The entire corpus of work in this field is now essentially refuted as 7th century Qurans continue to be discovered.

[176] Similarly, Crone's contention is that Muslims can only live within a non-Muslim majority polity by relaxing their loyalty and faithfulness to their religion. The implications of such affronts and allegations are tragic because we can witness the rise of ultra-right groups and the culmination of violent events stemming from some of these thoughts and movements. For instance, the English Defence League which has sewn enmity between groups in the UK, has also influenced similar groups such as the Norwegian Defence League of which Anders Brevik attributes his killing spree of 77 innocent individuals in Norway (2011) to, out of an ideological commitment to eradicating the Muslim 'threat'.

best through the lens of the human sciences. One relevant field, anthropology, the study of humans, is contemporarily divided into four rudimentary categories: social, linguistic, physical and archeological. We can essentially find that Islamic law, like most religious legal systems, is steeped in social, cultural and linguistic anthropology. Islamic philosophers like Nasr have long placed prescriptive caveats on accepting the mainstream interpretations of archaeological and paleontological data (Nasr, 1968).[177] For theists, this aspect of the field is the most contentious because of its unabashedly tacit authentication of an essential macro-evolutionary version of the human being and its analogous place in the universe as an evolved soulless animal temporarily on top of a hierarchy of animals, which has no purpose, form or finality (Laats, 2010).[178] However, other central tenets to the field are also imbued with the thought process that the pioneers of the field charted as they applied their theories to the study of human cultures. This was done under the premise that all species evolve from earlier forms of natural selection, but since some cultures became more advanced than others, that we must now attribute such fruition to the their shedding of mystical and superstitious beliefs in the supernatural. Within this purview, all religion is scoffed at as primitive ideation.

This positivistic concept of the ‘primitive’ versus ‘civilized’ peoples was present in the discourse of the pioneers of anthropology as it developed. We can see it for instance in English Alfred Radcliff-Brown’s (d. 1955) work on structural functionalism, and in the Polish Bronislaw

[177] The Islamic perspective of evolution and creation accepts scientific data, but it does not accept the proposed theory that the first cell, and hence, the universe brought itself into existence. In line with Darwin’s question “Why, if species have descended by insensibly fine gradations, do we not everywhere see innumerable transitional forms? Why is not all nature in confusion instead of species being, as we see them, well defined?” (Ch. 6) Muslim scholarship answers the same way that evolutionist scholars do: the answer is that we simply do not know. Seyyed Hossein Nasr argued for decades, from as early as the 1960s, that by Muslims accepting the paleontological data that is presented as evidence for macro evolution they are rendered no longer ‘serious Muslims’ because it, in his view, is not so much scientific proof, but rather is pure ideology.

[178] Islam does not deny the possibility of much of what is called evolutionary theory. Professor Adam Laats uses cultural anthropology to follow the 20th century discourse between fundamentalism, creationism and evolutionary theory, and how they have influenced education.

Malinowski's (d. 1945) work on the superstitions of 'primitive' peoples. Such works, although heralded, remained steeped in certain conceptions about the 'Other', developed by Orientalists. In another example, there is Edward Burnet Tylor's (d. 1917) proposition, in tune with the Hegelian theory that animism evolved into polytheism, which then evolved into monotheism, which then itself served as a jaundiced interlocutor of such monotheistic cultures. Burnett's theory asserted that science was the next sequential step to be taken after monotheism by which all such superstition and imitative magic could be summarily dismissed as 'nonsense' by the 'enlightened' and 'evolved' cultures (Tylor, 1871).[179]

3.3.8 Cultural Baggage of 'The Secular'

In recognition that anthropology developed out of a milieu of imperialism, there have been earnest contemporary attempts at offering an Islamic perspective on the field for purposes of presentational fairness, for instance, Davies (1988) and Ahmed (1986). Nevertheless, amidst the tendentious universality of secular (Eurocentric) hegemony, it is difficult to devise and define what an Islamic anthropology or an Islamic 'ethic' truly would be in the 'Western' sense. It is partly because at the heart of the Western episteme, the minds working with the concepts of the ideals of secularism and modernity have largely failed to redress some of the implicit aspects of secularism and modernity that contain within them immutable cultural baggage, like conceptualizing religion and non-Western societies as 'primitive' (Tapper, 1995).[180]

[179] Tylor's two-set volume on *Primitive Culture* consists of Volume 1 *The Origins of Culture* and Volume 2. *Religion in Primitive Culture*. On page 410, this evolution of religion is discussed.

[180] A representation of this is skewed outlook is best exemplified in a paper by Tapper in which he admits that European ethnography failed to incorporate diversity, and hence, ended up with the pejorative label 'primitive' for societies the West could not properly engage with or understand. Then he ironically argues in a revealing manner that Muslims "cannot start with despising other ways. There is no room for otherness, nor for the relativist or rationalist extremes, but it [*an Islamic anthropology*] calls for the distinct synthesis between them" (p. 191).

In discussing ethics and ideology, this cultural blind spot in the West should be noted. According to Talal Asad, an anthropologist responsible for devising the most in-depth research available about the construction of the West as an episteme, the ignorance of these value-laden aspects of secularism and modernity have hindered any progress of the West fully understanding the Other. Although Asad falls short of constructing what we can call an entire anthropology of the secular, he nevertheless does outline in *Formations of the Secular: Christianity, Islam, Modernity* the ways in which the secular is itself an episteme. He also describes the way that secularism is used as a political tool which allows the presentation of the "strangeness of the non-European world" and its 'non-rational' dimensions of social life, including religion (2003, p. 22). One elucidation of this proposition is that the notion that the secular can assume any neutral epistemological ground needs to be discarded with (Smith, 2003).

Asad's *Formations of the Secular* (2003) questions the secular's self-evident character, epistemic categorization, dogmatic, and doctrinal aspects, all while remaining cognizant that the discussion's over-arching effects have historically inhibited a critical self-reflection of secularism as a "political doctrine" (Smith, 2003, p. 2). Asad's attempt in avoiding similar bias is ubiquitous and he evades pronouncing explicit value judgments. Instead, he asserts as his main premise that "the secular" as a system is a formation of a variety of value-laden concepts, practices and "sensibilities" that have amalgamated over time in relationship with Enlightenment thinking (p.16). The foundational setting was entirely "in modern Euro-America" and therefore "it is easy to think of it simply as requiring the separation of religious from secular institutions in government, but that is not all it is" (p. 2). Because to understand 'it' one must understand what its goal was, to find an "overlapping consensus" (to use John Rawls's term) from ideas, sort of 'Christian', but omitting any beliefs that could possibly lead to sectarian divergence (Rawls, 1999).[181] So this search for what Graham Ward has called the "true religion", a lowest common denominator of acceptable propositions for the public realm, led to inherently under-defining characteristics of 'the person', omitted from secular life out of fear of sectarian reprisal (Graham, 2008).[182] This amalgamation cannot be viewed as some rational successor to Christian religious belief, but rather, 'the secular' is morally connected to fundamental assumptions "backing human rights, democracy and modernity" as they are conceptually presented as universal premises today (Sabet, 2003, pp. 112-114).

With the modern secular separation of religion from politics comes the proposition of new conceptions of religion itself, as well as new conceptions of ethics and what defines ethical behavior. Studying these relationships requires challenging the way that religion has been academically approached in modernity (Asad, 1983).[183] Yet, Asad (2003) argues, that as far-removed as they may seem from religious practices, secular political practices still maintain a dichotomous relational dependence on religion and recreating religious acts. In the Western tradition, this terrain is evidenced by remnants of the "sacred myth" of redemption that have been retained in the ways nations behave (2003, p. 25). Because to be quite candid, the usurer too seeks redemption, for he wants not to appear as a criminal. As the modern nation-state is the alacritous preserver of the usurious system of unrestrained rent seeking by granting it salvation

[181] The political philosopher John Rawls developed this idea. He boils the argument down to the common underlying principles, arguably a humanist pursuit of futility because there is no such thing as a universal – which is increasingly becoming a consensus position.

[182] Ward discusses the past, present and future conceptions of religion where he offers up the notion that religion is not really making a comeback because it "never went anywhere" to begin with. True, people are reinventing certain religious practices and forging new alliances between the modern secular state and their belief systems, but this is not really anything new if the secular realm is seen as a religion, of sorts, itself.

[183] Asad criticized Geerts's proposed dichotomy and lack of depth utilized in defining religion in universal terms whereby the "cultural system" and "social reality" are far apart from fitting into the proposed system of study. Asad has also challenged long-standing theories pioneered by Clifford Geerts, (d. 2006), the renowned American anthropologist of the 20th century, who through works like *The Interpretation of Cultures* (1973) advocated that the study of religions be conducted through a semiotic lens of interpretation.

through legal means, this system forms the foundation of a sacred pyramid and an episteme in support of it (hierarchy of beliefs).

One regrettable negative externality that results from this program of secularism is the legislated retention of an alarmingly subjective view of human suffering (Scott & Hirschkind, 2006).[184] It is through a new legal and ethical structure of human rights that 'the secular' seeks to "redeem the autonomous human subject" (Sabet, 2003, p. 113). However, within this construct Asad inadvertently points out a fundamental flaw, "Nothing essential to a person's human essence is violated if he or she suffers as a consequence of military action or of *market manipulation* from beyond his own state when that is permitted by international law" (2003, p.129). This is profound, to consider, that the law serves as the only ethical boundary of what is permissible, and since the universal commitment to the legal preservation of the banking system is already a foregone conclusion, human suffering directly caused by its effects is summarily snubbed. This is an obvious ideological weakness in the present framework regarding the discussion of social justice.

Consequently, despite statistical evidence that a monopoly exists in finance, what persists is still regarded as *legal*, and therefore the law thwarts human intervention. Calling the banking system one is not hyperbole when a monopoly comprised of 49 banks directly controls most of the world's money (Vitali, et al., 2011). Where the secular cannot proclaim the injustice of such a cartel's actions due to its limitations and legalities, religion can. Ethical arguments informed by

[184] The authors chime in that this notion is not only related to the redemption of Christ, but it extends to the ways nations galvanize support for "liberal internationalism to Christian crusade and Islamic jihad". The fundamental difference between the two approaches though is the issue of "grace" or God's divine redemption of the human, whereas in the secular formation of society the lack thereof is celebrated as "the human redeemer, as an inhabitant of *this world*, [who] must first redeem himself" (p. 63). Concomitantly the two dependent constructs thrive off each other and center on the conceptions of agency and pain, which is central to secularism's purported objectives including the aim of eliminating human suffering.

religion contend that interest is a wealth transfer from the poor to rich.[185] This is not only a conviction, but also a belief backed by modern studies. Yet, interest is still defended ideologically. Not the outcome just described of course, but the legality of the arrangement. To conclude, Asad appropriately identifies this subjective promotion of inequality:

> The difficulty with secularism as a doctrine of war and peace in the world is not that it is European but that it is closely connected with the rise of a system of capitalist nation-states – mutually suspicious and grossly unequal in power and prosperity, each possessing a collective personality that is differently mediated and therefore differently guaranteed and threatened (2003, p. 7).

[185] The prohibition of usury is instituted in Orthodox Islam, Judaism and Christianity. In addition it is written about in the Hindu Sutra (700-100 BCE) and the Buddhist Jatakas (600-400 BCE).

CHAPTER 4: EXPANDING MARKET AXIOMS AND FRAMING JUSTICE

"Every people (*ummah*) has a test to undergo; my *ummah* will be tried through the wealth" – The Prophet Muhammad ﷺ (Al-Tirmidhi, 1986, p. 2324).

4.0.1 Introduction to Islamic Justice

Islam has a distinct epistemology regarding the purpose of life, which is not pleasure maximization, or accumulation of the material, but a centering on service to God by increasing in *taqwa* (a rational fear and consciousness of God), a paradigm distinct from 'the secular'. Throughout history, Islamic scholars have recognized that spheres of exchange are vulnerable to allowing the production of unjust distribution in society's markets; thus, protectionist regulation has served as an invaluable instrument. However, the methods for constructing such legislation have differed widely because Islam does not have a unified theory on justice, nor does it have one on money. Jurists were historically not interested in theories as much as they were in practical solutions. Such understanding underpins the Islamic discourse on exchange, which often revolves around the axiom of justice. Justice (*al-'adl*) and equity (*al-qist*) are two concepts that are featured in the Quran and the Sunnah. The word '*adl* denotes the moral virtue of putting things in their rightful places, and *qist* denotes dealing with people equitably. The Islamic tradition heavily emphasizes justice as an axiom, but it remains an axiom, a signifier of a concept, until put into practice.

There are different Islamic legal opinions on how liberal or how restricted markets should be; thus, no consensus exists. To contextualize what justice connotes within the tradition, we can look in Aristotle's labor theory of value regarding initial exchanges, which draws a similarity to Pareto efficiency in economics, wherein no normative statement is asserted about the wellbeing of overall society, and distribution is essentially based on merits (Aristotle, 1952).[186] Since several prominent Muslim jurists have subscribed to this theory of justice, an argument can be made that since the Shariah has functioned similar to the functionality of common law throughout history more than it has as a civil code, that rather like Aristotelian thought, Islamic practice seeks justice through legal justice. For instance, there is Ibn Rushd's expansion on the Aristotelian statement that justice is found in such a manner (Ibn Rushd, 1997).[187] In contrast, there is also a strong argument for distributive justice, a precedent that was set during the Prophet's time ﷺ, and continued by Caliphs Abu-Bakr and Ali. This view of justice puts more of an emphasis on social safety nets, whereas Caliphs 'Umar and 'Uthman's eras can be likened to the vision of distribution by merits, wherein justice is ensured by legal justice (Oxford Islamic Studies Online, 2014).[188]

In this day and age, with the sophisticated scale of systemic exploitation in markets, implementing safety nets in addition to ensuring legal justice is more consistent with an applied ethic of the *maqasid* interested in upholding a more expansive understanding of justice. In other words, policy must consider using textual sources in combination with information that is now available on what unrestrained 'free markets' lead to, if left unchecked. Therefore, in conceptualizing market justice, this chapter's scope is to highlight the potentiality for some already existing ethical platforms that reconcile with the concept of exchange cumulatively based

[186] This discussion of justice appears in Book V of Aristotle's *Nicomachean Ethics*.
[187] Ibn Rushd says "Thus, the ratio of exchanged quantities will be determined by the ratio of monetary values of different goods…As for [fungible] goods measured by volume or weight, equity requires equality, since they are relatively homogenous….justice in this case is achieved by equating some volume or weight, since the benefits are very similar". Ibn Khaldun could be another example in this regard.
[188] On the socialist side of the debate, we can include Al-Ghazali, and in recent times the Syrian M.B. writer of Socialism in Islam, Mustafa al-Sibai, who argued that "Islam teaches a unique type of socialism conforming with human nature based on five natural rights: life, freedom, knowledge, dignity, and ownership".

on the *maqasid*. Guiding this discussion is this chapter's central focus, which is delimiting *riba*. In this sense, we seek to understand the ambit of its prohibition, and to explore its relation to political boundaries and personal rights so that reframing it in a contemporary context is conceivable.

A debate has vacillated in scholastic Islamic theology between the Ash'ari school's espousals that reason cannot discern right and wrong independent of God, and the espousals made by the Maturidi school, that such deduction is humanly possible (Hourani, 1960).[189] Nonetheless, man should seek to understand revelation, which is the starting point for identifying axioms, and in doing so, the ontological prerequisite looming over any interlocutor of Islamic ethics is to purify one's intentions.[190] In implementation, axioms must be paralleled by goals. Therefore, Islamic visions of justice can be measured by the implementation of fair standards and outcomes, for "God commands justice and fair dealing..." (16:90). Hence, poverty's existence should provide the *opportunity* for corrective axiomatic moral and legal measures to be

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[189] Hourani discusses the Mutazilite understanding of objectivism, that good or justice is inherently so. Nevertheless, the Ash'arites won out the discussion, and the opinion prevailed that is theistic subjectivism, meaning that God decides the values of bad and good, also called "ethical volunteerism" which is more widespread in Islam than any other civilization (p.2). This view was contested by saying that if God had willed corruption, as a good virtue, then it would have been so *ipso facto*, just because he had said so. Al-Ghazali, Ibn Hazm and Al-Ash'ari did not back away from that even though it led to a conflict in morals. The defenders said that it would have consequently been against the *fitra*, or the natural disposition of knowing what is right and wrong, and that is a rational pursuit. Ibn Rushd pointed out it would weaken faith in God (pp. 2-3). Ash'arite thought won over the argument for three reasons, on ethical, rational and extraneous grounds. Regarding the ethical, there were two camps: (1) those who allowed personal opinions (*ra'y*) "The question that remained, then, was how duties and right actions were to be determined when they were not mentioned in the Qur'an or Traditions?" (p.3). And, (2) *ihstahasan* and *istihbab* "The term *istihsan* therefore came to signify a breach of strict analogy for reasons of public interest, convenience or similar considerations" (p. 3). A significant amount of contemporary research in this realm is still built upon this theory. The irony is that Mutazilites can defend objectivism, of making a choice for the general good (*maslahah*), because these can be recognized by (*aql*) human reason. *Ra'y* came about under trepidation. Some were persecuted for defending it. Two factors were: a. it falls into the hands of the sovereign: and b. the Shia would appeal because all scholars were fallible in their *ra'y*. D. Johnston (2004) discusses a meta-historical view of the trend in shifting towards using the *maqasid* as a school in itself, a Mutazili approach; this is a shift away from the historical position (Ash'ari) in which the human mind looks at the divine law and thereby extends it towards its end with the utilization of analogy (*qiyas*) and consensus building. He covers the thought of Muhammad 'Abduh, Muhammad Rashid Rida, 'Abd al-Razzaq Sanhuri, 'Abdal-Wahhab Khallaf, Muhammad Abu Zahra, and Muhammad Hashim Kamali and finds an over-arching pattern in their thought in this respect.

[190] In employing the English term 'man' I use it in its etymologically connected meaning which comprises both men and women i.e. *der mensch* in German (*die Menschen* / human being) akin to '*ins* in Arabic

implemented. Moreover, ideology must not prevent its implementation. “O you who believe! Stand out firmly for justice, as witnesses to Allah, even if it be against yourselves, your parents, and your relatives, or whether it is against the rich or the poor...” (4:135). “Let not the hatred of a people swerve you away from justice. Be just, for this is closest to righteousness…” (5:8). According to the exegete Fakhruddin Al-Razi (d. 1209) (1990), such justice is cultivated by socially conscious epistemologies that incorporate knowledge in the practice of justice, which by scholarly consensus must be a distribution of justice that extends to the entire human community, the animal kingdom, and the natural world. Furthermore, according to the scholarly opinion of Sarkhasi (d. 1096), rendering justice “ranks as the most noble of acts of devotion next to belief in God” (1993, pp. 59-60).

Part 1: Exchange Parameters Informed by an Islamic Ethos

4.1.1 The Highest Objective in Exchange: Mutual Consent

Wealth creation is pertinent for any society. In contrast, wealth transference to a minority class is detrimental. In acknowledgement of this, scholastic Islamic scholarship has historically incorporated the development of axioms into religious legal framework. As a result, consensus has built Al Juwaini’s (d. 1085) construction of the *maqasid* that identifies ‘mutual agreement’, as the underlying fundamental objective of the laws of trade. It is an expansion of protecting people’s wealth, based on the Quranic ayah, “O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful" (4.19).[191] This underpins all legal protections of market participants and acts as the basis for the five identified *maqasid* of protecting (*al-ismah*) peoples' faith, souls, minds, dignity, and wealth. In this understanding then, we can extend the higher objectives even further because they are just signifiers of meaning, and language is a cognitive interface that approximates to explain reality.

Such developed axioms should steer decision-making and corrective policy, and minimize undesirable effects on societies and the environment from the real forces of greed and power. This approach is consistent with a point made by Keen (2011), that ascribing empirical scientific certainty to predictable outcomes is fallacious. Physics and other sciences are able to measure such outcomes with a certain accuracy. However, theories themselves cannot accurately predict economic outcomes, although the discipline of economics contemporarily still attempts to do this in its modeling. Furthermore, Karl Popper's articulation of fallablism is an argument within the naturalist framework which posits that theories must be discarded in the moral pursuit of truth, if proven wrong through empirical research (Brewer, 2013). However, even though empirical research has concluded that the fundamentals underpinning economics need reevaluation, like the concept of equilibrium in the free market, the field refuses to do so. Economics is largely unable to be faithful to what it claims to represent – science – and this results in putting markets above ethics, law, morals and ultimately, above people.

It is essential therefore, to approach the topic of policy-creation, and or promotion, with unpretentious flexibility because any discourse on trade, ultimately, is philosophical because it centers on how two or more parties convince each other to depart with, and exchange, rights over

[191] *Ghiyath al Umam* (also popularly called *al-ghayyathi*) by Al Juwaini (n.d) is a book proposing how to reconstruct Islam from the bottom up in the hypothetical situation that if all Islamic legal texts were lost, Islam could still be reconstructed by simply identifying higher objectives, which he specifically called '*al maqasid*'.

property. Mutual agreement, however, is not a rule operating in exclusivity. As Al-Qarafi (d. 1285) pointed out, 'means leading to prohibited ends' (exploitation) must be blocked (1998).[192]

4.1.2 The Market of Medina: Principles and Legal Limitations

The examination of a few characteristics of the 7th century economy in Medina allows the deduction of principles from a few normative examples (Dutton, 1998).[193] Ramadan contends, "The greatness and exemplarity of the city of Medina do not lie so much in its form proper as in the adequacy—at that particular moment in history—between the eternal principles stated and the historical implementation elaborated by the Prophet" (2008, p. 4). The models used in the prophetic era were simply means by which that community was able to implement its goals. Thus, differentiating between goals and universal principles is important as well as recognizing that, "in Medina, [there] were models through which goals were implemented at a precise moment in history" and since times change "models must necessarily change as well" (p. 263).

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[192] If someone wants to lend to another person at interest, and the two parties agree, the 'trade' is still usurious even though it may fall under the category of 'mutual agreement'. This is because the person accepting the loan is typically in a weaker position than the lender, which is the reason he is in need of borrowing in the first place. Hence, the lender is exploiting (*using*) this angle to profit, as the *ayah* alludes to "consuming" each other's wealth and "killing" one another in the process, one of the negative externalities of a system built on debt and interest.

[193] Some have debated against giving priority to analysis of Medina, which is a position favored by the Maliki school. However, it has been well documented that, as Islam spread to the Levant and Iraq among other places, fabrications of hadith took place, which has been a point harped on and scrutinized by Orientalists. Dutton refutes the Western revisionist theory specifically attributed to Goldziher (1981), who sees religion as a psychological phenomenon, and Schacht (1950) who corroborates Goldziher's hypothesis that the hadith collections are mostly forgeries. One cannot say with certainty that the 20th century phenomena of Jewish academic critics of Islam produced disingenuous efforts in historically revising the origins of Islam. But it must be considered that the over-representation of such characters influencing the trends of Islamic scholarship did play into the hands of certain political movements and policies, and that in no other field are non-practitioners and their opinions so prevalently represented and taken as 'mainstream' analysis. Antagonistic views of Islam have been oft proven disreputable by a surge in classical scholarship focusing on the early Islamic period. In contrast, Dutton argues that no less than 10,000 of the Prophet's companions were buried in *al-Baqi'* cemetery in Medina, meaning that a large community there had witnessed his normative practices, economic and otherwise; and that it was nearly impossible to fabricate a lie about the Prophet ﷺ within that community.

An atmosphere with administered justice simultaneously prohibits financial crimes from taking place while maintaining infrastructure that provides a platform for fair socioeconomic exchange that simultaneously rewards merits (Dutton, 1998).[194] Axioms require contextualization in order to prevent their manipulation. The Medina of the Prophet ﷺ was a pluralistic society, and deliberating on it divulges the desirable function of a state. The word 'state' is used here as a loose affiliation of relationships and agreements that translated into a representative body for the pluralistic polity in Medina during that era. Its market was also mercantile (Tag el-Din, 2013).[195] The market motivation for selling was no different from other markets – profit –, which undoubtedly also included pure greed and self-interest, called *mughabana* in classical fiqh (Al-Shatibi, 2003).[196] Greed is perennially a problem and therefore policy-oriented economic protections continually need updating and institutionalization in order to minimize its undesirable effects.

4.1.3 Legal Framework and Economic Freedom

[194]Analyzing the guidelines of the sphere of social and economic interactions (*muamalat*) in Medina's market during the 10-year period of the Prophet's ﷺ domicile there offers invaluable context for how those ends were achieved. Moreover, besides the Quran, primary source literature involving commercial transactions from the time of the Prophet containing elaborate context is scant. Hence the importance of Malik's perspective, who, after observing the actual normative commercial transactions of Medina ('*amal al-ahl Medina*) came to the conclusion that Medina's normative practice taken from very learned people held a preferential status in regards to deriving rulings in Islamic jurisprudence. Malik's concept of the '*amal* was as a composite term. Its background encompassed both the Quran and Sunnah within their appropriate contexts, as well as elements of *ijtihad* made by knowledgeable companions of the Prophet ﷺ whenever direct evidence from the texts was unavailable.

[195] In reaching this understanding we must look at the legislation and how it affected everyday transactions. It must also be considered that the economy of Medina was semi-mercantile, or also aptly demarcated as commercialist, which is defined in the dictionary as "the attitude or actions of people who are influenced too strongly by the desire to earn money or buy goods rather than by other values" Merriam-Webster Inc. Merriam-Webster's collegiate dictionary. Merriam-Webster, 2014 (p. 1).

[196] Defined similarly, "*Ghaban* is the tendency of the seller to bargain for more than the market price and for a buyer to bargain for less than a market price…..normally in response to changing market conditions…..Hence, *mughabana* is a an expression of price mechanism under the changing market conditions of supply and demand". See *Al-Muwafaqat*, vol. 2, p. 149 discussing different types of *mughabana* to include negative types like the receipt of insider market information (*mughabana fahisha*) and the distinction between this term and *mushahha* (*shuhh*/possessiveness) and outwitting (*mukayasa*). *Ghaban* occurs when a buyer is misinformed about market conditions and is thus duped, which is why there was a Sunnah in Medina to practice a three-day period of confirmation and fact checking before making certain contracts (*khiyar*).

The preservation of economic freedom is paramount. The law governing the market of Medina was the constitution (*hudna*) of Medina, which consisted of at least two parts, and was issued at various times during the Prophet's ﷺ first seven years or so in Medina. Serjeant (1978) has lamented that the constitution lacked too many essential components to denote it as such whereas Khan (2006) has contended otherwise.[197] Without delving into the semantics between a charter and a constitution in the modern sense, it is unquestionable that the constitution acted as a social contract that provided social security for a pluralistic society; it also served as a truce between warring tribal factions (1978).[198] These political arrangements also extended into the market, which became a sanctified area for conducting trade. It is important to note that the charter was never abrogated.

Economic freedom was safeguarded through legal protections. For instance, the Prophet ﷺ refused on several occasions to fix prices, even when they rose exceptionally high. From similar instances, scholars deduced that Islamic principles are in line with reliance on market dependency in price setting, and that the principle of fair dealing in business cannot translate into forcing people to buy or sell goods at certain prices (Ibn Taymiyyah, 1995).[199] However, this still

[197] Occidental observers have contended that the constitution was generally secular, except for the stipulation that Allah and his Apostle held ultimate arbitration. In fact, Orientalists like R.B. Serjeant (1978) have lamented that the constitution was "not really a constitution at all" mentioning its lack of an expansive detail of precedents and fundamental principles (p. 2). There is a difference of opinion between scholars on whether the constitution consisted of eight parts, as Serjeant contends, or, whether it was a two-part agreement as Ali Khan contends. It did not survive in its entirety and is therefore best understood through studying Ibn Ishaq. Serjeant further contends, "Muhammad acted in accordance with Arabian political patterns in existence from the remote past. In one sense he is simply a judge-arbiter *hakam*, like his series of ancestors, and he was responsible for but few modifications to Arabian law and society" (pp. 2-3).

[198] The clans of Banu Aus and Banu Khazraj were reconciled through the constitution, which instituted a number of rights and responsibilities for Muslims, Christians, Jews and Pagans, allowing each community to maintain its own cultures and religions, although they were all fused together into one community "ummah". Demonstrated by the fact that these social institutions were built upon constructive preexisting societal norms, the argument that Islamic applications can coexist with non-Muslim polities is further reinforced.

[199] Ibn Taymiyyah recognized supply and demand in analyzing markets, including saying, "causes of rise and fall in price are not always due to acts of injustice by people. Rather, this is due to shortages in the production or supply of

requires context. Such a mechanism can only function in its dictating fair prices if monopoly and manipulation are first removed. To differentiate here between goals and principles, we can look at another example. The preexisting taxes charged in pre-Islamic Arabia for participants to set up stalls in the market were forcibly removed by the ‘state’ because they created barriers that prevented individuals from entering (accessing) the market. We can deduce here that, in the pursuit of justice, the goal in this situation was to allow equal access to the market. However, before the market was allowed to self-regulate, monopolies that manipulated the supply and demand curves needed to be checked.

4.1.4 The Scope of Governmental Intervention

Checking markets, or intervention, however, is a legal issue. Shariah scholars assert that legal framework mandates the existence of a complete judiciary with robust elaboration of positive legal doctrine and method (Hallaq, 2005). A legal means must exist for distributing understandings of justice. Islamic law has a positivistic commentary within its scholastic tradition about the role of government and intervention. Coercion is the essence of politics and government is the agency that typically has a monopoly on the initiation of force. Therefore, by its nature politics is controversial. However, goals seeking to implement axioms must include a certain amount of interventionism in order to prevent specific crimes from happening; in the economic sense, financial crimes are civil affairs (Wolf, 2001).[200]

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a particular good. If the latter increases and desire [demand] for it decreases, then price will rise. And if production [khalq] rises and desire falls the prices will fall” (p. 116).

[200] Wolf adds, “Mohammed did, however, transfer to the state the responsibility for the care of the poor, whose status had become increasingly exploitative under the guise of traditional kin relationships. He declared all interest payments stemming from the pagan times to be null and void. Usury was made illegal: ‘God hath allowed selling, but forbidden usury’. Both acts seem to have been aimed at the undercutting of the Koreish (sic) power and raising

In regards to checking monopolies, the amount of acceptable governmental intervention has been a contentious negotiation throughout Islamic history because an agent of the state working as a market watchdog (*Al-Muhtasib*) can principally infringe on economic freedoms of those thought to be enjoying a monopoly. Ibn Taymiyyah (d. 1328) later wrote *Al Hisbah fi'l Islam* (*The Market Authority*) to enumerate that people must be free to enter and leave the market, that they must have equitable access to market information, and that monopolies must be eliminated by the state (Sidiqqi, 2013). This corroborates that the state's functional role is primarily to serve as a protector of rights, which in Islamic history became the identifiable priority because the state acted on behalf of those unable to maintain themselves above subsistence levels. Re-contextualized in contemporary times, this would encourage policies towards creating social safety nets. The second function of the state is defined by Kahf (1991), as "improving the quality of life rather than maintaining it" even to the extent of "imposing special taxes in addition to *zakah* (poor tax)" (pp. 4-5). This limits the function of the state and its scope to certain affairs, succinctly as protecting, maintaining and or improving the lives of its citizens.

4.1.5 Extending Higher Objectives into Developing Axioms

Economic stability is also important for social stability. Ibn Khaldun (d. 1406) has most eminently made this clear in his dynamic model on poverty. Extending Ibn Kahldun's train of thought, one recent study has shown that better governance in contemporary times similarly correlates to parity and better socioeconomic situations (Affandi & Astuti, 2013).[201] Thus, this

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resistance against it. Poor *Muhajirun* were also granted a special part of the spoils, and poor Muslims were assigned land. Non-Muslims paid a special tax but were integrated into the new state without forced conversion" (p. 120).

[201] The authors explore how one traumatic recessionary cycle from the late 1990's affected different Muslim-majority countries dissimilarly. Although all of them were averse to the lingering economic effects of yet another

seems to be a lasting reality. The norms, however, are relativistic and should be expanded as the human subsistence level of humanity is increased. Whereas necessities, defined by the Al-Shatibi, are things "…indispensable for the survival of human beings in areas of religion, life, mind, genealogical reproduction and property" (Kahf, 1991, pp. 4-5). Norms, needs, and luxuries change between time, place, and context, so too do the justifications and rulings for them (Auda, 2008).[202] Thus, these terms are semantically relative and governmental intervention regarding the levels of tax, or the amount of necessary governmental assistance in monetary terms, is flexible.

In keeping with the concept of updating norms and needs, Ramadan, like other *maqasid* scholars, has expanded on the classical five *maqasid* to include the very protection of them by promoting *maqasid* linked to "being and action" including "Dignity", "Welfare" and "Justice" (pp. 138-139). In connection to "ethics of the heart," he adds "Subsistence", "Education", "Work", "Contract" and the "Rule of Law" (p. 143). Whereas for the protection of society he includes safeguarding the rule of law among axioms like "Pluralism", "Evolution" and "Deliberation" (p. 143). Most of the axioms that we can expand upon here would be widely accepted in a general context. In fact, most contemporary societies would have no issues with

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painful bust cycle, countries with better governance, social programs and more overall distributive justice proved to weather the storms for their economically oppressed populations better than the countries that had weaker institutions. This adds credence to the value of justice and the importance of offsetting natural improprieties. Most notable is preserving the sanctity of Islamic practices so that the path of righteousness is paramount over all other temporal aspects of the government; it is a religious requirement: "…And if they seek help of you for the religion, then you must help, except against a people between yourselves and whom is a treaty" (Quran 8:72).

[202] Some scholars have categorized the higher objectives into necessities (*daruriyaat*), needs (*hajiyyaat*) and refinements (*tahseenniyyaat*). This word sounds quite awkward in Arabic because it is a technical word, only utilized in *fiqh* issues, but not in any standard Arabic discourse. It is the plural of *tahseen* and it denotes a part of the *maslahah*, or human need, that refines one's life such as: recreational activities, refinements and other things that add elegance to one's life. The classical and contemporary scholars of Islam classify the importance of certain essential needs and rights using these three categories. Auda writes "al-maqasid structure is best described as a 'multi- dimensional' structure, in which levels of necessity, scope of rulings, scope of people, and levels of universality are all valid dimensions that represent valid viewpoints and classifications" (p. 10).

updating their higher objectives to support stronger property rights, the maximization of resources and the minimization of wastage (Muslim & Siddiqi, 1990).[203]

Certainly, however, there are a few aspects, inspired by Islam, which would entail certain reframing in viewing economic exchange. In fact, many of these axioms are presently trumped by the negligence paid to one primary axiom. Moreover, being faithful to this one axiom is a very strong normative stance to take in a global society that has centuries of legislation, practice and ideological opposition to it in discourse, and that is the prohibition of *riba*. Therefore, the discussion must return to an analysis of this contentious concept.

4.1.6 A Discussion on *Riba* as an Axiomatic Prohibition

The majority of the market prohibitions in Islamic law fall under three categories: (1): the prohibition of *riba*; (2): the prohibition of *gharar*, which is excessive speculation or fundamental uncertainty; and (3): the prohibition of dealing in illicit (*haram*) products (Saeed, 1996). From a social aspect, policies can create legislation for crimes dealing with monopolies, cheating, fraud, speculation, hoarding, gambling etcetera. However, although the prohibition of *riba* is the '*sin qua non*' of any Islamic financial ethos, it is very difficult to counter through prohibitions. That is, 'preventing-*riba*' is an immutable axiom from the Islamic perspective, but in contemporary reality, a *maqasid* approach to this issue must be nuanced.

[203] The concept of maximum utilization of resources and minimum wastage comes from "Every landlord should farm his land but if he cannot do that, he should let his brother farm it" in *Sahih Muslim* (p. 172). The strongest argument for the concept of private property lies in the Quranic commandments for inheritance. People inherit what Allah has dictated for them rather than what they have necessarily earned. Some exegetes have tried to argue that 53:39 "That man can have nothing but what he strives for" means that Islam only supports limited private property that someone has earned by their own efforts. However, the concept of inheritance trumps any speculative theology, and the inheritance laws in the Quran are very clear. Rather, that verse's general connotation is that humans receive the ultimate judgment from God based on what deeds or sins they themselves have registered on their scales.

4.1.7 The Background on *Riba*

There are essentially two different justifications for the axiom of ‘preventing-*riba*’. The first is an Islamic approach which utilizes: commentary from the Quran, commentary from the Hadith, scholastic commentary, the principle of consensus (*ijma*’), and proofs inferred and deduced from other sources (Judaism and Christianity: see Ch. 2). The other justification can be from the book of “The Universe” as Ramadan calls it, which can look at its measurably undesirable effects on society and the environment.

Quite succinctly, the etymological meaning of *riba* is growth, augmentation or expansion, although it is used most often “in particular reference to the act of giving money at a fixed increase” (El-Eshkar, 1987, p. 38). *Riba* is associated linguistically with the Hebrew terms *marbut* and *ribbit* found in the OT and so it is synonymous with many aspects of both usury and interest, but is even broader as it can manifest in “73 ways (*bab*)” (Al-Tirmidhi, 1986, p. 2343). The number 73 here is figurative, representative of a composite term. In the Quran, the word family of *riba* is featured in different semantic contexts as meaning to rise, swell, prosper, increase, nurture, augment, or increase in power. Thus, an English rendering of usury is simply one aspect of a complex term. *Riba* described by Saud (1983) is “The excess of money paid by the borrower to the lender over and above the principal for the use of the lender’s liquid money over a certain period of time” (p. 64). Fakhruddin Al-Razi’s definition is “taking wealth of others without giving a counter-value for it” (1990, p. 2). Razi’s definition is general, yet comprehensive, because financial exploitation i.e. *riba*, can happen in sundry ways.

In the pre-Islamic market, trade caravans were always in need of commercial loans for trips taken twice a year, to neighboring Syria in the summer, and to Yemen in the winter;

additionally, the poor were always in need of merchant loans. Essentially, the pre-Islamic society was no different from any other society where usury found a market due to a dearth in credit-issuing facilities (Blankenship, 1994). The Quran would consider the context and the immorality of these loans by chronologically revealing verses over a period of several years, which progressively constructed the Islamic moral argument against the phenomenon.

4.1.8 The Prohibition of *Riba* in the Quran: First Revelation

The Quran treats *riba* in four places. In the chronology of revelation about *riba*, the first in sequence was revealed in Makkah in Surah Al-Rum: "And whatever you give for interest to increase within the wealth of people will not increase with Allah" (Quran 30:39). The connotation is negative, but it is not condemned (Kathir, 1983).[204]

4.1.9 Second Revelation

The next sequential mentioning of *riba* in the revelation of the Quran comes in the first year after the emigration to Medina. It connotes God's displeasure with how people from previous dispensations, primarily the Israelites, were lending money usuriously even though it was prohibited for them to do so (see Chapter 2): "And [for] their taking of usury while they had been forbidden from it, and their consuming of the people's wealth unjustly. And we have

[204] Exegetes like Ibn Kathir (d. 1373) expressed opinions that this verse did not specifically pertain to commercial transactions, but rather it pertained to one of its other manifestations in pagan society. The present tense of the verb meaning 'to increase' (*yarboow*) is used here to connote any increase whatsoever. The majority of exegetes have determined that this Mekkan surah is thus not treating interest and usury in the sense of a commercial transaction per se. But it is rather treating it as doing a favor for someone with the intention of recalling that favor at a future date and asking for something in return (Ibn Kathir, Ibn Abbas, and Abu Qatadah all held this view).

prepared for the disbelievers among them a painful punishment" (Quran 4:161). For the next two to three years, this was the extent of the commentary on *riba* and although it was mentioned with a negative association, it was still not specifically legislated that the Muslims had to abandon it (Nomani, 2002).[205]

4.1.10 Third Revelation

The next *ayaat* about *riba* were revealed just prior to the Battle of Uhud, which according to the historical accounts, took place on the 7th of Shawal in the third (Islamic lunar) year after the migration to Medina (625 CE). In Surah Al-Imran the Quranic perspective shifts into a prohibitive directive (*nahee*) towards a community that had attained belief (*amanoo*): "O you who have believed, do not consume usury (*la ta'kuloo*), doubled and multiplied, but fear Allah that you may be successful" (Quran 3:130). Hence, it took until the third year of the Prophet's residence in Medina for the market to shift towards prohibition of this sin. Traders traditionally lent money for prescribed terms, typically one year, with the intention of doubling the loan if not paid in full at the end of the term, called *riba al-jahiliyyah*. The Arabic terminology was "*taqdi aw tarbee*", meaning 'pay me in full or increase me', which was the 'time value of money' argument, and the Quran deemed that argument illegitimate (Nomani, 2002).[206]

4.1.11 Fourth Revelation

[205] According to the classical exegetes, the prohibition was still only a recommendation at this point in revelatory chronology.
[206] The language used here is a forbiddance (*nahi*). Indeed the previously revealed ayahs had been communicated with a negative undertone and connoted an action disliked (*makruh*) (*tarbee* –an imperative derivative form of *riba*).

The final revelation, and the most concise in its prohibition, came in the last *ayaat* of Surah Al-Baqara, which directly allude to *riba* as a heinous crime: “Those who consume *riba* cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, ‘Trade is [just] like *riba*.’ But Allah has permitted trade and has forbidden *riba*. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in *riba*] - those are the companions of the Fire; they will abide eternally therein” (Quran 2:275).

The next *ayah*, (2:276) follows up with “Allah destroys (*yamhaq*) *riba* and gives increase for charities. And Allah does not like every sinning disbeliever” (Quran 2:276). The Quran contrasts *riba* with charity, signifying that there are no rewards in an interest-based transaction, whereas God rewards people who pay the poor-tax as mentioned in ayah (2:277). *Ayah* (2:278) then states “O you who have believed, fear Allah and give up what remains [due to you] of *riba*, if you should be believers” and 2:279 follows this up with the consequence, “And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged”. This is the end of the commentary on the phenomenon in the Quran, which is clearly against the practice; however, as strong as the condemnation is, the specifics of the practice are not contextualized any further. In searching for supplementary context, one sequentially then examines the Hadith and scholastic commentary.

4.1.12 *Riba* in the Hadith

In the Quran's treatment of *riba*, the prohibition becomes clearly undisputed, yet the ambit, as a phenomenon, necessitates more clarification. A view attributed to de Saussure (d. 1913) argues that semantic under-specification can be the cause of ambiguity when a word is used in various contexts, and the signifier *riba* appears in various contexts in the Quran, inviting copious commentary.[207] Thus, classical scholarship has used the Hadith to add context and classify the scope of *riba* into different categories. Much of the Hadith literature describes the phenomenon of *riba al-fadl*, which is the usury of surplus and *riba al-duyoon*, interest on debts (Malik, 2005).[208] *Riba al-fadhl* can be understood best as 'usury on exchange surplus' when an exchange happens regarding items of the same genus, as one narration emphasizes: "[Exchange] gold with gold, silver with silver, wheat with wheat, barley with barley, dates with dates, salt with salt in equal quantities and spot. Anyone who increases the quantity or asks for increase indulges in *riba*. The receiver and payer are equal in this" (Muslim & Siddiqi, 1990). This is not in reference to interest on the loaning of money, but regarding the injustice that happens in exchanges where an unfair surplus is granted to one side of a transaction. This has grave implications from a *maqasid* perspective because it requires the ethical reevaluation of various

[207] The cognitive sciences have been dealing with the issue of how representations should be modeled.
[208] Imam Malik commented that besides ascribing partners to God (*shirk*) there is no sin more tantamount that *riba*. In another hadith, it is considered one of the seven great sins in Islam, and Imam Al-Qurtubi (d. 1273) mentions in his *Tafsir* that the traditionalist Ibn Khuwayzimandad stated that believing *riba* to be lawful was considered apostasy. With firm belief, the early Muslim community realized the severity of this crime for its propensity to create injustice both socioeconomically and spiritually. The classical scholars organized *maslahah* into three kinds: ones acknowledged and accredited to a textual reference (*masalah al-mu'tabarah*), ones that are rejected outright *masalih al-mulghat* and those neither accredited nor denied (*al-masalih al-mursalah*). The first type are recognized benefits that are explicitly expressed in the *shar'i* texts; for example, the retaliation for murder (*qisas*) ultimately aims to protect human lives, or that the prayers (*ibadah*) ultimately aim to protect one from lewdness and raise personal levels of piety. These are analogically deduced even in lieu of their explicit mentioning. In contrast, there are perceived benefits, which are bluntly rejected and denounced by the *shar'i* texts. *Riba* is a good example of this concept, the usurer clearly 'benefits' by making a profit, but Islam rejects the concept. The notion is very straightforward. However, more complicated, is arriving upon a pronouncement for something that is neither explicitly accepted or prohibited (*al-masalih al-mursalah*). Using the *masalih* has several restrictions, most notably that its discovery cannot contradict an established and clear ruling (*hukm*) and that its realization must develop out of definitive references (*qat'ee*) and not speculative (*dhanni*) thought.

transactions and contracts for their potentially exploitative qualities, not just a reevaluation of loans.

Another narration says, “Allah has cursed the one who consumes *riba*, the one who gives it, the one who witnesses over it, and the one who writes down the transaction” (Muslim & Siddiqi, 1990). If *riba* here means compound interest, the inference is an institutional condemnation of all aspects of creating interest-bearing loans. This renders the modern concept of a bank essentially problematic from an ethical perspective, if a bank is to retain its essential features as an intermediary institution granted credit-issuing privilege acting as a for-profit entity. Because comprised as such, charging compound interest as a combination of both opportunity cost and credit risk cost, a scenario is created whereby banking institutions unfairly benefit by charging for what is largely unnecessary.

Regarding the prohibition of interest on loans, the number of hadith related to these dimensions of *riba* are too numerous to exhaustively enumerate, but to encapsulate their essence, one narration by Imam Ali succinctly says, “Every loan that reaps benefit is a form of *riba*” (*kull qard jar munfa’a fa huwa riba*) (I'la as-Sunan, p. 14).[209] The rationale is because no matter how long the lender waits for his money to be returned, he still has not entered into any legitimate business venture, thus, has earned no right of compensation, meaning that lending and investment are not the same (Noor, 1988). The lexical context of Quranic treatment of *riba* is similar: it is illegitimate increase (*ziyada*); but, interest, the increase of money over time, is only one dimension of the prohibition, and is known as *riba al-nasiy’ah* (*riba* for waiting).[210] In fact

[209] Makhul reported from the Prophet ﷺ “There is no interest between Muslims and people with whom they are at war”. The hadith is considered weak by some, as it is a *mursal* narration and appears in Shafi’i’s *Kitab al-Umm*. As this was recorded by Imam Al Shafi’I (359 CE) it was taken to mean that *riba* was not even accepted in non-Muslim lands in order to prevent the skewed hermeneutic that appeared in Jewish history (discussed comprehensively in Ch. 2).

[210] Scholars have been interested in these verses and their significance as the last *ayaat* revealed before the Prophet Muhammad ﷺ passed away. All of the *ayaaat* lie between verses 275-281. The connotation of the following verse is

the next verse in the sequence of Surah 2's prohibition (Al-Baqarah) encourages offering respite to those in financial hardship, "And if someone is in hardship, then [let there be] postponement until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew" (Quran 2:280).

4.1.13 Different Aspects of *Riba* in Commentary

The phenomenon of *riba* has various ways of manifesting, and articulating the manners by which it does so requires vigilance by contemporary scholars of each epoch. Another important narration reveals that *riba* is often hidden in transactions; "Bilal brought to the Prophet some *barni* (good quality dates) whereupon the Prophet ﷺ asked him where these were from. Bilal replied, 'I had some inferior dates which I exchanged for these - two amounts (*sa*'*s*) for one amount (*sa*')'. The Prophet ﷺ said, 'Oh no, this is exactly *riba*. Do not do so, but when you wish to buy, sell the inferior dates against something (cash) and then buy the better dates with the price you receive' " (Muslim & Siddiqi, 1990). From this oft-discussed narration, scholars infer that a very close companion, likely well versed in theology, was unaware of the *riba* in unequal exchanges, a various aspect of *riba*. What would have been better for him to do was sell the lower quality dates for cash at their market value, and then purchase the premium dates with cash

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that *riba* is a major and heinous sin and crime. Shortly after the revelation of the verses in Al-Baqara explicitly prohibiting and condemning any and all usury, the Quranic revelation ended. Hence, in order to understand the dimensions and scope of riba it is necessary to also look at what the Prophet ﷺ spoke about the Quranic revelations regarding usury and the context of his added commentary and statements. Furthermore, it is essential to look at how the normative practice was understood by the early community in Medina. Indeed *riba* has different aspects to it. The Prophet ﷺ has commented on *riba* in numerous transmissions. What this adds to the understanding of usury is that it is multidimensional. The other dimensions to the understanding of *riba* are no different than the comprehensive ways usury and interest have manifested in various forms throughout history into exchanges, timed agreements and as debts circulating as the money supply. Some of the intricacies regarding these manifestations of usury were not thoroughly articulated by the Prophet ﷺ to his disciples, leaving an amount of knowledge still desired by disciples like Umar who commented that he wished he could have asked the Prophet ﷺ several more questions related to *riba*. Ibn Kathir mentions this in his *tafsir* (1983).

for their market value. This narration highlights the necessity of a stable currency for measurement in the market in order to facilitate the way for precise exchanges to not unfairly benefit one side in (hidden) exchange surplus.[211] An example of another way *riba* manifested in this manner, specifically in Arabia, was through contracts guaranteeing pre-determined profit ratios before a season's harvest (*mukhabarah*); these agreements unfairly secured investors against risk, thereby transferring all of the risk to one party.

Sh. Yusuf Qaradawi (1999) analyzed some of Al-Razi's famous commentary on *riba*, enumerating its functions. He first mentions that its prohibition comes from a deep concern about the moral, social and economic welfare of humankind. He further alludes to the ruling on wealth and blood being sacred, and that taking interest appropriates one side's wealth without offering anything of counter-value in exchange. Next, he points out that dependence on receiving interest payments creates a (4th) class of people (usurers) who will not be motivated to work or invest in real industry. Numerous Western commenters have made this same point, for instance Swan's (2009) work on financial crashes. Thirdly, Qaradawi mentions that taking interest from one another breaks bonds and discourages friendliness between people; and the fourth point is that poor are likely to borrow from rich, which further stratifies society and widens the gap of inequality (Qaradawi, 1999). Therefore, the rationale for adhering to this wide scope of a prohibition is not only ritual obedience, but upon reflection one is able to identify the perceived and measurable injustice that is distributed by a system that ruins bonds (moral injustice),

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[211] Another narration from Imam Ahmad's *Musnad* shows this multi-dimensional hidden property of *riba*: "Whoever makes a recommendation for his brother and accepts a gift offered by him has entered *riba* through one of its large gates", narrated by Abu Umamah. In addition, another narration in *Sahih Muslim* "On the day of Khaybar he bought a necklace of gold and pearls for twelve dinars. On separating the two, he found that the gold itself was equal to more than twelve dinars. So he mentioned this to the Prophet, who replied, 'It [jewelry] must not be sold until the contents have been valued separately' ", narrated by Fadalah ibn 'Ubayd al-Ansari.

exploits the weak (social injustice), provides social advantages to the wealthy, and affects the stability of money (economic injustice).

Part 2: Arriving at an Understanding of Just Money

4.2.1 A Clarification of Terms

In acknowledging its various issues, interest should not be intricately tied to the genesis of money creation. Regarding the use of labels that attempt to communicate an understanding that financial transactions are an embodiment of such values, Ramadan argues; “The very idea that there could be an Islamic economy is misleading if not dishonest for after all what is truly Islamic in this economy – its tools, its methods, its norms, its goals?” (2008, p. 117). Indeed, for an economy to identify as ‘Islamic’ it needs have some measurable outcomes for the axioms it promotes in the pursuit of justice (Kahf, 2004).

Such axioms necessitate that equitable access to money in the marketplace must also be just, and that the money used within the marketplace is not a signifier that unfairly harms its users. There are competing narratives and discourses attempting to shape the signifier ‘money’, which is oft mistranslated into Arabic as *mal*, which more accurately translates into ‘wealth’. However, as is the way of language, translations and terminologies are not always stagnant. Bank money, which is credit, has its own idiosyncratic history, as does the concept of *mal* in Pre Islamic Arabia. Making a distinction between the English signifiers ‘money’ and ‘credit’ is imperative as they are terms that etymologically developed in the Western episteme and therefore their definitions contain some underpinning assumptions.

4.2.2 The Competing Versions of Money

In order for a definition of 'just money' to emerge that is consistent with the expanded *maqasid*, it is necessary to examine the historical evolution of money and the discrepancies about how to define it so that ethical considerations can be given to defining 'just money' in a contemporary context. Money above all else is an idea. Its primary use is as a medium of exchange. Whereas the notion of storing or preserving value in an instrument with lasting qualities is an entirely contrary concept. That would be a commodity. Money is not however intrinsically a commodity. Yet, framing in modern discourse has conflated these two concepts together under the auspices of one label, 'money', which has caused problems. Accordingly, the two competing definitions for money are:

1. A medium of exchange or a unit of account; (Definition A)
2. A store of value or a standard of deferred payment; (Definition B)

These two definitions are in conflict because, as a medium of exchange, money needs to circulate in order to facilitate exchanges for society. However, as a store of value, money simultaneously contains a property that makes people want to hoard it. Definition A functions just like a token, whereas Definition B works more like an instrument of barter; thus, Definition B is susceptible to Gresham's Law, which states that 'bad money drives out good' (Rothbart, 2011).[212] This means that when commodities are used as numeraire (i.e. coins) and their nominal

[212] Sir Gresham (d. 1579) was an English financier who worked during the reign of the Tudors (UK) who realized that people would hoard good coins and tended to spend coins that had been clipped or had some other obvious

values are very similar to their commodity values, they are more likely to be hoarded than commodities with obvious defects in them (i.e. tarnished or clipped coins).

The English word 'money' likely comes from the Latin word *moneta*.[213] The study of numismatics is the broader study and collection of currency and items that have represented money in the past. Its Greek root stems from *numisma*, putative for 'I think so' and *nomos*, law, or something based on it. The connotation is that money is something abstract that someone *thinks,* or has been made to *believe,* is representational of value. It also implies the connotation of a signifier that, in the event that money is not accepted freely, shall be legislated by law to serve as a representative replacement of value, usually for tax purposes; and because of this propensity to be linked to coercion, money has a political dimension (Davies, 1996).

Various payment media used to resolve debts have signified money throughout history. Anthropological studies have substantiated that the earliest form of money in existence was debt, payment media comprised of simple bookkeeping, recordkeeping, tallies, and measurements of exchange surpluses among enclosed communities. Some allege this human practice may date as far back as 100,000 BCE (Mauss, 1954, p. 36).[214] Yet, substantial records exist of credit and debt arrangements from at least 3000 BCE and onwards (Graeber, 2011).[215] The default money in most societies took the form of record keeping of personal debts and IOUs because IOUs were

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defect. This is such an age-old common sense notion although it is attributed to Gresham, and economists, particularly Austrians of the libertarian bent, have expanded upon it in modern times.

[213] The term is probably derived from an epithet of the Greek god Juno. Juno, also known as Hera, was also the name for the temple where Ancient Romans produced their money. As the Greek mythological anecdote goes, Zeus had tied up Hera; therefore, she became the lonely Hera or "Hera Mone Tas" (*moneres* signifies loneliness in Greek).

[214] Mauss was the French cousin of Emile Durkheim, and as a sociologist, he compared gift exchanges in different cultures around the world. Money could have emerged from this debit and credit type of gifting.

[215] Graeber has done extensive anthropological studies on the history of credit, debt and money in ancient civilizations. He proves that such transactions took place as far back as 3000 BCE. His research flies in the face of the theory that Adam Smith developed capitalism.

just promises that bore no opportunity costs (Definition A), and one's capital was only as good as their word.

A need for using commodities as money (Definition B) only emerged when people would trade with people outside their spheres of trust. For instance, a yearly swap of food for materials with a foreign tribe, possibly an enemy, could not be done on a debt basis. In such cases, a tangible commodity like gold would appease traders more than a promise. Commodity money can be defined as money with some type of other usage besides being money in itself. It has comprised of a plethora of commodities including but not limited to: coins minted from precious metals (gold and silver), tokens, coupons, shells, cows and even flowers. Commodity money contains binary attributes with intrinsic value, meaning that there is another usage or purpose for the material the money represents in its social or legal function. For instance, a person may not smoke or have use for tobacco, but he still might accept it as money because others value it and therefore it can function as a commodity currency.

Lastly, delineating money is controversial and political. This is because giving theoretical primacy to, and thereby acknowledging certain historical narratives on money, means accepting certain associated definitions of money and its various functions. It further means ceding to an interpretation of evolutionary history, and implicitly adopting an entire embedded ideology, or at least part of its truth.

4.2.3 The Origin of Money Systems

There are competing narratives regarding the origins of money systems. Definition A: religious/law-based definition of money as credit. And Definition B: trade-based (barter).

Definition A encompasses several converging narratives on money, all of which agree that money is simply an agreement, an act of law, or religious adherence – which would again be a form of law – and this history is essentially irrefutable. In some communities this concept of money originated in the rise of religious priesthoods who conferred significance onto certain items. This narrative recounts that cults and mystery religions all established monopolies on which types of money were acceptable to pay tributes with; therefore, the adherents of religious schools were obliged to use preselected currencies in order to fulfill religious duties. Thus, value was placed into whatever was needed to discharge a religious obligation, very similar to levying tax. The exchange rate of specie was made commensurate to an established amount of produce, which was in most cases cattle (Chown, 1994).

Other societies realized the inherent traits of money as a promise via another means, the submission to temporal governing authorities that issued IOUs and enforced their usage through tax and legal tender laws.[216] The term 'fiat' in both Middle English and Latin plainly means 'by decree' or 'let it be done' and refers to a state mandating the usage of something as sanctioned currency. The process of monetization confers value onto the signifier of worth; this process is facilitated and fostered as an institutional decision. Therefore, instead of valuing commodities for their intrinsic qualities or usufruct, monetary units are valued by how many of them are in circulation, and legal authority regulates that number.

4.2.4 The Inaccurate Claim that Money Evolved from Barter

[216] The notion of abstract money transcends the concept that money must hold any value outside of its decreed value; thus, it does not necessarily need to contain any intrinsic or commodity value. This is the psychological consequence of money.

What has heavily influenced economic discourse is an inaccurate narrative, the ‘barter-origin theory’ of money. This narrative, endorsed by Adam Smith (Book 1, Chapter 4 *Of the Origin and Use of Money*) and numerous others in the field of economics, delineates money as ‘a preservation of wealth’ or ‘a temporary to long-term store of value’ in addition to simultaneously serving as a medium of exchange (Hulsman, 2008). In this scheme, money contains two opposing qualities (Definition B) wherein money is something valuable in and of itself; the concept remains problematic because it delimits money as something that people are inclined to hoard. Coins fall under this category, which some claim first appeared in human civilizations in the form of monetary representation around 700 BCE (Beinhocker, 2007). This narrative is promoted by an essentially pro-interest charging camp. However, an entire corpus of data signifies that money was not introduced this way in most societies, if any (Ingham, 1999). This theory incorrectly presupposes advanced infrastructure and legal enforcement of market ethics in nascent societies that simply did not exist.[217] A proponent of the theory, Varian (2010) claims, it became common understanding that two people who agreed upon exchanging items with each other would be in better positions after a transaction than they were before it. That societies

[217] The commodity, in this interpretation of intrinsic, should contain value within itself outside of its monetary significance. One positive attribute of ‘intrinsic’ value, is that even if a monetary authority renders a commodity valueless (or the government collapses) commodity money still retains some of its purchasing power because people can still potentially use the usufruct within the commodity. However, precious metals do not circulate well (with high velocity) because they are valuable and possession of them gives confidence to the one holding them. For instance, $20 gold coins issued in 1906 are still worth their ‘weight in gold’ today even though they aren’t accepted by the government. This is why it is common to hear people lobbying for a return to gold and silver, that is, if a government decides not to accept a gold coin any longer as legal tender it can still be melted down and used in another way. Thus, according to this theory, a need for something came about to simplify the barter world’s complications. The barter theory of money favors metals as money because metals, it is claimed, have set the precedent of natural monies for thousands of years not because of a priori determinations, but due to natural acceptance. It is accepted that some commodity properties were especially problematic for bartering. For instance, a cow would be hard to barter if forced to traverse long distances with one’s money. Thus, the weight, size, portability, perishability, unit value and composition consistency all became factors that would contribute towards the eventual wide acceptance of certain commodities serving as money. Moreover, proponents of this definition of money claim that money didn’t come about as a result of a social contract, but claim “it resulted from the spontaneous convergence of many individual choices, a convergence that was prompted through the objective physical characteristics of the precious metals” because they had the best propensity to serve as units of exchange. This is discussed on page 28.

would only conduct commerce with each other by using metals seems highly implausible, especially societies in lands without endemic gold or silver. Avoiding the embrace of this flawed narrative then brings us back to an ethical understanding, that money and credit are human creations, and social and legal commitments.

4.2.5 A Demarcation of Money, Wealth and Currency in Human Networks

The aforementioned definitions of money existed prior to the development of capitalism. However, understanding such intricate developments, their narratives and their effects on today's narrative should be a prerequisite in making any Islamic pronouncements about money, especially bank created money. Some classical arguments asserted that law-based money was preferable over other genera. In this view, money is simply regarded as a legal creature that divides every transaction into two parts: a sale and a purchase. Islamic scholars have made a wide range of different rulings in different times upon monetary matters, but in the contemporary situation, rulings from the past must be reevaluated because they fail to consider that bank money is a new signifier that has no precedent in the history of Islamic discourse. If not all of the available facts are considered in this regard, there is a high susceptibility of supporting institutions that actually cause more harm than benefit.

What can be said conclusively is that money supplies, including the aforementioned types and definitions, are advanced social structures comprising of two parties, the ones who create the supplies and the ones who need to use them (Ingham, 2004). The suppliers gain power, for they are able to charge for their services, and if their power is unchecked, they can siphon the money supply by debasing the currency (inflation) and by charging seigniorage fees.[218] This is just one of the various ways *riba* can manifest without directly charging interest on loans. History is replete with monarchs clipping coins and other fraudulent activities perennially designated as criminal behavior. However, in a modern economy institutions carry out similar actions in ways unprecedented, with the assistance of advanced software, and often with the impunity provided by operating within the confines of legal permissibility. Monetary systems are complex; their struggles are political and simultaneously serve sections of society with contradictory interests. Thus, a system that only eliminates, or sidesteps some aspects of bank interest, that still allows other aspects of unjust exploitation of the money supply (*riba*) is equally a system that still fails to prevent harms.

4.2.6 Money in Islam: Commodity or False Commodity?

Regarding money, an important thing to preface and reiterate is that in the history of Islam 'the classical legal scholars do not develop a concise theory of money' (Siegfried, 2001). The market of Medina was a mélange of Sassanid and Roman methods, and so there was nothing in it 'Islamic' in the sense that using that term would denote anything supererogatory. Furthermore, the earliest written account of delineating silver and gold as media for exchange with a conventional value appears in Islamic legal writings no earlier than the fourth Islamic century (Ritter, 1917). For centuries prior to that, money had operated as a commodity within all mercantile economies, including those in Islamic societies in which gold dinars (Roman denarius), silver dirhams (drachma), copper *fulus* (*folis*) and promises to pay (*hawala*) circulated

[218] Seigniorage is the profit made by a government by issuing a currency. Governments have done this by clipping coins and reminting them, attempting to pass them off to the public with their previous values.

as money (Abu-Lughod, 1989). Early in Islamic history, money was treated for its conventional value, rather than its intrinsic value, whereas in the following centuries, counting began to supersede weighing as a legally valid method, and money became numeraire, which was a concept present before Islam.

However, through the passage of time, the development of banking and the legal institutions that underpin capitalism, money has become something that can be created digitally, virtually cost-free. Although the narrative of this human discovery is nefarious because of what many banks have done with this power, this discovery is essentially a game changer, and a very important human ingenuity. Thus, money is no longer a commodity, but somehow it is still treated as such. This is primarily because economists who envisage an economy using commodity-money claim that money can represent a surplus to be saved or lent to borrowers. Furthermore, if money is viewed as a commodity then its value arises out of its scarcity, and like other commodities it is then subject to the forces of supply and demand. This creates the potential for human suffering in numerous forms because scarcity of money in the market causes negative effects, like deflation. Defining money as a commodity is, hence, to create a "false commodity", as argued by Karl Polanyi (d. 1964) (1957) and many others (Pettifor, 2013).[219]

This 'context' (*al-waqi'a*) must be considered in making determinations. Ramadan (2008) argues that the evolution in the experimental sciences (and in this case the evolution of money) must "…clearly acknowledge natural and universal laws and the constant or circumstantial principles of human action in history as full-fledged sources of Islamic law and jurisprudence" (p. 120). However, there is a danger that without considering the ethical

[219] Pettifor mentions prominent economists who have argued for money as a social construct rather than as a traditional commodity, since it can now be created virtually for free. She enumerates a list of: John Law, John Maynard Keynes, Joseph Schumpeter, Karl Polanyi, Kenneth Galbraith and Herman Minsky; and of contemporary economists and sociologists like Victoria Chick, Steve Keen, Geoff Tily, Cullen Roche, Geoffrey Ingham and the school of 'Modern Monetary Theory.'

reevaluation Ramadan argues for, that what may result in economic discussion is "…utopian, illusionary, often naïve religious, philosophical, and ethical thought" (p. 150). This does happen as we can see that an unapt rendering of the texts prompts some to obstreperously elevate the literal status of gold and silver coins, arguing that they comprise 'Sunnah money' (Chulov, 2014).[220]

Surely not all metals advocates are demagogues, and neither are all of them entirely naïve for that matter. However, while some voices continue hearkening for the promotion of gold and silver as money in Muslim majority polities, serious discussions about monetary issues are indirectly derailed. Meanwhile, such proponents unsophisticatedly overlook the fact that the precious metals industry is a very unjust industry if examined. Among other things, it is a gargantuan industry that poisons global water tables with cyanide and mercury (Malm, 1998), retains slave and child labor (Bose-O'Reilly, 2008), and engages in heavy market price manipulation (Zhang & Wei, 2010).[221] And while it is true that gold, silver and copper represented some of the payment media circulating in Medina and later Islamic civilizational markets, (with both Islamic images and 'graven images' on them), it is not an Islamic necessity that money must remain as it was in the past, especially if the usage of such specie leads to more injustice. As Ramadan contends, the tools may change but the principles remain.

Adam Smith's concept of justice is "not based on abstract rights or principles of justice, but on sentiments" (Frierson, 2006, p. 442). For Smith an action is only unjust if it has a sufferer and so nature can only be protected if it is sympathized with (Smith, 1896).[222] In contrast, the

[220] For instance, in late 2014 the media reported that the terrorist group Daesh announced its intent on creating and maintaining such currency.

[221] Ironically, such a narrative shares its ideology with libertarian (Definition B) delineations of money, a narrative that heavily promotes the 'time value of money' and money as a commodity.

[222] In the introduction by Edwin Cannan it says "Smith actually distinguishes between "several different meanings" of "justice" (VII.ii.1.10, p. 270). The strict sense of justice, which Smith associates with Aristotle's "commutative justice" and which is the only kind "which may be extorted by force, and the violation of which exposes to

Islamic conception of justice is primarily based on moral principles. Thus, the *maqasid* would necessitate that society and the environment must be protected from unnecessary and avoidable harm. Furthermore, one Prophetic narration prophesizes that "Islam will be undone knot by knot, every time a knot is undone, people will hold on to the next one, the first of which is judging according to what Allah has revealed and the last of them is (the prayer) *salah*" (Hanbal, n.d.).[223] The tools used in the prophetic era expectedly only lasted a short duration of 30 years. After that, successive generations were tasked with enduring to re-implement legal ethics using different tools in different ages. Comparatively, they have been more successful than others have in certain epochs. However, in contemporary times, Muslims have failed and the amount of injustice now transpiring in the name of 'Islam' is arguably unprecedented, which would suggest that the tools being currently utilized need revisiting. This is especially relevant to the discourse on money.

4.2.7 Natural Resources and the Commons

Money has been treated differently in each epoch within Islamic legal thinking. Furthermore, in the Quran (2: 188; 4: 29; 4: 10 and 9: 34), there are generally only four ways that possessions can legitimately change hands, through inheritance (which requires legal enforcement), an exchange, a loan or a grant. All except the first require mutual consent. Islam

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punishment" (VII.ii.1.10, p. 270), is the one on which I focus here. The second sense – justice as benevolence – is covered in my account of benevolence, and the third – justice as propriety – is covered in my account of propriety. These senses of justice are important for an overall account of Smithian "environmental justice." A treatment of justice with respect to the environment of the kind popular within the environmental justice movement would also be appropriate for that context. But these discussions do not specifically involve sympathy with nature, so I leave them out here".

[223] This appears in both in *Musnad* and a separate narration by Abu Omamah Albahily. It was prophesized as well that the Islamic system in Medina would fall, and that it would never be restored. If the authenticity of this narration is accepted then it would be an exercise in futility trying to recreate the exact economic program that was instituted by the Prophet ﷺ in Medina.

views money as a medium of exchange. Furthermore, the 'time value of money' is a view of money that distorts the exchange mechanism and amalgams it with *riba*. As an entity of exchange that must be made a neutral signifier, money cannot bear such demands being placed on it. Therefore, what scholars contemporarily need to investigate, identify and promote is money that serves as a neutral measurement that does not provide an unjust advantage to its producer, and that does not provide an unjust disadvantage to its user.

Thus, considering newly available knowledge and context, the most benevolent understanding of money delineates it as a part of the commons.[224] The commons are the cultural and natural resources accessible to all members of society in which a denotation of traditional rights exists. Money is an idea, hence, immaterial, imaginary, and intangible; it is only symbolic of approximate value that humans conceptualize. Money is also barren, and this is a key, salient feature. As an abstract concept, it similar to numbers, worthless without being attached to representative items.[225]

Yet, money, like anything else that is a part of the commons, is perennially under threat of being abused by individuals maximizing their self-interest. Therefore, as a part of the commons in an efficient and moral economy, it is preferable that money should not have any intrinsic value whatsoever, regardless of the form it takes as decided by society, this is primarily

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[224] If we are to understand the prohibitions by looking for the higher objectives we can see that protecting human life is a fundamental component of the 'preservation' aspect of the 'necessities' category. Furthermore, human lives (souls; *nufoos*) are in jeopardy if the economic environment is predatory, nonfunctioning, usurious, or in any way unjust. With that in mind, the rationale behind the prohibition of fraud, monopoly and usury becomes abundantly manifest. The prohibitions seek a teleological prescription for creating a just economic sphere of human interaction. In fact, Al Shatibi would say that preserving the necessities is ultimately *the* "objective behind any revealed law".

[225] To illustrate, we can imagine two chickens, and instead of saying "chicken, chicken" to describe the items, we can say "two chickens". The number two is abstract whereas the chickens are not. We cannot monopolize or charge for the use of the number itself. Similarly, currency is only something that approximates the intangible. It is the means by which the abstract is represented, and likewise, the abstract may be exchanged for additional conceptual representations. Money can be a future promise collected and transferred by manifesting into some type of intelligent form.

because it is detrimental to circulation. Again, if money does not circulate (with a high velocity), the results are damaging.

4.2.8 Interest-free Credit Unions: Creating Alternative Currencies

The key conflict about money is between two rivaling factions: (a) those intent on maintaining the money supply's characterization as 'a store of value' and (b) those who want to 'monetize' their market power (Ingham, 2004).[226] However, there is an equitable way to democratize the money creation process, which is more in line with a normative ethical policy. In what is possibly an ironic reference, it is interesting that the father of anarchism, Pierre-Joseph Proudhon, first proposed interest-free credit unions, something with the potential for providing such societal stability. However, numerous others have reached similar conclusions. Succinctly, credit money bears little to no opportunity cost whereas claims against money as commodities have the propensity to be expensive. Moreover, by definition, interest comprises two types of cost, opportunity cost and credit risk cost. The opportunity cost is the fee incurred in creating the said money, whether it is extracted in a sophisticated manner from the earth, or whether it is simply imputed into an electronic ledger by a bank employee. The latter is obviously cheaper. The credit risk cost is the legitimate amount needed to cover potential default on the loan. By insuring credit against credit risk, credit loses its opportunity cost. In this way, credit becomes money, or numeraire.

[226] The danger of the second group is that it risks inflation and debasement of the public's savings. It is indicative of the milieu from which it emerged. J. K. Galbraith was a Keynesian economist and a proponent of liberalism, he recognized money could be created free of charge, but he did not stand against compound interest. The prevailing concept of money is an abstract unit of measurement established and recorded in primarily debts and price lists.

Centralizing the credit insuring capabilities into an institution makes that institution a credit bank, or a credit union. The implications of credit money being free from opportunity cost are enormous because most of what interest comprises is the opportunity cost, which banks charge several times over as they compound the fees combined under one label, 'interest'. Furthermore, with only the credit risk cost affecting the cost of credit money, loans are less likely to default in such a system because the payments are substantially less without the bulk of the interest (opportunity cost) being compounded into the payments. Thus, such a system ultimately costs even less as the risk of default decreases.

Once this is identified polities need ways to implement such changes. Regarding implementation, governments, institutions and departments looking to study interest-free, alternative currencies, and mutual credit can consult numerous sustainability programs that have begun running tests and quantifying data regarding alternative credit systems. There are university departments that study the creation and maintenance of alternative currencies.[227] Furthermore, Bernard Lietaer has written extensively on the issue of complimentary currencies in *The Future of Money* (2001), which shows the evidence of how more public access to interest-free money benefits economic systems. For instance, JAK Bank relends already existing tokens in a non interest-charging manner, which is effective. Because every dollar or pound in existence has been borrowed into existence at least one time, the interest still affects its circulation as a token. The likelihood, however, is that it has been borrowed several times afterwards, plus interest, which translates into even more pressure to pay existing debts on goods and services

[227] For instance, one University of Cumbria graduate program focuses on building more sustainable models. These include economic ingenuity in the area of producing working regional currencies designed to facilitate the exchange of local goods and services without the attached usurious fees of debt-based money stifling progress.

because of various mounting interest fees. Hence, value is never static and it can erode from interest, but it can also result because of the volume of a money supply.

Another work cites an example of a regional currency at work in Switzerland's WIR Bank, founded in 1934. It is a business exchange network that serves approximately 60,000 businesses and consumers and provides mutual credit currency "by clearing positive and negative balances between members when they trade; backed by the promise to support local goods and services" (Kennedy, et al., 2012). The authors concede that WIR's turnover of 1.627 billion Swiss francs is a drop in the bucket (.32% of Swiss GDP), but Professor James Stodder contends with a 98% probability that WIR's cash free settlement system plays a role in Switzerland's well-reputed economic stability (Kennedy, et al., 2012).

Contemporarily, cyber-communities and monetary activists are also creating new currencies. One example of this is the appearance of different virtual currencies that have gained considerable traction around the globe. This coincides with the emergence of innovative forms of money and 'cryptographic currencies' which force people to rethink their conceptions of money. What these new innovations provide in the ways people can interact with each other in the market are possibilities that may lead to a revolution in the way people understand money; and with any good fortune, in the way wealth is ultimately distributed. So far, the Islamic response to this discourse has been dismal because many of the best minds are still unable to move beyond IBF (Maurer & Schwartz, 2013).[228]

[228] However, these alternative currencies have been out for several years and the debates are raging again, about what defines money. This paper takes a look at the semiotics of these currencies; yet from the Islamic world, no in-depth fatwas have been produced about the viability, ethicality and possibilities of not only bitcoin, feather-coin, quark (trending alternative currencies), or any crypto or alternative currencies in general.

4.2.9 Open Sourcing: Breaking the Monopoly

When the commons fall under private ownership, it creates problems. Regarding the money supply, it is no different. This is where the legal limitations of natural resources should be checked by any decent legal system. Breathable air, bodies of water and access to credit should not be privatized in ways that unfairly exclude people (Nomani & Rahnema, 1994).[229] On the bright side, the world's five billion poor have an emerging opportunity to mobilize and reclaim some collective buying power in the near future through the open source movement as detailed by Ahmed (2014).[230] The monopoly on money creation is only one aspect of hegemony that the capitalist paradigm sustains. Islamic ethics should be utilized in order to lobby against all such monopolies including the monopolies on knowledge, which is kept under wraps through patents for medicines and inventions that, if open-sourced, could quantifiably alleviate suffering. Similar to the credit issue, medicines, for instance, are patented by rearranging isotopes and relabeling old products to be then re-marketed as new. Thus, open sourcing knowledge, including money, provides endless opportunities (BBC, 2010).[231]

[229] By extension, many Islamic scholars today argue that this includes resources like vast mineral and oil deposits. From pp. 66-70 the discussion centers on how some scholars prohibit the privatization of numerous items that would all be considered the commons such as, inhabitable land, water, mines and etc.

[230] Ahmed writes, "The collective buying power of the five billion poor is four times that of the one billion rich according to the late Harvard business thinker Prof C. K. Prahalad – open source everything is about the five billion poor coming together to reclaim their collective wealth and mobilize it to transform their lives. There is zero chance of the revolution being put down. Public agency is emergent, and the ability of the public to literally put any bank or corporation out of business overnight is looming".

[231] India for instance, is now producing a $35 computer, with plans for its price to come down to $10. All of these aspects of monopoly coincide ideologically. The monopoly issue is expansive. There is a great theological and philosophical difference, and grand implications between enforcing copyright laws on knowledge and allowing people to have trademarks. One justifiably distinguishes a person's work and reputation from others, while the other monopolizes knowledge. Further research needs to investigate these issues with an ethical eye, especially the way that corporations operate wantonly, legally shielding the repercussions of human-inspired unethical actions.

4.2.10 Conclusion

In conclusion, creating an environment wherein transactions take place by utilizing a reliable and just measurement of exchange requires nothing other than public demand. The public must articulate what it wants in its discourse, which then shapes the relative knowledge and axioms identified as truths in communities (Van Dijk, 2012). In 7th century Medina, we can see that it took years to develop an understanding that *riba* was not a healthy part of an economic system, and so gradually, the polity moved towards a more equitable arrangement. It is clear that the study of political economy cannot be isolated and studied as a positivist science because in this fashion, ethics are thereby rendered obsolete; thus, corrective policies need to integrate the self-interest postulate into 'what should be scenarios' rather than the emphasis on 'this is how it is' quantifications. Studies continuously show that simply studying economics at university leads to becoming greedier, less virtuous and less likely to donate to charities (Gilovich & Regan, 1993).[232] This speaks volumes about how curriculum and policy design have gone seriously wrong in the field.

If interest-free mortgages and loans were available and managed properly, the need for interest-bearing loans would almost disappear. This means people need equitable access to interest-free credit. However, the implementation of any laws prohibiting certain interest charges needs to be pragmatic and take into consideration the possible short-term transitional economic effects (Badawi, 2002).[233]In addition, societies cannot be forced into viewing interest as

[232] It was revealed over two decades ago that studying economics makes people greedier and less likely to donate to charity. Several studies aim at revealing similar characteristics. This shows that economics students view greed as 'generally good' after sustained study of it. This is normal because other research shows that people are influenced by groupthink the longer they remain committed to identifying themselves with the group and so the discipline of economics is no different.

[233] Dr. Jamal Badawi writes that "An ideal civilization requires two elements:

something that would play a smaller role in the economy. Polities have to negotiate these arrangements based on available information. This requires certain spheres to initiate ethical movements that can be modeled. In the West, much of the previously created legislation has attempted to offset imbalances in society in terms of socioeconomic injustice. However, there are ways to do this more effectively, which need base support, and a reevaluation of the role of interest is a crucial part of many potential platforms. As Ramadan asserts, Muslims need to find ways they can mobilize under common principles that seek common outcomes within their multicultural societies.

If the pressing issues of today are to be addressed, policy-oriented legislation has to be informed by axioms that take into consideration the present context. At this time, the most pertinent corrective policies should create axioms that seek to return some equity to a system imbalanced by many factors, of which, *riba* features at the top of the list. Some of these re-imagined axioms, informed by a *maqasid* perspective should generally encompass the following:

a. Legitimate Access to Credit: reforming the right for people to access their own credit through localized interest-free cooperatives that assess a person's credit profile, risks, assets, collateral, and investment intentions, which safeguard against default but minimize the opportunity-cost charges (compound interest).
b. Checking Debt: without compound interest, debt does not grow. In the spirit of responsible debt-forgiveness there should be processes implemented to facilitate greater forgiveness of legitimately unrepayable long-term debts rather than creating

1) Divine guidance, which gives it a firm foundation, an incentive and a framework, which gives progress a sense of direction and an ethical orientation. 2) Secondly, an ideal civilization requires hard work, creativity and dynamism (not just wishful thinking or boasting past glories)". The Quran first urged the releasing of slaves (releasing on necks- *fakkoo raqabah*) (90:13).

industries that aggressively collect debts, which are often punitive and detrimental to poor nations (Nili, 2004).[234]

c. Promoting Ethical Investment: saving money is not wrong, but to make saving the default behavior of all economic participants because they are entitled to an interest payment leads to negative effects. Money cannot circulate if it is parked intentionally. This concept is reemphasized by the fact that a major pillar of Islam is paying the poor-tax (zakat), acting sort of like a reverse-interest tax (demurrage) on wealth (Murtaza & Ghazanfar, 1998).[235]

The creation of axioms can continue endlessly as can the creation of goals and outcomes in the same regard. However, polities should engage in the consultative process regarding any prospective policies so that they become legitimate products of the political process, which is cumulatively a summary of negotiations. With enough grassroots support, policies embodying economic justice can be implemented, although it should be cautioned that benefactors of existing structures have nearly always historically opposed such radical change.

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[234] A benevolent loan (*qard hasan*) foregoes any interest from the borrower and by such a gracious act, the lender is eligible for receiving a blessing from God. The prohibition of *riba* makes the lender forego the interest even though the lender may have a preference to receive his money back earlier rather than later. Loaning is different from *actual* business.

[235] If money diminishes in value via demurrage or zakat, it encourages circulation and investment, and prevents hoarding. Zakat: is a small wealth tax, which must be paid yearly, on savings, which has historically been 2.5%. Hoarding is condemned in the Quran, “O you who have believed, indeed many of the scholars and the monks devour the wealth of people unjustly and avert [them] from the way of Allah. And those who hoard gold and silver and spend it not in the way of Allah – give them tidings of a painful punishment” (9:34). Interestingly, the meaning of this verse was understood within a broader context in Medina. Ibn Umar claims that the verse was revealed before the legislation of zakat was revealed and that once a person has purified their wealth through paying the poor tax they are free to hoard it. However, the greater context of the Quran seems to trump that. The Quran shuns extravagance in Quran chapter 17:26-7.

CHAPTER 5: RECONTEXTUALIZING THE FACTORS BEHIND THE ISLAMIZATION OF BANKING

"There will certainly come a time for humankind when everyone will take *riba*, and if he does not do so, its dust will reach him" – The Prophet Muhammad ﷺ (Ibn Majah, 2007).

5.0.1 Introduction

Islam's prohibition of *riba* comprehensively denounces moneylending as a for-profit enterprise, "Allah has permitted trade and has prohibited usury/interest" (2:275) (Ibn Majah, 2007, p. 2274).[236] It is significant then, that the 20th century witnessed the creation of private for-profit institutions that lent 'Islamic' credibility to moneylending as a business. This chapter reexamines the unsatisfactory historical account of descriptive discourse, which contextualizes the emergence of IBF in the 1970s. It tries to backdate the discussion and cover a large territory of history belonging to the modern period. It would seem from the onset that Islam and capitalism are non-complementary paradigms – one based on emphasizing moral restraint in life, including market dealings – and the other – emphasizing uninhibited wealth seeking via any

[236] The Prophet ﷺ elaborated upon the inclusive prohibition by adding that it is comprehensive of every type of unlawful increase in trade that is potentially exploitative. "*Riba* (usury/interest) has 73 manifestations (*bab*), the least serious being equivalent to a many fornicating with his mother". *Riba* does not simply mean interest, for *riba* is any unlawful increase and encompasses all of the superfluous aspects of moneylending, rendering them all criminal acts. The argument that limits *riba* to mean only bank interest is a modern, one-dimensional rendering of the term. Exploitation can manifest in many different unfair agreements, both unilateral decisions as well as terms between stronger and weaker parties; speculation, unfairly low wages etc. This narration is not isolated; it is also found in Abu Dawud, *Kitab al-Buyu*', *Bab fi ijtinabi al-shubuhat*.

feasible means (Kuhn, 1970).[237] Hence, the framing of capitalism and banking has clearly been profound if Muslims have accepted this paradigm. So the pivotal question guiding this chapter is what are the wider sociopolitical, socioeconomic and power-influenced factors behind the formation, rise, trajectory and scope of IBF?

The first section is dedicated to examining why Muslims adopted the amoral capitalist system's assumptions and infrastructure, including its interest and debt-based banking mechanisms. It covers the disintegration of Muslim empires concurrent with the simultaneous crisis of Islamic thought amongst Muslims that included a dearth in mastery over Western economic thought and discourse. The second section covers the discourse and history of Western hegemony as enormous financial and political powers were vested in the United States after WWII, and the ideologies underpinning the discourse of neoliberalism. The third section covers the significant 'Muslim' response to all of this phenomena, which reacted concertedly by developing the Islamic Moral Economy (IME) and then Islamic Banking and Finance (IBF).

5.0.2 A Brief History of IBF

In December of 1973, a meeting held in Jeddah, KSA named the "Conference of Finance Ministers of Muslim Countries" convened regarding economic issues. The resultant agreements born therein resonated and developed into an inaugural meeting of the Board of Governors in July of 1975, and shortly thereafter, in December of 1975, the Islamic Development Bank (IDB)

[237] The term paradigm here is used in the Kuhnian sense, signifying an over-arching episteme.

was opened.[238] The advertised and stated purpose of the bank abides until today, as "[To] foster the economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of Shari'ah i.e., Islamic Law" (Islamic Development Bank, 2014). Immediately thereafter, the Dubai Islamic Bank, the first commercial 'Islamic' bank, opened in 1975.

From that point on, the amount of institutions realizing significant returns became a growing phenomenon within the market, increasing across the globe. Nowadays, there are 'Islamic' banking windows at many of the world's biggest banks, all keen on utilizing the rare opportunity of drawing traditionally apprehensive Muslim customers to the market, most of whom are oblivious to the mechanics of the transactions. In 2002, it was estimated there were over "250 establishments" worldwide offering some type of related 'Islamic' services (Zaher & Hassan, 2002, p. 167). By 2009, the number reached 300 (The Economist, 2009). The IBF market was approximately worth $1 trillion per year by 2000, it doubled in the period of 2012-2014; and still at .5% of the global market, it has a projected market potential of $4 trillion annually (Standard and Poor's, 2012). IBF has become a complete discipline, taught in business schools at prestigious universities. The standard narrative in IBF literature accepts that there have been shortcomings and that the social aims of its initial axioms have not been achieved (Asutay, 2012). Nevertheless, the standard narrative extant in IBF literature touts the sustained existence of the industry as a colossal achievement for Muslims (IOSCO, 2004).

The IBF institutions were declaratively supposed to restructure the manner in which the interest-based global banking system operated in Muslim-majority nations where people yearned

[238] The Islamic Development Bank was founded in December of 1973 by the Organization of the Islamic Conference (OIC). The bank's name was later changed to fit the same acronym and became the Organization of Islamic Cooperation.

to distance their transactions away from iniquity. Yet, as Asutay (2012) notes, honest analyses of the actual operations have somberly disclosed that, “The transformation of Islamic banking into a commercial banking form since mid-1975 has resulted in unprecedentedly successful financial performance, which, however, has been at the expense of the ‘social and economic developmentalist’ aspirations of Islamic moral economy” (p. 93). In many ways, like traditional banks, the IBF industry is also predatory; however, the clientele is not necessarily exploited based on its societal class. Rather, it is an exploitation that capitalizes on religious-minded people who are both interested in avoiding what they believe is *riba*, and naïve about what actually hides within the fine print of the contracts (El-Gamal, 2006).

The conventional narrative continues that IBF first started in an acephalous manner, originally emerging as a banking experiment in Mit Ghamr, Egypt, then as another two isolated and organic incidents in Pakistan and Malaysia (Kahf, 2004).[239] Furthermore, it is narrated that the political and ideological impetus for the industry was made at the request of the “Algerian, Somali and Saudi Arabian heads of state”. This, according to Kahf, was allegedly in response to three very significant events; the Arab oil embargo (1973), the Yom Kippur War, and the collapse of the Bretton Woods agreement (1971), which had set the monetary global order since WW II (2004, p. 19). Furthermore, it follows that the leading impetus for the industry was the alliance formed between Muslim financiers and Shariah scholars because the latter had long been

[239] There are conflicting versions of how the first bank started and ended. According to Kahf, Najjar’s Mit Ghamr Saving House was inspired by the German interest-free banking model. Kahf notes that Najjar himself mentions this in his *Harkat Al Bunuk Al Islamiya* (1993, p. 32). He says he “started it in disguise of a saving bank using the name of a European government so that his step might succeed amid the interest based banks as it was a time when opposition to Islamic trend was at the peak”. He furthermore claims it was successful, which revealed its Islamic nature and that after that was exposed he was forced by the government of Egypt to merge it. Najjar was the nephew of Muhammad Abdullah al-Arabi one of the pioneers in arguing for an Islamic economics and banking movement. The late Egyptian secular political commentator Sami Soliman argued that the first bank was unsuccessful and liquidated in 1973. However, he also generally railed against Islamic identity politics and other Islamic sensibilities without much trepidation. In contrast, Kahf says it was closed and liquidated in 1967 due to its success, a threat to state power; Kahf says this prompted Gamal Abdul Nasser to open the Nasser Socialist Bank (NSB) in 1971.

sidelined from political participation and yearned to “reestablish their voices” in the realm of Islamic influence through advising the designers of a new ‘Islamic’ system (p. 32).

However, even this chronological explanation of events – which stands out among IBF literature of an ordinarily very limited scope regarding much sociopolitical context (because it is designated to the study of business and economics) – disregards the immense influence of the power paradigm and the ideological currents that precipitated IBF’s emergence. It presents IBF as some type of organic Islamic experiment rather than a candid transcription of an industry erected as an accommodation to power, a depiction that begins to emerge once the discourse and history are reframed and contextualized.

5.0.3 Reframing the Context of ‘Islamic’ Banking

From utilizing an interdisciplinary perspective, and by reframing the historical context and associated religious and political influences, this chapter tackles what I consider the most important underlying factors behind ‘Islamic’ banking’s emergence:

1. A vacuum created by the collapse of the Muslim political world order that had prohibited usury for over a millennium, which was supplanted by the colonial introduction of a new paradigm and its institutions that required dependence on interest, debt and subservience to a consumption and growth-based model.
2. A new economic order of neoliberal economics manifested into the power vested in the post-World War United States through petrodollar hegemony; this hegemony engaged the oil-producing Muslim-majority countries in a manner that restrained the scope of their possible reactions.
3. The rise of certain strands of Islamic reformist thought leading to various ends such as Islamic esotericism and utilitarianism produced decontextualized macro

evaluations of banking that facilitated the adoption of capitalism's non-complimentary institutions.

4. The lack of political support for the moral framework being developed in IME, which led to a scrambled effort in religiously sanctioning banking by 'Islamizing' it.

The narrative most germane to the internal discussion that took place within Muslim polities in the Middle East during the 20th century is not only how Muslims perceived their Islamic identity merging with the dominant economic ideologies, dialectics and political formations (of both socialism and or capitalism). Nor is the method of that type of inquiry sufficient in grasping a systematic macro understanding of the IBF phenomena. Because there must be recognition that business models with the potential of generating trillions of dollars like IBF, do not emerge by osmosis, and that often, the institutional facilitation of such machinations are in some way manifestations submerged within spheres of power. As Niall Ferguson (2003) writes, "These days the tools for projecting power are more varied and dispersed than ever. And as the clout of terrorist networks, diplomatic alliances and international financiers seems to expand, lasting global supremacy may hinge on the skillful deployment of an increasingly elusive resource: moral authority" (p. 21). Capitalism has long held that moral authority and its proponents have presented economics as a value-neutral science for generations in discourse. Although that narrative is now being vociferously challenged, vituperated and systematically deconstructed by the realization that science can no longer be detached from ethics, its institutional vestiges remain entrenched in every sphere of modern economic life.

Part 1: Collapse of the Muslim Old World Order

5.1.0 Collapse

Discussing the Ottoman Empire is contentious as it, like all empires, had its misconducts, which historians have documented (De Bellaigue, 2001). On the other hand, the empire did have its successes, including an unsurpassed level of stability and harmony amongst a multicultural and multi-faith society. At its zenith (15^{th} – 16^{th} c.), it was only one of several greater regional powers. Commencing the chronicle of IBF here is tactful primarily because the Ottoman Empire was the last power with institutional opposition to interest for reasons informed by Islam. Furthermore, it presided over lands under its suzerainty that would later become Arab nation-states; thus, its disintegration was significant in creating a vacuum of fertile ground for pro-interest policies.

5.1.1 Ottoman Empire: The Sick Man of Europe

Historians classify the economic history of the Ottoman Empire (1299-1923) into two periods: (a) an expansionary period, and then, (b) a reformative and contracting era of decline (Howard, 2001). The Ottoman Empire is another example of how debilitating the strategic utilization of debt and interest employed as geopolitical and tactical weapons can be on a nation. In this case, debt and interest played pivotal roles in collapsing the largest and longest-lasting

Muslim empire, deducing it to what some later mockingly called the "Sick Man of Europe" (De Bellaigue, 2001).[240]

The Ottomans utilized a fiscal policy termed *fiscalism* in political science, meaning that government budgets influenced economic activity whereby taxation and spending existed as the two mechanisms used to create stability, the distribution of resources and income, and levels of (aggregate) demand. A cosmopolitan and successful multicultural society, the empire was known for its strong manufacturing base and just wages, negotiated by a strong guild system.

Much of its decline can be attributed to economic reasons, primary of which was the late Ottoman implementation of trade embargos, and even later, its involvement with interest (Inalcik & Quataert, 1994).[241] Indisputably, European imperialists had been looting gold and silver in the violent savaging of the Americas and using it to buy up the Ottoman market (Zarlenga, 2002). The sudden appearance of an overabundance of gold and silver created massive inflation with seemingly unlimited new sources of money chasing after limited supplies of Ottoman raw and manufactured goods constrained by the obvious natural and human limitations of production (Barkan & McCarthy, 1975).[242]

[240] It is claimed that this epithet was started by Tsar Nicolas I of Russia in the lead up the Crimean War (1853) because it had fallen to "decrepitude" and was a "Sick Man". This is how it appeared in a letter from Sir George Hamilton Seymour, British ambassador to Lord John Russell in St. Petersburg.

[241] On 245 and 246, it is mentioned that the Ottomans had a long history with trade embargos. For instance, Selim I used it as a weapon against Iran's Shah Abbas I (1587-1629) starting in 1514, which lasted for only a few years until his son Suleyman I (1520-1566) tried to repair and revive the economic trade routes that his father had debilitated. Iran was keen on working with the Dutch and British who sought to undermine Ottoman trade routes to the East, their claim being that the tariffs were too high at ports. Iranian Abbas' plan was 'to divert the silk route from the Ottoman territory to the Indian Ocean' by working with the English and the Dutch, imperialists who had established dominance in the region at that time through impressive navies.

[242] Some economic historians have argued that this rate of inflation was as high as 500 and 600 percent, caused by the influx of gold and silver stolen from the Americas. However, some have disputed this as the primary cause, citing the monetary theory that the high velocity of money caused the price rises, and even though this phenomenon subsided in the 19th century. Therefore, the argument seems very weak.

Moreover, Ottoman citizens had grown accustomed to high standards of living, provided by a consistent government and the protection of worker's rights that guilds supplied. As a tactic for dealing with the inflation, the Ottomans, feeling outmaneuvered, instituted financial embargos against the West, which turned out to be a critical blunder (Karahasanoglu, 2009).[243] For this only led to the abundance of black markets that skillfully circumvented public policies, which in turn, only led to the spread of corruption and the wide-acceptance of bribe taking by public officials (Herzog, 2003).

Ultimately, the over-influx of new money led to extreme destabilization for the Ottomans. Things would slowly reverse, and the Ottomans would stop producing, ending up as debtors and pure consumers of European products. One historian writes of the growing European influence in economic policies, "the guilds…also fell to new laissez fair economic policies. The Anglo-Turkish convention of 1838 and the Tanzimat decree of 1839 formally established a policy of *free* trade and removed the longstanding protections of domestic manufacturers" (Quataert, 2000, p. 232). By 1860, Lewis Farley's exclamation after a visit was that "Turkey is no longer a manufacturing country" (Islamogu-Inan, 2004, p. 377). In addition, there was a rapid contraction of the empire subsiding with continuous military defeats; the major events were the losses to the Russian Catherine the Great in 1774, followed by the other tremendous loss to Napoleon in Egypt during 1798 (Howard, 2001).

5.1.2 Imperialists Bring Interest and Debt to the Ottomans

[243] Interestingly, this study shows that towards the late part of the 18th century the levels of corruption were still considerably low.

Between 1854 and 1881, the Ottoman Empire suffered the most tumultuous period in its relations with European powers. Douglas Howard's *The History of Turkey* (2001) marks the debilitating event as "when the Ottoman Empire first entered into loan contracts with European creditors" (p.71).[244] Because prior to 1850 the Ottomans had never had to borrow money, and their policy was against entering into deficit spending (Pamuk, 1984). Throughout their history, the Ottomans articulated their cognizance of its associated dangers – knowledge both learned from history and inspired by Islam (Anderson, 1964). However, European financiers had long been keen on entangling the empire in debt (Clay, 2001).[245] At the outset, the interest rate offered was low and European demands over Ottoman economic affairs remained sporadic and seemingly inconsequential, this gave the Ottomans an initial feeling that they had retained viable control over their affairs.

However, as compound interest tends to, beginning in 1863, the interest rates exponentially increased. By 1873, the interest rate on the European loans to the Ottomans averaged 11.5%, which was "the highest rate in the history of Ottoman foreign borrowing" (Birdal, 2010, p. 37). There was a hurried attempt at debasing the currency, and then as that was rendered ineffective, an attempt at creating fiat currency, but to no avail (Clay, 2001). Discernibly, very soon thereafter the Ottomans declared bankruptcy on October 6, 1875. As Professor of Turkish history Edhem Eldem (2005) describes the scenario, the bankruptcy did the following:

> … [It] resulted in the collapse of the entire system in one of the most spectacular financial crashes of the period. It was only six years later, in 1881, that a solution was found in the establishment of the Ottoman Public Debt Administration that

[244] The study surveys the history of what is known today as 'Turkey' from the Neolithic age to the Byzantine age, then up until 1923 and the birth of the secular revolution.
[245] Deficit spending refers to a government spending more than it can collect from taxes; the Ottomans were experiencing plummeting taxes.

> would control a large portion of state revenues. The new system restored the financial stability of the Empire, but profoundly modified its *rapports de force* with Europe by imposing on it a form of foreign control that would have been unthinkable only ten or twenty years earlier. While bringing a much-needed stability to the flailing Ottoman financial situation and thus opening the way to economic development, the new system also radically changed the very nature of the process of integration, by introducing an imperialist dimension that had been lacking in the previous decades (p. 1).

5.1.3 Nationalism, Interest and Debt Spreads to the Arabs

The Ottomans had been outmaneuvered, which resulted in them losing their political and economic sovereignty. However, as the American historian Will Duran has said, "A great civilization is not conquered from without until it has destroyed itself from within" (Durant, 2011).[246] Hence, although it was not the only empire competing for power in the Muslim world, and furthermore, it is not the primary focus of this research, the importance of its financial ruin here is significant largely because much of the Arab world was under its suzerainty (Quataert, 2000).[247] Therefore, the collapse of the empire created a power-vacuum and crisis in the Muslim world. Hence, the general trend of debt permeated whereby Arab provinces formerly under Ottoman suzerainty also succumbed to accepting interest-bearing loans, and thereby similarly treaded the path towards bankruptcy soon thereafter, ushering in the new imperialist banking infrastructure. Egypt, for instance, received its first loan, arranged by the British-backed Herman

[246] Durant was commenting on the fall of Rome, but the comparison is relevant.
[247] There were several regional powers in Europe, which challenged the Ottomans, and their alliance with the Germans and the Austro Hungarian Empire led to their defeat in the Great War because they opposed by the Serbs who were allied with Russia, France and the UK. We see that Europe gained an upper hand financially in various research. Quataert adds, "By the late eighteenth century the trend toward export of raw materials rather than finished cloth to European markets also created supply problems for the Ottoman textile industry….among the many goods considered strategic, hence controlled, were textiles….the guilds…also fell to new laissez fair economic policies. The Anglo-Turkish convention of 1838 and the Tanzimat decree of 1839 formally established a policy of free trade and removed the longstanding protections of domestic manufacturers" (p. 230).

Oppenheim and company in 1862, approved by Said Pasha under contemptible terms, which subsequently resulted in Egyptian state bankruptcy in 1876 (Borisovich, 1969).[248] The British then opportunely occupied Egypt and seized the Suez Canal in 1882 with the backing of Lord Rothschild (Robinson, et al., 1961).[249] Likewise, Tunisia's steps mimicked the others and its bankruptcy occurred in 1868.

Whether it is accurate or not, the narrative put forth by many Orientalist historians is that Arabs in Ottoman provinces are thought to have been alarmed by rising Ottoman nationalism, which was ushered in by the 1908 Young Turk Movement (Shlaim, 2008).[250] Precipitating its own collapse, the British Empire had nefariously capitalized through a divide-and-conquer stratagem as colonial opportunists throughout the world (Kayali, 1997).[251] Their presence in the Middle East was of a similar nature. Historians further argue that the British had long been keen on breaking up the Ottoman Empire with aspirations of accessing resources, trade routes and the political capital they provided. In addition, as a strategy the British simultaneously backed both Abdulaziz Ibn Saud (1876-1953) and his local rival Sharif Hussain (1854-1931) in the Arabian Peninsula, duplicitously promising them both the same kingdom (The Hejaz) upon the

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[248] This event was precipitated by the 1875 bankruptcy of the Ottoman debt, which shocked the confidence in Arab debts in the stock market in Europe. The author discusses this, specifically in Chapter 15 "The Financial Enslavement of Egypt". Although it is Marxist in its leanings, the depiction of loan amounts and details regarding the stipulations is well documented.

[249] The mainstream interpretation of this imperialist tactic was challenged by University of Birmingham's A.G. Hopkins who argues Egypt's canal was of less importance than the tropical African possibilities and the prevention of certain economic formations.

[250] Page 2 discusses this notion that even the Sharif of Mecca was previously loyal to the Ottoman Empire; but that his son convinced him to seek the aid of the British's Lord Kitchner in establishing an "Arab state" that simultaneously recognized him as the Caliph. The Sharif would later get impatient with the British and precipitate their stipulations. He personally declared a holy war against the Ottomans within the framework of a secular nationalistic revolt (known as the Arab Revolt of 1916). The Orientalist narrative maintains however that the Arabs were sick and tired of years of Turkish abuse.

[251] The Lebanese-British historian Albert Hourani (d. 1993) succinctly inscribed that "We know by now something of what the British thought about the Arabs, and what Arabs thought about the British Turks, but what the Turks, and in particular the Turks of the Committee of Union and Progress, thought about the Arabs is still largely an unanswered question" (p.1). However, Islam-centric depictions of the era differ on the levels of Arab objectionableness to Ottoman rule. Kayali also discusses perceptions that Arabs may have had towards Ottoman rule by looking at and examining Ottoman policies, which clearly favored Turks over Arabs in administrative issues.

dissolution of the Ottoman Empire.[252] The British furthermore instigated much of the tumult that ensued during the 20th century through their "deceptive and conflicting pledges to Arabs, and Zionists" (Kayali, 1997, p. 3).

5.1.4 Interest Banking Institutionalized in Saudi Arabia

The institutionalization of interest and banking policies in Arab states follows a pattern of colonial proposition and pliant nation state acceptance. This means that the capitalist infrastructure was transferred in a largely un-negotiated manner to the Muslim world. As former Ottoman provinces adopted Arab nationalism somewhat indiscriminately, World War I spawned the ushering in of many new regimes across the Middle East, regimes that all retained economic ties and the backing of imperial forces, without exception. Ibn Saud (1876-1953) managed to consolidate power during that period (1912-1925), signing a furtive alliance "treaty" in 1915, effectively installing the Saudi monarchy. Ibn Saud later "assumed control" over the two holy cities in a rogue fashion (Mecca and Medina) in 1933 (Zepezauer, 2003, p. 110). Eijk (2010) discloses, "Saudi Arabia, after all, had adopted little to no Western legislation, with one exception being the Ottoman Code of Commerce of 1850. The Code, based on the 1807 French Commercial Code, *was stripped of all references to interest* and implemented in the Hejaz in 1931 in adjusted form" (italics mine) (p. 145). Islamic law is strongly against *riba*, and at that time the local Shariah courts in the Hejaz were still reticent about "accepting or implementing" the proposed secular laws (Vogel & Hayes, 1998, p. 285). An agreement had still not been

[252] Sharif Hussein's progeny received Transjordan, later Jordan whereas the Al Saud clan received the Hejaz.

reached amongst the scholarly class about whether all bank interest constituted *riba*. Nevertheless, in 1932 the Najd region and the Hejaz were both conglomerated into the nation-state known as Saudi Arabia, and most notably, legislation was put in place to tolerate an economic order built on the interest-based model. According to the colonial forces, Abdulaziz Ibn Saud proved to be a "masterful tribal politician" and despite resistance from within, the interest-banking infrastructure was allowed to remain (Eijk, 2010, p. 145).

5.1.5 Saudi Arabia and State Religion

The religious doctrine promoted by 18th century religious campaigner Ibn Abdulwahab (1701-1793) was adopted by the tribes of Arabia after the Abdulwahab family united with the Al-Saud tribe and violently conquered many areas of the peninsula. Abdulwahab is a controversial figure, seen by some as a reformer and by others as an extremist and heretic (Commins, 2006).[253] Its dissidents continuously claim the Islamic creed enforced by the state of Saudi Arabia (Wahhabism) employs policies based on religious interpretations at variance with the scholastic Islamic understandings of tolerance and mercy, that at times are observably "antithetical to the ethos of the Muslim world" in several regards (Zuhur, 2005, p. 14).

The crux of the matter is that supporters of Abdulwahab followed a train of thought uncritically attributed to medieval scholar Ibn Taymiyyah (d. 1328) of Harran, who preached in Damascus. Ibn Taymiyyah had declared *takfeer* (apostasy) against the invading groups of

[253] Commins discusses how the state is seen as the third established in a succession of their pre-modern sequential history whereby in their narrative is comprised of events being the first proclaimed in 1795, which is then lost to Ottoman control in 1818, and is then finally regained in the 1830s under the same ideological banner. Wahhabism is used in a pejorative sense; it is more politely referred to as a branch of *Salafism*, or as the Najdi *da'wa*.

Mongols of his time and by virtue declared violence against them and anyone sympathetic to them as sanctioned (Ibn Abdulwahhab & Ibn Hasanin, n.d.).[254] Ibn Taymiyyah had struggled with the issue of whether the invading Mongolian forces were *truly* Muslims, since they outwardly proclaimed the faith but were still committed to certain behaviors, legal practices and military campaigns against Muslim populations (Aigle, 2007).[255] Ibn Taymiyyah eventually advocated that fighting them was morally justifiable, despite their profession to the faith, by arguing that their actions had taken them out of the fold of Islam, in three well-known fatwas against Mongol forces (Khan, 2005).

Likewise, Abdulwahab sought to sanction fighting against those he deemed outside of the fold of Islam, even if they outwardly professed their belief in Islam (Green, 2009).[256] Although this line of thinking is attributed to Ibn Taymiyyah, it is a misreading of his works and a misapprehension of his context because Abdulwahab's followers declared *takfeer* against those who differed in creedal beliefs of *tawheed* (Islamic monotheism) even though they were not

[254] Ibn Abdulwahab's creedal position is made most abundantly clear in the very first opening part of *Risālah Aslu Dīn Al-Islām wa Qā'idatuhu* (n.d.). The English commentary written by his grandson Shaykh Abdur-Rahmān ibn Hasanin quotes the first page where Abdulwahhab states all of the various types of people he declares disbelievers, an anathematization of numerous types of Muslims. He writes, "The worst of them in opposition is the one who opposes all of this. And among the people is the one who worships Allāh alone but he has not rejected shirk and does not show enmity toward its people. And among them is the one who shows them enmity but does not declare *takfīr* upon them. And among them is the one who does not love *tawhīd* nor does he hate it. And among them is the one who declares *takfīr* upon them (the Muslims) and claims that this (*tawhīd*) is cursing at the righteous" (p.1). The text later makes explicit anathematization of certain people by name.

[255] Ibn Taymiyya's three fatwas against the Mongols date back to three Mongol invasions of Mamluk Syria in 1299-1303. The first justification for fighting the Mongols was their invasion of Little Armenia in 1298; the second being their non Shariah-compliant behavior in Mardin in June 1299. Overall the justification for fighting them was equating them to Khawarij, apostates (*murtaddun*) and because they were capturing Mamluk prisoners and forcing them to fight with them.

[256] The theological issue of apostasy has been furtively discussed in the classical period due to the destructive experience of the *khawarij*, an Islamic sect of fanatics from the early Islamic period that fought against the Prophet's family members. In the first chapter, Green cites the numerous classical opinions on the *khawarij*, and what it was that forced the classical scholars to excommunicate them. The Quran references the notion that the wider community, Islamic and otherwise, will perennially differ on issues, "And if your Lord had willed, He could have made mankind one community; but they will not cease to differ" (Quran 11:118). The treatment here is not to anathematize the Salafi doctrine as entirely debauched, but to point out and recognize that politically it has been used as the tool for violence and dissoluteness in numerous circumstances, while simultaneously being promulgated as the *only* true doctrine of Islamic legitimacy.

guilty of the real crime, which was the military invasion of Muslim lands. Hence, the argument was based on creedal disputations alone. Abdulwahab's contemporaries criticized the fanaticism he and his followers exhibited as well as their unrepentant disregard for the sanctity of Muslims, their traditions, histories and properties (El Fadl, 2007).

In addition to the sectarianism, Alexei Vassiliev's (1998) *The History of Saudi Arabia* points out that Wahhabism was utilized instrumentally as a banner of the Arab nationalist movement in order to galvanize Arabs against all Ottoman influence in the Arabian Peninsula. Muslim Arabs were able to contort an exegetical commentary that legitimately anathematized Muslim Turks and extricated them as non-Muslims, therefore legitimizing violent resistance against the Ottoman Empire. Quite remarkably, this was done with the aid of the British, an empire infamous for historically recurrent displays of violent and ruthless imperialism.

In that period the Islamic message of unity was replaced with a *causus belum* for violent rebellion against Ottoman leadership, serving as a rallying call for trampling the Caliphate in the name of nationalism (Al-Kahtani, 2004).[257] The Muslim world thereafter remained in much disarray politically, socially, economically, and vulnerable to all encroaching hegemons. Saudi Arabia's lack of a sophisticated economic protectionist policy, its full adoption of economic legislation embedded with interest policies foreign to Islam, and its dearth of politically and

[257] Saudi Arabian scholars have constructed a cautious narrative regarding how Ibn Saud formulated the British relationship. Al-Kahtani's thesis (2004) depicts this transaction in the following manner: "There were no changes in his relationship with the British until 1910 when a meeting took place between him and Captain Shakespear, the Political Agent in Kuwait, during his visit to the Amir of Kuwait. The following year, they met again in Ibn Saud's camp. Ibn Saud told Shakespear about his desire to capture al-Hasa in order to end the Turkish presence in the region. He asked Britain to support him and to deal with him as they did with the other Gulf leaders. Shakespear confirmed to Ibn Saud that Britain was unable to be hostile to Turkey for fear of driving it into an alliance with Germany. The British Foreign Office issued orders to the Indian Bureau to stay totally neutral and not to intervene directly or indirectly in the affairs of Najd" (pp. 32-33). Al-Kahtani further maintains that Ibn Saud did not intend to invade the Hejaz, nor did he want to declare himself Caliph; however, his sources seem to be biased as they include face-to-face interviews with members of the Saudi family. (For instance, he writes, with praises, in footnote 1 on p.36 "His Royal Highness Prince Mamduh Ibn Abdulaziz" in citing his source on this topic, which is quite revealing in an analysis of pragmatics).

economically perceptive scholars would make it instrumental in becoming a cog in a greater economic order entirely brokered outside of the Islamic sphere. This economic organization was of such a nature that later attempts at imbuing it with Islamic ethics would prove difficult.

Part 2: Post World War II U.S. Hegemony of the 20th Century

5.2.1 Introduction

The second factor to consider is that the nature of economic imperialism evolved with such a rapid sophistication in the post WWII era of the mid-20th century. Considering power, this section covers key developments in that regard, that neoliberal capitalism developed as such a conspicuously isolated instrument of power and that essentially no Muslim-majority polity had a scholarly class astute enough to address it.

5.2.2 Shaping the Capitalist Dialectic

The two World Wars reshaped the geopolitical landscape, and borders were reshaped. Colonial forces enveloped territorial leftovers in Muslim majority lands by installing rulers subservient to, and dependent upon the emergent political order envisioned by the wars' allied victors (Hanania, 1953).[258] The ‘free’ market was declared the efficient and value-neutral regulator of human affairs despite the fact that the proposition that markets can ever be value-neutral has been constantly rebuffed by mathematical evidence (Smith, 2000). This momentum was nevertheless combined with an idiosyncratic ideological underpinning of economic thought that supported granting banks a monopoly on money-creation, which was secured through the enforcement of legal tender laws (Keen, 2011). Subsequently, state economies, ostensibly sovereign, became entirely dependent on the rented amount of credit money that banks deemed to dispense.

5.2.3 The Marxism vs. Capitalism Dialectic

Cogent and coherent monetary reforms have appeared repeatedly in Western history (Swan, 2009).[259] Unfortunately, Karl Marx (1818-1883) and his associate Friedrich Engels (1820-1895), who together co-authored the *Communist Manifesto* in 1848, would wholeheartedly commandeer the discourse of coherent anti-capitalist critiques. Communism would come to be viewed as the antithesis to capitalism, creating a false dialectic whereby logical reforms centering on the issue of usury would be stifled (Swan, 2009).

Engels was involved with the Young Hegelians in a discourse attempting to find rationality in the antithesis of the core of Western society’s values (Carver, 2003).[260] Together,

[258] It was recognized quite early by astute academics that the leaders were military dictators dependent on policies coming from ‘on high’, which perennially meant ‘The West’.
[259] This history has been under-reported; however, Swan documents the arguments that stemmed from Hayek and led to a monetary reform debate in the Western world.
[260] For example, Engels was against the institution of marriage, which he saw as state oppression (pp. 71-72).

Engels and Marx would develop Darwinist-influenced dialectical materialism and transfer Hegel's ideas from the theoretical realm into the material world of economic exchange, asserting that economic history progresses to eventually form a superstructure (like capitalism) (The Smithsonian, 2013).[261] Marx did reject the argument for usury, which he said, "…does not change the mode of production, but clings on to it like a parasite and impoverishes it." Adding further that, "It sucks it dry, emasculates it and forces reproduction to proceed under ever more pitiable conditions" (Marx, 1976, p. 731). However, Marx, taking the extreme position, was adverse to not only usury, but to the notion of capital itself. Hence, he and Engels developed a system that opposed capital and its accumulation as a social paradigm, rejecting the concept of natural property rights. He witnessed the injustice and the destructive role that usury had played in feudal Europe. Hence, he was also convinced that the credit and debit system of moneylending allowed "Capitalists to unjustly extend their control over others, far in excess of the capital they actually owned" (Mews & Abraham, 2007, pp. 2-3).

However, Marx and Engels' theoretical motivations created issues. Marx separated and mechanized the process of value (Cline, 2014).[262] Its source, he believed, to be purely derived from human labor, as did Locke and Smith, but unlike previous commentaries Marx left no place for a metaphysical understanding of fortune, bounty or distributive ethics. Marx's loath of religion, and by extension any associated morality, separated and mechanized his concept of value, vacuously limiting his paradigm. Resnick and Wolff (1987) comment on this aspect that "Marxist theory then recognizes no single reality of absolute truth or epistemological standard

[261] The relationship between Marx and Engels has been debated, but essentially, Marx relied on Engels for financial support. The reasons why Engels would support such revolutionary radicalism are debatable but he was certainly from the wealthy class of those exploiting labor and getting rich from the cotton industry at his family business in Lancashire where he worked in upper management.
[262] In the preface of his doctoral thesis, Marx adopted the words "I hate all gods" because "they do not recognize man's self-consciousness as the highest divinity". Marx thought religion was irrational, that it made man subservient to the pathetic status quo, and that it was hypocritical.

that can serve to validate one theory as against another" (pp. 6-7). His view limited the world-system theories to perpetual conflict and disequilibrium. As Masudal Choudary (2007) writes, "Hence, equilibrium, consensus, integration and stability of meaning and standards are not within, and cannot be conceived by the Marxian program" (p. 12). The enormous failures of Marxism substantially set back the brooding concept that capitalism needed reforming (Swan, 2009).

Within Charles Darwin's thought, detectable is a continuum of competition, (natural) selection, and the survival of the fittest in life as well as markets (Hodgson, 2006).[263] Marx and Engels adopted Darwin's assumptions in a materialist manner, which made them feel despondent about the entire system being inherently unjust, and therefore they proposed (violent) revolution as a remedy (Harris, 1974).[264] Communism fueled wars and carnage that would force the human project to reevaluate its entire epistemology during the 20th century (Dobbs, 2000).[265] Lastly, imagined or not, the threat of a communist conspiracy was used as a motive for expanding the territories ripe for capitalist penetration.

5.2.4 Early 20th Century Economic Thought and Keynesianism

[263] Hodgson offers an analysis of these concepts and their convergence.
[264] The violent and equally rigid communism put into practice by governments making their own interpretations of this ideology led to sequential catastrophes and unimaginable human suffering in numerous places where it was adopted in the 20th century, (the most notable examples were China and Russia). Harris articulates an analysis of Marx's concept of violence and its proportionate use.
[265] Marxism's fundamental assumptions are that nationalizing all property, in effect a state monopoly on capital, would somehow fix the perennial problem of wealth distribution. In this social paradigm, Marx and Engels attack various imaginable conceptualizations of property.

In the first half of the 20th century, the English economist John Maynard Keynes (1883-1946) spearheaded much of the economic debate. Keynes's theory was the corollary to the idea that supply creates its own demand (Say's Law) because he saw that boom and bust cycles were inherently part of the banking system as constructed (Swan, 2009). He also had an understanding that interest was a major problem and inhibitor to fair market functionality (Keynes, 1936). Thus, according to Keynesian economics, sovereign states needed to intervene in markets in order to offset the imbalances that led to depressions so that major crashes could potentially be mitigated.[266]

Keynes further advocated fiscal policy as a mechanism of controlling the economy. Accordingly, he was heralded for "His radical idea that governments should spend money they don't have [which] may have saved capitalism" (Reich, p. 1). Keynes was aware of the heterodox antagonists of usury and he engaged them in lively debate (Keynes, 1936). Moreover, in his (1936) *General Theory of Employment, Interest and Money*, he acutely recognized that interest payments were a root cause of unemployment, but instead of advocating a zero-interest policy he buttressed the price of money as the "marginal efficiency for capital" (p. 135).[267] He did opine for a rate of less than 2%, claiming the rate should be as close to zero as possible.[268] However, this aspect of Keynes' theory was not heeded (Swan, 2009).

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[266] Identifiably an adherent in a continuum of English (materialist) ideology, Keynes proposed that aggregate demand (*more greed and inertia*) was what stimulated the economy. He saw the insatiability of human wants as a stimulus divided into absolute needs and desirables. However, with his objections aside, Keynes still furthered several mainstream false assumptions. He drove to defend Senior Mill Cairns' methodology against 19th century German Historicism.

[267] Keynes (pp. 353-8) discusses Silvio Gesell's ideas for monetary reform and a proposed end of fractional-reserve banking.

[268] Keynes defines the marginal rate as "the rate of discount which would make the present value of the series of annuities given by the returns expected from the capital asset during its life just equal its supply price" on page 135.

5.2.5 The Bretton Woods Conference of 1944

In 1944, World War II was coming to an end. From July1-22nd of 1944 730 delegates from the forty-four Allied nations met at the "United Nations Monetary and Financial Conference" in Bretton Woods, New Hampshire with the stated objective of creating a new global economic system (Smithies, 1954). Keynes negotiated the stated imperatives presented on behalf of Britain, whereas those views presented by Harry Dexter White represented the initiatives of the U.S. Treasury department. Transpiring from the economic pact signed at the meeting, the baton would informally pass from the flailing, debt-ridden and war-torn British Empire, to the newly emergent world superpower, the United States (Stone, 1991).[269]

Ostensibly, the meeting's imperative was the promotion of 'open markets' by generally restricting capital and liberalizing trade, which it was claimed, would aid political stability and foster peace (Stone & Kuznik, 2013).[270] However, Smith (2000) has argued among many others that this strategy simply replaced 'plunder by raid' with 'plunder by trade' by opening up markets for exploitation through sophisticated trade agreements with inexpert nations. Moreover, embedded in such extensions of economic ideology were sentiments clearly motivated by an anti-communist platform, ideologically against governmental central-planning. Keynes was reticent about the institutionalization of unfair exchange mechanisms, most notably that weaker nations would perpetually remain in debt and unable to pay down their debt due to growing

[269] Like many other narratives, the mainstream narrative explaining the events of this economic pact has been challenged. Stone's piece (p. A35) narrates a general understanding of how this history is being used as a political tool.
[270] This was the emphasis of U.S. Secretary of the Treasury Henry Morgenthau's closing remarks, which were ideologically in line with Franklin D. Roosevelt's "New Deal" (A series of domestic programs enacted between 1933-36 in response to the Great Depression).

interest payments (Markwell, 2006). However, White dominated the conference, imposing his internationalist and neoliberal free-market ideology. Notably, Keynes's insights about the dangers of interest were unheeded and unable to stop the forthcoming rapid capitalist expansion.

The plan put into implementation had ideological commitments towards economic warfare against non-Allied Nations (Kubek, 1989).[271] The macroeconomic policy procured at the meeting would set the global paradigm for coming decades by promoting a liberalized international trade environment and by establishing institutions that would uphold an agenda desired by powerful corporations (Navarro, 1998). Conceived at this meeting were the agencies that would come to regulate world finance and trade parameters for the remainder of the 20th century and beyond (Overbeek, 1993). Out of the conference emerged the following institutions: The International Monetary Fund (IMF), designated for addressing global fiscal spending and monetary issues; The World Bank (WB), designated for dealing with global financial and structural issues; and The International Trade Organization (ITO), designated to reinforce liberal trade and 'cooperation' (Smithies, 1954). These institutions have all abided, dominating policymaking for world finance and trade as they proclaim to "supervise and liberalize international trade" (Permanent Mission to the UN in Geneva, 2013, p. 1).[272]

5.2.6 Economic Neoliberalism: The Culler and Convener of Doctrines

[271] White had an economic background and ideology that aligned with the Chicago School and was somewhat sentimental towards the Russians. His training took place at Columbia and then Stanford where he published a PhD thesis on French accounts, which drew the attention of certain ideologues who believed in maintaining order through their interpretation of institutionalized trade. He thus became the head of the independently funded Office of Monetary Research. Then University of Chicago's Jacob Viner hired him at the Treasury Department where he wrote the Morgenthau Plan – a plan to eliminate German forces through subduing their economy and deindustrializing them. White was later entangled in a conspiracy in which he was accused of being a Soviet spy and a communist. He died suddenly after testifying in his own defense in 1948.

[272] One caveat is that The World Trade Organization (WTO) has replaced the previous trade organizations.

The Bretton Woods conference established the state-backed institutional structure of a new economic world order under the auspices of promoting ‘free-market’ liberalism. Although the loudest voices championing ‘free market’ principles appear to have historically been libertarian and neoconservative, in actuality, it is more accurate to label them neoliberal. Philip Mirowski and Dieter Plehwe’s (2009) *The Road From Mont Pelerin: The Making of the Neoliberal Thought Collective* functionally explains how and why neoliberalism has become the bedrock of the most hegemonic form of capitalism in history by exploring the way “…neoliberal ideas have been related to each other, to social classes, and to political and economic regimes” (p. 3). Their study draws from, and builds on, previous comparative studies by Czerny (2008) and Overbeek (1993) that examine the transnational linkages and far-reaching dimensions of the ideology.[273]

The term neoliberalism first appears in Hans Honegger’s work in 1925 in which he identified the theoretical works of his predecessors as neoliberal to mean whoever propagated doctrines of capitalism against the encroaching socialist and Bolshevist ideologies (Walpen, 2004). It fell in line with the controlling dialectic of oscillation between capitalism and socialism. The mid-1920s was filled with works proposing new approaches to liberalism that always railed against the role of states and their alleged socialist interferences in markets. In that sense, the

[273] Centered on the historical origins of the movement in France, Germany, the UK and the USA, the study closely examines the ascendancy of the most important movement in political and economic thought during the second half of the 20th century. Neoliberal ideological history has some of its roots in late 19th century German and Austrian intellectual and economic thought. The libertarians would differ and eventually split over whether their future utopian capitalist project would promote Minarchism or the welfare state, an event called the Methodonstreit; and it was the point of departure that led many from the German economic milieu to migrate over to Austrian economics. Minarchism beckons for minimalist statism, rendering the role of the state to minimal policing, whereas the welfare state intends to form a social safety net for those who slip through the cracks. This seemed too close to socialism for some, and given the fact that the cultural milieu existing during that time saw socialism as anathema, it is understandable that many would diverge on the issue.

milieu of The Great Depression (1929) and an over-reaction to Marxism gave birth to neoliberal thought. In the 1930s, the term began to appear in multiple contexts. As members of the different spectrum converged, the ideology gained more popularity amongst the elite circles and *anarcho-capitalists* (free-market fundamentalists).[274]

5.2.7 Manufacturing Consent

Walter Lippmann, a Council on Foreign Relations member and Woodrow Wilson administration advisor, was keen on identifying ways to shift public perception. His book *Public Opinion* (1922) sought ways to simplify the entirely "too complex" world for the layperson (p. 1). Lippmann sums up the ideological rhetoric succinctly, "In a free society the state does not administer the affairs of men. It administers justice among men who conduct their own affairs. Statesmanship is the ability to elucidate the confused and clamorous interests which converge upon the seat of government" (Plehwe, 2009, p. 13). In addition to anti-statism, Lippmann expressed the notion that most people needed to have their world summarized for them by the well informed. This, he believed, should happen through the "manufacture of consent" and pre-confirmed news, which is presented as indisputable (Lippman, 1922, p. 15). Lippmann was instrumental in organizing a colloquium of twenty-five of the most prominent thinkers on the issues of liberalism and the economy held in Paris in August of 1938, which was a precursor to

[274] The core message that markets were superior to state intervention attracted all types of attention from anarcho-capitalists. Many markets had protections against foreign investors coming in and exploiting the local economies, which global investing firms detested.

the Bretton Woods consensus and the start of several (clandestine) organizations promoting neoliberalism (Plehwe, 2009).

Research by Roehner (2007) meticulously traces the funding sources responsible for catapulting neoliberal thought into the mainstream in a revealing study that links back to banking industry funded foundations, like the Volker Fund.[275] The ideology, widely considered on the fringe, would ascend to legitimacy through widespread corruption in the Nobel committee selection system that took the fringe neoliberal proponents and awarded them with accolades based on ideological grounds and political connections alone. Roehner's study links "58 laureates" in this manner (pp. 115-132). The proliferation of neoliberal thought would continue manufacturing consent through creating the image of consensus within economic thought. It was a consensus that supported the continued rent-seeking behavior and exploitation that bank shareholders yearned for (Roehner, 2007).[276]

5.2.8 Pseudo Alternative: The Austrian School of Economics

[275] Most important to note are National Association of Manufacturers (NAM) IUHEI (Institut Universitaire des Hautes Etudes Internationales), a series of conferences organized by Rockefeller starting in 1927, and the Volker Fund, which would later provide funding for the Mont Pelerin Society. This ideological continuum is so pertinent in understanding why neoliberalism was 'selected' as the chosen ideology in the 20th century.

[276] The story behind this is almost too incredible. The first of such awards was awarded to Frederic Hayek, and the trend would continue hijacking the mainstream economic argument for several decades. On pages 115-132 Roehner covers this manufactured consent behind neoliberalism in a systematic way that traces funding sources, illegitimate awards and unproven theses. Alfred Nobel did not even set up an economic award; in fact, he delineated five categories that have been handed out since 1901: physics, chemistry, physiology, medicine and literature promoting peace – and there was no voiced intention from him calling for an extension of the list. The Riksbank Prize was started by the central bank of Sweden (Royal Swedish Academy of Sciences) in 1968 in conglomeration with the Nobel committee because of a large donation made.

The same enormous efforts and fortunes spent on liberalism funded another offshoot, libertarianism. The ideology similarly promoted 'true capitalism' and anti-socialism, and the Volker Fund similarly funded it (Hulsmann, 2007).[277] What originated from the pivotal meeting amongst the coterie, organized by Lippmann in 1938, amalgamated into an "international 'who's who' of the classical liberal and neo-liberal intellectuals" (Nash, 1976, p. 26). The list included Friedrich von Hayek, Ludwig von Mises, Wilhelm Röpke and Alexander Rustow among others, some of whom identified with the subjective theory of value, and therefore warranted the distinct label of "Austrian" (p. 26). The Austrian School of Economics best pinpoints its ideological exodus with Carl Menger's (1840-1921) proposition that value is subjective; thus, Austrians reject econometrics (mathematically predicting economic behavior) and abhor governmental intervention (protection) in the market. They tend to be libertarian, *anarcho-capitalist* and free-market proponents, meshing well under the broader neoliberal camp.[278]

5.2.9 Consensus on the Function of Interest

Economists have categorized Austrians as heterodox. Nevertheless, withstanding all of the seemingly mammoth methodological differences, as libertarians, Austrians are big supporters

[277] Hulsman, an advocate for Austrianism, does not shy away from the funding sources, although his narrative is shaped in a way where money does not seem to play a part in being responsible for the ideologies it created. However, it is reported in Austrian literature that Mises and other founders received funding from similar sources. On page 895, there is a source for the funding claim.

[278] Additionally, they claim that humans, if left to their own devices and free choices, are best able to settle on the most reasonable representative form of money – which they believe is gold and silver. Befittingly, Austrians support the 'emerged from barter' history of money akin to gold bugs that all trade emerged from an unorganized barter system even though this notion has been disproven by anthropology. They favor praxeology, an a priori assumption that all human action is teleological, and that based on such an axiom deductive study is possible. Ludwig von Mises has written their most pertinent literature.

of what they view as the ‘right’ to charge interest. In this sense, even the supposed ‘opposition’ and ‘alternative’ to neoclassical economics is principally ‘pro-interest’. Influenced by Menger, Vienna graduate Ludwig von Mises (1881-1973) galvanized support for the Austrian movement and became very influential. Inspired by Lippmann’s delineation of private property and state limitations, the colloquium held in 1938 defined neoliberalism in several axioms. It emphasized “The priority of the price mechanism”, which by this time meant to ensure that the ‘price’ of money was controlled by an interest rate. It also emphasized “The free enterprise”, which would allow corporations to move transnationally, lobby to privatize nations’ assets and then purchase them. It further emphasized “The system of competition”, which would allow the lowest bidder to win enormous privatization contracts by employing the cheapest possible labor. Additionally, it emphasized “A strong impartial state”, which would not intervene on moral grounds or as a representation of any democratic initiative to intervene (Plehwe, 2009, pp. 1-4).

5.2.10 The Mont Pelerin Society

Growing out of Lippmann’s initial colloquium, The Mont Pelerin Society (MPS) was officially founded in Switzerland after WWII (1947) by loosely collected neoliberals, including neoclassical economist Friedrich von Hayek. The William Volker Fund and the Foundation for Economic Education provided subsidies; Credit Swiss paid 93 percent of the conference costs (Plehwe, 2009). Banks had much to gain by opening up the world’s markets to perceptive investors well versed in ways of generating profits for big corporations. The MPS was founded “to uphold the principles of what Europeans call ‘liberalism’ and what we Americans call ‘conservatism’: free markets, limited governments, and personal liberty under the rule of law” (Plehwe, 2009, p. 2). Its advocates have publically acknowledged this.[279]

Hayek opined for privacy stating that the aims and affiliations “remain a closed society, not open to all and sundry” as the group felt only comfortable elaborating the principles to those “in agreement on fundamentals, and among whom basic conceptions are not questioned at every step” (Plehwe, 2009, p. 16). Over the next forty years, the MPS would hold 24 private conferences, privacy being the hallmark of archetypal sedition. Moreover, although Hayek did not wish to issue a manifesto, a draft statement with ten aims was released, which remains the only official statement. The aims focus on limiting government activity, correcting “wrong assumptions” that lead to policies alleged to further lead to totalitarianism; and finally, a strong avocation of intellectual ‘freedom’ (Hartwell, 1995, pp. 49-50). Paradoxically, the group bleatingly stressed science and research rather than ideology and beliefs, but when it came to managing and pricing society’s money, the interest rate mechanism was defended vociferously against any non-believers.

5.2.11 Monetarism: The Application of Neoliberalism

United under an ideological umbrella, MPS has historically maintained a very close association with Austrian economics and aligned on issues such as the desire in facilitating the

[279] Edwin J. Feulner was president of the prominent neoconservative think tank in the U.S, the Heritage Foundation, from 1977-2013. Members have spoken quite candidly about institutional goals and principles.

rise of a world super state (Ebeling, 2000).[280] Seen in a continuum of thought, neoliberalism of the latter half of the 20th century was identifiably influenced by Milton Friedman (1912-2006) who is hailed by mainstream economics as the most prominent economist of that period. His school of thought is called monetarism (The Economist, 2006).[281] However, as a neoliberal he opined, "inflation is always and everywhere a monetary phenomenon" while eschewing the reexamination of the function of interest (Friedman, 1963, p. 2). Though neoliberalism lived on for decades in practice, the term became a pejorative or sorts, and money was thrown at attempts at reforming it (Roehner, 2007).[282] In the 21st century, its advocates have stalwartly practiced it on the ground even while sometimes vocally eschewing it (Galbraith, 2008).[283]

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[280] Along with Mises, Murray Rothbart and Israel Kirzner prominent Austrians regularly attended MPS meetings and although there were two antagonistic factions within MPS (the neoliberals and the laissez-faire liberals), the groups' initial disenchantment with each other was settled in favor of building on global concepts. Mises wrote of his hope that "a world superstate really deserving of the name may someday be able to develop that would be capable of assuring the nations the peace that they require" (p.1) Another MPS member William E. Rappard, states in the article, "Science cannot be liberal or illiberal. In a sense it cannot be anything but liberal. An economist as a scholar may be learned or ignorant, intelligent or dull, profound or superficial, but he cannot be liberal or illiberal. Rather, if he is illiberal as a man of science, that is, if he dogmatically and intolerantly denies the rights of liberty of thought without which there can be no true science, then he is not worthy of being called a man of science. Policies can however be liberal or illiberal. Most policies all over the world today are in fact illiberal and it is because we believe that they should be liberal that we are assembled here today. It is as economists in the second sense of that equivocal word that we are liberal" (p.1). This notion is now challenged by arguments that morality and ethics must be considered in all sciences, including economics.

[281] Friedman generally accepted the Newtonian enclosed systematic view as well as Keynesian assumptions. However, he dismissed some of Keynes's initial assumptions although he still carried on within the framework of substantiating the interest mechanism. Rejecting the gold standard, Friedman developed a macroeconomic model called 'monetarism' at the University of Chicago that focused primarily on controlling inflation through governmental control over the printing of money. Keynes had written that money did not matter, that consumption needed to continue no matter what industry got the first tranche, and Friedman disagreed, saying 'money did matter' and that is how monetarism was coined. Like the other neoliberals Friedman supported 'free markets' and minimal intervention on the part of government; essentially he further traversed neoliberalism.

[282] Professor Joseph Stiglitz ironically won the Nobel 'award' in 2001 for refuting the scientific claim that Austrians and neoliberals have been making for a century - that markets are efficient. It is untrue and 'mathematically and formally demonstrated the potential efficiency-enhancing properties of the state based on the Greenwald-Stiglitz theorems'.

[283] Friedman's advocacy for free markets, which is essentially 'no government intervention and privatization', (adopted by Margaret Thatcher and Ronald Reagan among others), transformed the West from a production economy to a service economy. It is largely what brought about the contemporary problems of economic cataclysm. The term neoliberalism declined when it became associated to failed experiments like Pinochet's Chile in the 1970s. Keynesianism and monetarism as applied visions both projected the same lowly aspirations, simply for all people to obtain any type of employment, reducing *humanis economicus* to the lowest level of economic agency, wage vassalage, the application of which has truly created an unjust paradigm.

5.2.12 Collapse of the Bretton Woods System

The Bretton Woods system that essentially governed the world monetary affairs lasted from 1944-1971. Several key events precipitated its demise and replacement. As would be expected, France, Britain, Germany and many other foreign nations were unscrupulously trying to figure out ways to circumvent the U.S. hegemony on economic domination, which the U.S. had been exploiting in sundry ways (Eichengreen, 2004). Almost immediately after the agreement was reached, the U.S. had stopped honoring the commitment in order to begin the biggest military spending expedition in the history of human civilization, known as 'the military industrial complex' (Peterson, 1991).

A country only has four options for balancing its fiscal budget: (a) it can increase taxes; (b) cut spending; (c) borrow; or (d) create money (inflate). The U.S. and its military industrial complex that provided lucrative, undemocratic, no-bid contracts to the war industry could not entertain fiscal responsibility, so it chose the fourth option: money creation. The Bretton Woods agreement mandated that the U.S. could only create $35 for each ounce of gold it possessed, whereby the amount of U.S. gold would act as a restriction on the global money supply; but instead the U.S. began consistently 'deficit spending' on warfare and empire expansionism (Stone & Kuznik, 2013).[284] Essentially, the U.S. had created a system dependent on continuously expanding trade imbalances with other nations.

[284] The Vietnam War cost about $200 billion. However, deficit spending also allowed presidents like Lyndon Johnson to create social programs like Medicare and Medicaid in the realization of a 'Great Society'.

By the 1960's the deficit spending made the Bretton Woods unfeasible and the U.S. was caught in a precarious situation. Foreign states were flooded with excessive U.S. dollars that the U.S. had printed and then exported in exchange for the real, limited, goods and services of other countries. Realizing that the U.S. had been excessively printing money grossly incommensurate to real economic output, foreign nations lined up for dollar conversion into gold at the agreed upon 35 to 1 ratio. France's Charles De Gaulle spearheaded the scramble (Tripp, 2006). Finally, the agreement was rendered unsustainable because the U.S., like goldsmiths of old, had been creating credit as part of a confidence trick. This led President Richard Nixon to end international convertibility of dollars to gold on August 1971 (*nixed by Nixon*). What initially followed was a significantly depreciating U.S. dollar, as it began to float in the global market (Pavlos, 2013). Subsequently, oil-producing nations holding dollars, and selling their products in dollars, suffered financially.

5.2.13 The Petrodollar System

Conflict in the Middle East amplified during the second half of the 20th century. In response to the previous 1967 Six-Day War (Arab Israeli War), Syria and Egypt launched an attack in attempted retribution on October 6, 1973 by, known as the Yom Kippur War (Tessler, 1994).[285] The U.S. responded by increasing military and financial support to Israel. As an act of defiance and protest, the Arab members of OPEC raised oil prices on October 16, 1973, by a

[285] The 1967 Arab Israeli War was between Israel and Arab states Egypt, (at the time, it was called the United Arab Republic) and neighboring states Syria and Jordan. It took place between the dates of June 5 - 10 and was started by Israel. It is covered by Tessler on p. 58.

whopping 70%, to $5.11 a barrel (Yergin, 2008). By the end of the embargo in March of 1974, the price per barrel was nearly $12 (Barsky & Kilian, 2004).[286] This in turn sent the United States, the world's largest importer of oil, into an oil crisis. David Spiro's exploration of these events titled *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets* (1999) compiles an extensive account of the logistics behind the financial arrangement brokered by then U.S. Secretary of State Henry Kissinger in a calculated diplomatic response to the 1973 Oil Crisis known as the petrodollar agreement.[287]

The terms of the Saudi-U.S. agreement were intently kept clandestine because the U.S. was breaching agreements it had in place with its allies in the developed world (Pavlos, 2013). However, to the fledgling Saudi Arabian state that had been heavily indebted by the administration of King Saud's ostentatious spending and borrowing at high rates of interest, the deal was too enticing to turn down (Alrasheed, 2002).[288] From a series of meetings that began in 1973 between Kissinger and the Saudis, the crux of the outcome was an agreement that Saudi Arabia agreed it would only sell its oil in U.S. dollar denominations (Spiro, 1999). Saudi Arabia was able to influence their Arab allies to do the same, which guaranteed artificial demand for the dollar since all of the world's nations in need of oil were forced to seek after U.S. dollars in order to purchase it, and value is driven by demand.

As part of the agreement, the Saudi dollars had to be deposited into U.S. securities and Wall Street bank accounts where the funds would collect interest (Comptroller of the United

[286] The members of the Organization of Arab Petroleum Exporting Countries (OAPEC) and Egypt, Syria and Tunisia proclaimed the embargo although it is alleged that Saudi played an instrumentally leading role. The effects have been lasting.
[287] Spiro's research uproots the conventional theory regarding the U.S. Saudi Arabian financial and political relationship, negating the assertion that it is market driven. Released declassified documents also now attest to this fact.
[288] By 1958, Saud's debts reached $450 million. His ostentatious palaces and lavish spending habits were the precursor of his half-brother Faisal later pulling a coup and taking power in the kingdom.

States, 1978).[289] Much of the remaining Saudi funds were managed by a U.S. governmental entity, whereby it was continuously invested in American-made advanced weaponry. In effect, Saudi and Arab oil producers were propping up the military industrial complex, likely with no intention of ever using the weaponry, because in return, the Saudi monarchy and its allies were to receive endless military protection from the world's greatest military superpower, which secured their endurance. The details of the agreement have led to several critical exposes of the arrangement (Perkins, 2004).[290]

A 1978 report by the Comptroller General of the United States reveals the following:

> The United States-Saudi Arabian Joint Commission of Economic Cooperation, established on the heels of the Arab oil embargo and price increases, --fosters closer political ties between the two countries through economic cooperation; assists Saudi industrialization and development while recycling petro-dollars; and facilitates the flow to Saudi Arabia of American goods, services and technology (Comptroller of the United States, 1978, p. 9).

The deal was fully functioning by 1974, and by 1975, each OPEC country also agreed to similar terms whereby most of the world's oil was sold only in exchange for U.S. dollars (Hardy, 2007). This catapulted the U.S. into an era of licentious deficit and war spending because there was tremendous demand for the dollar and U.S. debt securities, meaning that the Federal Reserve could literally create money whenever it wanted with almost no limit – because it was backed by the most sought after commodity – oil. Other nations now had to finance the U.S. fiscal overspending with their hard work and exports. For instance, Asian nations like Japan, heavily

[289] In the Saudi Arabian Trust Account's deposit and obligations table as of September 30, 1978 there was already 12$ million in collected interest payments.
[290] Perkins, one of the contractors involved with the implementation of the operation has elaborated on the detailed aspects of the agreement in his expose. The official state narrative behind these events is starkly different. It opines that an efficient neoliberal market simply adjusted remarkably well, that enormous amounts of money simply just flowed into oil-rich states due to efficient investing, and that efficient markets funneled the hot money into cash-depleted poor Third World economies.

dependent on oil, would change their economic strategies to become significant export nations. Japan would, for example, send the U.S. Toyotas and Hondas in exchange for dollars whereby it could then go out and attain the oil it needed on the market.

The dollar hegemony gave the U.S. enormous power. It also complicated relations with its allies. U.S. vocal support for Israel as its 'closest ally' conflicted with the U.S. giving several times the amount in aid to Israel's adversaries. Nevertheless, a functionalist view of the political reality is more tenable than any analysis of political rhetoric. The reality is that world oil consumption is an estimated 80-100 million barrels per day (U.S. Foreign Aid, 2013).[291] William Clark in *Petrodollar Warfare* (2005) also discusses the realpolitik and accompanying economic arrangements regarding the ways they have affected U.S. foreign policy. Notably, Clark notes that countries (like Iraq) that have tried to diversify or leave the petrodollar recycling sequence in recent history, have either been sanctioned or attacked militarily (Engdal, 2004).[292] In fact, according to related research, the U.S. has invaded over 70 nations since 1945. It is argued that one of the reasons why has been in order to ensure that the right conditions exist for capitalist penetration (Blum, 2003).[293] It seems quite plausible if further contextualized. Zbigniew Brzezinski, longtime Whitehouse advisor, spoke very brazenly about such policies. In his book (1998), he presents the U.S. geostrategic interests for continued global pre-eminence, and the suppression of any global challengers by arguing that it is necessary for the U.S. to, "…prevent collusion and maintain security dependence among the vassals, to keep tributaries pliant and protected, and to keep the barbarians from coming together" (p. 40). Therefore, support from

[291] For example if looking at the recipients of U.S. aid in the Middle East in billions of dollars, the allocations are disbursed to enemies of the U.S.'s alleged allies. Israel $3, 100; Afghanistan $2,505; Pakistan $2,228; Iraq $ 2,045; Egypt $1,563; Jordan $671. These disbursements are followed by four African countries.

[292] Engdal follows the financial relationships from George W. Bush's elections, administration, and the wars in Afghanistan, Iraq and other places and how these events tie in to oil.

[293] Blum's detailed analysis of the numbers quantifies those directly and indirectly killed due to military invasions that changed local economic environments, ripening them for neoliberalism.

Arab oil producing nations like Saudi Arabia has remained instrumental in safeguarding the present world order of U.S. dollar hegemony, which in contrast has spelled disaster for economic independence in such regions.

Part 3: Reframing Muslim Cognitions to Accept Banking

The third recognizable factor behind the development of IBF occurred after the economic legislation was in place to safeguard capitalism and its banking system globally. The rise of pragmatism in Muslim majority countries increased significantly during this period because of the awareness that the U.S. Empire and the associated global banking system had become so authoritative that being isolated by its apparatus rendered any state beyond rapprochement. Such uncharted territory required devising a serious intellectual program. However, the necessary cadre of Muslim erudition did not emerge. Anti-imperialist sentiment was fervently strong in the Muslim world, and so was the inkling for reform. Nonetheless, the reform methods that were thrust into the mainstream discussion adopted an overly esoteric and non-transformative nature, and they ultimately led to the construction of subverted responses to capitalism. Weak education, ill-equipped scholarship, and the abandonment of age-old convictions in Islamic law complimented by a gross misunderstanding and misrepresentation of banking and currency, all played factors that would lead to IBF's emergence.

5.3.1 Lagging Science and Profound Obliviousness

In the modern Muslim world, knowledge transference and a lack of conceptual foresight became a serious problem. Aaron Segal recapitulates in a (1996) paper titled "Why Does the Muslim World Lag in Science?" that, "In a nutshell, the Muslim experience consists of a golden age in the tenth through thirteenth centuries, a subsequent collapse, a modest rebirth in the nineteenth century, and a history of frustration in the twentieth century" (p. 2). Returning briefly to the fall of the Ottoman Empire, the Muslim world had been in decline for centuries, characterized by low standards of education and a dearth of scientific advancements and necessities, like printing presses, but chief amongst its problems was a dearth in prolific thinking (Anderson, 1964). There was a growing sense of inferiority and the belief that the entire Islamic system needed reform. Early participant in Young Turk reforms, Ziya Gokalp, coined the famous concept 'Turkify, Islamize and Modernize' but this was later supplanted by Mustafa Kemal's ultra-secularization program; Kemal, as many other secular thinkers did, believed that Islam was the main hindrance in preventing 'progress' in Turkey (Cornell & Svanberg, 1999).[294]

5.3.2 Intellectual Inferiority and the Late Push Towards Hard Sciences

These were not sentiments shared only by Turks, for Central Asian Muslims' sentiments were indistinguishable. The Muslim world received a limited transfer of scientific and technological knowledge from the West. Soon thereafter, a new education system was adopted. Initially it was opposed, but it soon penetrated social consciousness, embraced first by an elite

[294] Gokalp authored Türkçügün Esaslari (The Essence of Turkism), and opined for an Islamic revival.

minority, and later by the masses (Segal, 1996). Russia had conquered Central Asia by 1890. Ismail Bey Gasparali (d. 1914), a Crimean Tatar educated in Europe, lobbied for the adoption of Western institutions and secular education in what he called ‘new method’ schools (*usul al-jadid*). The first was opened in 1888. The Bolsheviks felt drawn towards inculcating a relationship between Gesparali’s supporters based on modernization until it became evident that communism sought to annihilate Islamic beliefs, and so the strife persisted (Svanberg & Westerlund, 2012, p. 7).

In the Indian subcontinent, the events were similar. Vasco de Gama had arrived in India in 1498 discovering a new sea route that stimulated the European economy, and in turn ultimately threatened the Mughal Empire. In time, the Mughal Empire collapsed and the subcontinent succumbed to colonial rule by the British. The entire experience also created an experiential awareness amongst Muslim polities that their system was substandard. What postcolonial scholars like Sanjay Seth (2007) point out is that imperial control is always about subjectivity, which largely centers on education. The British yearned to maintain control of their subjects by reconfiguring indigenous modes of knowledge only to replace them with their own ‘discourses’. In order to implement this vision they facilitated the means by which their colonial subjects adopted British educational curriculums, which latently retained the world-view of the colonizer. Within one generation, Indians themselves were teaching such curriculums to the next generation of Indians thereby augmenting understandings of being, and the imaginative spheres of politics, religion, gender, sexuality ethics and economics. Sayyid Ahmad Khan (1817-1898) was one leader who strove to implement the new curriculum in combination with Islamic virtues, and he argued that no conflict existed between Islam and modern science (Ziadat, 1986). In contrast, Dar al Ulum, the center of traditional Islamic sciences founded in Deoband, Uttar

Pradesh, failed to embrace any of the natural sciences from the West; this was representative of a wider phenomenon. Consequently, there was essentially no scientific activity happening across the majority of the Muslim world (Ziadat, 1986).

This was ubiquitously the case in the Arab world. It had been very similar in Egypt where Napoleon's arrival in 1798 and subsequent assessment of the education system led to the establishment of *Institut d'Egypt* the very same year. Khedive Muhammad Ali Pasha (d. 1849) had recognized the inferiority of the Egyptian educational system and implemented changes that began in his first year in power (1805) (Ziadat, 1986). It was commonplace to send convoys to Europe in order to study the hard sciences, but the efforts of playing 'catch-up' were unsubstantial. In the end, such reconfigurations of the approaches to knowledge dismantled the traditional cultivation of knowledge, and knowledge of the Shariah, without providing an adequate infrastructure to replace it (Hallaq, 2005).

5.3.3 The Muslim Non-Response to Newtonian and Darwinian Thought

Understanding banking without grasping the nuances of the milieu in which it was cultivated is impossible. Furthermore, Muslim ethics played no direct part in shaping the Enlightenment discourse, and grasping Newtonian thought and Darwinian evolution is critical in understanding European thought, science and its economic system. The extent of this lag in knowledge is evidenced by the lacking Muslim responses towards these sciences. As time traversed and the modern era approached, technology took root with an extraordinarily rapid diffusion of Western technology penetrating the Muslim world between the mid-nineteenth century and the beginning of WWI. At that time “Railways, telegraphs, steamships and steam engines, automobiles, and telephones all appeared. Much of this technology transfer took the form of Middle Eastern governments’ granting monopoly concessions to European firms. Muslim rulers had little concern about developing indigenous capabilities in technology adaptation, design, or maintenance” (Segal, 1996, p. 4). This lack of sophistication continued for decades and beyond (Salam, 1989).[295]

Adel Ziadat (1986) discusses one of the critical reasons why Muslims were ill equipped to confirm or negate specific scientific – and by extension – economic values, beliefs and models in *Western Science in the Arab World – The Impact of Darwinism 1860-1930*. Ziadat emphasizes that as Western ideologies reached Muslims, there was a profound awareness that there were serious theological challenges being presented to Islam, distinct from any of the medieval polemics. However, the attitude prevailed that there were no scholars of merit worthy enough of succinctly tackling the issues in a cogent manner.[296] As a result, few were trained to properly respond to ideologies imperative for understanding the West’s economic system.

5.3.4 Pan Islamism and the Salafi Movement

[295] The trend remains two decades later: Segal adds that “Pakistan, Turkey, Malaysia, Egypt, Iran, Indonesia, and Saudi Arabia -- account for 90 percent of this total” and that “Other measures -- annual expenditures on research and development, numbers of research scientists and engineers -- confirm the disparity between populations and scientific research.” (p. 1). After WWI most political efforts centered on gaining political independence, thus, the sciences have not flourished in the Middle East. This remains the case today where 41 Muslim majority countries that comprise approximately 20% of the global population generate less than 5% of its science.

[296] In fact, the Eastern-rite Christian populations were the first to address and rebut some of Darwin’s points when his work, published in 1859, was first translated into Arabic in 1876. There was also trepidation among some scholars willing to delve into science who feared finding contradictions in Islam that they could not articulately reconcile. Others saw no contradictions but responded in heuristic ways, failing to address science in critical terms. For instance, Afghani responded to Darwin in a somewhat rudimentary manner, which avoided an articulation of the complexity of the argument.

It was to this onslaught of every aspect of traditional Muslim life that created the impetus for Pan-Islamism (Keddie, 1969).[297] Much of the sentiment during its emergence related to questions about leadership, independence and allegiance to governments and religious leaders (Van Bruinessen, 1995).[298] The movement is largely attributed to two figures: Jamal al-Din Al-Afghani (d. 1897) and his disciple Muhammad Abduh (d. 1905), who were controversial characters and political insurrectionists linked to neo-rationalist reform at the turn of the 20th century.[299] It is difficult to arrive at a conclusion regarding what the intents of these figures were because there are competing narratives about their movement. Nevertheless, discussing their pronouncements made on bank interest, taken to sanction the explosion of banking in the Middle East, emerge out of the discourse in their movement and are thus pertinent.

On one hand, Afghani seems like an indefatigable and vehement anti-imperialist, which many have construed to mean that he was organizing a program of resistance against colonial forces in the best interest of Pan-Islamic unity (Mathee, 1989). To illustrate, he drew up a

[297] Namik Kemal, a member of the Young Ottomans, first used the term "ittihad-I Islam" or 'unity of Islam' although the usage is a modern coinage with no verified usage stemming from the classical Islamic era. The Young Ottoman intellectuals were initially calling for 'modern' reforms rooted in Islam; they possibly were influenced by Italy and Germany and the successful Pan-Slavic movement bred from their unification. They thereby influenced Sultan Abdulaziz as he increasingly claimed his position as caliph of all Muslims, which Keddie claims, is not traditional because the Ottoman caliphs had not traditionally envisioned their roles in that manner (p. 20). Others may have visualized it differently, especially those at the mercy of British and Russian rule in the earlier period such as Central Asiatic and Indian Muslims who appealed for Ottoman aid and discussed the idea of a Muslim league. Moreover, we can look at the Dutch oppression in the East, even after formal submission in the 16th century to the Ottomans, and see similar sentiments.

[298] According to Van Bruinessen, there was never any formal effort on the behalf of Ottoman rulers made to far off lands like Indonesia: "The pan-Islamic propaganda of Sultan Abdulhamid II had a distinct, though modest, impact on the Muslim communities of the Indies. This was no doubt in part because his reign coincided with the establishment of effective Dutch colonial rule over much of the Archipelago. The very existence of a strong Muslim state headed by the sultan-caliph served as a reminder that there were alternatives to infidel rule, however hypothetical. Again one gets the impression that the Indonesians saw Abdulhamid primarily as the ruler of the last remaining strong Muslim state rather than as the caliph of all believers" (p. 115).

[299] The current had stemmed from Ottoman sentiments, which spread to Egypt whereby a certain class became endearing towards the Ottoman sultan as a means for protection against British imperialism.

modernization plan for Afghanistan intent on impeding further British penetration.[300] In addition, he harshly criticized rulers about their economic mismanagement, leading to his continuous expulsion from lands, and he was the first Muslim to respond to Darwin's concepts in his attempted refutation of materialism (*al-Ridd al-Dahriyyin*). Yet on the other hand, since the late 1940s research by Toynbee (1948) and Kedourie (1966) has critically examined his nonconformist views and participation in clandestine activities, revealing a very different, irreligious figure who practiced religious dissimilation and befriended European powers (Keddie, 1969).[301] The obfuscation about Afghani seems to stem from the fact that he "made up stories about his life and tried to hide his true beliefs for reasons of political expediency" (Keddie, 1969, p. 21).

In contrast, Afghani's disciple, Abduh, is known to have developed a belief system based on reason saying that religion 'must be a friend to science', that it should push man to investigate its secrets (Hourani, 1991, p. 308). His most famous work was (1897) *Risalat al-tawhid* (the English version is *The Theology of Unity*) in which Keddie (1969) argues that he tries to persuade the audience of his a priori arguments by rhetoric, rather than relying on logic. In that work, Abduh gives his definition of *shirk* (polytheism), which is rather telling – that Muslim *taqlid* is shirk – meaning that ultimate blasphemy is the abandoning those "paths and precepts He [God] has ordained whereby happiness might be ours in this world and the next" (Abduh, 1897, p. 64). *Taqlid* in the religious sense refers to following classical Islamic scholarship and relying

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[300] This happened during his residence there in 1866; his plan was to make an alliance with Russia. Muhammad A'zam Khan was in power, upon succession his three sons fought in a power struggle. When the situation was settled, Afghani was expelled and considered a 'foreigner who spoke Dari with a Persian accent'.

[301] Keddie's numerous works on this matter delve into Afghani's dubious background and connections to the establishment of freemasonic lodges built on principles antithetical to orthodox Islamic teachings as well as his affiliations with European power. Other notable scholars who have examined Afghani are Homa Pakdaman, Syliva Haim and a coterie of Iranian scholars. Iran's claiming of Afghani to their intellectual heritage, has conducted the most extensive enquiry regarding his origins and travels. Whereas Arnold J. Toynbee's most interesting related discussion is in a work titled "The Ineffectiveness of Pan Islamism".

upon its soundness and methodologies for deriving rulings (Rapoport, 2003). Hence, some have called it 'blind following'. Therefore, Abduh (1897) denounced the Shariah's systematic restraints because to him it "is represented as an autonomous system of authority, dominating theology to the exclusion of reason" (p. 126).

5.3.5 Potentially Subversive Aspects of *Salafi* Reform

Under the Pan-Islamist banner, Afghani and Abduh originated the *Salafi* movement, a movement that demanded to return to the principles of what Muslims consider to be the most 'pious predecessors', the earliest community of Muslims. This concept would continue to be attractive for decades out of its perceived purity and rejection of 'blind following'. In later stages, the movement would splinter into the ideological underpinnings of modern radical groups (Lambert, 2008).[302] However, in its initial stages the movement was imbued with Islamic rhetoric, although it was later revealed to contain a distinct resemblance to "Proto-nationalist movements" (Keddie, 1969, p. 18). Afghani would orate to audiences employing nationalist rhetoric in order to tie multi-religious communities together by drawing upon commonalities like language, rather than stressing religion, and would exhort Hindu scriptures in front of Indians, Azali Babi scriptures in front of Babis, and so on (Rida, 1932).[303]

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[302] Salafi strands would unite against the violent extremist groups who they deemed outside of the faith altogether. The extremist groups believed that a syncretism of Islam occurred, that heretical views had crept into normative Islam and that Ibn Abdulwahhab had correctly identified them and the necessity of purging them. As a movement, however, there seems to be obliviousness to the apparent esoteric origins of the movement.

[303] In one of the Persian *Maqalat-e jamaliyyeh* sources Aghani lectures to a primarily Muslim audience in India but he draws on Hindu concepts in order to galvanize Hindu support. In another instance Salim al-Anhuri prints in

The movement did though, have a subversive nature, and its embrace of this utility would become a pivotal departure in Islamic thought for the remainder of the 20th century, sowing the seeds for an entire reevaluation of classical Islam. Take for instance the notorious statement by Afghani, "We never cut the head of religion (*ra's al-din*) except with the sword of religion (*saif al-din*). Therefore, if you were to see us now, you would see ascetics and worshipers, kneeling and genuflecting, never disobeying God's commands and doing all that they are ordered to do" (Kedourie, 1966, p. 145). Regarding this statement Abduh defended his disciple, claiming that his comments needed proper contextualization (Moazzam, 1983). Abduh's defense of Afghani is noted, but largely because of this movement, there has remained justifiable trepidation around the entire project of reevaluation and reform in the Muslim world. This is important to mention mainly because Abduh makes the most definitive statements on banking and *riba* at the turn of the 20th century.

Moazzam (1983) argues that Afghani's exhortation gives us a glimpse of the contempt that some Muslim intellectuals felt for their inadequate state of affairs. That it also encapsulates the desperation they felt in their inability to mobilize a pushback against the codification of "dogmatic thinking" considered by many to be the reason that Muslims were held behind (pp. 117-8). In contrast, the following was noted as early as 1942:

> It would appear, indeed, that Pan-Islamism has always had either behind it or paralleling it the imperialistic policy of some European power whose aims and interests at the moment seemed to coincide with those of Islam or of some Moslem potentate. Thus one may come to the tentative conclusion that without British support in the beginning and that of others later, Pan-Islamism would never have developed into a significant movement (Lee, 1942, p. 286).[304]

Rida's text that in 1878 Aghani started incorporating rhetoric including the praise of the Ancient Egyptian society and Pharaonic dominance in order to galvanize a pan-Arab unity.

[304] Professor Lee accepted that Western interference was the best explanation for Pan-Islamism, citing the interventions from the British (1870s), then WWI and then Italy in the 1930s. He argues that "Only after such a study can one definitely decide whether an effort to translate the 'tendency' toward Islamic unity into an actual

The dogma that neo-rationalists despised was the strict adherence to the classical law schools (*al-madhahib*), their rulings, and their exoteric practices and systematic methods, thought outdated. Yet, at the same time, those law schools and their long-standing interpretations of rulings had abided for centuries as the most coherent means available to provide Muslims with context for concepts like *riba*. Among other desires, the British yearned for a way in which the normative practice of prohibiting *riba* could cease being exoteric and this desire was fulfilled by the push towards esoteric understandings of Islam, deducing it to principles.

In fact, this is how reformers made the law "nominally Islamic and dominantly utilitarian" in order to support their views (Hallaq, 1997, p. 224). Formed therefrom was a type of pseudo-scholarship in which it was evident that general Shariah principles had succumbed to the forces of colonialism and its capitalist system (Kerr, 1966). It was in this manner, that Muslims in positions of scholarly authority first deemed interest permissible (Hourani, 1962).[305] Furthermore, it was done based upon an understanding of the function of banking and credit creation that authorities now admit is truncated and "mythological" (Turner, 2014).[306]

All of this must be considered in examining Abduh's relationship to Evelyn Baring, known as Lord Cromer, a member of the powerful Baring banking family, and British controller

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movement was a phantasm or a reality and whether Pan-Islamism was a genuine Moslem reaction to Western encroachment or merely a weapon of imperialism, conceived by Western brains and forged by Western hands" (278).

[305] Different viewpoints exist on how the reformers Jamal Ad-Din Al Afghani, Muhammad Abduh and Rashid Rida thought and applied their Islamic philosophy. For instance, Hourani builds on Kerr, but departs in many instances. Hourani consulted Kerr's ideas, which had initially appeared in his PhD thesis ten years prior. Kerr points out that these reformers are trying to conform to 'natural law' and bend the Shariah towards it. Hourani denies this and claims that the reformers were staying within the bounds of the tradition, utilizing thought of Ibn Taymiyyah and Ibn al Qayyim, but cedes to the point that they were trying to reveal what was "half hidden in in their writings" (p. 233).

[306] Lord Adair Turner (2014) notes, "As a description of what modern advanced economy banking systems does (sic) this [what is taught] is completely mythological". The context was about teaching the fallacy to economic undergraduate and graduate students about the fundamental function of banks – that they allegedly borrow from savers and lend to businesses and make their profit off spread.

general during Abduh's era (Ziegler, 1998).[307] Cromer, who believed any "upper class Moslem must be a fanatic or a concealed infidel" and thought Abduh to be "agnostic", was instrumental in having Abduh appointed as Egypt's Grand Mufti (Sedgwick, 2014).[308] Once instated, Abduh became the first in his position to produce a fatwa approving of banking and the charging and collecting of interest during his short tenure. Rashid Rida, a disciple of Abduh, was instrumental in promoting his reformist vision through the acclaimed newspaper *Al-Manar,* in English translated as *The Lighthouse,* an esoteric appellation. Regarding *riba,* the door Rida's hermeneutics opened would serve as the lynchpin of 'Islamic' banking because they proposed that the Quran prohibited a different type of *riba* than the hadith. He argued that the Quran's *riba* prohibition of doubling and tripling "does not cover the simple interest charged on loans by banks or paid by banks to their depositors" (Nyazee, 1995, p. 10). The Quran was presented as unchallengeable, whereas the hadith's prohibition was "lighter or secondary, and may be permitted in cases of necessity" (*darurah*) (p. 10). If one type of interest is what is deemed legally permissible, it does not take long for banks to seek legal counsel and reorganize in order to exploit such legality; and thus began a trend that rationalized all types of banking practices by determining them to be necessities (Nyazee, 1995).[309]

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[307] Cromer was the son of Henry Baring (d. 1848) a banker and the son of Sir Francis Baring, the founder of Barings Bank. The bank finally closed in 1995 after Nick Leeson made speculative investments totalling $1.3 billion in losses. Prior to that, however, the Barings were long known as a great power.

[308] It is interesting that Abduh was seen as a liberal by Cromer, they were both possibly members of the same lodge. Mark Sedgewick notes that Cromer had written about Abduh that "an upper-class Moslem must be a fanatic or a concealed infidel," and that "I suspect that my friend Abdu, although he would have resented the appellation being applied to him, was in reality an Agnostic" in Chapter 7 which is titled "The Mufti: The Enemy of God?".

[309] This trend has continued to receive support by modernists. Nyazee quotes Abu Zahrah saying, "Before we put down the pen, we will discuss the legal issue related to *riba*, which is that the excess in lieu of the period [or repayment] is the *riba* of *jahiliyah*. It is also called *riba al-nasiah*, because the excess in it is in lieu of the period, that is, the duration of the delay. The scholars are all in agreement about its prohibition, and it is the riba of the Quran…There is a technical form of *riba* or that of the Islamic usage. This is the *riba* of sales (*riba al-buyu'*)" (pp. 12-13).

To attempt at impartiality here, the Muslims responsible for making positive pronouncements on banking surely did not have the requisite tools made available to them, which would have been required in order to make informed decisions on the entire banking apparatus and its macro effects on societies and environments. Furthermore, the critique here attempts to be multidimensional. However, regarding economics, it must be noted that the historical enforcement of classical jurisprudence had served as the foremost protector against *riba*, and that voices like Rida were very instrumental in dissuading support for 'foreign' (non-Arab) Caliphs, lobbying for nationalism and calling for Arab 'independence'. These moves all generally led to what in retrospect seem like hasty transitions from old systems to new systems without observing requisite evaluation periods. Moreover, what is vital here, is pinpointing the critical decisions that appeared in public discourse that led to the proliferation of banking in the Muslim lands, as well as the accompanying religious arguments that tacitly and overtly sanctioned neoliberalism.

5.3.6 Exoteric Practices Become Esoteric Principles

The process of Islamic reform in the 20th century took what is best described, in many ways, as an esoteric path. The reform was esoteric in the sense that, at its root, it espoused an imagined perennial truth that anteceded Islam, promoting the vision of syncretism and 'universality' within all religious traditions, which is a theme of the occult. Perennialist philosophers therefore attempt to extend this type of thinking into Islamic discourse. Moreover, religious reformers from the early part of the century were lured by the opportunity of operating within elite circles. Consequently, many were active in occult organizations that offered opportune settings for elites from multiple faith perspectives to unite upon what they perceived to be certain hidden truths. The most common occult affiliation was freemasonry, and defining such a vast tradition is beyond the scope of this research, but in a nutshell it is a tradition that sees its initiates as ‘free’ and ‘liberated’ masons, or ‘builders’ of society (Harland-Jacobs, 2007). This path was utilized as a tool for realizing ends that stressed the communicative properties of symbolism (Guenon, 2004).[310] It was a trend continued by many noteworthy reformers of the early 20th century (Churchill, 1867).[311]

The classical Islamic commentary is replete with historical trepidation about esoteric paths. The most erudite scholars in Islamic history have warned against reducing Islam to principles; for instance, Al-Ghazali (1997) said that such “illusory interests” (*masalih al-muhawama*) should be denied any independent legitimacy (p. 172). It was noted in 1876 by Edward Freeman that for a “…Mohametan government, to become really tolerant, [it] must cease to be Mohometan” (Freeman, 1876, p. 200). Tolerance was an idea central to the new global paradigm of surrendering sovereignty to the nation-state. Asad (2003) writes, “The notion of toleration between religiously defined groups is differently inflected in each” (p. 6). Because to the encroaching banking apparatus – and extension of the colonial period – the Shariah was seen as an obstacle, for its lack of tolerance, to above all else, the exploitation of interest. The

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[310] Rashid Rida was a freemason as well as Hassan al-Banna and Rene Guenon. Guenon endorsed the idea of ‘sophia perennis’ in his Traditionalism doctrine, the fundamental principle is that there is an omnipresent primordial tradition that is common to all traditions. The term Perennial Philosophy was coined by Leibniz and later made popular by Aldous Huxley. He later concluded that it was a largely degenerated offshoot of true initiatory lineage although its symbolism remains profound like that of Rosicrucianism. Guenon discusses esoteric traditions in depth and concludes that they all lead to an equal spiritual summit of initiation. Islamic scholars however do not accept this notion.

[311] The 19th and 20th centuries both have several prominent Muslim leaders that joined freemasonry. According to Churchill, the Algerian leader AbdulQadir Al-Jaza’iri (1808-83) joined a lodge in June of 1964 (p. 328). In Egypt, there were approximately 70 lodges from 1940-57. They were in Iraq by 1919. Moreover, Afghani was the founder of several lodges.

esoteric philosophy of religion doggedly reduced religious law to pure objectives and principles, rendering classical Shariah as dormant and restrictive theology. Principles are valiant and can serve just causes, but reducing contracts and legal contexts purely into principles can also facilitate an annihilation of the law. Through this esoteric manner, the departure of one domain facilitates the entrance into another. And it was essentially in this manner that capitalism permeated Islamic thought. I suggest that this happened in roughly five stages:

1. Religion was restricted to a zone that no longer had any affinity to economic affairs.
2. Islamic scholars adopted fundamental misunderstandings of the capitalist banking system as economics was presented to them as an ostensibly neutral science. The market was presented as a neutral sphere of economic exchange and Muslim scholars accepted the Enlightenment economic epistemology unreservedly.
3. Islamic contracts were reduced to principles guided by objectives.
4. These new principles differentiated between the *riba* in the Quran and the *riba* in hadith so that the *riba* in the hadith could be tolerated in times of necessity.
5. Considering the necessity of interest in a modern state, the principles were reassembled 'in spirit' and used to create 'Islamic' products acceptable to the capitalist paradigm.

5.3.7 Abusing the *Maslahah*: Modernist versus Neo-Revivalist Interpretations of *Riba*

The modern Islamic revival lacks a connecting uniformity. In fact, scholars jaded with the narrative that the revival is attributable to the 18th century puritanism of reformers like Ibn Abdulwahab have done critical analyses based on this contention (Dallal, 1993).[312] Still yet, others see the narrative of Pan-Islamism and *Salafism* manifesting into different movements

[312] Ahmad Dallal was rather jaded with the crudeness of such a rudimentary lumping of concepts together and produced an in-depth analysis of the four major intellectual trends of Islamic thought from that mid-eighteenth century period. He rebuts the earlier narrative that classifies Ibn Abdulwahhab under the same rubric as the Indian Shah Wali Allah (d. 1762), the West African Uthman Ibn Fudi (d. 1787), and the North African Muhammad Ali al Sanusi (d. 1859).

(Keddie, 1969). Nevertheless, to skip over the ideological origins of the movement and to focus on the uniting ideas about *riba* unearths that the approaches towards understanding bank interest were not very diverse.

In the modern period there has been debate among scholars whether or not the *riba* prohibited by the Quran correlates to a prohibition on bank interest. In somewhat of a crude categorization, Saeed (1996) classifies the disagreement into two camps based upon their views: modernist or neo-revivalist. Yet, for the sake of brevity, we can make use of his categorization, although there are some outliers. Saeed writes of the conflicting opinions that “These differences appear to stem from one basic issue: should the emphasis be on the rationale for the prohibition of *riba*, that is, injustice or should it be on the legal form in which *riba* came to be formally conceptualized in Islamic law?” (p. 42). Included in the modernist categories are several well-known scholars who generally accepted bank interest as a necessary tool in controlling the price of money; they thereby relegated the Islamic prohibition to a secondary status.[313]

5.3.8 Why the Modernists Got it Wrong

Because modernists saw banking as a social need and banks as facilitators of that need, most of them proclaimed that interest was a necessary instrument for controlling the economy, as the price of money that would ultimately serve society positively. One of the reasons this belief prevailed was because most inquiries into how the banking system worked did little else than

[313] Saeed mentions the likes of Fazlur Rahman, Muhammad Asad, Sa’id al-Najjar and ‘Abd al-Mumin Al-Namir. These scholars took the approach that bank interest was essentially permissible to engage in out of necessity.

corroborate the notion prevalent at that time, that banks were the lenders of people's savings rather than creators of credit. The history of how banks breached bailment laws in England and how their power influenced politics and changing perceptions, as evidenced through cases like Foley vs. Hill, was not part of a discourse narrative that was widely available to Muslim societies. However, it is now known with more certainty than ever that the myth that banks lend savings emanates from a discourse affected by power (Beinhocker, 2007).

Looking at the sub-discourse community of Muslims taking on this issue, on the side of accepting the validity of bank interest in agreement with Abduh and Rida were several prominent scholars. Vogel and Hayes cite that Egyptian scholar Muhammad Abu Zayd (d. 1930) and Syrian scholar Marouf al-Daoualibi adopted this argument (1998). Other names include the writer on ethics, MA Draz, and Abdullah Yusef Ali, famous for his translation of the Quran, as well as another famous translator, Muhammad Asad (d. 1992).[314] Of these prominent individuals, the most elaborate and pronounced among them is Fazlur Rahman (1919-1988). His views are representative of the position articulated by liberals and modernists on this issue quite succinctly, which chronologically begins with Abduh.

Rahman writes in a treatise dedicated to the topic entitled *Riba and Interest* (1964) "Any attempt to translate the Quranic term *riba* into any language, is not only futile, but is also the source of much confused thinking on the subject" (p. 39). Rahman goes on further to downplay the negative externalities of the modern banking system by claiming that it is actually less usurious that the pre-Islamic pagan society in Arabia. He continues in this framing by contemplating, "A natural question arises here, viz., if *riba* is only that form of usurious

[314] Asad divulges his position in a comment on 30:39 in his Quranic translation. A similar sentiment is found in Ali's commentary.

transaction which has been described above and if only this form is banned, then why is it that, as an effect of the *riba* ordinance of the Qur'an, all interest seems to have been abolished as is, indeed, testified by historical evidence?" (p. 8). Rahman recognizes that he is at odds with the orthodoxy. However, he elaborates further:

> But what matters is that all these individual cases were part of one riba-system in whose nature it was to be so exorbitantly usurious. Therefore, what had to be banned was the system as a whole, and hence no exceptions could be made in individual cases. When the entire system was banned, the milder cases within that system were also naturally abolished since the system itself was tyrannical. It cannot, therefore, be argued that since the Qur'an abolished even the milder cases, it must be concluded that the bank-interest of today also stands condemned. This is because the bank system of today is a separate type of system (pp. 7-8).

In retrospect, this position seems absurd in the light of what is now known empirically about the unjust nature of the entire system as something far more encompassing than a small usury network limited to the 7th century in the Arabian Peninsula. Furthermore, Rahman's neo-rationalist logic on this point is understandably defective as his methodology surfaces to the forefront in his defense of interest because he considers it the only reliable mechanism available that can control insatiable need (taken as an axiom directly from neoclassical and neoliberal economics). But in the defense of Rahman and others with such views, considering the wider discourse that they consulted, their conclusions are entirely understandable because Muslim intellectuals who looked into the banking mechanism by reading orthodox literature on the subject during that era were not privy to any practical literature of how interest-free operations could even theoretically function. However, whether conscious of it or not the modernist sub-discourse of Muslim modernists like Rahman mimicked the position of the pro-usury neoliberals. This discourse took place amongst a minority of influential Muslims who tried to justify this position through religious means by incorrectly attributing the existence of interest payments to the concept of *maslahah* (public benefit). At some point, the translation of interest into Arabic departed entirely with *riba*, and became *fa'ida*, a word that means benefit. Thus, even when someone is making interest payments, the word used is *fa'ida*. This is quite a significant reframing. Hence, the opinion of Abduh has had a significant effect. In contemporary times, the Egyptian Al-Azhari scholar Muhammad Tantawi reasserted this position again in a 2002 fatwa about bank interest. The basis for the fatwa, however, was over a century old (El-Gamal, 2006).[315]

It is not that Muslim intellectuals were not diligent in research, but nearly all economic text and talk in the 20th century promoted the same type of fundamental untruths and hagiographic accounts of the history of money and interest, safeguarding the industry that was funding the research into the field. Furthermore, Rahman did recognize that a country such as Pakistan should try its best to push the rate down to as close as it could to zero, which was likely an influence from Keynes who argued the same thing. However, the willingness to negotiate with a sophisticated system designed to essentially make fraudulent claims on real wealth worldwide through interest mechanisms, was not designed to ever allow a zero interest rate, and this miscalculation was critical. Entering into a negotiation about the *terms* of interest rather than its stipulated non-existence in a market signifies that a form of resignation in understanding has already taken place.

[315] El-Gamal mentions some would argue that the fatwa is based on the misconception that the bank is in a partnership with the depositor. Tantawi however carefully writes that hypothetically a bank acting as an agent could invest money on a fixed return, *le yekoon wakeela* (agent) *anhom fee istathmarha fe muamalaato asmashroa* (in investing it for them). Although some interest is permitted in this fatwa, it does not explicitly say that all bank interest is permitted, which some falsely accused it of.

5.3.9 Muslim Support for Socialism

While some Muslims were negotiating capital in capitalist terms, others were engaging its dialectical counterpart. Although Marx's ideas were not entirely original (Nesta Webster claimed they were not), many social movements in the 20th century took up his ideas, and the effects were disastrous (Webster, 1921).[316] The sentiment from approximately the 1940s until the 1960s in Arab states was, as others, fed up with the insufferable conditions of predatory capitalism. Thus, without a unified theory on justice, many sought communism and socialism out as alternative means, and Islamic texts were extrapolated in attempts to support the position (Anvar, 1989).[317] In practice, the state never withered away as Marx had forecasted, in reality, the state apparatus under communism just became increasingly totalitarian, and it resulted in yet another usurious type of plunder through confiscation. As capitalist (Allied) countries claimed military victories and communist countries suffered defeats, famines and collapses, a consensus emerged on capitalism's alleged superiority.

[316] Webster, (the originator of Theosophy), writes, "[Marx's] Communism was that of Babeuf, his theory of wage slavery was current during the French Revolution, his idea of the class war had originated with Weishaupt, the Illuminist, his theory that labour produces all wealth had been formulated by Robert Owen and the Chartists, his theory of surplus value had also been proclaimed by the Chartists".

[317] Anvar discusses that well-known advocates were Taha Hussein and Syed Qutb. Some even claimed that the first two Caliphs of Islam had operated in a socialist manner. The quintessential nature of the system they projected onto the discourse was that socializing ownership of the means of production was preferable to privatizing ownership. Thus, socialism and communism at their cores share a common element; they both lead to monopolies (state or banking) and therefore capitalism versus communism (and socialism) have formed a dichotomous relationship in recent history which is nothing more than another false dialectic avoiding the issue of usury as a pathway to oligarchy. This was recognized by Afghani who argued that the poor only supported socialist visions out of vindictiveness because of the disparity between the rich and the poor, but that the only legitimate socialism (*al-ishtirakiya*) in Islam was the kind of Abu Bakr's and Umar's Caliphates whereby the administration lived as austerely as the commoners (pp. 35-37).

For the Arab world, this social experiment was very brief.[318] Much of the sentiment associated to socialism in the Muslim world was connected to the perception of Gamal Abdel Nasser's Egypt of the 1950's and 60's and the associated failed social institutions of the country underpinned by ideological support of state-owned resources (al-Bishri, 1996).[319] Furthermore it was pointed out by Tripp (2006) that the "Nasserist state's elaboration of the edifice of 'Islamic socialism' was more closely tied to its immediate interests and to secular ideas of socialist development" than it was to any kind of ideal Islamic operation (p. 79). However, because communism brought such cataclysmic destruction, a certain version of liberalism emerged that presented itself as an antithesis to communism, and Muslims continued along the pathway of developing an 'Islamic' vision of capitalist economics.

5.3.10 A Failed Attempt at Islamizing Economics

Inherited by the West were paradoxical extremes. Studying the system from an Islamic perspective included discerning how to interpret the idealization of material wealth and beauty, on the one hand, and its promotion of human rights, pluralism and tolerance on the other. As early as the late 1940's literature started to appear that promoted the idea that Muslims should struggle to establish an 'Islamic' monetary system, or something at least compatible with the Shariah (Kahf, 2004). This idea was tied in to political struggles. For instance, Muslims in India

[318] 20th century communism failed to suffice the public's aspirations for a more just system, and since communism and capitalism are mistakenly viewed as antithetical like 'right versus left' paradigms of 'liberalism versus conservatism', all of these dialectical debates created a synthesis and macroeconomic codification of capitalism. It is a synthesis that has extended its global hegemony beyond anything imagined or articulated by Newton, Smith or Marx.

[319] Egyptian writer Tariq al-Bishri warned against trying to compare Islamic concepts with socialist or capitalist models.

connected this to a vision that Muslims were inherently different, and needed an inherently different economics in order to build a new state (Pakistan).

An early influential writer on the subject was Abu al-A'la Al-Mawdudi (1903-1979) of Pakistan's Jamat-i-Islami. Whereas Syed Qutb (1906 -1966) was an influential writer on the issue in the Arab world. The alternative proposition these thinkers suggested was a migration to what was known as 'profit and loss systems' (PLS). Adopting this stance, the founder of the Muslim Brotherhood, Hassan Al-Banna (d. 1949) sent a letter in 1947 urging the governments of Arab states to give up "usury" or "be at war with Allah and Rasool" as he identified inherently usurious features in the banking system and connected them to *riba* (p. 137).

PLS systems had operated within Muslim and non-Muslim contexts for centuries. However, the arguments of Mawdudi and others were not made on grounds from the Quran or hadith, but were instead based on opinions of medieval Islamic jurists. Furthermore, profit and loss was not a utopian replacement; it required vigilance in protecting equitable distributions of shares, risks and profits. However, the Mawdudist school of thought's emphasis was on creating 'Islamic' contracts. The thinking was that if contracts mimicked medieval contracts in form that they would be of 'Islamic' substance. What was not considered was that many of these medieval contracts were based on arrangements equally susceptible to exploitation. Regarding this issue in Islamic history, Saeed (1996) writes:

> Since there was no adequate mechanism in the Sharia to deal with loans for non-humanitarian purposes, and jurists had blocked any redefinition of *qard* [a benevolent loan] people had to resort to various stratagems in order to lend and borrow…These stratagems, which appear to be largely the invention of jurists, became widely accepted by Muslims since the need was there, while the stratagems were regarded as lawful by the jurists themselves who were seen to be the guardians of the Sharia (p. 142).

The opinion in favor of adopting PLS contracts swayed the Muslim Brotherhood. Other groups took up the concept as well. However, this concept received no state support in any of the Arab states. As Eijk (2010) mentions, the irony was that in Saudi Arabia this idea was suppressed with the most force because "To allow some banks to call themselves 'Islamic' would indicate that the others are not" (p. 167). Without state support, the dialogue remained temporarily sidelined and politically maligned.

Deemed part of a neo-revivalism, this cadre of writers set the assumptions, values and axioms for the envisaged system. Their ideas would develop its "organizational culture", a robust term describing the "meanings, understandings, beliefs, knowledge, and other intangibles" (Alvesson, 2002, p. 6). This backdrop spawned the replication of their stated terms regarding accounting, governing structures and processes (Schein, 2004).[320] The first book to appear propagating the notion of an 'Islamic' economics was Anwar Iqbal Quraishi's *Islam and the Theory of Interest* (1948) and soon thereafter Abu'l A'la Mawdudi's *Riba* (1950). Mawdudi wrote books on the issue such as his *Economic System of Islam* (1948), which swayed the Pakistani group Jamaat Islami into adopting this position. Mawdudi displayed a significant grasp of much of the capitalist mechanisms, but, like others, he delineated *riba* in a one-dimensional manner as compound interest on loans, excluding the *riba* associated in the credit creation process of fractional reserve banking. In 1956, Muhammad Uzair published an article suggesting how an interest-free bank operating on PLS models would theoretically run (Siddiqi, 1989).[321]

[320] Schein's work focuses on analyzing the theoretical structure of organizational culture and leadership. 20th century Muslims too opined for a PLS system, which simply meant no loans would be guaranteed by the interest mechanism of transferred risk. Instead, banks – like all other entities – would be rewarded only through successful projects, like venture capitalists. In profitable ventures, all parties would share equitably in the profits; however, in the event of a loss, all investors would share equitably in the losses. The promulgation of this concept was because all parties believed it to embody the spirit of justice while simultaneously being faithful to the Shariah.

[321] Siddiqi's most oft-cited source is Uzair as he explains the two-tier *mudaraba* model of profit sharing, which became the fundamental ideological platform although not the normative practice. Siddiqi mentions 55 works in

The belief within this camp was that PLS contracts would work efficiently, and that if explicit compound interest on loans could be avoided then *riba* could be successfully abated as well. This, however, was a misunderstanding of the distorted economic environment created by the banking system that lent no structural support to such an idea.

5.3.11 A Lack of Power: PLS Models and Political Capture

Religious discussions were taking place around what was largely a political issue (Iqbal, 1934).[322] And despite its theoretical imperfections, profit sharing and equitability models seemed to offer a potential alternative to interest-based modes of economics. However, with no political support for shaping an economy based on PLS concepts, the model never took off. States that wanted international recognition and entrance into world markets had to agree to established parameters of trade (Baier & Bergstrand, 2007). Having a central bank was required for such participation, which meant that sovereign debt at interest was ubiquitously the genesis

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Arabic, English and Urdu in his survey of IBF literature written from the 50s to the 70s including *A Groundwork for Interest-free Banking* by Uzair (probably the first). Furthermore, Baqir Al-Sadr (1935-1980) wrote *Al Bank Al La Ribawi* in 1964.

[322] 20th century Muslim intellectuals and reformers opined that returning to a Caliphate type of system was unnecessary and antiquated. For instance, Pakistani intellectual Muhammad Iqbal (d. 1938) supported the new interpretation of Islamic texts that transferred political authority from a Caliph to a constitutional legislature, stating the method was “perfectly sound” (p. 124). Nation-state legislation commonly utilized this method, for instance, in Egypt where the constitution was modified from having the Shariah as ‘a principle source’ of legislation to becoming ‘the principle source’, even though this semantic alteration possessed no legal imperative. Iqbal thought that the Republican form of government was thoroughly consistent with Islam and that it was a necessity for Muslims to form republics. (He commented regarding Turkey’s first implementation of this method that Turkey’s *ijtihad* to replace the Imam/Caliph by vesting such powers into a republic). It is clear that Muslim discourse did not display an entire grasp of the circumstance that one of the primary purposes of the nation state was to safeguard the rights of capitalist practices, i.e. the banking system – and that the banking system was intrinsically dependent on interest. A copious understanding of this may have changed the negotiation of banking’s boundaries earlier on, but there were many issues being reframed simultaneously with no precedent in Islamic history.

of state money supplies (Khan & Mirakhor, 1990).[323] Nation-states were inept as pliant signatories to treaties drafted outside of their influence. Moreover, interest-based banks were operating freely in the entire Middle East, which made it difficult for risk-sharing models to compete. Thus, for various reasons the PLS model was abandoned and rendered inoperable. A consensus quickly formed that the next functional stage was to 'Islamize' the present banking system as a temporary segue. As early as 1982 this was being accepted in IBF journals, for example, Nienhaus (1982) writes that since the entire economic climate is usurious, "It is not permissible to apply, without further considerations and reservations, the results of these theories to the real world of Islamic banks and their performance" (p. 39).

Thereafter, the functional practices of banks identifying their products as 'Islamic' principally became a part of conventional banking with niche branding. This resulted in the rise of extreme pragmatism in dealing with interest, and the utilization of subterfuges and stratagems that dealt in interest, but under labels that called it different terms. An overall pattern emerges in examining how this method prevailed. Shariah 'principles' were used as a source of reference in legislation in order to develop a 'Shariah compliant' model rather than a 'Shariah-based' one. These nuances are evident in works by Qutb (1960) and others.[324] Noting the semantics here is significant. Furthermore, the decision to abandon the PLS system was never announced or expressly communicated in banking promotional material. To the contrary, the industry insistently advocated its moral superiority due to its dependence on profit and loss sharing, often as its leading axiom on advertisements in addition to its utilization of *halal*, *Islamic*, *riba free,* and *interest-free* financing slogans. Farooq (2006) summarizes succinctly,

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[323] Iran and Pakistan are two countries that witnessed earnest attempts at delving into solving this issue comparative to other nations. They also failed, but it was a valuable learning experience.

[324] Qutb mentions, "In constructing Islamic society, the thing which we are bound to is not Islamic *fiqh*. Though we do not remain unfamiliar with this *fiqh*, the thing we are bound to is the way of Islam, Islamic principles and Islamic understanding".

> To completely avoid interest as its central allocation tool, IBF has developed an impressive array of modes of transactions that is claimed to be primarily based on profit-loss-sharing (PLS) modes. PLS modes are to avoid debt-financing and use partnership and equity-financing, similar to venture capitalism. Paradoxically, while the pertinent literature continues to emphasize PLS modes as the main modes, the practice of Islamic financial institutions (IFIs) is such that they have deliberately and systematically avoided PLS modes. Such modes are often presented as various forms of partnership financing (Farooq, 2007, p. 1).

Many decades later, this aspect is now recognized in IBF research and literature, although bank advertisements have not changed much. But there are few, if any, moves in place to change the fundamental mechanisms of the industry.

5.3.12 The Final Step: Misapplication of Classical Rulings

Even though the PLS model had been abandoned in IBF practice, pioneers of IME like Mohammed Uzair, N.M. Siddiqi and Umar Chapra continued throughout the 1970's and 1980's to develop the theoretical field. Amongst this rhetoric were calls to Islamize all knowledge (Al-Faruqi, 1982). Despite the fact that neoliberalism became a tool for the rich to exploit weak nations, Muslim polities largely embraced neoliberal policies and tried to make them 'Shariah compliant' (Shaikh, 2010).[325]

Many sought classical sources for guidance, but classical jurists had never developed a consensus view on money. Furthermore, the classical rulings were primarily based on the assumption that the genus of monies would forever remain as commodities and that money

[325] Many observers realized that Muslims had misapprehended capitalism. However, this phenomenon happened all around the Muslim world.

would be mined and controlled by successive governments. The introduction of interest-based debt as money presented new problems to old rulings. Furthermore, the most authoritative classical jurists, like Imam Malik had postulated that if future Muslim societies ever adopted new monies (of a different genus), that the same methodology and rulings should apply to them (Malik, 2005).

In semantic legal (Shariah) terms (*usul al-fiqh*), scholars analyzed bank money in order to make rulings on it by using the speculative and rationalist tool of *qiyas* (analogical deduction). *Qiyas* is measuring or ascertaining the length, weight or quality of something, or establishing similarity between two things in order to make an analogy. The aim of using this analogy is to extend a ruling (*hukm*) of an original case (*asl*) to a new case (*far'*) since the new case is considered to have the same *'illah* (effective cause). Scholars in the modern era conflated the '*illah* of bank money with that of *fulus*, which was a type of interest-free fiat money used at various times in Islamic history. The assumption was that the same rules developed by jurists on *fulus* and metals of the past could be directly applied to any new monies (Haneef & Barakat, 2006).[326] Although jurists from all legal schools have keenly pointed out that the rulings of *riba* are not only restricted to gold and silver, and that they need vigilant re-visitation on any money of a new genus, money created as a digital debt obligation on a bank ledger, and its attached interest, was something unprecedented in the history of Islamic jurisprudence. Hence, it required more than an application of old rulings.

[326] The work is a collection of the various *fiqh* opinions, which compare and contrast the types of monies appearing throughout Islamic history. They mention scholars from the Hanafi School like al-Shaybani, Maliki scholars like al-Wansharisi, Shafi'i scholars, and famous Hanbalis like Ibn Taymiyyah.

Therefore, according to Haneef and Barakat (2006) the reasoning (*ijtihad*) for supporting the permissibility of bank money was that its impermissibility had not been established.[327] With many of these arguments lending support to general permissibility of any new type of money, the scope of the scholarly inquiries did not consider the long and complicated history of usury in its association to bank credit money and banking in general, and in this regard, expressed opinions that were ineffectual in preventing the adoption of problematic banking mechanisms. The chronological development of the tools at a scholar's disposal in *usul al fiqh* were, although quite elaborate, not necessarily able to treat such a complex issue without understanding the history of its development through reliable interlocutors (Hallaq, 1997).[328]

5.3.13 Understanding the Psychology behind the Development of 'Islamic' Banking

Humans have the natural inclination towards cooperating in common interest. The social sciences reveal this fact through studies of various societies, confirming that at all times during

[327] 1. Everything is by default permissible (*ibahah*) unless evidence to the contrary is found in the textual sources. 2. Caliph Umar ibn al-Khattab wanted to use leather from camels for a type of fiat money, inferring that he thought fiat money to be acceptable. 3. Money can take any form. All money issues fall under the consideration of public interest (*maslahah al mursilah*), thus, the decision of how it should be managed is a governmental decision. 4. Conventions and customs should be evaluated by their meaning. 5. The *maqasid* perspective, which identifies that the Shariah exists to remove hardships, and that avoiding the use of certain prevalent money in circulation, in turn causes hardship. However, Umar's proposal was argued against by his companions out of mercy for the camels, not because the money as such was an issue. They cite Abd al-Malik ibn Marwan as the first to mint gold and silver coins as money 76 years after the migration (*hijra*) in order to show that money can take any form.

[328] A common example of this type of analogy is the prohibition of drugs through a deductive analytical understanding of the prohibition of wine. A traditional ruling (*hukm*) related to money would identify a *sabab* (a specific reason that a ruling needs to exist) with money by contrasting it with the '*illah* (the motive behind legislation for a ruling). For instance, wine drinking (*asl*) is prohibited; and since it is established that it is prohibited a scholar could make an analogy (*qiyas*) that narcotics (*far*') should also be prohibited because they create the same intoxicating effects ('*illah*). These were the tools of *usul al-fiqh* that had been developed in very different contexts and circumstances. But utilizing the same '*illah* of medieval rulings that were produced in mercantile economies in which gold, silver and copper coins were money, and applying such understandings to fiat money was a misuse of the '*illah*, for intrinsically the fiat money was different.

human civilization people have subscribed to social control belief systems in both conscious and unconscious ways. Muslims of the 20th century were no different. After such a systematic reframing of traditional spheres of knowledge from education, to governance, to economics, it is understandable that Muslim consciousness would produce scholarship of an intransigent essence. However, the influence of power and the control of colonially produced institutions created an environment wherein the festering of Muslim intransigent thought was converted, albeit unknowingly, to contritely subscribe to positions and formations within the acceptable parameters of the establishment, i.e. the capitalist mechanism. How Noam Chomsky (1998) describes it, "The smart way to keep people passive and obedient is to strictly limit the spectrum of acceptable opinion, but allow very lively debate within that spectrum" (p. 43).

According to Warde (2000), most researchers attribute the IBF phenomenon to two general factors: the rise of pan-Islamism in the late 19th and early 20th centuries and the movement's identification of bank interest as *riba.* However, Abdullah Saeed's *Islam and Interest* (1996), narrows it down to three primary reasons. (a) Muslim neo-revivalism adopted a certain (one-dimensional) view of *riba* by concurring that it solitarily equaled bank interest on loans. (b) The adoption of this perspective by the middle-class put pressure on policymaking. (c) New oil wealth mobilized and influenced the facilitation of the IBF option as the principal response (Friedland & Robertson, 1990).[329]

[329] It in many ways placated the middle-class's desires as well. Essentially, the energy crises of the 1970s and the consequential agreements and political strategies that emerged therefrom resulted in an influx of oil rents in private hands. These factors put pressure on policymakers in Muslim majority states, especially in the Arabian Gulf, where the growing sentiments of their middle-classes grew abhorrent to bank interest – as they now associated it to the prohibited *riba*. These events thereby created a growing need for an ostensibly separate and distinct version of finance acceptable to that middle-class's Islamic sympathies, in order to placate them. There was no way out, people who did not accept the market and its values were isolated.

The one-dimensional view of *riba* adopted by the modern Islamist parties led them to embrace IBF as the way forward. As Ramadan (2008) points about such movements, "despite the great diversity of their intellectual approaches and sociopolitical strategies, [they] determined a relationship to the texts and to political power based on analyses that date back to the early or mid-twentieth century; they find it difficult to evolve and make a comprehensive reassessment" (p. 287). The term "comprehensive" would equate to Ramadan's term "radical reform", and that type of ability has still eluded Muslim majority polities.[330]

Tripp's *Islam and the Moral Economy* (2006) argues reasons for how and why Muslims have reacted to capitalism in such "contradictory ways… justified with reference to a repertoire of identifiable Islamic beliefs". Tripp's argument is that the greater Muslim discourse can be studied by seeing its changing interpretation of *maslahah* (public benefit), and the debates around the issues of private property, the preservation of an Islamic identity, and the role that states played in the entire renegotiation of such terms.[331]

> [This field] can draw upon a repertoire of Islamic terms, narratives and prescriptions familiar to many, but assembled in particular combinations according to a logic that is not exclusive to Muslims, let alone to an abstracted 'Islam'. The fact that those responsible for these contrasting courses of action believe themselves to be acting upon specifically Islamic grounds is not

[330] Ramadan names the Muslim Brotherhood, an-Nahda in Tunisia, Justice and Development in Morocco, an-Nahda and Hamas in Algeria, the Justice and Development party in Turkey, PAS and ABIM in Malaysia, the al-Muhammadiya movement in Indonesia and anonymous ideologues in Iran. These parties have relationships with IBF. It is acknowledged that literalist reductionist (*qira'a harfiyyah*) movements were as limiting as restricted imitation (*taqlid*) in its extreme form, but that these two positions were born out of "a fear of deviations, of the texts not being respected, or of excessive influence from the West, or from homogenized global culture" (p. 293).

[331] The scope of Tripp's study covers a wider range of Muslim reactions to capitalism encompassing violent political movements, activism, and state policies. His exploration is indeed valuable as it examines the evolution in thinking over the last century within Islamic thought as it pertains to Muslim social responses and issues raised by capitalism and socialism; it also adds to the corpus of knowledge regarding how the continuum of thought from Islamic social criticism has centered on certain themes. He contrasts why such varied reactions were all so dissimilar due to what certain abstractions of Islam centered on in their channeled reactions to capitalism. He asserts that the most prominent Muslim reactions and strategies were heavily influenced and limited by the very economic and political systems they were engaging, which were ironically created as byproducts of the capitalist system, "Indeed, the very insistence by some that economics is a value neutral science of 'how things work' could compound the ambivalence in this sphere" (p.113).

> irrelevant, but their actions are also shaped by the economic and political structures with which they are engaging. (p. 1).

5.3.14 Conclusion

The discussion centers on the idea that 'Islamic' banking is simply just a brand name of banking – an extension of capitalist institutionalization – and that it functions in full acquiescence to the global capitalist political hegemony and the various levels of its power apparatus that have forged financial arrangements with client states. Within this reframed context, it is difficult to shoulder the blame entirely on single individuals, Muslim scholars, or even specific political leaders for that matter. Tragically, at the state level there has been minimal support for changing the way banking functions, funding research initiatives intent on constructing interest-free cooperatives, or drastically changing legal tender laws. Furthermore, we must keep in mind conservative estimates, which reveal that between 10 and 15 million people have died as a direct result of U.S. military intervention related to the intended altering of economic regimes. Moreover, an estimated hundreds of millions have died as an indirect consequence of the violent structural changes facilitated by interventions in 70 plus nations (Unpeople, 2004).[332] It is a feature of empires to carry out incursions with impunity and moral authority, and the 20th century witnessed many such incursions sailing under the flag of promoting liberty – in economics – and otherwise (Holland, 2007).[333] As the dominant program

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[332] For a low estimate of the people directly killed see Mark Curtis's figures which come in at 10 million, which he acknowledges is a very conservative estimate. There is other analysis on the interventions and the auspices for which they were made under and the resultant deaths and human suffering associated (12-15 million).

[333] Holland writes that the Roman Empire also saw itself as a moral authority: "It was an article of faith to the Romans that they were the most morally upright people in the world. How else was the size of their empire to be explained? Yet they also knew that the Republic's greatness carried its own risks. To abuse it would be to court

within this milieu was neoliberalism, polities on the outside of such power spheres (Muslim-majority or otherwise) simply could not contend with such organized supremacy.

The coopting nature of neoliberalism also affected religious thinking because contemporary to that period, the *maqasid* studies, revivified in the early 1970s, became in many ways a source of obfuscation. Neoliberal influence thereby assisted scholarship towards an over-rationalistic and relativistic disassembling of certain Shariah principles in attempts towards functional compromise with the system. Some of the most prominent names in the furthering of *maqasid* studies have reached conclusions that have clearly only created more dissent, discord and confusion regarding the articulation of *riba*.[334] Ramadan (2008) notes:

> The Western equation *secularization = freedom = religious pluralism = democracy* has no equivalent in Muslim-majority societies where, through the historical experiences of the past century, the equation has tended to associate other representations that would rather sound like: *secularization = colonialism = de Islamization = dictatorship*. The need to oppose Western imperialism and its efforts to impose on society development models has been such that Muslim thought has settled into a role of rejection and denial based on otherness, having lost the ability to reconcile with its own points of reference and develop a vision from within, relying on its own richness and assets. Compelled to oppose others, it has ended up ceasing to be true to itself (p. 265).

The reality is that in a globalized world, the entire human community is essentially part of one culture. There is no room for any 'us' vs. 'them' rhetoric in building sustainable solutions. Islam has within its corpus concepts that give support to such a framing: (*wa laqad karramna bani Adam*) "We have honored/dignified the descendants of Adam" (17:70). The message is

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divine anger. Hence the Roman's concern to refute all charges of bullying, and to insist they had won their empire purely in self-defense".

[334] For instance, Mohammad Hashim Kamali, an Afghani long-time professor of law at Malaysia's IIUM and member of many Shariah boards, used the *maqasid* in order to justify the permissibility of Islamic banking, futures contracts and options.

clear that the human family is one. Religious belief and understanding does not change that and allowing faith to be a divisive issue is counterproductive in mobilizing support for issues of shared interest. In many ways, it seems the biggest mistake made by Muslims working in the IME/IBF field was that they incorrectly thought that their principles were so distinct from what other ethically minded members of the human community would strive to realize in terms of an equitable distribution of resources. In doing so, they did not seek out counsel from the most articulate and organized modes of monetary reform in ethics and sustainability circles.

On the other hand, institutionalized power was clearly one of the most significant factors in shaping the way Muslims devised their understandings of the capitalist paradigm; and those negative externalities created the fog of war under which certain unethical practices were allowed to pass as 'Islamic' arguments because the crisis of legitimacy in the Muslim world was clearly that profound. Hence, under the auspices of presenting 'Islamic' solutions to Muslims in the 'modern' era (like lobbying that bank interest offers high social utility, or that recreating medieval contract forms would restore justice) were manifestations that paved the way for IBF to ultimately prevent Muslims from moving beyond facile models. As Tripp (2006) notes about the abuse of terms like *maslahah*, "such a definition could also open the way for an understanding of benefit or utility that was centred on the individual" (p. 121). If we take 'individual' here to mean the 'consumer' and the 'rent-seeker', then this analysis explains why the concerted 'Islamic' reaction to capitalism turned out as it did.

CHAPTER 6: A MAQASID CRITIQUE OF THE ‘ISLAMIC’ BANKING INDUSTRY

“*Riba* has 73 manifestations (*bab*), the least serious being equivalent to a man fornicating with his mother” – The Prophet Muhammad ﷺ (Ibn Majah, 2007, p. 2274).

6.0.1 Introduction

Riba is difficult to define. Once it is defined, however, it is easy to circumvent. *Maqasid* methodology expands the modalities used in assessing ethical and moral choices, and our understanding of increasingly complex issues. Extending such principles, this chapter is a critical examination of the deficient ethicality of IBF practices. That its very existence is preventing Muslims from moving on to options that are more ethical is something that can only be understood in proper context *now* in the light of new information, and from the reframing of historical terms and events in discourse.

6.0.2 Background on Criticism

Scholars of varying disciplines have acknowledged that morally grounded spheres of exchange have boded well historically and when implemented with fastidiousness. However, because of the totalitarian ambiance of capitalist modernity, using religion to inspire ethics in business has generally suffered from the problem of unnecessarily oscillating between extremes. In *The Great Transformation* (1944), Karl Polanyi opined that economics had dual meanings. In the view of the neoclassical economists, it consisted of the decision-making and motivations behind people's material pursuits in a social-Darwinist envisaged struggle over scarce means. On the other side, there was a second substantive meaning that referred purely to the fact that humans adapt to their social environments in order to meet their material needs. This second approach, an anthropological view of economics, considered kinship, religion and politics as primary factors in worlds that were not entirely industrialized. The entire debate fashioned economic anthropology (Geertz, 1963).[335] In the end, however, the maelstrom of globalization rendered the debate futile.

Yet, Muslims ineffectually revivified it in the 1970's, who borrowed from its nomenclature and developed the construct known in contemporary times as the 'Islamic moral economy' (IME). IME has been linked with a conscious attempt to imbue Islamic principles into legislation that regulates and extinguishes rights of participants within economies.[336] Politically, it has received little support, which is why 'Islamic' banking and finance (IBF) is instead what predominates in practice, an industry that does not practice the PLS principles it claims to adhere to. Chapter 5 discussed some critical aspects of the 20th century power structure that controllably influenced the manner in which Muslims approached economics, and why the most identifiably 'Islamic' response was the development of IBF (rather than other alternatives) (Ahmad & Fazel, 2010).[337] Because it was created by such circumstances, at the very root of IBF exist ideologies

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[335] The substantivism, formalism, culturalism debate in economic anthropology ended without a real triumph as globalization later rendered it less meaningful. However, there are still interesting insights to be made in concepts like the duel economy, charity and the 'gift economy'. Besides Geertz, Paul Bohannan wrote of this in his research on the impact of money on Africa economies.

[336] The discussion of a 'moral economy' has been discussed before. The term was brought into academic usage through the study of capitalist Europe, most prominently by the Marxist historian E.P. Thompson's (d. 1993) writings about 18th century England. Thompson's writings inspired James Scott's work, which analyzed Southeast Asian agrarian societies and the moral arrangements underpinning their economic orders.

[337] The work explains that there were partisan motives behind developing an 'Islamized' version of banking that was in compliance with neoliberal economic hegemony, while simultaneously being beneficial to the heads of fledgling Arab states that were forced to submit to, and benefit from, that authority. In addition, there was serious market demand for such a compromise from an emerging elite class that sought to secure its financial interests through religious legitimacy. That class found an eager coterie of Muslim scholars, tired of being maligned, which found a way to regain some temporal authority by presiding over new Shariah boards of banks.

that are intrinsically antithetical to the spirit of the *maqasid*. This irreconcilability has visible effects on the parameters of research, and how various interests frame the issue of 'Islamic' finance.

An analysis of the discourse that is critical of IBF reveals a bifurcation, which complicates the nature of this research because *maqasid*-influenced criticism must not be subverted into purely deconstructing systems only to leave a vacuum ripe for nihilism. It must find a way to steer criticism toward the higher objectives. To categorize with some generality, there are two predominant existing types of criticism surrounding IBF. On one hand, there is a coterie of scholars who promote IBF – call them *IBF advocates* – who opine that IBF, as a representation of a 'modern' normative Islamic practice, is the second best-case scenario considering the hegemonic nature of capitalism. They recognize a growing level of criticism that subsists, but remain sympathetic to IBF. This attitude more or less encompasses the stance taken within the industry, and imbues the sentiments with which it is taught in business schools of prestigious universities as a full-fledged discipline. This train of thought is hence unable to 'move beyond' IBF to sustainable and ethical models that require a paradigm shift in thinking.

Furthermore, because IBF is a discipline taught in mainly secular universities, it adheres to modern curriculum standards and principles; thus, it additionally suffers from being restricted in its ability to transcend the limits placed on it by institutional boundaries as well as those created by accreditation bodies (Stenhouse, 1971).[338] Typically, the approach within IBF circles

[338] Since 1949 when the 'father' of modern curriculum study, Robert Taylor, developed his thesis for shaping curriculums (to reflect the model of syllabus, methodology and evaluation), there has been a phenomenon created which we can liken to a loop in a closed system. Information within such curriculums sometimes suffers because of the systematic and material approach to knowledge that Muslims traditionally did not suffer from. This also continued into the 1970s where Lawrence Stenhouse created an updated curriculum standard, which selected principles for content – what is to be taught; principles for teaching strategy; principles for sequences; and principles for identifying strengths and weaknesses. All of this is entirely relativistic and materialistic, meaning there is no metaphysical aspect to the approach to curriculum development. IBF is taught in this sterile manner. It is not surprising then the type of research it produces, and that it does not reflect the initial spirit behind the project.

is to be critical of the negative aspects of unfettered capitalism; but in regards to being self-critical about IBF's blatant breaches of Islamic ethics there are few who focus on the deep-channeled criticism aimed at it. Much can be said about the ability to see the faults in others without being able to successfully engage in introspection. Consequently, instead of publishing on such sentiments, the generality of papers produced in IBF journals comprise a corpus of what some critics have called an emphasis on 'form over substance', meaning that the industry tends to address minor issues and tweaks rather than redressing its inherently fundamental problems.

On what seems to be the opposite end of the spectrum, is a coterie of scholars that is very critical of IBF, and is very ready to 'move beyond' IBF. However, by understanding these thinkers' objectives – best labeled as *pro-capitalist IBF critics* – it is clear that they ultimately call for reconciliation with the existing monetary system as is, and an endorsement of neoliberalism. These critics of IBF have all observed that the theoretical axioms IBF uses to strum up business among the Muslim faithful are simply ruses unaccompanied by the practice of its stated goals; and furthermore, they allege that the IBF products are largely fraudulent and less-advantageous carbon copies of conventional financial products. Unfortunately this coterie of scholars is erudite in its criticism, yet as a response, it unequivocally lobbies that IBF should simply become 'conventional' banking, which includes embracing the interest-based system and its mechanisms (Khan, 2010).

Therefore, when looking for the critics most adroitly aware of IBF's inherent problems, it is very easy to accept the conclusions of such critiques and thereby adopt alternatives that are not in any respect ethical ones in line with the aims of the *maqasid*. Moreover, generally speaking, this 'cheerleading-for-capitalism' type of rhetoric ignores the macro-problem, which is that neoliberal capitalism has irreconcilable characteristics that have measurably led to the social and environmental crises we all face. Therefore, 'moving beyond' IBF also requires moving beyond our current model of capitalism as well, especially because of what is now known about the great ramifications we face if we do not. One of the best critiques of neoliberalism is David Harvey's *A Brief History of Neoliberalism* (2005), which shows that there are alternatives that are more just. Similarly, scholars can criticize neoliberalism from various angles. Yet IBF has not been able to make use of such emerging information. Therefore, to distinguish the type of criticism used here, the remainder of this chapter aims to avoid such pitfalls whereby one system is deconstructed critically only to be replaced with an endorsement of another unworkable or unethical paradigm.

An IBF article by (El-Hawary, et al., 2004) states that the consensus reached within IBF thought – which was initiated by IME – is that the 'Islamic' higher objectives of IBF can be succinctly categorized into a taxonomy consisting of four axioms: risk-sharing (PLS), materiality, avoiding exploitation, and not financing prohibited activities.[339] Meaning that if it can be proven to an oversite committee that these objectives are verifiably not being followed, then by its own standards, IBF can be determined as an ethical failure. In actuality, however, what is transpiring is far beyond the breach of only these four objectives. Hence, in expanding the scope of critical discourse, parts 1 and 2 of this chapter will therefore focus on two different levels of criticism:

[339] El-Hawary, Grais and Iqbal name the four as: *A. Risk-sharing*: contractual agreements in IBF should reflect a system whereby risks and returns are distributed and shared in an equitable manner commensurate to what each party has risked and earned, known as 'profit and loss' sharing (PLS). This is connoted in contrast to charging interest. *B. Materiality*: all financial transactions should be linked to real and forthright economic activities i.e. real goods and services; meaning that something real and tangible is being financed in contrast to speculative products (*gharar*). *C. No exploitation*: this pertains to all involved parties and is linked to the *maqasid* of trading 'by mutual consent'. *D. The prohibition of financing sinful activities*: that all transactions must not finance products prohibited by Shariah.

(1) The first criticism is aimed at IBF on a micro level; it is a criticism of its products and functionality. It focuses on IBF's ethical violations and how they are framed from various angles, and the results of such framing in discourse.

(2) Whereas the second type of criticism addresses broader issues. On a macro scale, it addresses the unethicality of embracing and extending the neoliberal value system in spite of an overwhelming amount of continuously emerging research that reveals the unethical nature of the capitalist paradigm and neoliberalism. Therefore, IBF's occupation of the domain falsely recognized as 'the authentic Islamic response to capitalism' deters and inhibits real ethical solutions from replacing it.

Part 1: A Critique of IBF as a Closed Network Microsystem

6.1.1 Identifying Influence

Long-time IBF scholar Monzer Kahf (2005) contends, "The basic principles of Islamic banking are derived from the axioms of justice and harmony" (p. 2). However, the latter IBF generations of scholars admit that no such justice has been delivered (Asutay, 2012). Furthermore, Kuran's (1995) early industry criticism rightfully argued that IBF should not be viewed as an attempt to "radically shift economic thought" but rather simply a reassertion of Islam's importance "as a source of inspiration" and its ability to be applicable and relevant to modern life (pp. 169-170).

Expanding on this accepted understanding, Wilson and Henry (2004) analyzed wider political trends and aspects that played significant roles in the Islamization of public life during the 1970's in which 'Islamic' banks were active affiliates. The research focused on Kuwait Finance House, and the fact that it was funded by oil money, meaning it was therefore enmeshed in its politics.[340] Saeed (1996) has previously corroborated this while also unveiling that across the region, the first IBF institutions were “totally funded by oil wealth” (p. 10). With this understanding in mind, it is also not surprising that IBF institutions immediately gravitated towards products identical to those offered by Western banks, using religious dressing as a veneer.[341] One of the strongest arguments against IBF is that its top products charge implicit interest, which appears in accounting records as explicit interest all while it markets itself as ‘interest-free’.

6.1.2 *Murabaha*: Interest Repackaged as ‘Shariah-Compliant’

The prohibition of *riba* means that trading credit for a profit is prohibited, and as a result there is a scholarly consensus that interest-based loans, deposits and bonds are also *riba*. A ruse developed in order to circumvent this ruling by creating contracts to synthesize interest rates that replaced the cost of funds with profits. Generally, this was done by replacing credit intermediation semantics, instead of charging openly for credit, a fictional sale (*bay*’) was introduced into the corporate formality under the pretenses that it was operating on PLS principles. El-Gamal (2006) has most aptly titled this obfuscation as ‘Shariah arbitrage’.

Narrating the development of the *murabaha* product best encapsulates the subterfuge. Dr. Sami Hammoud, an economist who worked as a banker in Jordan for over two decades, is

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[340] The view taken by Wilson and Henry in a sense fails to take into consideration the wider narrative, which is that Saudi Arabia was clearly complying with orders mandated to them by the United States in the arrangement that Kissinger and Nixon had set up for them. One of the most vital facts to consider is that all of the Islamic banks were founded with oil money. Wilson and Henry’s research focused primarily on how this transpired in Kuwait where it gave the impetus for a few individuals to establish the Kuwait Finance House (KFH) in 1977.

[341] Furthermore, the IFIs founded in non-oil exporting countries were all partially funded by oil. Saeed states: “IDB [had a] 2 billion 60% stake by Saudi Arabia, Kuwait, UAE and Libya. Dubai Islamic Bank, Kuwait Finance House, Bahrain Islamic bank, Qatar Islamic bank, the Faisal Islamic banks in Bahrain, Niger and Senegal, The Al-Baraka group of Sheikh Saleh Kamel, and Dar al-mal al Islami of the Saudi prince Muhammad al Faisal are all totally funded by oil wealth” (p. 10).

credited with developing *murabah* at the Jordan Islamic Bank (JIB) in the late 1970s. Hammoud inherited the same conflict IME and IBF had been facing – how to guarantee profits to depositors and shareholders unwilling to suffer losses in risk sharing models, and how to make such a product Shariah-compliant (Maali & Napier, 2010).[342] This, of course, was impossible (Islamic-finance.com, 2012).[343] Hamoud claimed he was able to abstract from Imam al-Shafi'i's book on jurisprudence (*Kitab Al Um*) what he believed to be an argument substantiating additional markup in the price of a good, if its payments were delayed. Imam al-Shafi'i had mentioned that if someone was to execute such a transaction broken up into various separate contracts, that his intentions could not be judged for doing so. To interpret Al-Shafi'i's comment as an endorsement for this type of transaction was a stretch because this was, of course, the time value argument of money, which a minority of classical scholars allowed in writings where they would say things like "price *may* be increased due to deferment" (Al-Masri, 1990).[344] Most jurists, however, did not give a full endorsement to this opinion, including the majority of Shafi'i jurists.

However, this is where the crux of the controversy has been in both the Jewish and the Christian struggles with pricing credit, which is, how much of a charge is legitimate in compensating against default risk? We see for instance that IBF scholars have continued to struggle with differentiating between the various costs associated with financing that are all presently lumped under the umbrella term 'interest'. For instance, Al Masri (2004) argues,

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[342] Maali and Napier studied the ideological influence of sharia-compliant seeking and its resultant effects on the accounting and regulations established by the JIB.

[343] Another issue was deciding how to finance long-term infrastructure projects on a PLS model. The amount of documentation on the beginning of *murabaha* is scant. However, a published email dialogue with the permission of both writers is posted at *Islamic-finance.com* in which Muhammad Nejatullah Siddiqi remarks that Hamoud had disclosed to him the impetus behind developing *murabaha* as a debt plus markup model. Sidiqqi is considered one of the pioneers of the IBF industry.

[344] Page 76 discuses a practice called *bay' al-nasi'a or bay' mu'ajjal* which is where the credit price is priced higher than the cash price. It is argued that many jurists have allowed this. The concept is also called *bay' al taqsit* (*Bay' al-dayn wa-taṭbīqātuhu al-mu'āṣirah*). Al-Masri has written about it and the Fiqh Academy (decision 53/2/6, sixth session) accepted his position in 1990 regarding the discussion of increasing prices in sale for credit risks in delayed payment.

"Claiming that all forms of interest are categorically prohibited and that an interest rate whatsoever is likewise prohibited, would lead to severing all relations with the literature on interest, central banks control authorities, interest rate tables, the scientific criteria for calculating interest rates and the control of central banks over such rates" (p. 38).[345] IBF scholars adopt all of the associated nomenclature and tools of the monetary system, but re-label the transactions with terminology that was used in medieval texts because of the legitimacy it garners. But what Hammoud's endorsement of marking up the costs on sales items ultimately did was provide a loophole for charging implicit interest from the onset of loans marauding as 'sales' (Hammoud, 1998).[346] Furthermore, this alleged 'discovery' immediately drew parallels to abiding descriptions of *riba*.

However, in the manner that Hamoud had constructed the agreement, it entailed a combination of three consecutively executed contracts that were each *individually* Shariah-compliant, reminiscent of the medieval subterfuge used to circumvent the Christian and Islamic usury laws (*contractum trinius*) (See: Ch. 2). This has been labeled a 'hybrid contract' in IBF, a product that "most authorities" once called 'Shariah-compliant' (Khan, 2010, p. 88). The claim is that the 'rate' is theoretically not a function of time (Mills & Presley, 1999). Transacted in sequence, the three contracts guarantee a risk-free increase to a lender who is transposed as a 'seller'. Traditionally, Islam has prevented the legality of such a contract through commentaries

[345] Al-Masri's argument is that profit is unlimited in the Shariah, but if profit were called interest, it would be checked by the two contemporary methods: interest pricing which is dictated by monetary and credit policy, and secondly, the human differentiation of interest and usury, whatever is deemed 'exorbitant'. The issue is that scholars from Islamic backgrounds have been educated in the tradition of accepting the capitalist assumptions on these issues. Sometimes cognitive dissonance leads many of them to reject the possibility of questioning the entire set of assumptions that their educational foundations rest upon. Hence, Al-Masri concludes, as many others do, that there is a legitimate "interest rate" in Islam (p. 38).
[346] Imam Al-Shafi'i's *Kitab Al Um* is distinguished by its hermeneutical approach used in developing principles directly from the sources (*nusus*) and rather than the practice ('*amal*) or established consensus. In this manner, Al-Shafi'i departs with Imam Malik on his approach to the law. Hamoud presented this proposition in his thesis, published in 1976. He was later presented with an IDB prize for engineering the product in 1987.

on several prophetic traditions on *riba*. For instance, there is a relevant hadith, which says, “Prohibited is two trades in one trade” (Al-Tirmidhi, 1986, p. 1). Additionally there is another hadith that says, “Prohibited is two contracts into one contract” (Hanbal, n.d., p. 1). There are several other narrations with similar wording that go into even more detail. Hence, the majority of scholars have feared for the element of *riba* in such transactions.[347]

Nevertheless, immediately after the inception of *murabaha*, the product was recommended to the Islamic Development Bank and the Dubai Islamic Bank, and shortly thereafter to Kuwait Finance House and Jordan Islamic Bank, all newly established. Thus, these IBF institutions and others all immediately started using *murabaha* as the basis of their business, thereby ditching the PLS model altogether. By the late 1980’s the *murabaha* financial product represented 70% of all transactions taking place in IBF. Some banks were even more dependent on it, using it for 90% of their transactions (Wilson & Henry, 2004).

Murabaha really became the lynchpin of IBF during the slowdown and normalization period. The first Gulf War (1990) and the sinking oil prices of the 1990s periodically halted the growth of IBF in that decade. During that period of heightened Western political and economic interference, IFI’s lost more than a third of their deposits (Vogel & Hayes, 1998). In order to prevent the capital flight that was taking place, OECD (Organization for Economic Cooperation and Development) countries shifted their policies towards making their domestic financial infrastructures mirror the Western model (Siddiqui, 2005). During that period, IBF was used to create a more ‘multipolar’ financial system. Siddiqi argues that this was more of a tactic designed to flex what limited power oil-rentier states had left after suffering from the

[347] It is not allowed to combine two contracts into one (*safaqahtain fi safaqah*), which is the basis of all of the IBF schemes in practice although they are against the theory they essentially guarantee a return and safeguard the banks from any risk.

arrangement of recycling petrodollars through the ‘Anglo-American’ banking system (Siddiqi, 1989).

In 1999, The U.S. Office of the Comptroller of the Currency (OCC) issued a letter of understanding deeming *murabaha* to be within the business delineation of banking. This gave the go ahead for several American banks to offer home and auto financing using the *murabaha* model as well as the *ijara* leasing model. Moreover, government sponsored enterprises Fannie Mae and Freddie Mac began buying mortgage notes originated by these contracts. In a letter about the *murabah* product the OCC writes, “Murabaha financing proposals are functionally equivalent to, or a logical outgrowth of secured real estate lending and inventory and equipment financing, activities that are part of the business of banking” (Currency, 1999).[348] Therefore, the bulk of profits in IBF are generated by an implied interest rate charge, which is benched to the London Interbank Offer Rate (LIBOR), except in IBF it is called an “average markup on *murabaha*” (Kettell, 2011).[349] Those trained in the linguistic study of pragmatics would consider this context to be deceiving because nothing is intrinsically different about the product except the name, which is Arabic, and to some that connotation means ‘Islamic’ and therefore in certain minds, ethical. However, in the end, the economic factor called ‘The Law of One Price’ takes effect and the prices of IBF products merge with the going interest rates of traditional banks. Early on, Sherman (1986) identified this as a full subscription to the capitalist paradigm, arguing that the industry operations were ‘inseparable’ from conventional markets and their dynamics.

[348] The issue from November 1999, Vol. 12, No. 11 letter no. 867 about the topic of *murabaha* says the following - “Islamic Murabaha financing transactions, whereby a national bank acquires the property on behalf of the customer and then resells the property to the customer at a mark up on an installment basis, are permissible for national banks as part of the business of banking” (p. 1).

[349] As discussed on page 53, unfortunately, much of the literature written by professors and bankers within the IBF apparatus focus on the ‘form’ over the ‘function,’ which means the bulk of the papers published in journals focus on details on inching ever closer to “Shariah compliance”. However, a large portion of the material focuses so much on form that it ignores the ‘function’. ‘Function’ here means the results that permeate throughout society. Thus, it is imperative to look at the underlying reasons for why the function of IBF has not been to distribute greater economic justice.

6.1.3 Legal Stratagems and Ruses

From an ethical perspective, this is all manifestly against higher objectives. Shamsuddin Ibn Al Qayyim (d. 1347) wrote extensively reviewing the use of 'legal stratagems' designed to circumvent Islamic laws (*hiyal al-fiqhiyya*) (Islahi, 1984).[350] Auda (2004) quotes Ibn Al Qayyim regarding the medieval practice of circumventing the *riba* prohibition, "Shariah laws are the cure of our sicknesses because of their realities, not their apparent names and outlooks" (p. 21). Ayinde (2012) remarks that the gullible Muslim public was "grievously misled into entrusting their capital into the hands of these scholars" by products that are essentially ruses used to charge interest (p. 37).[351]

Hegazy (2007) criticizes the legal stratagem that IBF has used called *talfiq* (amalgamation) which makes the buyer's promise irrevocable. It in essence safeguards the seller's position and turns the transaction into a guaranteed profit (Hegazy, 2007). All classical legal schools of thought condemn these specific types of stratagem. What IBF has done, writes Laldin (2009), is to adopt an irrevocable purchase agreement or promise clause in order to mitigate and eliminate any potential risk to the bank, which effectively leaves the buyer with a 100% exposure profile (Laldin, 2009). It is important to note that IBF personnel are aware of criticisms calling this product a ruse. In acknowledgement, IBF advocates like Ahmad (1993)

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[350] Ibn Al Qayyim wrote about Hanafi jurists who were facilitating legal ruses to circumvent the Shariah prohibition of usury, which is not a new phenomenon that only IBF has engineered. His writings added to *maqasid* theory, which also supported the idea of the objectives as fundamentals.

[351] The Maliki School of *fiqh* called it excessive uncertainty (*gharar*) and deemed it unenforceable in court. Ayinde writes, "*Murabahah* with its components of binding promise is not legally permissible in any of the schools of *fiqh*. According to Hanafite, Shafi'ite, and Hanbalite law, the contract would be enforceable but the purchasing party still owned the right to revoke the order and the purchase promise". To put it another way, the buyer assumes all of the risk and the bank guarantees its success. This is anathema to the concept of PLS because the risk has artificially been removed for one party, which is the essence of the prohibition of *riba*.

argued in the 1990s that *murabaha* would soon decline, and that it was only being temporarily utilized due to IBF's nascent status (Ahmad, 1993). Yet decades later, defenders were still making the same argument, although cognizant that it was a problem, they alluded to it as the '*murabaha* syndrome' (Yousef, 2004).

6.1.4 The Expansion of Pseudo Shariah Compliance

As the *murabaha* product set the benchmark for financial success in IBF, the industry continued to ditch the PLS model and release products mimicking conventional bank products. For instance, *sukuk* – known as 'Islamic' bonds – are the largest financial instruments to be developed in IBF. According to Standard and Poor's yearly assessments, *sukuk* are projected for future yearly valuations in the trillions (Nazim & Ibrahim, 2012).[352] However, the majority of scholars who have taken a deep look at the construction of the language in the *sukuk* contracts have deemed them non-Shariah compliant (Mansoori, 2010). It is widely known that bonds pay out low-risk, interest-bearing dividends to investors. Thus, mimicking sovereign bonds, the IBF industry has created a version that essentially conveys the same message: returns are solid and essentially guaranteed. Assets delineated under the IBF category are approximately $2 trillion (.5% of world assets, estimated at $140 trillion) (The Economist, 2014). It has seen a tremendous surge since the crisis of 2007-2008 (Standard and Poor's, 2012). Such an influx of liquidity is

[352] IBF had generated $132 billion by 2012, and was further projected to generate over $600 billion in demand in 2015 and beyond.

also very attractive to nation-states, which explains why IBF keeps expanding in non-Muslim spheres (Nazim & Ibrahim, 2012).[353]

6.1.5 IBF Shariah Boards

Shariah board members are hired in order to look at, and ultimately approve the 'Shariah compliance' of IBF products. One of the ideological founders of the industry, Muhammad Taqi Usmani, who heads the Accounting and Auditing Organization for Islamic Finance Institutions (AAOIFI), a Bahrain-based regulatory institution (which is optional to join) that "sets standards for the global industry", has in retrospect admitted that "85% of Sukuk, or Islamic bonds…[are] un-Islamic" (Foster, 2009, p. 1). Shariah boards, accounting institutions and regulating agencies all exist, but possess neither political nor religious authority, therefore, IFIs are under no obligation to adhere to their pronouncements. This is a global phenomenon; essentially anyone can open a bank and call it 'Islamic'.

On top of this, there are conflicts of interest. Ullah (2012) has described how bank managers use political approaches to "struggle for lenient a fatwa" and "try to escape Shariah supervision and audit" (p. 167). IBF Shariah boards are comprised of Islamic scholars who have financial incentives to continue giving Islamic legitimacy to the banks' products. The profiting stakeholders have major financial incentives to continue such lucrative enterprises, and the practitioners and salespeople likewise have the incentives to generate more loans. Rethel (2011) mentions that these practitioners take short courses on Islamic principles, which are in reality, exercises in futility:

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[353] Take the UK for instance, which announced that it wanted to become a hub of IBF in 2010, something it has consistently reiterated. In addition, countries like Cypress, burdened by debt woes, now look to IBF as an easy way to rebound and attract funds from Muslim investors.

> These actors act according to the profit-maximizing principle enshrined in conventional financial and economic thinking. And again, the question arises of how this can be reconciled with the primacy of equity – of the sharing of profit *and loss* – of Islamic financial philosophy and its distributive and social goals. Hence, the existing power and knowledge structures in global finance create an environment in which Islamic finance serves to reproduce these structures rather than to offer an ethical alternative (p. 92).

6.1.6 Framing Perceptions: Tarnishing Islam in the Name of Islam

Like every introduction in life, there is only one opportunity to make a first impression, and the impression that IBF has made as its claims and ideas go out for circulation to the wider global community is that IBF's principles look great and equitable on paper in axiomatic form, but that its practices fall far short of its stated goals. Observers revel in the plausibility of increased socioeconomic justice, noting that a PLS economy seems almost utopian (Spangler, 2013). However, upon delving into statistical data on any number of the leading IBF institutions' financials, it is discovered that they rely on guaranteed implicit interest-based profits, no different from other banks (Kamla & Rammal, 2013). One statistic from 1996 showed that under 20% of transactions were based on PLS at that time. Then another study conducted in 2007 in Malaysia revealed that on the assets side, only .5% of transactions were based on PLS. The authors conclude, "Our overall results, thus, suggest that Islamic banking…is not very different from conventional banking, and the alleged benefits of Islamic banking exist in theory only" (Chong & Liu, 2009).[354]

[354] This paper has been cited numerously. On the liability side, it found that in Malaysia 70% of transactions were based on *mudarabah*, a contract that allows silent partners (shareholders) to benefit from the unequal distribution of risks, shares and rights.

Some writers have turned to analyzing the reasons why PLS was abandoned. A study by Dar and Presley (2000) enumerates seven reasons. 1) people are risk averse; 2) property rights in Muslim majority countries are not strong and well-defined; 3) interest charging banks have an unfair competitive advantage; 4) shareholders in a PLS situation have less equitably distributed rights and representation; 5) high risk investments are not optimal for short term investment; 6) PLS products have an unfair tax disadvantage; and 7) that IBF has been unable to establish a secondary market. Another study conducted by Kamla and Rammal (2013) from a critical accounting perspective, an offshoot of critical theory, measures IBF's lofty axioms and social justice disclosures to its actual practices. In it, the researchers lament:

> Our reports show that the annual reports and web sites of Islamic banks disclose how Sharia implies broader and ethical consequences to their activities. However, the disclosures do not indicate that the banks have serious schemes targeting poverty elimination or enhancing equitable redistribution of wealth in society. Despite operating in Muslim societies that to a great extent are economically underdeveloped, the findings of our study do not indicate that Islamic banks have mobilized their position for improving the conditions of disadvantaged people. The findings of this study have a number of implications for the Islamic banking sector. It seems from our analysis that the failure to make social justice the core value of their operations has contributed to the failure of Islamic banks to fulfill their ideological claims (p. 933).

This thesis first begins with contextualizing the historical reframing of concepts like money, credit, banking, interest, and *riba* so that it becomes explainable how all of these quantitative and qualitative criticisms have continued to proliferate, and how they have not been able to prompt IBF to 'move beyond' this unethical trajectory. However, as the research clearly shows, this path has been taken through a long series of choices and negotiations. What is interesting then is how IBF continues to sustain and market itself through framing and reframing terminologies. And what is even more interesting, is how in doing so, some discourse accepts its statements as factual, whereas an increasing amount of it does not.

By definition, interest comprises two types of cost, opportunity cost and credit risk cost. In this sense, as discussed in Chapter 2, the ancient term usury here connotes the same phenomenon encapsulated today in the usage of the terms interest, compound interest and implied interest. The opportunity cost is the ideological component of interest because it is based on the assertion that a compounding fee shall be charged simply for the creation of credit itself, even though the cost of creating credit money on a ledger today is almost non-existent. Whereas the credit-risk cost is the more legitimate component of a fee (the just compensation), which is the cost of covering both the transferability of the promise/instrument to any third party as well as securing (insuring) it against the potential of default. This requires taking on risk.

In short, if institutions are only charging credit risk costs for the utilization of credit, then the fees are likely to be very insignificant, and the allocation of such credit is likely to be motivated by other than profit (ethics). Moreover, such institutions are likely to be equitably organized and geared towards servicing local communities and businesses, or in funding interest-free mortgages (i.e. JAK Bank). Whereas if an institution is charging opportunity costs on top of ensuring against credit risks, as typical for-profit banks do, then the fees are likely to be called interest, compound interest or implied interest, which imply a certain ideological stance. Moreover, for the sake of legal accounting and governmental reporting, the fees are expressed in such a manner on bank reports.

Conventional banks charge explicit interest whereas IFIs charge the exact same amounts, and often more, in implicit interest that they have different lexical usages for: profit, fees and rent are the semantics most often used in English, whereas in Arabic the terms are matched with medieval contractual terminologies. IFIs utilize several axioms; chief amongst them is the claim that they do not charge the interest associated with the cognate *riba*. Therefore, this is simply an issue of framing. Frames are cognitive shortcuts that simplify complex information and phenomena for people by providing selective simplification, which thereby provides people with a field of vision for a problem (Kaufman, et al., 2003). Moreover, “Framing involves both the construction of interpretive frames and their representation to others. Disputants may use framing not only as an aid to interpreting events, but also to promote strategic advantage. Framing can be useful for rationalizing self-interest, convincing a broader audience, building coalitions, or lending preferentiality to specific outcomes” (p. 1)

Framing is critical in analyzing obfuscation. Hence, for-profit banks using the label ‘Islamic’ is similar to corporations with poor ethical records of accomplishment using the label ‘fair trade’ in marketing their products. Because who owns the label ‘Islamic’? Terror networks employ the term, as do numerous marketing agencies advertising to the Muslim world. Therefore, in an instance of this, we can look at Traidcraft, a Christian organization that has the slogan “fighting poverty through trade”, which it achieves to some extent and documents in its yearly Impact & Performance Reports (Traidcraft, 2014). However, by its pure association of being under the larger umbrella of ‘fair trade’ that Nestle is now associated with, an obfuscation is caused for a large portion of society as interpreters of what such signifiers mean in the likely event that they are aware of certain unethical practices associated to Nestle’s track record in poor countries (Boyd, 2012).[355]

With the rise of research into marketing and psychology there has been ample evidence to show that framing is very influential on consumers. Frame-manipulation research in the early

[355] It is fairly well known that Nestle was getting mothers in poor countries hooked on using baby formula that they could not afford to sterilize.

1980s suggested that framing issues in a positive light to subjects generally resulted in less risky behavior by those subjects presented with potential value increasing options (Tversky & Kahneman, 1981). Whereas framing issues in a negative light and presenting subjects with value-decreasing contingencies or dangerous potentialities led decision makers to tend towards increased risk-taking. For instance, one study on medicine revealed that 57% of participants were likely to take a medicine, if its risks of potentially causing disease were ignored; hence, the medicine was marketed in relative terms. Yet only 14% of participants chose the medicine when they were shown in absolute terms what the medicine offered (Malenka & al., 1993).

Understanding the impact of such framing is significant in understanding why 12% of Muslims choose to use IBF services even though the costs are higher than conventional banks, and the products are not as beneficial in value (as far as costs, liabilities and tax purposes are concerned). Likewise, observant Muslims as consumers are susceptible to manipulation of their beliefs, which entail a conviction in rewards and punishment in the afterlife based on choices and actions taken in the present life. Therefore, framing a product as 'Islamic' in absolute terms, that implies a potentially negative outcome if the consumer does not choose it, likely leads to the same increased risk-taking that is witnessed by other subjects in research studies. However, here, the beliefs of Muslims are plausibly giving Muslim consumers added incentives to make what are otherwise irrational market choices (Malenka & al., 1993).

6.1.8 Viewing IBF from an Interdisciplinary Angle

From a public relations point of view, it seems that one of the biggest tragedies of IBF is that it claims to be Islamic. The discourse used to advertise its products differs amongst institutions, as does the way it has been framed in the media up until now. This will likely change as discourse is the driver of ideas, not necessarily facts or data (Van Dijk, 2009). Some observers, however, have noticed this phenomenon and have documented it accordingly. Maurer's work (2005) is an anthropological documentation and semiotic interpretation of what IBF operators are doing in general, which he surmises is simply using “lateral reasoning” in order to thrive within a paradigm it vocally criticizes, all while tacitly sustaining it (Maurer, 2005).[356]

So while researchers like Maurer observe that theoretically ‘Economic exchange, in Islam, is inseparable from Islamic values’, in practice, Maurer and many others have observed and interviewed an entire industry filled with people who have overwhelmingly convinced any such inquirer that IBF’s ‘profits’ are not considered by Muslims to be *riba*. But since they are obviously some type of interest, it is concluded that Islam’s trite and facile solution to the contemporary enmeshment of interest is to simply proceed with a series of legal stratagems and subterfuges (Maurer, 2001). This renders the message of Islam as obsolete, antiquated, and futile to an audience concerned with its propensity for contributing to movements in economic justice and ethics. Here we can observe the effects of power and the consequences that power formations have on institutions, research and discourse very plainly.

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[356] Maurer’s study was heralded and won the Victor Turner prize in 2005. Professor Maurer receives funding from the Bill and Melinda Gates Foundation for his Institute for Money, Technology and Financial Inclusion where he is a founding director. In regards to his assessment on the ‘lateral reasoning’ used by IBF is that Maurer, an anthropologist, is by his own admission a person in search of economic alternatives with the latent potential of liberating communities. After a sustained study of IBF, numerous interviews, and gaining qualifications within the field, Maurer surmises, "*Riba* is a hotly debated topic in Islamic banking, and is never simply equated with interest or usury, a consensus seems to be emerging around a specific reading of *riba*, according to which not all interest is *riba*, and not all *riba* is interest" (p. 9). Furthermore, he states, “In Islamic banking, the Qur’anic term ‘*riba*’, like the Quran itself, is untranslatable” and that different communities can exercise *ijtihad* (interpretive reasoning) to determine and contextualize its meaning for themselves (p. 11).

Increasing amounts of researchers are starting to call the bluff of this industry as an alleged alternative (Rethel, 2011).[357] Nevertheless IBF trudges along seemingly unabated, continuing to host numerous annual conferences, trainings and seminars wherein practitioners and academicians debate and rehearse the concurrent applications and procedural aspects of their industry. However, the argument that IBF is “a project under construction, underpinned by a host of definitional, language and doctrinal debates” will not continue to suffice (Pollard & Samers, 2007, p. 315).

Getting to the root of problem requires more than simply consulting academics that are citing other academics within confined parameters of acceptable discussion, all of whom are dependent on perpetuating the belief that the industry is making strides towards better functionality. It will increasingly be reported that, “As Islamic finance moves towards the mainstream, its ethical principles are increasingly challenged” (Rethel, 2011, p. 82). Because in truth, the system continues to integrate with traditional banking and self-justifies its trajectory and continued existence, which is preventing the Muslim discourse from switching to ethical alternatives.

Part 2: A Macro Critique: An Account of How IBF Enables Plunder

6.2.1 Embracing the Capitalist Paradigm

[357] Political economist Lena Rethel examines the theoretical possibility of Islamic finance as an intriguing alternative to the global order, only to reach the conclusion that, “while Islamic finance challenges Western, more specifically Anglo-American dominance of the international financial system, at the same time it serves to reproduce, to legitimize and thus to further entrench the knowledge structures that underpin contemporary finance” (p. 26). By “challenging” Rethel only means that what is being defied is certainly not the underlying principles and amorality of the system, that epistemic authority has already been legitimated and accepted by IBF; but what is being negotiated is purely the new beneficiaries of the system, as a fresh Middle-Eastern class of affluence flocks towards the establishment of profitable ‘Islamic’ banks.

This section addresses how IBF props up a paradigm that is increasingly known for its systematic injustices. Since actions are by intentions, and we cannot truly know intentions, we can only judge people and systems by their apparent actions. To make just criticisms based on any other principles is quite difficult. Thus, in criticizing IBF's embrace of neoliberal capitalism and banking we must analyze the systemic functionalities and externalities of it rather than the axioms and principles either system promotes. But what exactly is capitalism? Can a normative statement about it be made? A study by Braudell (1983) defines it as a regime centered on a sequence of interconnected negations or exclusions which themselves are underpinned by unique understandings of labor, property and capital rights that are incorporated into the coercive apparatus of the political and legal arrangements of society. Whereas dissidents like the French philosopher Pierre-Joseph Proudhon (d. 1865) have called it a regime founded on private property in which the people who create capital are robbed of it: meaning, capital, which is human labor, and the goods and services human ingenuity and labor provide, is siphoned away from the creators of the capital (Guerin, 1970).[358]

Proudhon was famous for his expression that 'all property was theft'. However, Islam has always guaranteed the sanctity of property as a God-given right as long as it is not ill gotten. Thus, as Toynbee (1948) projected, as Muslims were unable to unite in thought, divergent Muslim perspectives and understandings of the capitalist system appeared which all centered on different perceptions of governmental authority, property rights, and by default, different understandings of banking and bank interest. Subsequently, the system of capitalism spanned unhindered to materially define the very meaning of products and fruits of human labor, the

[358] What is capitalism? This has been a question asked by Muslims and non-Muslims alike. The term originated as a pejorative by its opponents during the industrial revolution who witnessed the fields of banking and finance assume a complete hegemony over all aspects of social and economic life. Proudhon, a libertarian, mutualist and anarchist, is called "the father of anarchism" and he split with Marx on several issues (the refutation *The Poverty of Philosophy* was the initial reason).

ideational and imaginative constructs underpinning exchange, and the concomitant institutional backing of all systems and related organizations. These attributes were all involuntarily transferred to Muslims, entering their consciousness through the nation-state vehicle and its institutions.

6.2.2 Unjust Money: Interest, Legal Tender Laws and the Business Cycle

Jackson (1996) defines "tyranny" as, "the tendency to appropriate law or the authority that backs it to the end of making false or mistaken claims of legal authority for one's own ideas or of denying individuals rights and 'freedoms' to which they as members of the community would otherwise understand themselves to be entitled" (p. xxiii). Approaching economics as a pure science while it remained mostly ideology, inorganically led to the creation of a sort of pseudo-science in support of furthering its aims. Arguing against governmental intervention gave a carte blanche for elites to 'plunder by trade' in a new and sophisticated banking sphere of exchange, and trade took on an entirely new and powerful dimension. The concept of the nation state inertly backed this ideology and supported it through legislation. As this expanded into classical, and then neoclassical economics, general assumptions were devised in order to underpin the paradigm (Weintraub, 2013).[359]

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[359] Weintraub enumerates the three assumptions underpinning neoclassical economics: (1) people are rational, and their rational preferences can be assigned values; (2) the fundamental goal for every entity (individuals/corporations) is purely to maximize; and (3) people act independently when provided with accurate information. An obvious problem with neoclassical assumptions is, as Steve Keen has mathematically supported, that they are incongruous with knowledge we have attained in the 21st century; theories cannot predict economic outcomes since people are not always rational agents – which eliminates the first and third premises of neoclassical ideology. Moreover, not all agents are out for pure maximization; fortunately, some altruistic and ethical participants still exist. Findings in behavioral economics have challenged all of these false assumptions. Furthermore, the tools that neoclassical economists are using to predict crash cycles are innately deficient in their measurement of private debt, rendering any altruism or Panglossian views of the economy futile.

Since the codification of the prevailing mainstream macroeconomic perspective, there have been primarily two control mechanisms in the hands of governing authorities: (1) interest, and (2), the business cycle. What these two mechanisms do is first, grow, and then, inflate the indebtedness of economic participants whether they are individuals, corporations, or states. Interest is charged for the use of money, which is only an abstract accounting concept; this again causes ethical problems because only banks are able to transmute the abstract concept of money into a manifested representation of it as currency. In a historical context, the (1830) Prudent Investor Act bemoans that risk taking is imprudent as part of a long history of risk-averse notions in the West.[360] Moreover, the well-known Modigliani and Miller theorem of 1958 demonstrated that taking on interest bearing debt and leveraging companies against liabilities creates more dividends for holders of preferred stock (Modigliani & Miller, 1958).[361] It has been taught to generations of MBA students that it is therefore statistically beneficial for people and companies to borrow money at interest, and to leverage what they do not own, because it generates money and leads to more earnings.

Furthermore, legal tender laws delegate "despotic" power to banks (Ingham, 2004).[362] As Werner (2005) explains in *New Paradigm of Macroeconomics*, economic textbooks teach the 'boom and bust cycle' as the 'business cycle' and most do not even cover any aspect of banking functionalities. Consequently, in response to the economic phenomena created by the interest cycle, governments act under the assumption that the only possible course of action is to raise interest rates in order to deter borrowing, which is done through shrinking the entire (M4) money supply, erasing money from existence and often causing busts.

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[360] Judge Samuel Putnam, on advising the financial investor on prudence writes in the act that prudence is eliminating risk.

[361] Modigliani was awarded the 1985 Nobel Prize in Economics for this contribution among others.

[362] Ingham develops an explanation from the social sciences to present money as a social construct. This means there needs to be access, not in 'equal' amounts, of course, but there needs to be equity in the way that credit is accessed.

Forced ideological acceptance of banking as a concept has permeated wider discourse for numerous generations. However, what Rethel and Sinclair (2012) point out is that governments privilege the banks with the ability to create as much credit as they can through the manipulation of legal tender laws.[363] They further argue that whenever public awareness galvanizes a consensus towards bringing in the types of government regulations that can eradicate the perennial problems of banks, the 'financial services' industry finds ways to keep the status quo intact. Despite mainstream reservations, the idea that banking as practiced today is an illogicality continues to edge into mainstream academic publications. Whereas only a decade ago it was still too taboo to enter the mainstream discourse in such a fashion, let alone prevalent enough to pass the scrutiny of peer-review.

6.2.3 Misconceptions: Money Manufacturing and the Veiled Monopoly

Banks operate as veiled monopolies on credit. Korten (2011) notes, "When a loan is issued, the bank's accountant enters two numbers in the bank's accounting records. She records the borrower's promise to repay the loan as an asset, and the money the bank puts into the borrower's account as a liability. With the accountant's entries the bank created new money from nothing in the amount of the loan principal and caused the amount of money in the economy as a whole to increase" (p. 2). However, economists and banks (including IFIs) still promote the erroneous idea of banks as simple 'intermediaries' who take money from savers and try to profit

[363] Rethel and Sinclair reiterate that it is indeed a farce to promote the idea that banks are simply intermediaries between savers and bowers, a central tenet of mis-education that has been taught in economic textbooks for decades. Professor Ronen Palan comments on the book's appendage that "the financial system is inherently unstable" (p.1). It is evident that "Banking is a confidence game"; this is to the detriment to the majority of society and it is estimated that the bailouts have cost in surplus of $5 trillion to taxpayers. Their work generally examines banking activity in Europe, Asia and America; they focus on how historical circumstances have shaped banks' attitudes towards risk. They advocate a more radical approach to how states need to develop alternative banking systems that are beholden to democratic oversight, and not controlled by a private class of shareholders.

from prudent and intelligent investments. In actuality, this is a 'mathematical impossibility' (Keen, 2011). Lord Adair Turner (2011) comments that "the banking system can thus credit and create spending power – a reality not well captured by many apparently common sense descriptions of the functions which banks perform…in fact they don't just allocate pre-existing savings, collectively they create both credit and the deposit money which appears to finance that credit" (p. 1). In another lecture, he calls the way banking is taught in schools "entirely mythological" (Turner, 2012).[364] Ex-Governor of the Bank of England Sir Mervyn King corroborated in a 2012 speech revealing, "When banks extend loans to their customers, they create money by crediting their customers' accounts" (Bank of England, 2012).

In a real example, Lipsey and Chrystal (2011) showed the UK monetary base to be £2.2 trillion in 2011 while the actual notes and coins created by the government and put into circulation amounted to only £47 billion. Meaning the UK government only had control over an astounding 2.1% of the money supply, whereas private banks controlled the rest (Lipsey & Chrystal, 2011). It can therefore be stated that, on average, the UK government creates less than 3% of the UK money supply whereas private banks create 97% of it.[365] This statistic regarding private money manufacturing is nearly identical in every country. Who then can we assume holds ultimate political power? And would such persons and entities not want to preserve such a system? It would seem that the state then should be viewed as an extension of the banking sector

[364] Turner quotes "The Great Leveraging" by Alan M. Taylor (NBER Working Paper No. 18290 August 2012, Revised October 2012). The full quote is "as a description of what modern advanced economy banking systems does (sic) this is completely mythological". This sentiment is slowly becoming mainstream knowledge and indicates that the traditional banking system will undergo changes that will render it indistinguishable to the point where the contemporary system will seem archaic to future generations. The money supply today has several different terms, which attempt to define the scope of the bank created money. In the UK there are two official measures of money. The first definition of money (wide monetary base) as M0 has in the past included "notes and coin outside the Bank of England + banks' operational deposits at the Bank of England" also called "narrow money". "Narrow money" refers to how much cash is in circulation excluding the amount of deposits that are in commercial banks.

[365] This seems unfathomable to many people. Nevertheless, since commercial banks create approximately 97% of the money supply, a phenomenal statistic, the M0 money supply is rendered unimportant and it was phased out as a measurement in 2006.

rather than vice versa.[366] With states put into precarious financial positions by the banking sector, the prevailing thought held by governmental authorities is that they have no choice but to raise money by selling interest-bearing bonds, which place government debt payments on posterity (Bank of England, 2013).[367]

The salient feature of all credit (M4) money is that it is inherently problematic because of the rental price attached to it.[368] That price is the interest (Hanson, 1962).[369] In addition, the money supply is also susceptible to inflation. Inflation occurs when the money supply increases, while at the same time, the same level of goods and services circulate. Therefore, the visible result is reflected by the rise of prices. When bankers create more money than a level that is commensurate with the needs of society for exchanging its goods and services, prices go up, salaries shrink and a piece of everyone's wealth is siphoned by the redeemer of the money supply: the banks – including IFIs. Islamic scholars cannot claim they are any longer unaware of this aspect. Taqi Usmani, an oft-cited authority in IBF, has expansive citations that display his

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[366] Therefore, a more accurate measurement is needed, called M4, which is 'Cash outside banks (i.e. in circulation with the public and non-bank firms) + private-sector retail bank and building society deposits + private-sector wholesale bank and building society deposits and certificates of deposit'. These terms essentially include all of the government printed money as well as all the private banks' money.

[367] To put these figures in perspective, the entire (2014) output (GDP) of the UK was roughly £1.515 trillion. But the national debt (2013) amounted to £1,377.4 billion, or 90.7% of total GDP. It was forecasted to surpass 100% of GDP beyond 2015. The amount of interest that UK pays yearly on this money supply created from nothing is around £43bn per year, a little over £15,000 for each individual Briton (an average Brit pays £2,000 per year in taxes to pay in interest on the debt). The cycle continues because it is argued that the government spends more than its output every year, so it claims it must borrow at interest by issuing bonds. However, the bonds (Gilts in the UK) are issued on compounding interest rates, so the debt continues to grow. In addition, more money is owed than is actually created. And in the event that all of the debts were paid off (theoretically) there would be no money in existence because paying off a debt in fractional-reserve banking means extinguishing the money supply. It is an ultimate catch 22 in which today's citizens push the growing debt obligations on posterity. What it means is the money supply must always, perpetually and continuously grow or face recession.

[368] Attempting to remedy the debt problem is generally handled in two ways. In the UK, The Conservative Party typically supports spending cuts, which end up shrinking the money supply and cause further economic recession. On the other hand, The Labour Party emphasizes greater government spending with the intention of generating a larger GDP, which then tries to pay off a mathematically impossible escalating debt.

[369] Hanson (1962) elucidates this point "...the price of money, therefore, is the rate of interest. In fact, this is simply a further example of the essential difficulty associated with the concept of the value of money; namely, that it has different values in terms of different commodities and services, the rate of interest being the value of money for a particular purpose - borrowing and lending".

cognizance of this very trenchant articulation of money creation dating back to 1999 (Usmani, 1999).[370]

6.2.4 Fundamental Conflict: IBF's Adoption of the Neoliberal Paradigm

Western styled interest-based banks were established in Muslim majority lands in the 19th century (Wilson, 1995). As a result, a one-dimensional view of *riba* eventually emerged that vindicated interest-based banking (Hossein, 2009).[371] Neoliberalism has played a major role in allowing the persistent exploitation of underdeveloped nations, a problem still subsisting (Bourdieu, 1998). Similar studies have revealed that neoliberalism essentially denies the existence of social inequality (Navarro, p. 1998).

Navarro argues that the political right sees social inequality as systematically necessary and beneficial, whereas the left tries to mitigate inequality deemed disadvantageous (Navarro, 2011). Hence, neoliberalism has adopted the extreme right's view on inequality, meaning the concept of inequality is essentially not recognized. Instead, terms like "individual" and "group diversity" are employed similar to how terminology is used in postmodern philosophy (Quiggin,

[370] In this historic attempt to ban interest, which was later overturned, Uthmani clearly articulated that bank money was fraudulently created by banks, not governments, and then lent at interest: "But the net result [of fractional reserve lending] is that the modern banks are creating money out of nothing. They are allowed to advance loans in the amounts ten times more than their deposits. The coins and notes issued by the government as genuine and debt-free money have now a very insignificant proportion in the total money in circulation…The spiral of loans built upon loans is now the major part of the money supply. Taking the example of UK according to statistics of 1997 the total money stock in the country was 680 billion pounds, out of which only 25 billion pounds were issued by the government in the form of coins and notes. All the rest, i.e. 655 billion pounds, were created by the banks. It means that the original debt-free money remained only 3.6% of the whole money supply while 96.4% is nothing but a bubble created by the banks…[and] it means that 96.4% of the aggregate money circulated in the country is nothing but numbers created by computers, having no real thing behind them. The position in USA is almost the same as that in U.K." (p. 1).

[371] Hossein adds, "Due to the fact that interest occupies a central position in modern economic life, and has been regarded as the life blood of the existing financial institutions, a number of countries have also been inclined to interpret it in a manner which is a totally different from the understanding of Muslim scholars throughout the last fourteen centuries and is also sharply in conflict with the traditions of the Prophet" (p. 243). Thus, there were several measurable steps towards IBF swallowing the entire neoliberal capitalist paradigm.

1999, p. 1). In fact, globalization, according to Quiggin "is simply the international manifestation of the swing towards neoliberal policies of market-oriented reform that has taken place throughout the world since 1970. Increased inequality is the result of the neoliberal reform program as a whole. The role of globalisation *per se* has been overstated" (p. 240).

6.2.5 Ideology and Practice in the Dominant Discourse

According to a popular theory on communication (the two-step flow theory), most people form their opinions under the influence of opinion leaders, who in turn are swayed by their personal interpretations of the mass media and its wider discourse (Lazarsfeld, et al., 1944).[372] Capitalist ideas permeated through the dissemination of ideas simultaneous with the rise in mass media. Neoliberalism later sailed under the name of "The Washington Consensus" because the term 'neoliberal' eventually became a pejorative, and without needing to functionally change the modus operandi, an old ideology was given a new identity.

As dissidents have oft cited, the actual outcome of the program resulted in more restrictive measures on trade, and an emphatic liberalization of capital, the exact inverse of the initial goals stated in its foundation (Chomsky, 2013).[373] "The Washington Consensus" is a functional means toward opening the labor market of underdeveloped nations, which can then be

[372] In mass communications, this is a theory that is taught at the undergraduate level. The sociologist Paul Lazarsfeld first introduced it in 1948 regarding how the American voter received his or her political information on political candidates. It can simply extend to his or her understanding of banking and etcetera.

[373] Furthermore, and in direct correlation, peace and stability remained elusive throughout much of the world. In addition, a plethora of research has shown that what these measures actually did was protect the wealthy from any need of practicing market discipline because of an elite class's confidence that governments will always bail out 'too big to fail' institutions, whereas the working middle class is chided and told to learn real market discipline and fiscal responsibility. Before Bretton Woods, 90% of trade was related to trading actual and tangible goods and services, real economic output; whereas since then the eradication of economic protectionist laws has allowed a market to emerge where roughly 5-10% of the market comprises actual goods and services and the remainder is entirely speculative, an entire reversal.

exploited by big multinational companies (Mason, 1997).[374] The liberalization of markets quintessentially means less trade barriers and tariffs, which facilitates the movement of cheaply produced goods across international borders (typically East to West). But without the right visas and citizenships, (cheap) laborers are stuck in countries with weak human rights records and low salaries. Thus any financial gains the weak countries receive, typically go towards paying off the debt and interest imposed on their governments – enforced by a small indigenous elite group benefitting from conserving the status-quo.

On a macro scale, the arrangement is systemically unjust. Yet it has permeated populist sentiment and prevailed in every country where Muslims are a majority. This includes Pakistan and Iran, which were both unsuccessful in their attempts to enact legislation banning compound interest (Khan & Mirakhor, 1990).[375] This discussion relates not only to for-profit commercial banks, but also to the central banks of sovereign nations, a central component of modern statehood. Early on in the development of IBF literature and thought, Muhammad N. Sidiqqi (1989) published one of the first papers to consider the role of central banks in Muslim-majority countries. Within the concurrent economic framework, he argued that any steps towards change had to start with central banks. His perspective was that central banks should serve as lenders of last resort, primarily to safeguard depositors' money (Siddiqi, 1989). However, as political factors made structural reforms nearly impossible, capitulation and apathy began to reappear in IBF literature. For instance, Shajari and Kamalzadeh (1993) acknowledge, "…omitting the rate

[374] The Washington Consensus was a continuation of neoliberal policy, first coined by economist John Williamson in 1989, financed by the Institute for International Economics, a U.S. think tank. The general outline is ten economic policy points; chief among them is the support for certain interest rates, deregulation, privatization and the allowance of foreign investment. All which lead to the repetitive cycle of exploitation.

[375] The Pakistani Federal *Shariat* Court and the *Shariat* Appellate Bench of the Supreme Court made a ruling against Islamic Banking in 1991; it happened again in 1999 and it was mandated that PLS conversion or full equity participation in banking should be implemented. As expected, the international banking power apparatus put tremendous pressure on the country in order to prevent this, which resulted in an overturning of this direction on final appeal in 2002. The case was said to be referred to lower courts for "further study".

of interest as the price of money (which is according to the Islamic law, prohibited, and from moral point of view, seems unacceptable too) is not possible" (p. 7).[376]

Control over the money supply can greatly benefit society if it is managed property, but when its manufacturing is outsourced to for-profit, limited-liability corporations, money and value is not safeguarded because the "master" of the money grants himself the prerogative to manipulate its "value" (Tomlinson, 1993, p. 79). IBF has not structurally differentiated itself from these mechanics. Rethel (2011) concludes, "The result is an incongruity between the outcome-oriented ethical-religious legitimacy which should be at the heart of Islamic finance, and the financial legitimation which accounting techniques, indices and rating agencies provide. And the latter prevails" (p. 92).

6.2.6 The Need for Reassessing Flawed Value Measurements

Combatting the momentum towards more social and environmental destruction requires an ethical paradigm shift, as well as the recognition that we are presently using the wrong metrics of value measurement to determine economic and environmental reality. GNP or GDP (gross national product and gross domestic product, respectively) are not the right metrics to detect progress towards sustainability. We currently measure value with GDP, when even the originator of the term, Simon Kuznetz, has accepted its flaw in that it does not account for a measure of distribution or the exhaustion of natural resources (Kuznets, 1946).[377] Korten (2011)

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[376] The general assumptions that banks should charge a fee for the money they have created from nothing by providing their service of double entry bookkeeping is as Kamalzadeh and Shajari say "a great risk". They say so because "banks do not just loan out the money they have received from owners of deposits, but they loan out the money which they themselves, while depending on cash reserves, have created" (p. 4).

[377] The approach to economic data is entirely outdated, antiquated and one-dimensional. Kuznets was commissioned to quantify some data that would better paint a perspective on the first Great Depression in the United States. The

has long argued against the outdated obsession with measuring sustainability, noting that the largest GDP grossing countries are the worst polluters. However, there is a pushback from emerging states (and markets, like IBF). These entities want the chance to chase 'growth' as the industrialized states and established industries already have. However, polluting the earth is contrary to the Islamic vision of human stewardship. Therefore, despite the profitability of something, if it ultimately causes destruction, it is not ethical because one of the *maqasid* is to protect life. In addition, studies show that a high level of GDP neither translates concretely into a high level of human development nor a high quality of life (Fanelli, 2007). Consistently we hear more about the concept of a 'Happiness Index' because there is an increasing awareness that the metrics for success, development, achievement and sustainability are inaccurate, and thus, measuring true success cannot be done through an oversimplified and one-dimensional operation like calculating growth or production.

Consequently, the growth economy has proven to be destructive. We are left with consumerism, poverty, and climate change among other issues stemming back to the system. Perpetual growth has failed and de-growth needs to be examined (Bourke, 2004).[378] Humans face corruption (*fasad*) on many plateaus. Moreover, there are tipping points of irreversible damage being caused to the earth. Therefore, the reconstruction of fundamental principles and values is needed in ecological modernization and market environmentalism (Adams & Jeanrenaud, 2009). There is a 16-fold increase in energy use in the 20th century resulting in sulfur-dioxide emissions being double natural emissions. In addition, the world is polluted with nitric oxide, carbon, dioxide and methane emissions that exceed background levels; the release

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overreliance on such a limited metric of data is one of the numerous things that needs to be reassessed in economic thought. The original discussion puts the context into perspective.

[378] The paper details the history of the concept and the dangers of overlooking it. There is an additional danger that the wrong people may co-opt the initiatives as is evidenced by the early participation of the Club of Rome and other interest groups of low visibility.

of manufactured chemicals has also been steadily increasing (Crutzen, 2002). All of these negative externalities are endemic to the capitalist system, and IBF is guilty in this regard because in enables and implicitly promotes it.

6.2.7 Conclusion: The Problem is How Banking is Framed

The response to this has been bleak in IBF. But how we frame banking as a 'for-profit' industry instead of as a 'for-society' and 'for-the-natural-world-industry', is the main problem. Nonetheless, others are trying to rectify the unethical trajectory we have traversed. For instance, commissioned by Jordan's Royal Scientific Board, Odah Al-Jayoussi has been working on an alternative paradigm that incorporates an Islamic emphasis on sustainability because "Detailed analysis of the ecological, economic and social vital statistics reveals that the current economic development model is failing people, nature and the economy" (2012, p. 1). Al-Jayoussi asserts that this is due to an epistemological contention between Islam and the West on primarily two issues: biology and the economy.[379] Biologically, asserts Al-Jayoussi, Muslims believe in creation and that humans are dignified. On the other plain, in economics Muslims cannot accept that value is determined by an interest rate (Aburawa, 2013).

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[379] This upsets the natural balance (*mizan*). The statistical data on how this system has affected the biosphere is appalling. See page 21 Table 1.1 in *Islam and Sustainable Development*, which details the human impact on the biosphere. Al-Jayoussi's proposal is composed of the following principles: "First principle: *fitra* principle: contain entropy and ensure that the flow of resources, through and within the economy, is as nearly non-declining (*mizan*) as is permitted by physical laws. Second principle (*mizan*): Adopt an appropriate accounting system, fully aligned with the planet's ecological processes and reflecting true, comprehensive biospheric pricing to guide the economy. Third principle (*ummam*): Ensure that the essential diversity of all forms of life in the Biosphere is maintained. Fourth principle, which is aligned with the concept of humans being the *khalifa* of the earth,: maximize degrees of freedom and potential self-realization of all humans without any individual or group, adversely affecting others. Fifth principle: recognize symbiotic relationships: recognize the seamless, dynamic continuum of wisdom, love, and energy that links the outer reaches of the cosmos with our solar system, our planet and its biosphere including all humans, with our internal metabolic systems" (p. 21).

In his farewell speech the Prophet Muhammad ﷺ admonished, “Your persons, properties and honor are declared sacred like the sanctity attaching to this day, this month and this spot. Let them not be violated” (Arzt, 1990, p. 202). From various perspectives including both the micro as well as the macro, it becomes apparent that IBF buttresses a system that is problematic from both a legalistic perspective as well as an ethics and *maqasid* evaluation. It is not simply the products that IBF produces, but it is its entire outlook, its institutions, its tools, its mechanisms and the means and spheres of influence it has adopted. Banking cannot be ‘Islamized’ if it is to retain its quintessential function: manufacturing and then loaning debt at interest.

The fundamental function of banks as profit centers is the issue. It is not so because society does not need a facility to manage its credit. It definitely does. However, it is a societal need that can be facilitated by local credit-clearing houses. With banks continuing to possess the power over money creation, it is very difficult to transfer that power back to local nonprofit institutions that are beholden to the political process. It is through this mechanism that Smith’s (2012) proposition of meta-history rings true, that trade can and does manifest throughout human history as the opportunity to ‘plunder’. Whereas in the case of modern finance the plundering has developed such a sophistication that it is able to operate under the legitimacy of the state and the political treaties and social agreements it represents.

CHAPTER 7: CONCLUSIONS

Part 1: Summary

The nominal practice of ethical application in legal systems is discernibly open to a range of interpretations. Thus, ethics are only enforceable to a very limited extent under the law. A metaphysical or philosophical proclivity must to take it from this departure. Moreover, ethics can only be ensured to support the most downtrodden in society if there is consistency in the application of the law, which necessitates recurrent visitation. In the case of capitalism, laws on the books pertaining to moral hazard – most importantly regarding property rights and interest – have consistently been influenced by power (Brumbaugh, et al., 2000).[380]

In the end, the quest for delineating what is considered 'just money' has been made evident by asking a series of questions. One was: what is money? As we have seen, it matters not what money is represented by, but who defines, and thus, controls it. If it is an IOU, then it should serve as a part of the commons and access to it should be equitable. Another question was: who should have the right to charge for the creation of money? To that, some argue that it should come into being as an act of law, as a state duty. However, liberals of all sorts argue that since states have historically abused that power, it should be delegated to private control in an ostensibly 'free market'. However, we can see that this is where more exploitation has occurred. Hence, it should be part of the consultative political process. However, in contemporary practice,

[380] The greatest example of this is the repeal of the Banking Act of 1933. Known informally as the Glass Steagal Act, it prevented banks from being both commercial banks and investment banks. It stopped speculative investments with the public's money. Investment banks could take risks, but not with government securities and the money supply people relied on. Starting in the 1960s lobbyists chipped away at the legislation slowly allowing banks to engage in unlimited wealth speculation. The statute was officially repealed by the Clinton and Bush administrations in 1999 and 2000. The result was a casino-like economy, which led to the housing bubble and global recession. In the aftermath U.S. Senators began pushing to renew the act in 2013. With the legal framework in place allowing banks to speculate with the public's money and reap benefits from usury, dystopia has become reality.

money creation has been sequestered to the private sector. The result has led to privatization, and then to monopolization of money production by individuals in banks who are not accountable to the public, nor are they beholden to the political process. As a result, a reoccurring pattern is evident. Whenever society loses control over the money power, it loses its full sovereignty. Thus, the two elements are inseparable.

However, as much as liberals, libertarians and statists disagree on who should ideally create and control money, they do unite behind one major important factor: the justification for charging interest. Therefore, an additional question asked was: is it ethical to charge a compounding opportunity cost on money that has almost no opportunity cost? It is oft overlooked in discussing exchange parameters that human beings have sought to domineer and dominate each other through many avenues, certainly not excluding economic means, throughout history. If it is as Hallaq asserts, “Politics is war by other means” then “knowledge–including academia–is politics-cum-war by other means” (2014, p. 1). Therefore, the form and presentation of knowledge should never change that. Economic discourse is unfortunately not studied in that context, in a manner that narrates the perennial fight to control resources, definitions and parameters, including the negotiation of concepts like money, its creation and distribution. This is how the ideological support for compound interest charges must be framed, if it is to be understood from an ethical point of view. Being able to define such truths tacitly occupies the most important aspect of the dominance over knowledge, for knowledge is informed by dominant discourses.

We have seen in Chapters 1 and 2 that capitalism is a very value-laden system, with deep suppositions about the place of man in the hierarchy of the universe. Thus, according to this cosmology, scholars of economics (as a discipline separated from moral policy) opine that charging interest is in itself ‘good’ because it serves a functional purpose, as the price of money. This utilitarian approach to knowledge has produced a very reductionist version of science best renamed ‘scientism’ (Nasr, 1968).[381] Eaton (1985) remarks, “The modern Westerner, persuaded that he has a right to ‘think for himself’ and imagining that he exercises this right, is unwilling to acknowledge that his every thought has been shaped by cultural and historical influences and that his opinions fit, like pieces of a jigsaw puzzle, into a pattern which has nothing random about it” (p. 28). This is the essence of what a paradigm is, in a Kuhnian sense, an entire way of thinking about reality. Capitalism is very much a paradigm, and its framing has entirely changed traditional concepts on what is considered right or wrong behavior in marketplaces.

Accordingly, in Chapter 3, I contrasted the complexities of both the idiosyncratic nature of the Western episteme, and an Islam-inspired normative ethics from a viewpoint dissimilar to that of the Western normative tradition (Nasr, 1994).[382] This provided a normative framework to analyze discourse, and the framing of historical events, terms and concepts. In an innovative attempt, this *maqasid* methodology was extended and expanded in Chapter 4 into the theoretical realm of exchange. This was done by contextualizing *riba* and analyzing a few events in the early Islamic period as well as identifying that similar values have already been adopted in contemporary monetary reform and sustainability spheres, which Muslims have largely overlooked and under-supported in their quests to create distinctly ‘Islamic’ economic spheres. Islam does not have an economic system per se. Islam is purely a framework for people to use. This is why scholastic scholarship never developed a consensus theory on justice, money or

[381] In this work, (a book he wrote in the 1960s) Nasr contends that Islamic philosophy provides a better explanation for our hierarchy of existence, and that with the lens that understanding provides, all action taken in stewarding the earth thereafter will be done with a wisdom that encompasses more than just a materialist understanding of nature.
[382] Nasr elaborates on page 25, “It is for Muslim scholars to study the whole history of Islamic science completely and not only the chapters and periods which influenced Western science. It is also for Muslim scholars to present the tradition of Islamic science from the point of view of Islam itself and not from the point of view of the scientism, rationalism and positivism which have dominated the history of science in the West since the establishment of the discipline in the early part of the 20th century in Europe and America”.

markets. Thus, in remaining faithful to principles, the chapter highlighted that existing ethical paradigms and monetary reform movements already exist, and that they deserve the energies that are being misdirected towards IBF.

Chapter 5 attempted to explain why these ethical avenues are being overlooked and have continued to receive little to no support from Muslim polities, which have instead chosen to adopt replications of political and economic infrastructures that colonial projects installed and left behind. This led to necessitating a historical analysis of how and why Muslims could then adopt such visibly obvious and morally contradictory institutions, and how they could be brazenly touted as ‘Islamic’. Chapter 5 also covered some of the political decisions and trajectories traversed by Muslims in the 20^{th} century. The phenomena was best explained by contextualizing a postcolonial understanding of power – or to use a term from Foucault – ‘Biopower’ and the permeation of different levels of self-policing and falling in line (Foucault & Hurley, 1976).

Several forces were simultaneously at work: postcolonial mindsets (or ‘colonized minds’ to use Albert Memmi’s term) were reconstructing the visions of themselves as the ‘not-other’ and indiscriminately adopting an episteme from the West with its own idiosyncratic way of looking at the universe. Adopting this mindset uprooted the way Shariah had traditionally functioned in Islamic societies, as something decentralized. Shariah became something punitive. Although historically it was not a punitive system simply focused on punishments, a new Shariah understanding emerged, largely centered on incorporating extraneous practices via the manipulation of the *maslahah* concept in order to accommodate the contemporary governing paradigm, which simply happened to be capitalism. Tripp (2006) adds that Abduh altered his delineation of *maslahah* to “anything which contributes to the material prosperity and cohesion of the society as a whole" (p. 25). His teacher, Jamal al-din Afghani also promoted a functionalist vision that Muslims in every era would "be the main criterion for determining what was acceptable" (p. 26). This sentiment also appeared in the writings of anti-imperialists like the Lebanese writer Shakib Arslan (d. 1946) and the secularist Young Turks (Keddie, 1969).[383] Critics of the monumental thrust towards embracing capitalism were ostracized, which led to further fragmentation among Muslims, and in many cases, provided the fodder necessary for creating new political offshoots and movements (Taji-Farouki, 1996).[384]

Whereas in the West, neoliberalism dominated, and since the West dominated it was eventually foisted on others in a hegemonic manner. The term was first coined by the German sociologist Alexander Rustow (d. 1963) as the promotion of a 'middle-way' of oscillation between classical liberalism and collectivist pluralism. Nevertheless, its nefarious quintessence has been made manifest in the examination of its practices, most succinctly critiqued by the likes of Harvey, Chomsky and Steiglitz (Rodrik, 2006).[385] Besides all indications that the capitalist system, and especially neoliberalism, was unworkable in Islamic terms, a class of modernists and

[383] Abduh made arguments citing Najm al-Din al-Tufi, as well as Jamal al-Din al-Qasimi (d. 1914). The major assumption by all of these thinkers was that God being rational would never prohibit something beneficial and would thus allow anything beneficial, which contributed to the functionalist application that was trending in philosophy at that time.

[384] As early as the 1950's for example there was Al-Nabhani (d. 1977) the Palestinian leader who became disillusioned with nationalism because it had failed to protect his country's sovereignty. His vociferous attack of capitalism and promotion of a renewed economic vision based on Islamic principles was not widely accepted. This led to the development of the Pan-Islamic organization Hizb Ut Tahrir.

[385] The irony and duplicity of it all was that the promotion of strict laissez faire principles in the United States post WW II was extolled selectively to the lower social classes and poverty stricken countries that needed to be taught the stern lesson of fiscal responsibility, whereas history reveals that every single industrialized Western nation developed under governmental protectionism. In other words, governmental protectionism was reserved for the elite and wealthy who were the closest to governmental power, hence, neoliberalism has been exposed as a system wherein the wealthy class remains protected and the common person is exploited in sundry ways. But neoliberalism really became popularized as it was promoted by the American Central Intelligence Agency as an instrument of propaganda used to combat any socialist tendencies during the Cold War. It later became widely-known that it was purely a program of prohibiting the long-standing cultural and religious practices of regional areas in order to open up markets to allowing capitalist penetration by Western multinational corporations looking to maximize profits by any means necessary. Examples like Pinochet's Chile (1973-1990) among other failed experiments gave neoliberalism a bad name and its use declined in literature although its techniques and mechanisms were wholeheartedly retained by arrangements like the Washington Consensus. In contemporary literature it now means more or less the rejection of economic structuralism.

reformists emerged in the 20th century to Islamize banking. Islam was broken down to a system of theoretical principles detached from its normative traditions and practices. In keeping with the Islamic notion of *hasn al-dhann* (holding a lofty opinion), it seems best to vindicate individual actors, but to criticize the collective direction taken. It perhaps may be as Warde claims, that IBF is victim to an already established game (Warde, 2000). Others remark that IBF proponents, even if in naivety, sincerely believed that what was supposed to take place was an 'Islamization' that would translate into distributive justice (Pollard & Samers, 2007). On the geopolitical level, massive demand for oil only being sold in denominations of the U.S. dollar meant driving demand for the currency. This guaranteed U.S. hegemony, but allowed a monopoly to exploit its temporal authority as a political tool; "The origins of the policies become public in 1975, when Henry Kissinger stated the US was prepared to wage war over oil" (Clarke, 2005, p. 1).[386]

Thus, Chapter 6 took into consideration the aforementioned conundrums, political and otherwise, in a multi-scale critique of IBF in order that an ethical approach can support 'moving beyond' it. It examined how IBF dishonestly communicates to potential customers regarding the semantics of its products by alleging to adhere to PLS models, which it discarded with decades ago in exchange for products that charge implied interest and guarantee profits. It also covered how academics are noticing this subterfuge, even as the wider discourse sometimes corroborates IBF claims, possibly because of its lucrativeness. It further described several ways IBF operates

[386] Clarke (2005) mentions that these policies have enriched U.S. elites, and the elites of U.S. allies at the expense of average citizens and their potential prosperities. As a result, the definition of what constitutes 'money' under the long-standing present arrangement is tantamount to a quantified level of distributive injustice for the majority. Moreover, citizen populations are forced to pay for the related inflation, accumulating interest on government bonds, deficit spending due to expansionary wars of aggression, and bailouts of private banking firms with nepotistic connections to lawmakers. Since the Bretton Woods accord in 1944, the U.S. Dollar has served as the world currency, the dominant currency of world trade in the late 20th and early 21st century, still used in roughly 60% of transactions, although, that status is diminishing. That status, however, is declining due to various factors of mismanagement. Meanwhile China and other nations are making instrumental plans to replace the global currency. Part of their rhetoric is to mention that the U.S. Dollar has lost more than 96 percent of its value since the Federal Reserve was created in 1913. This, however, is the nature of all fiat money.

as a legalistic and ethical breach of the Islamic tradition and how it maintains a macro system of injustice.

Friedrich List argued in (1841) *The National System of Political Economy*, that while the rich have proclaimed adherence to 'free trade' they have all the while been dependent upon state bailouts (Turner, 1962).[387] Capitalism is then, a system that perennially exploits labor in many ways; it is also an unjust system of distribution through unequal pay for equally productive labor. The adulation of its principles is antithetical to an ethical envisioning of equitability (*qist*) and distributive or legal justice ('*adl*). For what it allows is the transference of the wealth from the poor to the wealthy on a systematic scale. For instance, "People in rich countries consume up to 10 times more natural resources than those in the poorest countries" (Giljum, 2009, p. 3). Where are the resources coming from? In earnest, the imbalance is siphoned from the exploited labor of those who do equally productive work for a fraction of the pay – and this is called 'free market' liberal trade. All of these exploitive aspects are better reframed as overlooked tangential aspects (*abwab*) of *riba*.

So, returning to the question: is the money created by banks just? Well, the question we must ask is since credit is just a promise, should not everyone then have equitable access to it as a fundamental right, not in equal amounts, of course, but in amounts commensurate to creditworthiness? It should be so. However, the contemporary arrangement does not allow it unless one has an approved bank charter from the state in order to start one's own credit issuing institution, which is beyond the financial ability of almost all average citizens (Allen & Rai,

[387] Turner further discuss how Britain first spread the 'gospel' of free trade to the nations it colonized. Initially Britain intentionally tried to destroy American industries in their infancy by selling America manufactured goods below cost even though British manufacturers had to take a hit because they thought it worthwhile in order to stifle the rise of American manufacturing by manipulating the market and getting it hooked to cheap goods.

1996).[388] Moreover, the world's tradable currencies are assigned their values largely by individuals speculating from behind computer screens regarding the prosperity and posterity of nations. In order to raise funds, countries sell interest-bearing bonds, which perpetually increase the debts of sovereign nations in order to pay dividends to private, wealthy bondholders. This overview details a system that is far from implementing distributive economic justice. It is all allowed because of human interpretations of human created laws, which means that humans also possess the agency to ethically identify wrongs and enact legislation to remedy such problems.

Part 2: Theoretical Contributions

Speaking of the pursuit of knowledge, Midgely (1989) writes, "None of us can study anything properly unless we do it with our whole being" (p. 51). However, few are able to immerse themselves that deeply in thought. On the outside of such capacities, we should consult erudition, and despite their differing approaches, what Hamza Yusuf and Tariq Ramadan both agree on is that within Islamic thought the political process cannot be separated from ethics. This, then, extends as well to politically related business interactions, like banking, money creation and distributing claims on resources (Triandis, 1995).[389]

Using their dialogue about reforming and reframing issues as a driver to examine discourses, this research has intentionally stepped outside of the frames that colleges of business use to shape the parameters for economic potentialities, the very departments where Islamic

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[388] The biggest difficulty in obtaining a bank charter is getting the debt profile approved and securing financing, which necessitates on average at least $20 million in capital in addition to an approved debt portfolio.

[389] Like all systems, the Islamic ethos too has certain prescriptions for what can, and cannot be commoditized in the market. According to Triandis's delineation, Muslims in the market should theoretically feel that they belong to the collectivist camp rather than feeling pure adherence to the individualist school's approach to self-maximization. This, he argues, should thereby cause the sensory notion that there is a greater responsibility incumbent upon them. This approach is paradoxical to the ultra-utilitarian approach.

and/or pseudo Islamic banking is negotiated and as an idea. This research has argued that the phenomenon that used to be known within several traditions as usury is today accepted in its same form under the term interest, and that its acceptance has had an enormous effect on the way money is now understood. The term *riba* shares many of the same characteristics, but is in many ways still not a cognate, and Muslim discourse has suffered as it has largely failed to articulate *riba* in a way that can be concretely understood in a contemporary setting, which is why it is so easy to circumvent its prohibition. How money is understood seems to emanate from ideology interjected into discourse by those benefitting from the societal understanding remaining as such.

Therefore, upon this discovery, some of the false assumptions that economics has embraced have been abandoned herein in an attempt at framings issues in a just manner, which has expanded the real and imaginational possibilities. In doing so, this work has presented alternative factors for explaining the development, maintenance and discourse surrounding IBF as a phenomenon, as an inorganic result of other phenomena, namely ideology and power.

Part 3: Conclusions and Recommendations

The uniting themes of this research are that the power of money creation can either potentially distribute justice, or inequity, and that the mechanism of interest can incite disparities that lead to social injustice. Therefore, debt and interest must be recognized for their propensity to be used as financial weapons, which if not kept in check, can sanction the concentration of power. Hence, in order to safeguard social justice what is needed is supervision, oversight, governance and a range of protectionist policies in order to preserve a just marketplace for all to operate within unmolested; this marketplace, then, requires a just exchange mechanism.

Just-money, or interest-free credit, functioning as a part of the societal commons can enrich and enhance society and civic institutions if rights are distributed impartially, most important of which are the rights over money creation and legitimate access to credit. Important to mention is that the prevailing economic order in any nation categorically boils down to whether or not the existent political will advocates for just economic policies. This negotiation of the limits of power and rights is perennial, and cannot be taken for granted. It is possibly naïve to assume that the political conditions presently exist to implement such a transition. However, simply reframing the issue is an act of empowerment, and may therefore be included amongst the numerous catalysts for movement towards more ethical possibilities.

There are different theories about how mass communication circulates; the two-step flow theory emerged out of a rejection of the idea that the media simply impregnates certain consciousness into people in the manner that a hypodermic needle does a patient. Its contention, that information is disseminated from opinion leaders who have formed their opinions based on their interpretations of media, can find relevance here, where Muslim scholars are at the receiving end of systematic misinformation that is interpreted by 'scholars' of economics. Such Muslim jurists are reliant on their information gathering systems to deliver to them accurate summations of complex issues so that the fatwas they issue can reflect their deep ascertainment of complexities. Islamic scholars, however, seem to be at the lowest level of ascertainment under the aegis of the capitalist paradigm, which is reflected in their consistent endorsement of negligent profit-driven products and policies largely inconsistent with the Islamic ethos.

Thus, since scholars have studied economics without understanding the trenchant critique of it by centuries of monetary reformers, the roadmap towards greater possibilities has been obfuscated. As Professor David Miles, a member of the Monetary Policy of the Bank of England concedes, “The way monetary economics and banking is taught in many, maybe most, universities is misleading” (Ryan-Collins, 2011, p. 1). As a result, IBF has established a trend of recruiting practitioners trained in, and committed to mainstream economic models. Hence, the institutions are run by people who are quickly given “short courses” about the abstract principles of ‘Islamic’ finance, all of which is objectionable (Pollard & Samers, 2007, p. 322). Thus, unfortunately Kuran may be correct in his assertion that “Islamic banking, in its current form, will go down in history as a mighty deceit based on an operational principle that is simply unfeasible. Islamic banks give and take interest as a matter of course, though under the guise of commissions, fees, penalties or profit shares” (Barnes, 2013)

Recently though, there have been certain fatwas reflecting a growing cognizance of some of the issues, which lament the previous generation’s endorsement of fallacious financial products that have turned out to be nothing more than more expensive versions of conventional products (AMJA, 2014).[390] Although this is a positive trend, it is not going far enough. Muslims and those adhering to theological and moral codes should understand that monetary reformers have been critical of these very injustices for centuries. Therefore, it would behoove all

[390] “The AMJA Fiqh Committee Resident Fatwa Committee met in Houston on the 20-22 of Dhul-Qadah 1435 A.H. (September 15-17 2014 C.E.) in order to issue a resolution concerning Islamic Home Financing in the United States. This meeting took place after an entire conference had previously been held on this topic, in which papers were discussed in the presence and with the participation of representatives of most of the relevant companies. This was followed up by correspondence between the Resident Fatwa Committee Fiqh Committee and those companies with an attempt to clarify and respond to the Shareeah issues that are present in their contracts. Sh. Jamaal Zarabozo also participated in this meeting in Houston. After looking into the matter, the Committee Resident Fatwa Committee (RFC) decided upon, according to the majority of its members, the following resolution:” The resolution that followed was a listing of non-compliant institutions and the specific violations they encroached upon, knowingly. However, with all of this said, the fatwa is not of the transcendent type and its conclusions leave much to be desired.

likeminded individuals to galvanize support for those who best articulate the problems and solutions. If this shift is not made quickly, those associated with IFIs may find themselves on the wrong side of history, as an awareness is now considerably present within mainstream consciousness, best encapsulated in op-ed titles like Graeber's (2014) "The truth is out: money is just an IOU, and the banks are rolling in it".[391]

Therefore, the entire approach of Muslim scholars needs to change in understanding exchange, banking and money – modern *fatawa* cannot rely on the medieval *fatawa* discussing gold coins or silent partnerships and use the same *'illah* (*ratio legis/*reason for law). Moreover, they can no longer make the circular analysis of analyzing a phenomenon (banking) within the framework of the very assumptions that the phenomenon has created (economics). For making macro analyses about economic systems an intellectual undertaking (*ijtihad*) needs to take place that makes use of newly available knowledge discovered in behavioral economics, and also in several 'non-economic' fields, including the field of 'systems analysis'.

The problem for an Islamic inquiry into this area is that more traps lie in wait. There is quite a lot of research funded by corporate interests that has the potential to subvert ethical analyses. Take for example the Santa Fe Institute's inquiry into complexity economics, which applies complexity science towards looking at the economy. A positive aspect of it is that it avoids the presumption, now proven false, that the economy is a system in equilibrium. However, the metrics, measurements and aspirations (all of which can be done differently by using the *maqasid*) reach conclusions that still present ethical challenges. Another illustration is

[391] "The Bank of England's dose of honesty throws the theoretical basis for austerity out the window" because a recent Bank of England paper has "let the cat out of the bag" according to Graeber (p.1). He is referring to a paper found on the Bank of England's website titled "Money creation in the modern Economy" by Michael McLeay, Amar Radla and Ryland Thomas of the bank's Monetary Analysis Directorate, Quarterly Bulletin Q1, (2014). The rise of this type of analysis is especially articulate in anthropology and behavioural studies related to the economy.

the Economic Complexity Index (ECI) developed by Hausman and Hidalgo, which still uses Gross Domestic Product (GDP) as a tool of measurement in order to predict future growth (Framer, 1999).[392] It is a positive development to see people move away from "a strict adherence to the holy trinity – rationality, selfishness, and equilibrium" by using recursive economics and dynamic systems (Colander, et al., 2004, p. 485). However, even challenging these assumptions is still repelled and met with resistance within economics. Complexity economics is now considered mainstream, but just not 'orthodox'.

Any model or system that is still connected to the idea of outright promoting 'growth' is part of the problem. Growth is not 'green' sustainable. Mora and Sale's (2011) study that projects the need for "27 earths" by 2050 calls us to action; "Recognizing that biodiversity loss is intrinsically related to our high demand for ecological resources suggests to us that global initiatives need to address our demand for resources more directly if preservation of biodiversity is to be achieved" (p. 261). Ethically, the Muslim response to this should be immediate. The first action could plausibly be to 'cease and desist' all projects that fail to consider a higher purpose. There is a hope that some of the right moves are taking place, however, text and talk about 'Islamic' financing can be misdirected towards avenues that only recreate systems that have already proven to be exploitative. Included in this genre would be micro-credit operations like Bendigo Bank in Australia and Grameen Bank, wherein interest rates being charged to the poor reach as high as 20%.

[392] This is still more of the extension of the status quo, and not nearly a dynamic enough shift to affect change. It is to be expected that research will continue to be governed by the over-arching paradigm. Although the Santa Fe Institute has some marvelous research being undertaken, we can see that the people at the helm and the funding sources have connections to the banking sector in various ways. For instance, Michael Mauboussin of Credit Swiss has chaired the board of trustees, and George Soros has been linked with the institute throughout the decades.

Taxing the money supply through compound interest simply leads to the mathematical necessity of negative externalities and therefore continuing to support it ideologically should now be viewed as archaic, unnecessary and unjust. Leo Tolstoy has commented aptly:

> If a theory justifies the false position which a certain part of society is in, then, however baseless and even obviously false the theory may be, it will get adopted and become the belief of that part of society…However baseless theories of this sort may be, however contradictory they may be to everything mankind knows and recognizes, however obviously immoral they may be, they are accepted on faith, without criticism, and are preached with passionate enthusiasm, sometimes for centuries, until the conditions they justify are done away with or the absurdity of the theories becomes too obvious (Tolstoy & Maude, 2008, p. 56).

It is highly unlikely that states will be the initiators of change because of the political capture expounded in Chapters 5 and 6, a fact that has been lamented by other critical reviews of IBF, for instance, in Ayub's work (2007). In fact, if the nation state has proven anything it is Hallaq's assertion in *Impossible State* (2012) that the nation state often acts as an inhibitor to positive changes in the Muslim world. However, the lack of state support matters not. Likeminded ethical people, Muslim and non-Muslim alike, should understand that they are not without recourse. To the contrary, there are several possible courses of actions (Chomsky, 1997).[393] Because, what seems easier, trying to prohibit banking and interest, or providing people with access to interest-free credit?

7.3.1 Final Thought: Changing the Approach to Exchange

[393] It should first be prefaced that the idea of taking a perennial money power conglomeration head on should be discarded with immediately. It is an exercise in futility. As Chomsky says, there is no point of speaking truth to power because power usually already knows the truth – and is emotionally unmoved by any such moral imperative.

The way economics is taught must change. It must be understood that the self-interest postulate does not serve well as an independent discipline and that continuing to immerse young minds in an educational curriculum that alleges to explain all economic phenomena through this postulate only perpetuates the problem. Instead, economic inquiry needs to be approached by trying to fulfill higher objectives. IBF contains too many ethical conflicts with the Islamic tradition to be considered a moral avenue for governing economic exchange moving forward. I further suggest that the true ethical monetary reform seems to be in developing interest-free money, mutual credit, alternative currencies, and microfinance and sustainability projects. This path is less glamorous and likely less profitable. IBF needs to redefine itself as 'ethical and sustainable credit facilitating' or resign to the fact that it is just another contributor to increasing environmental hazards and social degradation. If Muslims want certain credit unions to avoid the financing of items like pork or alcohol they can exercise their agency through holding majority shares in institutions that embody such ethicality. The adjectival use of 'Islamic' is redundant if the objectives are universal ethical principles. Alternative possibilities are not pie in the sky ideals, but are already tangible in burgeoning areas (for instance, Green QE) (Pettifor, 2013). It really is as simple as that.

Approximately 97% the world's credit is forcibly rented from for-profit banks as an interest-based debt. Some have unfortunately lent religious credibility to this general arrangement, and are profiting from it. This is clearly unethical; hence, such operations will increasingly face criticism as discourse circulates this knowledge. Nevertheless, the capitalist trajectory that has shaped how money as an idea is negotiated in discourse may have reached a crescendo, and fortunately, what traditionally trail such climaxes are denouements.

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