A CONTEMPORARY PHILOSOPHICAL CONFLICT BETWEEN ISLAMIC FINANCE AND THE HISTORICAL MONOTHEISTIC PROHIBITION OF USURY

A Thesis

Presented

to the Faculty of

California State University Dominguez Hills

In Partial Fulfillment

of the Requirements for the Degree

Master of Arts

in

Humanities

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by

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Summer 2012

THESIS: A CONTEMPORARY PHILOSOPHICAL CONFLICT BETWEEN ISLAMIC FINANCE AND THE HISTORICAL MONOTHEISTIC PROHIBITION OF USURY

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ACKNOWLEDGMENTS

I feel it incumbent upon me to humbly acknowledge my fashioner and sustainer. In addition, I would like to dedicate this work to my loving family, especially my wife Sofia. I would also like to thank the authors who have given me the inspiration to pursue this area of much needed research: David Livingstone, David Pidcock, Dr. Kevin Barrett, and Imran Hosein.

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LIST OF SYMBOLS

IFI	Islamic Finance Institutions
IOU	"I Owe You"
OT	Old Testament
(p.b.u.h.)	"Peace Be Upon Him" (an honorific title given to the monotheistic prophets out of respect for the tradition)

ABSTRACT

The monotheistic tradition prohibits usury as it is considered to be an immoral act. It is interesting that the Islamic finance industry today deals in usury despite Islam's undisputed prohibition of it. The conflict embodies the millennia-old battle between monotheistic moralists and usurers. This study utilizes traditional commentaries on religious texts and their associations with morality, economics, and the Islamic finance industry to assess the historical correlation between usury, religion, and economics. Then, it discusses the rationale behind the prohibition of usury in Islam and traces the reversal of that prohibition from Islam's monotheistic predecessors. The study includes an analysis of the philosophy of capitalism and examines the factors that led to the contemporary Islamic banking industry and the philosophical contradiction that exists between the fundamentals of the industry and monotheistic traditions. Conclusions and implications for further research are discussed.

CHAPTER 1

INTRODUCTION

A relatively new and expanding Islamic-finance industry now exists, operating under the guise of a usury-free, *shariah*-compliant model. The *shariah*-compliant model is highly coveted by banking institutions throughout the world. However, this industry, which is driven by its purported prohibition of usury, is modeled after an inherently usurious system of debt-based rather than equity-based finance. In short, Islamic banks offer interest-based products to clients while alleging them to be interest free. Examining the existence of such a prohibition-driven industry is imperative. Scrutiny may offer an explanation as to why Muslims have simulated a system with such historical volatility, imperfection, and ethical controversy in spite of numerous faith-based injunctions prescribing them to avoid such practices. Islamic financial institutions (IFIs) claim to operate by applying faith-based morality within an industry based on usury. Such an assertion warrants scholarly attention.

This study assumes that a philosophical contradiction exists in Islamic finance in that banks engage in lending with interest despite their claims to the contrary. Banking's essential principles are built upon usury. Moreover, this study assumes that all monotheistic traditions have historically been similarly unable to avoid the same dilemma. Additionally, IFIs lack standardization, leadership and authority; therefore, they are subject to inconsistency in interpretation and practice, which is inherently problematic.

A quantitative review of the literature allows for an ethical measurement of the Islamic banking industry to be made against the definition of morality that the industry has defined. The sources are organized into the three categories: (a) a discussion of Islamic finance, (b) a historical documentation of the prohibition of usury, and (c) the philosophical and historical arguments for Western capitalism. To address why the philosophical argument exists, the literature is examined from a conceptual format that chronologically builds toward a conclusion. Therefore, all views and arguments are equally presented, and critically objective interpretations are offered that can rationally substantiate the positions of both the industry advocates and its dissidents.

One of the distinct characteristics of true sovereignty is economic freedom and the liberating absence of an overarching oppressor dictating monetary decisions. Therefore, free marketplaces and stable, predatory-free economies are fundamental aspects of a moral and thriving sovereign society. One of the many common denominators among the great monotheistic traditions derived from the teachings of the patriarchal figure and Prophet Abraham (p.b.u.h.) is the prohibition of usury. The essence of the prohibition is to eliminate economic subjugation and exploitation of the poor by creating an environment void of predatory economic practices. In such an environment, free trade and commerce is conducted with moral stipulations that supersede capitalistic principles and aspirations. The monotheistic traditions of Judaism, Christianity, and Islam all have strict laws against usury to protect all members in the marketplace.

The historical battle between sovereign nations and the war-profiteering capitalist juggernauts is highly documented. Both have conflicting interests that amicable reconciliation cannot mollify. It is only recently that the Abrahamic religions have capitulated to the capitalists' desires of reversing their previously unequivocal rulings against usury by subverting orthodox ideals and traditional understanding. Harvard Professor Michael Hudson explained in *The Lost Tradition of Biblical Debt Cancellation* that ancient Lagash, Sumeria, a pagan society, first instituted the prohibition of usury in approximately 2400 BCE as one effort to liberate a financial system that cancelled debts every seven years (Hudson 2). This system was later adopted by the Old Testament (OT) reinforced this concept known as the Jubilee Year, which freed all slaves and debtors every seven years to eliminate continual subjugation derived from debt obligations and usurious transactions. Similarly, the Quran prohibits usury in debt transactions. Therefore, it is quite remarkable that today's world financial system, which is built largely on usury and debt, has been able to monopolize the capital of sovereign governmental bodies despite the influence of Islam, Christianity, Judaism, Buddhism, and many others, all of which prohibit these quintessential functions.

An inference can be made that a philosophical struggle occurred at some point that supported a reevaluation of the religious edicts on usury to reconstruct an economic philosophy that was sympathetic of an alternative view on usury. New banking terminology has allowed for slight distinctions between the terms *usury* and *interest*. This differentiation has spurred the development of the modern monetary system. Islam, no different than its monotheistic predecessors, has similarly capitulated to the reevaluation of its orthodox prohibition, which stood for over a millennium. Two primary factors that created an environment that permitted usury were (a) the colonization of the Middle East prior to and during the fall of the Islamic Caliphate system and (b) the resultant religious and political reforms that succumbed to and accommodated the interests of the imperialists. This later culminated under the guise of an "Islamic" banking system that incorporated a fractional-reserve banking model.

Among several competing themes, this study examines various philosophical rationales that firmly established the monotheistic ban against usury. In addition, a philosophical comparison is made between the principles behind the monotheistic religious views on finance and the contrasting capitalistic philosophies that later formulated into Western civilization's banking system. This comparison is undertaken by analyzing capitalism's theories, formation, and development. Finally, this thesis devotes the majority of its discussion to how the contemporary Islamic banking system, a growing phenomenon in the banking world, is morally incongruent with both its own foundational principles and the historical monotheistic tradition from which it emerged. Attention is given to the factors that contributed to the reversal of society's stance on usury.

CHAPTER 2

LITERATURE REVIEW

This chapter is divided into three distinct sections: (a) an examination of the applications of Islamic finance, (b) a methodological review of canonical texts on usury, and (c) theories regarding economics and the prohibition of usury. The literature is integrated into the discussion of these three areas in accordance with Cooper's Taxonomy (Cooper 109). The scope of this study is a thorough analysis of the available canonical commentaries regarding the Islamic prohibition of usury by scholars of Islamic jurisprudence, who elaborate on Islamic philosophy and debate its application in contemporary times. The Quran is the authoritative canon Islam. Equally important is the Hadith literature, narrations of Muhammad and his companions (p.b.u.h). Some scholars have dissented from the traditional guidelines set by the monotheistic precedent. Their voices, although not authoritative, have gained widespread acceptance in their support for Islamic banking. The goal of this thesis is an integrated assessment of the contemporary Islamic banking sector's history, development, and new controversial practices, which are reliant upon unorthodox methods of doctrinal interpretation. I analyze those methods and offer a critical commentary of the methodology behind such practices. I strive to remain neutral in my documentations of historical opinions. In a chapter on linguistic etymology, I take a critical position of attempts to distinguish interest from usury.

Islamic Finance: Contemporary and Historical Interpretations

Saheeh International's translation of the Quran categorically prohibits usury in numerous verses (e.g., al-Baqarah 276-81; al-Rum 30.39, al-Imran 2.120) and is regarded as an infallible and authoritative canon in Islam. The *Saheeh* (also spelled *Sahih*) Hadith collections include prophetic traditions collected by Bukhari, Tirmidhi, and Muslim. These Hadiths are secondary in authority to the Quran; traditionally, scholars have disregarded the authenticity of some narrations that conflict with or do not corroborate the Quran. The prophetic narrations suggest that no difference of opinion exists surrounding the classical Islamic ruling against all forms of interest and usury regardless of the percentage; this has been the established understanding since Islam's formational years (Muslim 211).

Scholars have commented on the interpretations and applications of these historical laws. For instance, Muhammad Altawil (1) argues for a return to non-debt-based methods of paying the poor tax and outright rejects using fiat currency for that purpose. Scholars continue to debate whether the poor tax should be paid in specie containing intrinsic value as traditional jurists have pronounced, or if the tax can be paid continuously by the newly established use of debt instruments as currency. Relatedly, Islamic banks have extended the use of fiat currency for all transactions. Muhammad Ayub (7), a distinguished former central banker from Pakistan, elaborated on Altawil's argument. Ayub details how Islamic countries transitioned into an Islamization of capitalism. Ayub's familiarity with the canonical texts and industry practices of Islamic finance is insightful. His book *Understanding Islamic Finance* is written as a textbook for courses on Islamic Finance, and his dedication of an entire chapter on the common criticisms of the industry is invaluable.

Representing a divergent perspective contrary to the classical scholars is Mahmoud El-Gamal (14), who argues that the banking system as it exists today, including borrowing and lending with interest, should be permissible for Muslims. He further defines the modes of operation of Islamic finance, the technicalities of which are debated by Muhammad Saleem (1-10), an experienced CEO in the banking industry who argues that Islamic finance currently violates the Islamic prohibition of usury by creating contractual subterfuges to deceive borrowers from the faith community. Saleem proposes a new Islamic model, which promotes venture-capitalist-type investing that involves risk, rather than traditional lending based on a fixed return. His position is in accordance with the classical Islamic perspective on investing but contrary to the majority of contemporary literature supporting Islamic banking.

Previous studies have discussed the diverse perspectives published on the permissibility and function of Islamic banking. However, this investigation differs from other studies in the field because it searches for the root of the historical interpretation from the earliest sources available in recorded human history. This study also traces the trajectory of usury's prohibition throughout the history of the Abrahamic faith and seeks to understand its triumphs and failures. Martin Huth (ch. 1) gives a technical explanation of the coinage of the first Muslim century, providing details about the size, weight, quality, and quantity of the genus and specie approved for use in early Islam. Huth's research provides the theoretical foundations for Islamic economic reformers such as Umar Vadillo (1-12), who argues for the reimplementation of the gold dinar as legal tender in Islamic markets. The reformist argument suggests that Islamic governments have the responsibility to implement measures to ensure Islamic market stability on a microlevel, macrolevel, or both, yet in their absence or failure to do so the obligation becomes incumbent on the community. Such reformers adhere to the orthodox definition of money and outright renounce the permissibility of banking with a fractional-reserve model. In his "White Paper on the Gold Dinar," Vadillo analyzed data from South African, Malaysian, and Spanish universities on microeconomic systems using the electronic dinar. Vadillo's findings were conclusive and substantiated the viability of using intrinsic genus as currency in a modern market.

Historical and Canonical Texts Prohibiting Usury

The historical prohibition of usury began in Lagash, Sumeria. A comprehensive study of the historical evidence from Judaism and Christianity builds the case for a cohesive and consistent trajectory of the monotheistic prohibition that set the precedent for Islam's prohibition on usury. The canonical texts for both Judaism and Christianity provide background to the Islamic institution commonly offered among other comparative philosophical arguments regarding monotheistic principles. The *New Jerusalem Bible* (Matt. 25-27) presents the canonical evidence against usury and is treated as an authoritative canon for the history of Christianity prior to the Reformation. Among all religious authorities, several authors, such as Abraham Cohen (66), have contended that the Judaic and Talmudic positions are explicitly against usury. Cohen's work espouses the ideas of a contemporary Rabbi regarding the permissibility of usury in inter- and intracommunal dealings. However, historically the opposite has been done, as Niall Ferguson (ch. 2) explains in his detailed transactions of well-known Sephardic elitists such as the Rothschild money-lending family and their influence on economics and politics. Many other authors have sought to explain the relevance of how paper money replaced all other previous forms of specie, thereby enabling an elite group to seize control of the global market from Europe during the eighteenth century.

The historical trajectory of all monotheistic understandings of usury began in Babylon. Hudson (6-14) asserts that the Babylonian antecedents of the OT established a precedent of cancelling all debts in every seventh year. This system gave birth to other traditions and was amalgamated into the OT at some point, which began the monotheistic prohibition against usury that still exists in theory but no longer in practice. Theophile Meek (223-26) makes the connection between the ancient Babylonians, their practices, and the people who later emerged from the Hebrew traditions. Arthur Swan (3-9) builds upon the established understanding and details the economic reforms attempted in England. He argues that interest inevitably collapses every society in which it is employed. Swan incorporates the previously established commentary of many earlier economic reformers including presidents, statesmen, and theorists who have all arrived at the conclusion that interest remains the root of economic and political strife.

Theories on Economics

Secular theorists and statesmen, including presidents of nations such as the United States, have stressed the importance of a usury-free and stable monetary system. The level of morality necessary to achieve such a utopian concept has been debated. Economic theories supporting the permissibility of the Islamic finance industry are founded upon modern secularist writings. These theories include but are not limited to Francis Bacon's (ch. 1-2) defense of usury, which attack previous arguments against usury made by Aristotle. The majority of the exposition ignores the prohibition of interest from a canonical perspective; instead, Bacon criticizes the theories of early writers who opposed the practice. Bacon's renowned works also influenced later economists such as Jeremy Bentham (letter 8), who defends usury as a sound practice, putting forth some of the arguments of the late eighteenth century after the Reformation. Additionally, Arthur Birnie's writings (61-80) remain neutral, although his work seeks to understand the philosophy of what many have described as an unethical process; he evaluates the arguments of the capitalists as well as the reformers before drawing conclusions.

In contrast, Adam Smith (339) puts forth the core philosophical argument championed by the capitalists. All economists reference Smith in contemporary times, and some of his philosophy can been seen as uncompassionate; however, analyzing his entire thesis is necessary. Smith clearly advocates some usury laws, taking into consideration the dangers of allowing too much interest. Furthermore, an elaborate argument connecting Islam to its antecedents has yet to be established as evidence of the prohibition of interest in Islamic banking. This study assists in bridging the gap between the literature that exists on the historical precedent established by the monotheistic traditions regarding the legitimacy of fractional-reserve lending and the technical commentary that exists on the debate surrounding the aspects of Islamic banking.

The literature written on the topic of usury naturally falls under some recurring categories; the majority of dissenting voices agree upon similar principles, as do the protagonists of the prohibition. The proponents of usury all rely on secular humanist arguments to defend their positions supporting capitalism. These recent inspirations are attempts to reverse what some see as natural laws and others understand to be God's law. On the other hand, moralists who subscribe to any level of religiosity believe that the sin in usury as explained by religious texts is clearly substantiated by history's lessons. Ancient Greek philosophers as well as the followers of the Abrahamic tradition have always opposed usury because of its consistent tendency to divide society into two sections: debt slaves and a tiny ruling class of usurers to whom the public becomes indebted.

CHAPTER 3

THE TRADITIONAL ISLAMIC PHILOSOPHY OF FINANCE AND EQUITABLE WEALTH DISTRIBUTION

A General Definition of Money

Real money is a form of energy in society. Money, like energy, must be collected. Physics teaches that energy cannot be created or destroyed. Money can consist of any item accepted in an exchange of goods, services, or repayment of debt. Moreover, money must serve three basic functions: a medium of exchange, a fateful measurement of value, and a preservation of wealth (Ayub 35-36). If money fails to serve these three functions, it ceases to represent true wealth. Traditionally, all money was commodity money that held intrinsic value. The citizens within a given society would acknowledge whatever their governing body proposed to be a tangible asset and use it as a medium of exchange; often precious metals, but foodstuffs, shells, and tally sticks were also used (Ayub 35-36).

In postmodernity the world's monetary system has transitioned into issuing fiat currency, which carries little to no intrinsic value. Fiat currency is representational money, not endogenous, but carries a measure of theoretical value. Still, fiat currency is only capable of fulfilling human needs if converted into a commodity. In contrast, the contemporary monetary system is based on debt, not wealth, and this is inherently problematic. Understanding the quintessential function of money is imperative in critiquing the morality of a functioning monetary system. Ensuring morality is a prerequisite for societal economic stability.

Governments cannot create money. Rather, they can only find a system of representing its exchange and thereby collect and circulate it. Formulas such as Ohm's law attempt to measure the flow of electricity, but no true formula or precise measurement exists of money's energetic properties (although economic terms can be created to create an understanding of its functions). Furthermore, variant conductors only inhibit money's exchange and distribution. It is taught that energy cannot be cancelled; rather, it can only be diverted or exchanged. Currency is similar to energy in this way; be it electricity or fiat paper money, the mathematical values work in an equivalent manner once currency is released into the market. This is why terms such as *currency* or *current sea*, *liquidity*, and *ebb and flow* are employed when dealing with finance, water, and energy alike. However, entropy does not reign supreme in the traditional marketplace. Banks are situated on the sides of flowing energy or water currents: that is, they are surrounded by the energy source of currency. Instead of working in tandem with the natural flow of the energy source, banks inhibit currency's natural free-flowing properties. By definition a bank disrupts the liquid's or current's natural process. When dealing with wealth distribution, the term *bank* generally is used to refer to an entity that not only obstructs the currency's direction but also absorbs it.

Consequently, usury has primarily been understood as the most infamous way in which banks have extorted people's money throughout history. Usury represents a siphoning of the natural exchange of two energies by a third party unnecessarily attached to the component properties of the exchange. The philosophy behind wealth and its distribution has been debated for centuries in all philosophical corners. In Islam, ethics should dominate economics and not the converse, because Islam contains a detailed, yet liberal socioeconomic system inclusive of moral injunctions (Rice 345). Historically, these injunctions were followed, which resulted in affluence and security in Muslim societies. Islamic concepts of *well-being* and *welfare* are not only materialistic; instead, Islam tries to encompass a balance of socioeconomic justice and a prosperous lifestyle, which stresses brotherhood and sisterhood and an equal satisfaction between the material and spiritual needs of all people (Rice 346).

The Definition of Money in the Islamic Market

Traditionally, a clear distinction has existed between tangible assets (*'ayn*) and debt obligations (*dayn*). How contemporary thinkers conceptualize money is quite different than the Islamic concept, which encourages hand-to-hand exchanges or spot transactions. *'Ayn* must have intrinsic value, whereas *dayn* is only a debt obligation or promise to pay. Therefore, sanctioned transactions must be the exchange of actual assets or commodities of equal worth, not debt instruments. The Quran says to "trade according to mutual consent" (an-Nisa' 4.29), which was historically facilitated by exchanging the gold dinar and the silver dirham, although barley, dates, and salt were also used as forms of payment (Ayub 150). Essentially anything tangible qualifies as a medium of exchange between people as long as mutual consent is apparent and the specie is a fungible and tangible asset that the governing authority and the public have accepted.

The first Muslims used the Sassanid Persian and Byzantine coins (Huth 1). Furthermore, the Arabic word *dirham* came from the Persian word *drachma* and from the Latin word *denarius*, both of which were imitations of the silver solidus that circulated the Arabian Peninsula ("The White"). Likewise the informal Arabic word for small cash (*fulus*) came from the name of the Roman coin *follis* (Huth 1). *Fulus* means "sealed bag," which was typically made of leather and was used during antiquity to carry a specified amount of coinage. The *follis* had a fiduciary value of 420 *folles* (plural) to 1 Byzantium solidus, or approximately 4.48 grams to 1 gram of silver. However, for the solidus used in the Near East, including the Arabian Peninsula, the ratio was reduced to 4.25 grams of millesimal fineness, typically ranging between .900 and .950 in purity. The sizes and weights varied depending on the various mints that produced them ("The White"). However, the inconsistency in standardization did not affect the functionality of the coins because they represented fiduciary value, not intrinsic value. In addition, the coins only had limited use within a single region. Most important, Islamic jurisprudence did not allow people to use *fulus* to repay loans (*qirad*) or pay the poor tax (*zakat*; Altawil 1). A copper *fulus* coin also existed, and its function was to serve as payment for transactions less than the smallest denomination of silver coin, and to be resigned to local usage. The various *fulus* coins could range from 1.71 to 5.04 grams but theoretically could also be made from the choice material of a region, including aluminum, copper, or even paper.

Traditional jurisprudence regarding *fulus* restricted it from ever becoming money; conversely, the dinar, the dirham, and select commodities were sanctioned to represent true money because of their relatively stable intrinsic value. The currencies were backed by the government and pegged to a measurement of commodities. As renowned Islamic author Ibn Khaldun (1332-1406) wrote in his book *The Prolegomenon* (*Al-Muqaddimah*), there is an established consensus on the size and weight of the currencies in Islam. The consensus was that government-sanctioned coins were to be of the same genus, to carry intrinsic value, and to be backed by a fungible commodity. On the other hand, the *fulus* represented only a localized medium of exchange. *Fulus* was only a factional currency made of copper, a type of floating fiat currency, although the Muslims later standardized each coin to .194 grams of copper, with 42 *fulus* units equaling one dirham. When an instance occurred in which people tried to use debt instruments as money instead of tangible assets, the government immediately invalidated the transactions, which is evidence that this practice was not allowed. Imam Malik reports in *Al-Muwatta*,

> Yahya related to me from Malik that he had heard that receipts were given to people in the time of Marwan ibn al-Hakam for the produce of the market at al- Jar. People bought and sold the receipts among themselves before they took delivery of the goods. Zayd ibn Thabit and one of the Companions of the Mes-senger of Allah, may Allah bless him and grant him peace, went to Marwan ibn al- Hakam and said, "Marwan! Do you make usury *halal* (permissible)?" He said, "I seek refuge with Allah! What is that?" He said, "These receipts which people buy and sell before they take delivery of the goods." Marwan therefore sent a guard to follow them and to take them from people's hands and return them to their owners. (Imam Malik: 31.19.44)

Muslims did not invent a new monetary system; rather, they followed the precedent that had been established by prior regional trade patterns and behaviors. King Cyros of Liddia, Asia Minor, was the first to mint money in the seventh century BCE. The currency took the form of *drachmas*, which meant "handful." However, in the ninth century, Sun Tung made China the first country to issue paper money, a pattern continued by Chinese and Mongolians although paper money did not originate from *fulus,* but from bank notes ("The White"). These developments are discussed further in chapters 4 and 5. Muslims consciously chose to model their monetary system after their regional predecessors but with moral stipulations. The third Caliph Uthman ibn Affan minted coins to replace the clipped Byzantine versions that circulated in Medina during Caliph Umar's reign (Huth 1). Mu'awiya, pressed the first government-sanctioned Islamic coinage in the forty-first year of the Muslim *hijra* calendar, which served as specie for the next five centuries. Only specie and commodities were acceptable in the *mu'amalat* market, whereas the *fulus* was resigned to regional use. Money had to be endogenous, fungible, and accepted by the two parties in an exchange of title. Nothing was accepted in the marketplace that did not have usufruct and utility. Additionally, IOUs were deemed unacceptable as trade instruments because they were referrals of debt (*hawalah*) and therefore were classified as debt and not asset (Ayub 175).

Islamic Business Ethics

From an Islamic perspective, transactions must pass a moral litmus test before they can be undertaken; this helps prevent exploitation in the marketplace. Muslims ultimately derive their philosophy from the Quran, the canon they believe to be a divine revelation. The Quran shapes all matters of life, encompassing the spiritual as well as the physical and the personal as well as the societal. Islamic mandates are derived from moral examples and prophetic traditions from the Prophet Muhammad's (p.b.u.h.) life during his 23 years of prophetic preaching, which lasted from 610 to 632 CE. These mandates are referred to as the *sunnah*. Islamic financial policies are not philosophically antiquated; the market is free for all people to participate in as long as rights are not infringed upon. Investors, both Muslim and otherwise, are allowed to thrive as long as they uphold the nonpredatory usury laws. The market dictates the prices rather than religious affinity. Thus, the market is a fair environment to trade in. It is the obligation of a Sultan, or local ruler, to serve as a regulating party to enforce the allocation of resources, ensuring that resources do not dwell the hands of a private bureaucracy, which is against the Islamic law of wealth hoarding.

Traditionally, this job was handled by the Caliph. Referring to wealth circulation the Quran says it should not only be in "perpetual distribution among the rich from among you" (al-Hashr 59.7). Additionally the Caliph must not alter the momentum of the natural laws of wealth distribution (*rizq*; Rice 348). This is enforced without coercion or despotism by carefully upholding the Quranic commandment "There is no compulsion in religion" (al-Baqara 2.226). People must also abide by the concept of God's oneness (*tauwheed*) and the establishment of justice (*'adalah*) through governmental trusteeship (*khalif*ah). The Caliph performed the function of stabilizing the market through ethics and not through price fixing or currency manipulation, practices that occur often in capitalist societies but were almost nonexistent in early Muslim societies.

Functions of the Islamic Market

The Islamic concept of a *market* is both utopian and historical. The social *mu'amalat* market sanctifies freedom and ethics in all permissible transactions. Permissible transactions are those which are sanctioned by an incorporeal God, supported by a corporeal government, and function to stabilize the price index according to the actual and unmanipulated figures of supply and demand. The World Trade Organization's trade practices would classify as monopoly distribution under the traditional Islamic trading bloc's free-trade philosophy. In the traditional free-market the market itself works as a filter by determining prices and distributing resources that are of a limited supply. Islam promotes the free-trade concept of *mu'amalat* but pairs it with the moral stipulation to prioritize the ethics of a transaction over the gains. The system of traditions and law developed by Muslim scholars in the formative years following Muhammad's era is called the *shariah*, a human attempt at interpreting what legislation has been decreed by God. *Shariah* is developed from the Quran, *sunnah*, scholarly consensus (*'ijma*), and reasoning (*qiyas*). Among other functions, *shariah* has separated absolute needs from luxuries by a method of defining necessities (*daruriyyat*), conveniences (*hayiyyat*), and refinements (*tahsiniyyat*; Rice 346). Muslims are encouraged to live modestly and within their means and not to practice unfair or unethical business. This helps to ensure a stable *mu'amalat* market and a spiritual balance among individuals.

Neo-Puritan John Galbraith later expounded this philosophy, which is present to some extent in most societies. Galbraith categorized these ideas into "needs" and "wants" in his landmark work *The Affluent Society*. Galbraith argues that goods are not always produced because there are needs for them; rather, he contends that urges and desires are different than necessities and thus a capitalist society lacks an element that helps stabilize the equilibrium of supply and demand. Additionally, lacking equilibrium of morality in a "morality-free" system has dire consequences (1). Furthermore, a system that overpromotes nonnecessities subsequently faces adverse cultural effects (Rice 345). Additionally, British economist John Keynes also recognized that human needs are insatiable and can be divided into two classes: "those needs which are absolute" and "needs of the second class, which satisfy the desire for superiority" (Rice 346). In "Islamic Ethics and the Implications for Business," Professor Gillian Rice adds that, in Islam, "social change must be gradual and cannot change by force" (347). Therefore, an example must be set that invites people to gradually change their business habits in an Islamic environment. This was the case when Quranic verses were systematically revealed regarding the ban against usury, and were gradually implemented.

The word *bounty* is tied to the Islamic understanding that all fortune belongs to God. Money and physical possessions only function as tools in a mortal's temporary existence. Despite the emphasis on impermanence, Islam does promote personal ownership in the marketplace for both men and women: "And do not wish for that by which Allah has made some of you exceed others. For men is a share of what they have earned, and for women is a share of what they have earned" (al-Nisa' 4.33). However, personal ownership is understood in the context that the true rewards are given in the afterlife for those who strive toward good deeds and interactions. Furthermore, in the marketplace all rights are to be protected as Prophet Muhammad's (p.b.u.h.) last sermon stated, "People! Surely your blood, your property and your honor are sacred and inviolable. . . ." (Bukhari 438-43).

Muhammad (p.b.u.h.) was himself a trader in the marketplace and was renowned for his integrity in economic dealings. In fact, the first two institutions Prophet Muhammad (p.b.u.h.) founded when he settled in Medina were a mosque and a marketplace, possibly to embody the spiritual as well as the physical aspects of Islam. In addition to enforcing a moral marketplace, an institution was created called *zakat*, which is an incumbent, annual charity tax of 2.5%. *Zakat* is restricted to the taxing of savings, which are collected by the authorities and redistributed by the vice-regent of the Caliph to social programs. The idea behind this practice is that the Islamic marketplace promotes free trade but has a system built in to distribute wealth to the lower class. On the other hand, Islam forbids practices that are viewed as inhibitors to the essence of fair wealth distribution. The equitable distribution of wealth is understood as a natural phenomenon orchestrated by Allah through the hands of people. Therefore, preserving the integrity of wealth distribution is paramount to maintaining economic justice.

Inflation in the Islamic Economy

Devaluing currency after it has been circulated as payment in society is the equivalence of theft. Islamic law requires that all salaries be commensurate with the quality, quantity, and significance of the work being performed. Therefore, after a person has fulfilled a service or provided a product, he or she must be paid with a currency that will retain its value in order to maintain justice (*'adalah*). For example, if someone provides a service equivalent to the cost of a sheep, and after receiving commensurate payment that money becomes debased to a value that would only be enough to purchase a chicken or an egg, then surreptitious and appreciable embezzlement would have occurred. For the economically uninformed the culprit is difficult to identify and impossible to prosecute. In monetary terms, inflation is defined as "a sustained upward trend in the level of prices," which happens when the aggregate monetary demand outweighs the aggregate supply at its fullest capacity (Ayub 173). Under such circumstances the culpability lies with the issuer of the currency. Furthermore, income cannot rise at the same rate as inflation without impossibly meticulous micromanagement. In addition, inflation causes further instability and uncertainty in the market. However, monetary inflation is a traceable phenomenon. It ultimately remains tied to interest, which Islam prohibits in order to avoid inflation and other economic ills.

When viewed through the capitalist paradigm, the economy is continuously under pressure to grow; otherwise, it is classified as recessive. On the other hand, wealth under Islam was always safeguarded and its value preserved for three reasons (Ayub 70). First, the market was not based on debt but on shared equity (*musharakah*). Second, social redistribution programs, loans, and leases (*ijarah*) were common in the market but operated without interest. Third and most important, the currency was always endogenous and backed one hundred percent by specie and commodities. What becomes increasingly important in the following chapters—which are dedicated to analyzing capitalistic and monotheistic economies—is to define what money is according to the *shariah*. *Shariah* itself is only a human attempt to understand what is considered divine guidance and therefore is consistently susceptible to human error and revision.

The Prohibition of Usury and Interest in Islam

Riba is viewed as something artificial that impedes the free flow of wealth that would otherwise naturally circulate by divine will throughout the ebb and flow of the market. Entrepreneurs understand that entering into a business venture involves a certain amount of risk; therefore, precise calculations and sound judgment should be exercised before embarking upon enterprises to minimize risk along with the implicit understanding that God grants success as he wills. In addition, artificially safeguarding a business transaction by demanding that the borrower make interest payments regardless of success or failure breaches monotheism's ethical mandate that investors must also risk a loss.

The moral philosophy behind the prohibition of *riba* can be classified into separate categories, which protect borrowers, lenders, and all of society from its effects. In regard to protecting the borrower, the rate of repayment on a credit transaction may be unfairly high. Conversely, the lender might have gained a better return on his or her investment by investing the funds in a different underwriting opportunity than by lending it directly on credit at the given rate of interest. In effect, lending money at interest perverts the purpose of money, which is a medium of exchange, not income, and thereby causes it to be an "end" instead of a "means."

The Quran is explicit and detailed in its denouncement of usury, or *riba*. The concept is referred to (either directly or indirectly) on twelve separate occasions, and the term is specifically mentioned eight times. The Arabic word *riba* comes from the triliteral root *raba*, which classical scholars define as an "increase or any unjust gain in repayment" (El Gamal 49). According to canonical texts on *riba*, scholars recognize two main types. The first type is *riba al-nasi'a*, which etymologically derives from the past-tense verb *nasiya*, meaning to forget and also to defer, and is essentially a loan on credit. Consequentially the pre-Islamic *riba al-jahiliyya* falls under this category because interest was charged upon the maturity of debts derived from loans and credit sales to be compounded at deferred maturity dates (El Gamal 50). Thus, the principle due on the debtor was literally doubled and multiplied as it is described in the Quran "Oh you who have believed, do not consume *riba*, doubled and multiplied, but fear Allah that you may be successful" (al-Imran 3.130). This verse was part of a sequence of verses on *riba* that God first revealed to Prophet Muhammad (p.b.u.h.) in Medina after he migrated there to escape persecution. The Quran addresses the early Muslim community in Medina as "those who have believed," which was a shift from the Meccan *surahs* pertaining to the general population. Islamic legal scholars unanimously agree that the aforementioned form of *riba* pertained to the pre-Islamic tradition of *riba al-jahaliyya* (Imam Malik) because the Jewish tribes of Medina had been practicing this type of usury among themselves despite clear instructions from the Torah not to do so (Exod. 22.24.)

The second category of *riba* that jurists recognize is *riba al-fadl*, which is an unequal exchange or currency or commodity. Myriad *hadiths* pertain to *riba al-fadl*, but the following narrations exemplify what it means in essence. The Prophet (p.b.u.h.) is recorded to have said, "If you give gold, then receive back the same gold: the same weight and the same quality; and if you give silver, then receive back the same silver: the same weight and the same quality, because the one who gives more or expects more, then [he should know that] that is exactly *riba*" (Muslim 211). In a narration of the Prophet (p.b.u.h.) by Umar, the Prophet explicitly identifies the exchange of dissimilar amounts of commodities as *riba*: "The selling of wheat for wheat is *riba* except if it is handed from hand to hand and equal in amount. Similarly the selling of barley for barley is *riba* except if it is from hand to hand and equal in amount, and dates for dates is *riba* except if it is from hand to hand and equal in amount" (Muslim 208).

The rule enforcing spot transactions of equal quantity and quality and thereby prohibiting unjust increases in excess payment is further and succinctly clarified in the Quran:

> Those who consume interest 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 interest. 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. (al-Baqarah 2.275)

Trade has always been an essential component of the Islamic marketplace. Up until the 20th century *riba* was prohibited and perceived as a corruption of business ethics. However, traditional jurists understood the prohibitions for different philosophical reasons (al-Zuhayli 37). Ghazzali understood the restriction of *riba al-fadl* to mean that gold and silver were meant to be used as currency in a divine mechanism and that an unequal exchange of those currencies was considered contrary to their basic function (al-Zuhayli 68-69). Additionally, Islamic jurists have differing opinions of the exact definition of *riba* and consequently their legal applications of those definitions are inconsistent across modern societies. In addition, many jurists have agreed that the prophetic traditions regarding *riba* covered all forms of interest-bearing loans, which are subsumed under the category of *riba al-nasi'a*, to prevent exploitation, inflation, and subsequent foodstuff shortages (El Gamal 50).

It is clear that the nefariousness of *riba* is prohibited by the Quran and *sunnah*; however, many disagree about its characteristics. Therefore, *riba*'s relationship to the Western concept of interest is still open for debate; the two have become synonymous, although there is a minority who differ and argue for interest's validity. The context of the argument is extremely important for several reasons. The penalty for *riba* is divided into 70 parts under the classical *shariah* understanding, of which the lowest form is considered 36 times worse than fornication with one's mother (Ibn Hanzalah). In addition, the Quran threatens those who do not give up the practice of *riba* with "war from Allah and the messenger" (al-Baqarah: 2.278-79), and Prophet Muhammad (p.b.u.h.) was quoted cursing all four parties involved in usurious transactions: "the receiver and the payer of *riba*, the one who records it and the two witnesses to the transaction . . . are all alike [in guilt]" (Muslim). The frequency with which the crime of *riba* is mentioned in the Quran and the *hadith* literature and the severity of punishment for the practice indicate that *riba* was prohibited for compelling reasons. Given the scholarly debates and the continued importance of *riba* law to Islamic society, a comprehensive evaluation of the Islamic position on the methods employed within the monetary system seems pertinent.

Scholarly positions on interest vary. Some Islamic jurists accept *riba's* definite equivalence to usury and interest, understanding that the Quran makes no distinction between the two; however, this position is schismatically classified by individual stances on particular aspects of contemporary Islamic banking. Of those who accept that interest in a capitalist sense is forbidden by Islamic law (*haraam*), there are a number of academics, financiers, governmental figures, and religious leaders who oppose this viewpoint and have sanctioned Islamic banking as *shariah*-compliant. These individuals claim that Islamic financial products offer interest-free alternatives. This group agrees that interest is forbidden and purports that the Islamic banks operate without it, ignoring the fact that they deal with usury-based bank notes as their specie. The standard view among Islamic banks is that interest is acceptable, although more scholars are challenging this perspective.

Another group of scholars supports Islamic banking but accepts the fact that implied interest rates are implied within Islamic financial products, acknowledging that interest is nominal and part of the cost of doing business. Truth-in-lending regulations in the United States require Islamic as well as conventional financiers to report their implicit interest rates, which is evidence that interest exists within Islamic financiers' transactions, regardless of some of their claims to the contrary (El Gamal 52). Some progressive scholars have argued for full disclosure by labeling the mark-up in credit sales as "interest" instead of "profit," which is a common avoidance tactic (El Gamal 54). On the other hand, many pundits contend the financial transactions in Islamic banks are measures designed to subvert the classical meaning of the canons and deceitfully gain acceptance by the world's Muslim majority. Among this faction are reformers—who are often professionally marginalized—such as Muhammad Saleem, author of *Islamic Banking: A $300 Billion Dollar Deception* and CEO of Park Avenue Bank in New York. Saleem claims that all Islamic banks lend on interest and deceptively disguise it under Islamic terms. Saleem lobbies for pushing banks to operate more like venture capital firms, which share in the liability of financial risk. Additionally, there is also a growing movement of *dinarists* who seek to reinstitute the market's use of dinars and dirhams in Muslim societies. On the other hand, advocacy of Islamic banking has the majority backing of secular academics, such as Professor Ahmad El-Gamal, author of *Islamic Finance: Law, Economics, and Practice*. El-Gamal has worked with the U.S. Treasury Department as an Islamic advisor among a majority of ancillaries who adopt favorable views on interest.

The quagmire surrounding *riba* is that a wide difference of opinion exists regarding its interpretation. Among various voices of dissent, the most objective way to seek the genuine definition of *riba* appears to be allowing the religious canons to speak for themselves. Islam self-proclaims to be a continuation of the Abrahamic tradition in the prophetic line of the Near Eastern prophets. In fact, Moses (p.b.u.h.) is by far the leading character in the Quran, appearing 136 times and dwarfing Muhammad's (p.b.u.h.) four and Jesus's (p.b.u.h.) twenty-five. Therefore, by analyzing Islam's religious predecessors (Judaism and Christianity) and the context of their definitions of usury in the Old and New Testaments, the Quran's discussion of *riba* can be put into greater historical perspective. Furthermore, Islam accepts segments of the Biblical narrative as divinely revealed scripture, although not acknowledged in its entirety; however, the Quran does not challenge the authenticity of the Biblical stance on usury. Therefore, it may be deduced that the Islamic position corroborates and accepts, as the Quran's antecedent, the Biblical prohibition of usury.

CHAPTER 4

TRACING THE MONOTHEISTIC ABOLITION OF USURY: THE HISTORICAL CONTEXT AND CONTEMPORARY RELEVANCE OF USURY LAWS IN THE OLD TESTAMENT

Historical Origins of Usury

The history of usury has been well documented and commented on by the most celebrated and avant-garde of thinkers. Aristotle, for example, mentioned that "the most hated sort [of wealth getting] and with the greatest reason, is usury [*tokos*], which makes a gain out of money itself and not from the natural object of it. For money was intended to be used in exchange but not to increase at interest" (Aristotle 1258b, Politics). He goes on to explain why the Greek word *tokos* is used, which means to give birth, and alluded to money being birthed from money, which was most unnatural. Aristotle's view was well received for millenniums by monotheists but would later come under serious attack as European capitalists pushed for the reversal of the way usury was perceived and defined. Although the prohibition of usury is often seen as something religious, the history of its abolishment predates the Abrahamic tradition. In *The Lost Tradition of Biblical Debt Cancellation*, Professor Michael Hudson makes the case that the recent rediscovery of Cuneiform tablets in Lagash, Sumeria, which date back to 2400 BCE, provides insight as to where the OT's usury laws originated. The tablets are, to date, the earliest documented evidence of usury laws that exist among known human civilizations (Hudson 1-4).

The Sumerian tablets reveal that after agrarian cultures had settled and submitted to the ancient Oriental system of governance, by which divine royal saviors ruled, lending on interest began shortly thereafter. The first loans were based on agricultural produce. Stephen Zarlenga of the American Monetary Institute explains, "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" (sec. 1). When animals were lent, the offspring would be used to pay back the debt. The concept of interest took on a connotation that what could be lent had the power of regeneration. From that understanding, the Sumerian word for interest became *mas*, which meant "to give birth." From this concept the later notion of *tokos* was derived, a concept that Greek philosophers such as Aristotle understandably despised. In Sumeria the king would offset the structural flaw of lending on interest by monetizing the market exchange rates and taking a centralized role over the economy. Evidence of this lies in the Hammurabi code (2130-2088 BCE). The public worked under compulsory labor, and the kings and pharaohs would dictate how much of the harvest to store each year (Zarlenga sec. 1). This system functioned; although, in the event of poor harvest or drought, people unable to repay their debts would fall into bondage.

The innovation that changed the concept of *mas* occurred when individuals started charging interest on precious metals. Metals, unlike grains and livestock, were essentially barren. Zarlenga writes, “The conceptual error treated inorganic materials as if they were living organisms with the means of reproduction” (sec. 2). However, any source of interest to be paid on something not containing the power of generation had to be siphoned from another source or process. When this occurred, usury began to massively enslave people. The recent discoveries from the Bronze Age show that those in authority in Mesopotamia “cancelled debts, freed debt-servants, and restored land to cultivators who had lost it under economic duress” (Hudson 6).

The communities of Greater Mesopotamia initiated the Jubilee Year because they feared the wrath of their pagan deity if they did not deal equitably with each other. Therefore, although the predecessor of the monotheistic abolition of usury was pagan, the Habiru people had a religious motivation to initiate the concept of *new year, clean slate*, which was commonly practiced in Babylon and the periphery. It later became “royal edict” to implement the clean-slate idea every seventh year, and Babylon was an organic example of how the system worked in practice.

The Islamic tradition is in line with the debt cancelation practice, as the Quran also calls for debts to be cancelled: “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” (al-Baqarah 2.280). Similarly, the Prophet Muhammad (p.b.u.h.) said, “If anyone would like Allah to save him from the hardships of the Day of Resurrection, he should give more time to his debtor who is short of money, or remit his debt altogether” (Muslim 7). The Sumerian tablets set the precedent for an equitable system by which no absentee landlords would be able to put the agrarian societal members into bondage, and in the event that bondage did occur, they would all be released in the forthcoming Jubilee year. As the Bible's antecedents, the Sumerian tablets provide dimensions to study the origin of Biblical usury as defined in the OT and its historical application by the Israelites. This also further elucidates Christianity's canonical understanding of usury and how it grappled with the ethical use of wealth for centuries, a situation Islam now similarly finds itself in.

Israelite Treatment and Reaction to Usury in the Old Testament

After the Bronze Age collapse around 1200 BCE, much of Europe and the Near Eastern world experienced a culturally disruptive period of approximately 400 years, where mayhem reined. Warfare, drought, and forced migration led to widespread intellectual decline. During this time many people were able to amass exorbitant amounts of wealth in immoral ways. After the Jewish captivity (586-539 BCE) it became necessary for social prophets such as Isaiah, Jeremiah, and Ezra (p.b.u.t.) to implement usury laws into the Pentateuch to prevent social injustices. These laws were amalgamated into the Pentateuch and thereby adopted into Mosaic Law. It is plausible that the economic impacts of landlordism and usury caused a reactionary movement under Josiah (641-609 BCE), yet scholars still debate when the Israelietes discovered or rediscovered the usury-banishing legal traditions from Babylon.

Early twentieth-century scholar T. J. Meek proposed that *Hapiru*, or *Habiru*, etymologically anteceded *Hebrew*. The root of *Hebrew 'ibri* means, "to go over or across"; therefore, the word *Hebrew* signified people who migrated from one area or another, a type of patriarchal nomadic society (Meek 1). Author E. F. Campbell adds, "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 presents real possibilities" (Campbell 71). However, Jewish scholars who claim that the research paints a loathsome image of the Hebrew people have contested this view (Rainey 483). Alternately, Michael Hudson (11) believes that the usury laws were assimilated into the Bible due to the Babylonian captivity period (586-539 BCE) and were later fused into the Pentateuch after the release and return of the Israelites.

By amalgamating the Sumerian concepts, a focus emerged within the monotheistic tradition of redeeming people and land. This took place by prohibiting usury and reversing its effects on society through the Holiness Code in chapters 17-26 of Leviticus, which calls for just societal dealings and ethical financial practices. By implementing the ideas into the OT, the impact resonated grandiosely because Israelite ideas became divine law, which was essential to their communal acceptance. The code was meant to uphold holiness, which stressed more on morality than ceremonial purity (Hudson 11). To illustrate, 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).

Israelite bondservants likewise were to go free periodically in the Jubilee Year, for they belonged ultimately to the Lord, not to any person (Lev. 25.54). Finally, Deuteronomy 31.10 commands the laws to be read aloud publicly every seven years, in the year of debt cancellation (*shemitta*). This ensured that no miscommunication occurred between slaves and owners about who was free from bondage (Hudson 11). According to the OT, the Prophet Ezekiel (p.b.u.h.) embodied righteousness: "He grants loans without interest, stays away from injustice, is honest and fair when judging others" (*Holy Bible*, Ezek. 18.8). According to Rabbi Abraham Cohen, it was universally accepted that a usurer within the Jewish tradition was not allowed to bear witness or give legal testimony because he was detested (Cohen).

Later on, justification for the practice of usury was concocted. Fundamentalists adhering to Rabbinical Judaism decreed Gentiles ineligible for the protection proscribed in the OT; therefore, they were lent to as the Canaanites were. However, this was apparently in violation of Mosaic Law as illustrated by Exodus 22.21: "You must not molest the stranger or oppress him, for you were strangers in the land of Egypt." Another verse states, "The same law will run for the native and the foreign resident among you" (Exod. 12.49). However, Rabbinical Judaism came to define all Gentiles as foreigners, or sojourners, by interpreting Deuteronomy 23.19 as justification: "You may demand interest on a loan of a foreigner, but you must not demand interest from your brother. . . ." It was by this edict that the Israelites waged economic warfare against their enemies, the Canaanites, leading to their slow financial demise, and consequentially their capitulation to Israelite domination via intentional economic subversion. In essence, the Jewish abolition of usury was only intended to be applied within the Jewish population. By shifting the policy toward Gentiles, conditional exceptions were created that allowed forms of usury within the original monotheistic religion. This set the precedent for monotheistic posterity.

The Linguistic Etymology of *Riba*

Neither Hebrew (*nashek*) nor Greek (*tokos*) nor Latin (*faenus*) contained vocabulary that allowed for any distinction between the conceptual understandings of interest, increase, and usury, all of which were synonymous. In the *Jewish Encyclopedia, nacash* is translated as "serpent" in Hebrew, and *nashak*, a derivative, appropriately means "to strike" (with the serpent's sting to the debtor; "Usury" 1). According to Jewish Law the words *usury* and *interest* may be used indiscriminately, as the OT forbids all "increase" by reason of time lapse or forbearance, regardless of percentage rate, although there is no limit imposed on dealings between Israelites and Gentiles ("Usury" 1). In Leviticus, the OT Hebrew word *nashek* is replaced with *marbut*, which denotes a gain on the part of the creditor. This later became the Hebrew word *ribbit*, from which the Arabic word *riba* was derived. Moneylenders long desired the reclassification of usury to develop a system by which financial control could be accomplished through lending (Hudson 41). To illustrate how this linguistic manipulation has changed the public perception of usury, the *Merriam-Webster* dictionary, which previously made no distinction between interest and usury, has changed its definitions of the term:

1. *archaic*: interest.
2. the lending of money with an interest charge for its use; *especially*: the lending of money at *exorbitant* [emphasis added] interest rates.
3. an unconscionable or *exorbitant* [emphasis added] rate or amount of interest; *specifically*: interest *in excess of a legal rate* [emphasis added] charged to a borrower for the use of money. ("Usury")

The word *interest* comes from the Latin word *interess*, which took the medieval connotation of money earned from a debtor's default. Hebrew moneylenders continued to lend to Gentiles up to the renowned symbolic incident of Jesus's (p.b.u.h.) violent expulsion of the moneychangers from the holy premises of the temple (Matt. 21.12). From the earliest years of Christianity, usury was problematic and Christians struggled to cope with it. Movements seeking to redefine usury as distinct from interest began to emerge.

History of the Christian Struggle Against Usury

Of the 613 commandments that are binding on Jews, Christians generally accept a reduction of the previously binding Biblical laws. Christians instead focus on loving God with all one's heart and loving one's neighbor (John 2.4). This message of love is consistent throughout monotheism. Although usury is directly and indirectly discussed in the New Testament, early Christian scholars did not find any direct scriptural evidence to reverse the OT's stance on usury. Christian scholars continued to debate the issue fervently and elaborated on the authority of its prohibition. By the fourth century CE, usury was officially prohibited for clergy of the Catholic Church, and by the fifth century the law was extended to all laymen. Usury was not declared a criminal offense until the eighth century, instituted by Roman Emperor Charlemagne (Birnie 7). As the antiusury stance continued, Pope Clement V "made the ban on usury absolute and declared all secular legislation in its favour, null and void" (Birnie 7).

Scholasticism (1100-1500), a system of theology and philosophy, was heavily dependent upon the writings on Aristotle and therefore upheld the historical prohibition of usury. However, the Scholastics differentiated between usury and interest. Henry of Ghent and Alexander Lombard both noted that money was not terminus, but a medium of exchange (Zarlenga sec. 2). The two types of loans that the Scholastics permitted were very similar to the Islamic loans of *musharaka* and *mudaraba*, in which the creditor also shares in the risk. For the Scholastics, these loans were called *societas* and *census* obligations and were intended to avoid the misuse of money. The Scholastics maintained a distinction between productive capital and money. Later, after observing usury's impacts on society, Pope Innocent IV (1250-1261 CE) decreed that usury was against divine and human law and that practicing it would lead to the abandonment of industry

(Birnie 7). Renowned Christian theologian St. Thomas Aquinas argued that "money is a measure, and usury 'diversifies the measure' placing extra demands on the money mechanism which harmed its function as a measure" (Zarlenga sec. 5). Despite the subsequent prohibitions by the Catholic Church stretching over a millennium, the Protestant movement and its procapitalism influence pushed to find flaws in the Catholic Church's argument, and the pro-usury movement began to grow (McGrath 1).

The argument against usury had been heavily dependent on philosophical thought developed by the Greeks, specifically Plato and Aristotle; therefore, the capitalists vociferously vituperated Aristotle to weaken the Catholic Church's case against usury. Influential Protestant reformers Martin Luther and John Calvin both admitted that some sin did exist in usury; however, with little reservation both decreed it impossible to universally condemn the practice (Birnie 7). Calvin rhetorically asked, "When I buy a field does it not breed money?" The answer that the Scholastics and Catholics had demonstrated for centuries was that the field reaped products, not the money, but by 1536 the usury ban had been lifted in Europe, succumbing to Calvin and the capitalists' pronouncements (Zarlenga sec. 5). As the Reformation continued railing against usury, authors such as Francis Bacon, who vilified the Scholastics for "almost having incorporated the contentious philosophy of Aristotle into the body of Christian religion" adding that Aristotle was "full of ostentation" and "heretical" (499). Bacon disingenuously supported usury while recognizing that it makes merchants "fewer" and "poorer," adding that it "bringeth the treasure of a realm or state into few hands" (471).

By 1682 the redefinition of interest became "A reward for forbearing the use of your own money for a term of time agreed upon, whatsoever need your self may have of it in the meanwhile" (Petty 1). The trend continued toward a fundamental distinction between interest and usury, and by 1787 the final definition of usury emerged that misappropriated the historical understanding relayed by Jeremy Bentham as "the taking of a greater interest than the law allows . . . (or) the taking of greater interest than is usual" (1). Bentham's *Defence of Usury* is a continuation of the lambasting of Aristotle's position, which takes the classical stance against usury.

In contrast to Judaism, Christian fundamentalists view usury as a sin against all humans, not exclusively the members of their faith community. However, despite shunning the practice from a religious standpoint, most Christians accept that interest is a necessary component of a complex economy. Under the auspices of modernity, the traditional Church position has been subverted over time. On the other hand, liberal believers generally believe there is a distinct difference between usury and interest, or that interest is ethical as long as it is practiced in moderation. An additional factor for the blasé reaction of the Christian community toward usury is the diverging message of the "Parable of Ten Minas" (Luke: 19.23), in which Jesus (p.b.u.h.) narrates a parable of a king who lends his subjects money and encourages them to deposit it at fixed returns on interest. The subject who refuses to engage in usury on behalf of the king is thereby scolded and his adversaries killed. However, this message is at variance with the overall message of the New Testament. The Gospels consistently mention that loans should not be made with interest. One such example is Luke 6.35, where Jesus (p.b.u.h.) says to "lend freely, hoping nothing thereby."

The contemporary justification of charging interest in the Christian community is a recent phenomenon and ignores its own tradition and history. This action mirrors what took place within Judaism, Christianity's monotheistic predecessor. As the definition of interest continued to be muddled in a morass of explanations, an understanding emerged that became ingrained in the public sentiment among Christian nations. Adam Smith's *The Wealth of Nations* replaced the Bible's definition of usury and became the "Bible of capitalism," in which he redefined interest:

> The interest or 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 1)

Smith's logic is that loans provide borrowers with an opportunity to gain their own profit. However, Smith's definition ignores the fact that the borrower assumes almost all of the risk and that the lenders, regardless of success or failure, will always want repayment or their proverbial "pound of flesh," as Shakespeare's *The Merchant of Venice* illustrates. Adam Smith's redefinition of interest is a common view today in economics and has been unofficially sanctioned by the Church. Ironically, the Catholic Church's capitulation to the bankers, who emerged as the proxy rulers of capital in Europe and the United States, became official as the Vatican's banking responsibilities were handed over to the forerunners of modern banking, the Rothschild family, in 1823 (Ferguson 1).

CHAPTER 5

THE PHILOSOPHY BEHIND UNREGULATED CAPITALISM AND THE MODERN GLOBAL BANKING STRUCTURE

The Philosophical Argument for Capitalism

Once Christianity had conceded its argument against usury during the Reformation and no longer actively resisted against usury in Europe, the capitalists were able to establish their dominion over the market. As modern reformists made their cases for advocating interest in the marketplace, economists extracted select theoretical points of erudite economists such as Adam Smith, while grossly ignoring essential stipulations of their theses to substantiate a debt-based system. Although economists such as Smith did support the practice of usury, the shared apprehension among scholars generally called for very tight restrictions and legislated, enforced limits. The logical fallacy of appealing to authority built the case for a purportedly free market; however, it ignored the precautionary stipulations embedded in the expressed concerns of theorists such as Smith and later John Keynes. In analyzing the core philosophy behind capitalism, what becomes abundantly clear is that the monotheistic tradition is at odds with the principle put forth by economists that unregulated capital be created by private bankers rather than the state. J. K. Galbraith once said, "The process by which banks create money is so simple that the mind is repelled; where something so important is involved, a deeper mystery seems only decent" (18). The global interest-based banking system was developed in Europe and later gained ascendancy in America, which fueled the idea that an interest-based system was an exemplary sign of modernity and efficiency. However, the system's core philosophy threatens the economic stability and fair distribution of wealth that monotheism espouses in theory.

Commonly referred to as the "father of free-market capitalism," Adam Smith, contrary to popular belief, believed that usury should be allowed but controlled (Jadlow 1). Although he did advocate laissez-faire economics and opposed the complete prohibition of interest, Smith (339) also wanted to impose an interest-rate ceiling. It was his intention that low-risk borrowers would end up stimulating the economy by undertaking socially beneficial investments; therefore, he did not want them to be deprived of capital that would otherwise be lent to speculators and investors in high-risk ventures willing to pay high interest rates. In *Wealth of Nations*, he accurately presents the state of the political economy toward the end of the eighteenth century; and for that he is heralded by economists and the monopolists of money who developed economic thought and industry based on a platform reliant on select portions of his theory (Swan 173). Smith identified three classes in society: capitalists, workers, and landlords. Through his thesis on the division of labor, he admitted that the landlords "loved to reap where they have not sown" (399) yet failed to recognize the ability of banks to create the equivalence of land, charge interest on it, and hence create something from nothing at little to no cost (Swan 435). Therefore, by not identifying a "fourth class," Smith did not safeguard his theory from later misinterpretation. The fourth class creates and occupies the most important position of power in a nation's economy: the creation of the money supply (Swan 435).

The Exploitative Nature of Fractional Reserve Banking

The unidentified fourth class does not consist of true capitalists but "quasi" capitalists at best and "parasitic" capitalists at worst. In the seventeenth century, parasitic capitalists discovered that safeguarding the gold of merchants in strong rooms and issuing IOUs in return for deposits allowed credit to be simply created from nothing (Swan 65). The formula of the safe keepers became known as fractional-reserve banking. The practice is most notably attributed to the Rothschild family, which popularized the concept of loaning receipts to the public based on consumer confidence that their storage could produce the deposited gold on demand. The family name ("Red Shield," as translated from Old German) was posted in front of their store room (Ferguson 1). The concept of fractional-reserve banking is reliant on the probability that the majority of the depositors will not attempt to retrieve their deposits simultaneously; therefore, the IOUs can be used in the marketplace as worthy credit. This practice became the forerunner of the check system and the birth of banknotes. Once the public accepted the creditworthiness of IOUs, the safe keepers of the deposits realized that it was only necessary to keep a fraction of the actual wealth attached to the IOUs in the vaults and that an additional 90% could be lent out additionally at interest.

The concept behind this system is fundamentally imprudent because it allows a noncontributing class in the economy to create wealth from nothing, except for false confidence, and in turn charge interest on it. This system results in an inflationary tax on the people who hold the bills of credit. The inflation robs the holders of the bills representing their wealth, while the creators of the credit reap the profits of collecting residually compounding interest payments. Arthur Swan, author of *The Other Road to Serfdom*, explains the process: "in other words they debase the original depositor's hard earned money by conjuring into existence 10 times the amount—some times more" (Swan 66).

Capitalism Trumps Erudition

There are two types of capitalism, and the distinction between them is whether usury has a formulaic role in the economic process. To illustrate, capitalism exists on a simple level when people produce articles of real wealth and save them. With the savings they purchase necessary tools of production, which are their working capital. From the sales of their goods they cover their overhead and store the additional capital to expand their business. At this stage they attract investors, who hope to share in prosperity through their investment, which is interest free. At this stage true capitalism has been achieved. This model illustrates that the physical capital of any sovereign nation would be safeguarded without usury, thus eliminating the necessity for money-rentier capitalists or interest rates to exist. Such "outside the box" thinking has been unfairly associated with Marxist language. Thus, the circular arguments persist discussing the false dichotomy of capitalism versus Marxism. The issue is not ideology; it is usury, which is an unnecessary component of the economic cycle.

On the other hand, the second type of capitalism, the type that prevailed leading up to the industrial revolution, was the type that used the model of money-rentier-capitalists who created money "at will." Through a conflict of interest, the money capitalist's concern is to loan at the highest possible rate, contrary to the health of the economy, which requires that funds are consistently at a zero-rate to ensure the marginal efficiency of a nation's physical capital is safe guarded (Swan 67). Expectedly, an opposition of these tenets culminated in the writings of socialists and thinkers such as Karl Marx, who discovered and stated in *das Kapital* that capitalism was of two forms, money-capitalism and producer-capitalism, whose interests are in diametric opposition. He states that "the worker is also a capitalist," but Marx failed to realize the scrutinizing depth of his own epiphanic argument against capitalism, which would have undermined his endeavor. Thus, he groups all components of capitalism together as an affliction of society (Marx 1). It is possible that Marx's intentional disregard for acknowledging the results of his own findings is that the human mind, including Marx's, is prone to believe what its preconceived ideas of truth are; however, this also serves as additional evidence that usury is sacrosanct in communism as well as capitalism.

When John Keynes authored his "general theory" in 1936, he clearly identified high interest rates as the main cause of unemployment, showing that it was vital that the interest rate should be "2% or less." Indeed, he advocated for a lower rate to ensure the "marginal efficiency for capital" (Keynes 1). Additionally, he proposed deficit spending to solve unemployment and inflation. However, Keynes has become a contemporary scapegoat for many economists as the creator of stagflation, which is inflating consumption with stagnant production. This is due to politicians ignoring the crux of his thesis while employing desired sections of it suitable to the fourth class of bankers, and the historical consequences have been an unpayable private debt and international debt repudiation. This is in spite of the fact that Keynes taught the necessity of a state to control credit creation, the anathema of bankers. What becomes apparent upon studying the foundations of capitalism is that, although usury is unnecessary, consistently associated with market instability, and considered immoral by religious groups, the sacrosanctity of the practice can never be challenged.

In Violation of National Sovereignty

When the Magna Carta granted inalienable rights to all free, sovereign persons in 1215 CE it also barred the practice of usury. Issued in the context that usury was forbidden to Christians, the Jewish community had become the only community technically allowed to lend money under canon law. The rates they charged were proportionately high and ranged from 2 to 4 pence per week on each pound lent, which ranged between 43 and 83% per annum. The Magna Carta reads, "If anyone has taken anything, whether much or little, by way of loan from Jews, and if he dies before that debt is paid, the debt shall not carry usury so long as the heir is under age, from whomsoever he may hold. And if that debt falls into our hands, we will take only the principal contained in the note."

The Magna Carta's law was enforced in this context for centuries. However, in 1640 Charles I removed 130,000 pounds belonging to city merchants from the Tower of London, which prompted the merchant class to seek safer storage facilities with the goldsmiths, resulting in the creation of banknotes discussed above. Oliver Cromwell then defeated Charles I in the English Civil War and established the short-lived Commonwealth of England with the economic assistance of the new class of bankers. Therefore, the Puritanical revolt against the Divine Right of Kings simultaneously spawned the emergence of an era of powerful bankers. Edward Hyde, 1st Earl of Clarendon (1609-1674) commented on this phenomenon: "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" (Cromwell 73).

In 1660 Charles II returned in the Restoration but the new class of capitalists wielded the power of debt over Parliament; therefore, by James II's installation as King, the Parliament had removed most political power held by a sitting king. To replace Charles II, Parliament invited William of Orange from Holland to become King. William of Orange was the "ideal banker's man," who arrived "with Francisco Lopes Suasso, the banker, followed by many financiers" (Davie 10). 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,'" and essentially set up for financial ruin (Davie 10).

The Birth of Central Banking

In 1694 a group of businessmen and bankers were supported by the Chancellor of the Exchequer to form a money-lending syndicate to become The Bank of England. The venture, headed by William Paterson, relinquished the responsibility of the State to issue the nation's money, giving the power to private bankers. The bankers were to be repaid by the British people and thus created a £1.2 million loan. The loan was to be paid at 8% annual interest, and in perpetuity. Thus, paper became a demand on real wealth and services; in addition, inflation as well as the previously nonexistent concept of "National Debt" was born. According to the Office National Statistics, in 2011 the debt on the original £1.2 million loan was £920.9 billion, equivalent to 60.6% of the national GDP. If all financial-sector intervention is included, known as the unadjusted measure of public sector net debt, the amount is £2252.9 billion, or 148.9% of GDP, which is beyond incredulous. The interest on the debt alone costs the UK citizens £35 billion annually. Paterson was not deluded about what the new powerful entity was, saying in a famous quote, "The Bank of England hath benefit on all monies it creates out of nothing" (Swan 74). Paterson's patriotic intent to control high interest rates was undermined; his colleagues outvoted him, and within a year he voluntarily withdrew from the Bank of England's founding board and sold his stock (Swan 75).

The Founding Fathers in the United States were aware of the financial dilemma of the English in regard to the emerging power of central banking's stranglehold on credit. Speaking at the London Parliament in 1763, statesman, political theorist, and inventor Benjamin Franklin stated his succinct understanding of the new endemic monetary policy in England:

> You see, a legitimate government can both spend and lend money into circulation, while banks can only lend significant amounts of their promissory bank notes, for they can neither give away nor spend but a tiny fraction of the money the people need. Thus, when your bankers here in England place money in circulation, there is always a debt principal to be returned and usury to be paid. The result is that you have always too little credit in circulation to give the workers full employment. You do not have too many workers, you have too little money in circulation, and that [money] which circulates all bears the endless burden of un-payable debt and usury. In the Colonies, we issue our own money. It is called Colonial Script. We issue it in proper proportion to make the products pass easily from the producers to the consumers. In this manner, creating ourselves our own paper money, we control its purchasing power, and we have no interest to pay to no one.

America Succumbs to the Capitalists

Thus, The Colonies in America had been issuing interest-free Colonial Script since 1750, but upon Franklin's return to America the Bank of England pronounced the currency illegal in 1764. However, Americans did not easily capitulate to the bankers. For more than two centuries American Presidents such as Thomas Jefferson, Abraham Lincoln, and Andrew Jackson fought in opposition to the establishment of a private central bank. Jackson said in February 1834 to bankers trying to circumvent the State rights of printing money at zero interest:

> You tell me that if I take the deposits from the Bank and annul its charter I shall ruin ten thousand families. That may be true, gentlemen, but that is your sin! Should I let you go on, you will ruin fifty thousand families, and that would be my sin! You are a den of vipers and thieves. I have determined to rout you out and, by the Eternal, (bringing his fist down on the table) I will rout you out. (Henkels 1)

On November 21, 1864 President Lincoln pronounced his fears of the approaching forces attempting to subvert his monetary policy:

> I see in the near future a crisis approaching which unnerves me and causes me to tremble for the safety of my country. Corporations have been enthroned, an era of corruption will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices

> of the people, until the wealth is aggregated in a few hands and the republic destroyed. (Swan 28)

Lincoln's foresight about the nation's distribution of wealth proved to be accurate, and in 1913 President Woodrow Wilson signed an Act bringing the Federal Reserve System into existence. Wilson later lamented, "A great industrial national controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men. . . ." (Wilson 185).

Article 1, section 8 of the U.S. Constitution exclusively grants the right to Congress to coin and print money and "regulate the value thereof." However, that right was entrusted to an unelected corporation whose shareholders remain anonymous. The outcome, similar to England's, of placing such a privilege and temptation in the hands of private individuals to be able to "create money from nothing" is their tendency to create too much. More incredible is that the privilege continuously remains unchallenged by the producers of real wealth, the citizens. Furthermore, in approximately one century the Federal Reserve, a privately held corporation, has been able to amass a $15 trillion National Debt on the United States, which, according to the U.S. Treasury, equates to approximately $130,000 per taxpayer; additionally, official figures are dwarfed by the unofficial figure of a massive $211 trillion according to former presidential economic advisor Laurence Kotlikof in a 2011 interview with NPR ("A National Debt"). The concept of national debt was unfathomable prior to the installation of private central banks in England and the United States, demonstrating that sovereign nations can function operationally in a superior manner without borrowing money at interest, which inevitably results in a parasitic relationship between the banks and the people.

Western civilization has gravitated away from faith-based ethics, opting for secular humanism. Consequently, this approach has allowed the adoption of a usurious model. Still, there are historically proven alternatives that have protected societies from usury. England's economy functioned most successfully in the 500 usury-free years directly preceding the revolution that installed the Bank of England (Amiri 1). The world economy is unnecessarily catapulted toward unnatural growth; the United States economy for example, must grow annually over 2.5% or is categorized as recessionary (Arbel 1). Author Hugh Kingsmill once befittingly described the denizens of London's square mile of bankers as "excrement living increment" (Donnelly 1). Commerce is simply to exchange goods and services for fair and equitable values of similarly desirable and agreed-upon payment instruments. Usury is not a part of the equation. In contrast, the fractional-reserve model perpetuates debt that can mathematically never be paid off, while the shareholders of the private banks amass absurd wealth and governments are forever indentured to them. Nevertheless, the rate of return is not subject to the forgiveness of a Jubilee year, but is compounded annually. Currently it is this system that all private central banks such as The Federal Reserve and The Bank of England use in loaning of "currency" to retail banks. In turn, banks loan their "credit" to customers at a rate that puts a large portion of society directly and indirectly into absorbed debt. Ultimately, *riba* is tied to debt forgiveness and inflation, the two factors which have widened the gap between the "haves and the have-nots" (Ayub 4). The precedent that has been set is essentially the most sardonically immoral type of system for its necessity to prevent fair wealth distribution and mortification in the declining face of many previous traditions of virtue, including all monotheistic religions.

CHAPTER 6

COMPROMISING CONFORMITY TO IMPERIALISTS AND RELIGIOUS REFORM MOVEMENTS

Religious Difference of Opinion and Dubiety

The Quran states that Islam is the same religion in principle that all monotheistic prophets have taught: "The same religion has He established for you as that which He enjoined on Noah—that which We have sent by inspiration to thee—and that which We enjoined on Abraham, Moses, and Jesus: Namely, that ye should remain steadfast in religion, and make no divisions therein. . . ." (al-Shura 42.17). Ironically, Muslims have found themselves in the same situation that Christians faced during the sixteenth century and unfortunately are following a similar trajectory of Rabbinical Judaism and Protestantism by succumbing to the practice of *riba* in their own attempts at reformation and modernization. The questions are how and why the Islamic countries have chosen to implement and partake in a monetary system that has historically proven to be fundamentally flawed, exploitive, and sinful according to their religion. It is illogical that adherents to a moral system prohibiting such unfair and sinister distribution of wealth would willingly and knowingly accept the conditions of private bankers seeking to establish central banks in sovereign nations, thereby relinquishing the fundamental state right to issue their own interest-free currency. The answer is complex and the subject convoluted, involving politics, history, and anthropological dynamics. However, this chapter focuses on an attempted Islamic reformation centered in Egypt after its occupation by Western imperialists in the nineteenth and twentieth centuries. Some of the environmental factors that precipitated the Islamic capitulation to usury were the lack of economically educated and informed Islamic leadership leading up to the fall of the faltering Islamic Caliphate, which thereby provided a platform for the voices of timorous and pusillanimous reformers to project their colonized thinking into Islamic thought. This resulted in the submission of the Muslims to the concerted efforts of Western capitalists and imperialists intent on expanding their monetary dominion.

It must be clarified first that there are many politicians, clergymen, bankers, and reformers in the Islamic world who understand the fundamental flaws in the monetary system and are actively trying to affect positive change in several ways. One approach is to acknowledge and embrace the monetary system for what it is and attempt to reform it gradually from within. Muhammad Ayub, author of *Understanding Islamic Finance* and longtime central banker in Pakistan, acknowledges the rudimentary flaw of the system and its conflict with the Islamic tradition. Ayub challenges scholars to ask whether Islamic financial institutions in vogue will ever "be able to remove distortions created by the interest-based system," (13) and if so, how? Ayub believes that reform requires "the creation of real-asset based money only promoting retail and corporate financial services on the basis of fair play and risk-sharing" (13). This, he believes, would result in a sustainable and all-pervasive development of economies. Taqi Usmani, an Islamic scholar, mirrors these sentiments but concedes that IFIs ". . . have to work under a large number of constraints, therefore, some of them have not been able to comply with all the requirements of Shari'ah in all their transactions" (15). This approach is to work with the present monetary system and try to implement incremental change from within, which falls short of a consummate rejection of capitalism.

Another view is to adhere to the orthodox position against interest by acknowledging it as a sin and engaging in the practice only when required and only to the extent necessary. However, this method is similarly precarious because it does not immobilize a party capable of inflicting structural change to the Western monetary system. While people are waiting for a puritanically Islamic financial industry to develop and replace the current model, Western efforts continue to facilitate the divestment of resources from the Muslim-majority countries in exchange for Islamically prohibited debt-instruments and interest-bearing treasury notes. An even more liberal approach is a grossly overly represented position in the mainstream Islamic finance literature by writers such as Muhammad El-Gamal. This view does not object to the fundamental structure of the Western monetary system as it exists and wishes for IFIs to amalgamate into a fully functioning branch of Western economics, distinct by only their stated ethical characteristics. This view claims that "the ethical and prudential regulatory substance of Islamic jurisprudence is in fact aligned with the profit motive" and that it is not only necessary but also ethically admirable to progressively push Islamic finance to a point immersed within the global system to where it no longer needs to "hide behind the 'Islamic' brand name" (El-Gamal 196). This view appears to be equally if not more threatening to the Muslim audience because it further endorses a fundamentally incongruous monetary system and causes more confusion among Muslim lay thinkers, arguing that no conflict exists between a debt-based system and Islam.

Additionally, the Quran says that Islam is not meant to be a burden or hardship on human beings (al-Baqarah 2.15), and in cases of necessity, traditional Islamic scholarship has emphasized the flexibility within Islam to allow someone to commit sin out of compulsion (*darurah*). For example, if a person is starving the consumption of pork is permitted, which is typically prohibited. This is because of necessity, which is traditionally a last resort and should be exercised with maximum restraint and minimal pleasure. In the case of Islamic banking, the prohibition of *riba* has not been broken out of necessity, but willfully for profit. That is, the Muslim community has not only been eating, but farming hogs, cooking them on rotisserie grills with the most delectable spices, and enthusiastically placing the product on menus in permanent ink for regular consumption. However, this does not change the fact that the product is forbidden, and whether or not the animals are slaughtered under Islamic law doesn't change the fundamental prohibition. Similarly, participating in *riba* is traditionally viewed as something detested and resorted to only under life-threatening circumstances, not used as a permanent recourse.

Despite this mandate, religious edicts (*fatawa*) have been issued by some of the most prominent and popular contemporary Islamic scholars. The European Council for Fatwa and Research, chaired by Dr. Yusuf Al Qaradawi, has permitted mortgages on homes for Muslims, taking the position that renting in perpetuity is a waste of money. This verdict caused enormous controversy. For many, such edicts have ingrained the idea of acceptance among Muslim laymen and many scholars alike, causing dissention and confusion, and as a result the consumption of *riba*-based products has become a permanent facet of the modern Islamic lifestyle. The word mortgage comes from the Latin words *mortuss*, which means "death," and *gage*, meaning "pledge." Therefore, mortgage equates to "death pledge," which illustrates another financial practice inconsistent with the monotheistic principle of granting respite to the debtor ("Mortgage" 1). By nature a mortgage is a long-term usurious contract and is commonly associated with the stressful perils of paying continuously or risking default.

Opposition to *riba* is weak not only on the microlevel but on the macrogovernmental level as well. The first sequence of Egypt's 2011 revolution had not even concluded before the eager International Monetary Fund and the World Bank had reached terms of a long-term usury-based proposal in the tens of billions of USD with unelected Egyptian intermediate officials, short circuiting any chance for a policy to be approved by the public ("In the News"). The Egyptian government already owes $35 billion externally and $155 billion internally to its own private central bank (Hyde). Minimal resistance was voiced around the world, although Ex-Malaysian Prime Minister Mahathir Mohamed had pleaded with the Egyptian people not to accept such a long-term stranglehold on their future. Furthermore, against the Shia' tradition, the Iranian Central Bank claims it no longer charges usury (*bahreh*), but prefers instead the label "fixedamortized fee" (*kar-mozd*), at a base rate up to 28% (Amiri 1). The Prophet Muhammad (p.b.u.h.) was recorded saying there will come a time in history "when you will not be able to find a single person in all of mankind who will not be consuming *riba*. And if anyone claims that he is not consuming *riba* then surely the vapor of *riba* will reach him" (Ibn Hanzalah). All of the aforementioned emphasizes the necessity of answering the original question; that is, how and why has the Western monetary system become widespread to the point where it is nearly impossible to conduct a transaction in the modern world, including the Islamic world, without engaging in a form of *riba*?

An Islamic Attempt at Reformation

Similar to Christianity, usury had been outlawed until the time when major reforms were attempted in religion, but in the late nineteenth century a reformist group in Egypt provided an opportune climate for interest-charging banks to make their appearance in the Islamic World. The secular government of Turkey would abolish the temporal powers of the Islamic Caliphate in 1922, and then the Caliphate itself in 1924, but it had already essentially fallen to the Young Turk movement in 1908 via coup d'état (Haddad 253). Three of the Arab religious nationalists based in Egypt largely responsible for the widespread dissemination of Islamic reformist concepts were Jamal Ud Din Al Afghani, Muhammad Abduh, and Rashid Rida. These individuals had grown disillusioned with the Caliphate and openly supported the Young Turk movement, endorsing the democratic ideals they purported in a newspaper that Abduh and Rida established called *Al-Manar* (Haddad 254). The Syria-born Rida preferred that the Caliphate be moved to Mecca, perceiving a de facto division of labor between Arabs and Turks in which Arabs better represented religious matters and Turks the secular (Haddad 258).

The British, among others, were politically strategizing with multifaceted regional interests around the faltering Ottoman Empire, and the ramifications of its potential fall toward the late nineteenth century. Prior to that point, according to historian Bernard Lewis in *What Went Wrong*, the Ottomans had been taking loans on interest from Europeans for centuries and were in surmountable debt because of it (ch. 5). The Egyptians were also in financial trouble, and in 1875 the debts of Ismail Pasha had forced his successor to sell Egypt's share of its own Suez Canal to the British. Outraged Egyptians galvanized behind Colonel Ahmed Urabi in the Urabi revolt, which some historians have claimed was instigated by Arab agents of the British (Kedourie 191). Historians disagree about who instigated the revolt, but they do tend to agree that the turmoil resulted in the British recapturing the Suez in 1882 by force, subjecting Egypt to colonization (Livingstone 87). Abduh's role in instigating the revolt culminated in his exile; he spent the following years in Europe writing and studying further under Afghani, who, similarly, was expelled from Egypt and from his Al-Azhar teaching post in 1879 (Cole 276). The two would continue promoting their reformist message from metropolitan cities, such as Paris, where they established a periodical titled *The Unbreakable Bond* (*al-Urwa al-Uthka*; Cole). However, at that point in history Westernstyle banking institutions had not been able to deeply penetrate the Muslim lands due to the Islamic legal prohibitions.

Rida and Abduh represented an Islamic revivalist movement they called the Salafiyya movement. This originated from another movement in Britain during the 1820s called The Oxford Movement, which was supported by Oxford University, the Anglican Church, and King's College of London University. The two movements were first amalgamated in Egypt by Afghani (Livingstone 87). In addition, occult fraternal groups such as The Scottish Rite Freemasons, The Palladian Rite, and The English Rosicrucians supported the movement's objective of rekindling the historic esoteric exchange of ancient Egyptian wisdom once culminated in the Asiatic Brethren, the father occult organization of many European secret societies. The Europeans had discovered the great zeal of Egyptian freemasonry through the French after the first Masonic lodge was established in 1799 under Napoleon (Wissa 143-50). The foundation of such fraternal organizations provided an opportunity for international friendships to be established and ideas to be discussed in an environment that reduced the adversarial element of the relationships. Moreover, the British also had an increased interest in the Suez Canal and operated through Queen Victoria's Foreign Secretary Lord Palmerston. Palmerston, the Patriarch of Grand Orient Freemasonry, born Henry John Temple, was Prime Minister during the Opium Wars and had expressed a written interest in expanding Britain's opium routes, the largest commodity in world trade at that time (Mckoy 172). Britain expressed that such actions were necessary to pay the surmounting debts owed to the private Bank of England (Kalimtgis 1).

Abduh's predecessor, *sheikh,* and spiritual advisor (*murid*), Afghani was also a student of the occult and member of the famous British-influenced Kawkab al-Sharq, (The Star of the East Lodge; no. 1355) becoming its Grandmaster in 1878 (Dreyfuss 118). The eclectic Afghani, an Iranian-born Shia presenting himself as an orthodox Sunni scholar, frequented India, proselytizing for the Bahai' faith while maintaining close ties with French and British intelligence during his frequent travels to Europe (Dreyfus 118). Afghani is heralded as a revolutionary and founder of the Salafiyya, a pan-Islamic movement, which called for a return to orthodox Islam and the resistance of imperialist powers. Still, the Salafists simultaneously had an indiscriminate admiration for the British: "Rida had an accommodating stance. For him, if a Muslim country had to be ruled by a European power, it was preferable that it be British" (Haddad 255).

In 1892, Abduh was named to head the administrative committee of Al-Azhar's mosque and university, the second oldest in the world and the most influential in Islam. From that post, Abduh, who had also joined freemasonry for political reasons, was able to initiate reform in the Islamic system in Egypt by starting an Islamic modernist and nationalist movement (Landau 135). Evelyn Baring Cromer, the British governor over Egypt and influential member of the Baring banking family of Britain had a close personal relationship with Abduh, in fact "His later rise in the official legal hierarchy is shown to have been due to Baring's personal favor" (Landau 135). Finally, in 1899 Lord

Cromer personally installed Abduh as Grand Mufti of Al-Azhar, making him the most powerful legal authority in Islam (Landau 135). Professor Elie Kedouri claims that the situation "added one more link to the long chain by which the Muslim institution was shackled in utter subservience to the Ruling Institution" (38-39).

The Fatwa Permitting Usury

Abduh's first fatwa from his post was one that would immediately impact and shape economics in the Muslim world. The Postal Administration, which at that time was functioning as a banking institution, had established the Egyptian Savings Fund (*Sunduq al-Tawfir*). The fund accepted "cash deposits from individuals that it used for various small investments; in exchange, the fund issued savings 'certificates' that yielded depositors a return on their money calculated according to a fixed and predetermined rate," (Masud 1). This was essentially fractional-reserve banking. In Islam a person who receives a deposit (*wadiah*) is not allowed to trade it because doing so would be considered a transgression of the contract. Regarding the permissibility of the transactions with bank notes, Abduh's verbal fatwa in 1903 stated that transactions must be carried out in accordance with *mudarabah* partnership rules (Ayub 4). He followed up December 5, 1903, in writing: "The stipulated usury is not permissible in any case; where the Post Office invests monies taken from the people, which are not taken as loans based on need, so it would be possible to apply the investment of such monies on the rules of a partnership in *commenda*" (*Al-Manar*, vol. 6 717).

By this decree modernist scholars extrapolated and constructed their argument permitting certain functions of banking, thus allowing banks to exist. Within a short amount of time the interest-lending banks were established throughout the Islamic world. It must be stressed that Abduh was against *riba* in principle but allowed interest in savings funds and did not put any stipulations on banks that would prevent them from expanding their practices or require them to be "Islamic." By its definition, the *Commenda* contract is similar to a loan contract (*qirad*). Abduh reevaluated the stipulation of earning interest on it, thus opening the door to interest-based banking in the Islamic world for the first time in over thirteen centuries.

Rida followed up with his own fatwa in the periodical *Al-Manar* on Abduh's acquiescence to the Savings Fund on the grounds that it benefited the government (Haddad 1). *Al-Manar* was distributed throughout the Muslim world, and Rida's ideas represented a growing Islamic movement of progressive reformers. However, because the interest based system would end in financial devastation for Muslim countries, it is not clear why such anticolonialists would seek to establish a system of banking introduced by the colonizer. Author Albert Memmi, who would later define "the colonized mind," provided perspective on this issue suggesting that colonized people desire to become like their colonizers in every aspect and that "The first ambition of the colonized is to become equal to that splendid (European) and to resemble him to the point of disappearing in him" (120). This is illustrated by the general acceptance Rida showed to Western imperialists, although it was likely an unconscious cogitation:

> There is nothing in our religion which is incompatible with the current civilization, especially those aspects regarded as useful by all civilized nations, except with regard to a few questions of usury I am ready to sanction everything that the experience of the Europeans before us shows to be needed for the progress of the state in terms of true Islam. (*Al-Manar*, vol. 12 239)

The trend consistently gravitated in favor of the imperialist structure and against the self-interest of the economic health of Muslim countries. The ramifications of the capitulation to *riba* would have a traceable trajectory. After obtaining permission to move into Islamic lands in the late nineteenth century, it was not long before Western banks were the dominant financial entity in the Muslim world. This was due to their ventures being safeguarded by collecting interest on their investments regardless of their actual success; in contrast, Islamic capital investors had to be willing to accept the risk of not recouping their investment upon failure. In an edict surprising to some, in December 2002 (just a century removed from the reforms), Al-Azhar's Institute of Islamic Jurisprudence issued a fatwa reiterating the legitimization of collecting interest on bank deposits and other aspects of Western banking (El-Gamal 9). It is surprising that Islamic scholars of an economically devastated Egypt have not come to the conclusion that an inherently usurious system is part of their systemic financial woes.

Islam suffers from much of the same schism as Christianity. The crux of the ideological difference of opinion (*ikhtilaf*) between the traditional Sunni position and the

Salafi's is that the orthodox Sunnis believe in adhering to the traditional edicts of the four remaining schools of thought (*madhahib*) that have a verifiable lineage of scholarship stemming back to the Prophet (p.b.u.h.). Their claim is that adhering to traditional orthodoxy prevents deviating from the established Islamic parameters set forth during the early Islamic era. The criticism regarding this method of scholarship is that it prevents Islam from adapting to times and places and renders Islamic jurisprudence as irrelevant and antiquated in some instances. However, Salafis believe in making new edicts after reexamining canonical texts (*ijtihad*), and the general criticism of this notion is that concepts incompatible with Islamic principles may make their way into Islamic thought. The theological debate continues as Islam struggles to implement its ordinances without its original leadership structure. It is notable that by adhering to traditional scholarship, interest-based banks never had an opportunity to operate within Islamic territories. Of the Salafis, Lord Cromer later commented in jest that they were "the natural allies of the European reformer" (Livingstone 96). Within the Islamic tradition it is impermissible to overly criticize people, especially if they are deceased; therefore, Muslims do not seek opportunities to blame the Egyptian or Turkish reformists for their contemporary economic woes. Nevertheless, an analysis of the economic chain reactions from that period is lacking among contemporary scholarship and would seem critical to reconcile the current conditions.

The Emergence of Islamic Banking

After the Second World War, Muslim lands were divided up among the imperialists and were transitioned to a new type of governance: secular constitutions and monarchs were installed and statehoods were born. During the twentieth century, institutions such as the United Nations, International Monetary Fund, and World Bank were established to dictate legal and economic affairs for the world. As secularism and capitalism were developed in areas formerly governed by the laws of Islam, the transition presented issues as to how economic decisions were to be made. One of the greater fears of the Muslims was that secular laws developed from secular humanistic principles were to replace God's laws. Abdicating God's decree in favor of humanism and surrendering sovereignty to the state rather than to God are among the greatest sins in Islam (i.e., blasphemy, or "*shirk*"; Hosein 8-9). From this quagmire arose new problems unbeknownst to previous Islamic civilizations.

In the absence of the traditional Caliphate system, the susceptibility of the Muslims was significant regarding financial matters that were new, foreign, and had not been widely studied from an Islamic perspective. This vulnerability contributed to the economic subjugation of the involuntary acceptance of paper money that had replaced the long-standing dinar and dirham as currency. Moreover, central banking methods promulgated practices that insisted on abandoning gold. For example, section 2b of article 4 of the International Monetary Fund's Articles of Agreement prohibit all member countries from keeping gold as a reserve currency. This creates a dependence on the fiat money system. For all Muslim-majority member countries, the inconceivable had occurred: money with intrinsic value had become forbidden (*haram*) even though it was permissible by Allah (*halal*; Hosein 9-12). Consequently, communities of faith faced numerous issues under this new secular rule, such as how to pay their *zakat*, dowries for their weddings, debts, and other contractual obligations that required payment with assets. Instead of trying to reimplement the dinar and dirham, Islamic modernists sought ways to "Islamicize" capitalism. Numerous works such as Dr. Umer Chapra's To*ward a Just Monetary System* or Maulana Maudidi's T*he Economic Problem of Man and its Islamic Solution* document how attempts were sought out to develop strategies based on the traditional approach of profit-and-loss investing. However, by capitulating to the use of paper money under the capitalist system, the model would face many unforeseeable problems (Maurer 651).

The first Islamic banks were developed in an economic environment dominated by the West and established upon the principles of debt-based finance, which were not *shariah*-compliant (Hosein 6-8). An experiment using paper money invested under some Islamic guidelines was pioneered in Mit Ghamar, Egypt, which some Muslims deemed successful (Iqbal 36). From that initiative several Islamic financial institutions began to emerge in Egypt; the movement gained further momentum with the establishment of Dubai Islamic Bank and Islamic Development Bank of Jeddah in 1975 (Iqbal 37). These banks were established by the Organization of Islamic Cooperation and its member countries which had organized conferences in Jeddah, Saudi Arabia in 1973 and 1974 with the intent of establishing Islamic banking institutions that would attempt to work around the issues that the *riba*-based economy presented (Iqbal 36-37). Such conformity posed no threat to capitalism. The cost of funds in banking always begins with debt, and IFIs were obliged to conform. Shortly thereafter, demand increased and Western banks began adding their versions of Islamic windows within their institutions; the UK followed the trend in 1996 (Iqbal 37).

The products that the IFIs offer are based on modern interpretations of Arabic terms that describe transactions that took place during the era of Muhammad (p.b.u.h.). Historically, IFIs have attempted to replicate Western products to compete with the numerous financial products on the market and to provide alternatives for religious-minded individuals who are wary of *riba*. However, tackling the issue of usury has been problematic. The history of the products started out simply, with the IFIs offering either *musharakah* or *mudarabah* transactions. *Musharakah*, which denotes a partnership, requires investors to invest liquidity to begin a business venture and to divide the returns on the investment accordingly on the basis of its profitability (Iqbal 37-43). *Mudarabah* works similarly, but allows for silent partners to invest liquidity into businesses with no intent or requirement of being personally involved in the daily operations (although, they still share in the proceeds; Iqbal 66-68). These two models are typical of classical profit-and-loss schemes, but as the industry expanded its practices, the moral and ethical dilemmas multiplied.

As the IFIs expanded their product lines to compete with banks, the capitalist system's incompatibility with *shariah* law became more apparent. Products such as selling on a deferred-payment basis began to emerge to compete with automobile and property loans. Consequently, issues emerged with the "cost of funds" in relationship to inflation, which necessitated adding interest to the principle to recoup losses suffered from inflationary economic conditions. In addition, *ijarah* leases began to emerge, emulating conventional banks' lease-finance products. The *ijarah* leases required lease-buy-back subcontracts, raising another issue that *shariah* prohibits, recording two separate agreements involving one single transaction. IFIs and their products were difficult to insure because they did not conform to the same stipulations that traditional banking institutions had pioneered in terms of guarantees on returns.

The issue of insurance arose during the 1980s, demonstrating further capitulation of the Islamic principle against chance (*gharar*). The earliest classical Islamic version of insurance offered ship captains a refund if no catastrophe befell their vessel during a voyage; however, the modern concept of insurance is considered by classical Islamic jurists as a way of profiting from the likelihood of misfortune. In 1985, however, the Organization of Islamic Cooperation had declared modern Islamic insurance (*takaful*) insurance as fully *shariah* compliant (Billah 207). The IFIs continued their attempt to Islamize the entire range of conventional financial products. This process went so far as to introduce "Islamic" derivatives and treasury bonds, which has developed into the growing *sukuk* bond market in Malaysia and the Arabian Gulf. The *sukuk* bonds stipulate a guaranteed return on investment in the same manner that traditional bonds do, which, again, contains elements of *riba* due to the removal of risk. Islamic banking is now presented globally by its supporters as a legitimate interest-free alternative, although, as El-Gamal has detailed, these banks charge the same amount of implied interest if not more than Western banks (El-Gamal 51-54).

CHAPTER 7

CONCLUSIONS

In the first two chapters the parameters for Islamic business practices and prohibitions were explained to define what constitutes money under *shariah* law and to describe what limitations exist regarding transactions involving any component of *riba*. The Quran says to "trade according to mutual consent" and allows money to take different forms as long as it is recognized for its intrinsic value (al-Nisa 4.29). The discussion around usury and faith has been around for thousands of years and has been commented on by many different scholars. Surveying the available literature, it becomes clear that the distinct historical element of controversy in economic environments afflicted by money lenders around the world is the immorality associated with usury. Therefore, by establishing the historical trajectory of usury's prohibition, right from the onset of the Abrahamic tradition and continuing up until the time of Muhammad (p.b.u.h.), the prohibition was an instrumental part of the prophetic tradition in protecting society from economic injustice.

The literature on usury's prohibition has focused on two distinct groups of people: Islamic bankers and others who support usury in faith-based economic activities and secular humanists who support the idea that people can decide for themselves what activities are appropriate for society. Further expanding on the two camps, it becomes clear that faith-based injunctions prioritize other needs over profitability, such as security and morality. On the other hand, capitalism places all other goals as secondary to the pursuit of profit, such as ethical restrictions and spiritual requirements. Therefore, as capitalism developed and the monetary system of today expanded throughout the world, the philosophies of the major religions neither hindered nor impacted capitalism's development because the religious prohibitions were not taken into serious consideration. However, specifically dealing with the orthodox Islamic laws, it was necessary to trace specific instances related to the prohibition of *riba* to verify what the orthodox scholars have recorded. In doing so, the historical arguments against usury were analyzed in the context of the Abrahamic tradition. That *riba* is forbidden in Islam is unchallengeable. However, it was necessary to further investigate the philosophical principles behind capitalism and the fiat monetary system before reaching a verdict on its incompatibility with Islam.

The third chapter took a more in-depth look at how the Judeo-Christian prohibitions of usury were historically executed, only to be later overturned by a redefinition of orthodox terms and interpretations. Analyzing the ways that religious establishments lost ground on the issue helped to contextualize the Islamic struggle that has taken place more recently. By investigating why commentators took their positions on the issues of usury, it became even clearer that usury was not only unnecessary for an economy to function but that its prohibition was essential for long-term economic stability. Furthermore, opposition to usury only succumbed after centuries of fierce resistance by Christians. The official religious orthodoxy ultimately lost the battle by attrition. In this context, it became clearer that Islam's similar struggle has been determined by twentieth-century developments related to the almost simultaneous fall of its political and economic systems.

The fourth and fifth chapters established the most critical points of this study: capitalism and fractional-reserve banking are exploitative in nature, and attempts to reform Islam to adapt to capitalism are the primary reasons that such incompatible methods are amalgamated today in the form of Islamic finance. In hindsight, the discernible factors leading to the establishment of fractional-reserve banking in the Muslim world were identified. The traceable impact was largely due to the social instability and indebtedness of the Muslim world during the late nineteenth century, especially in Egypt and Turkey. During that period the impact of Western ideology on the rising Turkish and Egyptian nationalistic elite was transmitted through public and private dialogue, including freemasonic lodges, which were a vehicle for solidarity and an interchange of ideas between the colonizers and the indigenous aristocracy (Keddi 46-54). Defining the scope of freemasonry has troubled many scholars; therefore, defining its function is beyond the scope of this study. However, it is a system of considerably low visibility, or "the extent to which a movement's activities are open for inspection by the public," and is clandestine in many aspects (Wissa 143-48).

It is not possible to objectively clarify what the specific intentions were of Egypt's religious nationalists, such as Abduh and Afghani, or to furnish evidence of their ambitions to suborn Islamic understanding of social relations. Nevertheless, it is an established understanding that serving multiple ideological interests commonly results in a conflict with religious tenets; especially within Islam, which is not a belief system identifiably compatible with occultism in principle. The intrinsic motivation of working toward organizational goals of clandestine organizations seems to have obfuscated the consciousness of Egyptian reformers such as Abduh and Afghani enough for them to render macroeconomic strategies for Islam despite apparent conflicts of interest. Capitalism overrides religion rather than interacting with it and continuously bends capricious laws in addition to necessitating several functions that are incompatible with Islam. One such function is interest, whether explicit or hidden; another is the endorsement of fractional-reserve banking, in which promissory notes replace specie, simultaneously requiring the rejection of gold and silver as currency.

Two aspects repeated in the Quran are the necessity of establishing justice (*'adalah*) and, equally important, identifying signs of religious hypocrisy (*nifaq*). Leaders of IFIs claim that their institutions promote justice, but the markets they are associated with continue to fail large numbers of impoverished people around the world. Political commentator John Perkins (6-12) explains in *The Confessions of an Economic Hitman* that having the U.S. dollar as the world reserve currency has worked as a blatant tool for exploitation and an indirect tax on people through inflation. He further elucidates some of the shocking numbers from the Central Intelligence Agency's *World Factbook* as evidence of how the unbridled pursuit of wealth has left the masses to misfortune with little concern for justice and ethics. Additionally, Perkins (6-12) explains how the professed "debt-relief packages" offered to 27 countries, mostly from Sub-Saharan Africa, have directed approximately 45% of the Gross National Income to paying interest on their debts. The irony is that the system, which has proven to be unethical and to inhibit wealth distribution, is being emulated by IFIs with the expectation of different results. Since the claims of establishing economic justice have failed, the true objectives of IFIs fall under scrutiny.

The aforementioned systematic problems have emanated from the unchecked creation of money lent on interest, the reliance on market forces without enough ethical limits, the overemphasis on growth versus distribution, and the unethical participation of a fourth social class that pursues greed and unchecked profit (Swan 414-16). On the other hand, the Abrahamic tradition has consistently prohibited usury to prevent these conditions. Some of the capitalists' theories examined in the fourth chapter alluded to the fact that alternatives to debt-based lending have proven to be immensely productive and feasible. Viable models have faced enormous resistance, such as economist David Ricardo's proposal for a national bank of England in 1824, which he intended to be backed by specie. Another example was the system practiced in the United States under Abraham Lincoln in 1862 with his issuance of $450 million Greenback Dollars, similarly backed by specie (Swan 416). However, the seemingly obvious and historically proven system, which is not in conflict with Islamic principles, is the use of gold and silver coins as currency.

This study concludes by suggesting that Islamic scholarship has grossly misidentified the ethical principles associated to capitalism, fractional-reserve banking, and the use of electronic and paper money as legal tender, thus not only allowing but supporting the rise of an industry that mimics the tactics and approaches to capitalist business. Such an industry has arisen in the form of Islamic banking, which upon further investigation appears to be quite contradictory to the Islamic tradition. The failure of Islamic scholarship to assess the incongruence between Islamic and capitalist practices resembles similar struggles in the history of the Abrahamic faith. The lessons of history have clearly demonstrated that if usury has a place in the marketplace, its ability to centralize wealth enormously overpowers other market forces. Therefore, acquiescence on behalf of the Muslim societies occupied by the imperialists between the nineteenth and twentieth centuries and the fall of the Islamic Caliphate can be better assessed from an economic perspective. This study makes a distinct contribution to the academic discourse by detailing how Islam has been functioning outside of its traditional and defined economic parameters for almost an entire century, which may explain some of the erratic and tumultuous conditions that are prevalent in Muslim areas, both economically and politically. Islamic banking was born out of and has developed within such unfavorable conditions, which can explicate how this mammoth philosophic conflict continues.

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