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The Universal Condemnation on the Practice of *Riba*

Pengutukan Universal terhadap Pengamalan *Riba*

Mohamed Ashraf bin Mohamed Iqbal, * and Mohammed Farid Ali al-Fijawi**

Abstract

The purpose of this paper is to examine the notion of *riba*. *Riba* is the only transgression in the Quran which invokes war on Allah SWT and his Messenger SAW. This writeup examines *riba* with a threefold objective: i) to establish that *riba* is a universal prohibition and not just an Islamic injunction, ii) to understand that *riba* was a widely entrenched practice during the time of the Prophet SAW, and that the abolishment of *riba* was done in stages according to the revelation of the Quran and, iii) to explain why *riba* is so detrimental to society.

Keywords: *Riba*, Stages of Revelation, Prohibition, Universal Prohibition, Usury.

Abstrak

Tujuan kertas ini adalah untuk melihat pendapat *riba*. *Riba* adalah satu-satunya pelanggaran dalam Qur'an yang memakan perang terhadap Allah SWT dan Rasulullah SAW. Penulisan ini mengkaji *riba* dengan tujuan tiga kali: i) untuk menetapkan *riba* itu adalah suatu larangan sejagat dan bukan sekadar injunksi Islam, ii) memahami bahawa *riba* adalah amalan yang luas di masa Nabi SAW, dan pemansuhan *riba* dilakukan secara berperingkat mengikut wahyu Al-Quran dan, iii) untuk menjelaskan mengapa *riba* sangat memudaratkan masyarakat.

Kata kunci: *Riba*, Peringkat Wahyu, Larangan, Larangan Universal, Usury.

1. Introduction

While there is general perception that only Muslims are concerned about *riba*, and that *riba* means interest, and that the difference between an Islamic bank and a non-Islamic bank is the former doesn't

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charge interest while the latter does is an oversimplification of the issue. There is an urgent need for the world to come to realisation that *riba* is a universal prohibition and what Islamic banking is trying to do is to solve a universal problem. However using the word Islamic as an adjective to banking can make it appear that *riba* is a problem exclusive to Islam rather than inclusive to all humanity. **The objectives of this paper are to:**

- Demonstrate that *riba* is a universal prohibition and not merely an Islamic injunction by providing evidence from the works of agnostics and other religious text
- To examine the prohibition of *riba* in Islam, other religion, and cultures
- To explain in economic terms, why *riba* is harmful to society

2. The Universal Condemnation of *Riba*

A quick study of the available literature on “*riba*” or “usury” shows that every society and religion through the known history of mankind has condemned its use as it has the long term impact of impoverishing the poor while enriching the rich. In this section of the paper, short snippets will be presented simply to outline, without a need for discussion, the universality of the problem.

This outline will cover the views of Greek philosophers followed by those of the secular economist, then a peek into the sacred texts of Hinduism and Buddhism and finally the revealed books Judaism, Christianity and Islam that is the Torah, Bible and the Quran.

A. Greek Philosophers Condemnation of *Riba*

According to David,¹ Plato condemns usury in two of his works, *Plato’s Republic* and *Law’s*. Aristotle, who was Plato’s student, condemned usury as “*interest as an unnatural breeding of money by money.*” The basis of argument is simple:

“Aristotle defined money as a good that was consumed by use. Unlike houses and fields, which are not destroyed by use, money must be spent to be used. Therefore, as we cannot rent food, so we cannot rent money. Moreover, money does not reproduce. A house or a flock can produce new value by use, so it is not unreasonable to ask for a return on their use. Money, being barren, should not,

¹ Jones W. David, *Reforming the Morality of Usury: A Study of Differences that Separated the Protestant Reformers*, America: University Press of America, 2004.

therefore, be expected to produce excess value. Thus, interest is unnatural.”

Cato and Seneca condemned usury and equated it as the same as murder as it consumed the life of the borrower. These sentiments manifested into complete outlawing of interest by the Republican Rome (340 BC). The Democratic party in Rome rededicated to the cause of charging interest on debts. Under Julius Caesar a ceiling of 12% interest rate was set.²

From the above, it can be seen that even the philosophers and the greatest thinkers of all time, condemned *riba* as it enriched a few and impoverished the many. These are people who had reached their conclusions not from religious doctrine but from a rational mind.

B. Economist Condemnation of *Riba*

Adam Smith who is credited as being the father of capitalism, in his book the *Wealth of Nations*³ warned against usurious practices. J.M. Keynes, who, although was not a proponent of the church, in his book “The General Theory” agreed with the church’s view that the practice of usury was harmful to the economy.

A complete reading of Adam Smiths’ work and that of John Maynard Keynes, will demonstrate that even the two most prominent secular economists who are considered fathers of capitalism condemned the practice of *riba*. Their argument against *riba* is that:

“It starves the market from investments in the real economy which is beneficial a majority of people and instead fuels growth in the financial economy which has very little value add and only benefits a few people.”

It is easier and less risky to make money by lending money than to make money by taking risks and as a result of that people will find ways and means of getting better at lending money rather than undertaking risk.

Adam Smith and Keynes approached the issue of *riba* from a macroeconomic perspective stating that the effect of usurious practices will cause a decoupling between the real and the financial economy and

² Wayne A.M. Visser and Alastair McIntosh, “History of Usury Prohibition: A Short Review of the Historical Critique of Usury,” *Accounting, Business & Financial History*, 8 (2) July 1998, 175-189. http://www.alastairmcintosh.com/articles/1998_usury.html

³ Ibid; Smith, Adam, *The Wealth of Nations*, Book 1, Chapter 9: Of the Profits of Stock.

that because of risk, it will be far better to keep money circulating in the financial economy thus starving the real economy of investment capital.

C. Hindu Condemnation of *Riba*

According to Visser and McIntosh⁴ as early as 2000-1400 BC the Vedic Text of Ancient India spoke of the “*kusidin*” who is a person who lends with interest. In the Sutra Texts circa 700-100BC contempt was expressed for these *kusidins*. Vasishtha, who was a renowned lawmaker, enacted anti-ursury laws which forbade the Brahmins and Kshatriyas (the ruling class) from being usurers.

However by the year 200AD the stance against usury got diluted and it stated in the Law of Manu that the “Stipulated interest beyond the legal rate being against (the Law), cannot be recovered: They call that a usurious way.” As a result, usury was redefined to mean interest charged above the stipulated rate.

D. Buddhist Condemnation of *Riba*

Siddhartha Gautama Buddha laid out what is known as the Eight Fold path as the main principles of the belief system.⁵ The eight are: 1. Right View, 2. Right Thought, 3. Right Speech, 4. Right Bodily Action, 5. Right Livelihood, 6. Right Effort, 7. Right Mindfulness, 8. Right Concentration.

It is purported that the prohibition of usury is embedded in the 5th path which reads as:

Right livelihood (*sammá-ájiva*): abstaining from a livelihood that brings harm to other beings, such as trading in arms, in living beings, intoxicating drinks, poison, slaughtering, fishing, soldiering, deceit, treachery, soothsaying, trickery, usury, etc.

Buddhism, which is an offshoot of Hinduism also strongly, condemns the practice of *riba* due to the nature of *riba*. But in both cases, there is no explanation of why it is condemned.

⁴ Wayne A.M. Visser, McIntosh A, “A Short Review of the Historical Critique of Usury,” *Accounting, Business & Financial History*, 8:2, July 1998, pp. 175-189.

⁵ <http://www.thebigview.com/buddhism/eightfoldpath.html>

E. Torah Condemnation of *Riba*

A simple reading of the verse from the Torah, makes the prohibition of *riba* clear:

- Exodus 22:25 “*If thou lend money to any of My people, even to the poor with thee, thou shalt not be to him as a creditor; neither shall ye lay upon him interest*”
- Leviticus 25:35-36 says “*And if thy brother be waxen poor, and his means fail with thee; then thou shalt uphold him: as a stranger and a settler shall he live with thee. Take thou no interest of him or increase; but fear thy God; that thy brother may live with thee. Thou shalt not give him thy money upon interest, nor give him thy victuals for increase.*”
- Deuteronomy 23:20-21 “*Thou shalt not lend upon interest to thy brother: interest of money, interest of victuals, interest of any thing that is lent upon interest. Unto a foreigner thou mayest lend upon interest; but unto thy brother thou shalt not lend upon interest; that the Lord thy God may bless thee in all that thou puttest thy hand unto, in the land whither thou goest in to possess it said you could not charge your brother usury.*”

From the above verses of the Torah, it is evident that *riba* was prohibited in totality but in Deuteronomy the prohibition was relaxed, that it was only prohibited in lending between the Jews but allowable in lending to non-Jews.

F. Bible Condemnation of *Riba*

Usury is condemned in the Bible in verses such as:

- Ezekiel 18:7-8; makes it clear that the righteous do not lend at usury; and that usurers “shall not live.”
- Ezekiel 18:13; He lends at usury and takes excessive interest. Will such a man live? He will not! Because he has done all these detestable things, he will surely be put to death and his blood will be on his own head.
- Luke 6:35; the strongest rejection of loans at interest came from Christ, where He says “Lend, hoping for nothing in return.”
- Jeremiah 15:10; Woe is me, my mother, that you have borne me, A man of strife and a man of contention to the whole

earth! I have neither lent for interest, nor have men lent to me for interest. Every one of them curses me.

From the verses of the New Testament, the permissibility of lending with interest to others is completely rejected and its condemnation is unambiguous and strong.

G. The Church of England

Special mention must be given to King Henry VIII who was given the title “defender of the faith” by the Pope in 1521 and made himself the head of the new “Church of England.” According to Thomson,⁶ his motivation to become the head of the church was not because of Christianity as “*he never claimed to following the original teachings of Jesus*” but so that he could “*divorce Catherine of Aragon, remarry and divorce thereafter as he pleased, and help himself to the wealth of the church as he pleased.... going so far as to legalise usury....*”

From the above statement, one can infer that up to 1521 usury was prohibited in England and to legalize what was illegal, Henry VIII had to create his own church. Implicit in this is that usury must have also been prohibited by the Roman Catholic Church, or why else would Henry VIII need to create his own church?

A clear case has been presented to demonstrate that *riba* is taken to mean as lending on interest and that the condemnation of lending on interest is universal. Now we will look at the Quranic injunction against *riba*.

3. The Qur’anic Condemnation of *Riba*

For everything that has been said in Islamic banking about *riba*, one would be hard pressed to find a clear definition in the Qur’an on what *riba* really is. In this section of the paper we will try to define the meaning of *riba* and to look at the sequence of revelation of the verses in the Qur’an from which we will infer the manner *riba* was abolished at the time of the Prophet SAW.

A. The Definition of *Riba*

The Quran interestingly enough does not have a specific definition for *Riba*. Unlike the philosophers, economist, Hindu & Buddhist

⁶ Thomson, Ahmad, Muhammad ‘Ata’ur-Rahim, *Jesus Prophet of Islam* (Jeddah: International Islamic Publishing House, 2008), pp 154.

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scripts and the old and new testament whereby *riba* is defined as interest or interest above a certain rate, in the Quran there is no such definition.

According to various commentators, the reason that the Quran doesn't specifically define what *riba* is, is because it was a well know practice at that time and required no explanation.

Below are the verses directly related to *riba* based on the Yusuf Ali's translation:

- Those who practice usury will not rise from the grave except as someone driven mad by Satan's touch. That is because they say, 'Trade is the same as usury.' But Allah has permitted trade and He has forbidden usury. Whoever is given a warning by his Lord and then desists, can keep what he received in the past and his affair is Allah's concern. But all who return to it will be the Companions of the Fire, remaining in it timelessly, forever. (2:275)
- Allah obliterates usury but makes charity grow in value! Allah does not love any persistently ungrateful wrongdoer. (2:276)
- You who believe! Have fear of Allah and forgo any remaining usury if you are believers. If you do not, know that it means war from Allah and His Messenger. But if you repent you may have your capital, without wronging and without being wronged. (2:278-279)
- You who believe! Do not feed on usury, multiplied and then remultiplied. Have fear of Allah so that hopefully you will be successful. (3:130)
- And because of their practicing usury when they were forbidden to do it, and because of their consuming people's wealth by wrongful means, We have prepared for the disbelievers among them a painful punishment. (4:161)
- What you give with usurious intent, aiming to get back a greater amount from people's wealth, does not become greater with Allah. But anything you give as alms, seeking the Face of Allah-all who do that will get back twice as much. (30:39)

In addition to the above there are some verse which are indirectly connected to *riba* such as:

- Do not devour one another's property by false means nor offer it to the judges as a bribe, trying through crime to knowingly usurp a portion of other people's property. (2:188)

The Universal Condemnation on the Practice of *Riba*

- You who believe! Do not consume one another's property by false means, but only by means of mutually agreed trade. And do not kill yourselves. Allah is Most Merciful to you. (4:29)
- You who believe! Many of the rabbis and monks devour people's property under false pretenses and bar people from access to the Way of Allah. As for those who hoard up gold and silver and do not spend it in the Way of Allah, give them the news of a painful punishment. (9:34)

It is in these verses that the operational definition of *riba* in the Qur'an becomes clearer. From Lane's Lexicon, the classical meaning of *riba* is:

(*Ra-Ba-Waw*) addition obtained more than what is supposed to be received, become high/grown up/large/swollen/risen, mount up, to grow/swell, out of breath, panting. *Rabiyatun* - ever-increasing, severe. *Arba* (comp. form) - more numerous, more increased.

As can be seen *riba* is about a phenomenon that has the effect of getting more than what is due. Therefore *riba* is simply not limited to interest only, but to any act which results in the unjust expropriation of another's property. This is consistent with Rasullulah SAW's farewell sermon (*Khutbah Wida'*) where he proclaimed that the property of a Muslim is sacred as life is and he asked that all wrongly expropriated property be returned to the owners.

Allah SWT the gives examples of how this expropriation happens, either through the legal system by inducing judges or as the case has been by the church and monasteries taking in contributions in the name of guidance but in reality misguiding people away from the truth. *Riba* is also found in false trading where there is misrepresentation of quality or quantity of the goods and services, inducing the buyer to pay more for what is really worth less.

So heinous, the act of *riba* is that it is the only transgression that is construed as an act of war that Allah SWT and HIS messenger SAW will go to war against those who practice *riba*.

B. The Sequence of Revelation

There are two key discussions with regards to the verses dealing with *riba*. The first is the discussion whether verses 2:275-281 are indeed the last verse to be revealed and the second is, of the 4 verses deal-

ing with *riba* (Al-Baqarah 2:275-281, Al-Imran 3:130, An-Nisa 4:161 and Ar-Rum 30:39) what was the sequence of revelation.

From the literature⁷ all the arguments that place the verses 2:275-281 as the final revelation is based on what was said by Sayyidina Umar Al-Khattab r.a. He is purported to have said:

“Ali bin Muhammad and Abu Bakr bin Abi Shaybah related to us saying: Waki‘ related to us: Sufyan related to us: ‘Amr bin Murrah related to us from Murrah bin Sharahil saying that:

‘Umar bin al-Khattab said: Three (matters), if the Messenger of God had explained them, it would be dearer to me than this world and all that is in it: *al-Kalalah*, *al-Riba*, and *al-Khilafah* (*Ibn Majah*, 2717)”

However the above is a minority view. There is a strong mainstream argument that puts verse 5:3 as the final revelation and it is a position that we concur with.

“... This day have I perfected your religion for you, completed My favour upon you, and have chosen for you Islam as your religion. But if any is forced by hunger, with no inclination to transgression, Allah is indeed Oft-forgiving, Most Merciful.” (Al-Nisa, 5:3)

According to Saiful Rosly,⁸ the revelations came down in the following sequence: He describes the first revelation concerning *riba* as the “*Moral Denunciation of Riba*” in Surah Al-Rum (30: 39) which reads as:

“That which ye lay out for increase through the property of (other) people, will have no increase with Allah: but that which ye lay out for charity, seeking the Countenance of Allah, (will increase): it is these who will get a recompense multiplied.”

⁷ Dr. Ahmad Shafaat, *Islamic Perspectives, Riba in the Quran*, Part 1, 2005 (<http://www.islamicperspectives.com/Ribal.htm>)

⁸ Rosly, Saiful Azhar, *Islamic Banking and Financial Markets* (Kuala Lumpur: Dinamas Publishing, 1995).

He describes the second revelation concerning *riba* as “*Riba and the Jews*” in surah An-Nisa 4:161 which reads as:

“That they took usury, though they were forbidden; and that they devoured men's substance wrongfully;- we have prepared for those among them who reject faith a grievous punishment.”

He describes the third revelation concerning *riba* as “*Legal Prohibition of Riba*” in surah Al Imran 3:130 which read as:

“O ye who believe! Devour not usury, doubled and multiplied; but fear Allah; that ye may (really) prosper.”

And finally he describes the fourth revelation concerning *riba* as “*Al-Bay‘* as the alternative to *Riba*” in surah Al-Baqarah 2:275-281 which reads as:

“Those who practice usury will not rise from the grave except as someone driven mad by Satan's touch. That is because they say, 'Trade is the same as usury.' But Allah has permitted trade and He has forbidden usury. Whoever is given a warning by his Lord and then desists, can keep what he received in the past and his affair is Allah's concern. But all who return to it will be the Companions of the Fire, remaining in it timelessly, forever. (2: 275)

Allah obliterates usury but makes charity grow in value! Allah does not love any persistently ungrateful wrongdoer. (2: 276)

You who believe! Have fear of Allah and forgo any remaining usury if you are believers. If you do not, know that it means war from Allah and His Messenger. But if you repent you may have your capital, without wronging and without being wronged. (2: 278-279)

If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if ye remit it by way of charity, that is best for you if ye only knew. And fear the Day when ye

shall be brought back to Allah. Then shall every soul be paid what it earned, and none shall be dealt with unjustly. (2: 280-281)

4. The Detrimental Effects of Riba

a. The Guarantee of Property Rights and Private Ownership

A distinguishing characteristic of the Quran is the extent to which it touches on property rights, private ownership and the need to honour those rights. The reason for this is because the Quran makes it clear that in reality, Allah SWT is the owner of everything and we merely are his agents, managing on Allah's behalf based on the rules that Allah SWT has prescribed in the Quran.

However, as stated above, we also know that to Allah SWT belongs everything in the heavens and in the earth. So if Allah SWT owns everything, how then can we make a claim on what Allah SWT owns? In surah 7:128 reads: "... *He causes us (in our role as his Khalifah on earth) to inherit things...*" and thus our claim of ownership. However this inheritance is conditional, as attached to it are both rights and obligations of the inheritor.

Examples of the conditions specified are that:

- the property cannot be used wastefully or cannot deprive others of their justly acquired property (Yusuf Ali: And do not eat up your property among yourselves for vanities, nor use it as bait for the judges, with intent that ye may eat up wrongfully and knowingly a little of (other) people's property. 2:188)
- one should not turn over one's own property to those incapable of managing it (2:5)
- Inheritance rights are not only respected (4:33)
- Property rights of women are as sacred as those of men in other cases as well (Yusuf Ali: And in no wise covet those things in which Allah hath bestowed His gifts More freely on some of you than on others: To men is allotted what they earn, and to women what they earn: But ask Allah of His bounty. For Allah hath full knowledge of all things. 4:32)
- We have to pay Zakat on what we own.
- There are also limitations to what we can own, for example, men cannot own women, (Yusuf Ali: O ye who believe! Ye are forbidden to inherit women against their will. Nor should

ye treat them with harshness, that ye may Take away part of the dower ye have given them,-except where they have been guilty of open lewdness; on the contrary live with them on a footing of kindness and equity. If ye take a dislike to them it may be that ye dislike a thing, and Allah brings about through it a great deal of good. 4:19)

The Prophet SAW emphasized the importance of property rights in his farewell pilgrimage by declaring to the assembled masses "Nothing shall be legitimate to a Muslim which belongs to a fellow Muslim unless it was given freely and willingly."

The Qur'an mandates the respect for property rights be extended to all human beings regardless of religious faith (Yusuf Ali: Among the People of the Book are some who, if entrusted with a hoard of gold, will (readily) pay it back; others, who, if entrusted with a single silver coin, will not repay it unless thou constantly stoodest demanding, because, they say, "there is no call on us (to keep faith) with these ignorant (Pagans)." but they tell a lie against Allah, and (well) they know it. (3: 75)

b. *Riba*, the Economy and the Dignity of Man

In surah Al-Nisa (4: 82) Allah SWT says: "Do they not consider the Qur'an (with care)? Had it been from other than Allah, they would surely have found therein much discrepancy."

The Quran, having gone at length to clarify, legitimize and protect property rights cannot than allow for a loophole to usurp these rights. That loophole in society is the practice of *riba*, henceforth its heavy condemnation. When in operation *riba* makes the rich richer and the poor poorer. It is the poor whose property gets expropriated by the rich and in the process not only do they lose their property but also their dignity.

Kamali⁹ states that,

"Islam's perception of human dignity is predicated on the unity in origin of mankind and its basic equality in regards to the essence of humanity, rights and obligations. Islam's outlook on moral values and ethical norms that constitute the foundation of affirmative social and human relations is also essentially monolithic. Human dignity, human rights

⁹ Kamali, Mohammad Hashim, *The Dignity of Man: An Islamic Perspective* (Kuala Lumpur: Ilmiah Publishers, 2002), p. 103.

and human obligations gain strength and substance when they are accepted and supported by mankind as a whole.”

The only mechanism that we have to preserve and protect the dignity of man is in a well-functioning economy and a well-functioning economy can only be achieved by following the rules that Allah SWT has specified in the Quran.

“Dignity can hardly become a reality where there is crushing poverty and degradation. The invalid, those who are poor and the sick can easily be led to despair in a society where compassion and selfless giving are regarded as insignificant.¹⁰”

The success of an economic system is not measure in GDP or GNI but in its redistribution or distributive justice. The greatness of Islam as expressed through the Quran is that it specifies many mechanisms that ensure those who have more are obligated and/or rewarded for taking care of those in need. Examples are like zakat, wasiah and ultimately even the duty of care to ones parents are all critical elements of a well-functioning economy.

The effect of *riba* is contrary to all of the above. *Riba* is accumulative instead of dispersive and it concentrates wealth rather than redistributes wealth. Its operation is so subtle that we don't reject it, instead we take it for granted, hence the verse in the Quran: “... they say trade is like *riba*...¹¹”

4. Conclusion

Riba has no defense, not in Islam nor in any other belief system. John Whipple, in 1836, illustrated the simplest example to demonstrate the destructive power and untenability of *riba*. He wrote:

“If 5 English pennies... had been... at 5 per cent compound interest from the beginning of the Christian era until the present time, it would amount in gold of standard fineness to 32,366,648,157 spheres of gold each eight thousand miles in diameter, or as large as the earth.

¹⁰ *ibid*, p. 95.

¹¹ Qur'an (2: 276).

Which is silly of course, but that's the whole point. And that point stands as inarguable: when the medium of exchange is treated as its own commodity it has no future that isn't insane. Never mind 32 billion earths made of gold, long before that point is reached there will be more debt than there is stuff in the world to pay for it with, people as chattel included.”

From the above it is obvious to read that *riba* has nowhere to go as its ill effects and condemnation is unilateral in all instances. Whipple's conclusion of “there will be more debt than there is stuff in the world to pay for it” is worth reflecting upon as the global debt today (2011) is USD200 trillion of which USD150 trillion is interest bearing. This compares to a global GDP of USD65 trillion, a ratio of 2.3 times. Assuming that debt will grow at 5% per annum and the world does not take on any new debt, by 2025 the global debt will be USD300 trillion. The real GDP of the world therefore must grow a minimum of 5% per annum over those 5 years just to maintain the ratio of 2.3. This means that even with no new debt the economy must grow at a rate equal to the interest rate just to keep the debt to GDP ratio constant.

The lenders of money do not have to do anything while the borrowers have to keep on working at higher levels of productivity to keep the debt constant. This is what is meant by the unilateral expropriation of the property of others and it is the reason why, for any thinking person, the practice of usury must be prohibited and has been prohibited. *Riba* therefore is not a problem of Islam, but a problem of humanity which is consistent with Allah SWT's promise that the Quran is guidance for all of mankind and the Prophet SAW is a mercy to all of mankind.

Limitations: This is work in progress. The authors are further working on this academic note to publish it as a full pledge research paper. The authors are open to comments.

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