

A hand reaches up from a field of tall green grass towards a blue sky. The grass is dense and vibrant green, with some yellow wildflowers scattered throughout. The hand is positioned in the lower right quadrant of the frame, with fingers spread. The sky is a clear, pale blue with a few wispy clouds near the horizon.

A NEW PARADIGM RESPONSE

to

LEADER'S LETTERS
to the Youth in Western Countries

Ayatollah Seyyed Ali
Khamenei

Rodney Shakespeare



On Behalf of the Youth Concerning

JUSTICE
for the World

A NEW PARADIGM RESPONSE

to

**LEADER'S LETTERS
to the Youth in Western
Countries**

**Ayatollah Seyyed Ali
Khamenei**

**Leader of
The Islamic Republic of Iran**

Rodney Shakespeare

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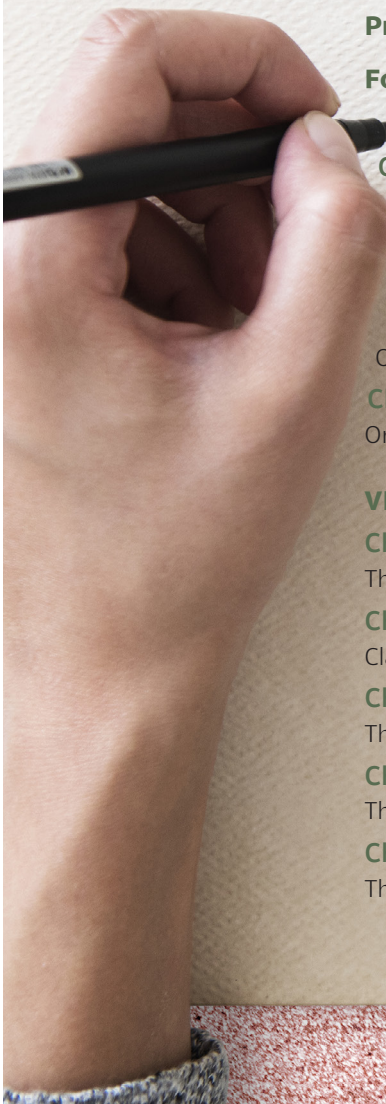
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Preface

At a time of great global difficulty, this book does several things. It presents the badly needed new paradigm. This is a fresh way of understanding reality and, once understood, a vista of new policies (of great advantage to humankind and the environment) suddenly appears.

However, another way of viewing the book is to say that it also addresses the three most pressing practical problems facing the world today to which any decent person, of faith or simply of good faith, is demanding answers.

Firstly, the corona virus is spreading through the favelas, shanty towns, slums and megacities of the world. So, what answer do mainstream economics and politics have to the dreadful living conditions which are the hellish cooking pots for the virus (and the next virus) in the decades to come?

The answer is – none. Consumed by arrogance and complacency, believing only in financial capitalism (‘financialization’) rather than real production and a truly balanced market, they are bereft of creativity, let alone having any desire for improvement.

Secondly, there is a huge list of depredations, negligences and short-sighted actions degrading the environment, eliminating species and, one way or another, threatening all life on this planet.

Do mainstream economics and politics have an answer? No, they

do not. Deep down, at their core, they believe environmental matters to be extraneous to their – and human – existence.

Thirdly, the global economy is tottering on the cusp of collapse (although desperately propped up by astonishing amounts of quick-fix money which prolong the party a little longer, but create huge crises to come). The many factors in the collapse include:

- ever-increasing debt – personal, corporate, governmental – at levels higher than those of 2008
- widening rich-poor division
- the weakening of the middle classes suffering real decreases in income (at a time when physical productive capacity is hugely increasing)
- inability to address the great technological shift which is smashing out traditional jobs and, replacing them, if at all, with temporary, part-time, zero hours, ‘gig economy’ jobs which are not really jobs at all

Do mainstream economics and politics have an answer? Of course not! They just assume that, if we only wait a while, everything will soon be hunky-dory.

This book, however, revealing the major new paradigm, does contain the practical answers to providing:

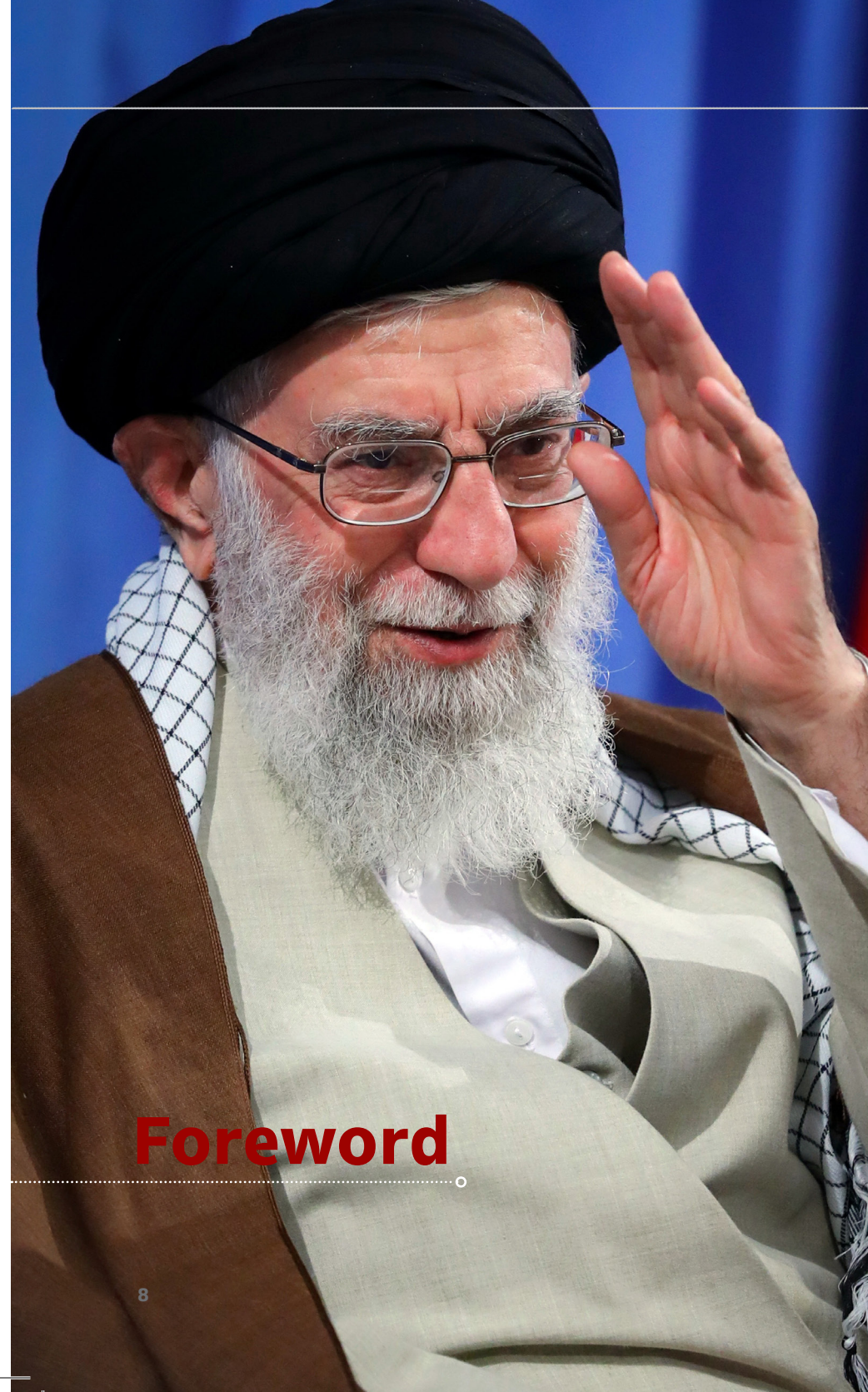
- clean water systems, good sewage works and decent housing
- a way of implementing big environmental matters at half or less of the usual cost
- a spreading of the real economy, over time, to ALL individuals in society so that

Justice creates efficiency and vice versa

In particular, there comes into prospect a truly balanced economy in which every person is enabled to make sufficient income for basic needs and in which the impetus for endless greed abates. One way of putting this is to say,

Homo economicus will be replaced by Homo reciprocans

Of course, a book of this size cannot aspire to deal with all aspects of these matters. However, reference will be made to sources where further information can be found.



Foreword

In the Name of God, the Beneficent, the Merciful

On 22nd January, 2015, Ayatollah Seyyed Ali Khamenei, Leader of The Islamic Republic of Iran, wrote to the youth in Europe and North America.

He was responding to the Charlie Hebdo shooting by terrorists in Paris that had occurred a few days earlier. The terrorists had claimed to act in the name of Islam.

On 29th November, responding to further terrorism, the Leader wrote again.

His theme was an appeal for the youth to have an open mind and to judge Islam fairly. He asked that the youth be not swayed by the vicious anti-Islam hostility spewing out of Western propagandists, politicians and the media. In particular, the Leader invited the youth to discover the potential that Islam has for the solution to global problems.

That invitation was significant because it stimulates the question which is the crux of the matter – Does Islam have a solution? Does it really have a solution?

And the key word is *really*.

Remember, the global problems include:

- a likely global economic collapse
- increasing rich-poor division
- growing authoritarianism
- ecological disaster
- military tension

The vicious Western propagandists, of course, have an answer to the question. Very surely, they say, there is no Islamic solution to anything. The Leader, they say, is a fantasist.

Nestling within Islam

But let us suppose that, *perhaps nestling within Islam*, there is a big new idea... a major, new paradigm¹ ... a new way of comprehending reality...

And let us suppose the new way of comprehending reality results in a paradigm shift.²

And let us further suppose that there is a profoundly modern (and not profoundly outdated) way of viewing, for example, politics, morality and economics.... – and *all in an interconnected way*...

And let us further, further suppose that there is a comprehension which, once grasped, again and again stimulates new thinking with consequent new solutions.

Where then will be the vicious Western propagandists?

And who then will be leading the world to prosperity and peace?

1 A 'paradigm' (pronounced 'para-dime') is the basic mental framework which organizes experience and information. It is a mindset with underlying assumptions, a set of connections and a view of reality. It is a perspective, a way of looking at things. It contains interlinked dogmas, concepts and values which, in effect, are axioms or self-evident truths. Nobody is free from paradigms because they are integral to human psychology and comprehension of life on our planet. See Thomas Kuhn, *The Structure of Scientific Revolutions* (1962). Robert Ashford & Rodney Shakespeare, *Binary Economics: The New Paradigm* (1999).

2 A 'paradigm shift' is the revolutionary change from one paradigm to a completely different one. It is a newer way of looking at and understanding the world. Like a political revolution, it has huge consequences for society. See Thomas Kuhn, *The Structure of Scientific Revolutions* (1962). Rodney Shakespeare, *The Modern Universal Paradigm* (2007).

Impossible!

“Impossible!” snorts a Western voice. “Islam has no major new paradigm, no new way of comprehending reality. It has no new ideas and no new solutions, let alone anything which deals with economics, politics and morality in an interconnected way. The West leads. Please do not waste my time.”³

Very clearly, the issue is joined because the snorting voice has thrown the gauntlet of challenge onto the ground and there is no alternative except to pick it up.

It must also be remembered, moreover, that the Leader stands firmly in the tradition of social, political and economic justice as forwarded by Imam Khomeini⁴ and Ayatollah Baqir as-Sadr.⁵

A New Paradigm Response

And so, in this book, you will find a response, A New Paradigm Response, firstly, to the Leader’s invitation and, secondly, to the snorting voice and that response may be summarized as:

A Justice which creates efficiency and an efficiency which creates Justice.

There is also another way of summarizing the Response and it is the one most feared by the Western propagandists:

A political, moral and intellectual challenge to the West at the deepest level of all – that of paradigm.

Either way – Justice or paradigm – Western arrogance is going to get its comeuppance when, claiming that it has the solutions to global problems, it finds that, in reality, it itself is the cause.

3. This arrogance was first expressed by Francis Fukuyama in *The End of History?* (1989) written after the fall of Communism. It states that the ‘free market’ is History Perfected; that no substantial improvement is possible; that everything in economics returns to balance; and that all the outcomes of the ‘free market’ are not only materially efficient but are also just. All of which is nonsense!

4. For Imam Khomeini, see Chapter Five.

5. Ayatollah Muhammad Baqir as-Sadr was the great philosopher and economist who wrote *Iqtisaduna* (Our Economics) and *Falsafatuna* (Our Philosophy). Both were critiques of socialism/communism and capitalism and stated that a new, truly Islamic way forward is possible. He and his sister Amina Sadr bint al-Huda were monstrously tortured and killed by Saddam Hussein in 1980. This raised no criticism in the West because as-Sadr had openly supported Ayatollah Khomeini.



On the Creation of Big New Ideas

A while ago, at the behest of the American government, researchers under Professor Rogers Hollingsworth worked to discover the factors which contribute to the creation of big new ideas. They examined everything that could be examined, anything of importance in human affairs.⁶

The purpose of the research was to define the circumstances of the creation thereby providing hope that they can be replicated with consequent benefit for humankind.

6. Rogers Hollingsworth spoke to the author and Shann Turnbull in the year 2000. This research is not widely known and, conceivably, despite costing millions of dollars, may have been suppressed because the third factor implies that, over time, American society, for example, just as much as any other society, is liable to collapse because of its internal contradictions and weaknesses. In short, Francis Fukuyama's End of History is not the end of history.

The Three Factors

The researchers found that three factors contribute to the creation of big new ideas:

1. Deep, widespread knowledge of the main subject (astronomy, biology or Western economics, for example) and its underlying paradigmatic assumptions. Such knowledge tends to be conservative.

This is obvious. It is about a large body of deep, widely held, conservative information.

2. Tension between conservative, centrist scholars of the main subject and progressive thinkers on the edge of the subject seeking to develop and improve the subject (schools of 'alternative' economic thought, for example).

So far, so good, and all very reasonable. Of course, there has to be tension with those on the edge seeking to develop and improve! Again, how obvious! The research has wasted millions of dollars!

But what is the third factor?

The third factor came as a surprise to the researchers.

Moreover, it was not only a surprise but the researchers said it could be difficult to find or difficult to describe. Yet, all the time, it seemed to be strongly there and could be summarized as:

3. Some form of major force or opposition, powerfully present, coming from the outside.

Pardon? What does that mean? What force? What opposition? Where big new ideas are concerned, how can anything come 'from the outside'? All ideas originate inside people's brains! Clearly, the researchers are muddleheads!

Slow down! Not so fast! The researchers were having the difficult task of trying to describe something which could take different forms and might be seen distinctly or indistinctly.

Furthermore, the major force or opposition comes from the outside and interacts with the progressive thinkers on the edge of the subject so as to create the new paradigm.

So where do we start? How can we provide a practical example of the creation of a big new idea?



The Great Change from Geocentric to Heliocentric Paradigm

Well, we might begin by examining the basic idea in old astronomy which was the Ptolemaic assumption that our planet is at the center of the universe and therefore must have been placed there by Allah (God). At the same time, we can consider the consequences of the idea – the social and political implications and its manifestations in daily life.



Then we can see whether the basic idea stayed the same or, because of new discoveries, began to alter so that there was tension between conservative, centrist astronomers on the one hand, and progressive astronomers on the edge of the science of astronomy on the other. Thereon did the main idea change or did it stay the same?

Finally, we can try to discover what might be intended by Copernicus

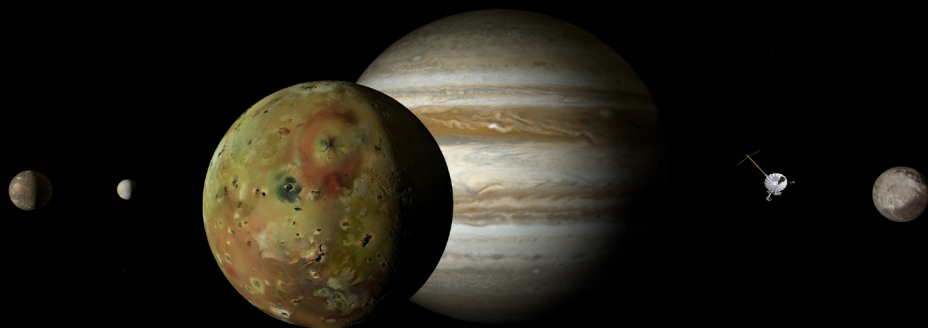
saying ‘Some form of major force or opposition, powerfully present, coming from the outside,’ resulting in the old Ptolemaic geocentric (earth-centered) paradigm being replaced by the new heliocentric (sun-centered) one.

This great change is called the Copernican Revolution which states that, rather than the sun going round the earth, the earth goes round the sun.⁷

The heliocentric understanding is the basis of today’s extraordinary achievements in rocketry and planetary exploration and we now know that the earth is merely a tiny speck relatively near to a star (the sun) which is one of billions of stars in the Milky Way galaxy which is one of billions of other galaxies.

Furthermore, the heliocentric understanding has been hugely important in advancing democracy because it simply undermines the political and moral authority of those claiming to be Allah’s (God’s) rulers on earth, e.g., kings, tsars and autocrats.

7. Nicolaus Copernicus, *On the Revolution of the Celestial Spheres* (1543).



The First Factor – Deep, Widespread Knowledge of the Main Subject

Firstly, we should note that the old Ptolemaic idea was very reasonable because there was clear scientific evidence for it – every day not only astronomers but ordinary people could see the sun going round the earth and every night the stars moved smoothly through the sky.

Indeed, the Ptolemaic idea was not only reasonable but practical – sailors could use it to navigate around the world!⁸

Moreover, it had big social and political consequences. Since Allah (God) had placed the earth at the center of the universe it followed that His rulers on earth (e.g., kings, tsars, and autocrats) were backed by Divine Authority!

Therefore, any challenge to a ruler could be immediately construed as a challenge not only to the king but also to the Divine Originator of the universe and so troublemakers, particularly democrats, had best beware!

All in all, the old Ptolemaic paradigm had observable facts to back it, everyday practice to back it and (very conveniently) a theory backing the power of kings, tsars and autocrats against those troublesome democrats.

Thus, the first factor (deep, widespread knowledge of the main subject), identified by the researchers, very much existed during the time of the old paradigm.

8. Polaris, i.e., the pole star or North Star, can be used to find north and the Southern Cross or Crux constellation to find south. Magellan's expedition circumnavigated the world in the years 1519 to 1522.

The Second Factor – Tension between Conservative, Centrist Scholars of the Main Subject and Progressive Thinkers *on the Edge*

Then the situation began to change. Newer information was coming from better telescopes and more determined analysis and observation. The observation showed that some of the stars (today known as planets) had to-and-fro movements, slow-quick changes and light-dark differences. Surely something was wrong because the movements, changes and differences were inconsistent with the existing geocentric assumption that the stars went smoothly around an earth at the center of the universe.

This set the scene for tension between the conservative, centrist upholders of geocentric theory and progressive thinkers on the edge of the subject who could see from their observations that something was not quite right in the commonly held theory, rather, something went completely wrong. This tension is the second factor identified by the researchers.

But just because something is not right or something went completely wrong, does not mean that there will be a change, let alone a revolution in thinking. Indeed, the basic idea continued to be the same – conservative wisdom, combined with many vested interests, purported to solve the problem of the to-and-fro movements, slow-quick changes and light-dark differences by announcing that the planets moved in ‘epicycles’ or little circles whilst also going around the earth!

Therefore, the conservative forces of suppression had won because the old Ptolemaic paradigm of a geocentric universe was not overturned. Rather, the ‘epicycle’ theory (which was totally untrue) meant that geocentric theory (and the consequent political and social vested interests) could be maintained. The ‘epicycle’ theory kept the earth at the center of the universe!

In short, the old, outdated, untrue geocentric (earth-centered) idea had prevailed as had the social and political structures based on it and the new thinking had been suppressed.

The Third Factor – Some Form of Major Force or Opposition, Powerfully Present, Coming from the Outside. It interacts with the progressive thinkers on the edge of the subject to create the new paradigm.

So, what was the third factor in the eventual revolutionary change from geocentric (earth-centered) to heliocentric (sun-centered) paradigm? What was the force or opposition, powerfully present, coming from the outside which interacts with the progressive thinkers on the edge of the subject to create the new paradigm?

The answer starts from understanding that, at the time, all the institutions and practices in society were in some way linked to the local rulers and their divine authority.

Furthermore, the interests, associations and connections of ordinary people were similarly linked.

Therefore, any re-thinking of geocentric theory was certain to be of revolutionary consequence and anybody doing that re-thinking would lose their life. Copernicus and, later on, Galileo were putting their lives at risk.

Thus the ‘force or opposition, powerfully present, coming from the outside’ can only be a *deep-seated, radical willingness to challenge everything about a society at its root even though death would be the penalty*. Copernicus and Galileo were only too aware of what they were doing. They knew they could lose their lives. When Copernicus received the printer’s proofs of *On the Revolutions of the Celestial Spheres* (1543), he was on his death bed and so would not lose his life. Galileo would have lost his life but, after the intervention of the Pope (who probably knew the truth), was sentenced for life to house imprisonment.⁹

So, it was a combination of radical cast of mind, bravery and huge intellectual courage which was the third factor leading to the paradigm shift of the Copernican Revolution.

The radicalism and courage are fairly described as ‘opposition coming from the outside’ because they were certain to change, in some way, almost *every* aspect of the society. *Therefore they can be viewed as coming from the outside and then interacting with progressive thinking on the edge of the subject to create the new paradigm.*

9. Galileo was investigated by the Roman Inquisition in 1615 which concluded that heliocentrism was “foolish and absurd in philosophy and formally heretical since it explicitly contradicts in many places the sense of Holy Scripture.” In 1632 he published *Dialogue Concerning the Two Chief World Systems*. In 1633 he was tried by the Inquisition, found “vehemently suspect of heresy,” and forced to recant.



Paradigm shifts take time

However, paradigm shifts can be a long time in gestation. Thus Copernicus wrote *On the Revolution of the Celestial Spheres* in 1543 but it was only in 1687 that Isaac Newton was to win acceptance of the idea that the Earth is not the center of the universe but rather a mere planet spinning around the sun.

The Situation Today

The first factor exists – it is the existing knowledge and practices which are deeply and conservatively embodied in the political, social, academic and economic power structures and vested interests of Western society.

The second factor exists – it is new knowledge, information and analysis (in progressive schools of ‘alternative’ thought on the edge) which identify extensive error but which are suppressed by conservative power structures and vested interests using propaganda and untruths.

But what of the third factor? Does it exist? What might be ‘some form of major force or opposition, powerfully present, coming from the outside’ and then interacting with progressive thinking on the edge to form the new paradigm?

Islam

The question has to be asked – Could Islam, in some way hard to explain yet, at the same time, powerfully present, be the third factor identified by the Hollingsworth research?

And if Islam is the third factor, does it have huge potential for challenge nestling within?

And if it does have challenge potential, what exactly might that be?

The Golden Age

These are key questions and, whilst reflecting on their significance, it is helpful to remember that, from the 8th to the 13th century C.E., there was a Golden Age in which Islam hosted the greatest scientific and intellectual civilization of the world. Islam was supreme in anything from algebra to smallpox vaccination, great architecture to water works, historiography to healthcare, philosophy to astronomy, art, chemistry and physics.

It is therefore conceivable (to the chagrin of all those vicious Western propagandists) that Islam might yet hold the key to unlocking the greatest new thinking of all.

That key will be revealed later on.

The Holy Prophet (PBUH) Vindicated

The question must also be asked – If Islam is the third factor, is the Holy Prophet (PBUH) somehow involved?

Certainly, from the point of view of the vicious Western propagandists, He is involved in large areas of the globe, although negatively. For a start (let us be blunt), the propagandists (in particular, failing to admit the true financial and philosophical sources of terrorist Daesh/ISIL) think that the Prophet and Islam are the source of backwardness, ignorance, violence and opposition.



Something Directly Attributable to the Prophet

But it is wrong to say that the Prophet and Islam are the source of backwardness, ignorance and violence (although it will be a question as to whether Islam, as a whole, can be fairly viewed as being in opposition).

The propagandists, moreover, think that the Prophet and Islam have nothing to do with the modern world.

That is wrong as well. Indeed, leaving aside the Golden Age, there is something in Islam, something directly attributable to the Prophet, which (together with Sunnah, Hadith and the works of Islamic thinkers) can change our understanding of present reality, can establish the badly needed major new paradigm and so can create the circumstances for a new and better world.

The New World

This will be a whole new world encompassing:

- economic success
- political and personal independence
- clean water and proper sewage systems (every year, in the world, 5,000 children die per day from the effects of dirty water)¹⁰
- a healthy, educated populace (which will be a populace in which there is hugely diminished social tension and no fear of the consequences of greater longevity)

It will be a world enabling tidal lagoons, deep-water turbines and solar systems (and even newer technologies) all of which will provide us with massive amounts of cheap, clean electricity – whose importance for a clean environment and the future of the planet cannot be over-emphasized.

10. United Nations Development Programme, Human Development Report, (2006).

It will be a world in which every individual has an independent income. Yes, every person (and that includes women who at present, for example, are unpaid when caring for others) will have a genuine income coming from their own production.

Moreover, there will be proper housing for all. (NB. Basic building materials exist everywhere but systemic failure means that a lot of people will never, as things are at present, be properly housed).

It will be a world in which there will be widespread property ownership and a solution to the great technological shift which is smashing out traditional, secure, well-paid jobs and then substituting the insecure, low-paid, temporary, part-time, zero-hours-contract jobs of the 'gig' economy.

It will be a world which is politically democratic in which people have the vote but, at the same time (and, of considerably greater importance) it will be a world which is economically democratic. (NB. Economically democratic does not mean complete equality: it means 'fair do's' i.e., everybody has access at least to the basics for healthy, happy and responsible lives.)

It will be a world of proud independent nations – not oppressed colonies controlled, exploited or oppressed by others. In short, the West (or, at the very least, its vicious propagandists) will be abashed while the Prophet will be vindicated.







On Assumptions



Our lives are based on thousands of assumptions, small and big. We cannot live without them. Thus, when putting one foot forward after the other, we assume that the ground is safe, just as we assume that the switch will put on the electric light.

But if we find that the ground is not safe then we must turn round and go in a different, even opposite, direction. Furthermore, if the light does not come on, we must consider the possibilities – a dud bulb, a blown fuse, a broken switch and even the presence of water (which might result in our being electrocuted). When there could be danger, we need to stop and think about our actions.

Deep Assumptions

Moreover, many of our assumptions go much wider and deeper than merely practical matters like walking and lighting. Indeed, they are of the greatest importance in the social, political, technological, scientific and economic spheres yet, as busy humans, we have no time to think about them, no time to consider if they are right or wrong.

Put simply, it is too difficult, too time-consuming, too apparently unnecessary – and it also may be dangerous – to challenge deep assumptions. So we just carry on normally with our daily lives until something goes wrong and things like a pandemic or economic collapse surface.

New ideas are attacked at birth

Furthermore, if we do decide to have a re-think, we are only too likely to find ourselves being attacked. Indeed, we should remember that even the very best new ideas are attacked at birth because deeply entrenched interests will always selfishly endeavor to maintain their position at the expense of everybody else's.

Put another way, time and time again, the current power structures are dependent upon maintaining the old paradigm and its false underlying assumptions. When discerning a challenge to its position, therefore, a power structure quickly acts to crush any new challenger (just as old conservative forces, responding to new evidence from better telescopes, refused to admit that the earth was not at the center of the universe).



Some examples of big, new ideas being attacked at birth are set out below.

NB. All the examples fit the three factors for the creation of big, new ideas

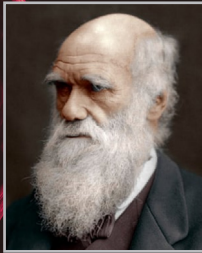
- widespread, conservative, centrist knowledge of the subject
- tension between those in the center of the subject and those on the edge
- a radical willingness to challenge even if death is the penalty

In the nineteenth century, the leading doctors of the day attacked and ridiculed Louis Pasteur for claiming that illness could be caused by things we cannot see – micro-organisms or germs.

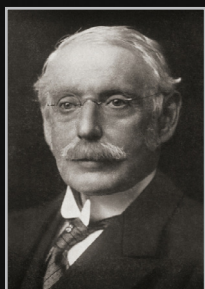


Towards the end of *The Origin of Species* (1859), Charles Darwin wrote sadly,

I by no means expect to convince experienced naturalists whose minds are stocked with a multitude of facts all viewed, during a long course of years, from a point of view directly opposite to mine.



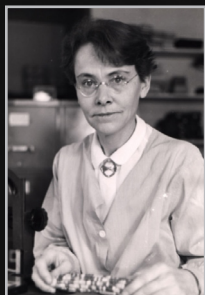
In 1897 the British Admiralty obdurately refused to believe that Charles Parsons had developed a new steam turbine until a boat, powered by the new turbine (with a saluting Parsons on board), made an unauthorized appearance at a naval review and rushed past the Admirals at the astonishing speed of sixty-eight kilometers per hour!



Six years later, in 1903, the Wright brothers, who claimed to have flown, were dismissed as cranks.

Barbara McClintock was abominably treated for proclaiming the existence of ‘jumping genes’¹¹ although part of the hostility aimed at her was undoubtedly because she was a woman daring to introduce new thinking to a scientific world consisting mainly of men.

And please remember Alfred Wegener who died despairing that his colleagues would ever be persuaded to consider the basic facts of planet earth. Wegener had first put forward the theory of moving tectonic plates in 1915. He backed up the theory with evidence from many disciplines, e.g., biology, geology, physics and zoology, but his fellow scientists just laughed.



‘Jumping genes’ are mobile sections of DNA that can move around to different positions in the genome of a single cell, i.e., genetic information can transpose from one chromosome to another. In the process they may cause mutations or increase, or decrease, the amount of DNA in the genome. Jumping genes may explain, for example, how bacteria develop resistance to an antibiotic.



Indeed, it was not until 1964 – when ships were able to record the patterns of magnetic stripes in rock under the Atlantic Ocean – that Wegener’s theory was at last accepted.

As for the idea of atoms being used as a source of energy,



Nobel Prize winner Sir Ernest Rutherford considered it to be ‘moonshine’!

All in all, the path of big new ideas is strewn with obstacles and false assumptions and the distance is long *until the facts and circumstances are seen to have altered and people realize that the change to the major new paradigm can no longer be denied.*

On False Assumptions, Stress, Good News and Very Good News

Now consider this. Let us suppose that you, an ordinary rational human being, know that something fundamental – some basic assumption – is contradictory to reality or simply false yet, but upon mentioning you are slapped down as being somebody who “doesn’t know what he/she is talking about.”

Even worse, suppose some (claimed) expert, a pompous ignoramus, having listened to your detailing the contradictions and falsities, starts to go red in the face before denouncing you for daring to challenge the hallowed principles of science (or whatever it is in question).





Stress

If it happens to you only once you are likely to be discomforted.

But if it happens to you twice you are likely to become stressed.

Furthermore, if, deep down, you know that not one, but several basic assumptions are false whilst, at the same time, the science (or whatever) asserts that all its basic assumptions are correct, you may react as did Pavlov's dogs when given contradictory signals. Those poor dogs became stressed and had nervous breakdowns.¹²

None of this is your fault, of course. Rather it is because the falser something is, the more aggressively it will be upheld as true by pompous Western dogmatists who will ruthlessly oppress honest doubters (like yourself) causing tension and stress.

12. Ivan Pavlov won the Nobel Prize for physiology in 1904. In laboratory experiments with dogs he discovered the 'conditioned reflex' (or 'conditional reflex'). If a bell is sounded before a dog is brought food, the dog quickly starts to associate the sound of the bell with food and will salivate when it hears the bell even before the food arrives.

But when the bell became associated with punishment in some form, the dogs were getting conflicting signals and soon began to have nervous breakdowns.

“I don’t understand”

If you have a strong temperament, however, you are likely to resolve the stress by simply saying “I don’t understand” or, as some people do when reference is made to the subject of economics, may even joke that they find it “terrifying.”

But is it you who is at fault for not understanding? Is it you at fault for being terrified by economics?

Or is it really the economics which is at fault because it is based upon a raft of false assumptions?

That question is of the greatest importance because if only one, or perhaps two or three of the assumptions underlying a subject or science are false, then the whole of that subject or science – yes, all of it – becomes invalid.

What is worse, any subject based on false assumptions creates tensions, inefficiencies and failures in society as this or that group insists upon maintaining the falsities as a way of protecting their own vested privileges and positions at the expense of others.

On the larger scale, of nations, the many possible negative outcomes include internal or external war.





Good News

All of this, of course, is immensely depressing, but there is also Good News. Suppose, taking your courage in both hands, you really do decide, in a straightforward way, to challenge the pompous ignoramus and his underlying assumptions which are obviously and preposterously false. What happens?

Well, certainly if you challenge several assumptions (always asking yourself if the opposite is true), you may suddenly realize that you really do understand the subject; that those pompous dogmatic upholders of the status quo are frauds and mountebanks; and that a whole new world of possibility is in view.

Oh glory be! Hooray!

So, remember that Western economics, for example, which is too often viewed as “terrifying,” is really something based upon a lot of false assumptions and the truth is that its rule is nearly over. Furthermore, reality is exposing its deceptions and the time is coming for something big, positive and new.

People, therefore, may say that they do not understand economics or are even terrified by it, but this is not because they are stupid. Rather it is because Western economics is based on false assumptions which create many contradictions, much stress and endless failure.

Very Good News

There is then the Very Good News which comes when a change to better, truer, more realistic assumptions opens the way to the joy of knowing that – At last! – you really do understand!

The Iranian Revolution

Remembering that consideration is being given to the question of whether Islam could be the third factor in the creation of big new ideas – *some form of major force or opposition, powerfully present, coming from the outside* – it is time to examine a revolutionary, world-shaking success which took place in 1979.

After decades of being subjected to colonialism and having its culture destroyed, Iran threw out its oppressors (both Iranian and foreign) and took control of its own destiny.¹³ This assertion of independence enraged the Western nations which immediately provided arms and poison gas in the hope that the Iraqi aggressor, Saddam Hussein, would be able to do what they wanted, i.e., to crush the Iranian revolution at birth.¹⁴

Western Rage

Now it is not generally understood that the West's rage was, and is essentially because Iran had asserted its independence.

In 1979, there was only communism/socialism or capitalism in the world, but Iran was asserting the possibility of a new way forward, a third way which would be neither communist nor capitalist.¹⁵ And the West well understood that the Iranian Revolution was not a mere putsch or internal coup d'état but rather a complete overthrow of oppression, not only from the vicious structures of the Shah's regime but also from foreign colonial control.

Therefore, the Iranian Revolution of 1979 can be compared to the American Revolution of 1776 and the French Revolution of 1789 and it has had, and is having, similar long-lasting consequences.

13. In 1953 the democratically elected Prime Minister Mohammed Mosaddegh was overthrown by a violent coup (Operation Ajax) organized by the Americans and the British. From 1953 until 1979 there was the cruelly oppressive rule of the Shah, Mohammad Reza Pahlavi.

14. The Iraq – Iran war lasted from 1980 until 1988.

15. Ayatollah Muhammad Baqir as-Sadr, *Iqtisaduna* (Our Economics) published by WOFIS (World Organization for Islamic Services), Tehran 1982. Like Imam Khomeini, he opposed monarchy and was a democrat.



Iran Today

Today, in Iran, there are technological and artistic achievements of the highest originality and standard. There are developments in agriculture and petrochemicals. There are advances in health, education and the position of the poor. More than 50% of the students in universities are women.

Perhaps most remarkably of all, in a region of markedly autocratic and brutal regimes, Iran is a democracy with (year in, year out) the biggest democratic demonstrations to be found anywhere in the world.¹⁶

Thus, Iran, with its moral leadership, steadfast international statesmanship and great material and technological progress, stands as a reminder of what can be achieved when a country decides to strike out for the new.

¹⁶ Examples range from the huge annual gatherings commemorating the Revolution to those associated with the demise of Imam Khomeini and speeches from the Leader and the President. There is nothing like these gatherings in the West.



Tawhidi, Political, Moral and Economic Aims of the Revolution

As is well known, the inspiration for and the great motivating force of the 1979 Revolution was the towering figure of Imam Khomeini. Therefore, in the endeavor to set out the circumstances which can provide for a big new idea or a major new paradigm, it is helpful to examine what were the *tawhidi*, political, moral and economic aims of the Revolution as stated by Imam Khomeini.

A) Tawhid

‘Everything is a name of God. The winds that blow are a name of God.’ Everything in the universe starts with Allah or God and at the core of the Imam’s thought is monotheism and an understanding of tawhid.¹⁷

This has many implications. A particular implication is that one subject cannot be fully separated from another and thus, for example, economic issues can never be fully separated from issues of justice and fairness.¹⁸

B) Need for Unity

In the cause of human harmony Imam Khomeini opposed sectarian hatred and called for Sunnis and Shias to unite.

17. Unification or Oneness of God.

18. But amazingly, Western economics does separate itself from issues of justice and fairness claiming that all the outcomes of the ‘free market’ are automatically just and fair!



C) Each generation has responsibility for its own destiny

Furthermore, whereas Shia tradition in the past had been essentially apolitical, under Imam Khomeini it became directly political. Indeed, in a very modern way, he did not over-emphasize the past nor did he advocate dreams of the future: rather, he spelt out the responsibility that each generation has for its own destiny here and now.¹⁹

¹⁹. "The destiny of each generation is in its own hands," from a speech delivered on 2nd February, 1979 at the Cemetery of Behesht-i Zahra' outside Tehran. Ayatollah Baqir as-Sadr in *Iqtisaduna* (Our Economics) and *Falsafatuna* (Our Philosophy) said the same. Moreover, Ayatollah Morteza Motahhari thus explained the Shia concept of Bada, "Allah has not fixed a definite and final form for the course of human history. In other words, Allah says to mankind, 'You yourselves are in charge of the fulfilment of Divine Destiny, and it is you who can advance, stop or reverse the course of history.'" Morteza Motahhari, *Imam Reza (A.S.) Network: History and Human Evolution: The Problem of Bada*. Translated from Persian by Dr. 'Ala'uddin



D) Freedom from the West and National Independence

In addition, unlike many religious figures, the Imam possessed a strong sense of independent nationalism and he well understood that a great country cannot survive without a national base.

Thus, the Imam was opposed to despotic and colonial powers – he wanted freedom from the West, and freedom from dependency on the West:

‘We want our country to be independent in every respect. Hence, for the satisfaction of God, we must pursue this matter so that not only our country but all of the peoples of the world will be independent.’²⁰

Paszrgadi.

20. Sahifah-yi Nur, vol. 16, p.81, March 14, 1982.

E) Exportation of revolution does not mean takeover of other countries

He further thought that world peace and sanity are geared towards the overthrow of the arrogant powers. However, the Imam was clear that the overthrow, unlike the French revolution under Napoleon or the Soviet revolution under communism, should not imply a desire to embark on imperial adventure:

When we say that our revolution must be exported everywhere, *they should not misinterpret it to mean that we would want to take over other countries ...* All countries should stay as they are .. The meaning of 'exportation of revolution' is that all nations would wake up, and would save themselves from this predicament that they face – they are being dominated: they are living in poverty while their resources are being plundered.²¹

21. Ibid., vol. 13, p. 127, October 17, 1980.



And the national power is to be a just power,

We hope that an Islamic power would emerge, a just power, a power which would depend on justice, and not on bayonets... I want to tell you that there will be no more bullies and bullying.

We hope that an Islamic power would emerge, a just power, a power which would depend on justice, and not on bayonets... I want to tell you that there will be no more bullies and bullying.²²

F) Material Comfort

Moreover, he explained that, in addition to national independence and Islam, material comfort is necessary.

Our aim is that Islam, the laws of Islam, the universal laws of Islam, would be revived and implemented and that everyone would live a comfortable and free life.²³

G) Personal Independence – Cultural, Economic and Social

The Imam's concept of personal independence, however, went much further than a comfortable and free life. He extended the concept to include cultural, economic and social issues:

"You must closely guard your independence, cultural independence, economic independence and social independence."²⁴

22. Ibid., vol. 11, p. 31, December 17, 1979.

23. Ibid., vol. 6, p. 22, April 15, 1979.

24. Sahifah-yi Nur, vol. 17, p. 238, April 24, 1983.

Concern for the Poor

And he particularly extended the concept of personal independence to the poor:

“It is incumbent upon the ulema (Islamic scholars) and Islamic researchers and experts to propose constructive and universal plans which safeguard the interests of the deprived and the dispossessed *in order to replace the incorrect system of economy prevalent in the world of Islam*, thereby liberating the deprived and Muslims from the straitjackets of poverty.”²⁵

NB. Please note the words “... In order to replace the incorrect system of economy prevalent in the world of Islam...” The Imam was only too aware of present deficiency.

i) Summary

In summary, the Imam’s revolutionary thought can be summarized as:

- Allah (God) created the universe
- all nations should be independent
- revolution should be exported (which does not mean a desire to take over other countries but rather that countries should assert their independence and end poverty)²⁶
 - social and economic justice should be created
 - scholars, researchers and experts have a duty to safeguard the interests of the poor and replace the present incorrect system of economy.

The answer is yes

So, to the question whether Islam could be the third factor in the creation of major new ideas – *some form of major force or opposition, powerfully present, coming from the outside which will react with progressive thinking to form the new paradigm* – the answer is yes.

25. Ibid., vol. 20, p.128, June 28, 1987

26. Imam Khomeini, On Exportation of Revolution (2009).

Claimed Solutions in Islam



What of the present situation in Islam? Are there, today, any big ideas being claimed as major solutions to the problems of the world?

In particular, (since history demonstrates that the key thing for the development of civilization is a major advance in the economy), is there anything on the economics front? Is there anywhere in the world a true Islamic Finance or a truly modern Islamic economy, for example?





Paucity of Solutions

Alas! Nowhere in the world does there exist at present a true Islamic Finance or a truly modern Islamic economy. Not even a proposal for such finance or economy exists.

Moreover, Imam Khomeini was blunt. He spoke of "...the incorrect system of economy prevalent in the world of Islam..." That is very clear.

Some claimed solutions exist, of course, but, in effect, they are grand-scale deceptions and they are briefly considered below.

Original

TradingView

Depth

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A) 'Islamic Finance' is the solution

So-called 'Islamic Finance' exists but it is neither Islamic nor true finance. For example, it has high riba/interest, disguised by different legal forms.²⁷ The services offered by today's Islamic banks are only superficially free of interest and the underlying reality of riba/interest is glossed over by the legal text of the contracts. In practice, 'Islamic Finance' rips off more from borrowers than does Western finance.²⁸

Furthermore, like Western finance, 'Islamic Finance' has no desire to spread the real economy so that every person in society may benefit. Moreover, like Western finance, 'Islamic Finance' is merely designed to increase debt; to keep productive capacity narrowly owned, and to steal the resources of others and other countries. Thus, in reality, 'Islamic Finance' *is only Western banking/finance under a different name.*

27. Islamic Finance is riddled with riba/interest. This is disguised by devising legal contracts which do not appear to have riba at their core but which, in practice, are riddled with riba. Thus, in the Western model a contract has riba/interest embodied in it. But in the Islamic Finance model the riba/interest is disguised as 'rent' or agglomerated as 'mark-up', or 'profit', even 'partnership.'

It is not generally understood that, apart from genuine administration cost, riba/interest is an addition to the repayment of the original principal and, disguising that addition (through various legal contracts) as rent, or 'profit' or 'partnership' benefit, is disingenuous, even dishonest.

In previous times, ordinary Muslims, not wanting to be involved with riba/interest, were in effect excluded from banking services. The huge growth of Islamic Banking over the last forty years is because Islamic Banking can purport to be not involved with riba/interest while the reality is that it is involved with riba/interest although the riba/interest is hidden by legal devices.

28. And that is why Islamic Banking/Finance is supported by the West and embraced by Western banks which have 'Islamic windows.'



In 2006, Harvard University (USA) held a big conference attended by many Islamic and non-Islamic academics, bankers etc. The conference was entitled Integrating Islamic Finance in the Mainstream – Regulation, Standardization and Transparency.

Believe it or not, the conference was dedicated to asserting that ‘Islamic Finance’ is only another brand name for Western banking/finance and that is how it should be. Only Rodney Shakespeare, supported by a brave American (Robert Bianchi)²⁹, openly differed.³⁰ The Harvard conference was essentially a piece of Western triumphalism stemming from the capitalist victory over communism in 1989/1990 and, significantly, the conference happened just before the great financial collapse which started in 2007/8.

In short, the Harvard Americans were claiming Western economic and financial superiority (as well as political and cultural superiority) and the Muslim academics and bankers etc. at the conference were injudicious enough to agree.

B) The use of gold solves all economic problems

It is true that fiat money (i.e., money created out of nothing by banks pressing computer buttons) is an evil which will eventually cause the downfall of Western civilization. This is because it

- is inflationary
- bears riba/interest
- increases debt
- continually sucks up wealth to the rich 1%
- is not directed at spreading the real economy to every person in society.



29. Robert Bianchi, Islamic Finance and the International System: Integration without Imperialism, Seventh Harvard Forum on Islamic Finance, ‘Integrating Islamic Finance into the Mainstream,’ Harvard University, April, 2006.

30. There was one other person and also a critical paper by Nejatullah Siddiqi. However, the paper was effectively suppressed by being given in private before the conference opened. It only surfaced a while later.

Moreover, fiat money is the main mechanism by which the Western financial system can control countries and rip off their resources.

In response, some Muslim intellectuals advocate the use of gold as currency because, they say, gold cannot be created out of nothing, would contain inflation, discourage irresponsible lending, and weaken the power of the West to put countries into never-ending debt.

All of which is true.

However, the use of gold would also

- be incapable of spreading the real economy to every individual in society
- result in an increase of rich-poor division (because gold owners would be in control of the money supply)
- not eliminate *riba*/interest and its attendant evils
- be totally impractical for use in shops

It is moreover observed that gold as currency is not demanded by the Prophet (PBUH) and so is not obligatory in Islam³¹ (although gold-backed money – and a return to a gold standard – may be a possibility in future).³²

c) *Khums/Zakah* is a solution to poverty

Khums/Zakah is one of the five pillars of Islam. However, it is a form of charity, and charity does not provide a structural solution to the problems of poverty. Indeed, *Khums/Zakah* is the pillar which blocks a solution because it encourages Muslims to think that poverty is soluble with *Khums/Zakah* whereas, in practice, it is not.

31 Muhammad Iqbal Anjum, Towards a Progressive Pan-Islamic Monetary Regime in (2005), ed. Masudul Alam Choudhury, Money and the Real Economy. Muhammad Umar Chapra (1996), Monetary Management in Islamic Economy (Islamic Economic Studies, vol. 4, no.1, Dec.).

32 It is noted that gold-backed money differs considerably from simple gold particularly in that its source can be a national bank deliberately pursuing (in a non-inflationary way) a policy of spreading productive power to every individual in society. Indeed, it is possible that gold-backed money may come to be a major part of a successful solution in future.





Khums/Zakah has never eliminated poverty in the past and generally cannot be expected to do so in future.

Khums/Zakah, moreover, never addresses the question – Why are people poor in the first place?

Thus *Khums/Zakah* is at best a temporary, limited, micro-economic practice which is a mere palliative rather than a structural justice.

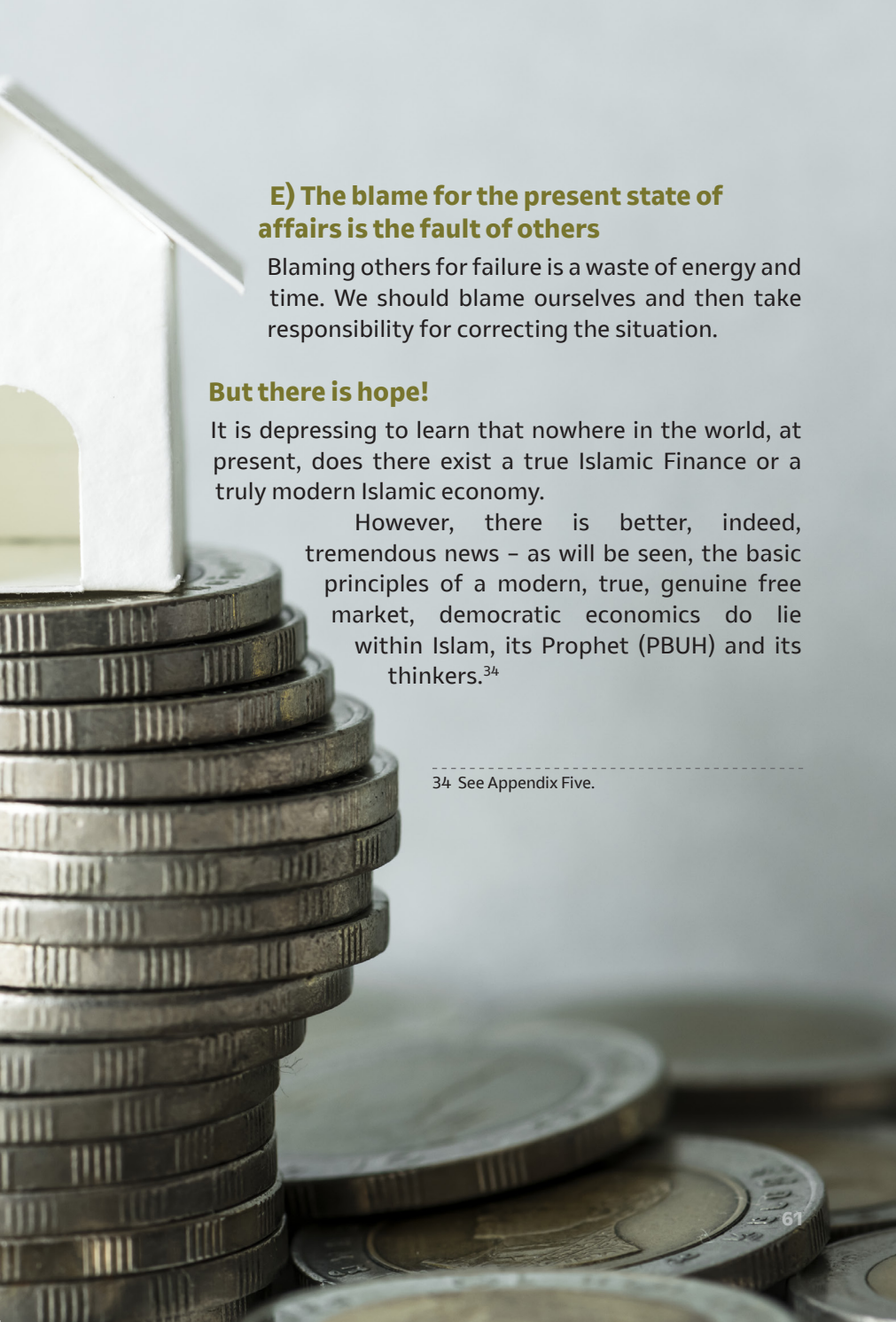
Yet, those things said, the spirit of *Khums/Zakah* – of genuinely wanting to solve the problems of poverty – is a positive one to which we shall return later on.

D) The example of the Prophet's (PBUH) selfless and compassionate life suffices to create a selfless and compassionate society

Muslims rightly understand that the Prophet's life was one of selflessness and compassion. However, His life is probably at too high a level to provide guidance for the detail of everyday economics.

It is thus too much to expect that today's millionaires and billionaires will always give away their money rather than hoarding it. Indeed, we must face the fact that the rich are always with us.³³

33. But that does not mean that the poor are always with us. Productive (and therefore consuming) capacity can, over time, be spread to every individual in society so as to create an economic democracy which, in practice, will found a genuine political democracy.



E) The blame for the present state of affairs is the fault of others

Blaming others for failure is a waste of energy and time. We should blame ourselves and then take responsibility for correcting the situation.

But there is hope!

It is depressing to learn that nowhere in the world, at present, does there exist a true Islamic Finance or a truly modern Islamic economy.

However, there is better, indeed, tremendous news – as will be seen, the basic principles of a modern, true, genuine free market, democratic economics do lie within Islam, its Prophet (PBUH) and its thinkers.³⁴

³⁴ See Appendix Five.



The Main False Assumption of Western Economics

Given the endless attacks on Islam, it can be assumed that the West perceives Islam as a *force or opposition, powerfully present, coming from outside*.

But before revealing the key component of Islam – the component capable of changing things, indeed, revolutionizing things, in a totally beneficial way – it is necessary to have some understanding of the key areas in which progressive Western and Islamic thinkers (*on the edge of the main subject*) have developed insights with consequent tension between them and the conservative scholars in the center.

Fifty-Nine False Assumptions of Western Economics

In practice, this means identifying the false assumptions underlying Western finance and economics (and so the basis of the West's social and political structures). These assumptions are all deeply embodied and interconnected.

Fifty-nine – yes, fifty-nine – false assumptions have been identified so far (although more certainly exist and readers are invited to try to identify them).³⁵ If only one false assumption is false or, at the most, two or three are false, then the whole of the study or science is invalidated (not least because the different assumptions link into each other).³⁶

That said, it is invidious to say any one particular false assumption is the main one because all the false assumptions have serious consequences and they are all interlinked and interconnected.

And please remember that, all the time, the false assumptions are generally hidden or disguised.³⁷ Moreover, there is the further difficulty that sometimes the main false assumption is not hidden. Indeed, as will be seen, it can be openly admitted!

However, if admitted, the implications of the falsity are never spelt out and the public in general is continually deceived so that a whole raft of new thinking and major new policy can never come to fruition. For example, many standard textbooks contain what is essentially a lie and, as a result, the public is deceived.

35 See <https://www.binaryeconomics.net/wordpress/> Appendix Three contains a list of the fifty-nine false assumptions.

A particularly important false assumption is that jobs create all the wealth and so there will always be sufficient jobs with sufficient income. That is no longer true, especially in an increasingly automated world. Rather than the secure jobs of the past, today's jobs are the insecure, low-paid, part-time, temporary, zero-hours, unpaid 'intern' jobs of the 'gig' economy. A high percentage of output is now created by the capital instruments.

36. Some other major false assumptions are considered in Chapters Eight, Nine and Appendix Four.

37 Alternatively, any querying of assumption is ignored or, if not that, a sudden attack is made accusing the questioner of ignorance, treachery, communism or malevolence (or whatever words of abuse come to mind).



The Main False Assumption That Banks Lend Existing Money

With those things in mind, we now turn to considering the main false assumption of Western economics – banks lend the existing money of depositors and the bank's capital rather than newly-created money.

But they do not. They do *not* lend existing money.

Today's money is created out of nothing by the banking system

Although people find it hard to believe, nowadays, lent money is *created out of nothing*.

Yes, nothing! Money is not silver. Not gold. Quite simply, computer buttons are pressed so as to create, for example, \$100 or \$100,000.

It is as simple as that.

*Nobody's private money – not yours, not mine, not even the bank's – is being lent. New money is created.*³⁸ Depositors and bank capital money act as a reserve and the newly-created money is many times the reserve amount.

The process of creating the new money takes place primarily in banks and this is admitted at high levels. For example, the Bank of England says,

In the modern economy, money mostly takes the form of bank deposits. But how those bank deposits are created is often misunderstood: the principal way is through commercial banks making loans. Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower's bank account, thereby creating new money.

³⁸ The banks 'print' interest-bearing money albeit in electronic form which, if desired, is convertible into paper money and coins.

The reality of how money is created today differs from the description found in some economics textbooks – Rather than banks receiving deposits when households save and then lending them out, bank lending creates deposits.³⁹

Nothing could be clearer – by pressing computer buttons the banks create the money that they lend and the economics textbooks tell untruths.

The Federal Reserve Bank of Chicago states, “The actual process of money creation takes place primarily in banks.”⁴⁰

In the UK, for example, 95% or more of new money is created out of nothing by the banking system which does it very simply – by pressing computer buttons. (The other 5% or less is created by the government.)

Indeed, all around the world today, money is created out of nothing by the banking system which creates most of the money as loans to which a demand for *riba*/interest (beyond justifiable administration cost and any other essential charges) is attached.

Sir Josiah Stamp, director of the UK Bank of England 1928 – 1941, stated, “The modern banking system manufactures money out of nothing.”⁴¹

Furthermore, the famous American economist J.K. Galbraith has said, “The process by which banks create money is so simple that the mind is repelled... It is, moreover, one that is almost breathtaking in its audacity.”⁴²

³⁹ McLeay, M., Radia, A., & Thomas, R., Money Creation in the Modern Economy, Bank of England, Quarterly Bulletin, 2014, Q.1.

⁴⁰ Federal Reserve Bank of Chicago (1992), Modern Money Mechanics – a Workbook on Bank Reserves and Deposit Expansion
<http://www.freedomcommittee.com/5534/freedom/books/mmm/mmm2.html>

⁴¹ Josiah Stamp, speech at University of Texas (1927).

⁴² J.K. Galbraith, Money: Whence it came, where it went (1975).

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A NEW PARADIGM RESPONSE

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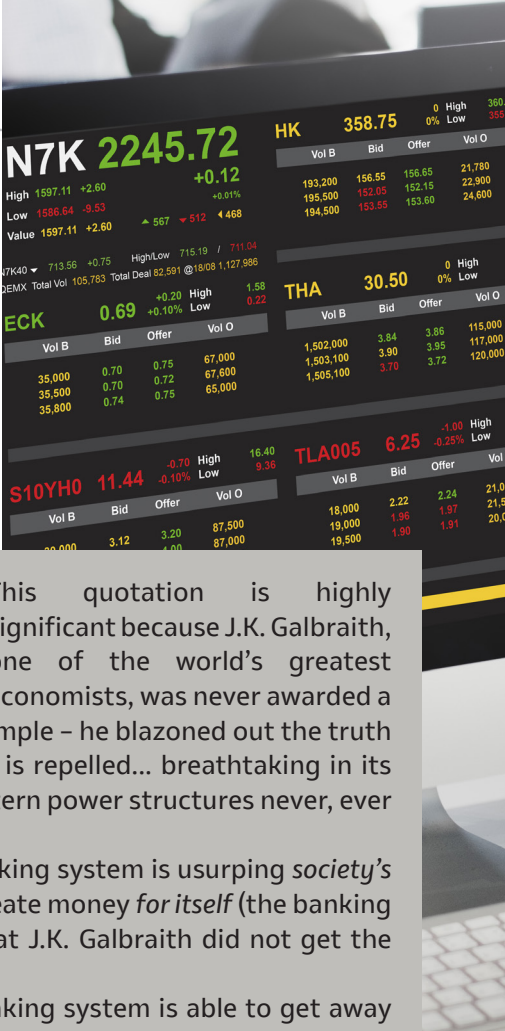
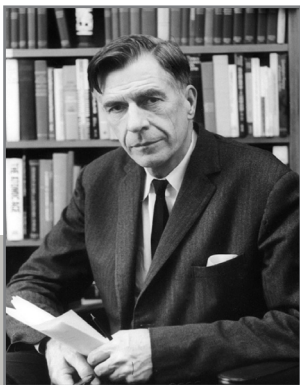
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This quotation is highly significant because J.K. Galbraith, one of the world’s greatest economists, was never awarded a Nobel Prize. The reason is simple – he blazoned out the truth (“...so simple that the mind is repelled... breathtaking in its audacity...”) and so the Western power structures never, ever forgave him.

The truth is that the banking system is usurping *society’s* right to create money, to create money *for itself* (the banking system). It is no wonder that J.K. Galbraith did not get the Nobel Prize!

So how is it that the banking system is able to get away with what is essentially counterfeiting, usually punishable by long prison sentences?

How is it that the banking system is able to misappropriate *society’s* money supply for its own purposes?

A) Getting Away with Counterfeiting

Firstly, the answer is that the banking system is able to manufacture money, free of penalty, simply because people are not generally aware that the banking system creates lent money out of nothing. Other people’s deposits are not used for the lending but the public usually believes that they are and, all the time, various sorts of subtle propaganda are used to maintain this belief.

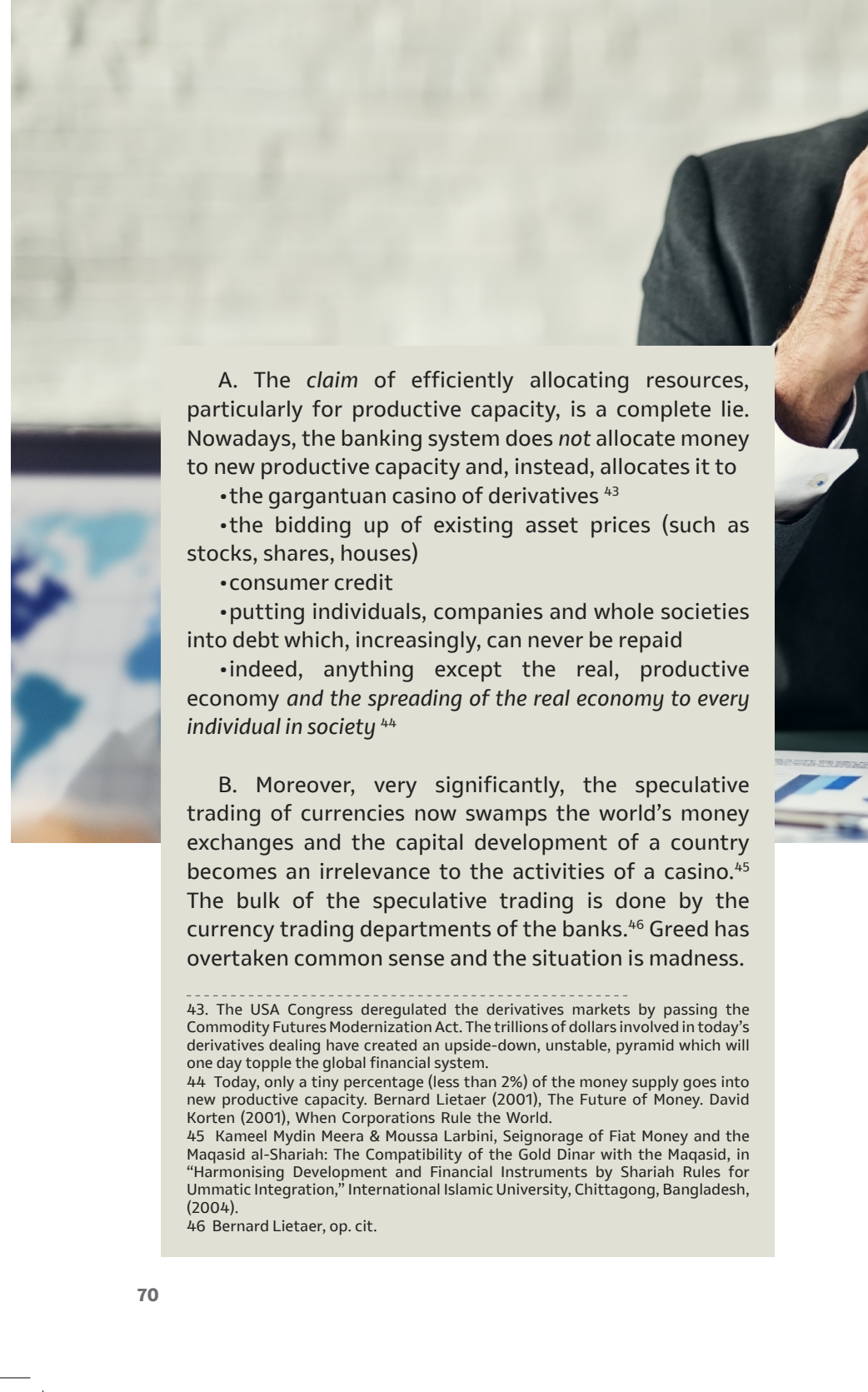


B) The bank money is not directed at the real economy

Secondly, Western economics claims that the purposes of the economy are being properly served because the (created-out-of-nothing) lent money is being directed at productive capacity (it claims) in an efficient and just way which creates growth from which all fairly benefit.

That is the claim. So, according to Western economists, bank money (which is created out of nothing and has riba/ interest added – all for the benefit of its creator) is the magic element in the (claimed) successful operation of the ‘free market’ because the new money is directed at, and serving, the needs of the real economy and so of society.

However, bank loan money is not serving the needs of the real economy, nor of society. There are three main aspects to this:



A. The *claim* of efficiently allocating resources, particularly for productive capacity, is a complete lie. Nowadays, the banking system does *not* allocate money to new productive capacity and, instead, allocates it to

- the gargantuan casino of derivatives ⁴³
- the bidding up of existing asset prices (such as stocks, shares, houses)
- consumer credit
- putting individuals, companies and whole societies into debt which, increasingly, can never be repaid
- indeed, anything except the real, productive economy *and the spreading of the real economy to every individual in society* ⁴⁴

B. Moreover, very significantly, the speculative trading of currencies now swamps the world's money exchanges and the capital development of a country becomes an irrelevance to the activities of a casino. ⁴⁵ The bulk of the speculative trading is done by the currency trading departments of the banks. ⁴⁶ Greed has overtaken common sense and the situation is madness.

43. The USA Congress deregulated the derivatives markets by passing the Commodity Futures Modernization Act. The trillions of dollars involved in today's derivatives dealing have created an upside-down, unstable, pyramid which will one day topple the global financial system.

44. Today, only a tiny percentage (less than 2%) of the money supply goes into new productive capacity. Bernard Lietaer (2001), *The Future of Money*. David Korten (2001), *When Corporations Rule the World*.

45. Kameel Mydin Meera & Moussa Larbini, *Seignorage of Fiat Money and the Maqasid al-Shariah: The Compatibility of the Gold Dinar with the Maqasid*, in "Harmonising Development and Financial Instruments by Shariah Rules for Ummatic Integration," International Islamic University, Chittagong, Bangladesh, (2004).

46. Bernard Lietaer, *op. cit.*



C. Western economics then makes the even more outrageous claim that money coming from outside an economy (e.g., from foreign lenders) is healthy even though it bears interest!⁴⁷

Therefore, the Western claimed justification for bank-created (so-called 'endogenous') money – that it is directed at, and serves the needs of, the real economy and so society – is false.

All the time, moreover, the rich get richer and the rich-poor gap increases.⁴⁸

47. If the foreign money is linked to, say, imported technology, that is one thing but, in general, just borrowing foreign money (e.g., US dollars at gross rates of interest) is outrageous.

48. The 2018 Oxfam Report says that, in 2017, billionaires increased their wealth by \$2.5 billion per day. While the poorest half of humanity saw its wealth decline by 11%, billionaires' wealth increased by 12%. In 2017 the top 26 wealthiest people owned as much as the 3.8 billion poorest. However, in 2016 the number had been 43 so there was a massive shift to an even smaller number of rich people.

Generally, half of the world's population lives on under \$3 per day.

The key issue is that the banks are misappropriating society's money supply for their own negative purposes.

J.K. Galbraith's great insight was that the process of misappropriation is "...so simple that the mind is repelled... breathtaking in its audacity..." That is very clear.

However, it is another matter entirely if banks use their own money (or, with permission, the money of depositors) for *their* own purposes. It is their money to do with it as they like.

Thus, if the banks use their own money, they can charge *riba*/interest because it is their money and so they can set the terms of the lending. Similarly, the money of depositors (with permission) can be used to charge or receive *riba*/interest.

Therefore, even if the banks are prevented from using society's money supply for negative interest-bearing purpose (as is proposed later in this book), ⁴⁹ there will still be, in practice, a considerable pool of money charging and receiving *riba*/interest.

Moreover, the banks (charging a reasonable administrative fee) *will administer society's money supply* for the benefit of everybody.

⁴⁹. The prevention is done by requiring a gentle rise to 100% banking reserves.





The Effects of Riba/Interest

To the money which is created out of nothing, riba/interest is added. This includes the cost of administration (which is relatively small).

Western economists (and all of the political and social systems) assume that the imposition of riba/interest is necessary and inevitable.⁵⁰ All the time Western propaganda upholds the importance of there being riba/interest, often distinguishing, for example, between 'fair' riba/interest and 'usurious' (or excessive) riba/interest.⁵¹

A) All riba/interest is usurious

Yet the truth is that all riba/interest (and not just excessive interest) is usurious. Of course, the usury is cunningly disguised in various ways (one way is by lumping in the riba/interest with the administration cost).⁵²

But, no matter how disguised, riba/interest, in reality, is merely a continuing charge (or 'tax') in addition to administration cost and the need to repay the principal of the original loan. Indeed, it is the main method by which finance capitalism and the global banks can, and do, rob individuals, countries and continents of their wealth.

50. For example, young people and university students are taught that the imposition of interest on their student loans is necessary. It is not. Where there is collateral, only the tiny cost of administration is necessary. See Appendix Six for Western Attempts to Justify Riba/Interest.

51. The West defines usury only as 'excessive, unreasonable, unfair riba/interest.' But any level of riba/interest, which is compounded, still allows inordinate transfers of wealth to the lender for no reason other than that the lender has the whip hand and can decide the terms of the lending.

52. Fair administration cost is payment for work done. Whereas an administration charge is only fairly imposed when administration work is done, interest is imposed whether or not administration work has been done and whether or not a charge for possible loss of the principal is being made.



B) Riba/interest is not necessary and gives an ever-increasing financial benefit to the lender

A fair charge for doing genuine administration work is necessary⁵³ but, in contrast, *riba*/interest is not necessary because *riba*/interest attaches itself to a debt and creates recurring charges in a way which is completely distinct from administration cost. In some circumstances a charge for collateral may be necessary but, again, interest is not.

The true purpose of *riba*/interest is thus obvious – to give a financial benefit, an ever-increasing one, to the lender.

C) Diminution of Ability to Repay

The requirement to pay *riba*/interest greatly diminishes the capacity of borrowers to repay and *diminishes their capacity to consume*. Put simply, borrowers have to repay more than they have borrowed and must consume *less* than the value of the borrowed sum.

So, by some perversion of the mind, the banking system is claiming that there is some extra special virtue in lent money that *costs more (two or three times more, for example) than it needs to cost*.⁵⁴

It is therefore perverse to claim that *riba*/interest is in any way to do with the efficient allocation of resources because charging *riba*/interest simply ‘allocates’ resources *away* from the borrower to the lender (which, of course, is the real reason for lending money at interest).⁵⁵

53. The fair costs of administration can include an element of ‘standing charge’ for maintaining an account and having somebody available to administer it when necessary. However, there is no justification for high interest when, in many cases, the fair administration charge is under 1%.

54. Of course, if the banks were actually lending their own money, they can, in practice having the whip hand, charge interest saying, “If you want a loan from me, you have to pay interest.” But they are creating the money – which is a totally different thing – and so unfairly benefiting themselves. Put simply, they are usurping society’s right (the right to create money) to create money for themselves.

55. Western economics claims that wealth ‘trickles down’ from the rich to the poor but that does not happen because the rich do not, and cannot, spend all their money.



D) Cost of Capital Projects Doubled or Trebled

The cost of capital projects (e.g., clean water, sewage, clean electricity generation) is doubled, tripled or more by the use of *riba*/interest-bearing money because *riba*/interest, particularly when compounded, hugely adds to the cost of a project.

In practice, such projects cannot be built or, if they are built, the cost is inordinate.

This is particularly the case when the project takes a long time to be built so that money is lent for a long period. A typical example is the construction of the (UK) Humber Bridge. Starting at £28,000,000 (with some price rises), compound *riba*/interest eventually took the cost to £439,000,000 (that's fifteen times higher) whereupon there had to be government intervention (which put the cost onto the National Debt rather than the people of Humberside). All this was the result of using money borrowed at compound *riba*/interest.

Even more startling is the simple fact that every year since it was opened in 1981 the bridge has made an operating profit, i.e., its running costs – for repair, maintenance and staff salaries – are exceeded by the fees the bridge receives from travelers crossing the River Humber.

In short, the bridge is a money-maker but the huge *riba*/interest cost means that it will be an ever-increasing charge on the National Debt.

E) National Debt rises to astronomical levels

Compound *riba*/interest-bearing debt is also the basic mechanism which causes the National Debt of most countries to rise to astronomical levels. A nation's *riba*/interest-bearing Debt is a continual, grossly enervating burden for which there is no need and it massively defeats the purpose of the efficient allocation of resources.



F) International *Riba*/Interest Compounds

Internationally, the effects of compound *riba*/interest are such that whole societies are trapped into an ever-increasing debt which they can never repay, and the attempt to repay in practice results in their economic resources being ripped off to outsiders. In the year 2000 Nigeria's debt to international creditors had gone from \$5 billion to \$28 billion even though \$16 billion (i.e., over three times the original loan) had already been repaid; in other words, \$5 billion had become \$44 billion in total and even more in the future. President Obasanjo said, "That \$28 billion came about because of the injustice in the foreign creditors' interest rates. If you ask me what is the worst thing in the world, I will say it is compound interest."



G) Compound *Riba*/Interest and Odious Debt

The effects of compound *riba*/interest are particularly disgraceful when whole societies are trapped into an ever-increasing debt which they can never repay, and the attempt to repay in practice results in their economic resources being ripped off to outsiders.

That is the situation when *riba*/interest-bearing money is lent to poor countries. By a process of bamboozlement and deceit the poor countries of the world are told a complete lie – that they can only borrow from abroad and that the borrowing must be at interest, compound *riba*/interest. Unfortunately, even highly intelligent people can be gullible and be led to believe that there is no alternative to the present system.

The situation is then compounded – quite literally – by the corrupt elites which finagle the borrowed money into a Swiss bank account for themselves but succeed in making the repayment of *riba*/interest and principal the responsibility of their own oppressed, impoverished populations.

Corruption of Lenders

Yet corrupt borrowing elites are only part of the problem of odious debt – the other part is the corruption of the lenders. In *Confessions of an Economic Hit Man* (2004), John Perkins rips aside the veils of hypocrisy and deceit as he reveals the way Indonesia, for example, was given exaggerated technical forecasts, over-priced contracts, work contracted out abroad rather than locally, and enervating *riba*/interest rates on foreign-created money.

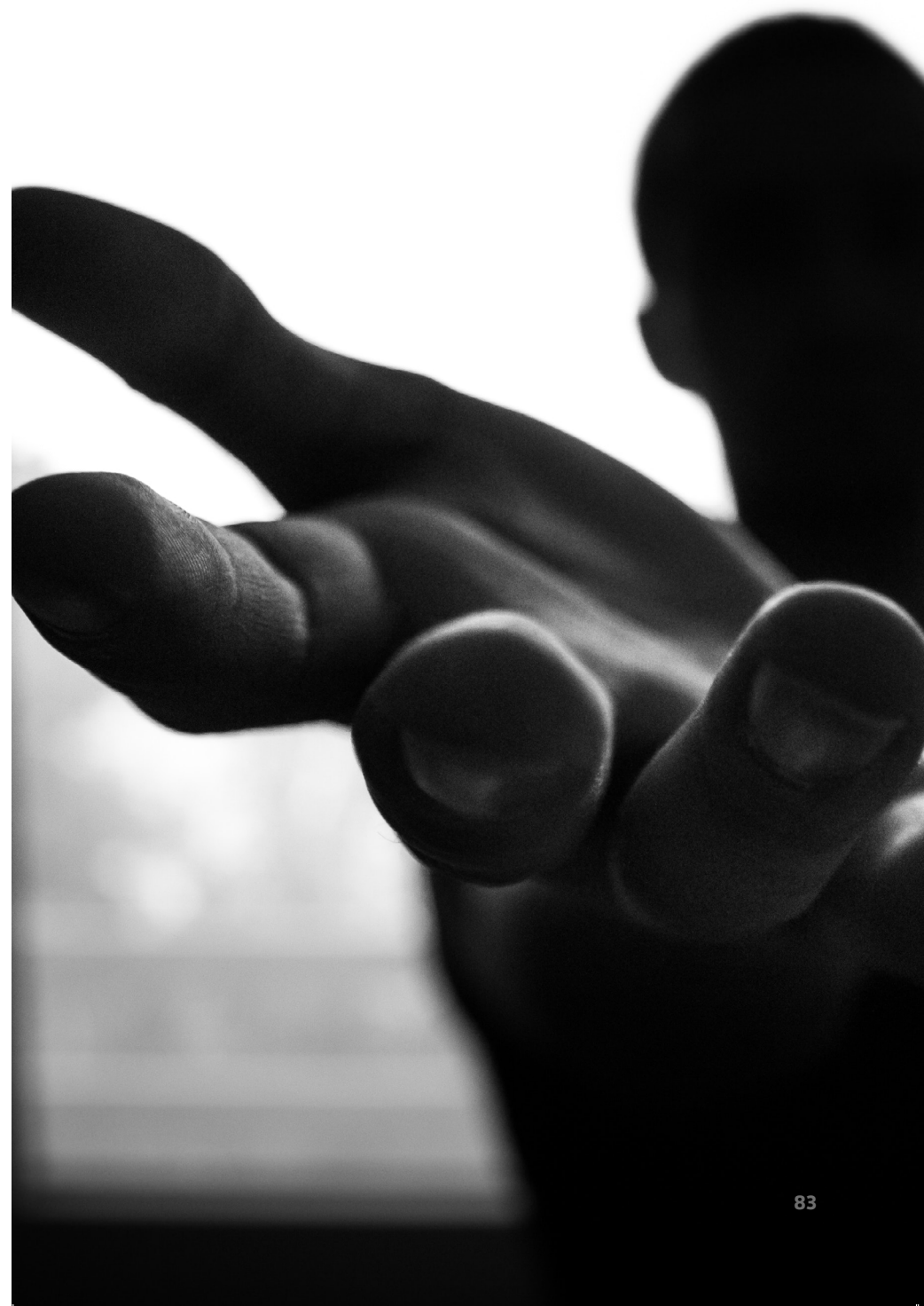
This is predatory lending at its worst and yet it goes ahead, even though the lenders *know* that it is immoral to lend in the circumstances. However, the lending always happens because the lenders have the mouth-watering prospect of profit (in the form of *riba*/interest) *continuing forever*.

H) A.I.D.S. Accumulated International Debt Syndrome)

To cap it all, the lenders hide their corruption and greed under the hypocritical claim that what they are doing is a necessary and virtuous part of the ‘free market’ and that, in some magic way, efficiency and justice will be a consequence of their lending. The corruption of the lenders is the greatest corruption of all. The overall result is A.I.D.S.⁵⁶

Moreover, the creditor countries today do not give some form of debt relief with the object of eliminating interest-bearing loans. Rather they give the relief (often on tortuous conditions so that, in practice, the relief is minimal) *to ensure that heavily indebted countries, although on their knees, are still able to continue paying the interest on debt*. The relief is to ensure that the indebted countries do not suffer complete economic collapse and so not be able to pay anything at all. Present international debt relief is cynical behavior of the worst sort particularly when, as a condition for debt relief, the indebted countries are forced to sell off their capital assets to foreigners.

56. AIDS – Accumulated International Debt Syndrome (in all developing countries). Muhammad Iqbal Anjum, *Some Reflections on the Fundamental Errors in Development Economics – an Islamic Critique* (Annual Journal of International Islamic University, Islamabad, 2004).



I) Riba/interest massively transfers resources from poor to rich

Riba/interest is a giant sucking mechanism which draws up wealth from the poor and transfers it to the rich. Generally, the cost of riba/interest causes 80% of the people to pay out much more than they receive; 10% are in balance; and the last 10% receive very much more than they pay out.⁵⁷ In the town of Aachen in Germany, for example, riba/interest on capital is 12% of the cost of rubbish collection; 38% of the cost of drinking water; 47% of the cost of sewage; and up to 77% of the cost of public housing. Moreover, between 1950 and 1989 German Gross Domestic Product increased twenty-two times, but riba/interest paid on the National Debt increased seventy-five times!

Furthermore, it has been estimated that a horrific 50% of the price of all goods and services relates to borrowing costs (principal and riba/interest).⁵⁸

J) Deleterious Social Consequences of Riba/Interest

The social consequences of interest can be horrific. Thus in India 200,000 farmers committed suicide between 1997 and 2010.⁵⁹

That's 15,000 each year. The major factor in this disaster is debt at excessively high interest rates and, unlike American farmers, Indian farmers do not receive large subsidies or forms of income support.

Many farmers who do not kill themselves have no choice but to sell one of their own kidneys.

K) Riba/interest puts the whole world into ever-increasing debt

Banks create out of nothing the money they lend and the creation is sufficient to allow for the repayment of the principal. However, banks do not create enough money to repay the riba/interest.⁶⁰

57. Margrit Kennedy, *Interest and Inflation-Free Money* (1995).

58. *Ibid.*

59. *Rupree News*, 14th May, 2010.

60. Tarek el-Diwany, *The Problem with Interest* (2003).

The system as a whole therefore requires that overall debt should continually increase but that, of course, means that the level of debt has to increase to a level where it cannot be repaid, at which point debt is repudiated, confidence collapses, and 'bust' replaces 'boom.'

On top of which, the global system of riba/interest puts individuals, corporations, towns and cities into ever-deepening debt because Western economists claim the debt is necessary if there is to be prosperity. Unfortunately, the prosperity is only for some, and never for all.

NB. When debt gets too high, banks stop lending (for fear of losing the loans) and the money supply begins to contract.

Soon, unemployment begins to rise...

L) *Riba*/interest creates inflation

At present, two lots of financing are required to keep the system going – one for production and one for consumption. Western double financing (i.e., one lot of financing for production and another lot for consumption) using *riba*/interest-bearing money, requires more and more money to be created and thus is the main factor causing the insidious creep of inflation.⁶¹

Furthermore, the present financial system creates sufficient money for the principal of *riba*/interest-bearing loans to be repaid but does not create sufficient money with which to repay the *riba*/interest. Thus, more money must be created.

M) *Riba*/interest prevents clean water and electricity generation

Every day in the world, thousands of people die from the effects of dirty water. Yet clean water supplies and effective sewage systems use well-established technology. Such supplies and systems, however, are not built because their cost, using compound *riba*/interest-bearing loans, is at least twice and often three or four times the cost of a *riba*/interest-free (repayable and cancellable) loan.

61. In the new paradigm of binary economics only one lot of financing is necessary. It finances both production and consumption at the same time. This is called simul-financing. See <https://www.binaryeconomics.net/wordpress/>

A woman with curly hair and sunglasses, wearing a dark fur coat, holds a fan of 50 Euro banknotes. The scene is dimly lit with a blue and purple color palette, featuring a plant in the background.

And it is the same with clean electricity generation. In the UK one project alone – either the barrage across the Severn River or, preferably, for environmental reasons, tidal lagoons in the Severn estuary – would generate 10% of the UK’s electricity needs. Existing technology could be used and the project has an excellent physical viability. Yet, because *riba*/interest-bearing, rather than *riba*/interest-free, loan money would be used, the project is not financially viable.⁶²

62. Citing the need for ‘austerity,’ the UK government canceled the lagoon project,

N) Riba/interest causes environmental depredation

In the present system more and more riba/interest-bearing money has to be created with consequent inflation, indebtedness, greed⁶³ and endless frenetic activity in the endeavor to try to make repayment.⁶⁴ Worse, the system favors the short-term destruction of natural wealth rather than its long-term maintenance.⁶⁵

Moreover, at present, virtually everyone has either had a scarring experience of poverty or has a fear that they might fall into poverty. In short, people feel insecure and that is one of the main factors in explaining greed. Thus, unless the role of riba/interest in the financial system is substantially diminished, environmental depredation is inevitable.

.....
NB. It is not possible to eliminate riba/interest entirely from the world.

However, it is certainly possible to stop the banks from creating new money out of nothing – they are misappropriating, using and abusing society's money supply – and this can be done by a gradual rise to a 100% banking reserves requirement.

Nevertheless, it is not possible to eliminate riba/interest from all areas of economic activity. This is because, if banks use their own money or (with permission) the money of depositors, it is their money to do with it as they like. The owner of money can set the terms of a lending, including the charging of riba/interest.

63. Ibid

64. Ibid

65. Ibid



A considerable pool of riba/interest remains

Therefore, although the banks are to be prevented from using society's money supply for negative purposes, there will still be, in practice, a considerable pool of money charging and receiving riba/interest.

But, if the banks are not the owners (rather, society is the owner), it is monstrous to allow riba/interest, particularly when the true purposes of the real economy (and its needed balance of supply and demand) are not being served.

In short, banks must not be allowed to use society's money supply for their own overall, negative purposes.⁶⁶

66. But, on behalf of everybody, they can administer society's money supply, charging only a fair fee for administration.

The Creation of the New Paradigm



It is now time to reveal how the New Paradigm is created.

The Third Factor

The third factor in the creation of big, new ideas, as identified by the researchers, is

Some form of major force or opposition, powerfully present, coming from the outside. It interacts with the progressive thinking on the edge of the subject to create the new paradigm.

The third factor divides into three parts

- major force or opposition, powerfully present, *coming from the outside*
- progressive thinking *on the edge* of the subject
- interaction between the force coming from the outside and the progressive thinking on the edge of the subject

A. Major Force or Opposition Coming from Outside

For a start, Islam ‘comes from the outside.’ Moreover, it is a distinctive culture (think of month-long fasting and Ramadan, for example).

Furthermore, Islam has three powerful concepts – *Jihad*, *Ijtihad* and the spirit of *Khums/Zakah*. These concepts embody the sort of intellectual bravery and exertion as found in Copernicus and Galileo as well as a religious commitment to solving poverty.

1. Jihad

In a religious sense, as described by the Qur’an and the teachings of the Prophet (PBUH), Jihad means striving for the benefit of the community or the restraint of personal sins.

The words ‘striving for the benefit of the community’ are highly significant and contrast strongly with basic Western doctrine which thinks that selfishness is desirable.⁶⁷

Copernicus and Galileo strove for the benefit of community and so pursued their version of Jihad.

67 Western economics is based on the selfish doctrine of homo economicus which does not imply a striving for the benefit of society. In contrast, New Paradigm economics is based on homo reciprocans and co-operans which have a societal concept at their core.

2. Ijtihad

Ijtihad is effort, physical or mental, expended in a particular activity.

In its general sense it means intellectual bravery and exertion, again as exemplified by Copernicus and Galileo.⁶⁸

3. The Spirit of *Khums/Zakah*

This is the desire to genuinely want to solve the problems of poverty. The spirit is one of the five pillars of Islam and so is an obligation on all Muslims to address the subject of poverty.

In summary, the distinctiveness of Islamic culture, Jihad, Ijtihad and the spirit of *Khums/Zakah*, are all highly compatible with the meaning of '*Some form of major force or opposition, powerfully present, coming from the outside.*'

4. The Key Component – the Most Distinctive (and Powerful) Part of Islam

However, the most distinctive (and powerful) component of a distinctive Islam, coming from outside, is the Qur'anic injunction against *riba*/interest,

O believers, fear you Allah; and give up the Riba⁶⁹ that is outstanding, if you are believers. But if you do not, then take notice that Allah will war with you, and His Messenger; yet if you repent, you shall have your principal, unwronging and unwronged (The Qur'an, 2:278-9).

O you who believe! Devour not Riba, doubled and multiplied; but fear Allah; that you may prosper (The Qur'an: 3:130).

The iniquities of *riba*/interest have been set out in Chapter Eight; so, enough has been said on that subject.

However, it is crucial to remember that *riba*/interest (although cunningly disguised) is an integral part of modern Islamic Finance.

68. In its technical sense, Ijtihad can be defined as a process of legal reasoning through which the jurist derives or rationalizes law on the basis of the Qur'an and the Sunna.

69. In English translations the word 'usury' is often used. But this is a Western deceit. Islamic commentators view the Holy Prophet's injunction against *riba* as against any interest rather than, as in the use of the word usury which in Western legal jurisdictions means 'excessive interest,' as distinct from other forms of interest.



And we must also remember that Imam Khomeini put his finger on the matter when he spoke of the need to *replace the incorrect system of economy prevalent in the world of Islam*.

All in all, Islam fits the description of a major force or opposition, powerfully present, coming from the outside as identified by the researchers.

5. Progressive Thinking on the Edge of the Subject Causing Tension

The progressive thinking described by the researchers is Western and Islamic progressive thinking identifies false assumptions.

As previously mentioned, there are at least fifty-nine false assumptions, all deeply embodied and interconnected. Two, in particular, however, suffice to show how the New Paradigm is revealed:

6. Banks lend existing money

But they do NOT lend existing money: the lent money is created out of nothing by pressing computer buttons.

7. Riba/interest is necessary

But *riba*/interest is not necessary when there is sufficient collateral.⁷⁰ A reasonable administration charge is necessary but *riba*/interest is not.

Furthermore, the imposition of *riba*/interest becomes a major evil when its use prevents the spreading of the real economy and its benefits to every person in society.

The identification of the false assumptions (together with the identification of the other fifty-seven false assumptions) *causes tension* with the conservative scholars upholding the old, outdated concepts in the center.

70. Needless to say, every person in the West has it drummed into them that *riba*/interest is a necessary and inevitable part of life.



8. Interaction between the Force Coming from Outside and the Western and Islamic Progressive Thinking on the Edge of the Subject

Therefore, the key interaction is between

- *the force coming from the outside* (Islam with *Jihad, Ijtihad*, the spirit of *Khums/Zakah* and the injunction against *riba*/interest) and
- the Western and Islamic progressive thinking *on the edge* (with its insights that today's money is created out of nothing and *riba*/interest unnecessarily added)

The interaction can be summarized in the statement:

One plus one equals a much bigger One.

Or (in a type of new mathematics!)

$$1 + 1 = 1$$

Thus, in summary, the Islamic injunction (that *riba*/interest is forbidden) interacts with the Western and Islamic progressive insight (that today's bank money is created out of nothing and *riba*/interest is unnecessarily added) to form the key principle of the *New Paradigm Response*. It establishes that:

When there is sufficient collateral and the purpose is spreading productive capacity, *there is no physical or intellectual barrier to the large-scale creation of riba-free loan money for the benefit of society.*



In practice this means that society's money supply, if administered on market principles to spread the real economy to everybody in society, can be free of riba/interest, thereby ensuring the rapid implementation of productive instruments and rapid repayment in a way which is inconceivable at present.

The consequence will be that, over time, *producers and consumers become the same people*. This in effect means that all individuals are able to genuinely produce so that they can genuinely and legitimately consume. For the first time ever, Say's Theorem will actually exist in practice.⁷¹

The overall result is something which will enable Islam (which, at its heart, has the injunction against *riba*/interest) to give a lead to the world in forwarding national independence, promoting material success, fostering spiritual development and exposing Western economies (with their associated politics) as corrupt and failing.

It will, moreover, provide practical help for myriad global problems e.g., 50% of the world's population have to survive on under \$3 per day, and 10,000 people per day die from the effects of dirty water (that's one person every ten seconds).⁷²

In sum, the force and energy of Islam combines with the progressive thinking of the West and Islam to create something big and new.

And, at the deepest level of all – that of paradigm – a political, moral, economic and intellectual challenge is made to the West.

.....

NB. Banks lending *their own* money (or, with permission, lending depositors' money) will still be able to charge *riba*/interest because it is their money and so they can set the terms of the lending.

In this way, there will still be a considerable pool of money charging and receiving *riba*/interest.

However, banks will not be allowed to use society's money supply for their own overall, negative purposes. A requirement for a gradual rise to 100% banking reserves stops the banking system from creating money out of nothing.

71. See Appendix Four.

72. https://www.theworldcounts.com/counters/interesting_water_facts/dirty_water_diseases



Detailed Aspects of Riba-Free Loans

The essence and rationale of the modern Islamic riba-free loan mechanism is that, as long as the money is lent for defined productive purposes developing wide ownership, the government and the commercial banks should be able to administer a supply of interest-free money (from the central bank) to be lent to satisfy those purposes. Such loans are always repayable and cancellable.

NB. The money is initially created by the national bank and then lent to the private banking system which then administers it (charging a reasonable administration fee but no riba/interest) for wide productive and wide ownership purposes.⁷³

Occasional checks on the banks will be necessary to ensure that they are obeying wide ownership, real economy and true free market principles.⁷⁴

Private Sector

For the private sector, the central bank lends riba/interest-free money to the banking system which then administers it on wide ownership, true free market principles, including the existence of collateral, ability and intent to repay, and effective spreading of the real economy to as many people as possible.

In the case of large corporations, the key condition for the use of riba/interest-free loans is that the investment is associated with the creation of new shareholders thereby distributing the ownership of new capital assets throughout the population.⁷⁵

The purposes in the private sector divide into four main areas:

1. Micro-Credit

It is outrageous that commercial banks charge around 60% per annum for microcredit while 200%, even 300% is not unknown in rural areas.

The Grameen Bank charges around 34% of which 17% is for the borrowed money and 17% for administration costs which are high and include the costs of training the borrower.

73. Rodney Shakespeare & Peter Challen, *Seven Steps to Justice* (2002).

74. If the loan has no collateral, there may need to be a cost for commercial credit insurance.

75 Robert Ashford & Rodney Shakespeare, *Binary Economics – The New Paradigm* (1999). See www.binaryeconomics.net

Grameen has a 98% repayment rate and so there is no substantial reason why it could not receive interest-free money, lend it on to its usual clients and then repay the money to the central bank, thereby halving the effective borrowing cost to the clients (say down to 20%) would be a huge improvement.

Other micro-credit organizations could similarly halve the costs of borrowing for their customers.⁷⁶

2. Small Businesses and Small Farms

When small or start-up businesses, including farms, have to borrow *riba*/interest-bearing money, the chances of their survival considerably diminish. But *riba*/interest is not necessary when money is put into productive capacity, as in a small business. There is no need for a small business to be burdened with the crushing burden of *riba*/interest-bearing debt.

As long as there is scrutiny to ensure that the small business has a viable proposal with appropriate provision for collateral and administration cost, there is no reason for charging interest at all.

76. On a visit to Bangladesh, the author was told by officers of a large and successful micro-credit organization that, with a supply of interest-free loan money, they could halve the effective cost to borrowers and achieve 100% repayment.



3. Medium-Sized Corporations

Riba/interest-free loans should also be available for medium-sized corporations if the loans are associated with the widening of ownership.

However, unlike large corporations, medium-sized corporations would not be required to make a full payout of earnings (except for reserves for research, depreciation and development), so that they would have the option of expanding via retained earnings. Once the riba/interest-free loan is accepted, however, full payout of earnings would be required in future.

4. Large Corporations

The riba/interest-free lending to large corporations is allowed only if the investment creates new owners of capital and is part of policy to enable all individuals, over time, on market principles, to become owners of substantial amounts of productive capital.⁷⁷

By using central bank-issued riba/interest-free loans, administered by the banking system on the market principles of true Islamic riba-free economics,⁷⁸ a large corporation would get cheap money. Wide ownership – on the principles of true Islamic and binary economics – uses riba/interest-free money to enable any person in the population, over time on market principles, to have a basket of shares paying out their true, full earnings.

77. Rodney Shakespeare & Peter Challen, *Seven Steps to Justice* (2002). Rodney Shakespeare, *The Modern Universal Paradigm* (2007).

78. Robert Ashford & Rodney Shakespeare, *Binary Economics – The New Paradigm* (1999).



NB. Petrochemical organizations are often large corporations which should have loans for their expansion. However, if given loans *riba*/interest-free, the result would be a much greater concentration of ownership in existing shareholders. This is undesirable.

It is therefore recommended that the *riba*/interest-free loans for large corporations should only be allowed if, on the principles of binary economics,⁷⁹ new shareholders are created. Of the many advantages, the main one is that productive (and associated consuming) capacity will be spread throughout the economy, thereby enabling a balance of supply and demand (as is required by Say's Theorem) and, at the same time, a forwarding of social and economic justice.

In short, *riba*/interest-free loans should be available if they result in wide capital ownership.

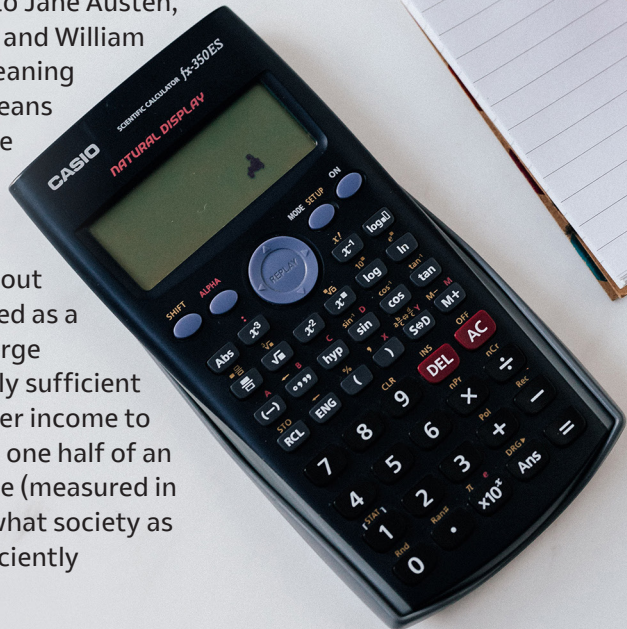
Incomes for All

In the modern Islamic *riba*-free economy, all individuals have a proper income. Apart from ownership in small businesses and the income which comes from labor work, *wide capital ownership* (in which the capital pays out its full return which would be *five to eight times* existing returns) is the crucial way for enabling *all* people to have an independent income which continues throughout their lives.

Mothers are therefore able to bring up their children without financial pressure. Even small children have an income, sufficient for basic needs. At the age of five the income increases to allow for payment of basic school fees, with increases at eleven and sixteen. Thereafter the income stays with the child (now an adult) as part of the increasing adult modern Islamic *competence* which comes from an independent capital estate.

The Competence

The *competence* (the word can be traced back to Jane Austen, Alexander Pope and William Shakespeare meaning 'property' or 'means sufficient for the necessities and conveniences of life; sufficiency without excess') is defined as a capital estate large enough to supply sufficient current consumer income to support at least one half of an affluent life style (measured in the context of what society as a whole can efficiently produce).





Figures contained in a 1998 study by Northeast Ohio Employee Ownership Center, Kent State University, Ohio and a 2005 study conducted by Center for Economic and Social Justice, Washington, D.C., indicate (2005 figures) that, aged sixty-five, an adult would have a binary income of about \$26,000 and a capital accumulation of at least \$200,000 with both figures continuing to increase after the age of sixty-five. (The figures would be very much higher today.) In practice the competence means that not only employees but people not in formal employment (e.g., women, caregivers and children) may have an income, because they have been connected to what truly creates wealth – the productive capital assets of large corporations, for example. This is important because the spreading of capital ownership and its associated income will, over time, enable all members of society to have a basic income independently of whether or not they are in the conventional labor market. Thus all people become productive and so have the

income that comes from their production (as capital owners), thereby enabling them to be consumers.

However, a key condition for the use of *riba*/interest-free loans is that the investment must always be associated with the creation of new shareholders, thereby distributing the ownership of new, future capital assets throughout the population.⁸⁰ The assets pay for themselves *out of what they will earn in the future*.⁸¹

Housing

It is also possible that loans for private (as well as public) housing be *riba*/interest-free (making repayment one third of the present cost). Such lending would require loans of only 80% of valuation and there should be criminal penalties for deliberate false valuations and declarations of income.⁸²

Public Capital Projects

In the case of public capital projects (e.g., roads, bridges, hospitals, housing, schools, waterworks, fire stations and sewage works) the mechanism for the loans is simple – the national bank creates *riba*/interest-free money and then lends it to the government for the purposes of the government's own capital expenditure.⁸³ Money for repayment is collected, as at present, out of fees and taxes with the difference that the amount required to be collected would be half, even a quarter, of the usual amount.

80. Another key condition would be that all large corporations would be required to pay out all their earnings except for reserves for research, depreciation and development. This requirement is necessary to ensure that

- corporations are encouraged to accept interest-free loans with the associated responsibility of widening ownership in the economy
- the loan is repaid at a competitive rate over a reasonable period of time
- the beneficiaries receive all the income coming from capital productiveness
- the entire economy is able to achieve sustainable aggregate growth and distributive justice on market principles

81. In contrast, Western economics says investment comes from what has been saved in the past.

82. NB. Housing is a productive asset – it continuously provides needed accommodation space.

83. The public capital projects need not be built by the government. If wished, they can be built and managed by the private sector.

Riba/interest-free loans for public capital projects have been used by the Channel Island of Guernsey. Guernsey has minimal national debt. Malaysia is believed to be experimenting with such loans and, of late, has achieved some remarkable feats of public construction.

Over the period 1939-1974 (a prosperous period) Canada used the loans and, today, many Canadian municipalities are demanding their use again to upgrade poor infrastructure. After 1935 New Zealand used such loans – for hydropower schemes, railways, state housing etc. – and had a remarkably prosperous period. In the late 1940s Taiwan used the loans to spread ownership of farm land without harming the rich.

Other Uses for Riba/Interest-Free Loans

Of course, green capital investment is essential and a good example is the construction of mangrove-crested sea barrages to protect against erosion of the land. But, at present, using riba/interest-bearing loans, most green capital investment is not possible.

With riba/interest-free loans, however, such investment would become viable.

Moreover, it is vital to have clean, renewable energy – e.g., electricity created by tidal barrages, tidal lagoons, underwater turbines, wave machines, dams, windmills, solar electricity, and geothermal power stations.

A good example of what is possible is the Severn River barrage project in the United Kingdom. This project has been planned for decades and is capable of generating 10% of the UK's needed electricity. Moreover, the technology involved – concrete dams and turbines – is not new.

So why has the Severn River barrage project not been built? The answer is simple – if money is borrowed from the banking system at riba/interest, the length of time to build the project and the effect of compounding riba/interest makes the project financially unviable.

But if riba/interest-free loans, created by the national bank, were to be used, the project immediately becomes financially possible.



Furthermore, the UK has many sites around its coasts where similar projects (e.g., tidal lagoons and turbines in underwater races) can be used. However, all of these admirable projects cannot come into existence because the government refuses to allow its own national bank to issue *riba*/interest-free loans.

NB. In some sunny countries, with *riba*/interest-free loans and new storage technology, large-scale solar generation could provide all of a country's electricity needs.



New Technologies

Riba/interest-free loans can implement extraordinary new technologies such as those of Brilliant Light Power and its Suncell.⁸⁴

Student Loans

Education is important to individuals and to society. Student loans should be free of *riba*/interest.

⁸⁴ <https://brilliantlightpower.com/>

Visual Summary



A gradual rise to 100% banking reserves stops the banking system from creating money out of nothing. Banks may lend their own money or that of depositors (with permission) and such lending may be at riba/interest.

A riba/interest-free loan money supply then comes from the national bank or from voluntary spare private funds or Khums/Zakah.

The loans are administered by the commercial banks (charging only a fair administration cost – $\frac{1}{2}\%$) for the purposes only of the real economy and, in particular, the spreading of the real economy over time, on true market principles, to every person in society.

In this way producers and consumers become the same people (as required by true market theory) and there is a genuine balance of supply and demand.

www.binaryeconomics.net

A gradual rise to 100% banking reserves stops the banking system from creating money out of nothing. What would the true Islamic economy look like? For a start, who would be members of it?

True Islamic economics spreads ownership

NB. Private home loans only 80% of valuation; criminal penalties for falsified valuations etc.

Picturing the True Islamic Economy

Justice creates the efficiency and the efficiency creates the justice

1. Members of the True Islamic Economy

The answer is – *everybody*. And that is unlike today's economy which sees a mother, for example, as not being part of the economy (even though she works hard for many hours every day).

A good way to picture the true Islamic economy is to think of the small land-owning yeomen of yore – the stout-hearted, economically independent, hard-working freemen, women and children who were the backbone of the society.

But, of course, it will be rightly said that it is no longer possible, in today's circumstances, to turn the whole of society into small, self-sufficient, landowning farmers and their families.

Of course, it isn't! However, it is practical, over time, to develop widespread productive ownership with full pay-out capital estates in the hands of *every* individual in the population. In that way, *every* individual develops the economic independence of the yeomen.



2. Would there be banks?

Of course! But the commercial banks would not be allowed to create new money out of nothing as they do today on a huge scale. They would be allowed to lend their own money, of course, at *riba*/interest, and they would also, with permission, be allowed to lend, at *riba*/interest, the money of their depositors.

However, the banks would not be allowed to create new money.

3. Would there be a new money supply?

Yes, but it would not be like today's new money supply which goes into existing assets and putting everybody into maximum

amounts of debt.

Instead, the national money supply, coming *riba*/interest-free from the national bank, would be available to spread productive capital ownership to every person in society. Indeed, through *riba*/interest-free loans from the national bank, the true Islamic economy promotes economic justice (particularly in the form of widespread business and capital ownership).

The result will be productive capacity (and thus associated consuming income) being widely spread throughout the population so that *producers and consumers become the same people*, thereby implementing the basic principle of a true free market.

In this way, apart from jobs and the ownership of small farms and businesses, all individuals, over time, will acquire independent economic bases.

Moreover, because there is no *riba*/interest involved, everybody will have access to low cost

- public capital in its various forms (e.g., hospitals, roads, schools)
- clean energy
- student loans
- housing, public and private⁸⁵

The remarkable consequence is that efficiency and economic justice are being forwarded at the same time.

4. National Debt and Taxation Reduced

Over time, the national debt will be reduced. This is because the government would be able to borrow, *riba*/interest-free, from the

85. Public capital projects can be built and managed by the private sector. If built with interest-free money, public housing will be constructed at low cost. Private housing will also have interest-free money, but on certain conditions including: a) only 80% of genuine valuation; b) criminal penalties for false declarations and valuations; c) a responsible ratio between borrowed money and income. All of this may occur in circumstances where the banks are not allowed to create new money.





national bank and not need to borrow interest-bearing loans from private individuals and banks.

Taxation, moreover, will be very substantially reduced because the government will not forever be paying for *riba*/interest.

5. Commercial Banks to Administer the Lending of National Bank Money



In the true Islamic economy, the commercial banks also administer the lending of national bank interest-free money on the strict conditions of

- real economy
- spreading the real economy
- collateral
- proper business plan

All the time, the commercial banks will be repaying the money to the national bank for cancellation.

Any commercial bank not implementing the conditions will lose the privilege of administering the supply.

The money from the national bank (for the true Islamic economy purpose of spreading the real economy, over time, to



every person in society) is riba/ interest-free to the borrower, but with payment of a small, genuine administration cost to the commercial bank.

All other borrowing from, commercial banks (i.e., for non-true Islamic economy purpose) in practice bears riba/interest plus administration cost.

6. Too big to fail; banking will end

Banks will be free to lend their own money (and, with permission, that of depositors) how they wish and, if they squander it, will be facing the wrath of their shareholders

and depositors.

But, because of the gradual rise to 100% banking reserves, banks will not be able to create money (to be lent) out of nothing, and no bank will be too big to fail.

7. Bank Deposits to Remain the Property of the Depositor

With all bank accounts it is important that the money they contain remains the property of the depositor. It is outrageous that, at present, the banks legally own all the money in bank accounts. In the recent Cyprus debacle, the money of depositors was taken to pay the bank's debts.

In fact, it's worse than that. The G7 countries, and others, have now taken legal powers which not only enable the

stealing of the deposits of customers but also enable the population as a whole to be forced to bail out the banks. This situation must be corrected.

8. Secure, No-Interest Accounts in a Counter-Inflationary Environment

Apart from various savings accounts giving a good rate of interest (but with an element of risk), it can be expected that, in overall circumstances of no inflation, banks will also provide fully secure accounts which pay no interest.⁸⁶

9. Industry to Be Re-Built

It is an unhappy fact that the UK and the USA, for example, have recklessly abandoned their industrial heritage and jettisoned their technological skills. This has happened because of finance capitalism doctrine which says that it does not matter if a country loses its industry. The doctrine is part of 'trickle down' theory which says that the elite can prosper by 'finance' and their wealth will then 'trickle down' to the rest of the population.

But it does not 'trickle down.' The doctrine is a fraud resulting in the loss of a nation's industry.

A re-built, heavily capitalized, technologically advanced industry is needed with its ownership widely spread.

10. Lessening of Necessity for Welfare Payments

86. That said, however, genuine savers/depositors will still receive a good rate of interest and so an element of *riba* will remain. Thus in the true Islamic economy existing savers/depositors, far from being penalized by minimally low interest rates as at present, can expect to receive good interest rates for their savings. This is because the banks (stopped from creating new money by a gradual rise to 100% banking reserves) will only be able to lend their own money and, with permission, that of savers/depositors, i.e., the banks will not be allowed to create money endlessly as in the present fractional reserve banking system.

Consequently, in the banks, there will be a limited pool of money for lending, but one with conventional demand for it. Anybody wanting to access that pool, therefore, will have to pay the demanded rate of interest with the result that the accounts of savers/depositors will receive a good rate of interest.

At present, an ever-increasing welfare requirement is largely the result of a failure to spread productive power to individuals.

The true Islamic economy strengthens and widens the private sector in particular in respect of individuals.

By doing so, all individuals, over time, become more productive with the happy consequence that they will be better equipped to provide for themselves and so be less reliant upon welfare provision by the state.

11. Gradual Change Over

The true Islamic economy is a revolution. It overthrows all fifty-nine false assumptions of finance capitalism with impact on many, if not most, sectors of society.⁸⁷

Yet there is nothing violent in this revolution. Indeed, told that the revolution is under way, people might ask, “What revolution?” This is because the change-over is gentle and the effects, whilst immensely powerful, are always quietly

beneficent, like a day in spring.

12. Any political party may take up the true Islamic

87. See Appendix Three.



economy

Any political party – left, right or center – may take up the true Islamic economy.

Students, in particular, should be alert to the implications of the true Islamic economy since it is their future which is at stake.

13. Islam to Become the International Leader

Any Islamic country or grouping may have the true Islamic economy if it has access to a central bank which can issue riba/ interest-free loans for the spreading of the real economy to every person in the land.

Furthermore, the people in any country or grouping, over

time, can come to own its productive capacity rather than finding that its industries and enterprises are owned abroad and the wealth they create goes abroad as well.

In the case of Europe, the individual countries would need to persuade the European Central Bank to follow true Islamic economy policy.

The true Islamic economy is a campaign to reform the whole of economics, the whole of politics and the whole of society right across the world. This is because Western finance capitalism prevails right across the world, including Islam as a whole, just as it does in Europe and the UK.

One splendid consequence of the campaign will be that Islam can give a lead and acquire a different image in the eyes of others.

Unnoticed by many, great shifts are taking place in the world. Economic power is shifting away from the West; political power is shifting; and the West's moral authority is in decline. In a profound way, the West is losing and there is a huge opportunity for Islam.

14. Neither 'Left' nor 'Right'

The lead will be neither to the 'Left' nor to the 'Right.' A new paradigm and new reality are evolving in which the terms 'Left' and 'Right' are inapplicable.

15. Defense against Spying and Fascism

A key characteristic of the true Islamic economy is that it spreads economic power and thus it spreads political power. At no time in history has it been so important as today to spread economic power to make a defense against an overwhelmingly powerful, potentially fascist, nation-state.

Thoughtful people are increasingly terrified that Islam and the West are being stampeded into 24/7 surveillance. The UK, for example, already spies on its own population 24/7 and has vast international capability.

Power tends to corrupt and absolute power corrupts absolutely.



Today's state is able to use the information it garners for blackmailing and it can use the system to plant false information which can wreck a job or a relationship or lead to a criminal prosecution. In short, it now has the power to control its population completely. George Orwell's 1984 and the like are no longer fantasy.

However, individual economic power is individual political power and while the true Islamic economy cannot provide a complete answer to 1984 control, by spreading economic power, *it does go a long way* in both spirit and practical remedy to provide a substantial part of the answer.

16. Impulse to War (or the Contrary)

Western finance capitalism contains an impulse to war. All the time, it desires to control others, to own others, to manipulate others, to interfere with others, to antagonize others. That desire then creates circumstances in which war becomes more likely and sometimes causes out-and-out aggression.

In contrast is the true Islamic economy which does not desire to control others. It does not desire to own others. It does not desire to manipulate others. It does not desire to interfere with others, and it does not desire to antagonize others.

17. An End to Major Economic Cycles

The true Islamic economy mitigates, even ends, the major economic cycles.

18. Two Sides of the Same Coin

The true Islamic economy cannot be comprehended without realizing that today's so-called 'free market' and Soviet-style socialism are two sides of the same dud coin.

19. Suppression of the True Islamic Economy

So why has the true Islamic economy not been thought of before? And why has it come as a surprise, out of nothing, as it were?

The answer is that it has not come out of nothing. The true Islamic economy has been there *all the time* – in the Prophet's words and example in the Qur'an, Sunna and Hadith and in the explanation and elucidation made by Islamic writers over the centuries.

However, the true Islamic economy has been prevented by false, prevailing beliefs such as

- Western economics/finance is a superior thing
- 'Islamic Finance' is Islamic and true finance

In reality, both beliefs are untrue.

20. A True Democracy

The true Islamic economy is a true democracy in that economic (as well as political) power is widely spread.



Leader's Letter to the Youth in Europe and North America

(21st January, 2015)

In the name of God, the Beneficent the Merciful

To the Youth in Europe and North America,

The recent events in France and similar ones in some other Western countries have convinced me to directly talk to you about them. I am addressing you, [the youth], not because I overlook your parents, rather it is because the future of your nations and countries will be in your hands; and also, I find that the sense of quest for truth is more vigorous and attentive in your hearts.

I don't address your politicians and statesmen either in this writing, because I believe that they have consciously separated the route of politics from the path of righteousness and truth.

I would like to talk to you about Islam, particularly the image that is presented to you as Islam. Many attempts have been made over the past two decades, almost since the disintegration of the Soviet Union, to place this great religion in the seat of a horrifying enemy. The provocation of a feeling of horror and hatred and its utilization has unfortunately a long record in the political history of the West.

Here, I don't want to deal with the different phobias with which the Western nations have thus far been indoctrinated. A cursory review of recent critical studies of history would bring home to you the fact that the Western governments' insincere and hypocritical treatment of other nations and cultures has been censured in new historiographies.

The histories of the United States and Europe are ashamed of slavery, embarrassed by the colonial period and chagrined at the oppression of people of color and non-Christians. Your researchers and historians are deeply ashamed of the bloodsheds wrought in the name of religion between the Catholics and Protestants or in the name of nationality and ethnicity during the First and Second World Wars. This approach is admirable.

By mentioning a fraction of this long list, I don't want to reproach history; rather I would like you to ask your intellectuals as to why the public conscience in the West awakens and comes to its senses after a delay of several decades or centuries. Why should the revision of collective conscience apply to the distant past and not to the current problems? Why is it that attempts are made to prevent public

awareness regarding an important issue such as the treatment of Islamic culture and thought?

You know well that humiliation and spreading hatred and illusionary fear of the “other” have been the common base of all those oppressive profiteers. Now, I would like you to ask yourself why the old policy of spreading “phobia” and hatred has targeted Islam and Muslims with an unprecedented intensity. Why does the power structure in the world want Islamic thought to be marginalized and remain latent? What concepts and values in Islam disturb the programs of the superpowers and what interests are safeguarded in the shadow of distorting the image of Islam?

Hence, my first request is: Study and research the incentives behind this widespread tarnishing of the image of Islam.

My second request is that in reaction to the flood of prejudgments and disinformation campaigns, try to gain a direct and firsthand knowledge of this religion. The right logic requires that you understand the nature and essence of what they are frightening you about and want you to keep away from.

I don’t insist that you accept my reading or any other reading of Islam. What I want to say is: Don’t allow this dynamic and effective reality in today’s world to be introduced to you through resentments and prejudices. Don’t allow them to hypocritically introduce their own recruited terrorists as representatives of Islam.

Receive knowledge of Islam from its primary and original sources. Gain information about Islam through the Qur’an and the life of its great Prophet. I would like to ask you whether you have directly read the Qur’an of the Muslims. Have you studied the teachings of the Prophet of Islam and his humane, ethical doctrines? Have you ever received the message of Islam from any sources other than the media?

Have you ever asked yourself how and on the basis of which values has Islam established the greatest scientific and intellectual civilization of the world and raised the most distinguished scientists and intellectuals throughout several centuries?

I would like you not to allow the derogatory and offensive image-buildings to create an emotional gulf between you and the reality, taking away the possibility of an impartial judgment from you. Today, the communication media have removed the geographical borders. Hence, don't allow them to besiege you within fabricated and mental borders.

Although no one can individually fill the created gaps, each one of you can construct a bridge of thought and fairness over the gaps to illuminate yourself and your surrounding environment. While this pre-planned challenge between Islam and you, the youth, is undesirable, it can raise new questions in your curious and inquiring minds. Attempts to find answers to these questions will provide you with an appropriate opportunity to discover new truths.

Therefore, don't miss the opportunity to gain proper, correct and unbiased understanding of Islam so that hopefully, due to your sense of responsibility toward the truth, future generations would write the history of this current interaction between Islam and the West with a clearer conscience and lesser resentment.

Sayyid Ali Khamenei

29th November, 2015





Leader's Letter to the Youth in Western Countries

(29th November, 2015)

In the name of God, the Beneficent the Merciful

To the Youth in Western Countries,
The bitter events brought about by blind terrorism in France have once again moved me to speak to you young people. For me, it is unfortunate that such incidents would have to create the framework for a conversation; however, the truth is that if painful matters do not create the grounds for finding solutions and mutual consultation, then the damage caused will be multiplied.

Anyone who has benefited from affection and humanity is affected and disturbed by witnessing these scenes – whether it occurs in France or in Palestine or Iraq or Lebanon or Syria.

The pain of any human being anywhere in the world causes sorrow for a fellow human being. The sight of a child losing his life in the presence of his loved ones, a mother whose joy for her family turns into mourning, a husband who is rushing the lifeless body of his spouse to some place and the spectator who does not know whether

he will be seeing the final scene of life – these are scenes that rouse the emotions and feelings of any human being. Anyone who has benefited from affection and humanity is affected and disturbed by witnessing these scenes- whether it occurs in France or in Palestine or Iraq or Lebanon or Syria.

Without a doubt, the one-and-a-half billion Muslims also have these feelings and abhor and are revolted by the perpetrators and those responsible for these calamities. The issue, however, is that if today's pain is not used to build a better and safer future, then it will just turn into bitter and fruitless memories. I genuinely believe that it is only you the youth who by learning the lessons of today's hardship, have the power to discover new means for building the future and who can be barriers in the misguided path that has brought the West to its current impasse.

It is correct that today terrorism is our common worry. However, it is necessary for you to know that the insecurity and strain that you experienced during the recent events, differ from the pain that the people of Iraq, Yemen, Syria and Afghanistan have been experiencing for many years, in two significant ways. First, the Islamic world has been the victim of terror and brutality to a larger extent territorially, to greater amount quantitatively and for a longer period in terms of time. Second, that unfortunately this violence has been supported by certain great powers through various methods and effective means. Today, there are very few people who are uninformed about the role of the United States of America in creating, nurturing and arming al-Qaeda, the Taliban and their inauspicious successors. Besides this direct support, the overt and well-known supporters of takfiri terrorism – despite having the most backward political systems – are standing arrayed as allies of the West while the most pioneering, brightest and most dynamic democrats in the region are suppressed mercilessly. The prejudiced response of the West to the awakening movement in the Islamic world is an illustrative example of the contradictory Western policies.

I genuinely believe that it is only you, the youth, who by learning the lessons of today's hardship can be barriers in the misguided path that has brought the West to its current impasse.

The other side of these contradictory policies is seen in supporting

the state terrorism of Israel. The oppressed people of Palestine have experienced the worst kind of terrorism for the last sixty years. If the people of Europe have now taken refuge in their homes for a few days and refrain from being present in busy places – it is decades that a Palestinian family is not secure even in its own home from the Zionist regime's death and destruction machinery. What kind of atrocious violence today is comparable to that of the settlement constructions of the Zionist regime?

This regime – without ever being seriously and significantly censured by its influential allies or even by the so-called independent international organizations – everyday demolishes the homes of Palestinians and destroys their orchards and farms. This is done without even giving them time to gather their belongings or agricultural products and usually it is done in front of the terrified and tear-filled eyes of women and children who witness the brutal beatings of their family members who in some cases are being dragged away to gruesome torture chambers. In today's world, do we know of any other violence on this scale and scope and for such an extended period of time?

Shooting down a woman in the middle of the street for the crime of protesting against a soldier who is armed to the teeth – if this is not terrorism, what is? This barbarism, because it is being done by the armed forces of an occupying government, should not be called extremism? Or maybe only because these scenes have been seen repeatedly on television screens for sixty years, they should no longer stir our consciences.

Dear youth! I have the hope that you – now or in the future – can change this mentality corrupted by duplicity, a mentality whose highest skill is hiding long-term goals and adorning malevolent objectives.

The military invasions of the Islamic world in recent years – with countless victims – are another example of the contradictory logic of the West. The assaulted countries, in addition to the human damage caused, have lost their economic and industrial infrastructure, their movement towards growth and development has been stopped or delayed and in some cases, has been thrown back decades. Despite all this, they are rudely being asked not to see themselves as oppressed. How can a country be turned into ruins, have its cities and towns

covered in dust and then be told that it should please not view itself as oppressed? Instead of enticements to not understand and to not mention disasters, would not an honest apology be better? The pain that the Islamic world has suffered in these years from the hypocrisy and duplicity of the invaders is not less than the pain from the material damage.

Dear youth! I have the hope that you – now or in the future – can change this mentality corrupted by duplicity, a mentality whose highest skill is hiding long-term goals and adorning malevolent objectives. In my opinion, the first step in creating security and peace is reforming this violence-breeding mentality. As long as double-standards dominate Western policies, as long as terrorism – in the view of its powerful supporters – is divided into “good” and “bad” types, and as long as governmental interests are given precedence over human values and ethics, the roots of violence should not be searched for in other places.

I consider the imposition of Western culture upon other peoples and the trivialization of independent cultures as a form of silent violence and extreme harmfulness.

Unfortunately, these roots have taken hold in the depths of Western cultural policies over the course of many years and they have caused a soft and silent invasion. Many countries of the world take pride in their local and national cultures, cultures which through development and regeneration have soundly nurtured human societies for centuries. The Islamic world is not an exception to this. However in the current era, the Western world with the use of advanced tools is insisting on the cloning and replication of its culture on a global scale. I consider the imposition of Western culture upon other peoples and the trivialization of independent cultures as a form of silent violence and extreme harmfulness.

Humiliating rich cultures and insulting the most honored parts of these, is occurring while the alternative culture being offered in no way has any qualification for being a replacement. For example, the two elements of “aggression” and “moral promiscuity” which unfortunately have become the main elements of Western culture, have even degraded the position and acceptability of its source region.

So now the question is – are we “sinners” for not wanting an

aggressive, vulgar and fatuous culture? Are we to be blamed for blocking the flood of impropriety that is directed towards our youth in the shape of various forms of quasi-art? I do not deny the importance and value of cultural interaction. Whenever these interactions are conducted in natural circumstances and with respect for the receiving culture, they result in growth, development and richness. On the contrary, inharmonious interactions have been unsuccessful and harmful impositions.

We have to state with full regret that vile groups such as DAESH are the spawn of such ill-fated pairings with imported cultures. If the matter was simply theological, we would have had to witness such phenomena before the colonialist era, yet history shows the contrary. Authoritative historical records clearly show how colonialist confluence of extremist and rejected thoughts in the heart of a Bedouin tribe, planted the seed of extremism in this region. How then is it possible that such garbage as DAESH comes out of one of the most ethical and humane religious schools which as part of its inner core, includes the notion that taking the life of one human being is equivalent to killing the whole of humanity?

One has to ask why people who are born in Europe and who have been intellectually and mentally nurtured in that environment are attracted to such groups?

Can we really believe that people with only one or two trips to war zones, suddenly become so extreme that they can riddle the bodies of their compatriots with bullets? On this matter, we certainly cannot forget about the effects of a life nurtured in a pathologic culture in a corrupt environment borne out of violence. On this matter, we need complete analyses, analyses that see the hidden and apparent corruptions. Maybe a deep hate – planted in the years of economic and industrial growth and born out of inequality and possibly legal and structural prejudice – created ideas that every few years appear in a sickening manner.

Any rushed and emotional reaction which would isolate, intimidate and create more anxiety for the Muslim communities living in Europe and America not only will not solve the problem but will increase the chasms and resentments.

In any case, you are the ones that have to uncover the apparent layers

of your own society and untie and disentangle the knots and resentments. Fissures have to be sealed, not deepened. Hasty reactions are a major mistake when fighting terrorism which only widens the chasms. Any rushed and emotional reaction which would isolate, intimidate and create more anxiety for the Muslim communities living in Europe and America – which are comprised of millions of active and responsible human beings – and which would deprive them of their basic rights more than has already happened and which would drive them away from society – not only will not solve the problem but will increase the chasms and resentments.

Superficial measures and reactions, especially if they take legal forms, will do nothing but increase the current polarizations, open the way for future crises and will result in nothing else. According to reports received, some countries in Europe have issued guidelines encouraging citizens to spy on Muslims. This behavior is unjust and we all know that pursuing injustice has the characteristic of unwanted reversibility. Besides, Muslims do not deserve such ill-treatment. For centuries, the Western world has known Muslims well – the day that Westerners were guests in Islamic lands and were attracted to the riches of their hosts and on another day when they were hosts and benefitted from the efforts and thoughts of Muslims – they generally experienced nothing but kindness and forbearance.

Therefore, I want you, the youth, to lay the foundations for a correct and honorable interaction with the Islamic world based on correct understanding, deep insight and lessons learned from horrible experiences. In such a case and in the not-too-distant future, you will witness the edifice built on these firm foundations which creates a shade of confidence and trust which cools the crown of its architect, a warmth of security and peace that it bequests on them and a blaze of hope in a bright future which illuminates the canvass of the earth.

Sayyid Ali Khamenei

29th November, 2015



Fifty-Nine False Assumptions Underlying Western Economics

Below are listed fifty-nine assumptions which underlie mainstream Western economics. These assumptions are basic things believed to be true or taken for granted as inevitable or sensible, but which, in fact, are false.

This is a matter of considerable importance because if only one assumption is false (or, at the most, two or three assumptions are false) then the whole structure of mainstream neo-classical economics becomes invalid.

However, true Islamic economics (and Binary Economics) becomes easily understood if the fifty-nine false assumptions are one by one, and simply, reversed (as briefly seen in the bold text).

Indeed, after only two or three reversals a whole new world begins to come into view.

N.B. Many people say that they “do not understand economics.” This is not because they are stupid. It is because Western economics is full of contradictions and obvious falsities which make comprehension impossible.

The false assumptions and obvious falsities of mainstream neo-classical economics are the following:

1. Scarcity is an inevitable part of the human condition. **(It is not inevitable).**

2. High taxation is necessary. **(That is false).**
3. Labor physically creates all, or a large part, of the wealth. **(That is false – it creates part. Of all the false assumptions this is among the most pernicious.)**
4. The ‘free market’ is free. **(It is unfree).**
5. The ‘free market’ is efficient and allocates resources efficiently. **(It is inefficient).**
6. The outcomes of the ‘free market’ are always just. **(They are unjust).**
7. Homo economicus is an accurate description of human psychology. **(Homo reciprocans and co-operans are better).**
8. Conventional economics is an all-encompassing science of objective process and universal value and further improvement to economics is impossible. **(That is false – further improvement is possible).**
9. It is a matter of small importance that the banking system creates money out of nothing sufficient for the repayment of the principal of a loan but not of the interest. **(It is of huge importance and the implications must be addressed).**
10. The ‘free market’ consists of states of equilibrium: when there is disequilibrium there will always be a return to equilibrium. **(That is plainly false).**
11. There is no such thing as a free lunch (any improvement for the poor inevitably involves a detriment to the rich). **(That is false – true Islamic economics and binary economics are not zero-sum games).**
12. The ‘free market’ upholds private property for all. **(It does not).**
13. It does not matter who owns the capital, particularly productive capital. **(It matters hugely).**
14. The ‘free market’ implements Say’s market Theorem (Law) that producers and consumers should be the same people. **(It does not implement the Theorem).**
15. Somebody who voluntarily looks after a sick child or adult does no work in the economic sense. **(Try doing it!!)**

16. Riba/interest is inevitable and always necessary. **(Reasonable administration cost is inevitable and necessary: riba/interest is not).**
17. Ethics/morality is not part of economics. **(This is madness).**
18. The poor are poor because of lack of effort and lack of skill. **(Have a think about this and then you will realize its great untruth. The poor are poor because of lack of productive capital, lack of access to capital credit and suffering the burden of riba/interest).**
19. Inflation is not caused by the banking system. **(Oh yes, it is!).**
20. Financial savings are necessary before there can be investment. **(They are not necessary because, today, money is created out of nothing by pressing computer buttons).**
21. Physical savings are necessary before there can be investment. **(This is generally untrue because materials are available. Prices for things can rise but that only increases cost. Also substitutes are often available).**
22. Labor and welfare payment will always suffice. **(They most certainly do not suffice...).**
23. It is not necessary for every person to have an independent income. **(This is completely untrue).**
24. The level of interest rates is all that is necessary to manage an economy properly. **(What matters is who or what creates the wealth and who gets the benefit of the creation).**
25. Wide ownership is not necessary. **(It is absolutely necessary).**
26. Student loans should bear riba/interest. **(Why should such loans bear riba/interest?)**
27. Public capital projects should be funded by borrowing interest-bearing money. (Riba/interest free **(repayable and cancellable) loans halve, even quarter, the cost).**
28. Micro-credit lending should bear interest. **(Why? Collateral and repayment are required, but why riba/interest?)**
29. Environmental capital projects should bear riba/interest. **(Certainly not!).**

30. An economy requires two lots of financing — one for production and one for consumption. **(N.B. Only one lot of financing is necessary if it is simulfinancing as in Binary Economics).**

31. There is no such thing as society. **(Oh please! Why don't mainstream economists grow up?)**

32. Personal debt is healthy for an economy; as also national debt. **(This is codswallop! Because of the need to repay riba/ interest, people in debt have less consuming power than those without debt).**

33. There is no power imbalance between actors (participants, including individuals) in an economy. **(Whoever first thought of this has never lived an ordinary life!).**

34. Social and economic justice on the one hand and efficiency on the other are incompatible. **(Wrong! In Binary Economics the justice and efficiency are compatible and intertwined).**

35. Economic history is irrelevant. **(Really? The trouble with Western economists is that they never learn anything).**

36. Outdated economic theory (Adam Smith, 1776, basically conceived before the Industrial Revolution had got under way), suffices to guide modern economic theory and practice. **(The modern analysis of Binary Economics is badly needed).**

37. The important things in economics are anything except the development and spreading of productive capacity so as to make producers and consumers the same people thereby enabling a Say's Theorem (Law) balance of supply and demand and also enabling the forwarding of social and economic justice. **(This is the biggest lie of all...).**

38. Banks should be able to offer mortgages (as distinct from administering national bank mortgages). **(The whole subject of housing needs to be reviewed and new policy considered).**

39. Economic inequality is desirable; the greater the ratio between top earnings and bottom earnings, the better. **(Another lie not least because the rich do not (and cannot) spend all their earnings).**

40. 'Trickle down' economics works. **(It does not! The rich are incapable of spending all their wealth so they accumulate it).**

41. Rising house and stock market prices are necessarily a sign of genuinely increased wealth. **(That is not so – they usually only reflect newly-created money being put into anything except the spreading of the productive economy).**
42. Economic cycles are inevitable. **(It is not so).**
43. Individual greed is good and institutionalized greed is even better. **(This is homo economicus at work).**
44. Countries should raise money at riba/interest on the international markets. **(No).**
45. Countries should not be autonomous; they should be controlled by others. **(They should be independent).**
46. A country's assets should be owned by outsiders. **(This lie stops a nation's people owning their own assets and getting the benefits thereof).**
47. A country's money supply should originate in the banking system rather than the national bank. **(When it originates in the banking system it is not put to proper purpose and riba/interest is added).**
48. Employee shareholdings and involvement do not improve efficiency. **(Oh yes, they do!)**
49. Political democracy does not require economic democracy. **(All the talk about 'democracy' amounts to a lie unless the economic aspect is also considered).**
50. Even though today's banking system money is created out of nothing there is a time value to borrowed money. **(If the money is created out of nothing, it has no time value...)**
51. Environmental matters are extraneous and impose extraneous cost. **(Good heavens! These madmen (they are usually men) are destroying the world and they don't care!)**
52. Not only ethics but belief in Allah/God should be eschewed. **(Ethics is certainly essential if we are to hold up our heads as**

human beings).

53. Economics is essentially a separate subject which does not have to take account of other subjects. **(Oh yes it does! And Binary Economics takes account of physics, ethics, biology, history, psychology and many other subjects).**

54. The creation of money out of nothing and the addition of riba/ interest does not require even more creation and even more debt. **(Oh yes it does!).**

55. Population growth is inevitable. **(It is not inevitable. Moreover, smaller populations do not necessarily have a diminished ability to create wealth.)**

56. An understanding of technology is irrelevant to economics. **(It is highly relevant).**

57. Jobs can be exported. **(If they are exported, the spending power of the jobs is removed from the domestic economy).**

58. Domestic manufacturing does not matter. **(It matters very much).**

59. Education and training suffice for economic needs. **(They do not suffice – wide capital ownership is also necessary).**

The Islamic and Binary landscape

However, true Islamic and Binary Economics become easily understood if the fifty-nine false assumptions of prevailing economics are one by one, and simply, **reversed (see the green reversals above).**

Quite soon, it becomes apparent that a different picture is emerging and then, long before all the false assumptions have been reversed, it is brightly clear that a totally new landscape — **the true Islamic and Binary landscape** — has emerged.

Say's Theorem (Law)



It is called Say's 'Law' but one thing should be noted right at the start of this chapter – it should not be called Say's 'Law'

Rather it should be called Say's Theorem and the difference is of the greatest importance, because it is about a true balancing of supply and demand as required by a true free market with consequent results of efficiency and justice.

Jean-Baptiste Say

Jean-Baptiste Say (1767-1832) was a French economist and businessman. He is best known for popularizing Say's 'Law' – also known as the law of markets.



Say's 'Law'

There are different versions of the 'Law', e.g.,

- Aggregate supply creates its own aggregate demand
- Supply creates its own demand (J.M. Keynes)
- Supply constitutes its own demand
- Inherent in supply is the wherewithal for its own consumption (this is a direct translation from Say's *Traité d'économie politique*)
- Production precedes consumption – this version indicates that Say was claiming that in order to consume, people must produce something of value so that they can trade this (either in the form of money or barter) in order to consume later.

All versions of the 'Law' are wrong

However, all versions of the 'Law' are wrong. They all assume that, in everyday reality, as a result of production, there is enough income to consume the production. Which would be true if everybody today is actually doing production (and so receiving the benefits thereof).

But what is the situation if more and more of the production is not being done by everybody but, instead, is being done by machines (with the income from the machines going to the owners of the machines)? Indeed, what is the situation with a fully automated economy?

Who or what creates the wealth?

The problem arises because, right at the start of *Wealth of Nations* (1776), Adam Smith said that labor (in particular, specialized labor) creates all wealth. Although elsewhere in the book he seemed to have intimations that the situation was changing (i.e., that, as the Industrial Revolution advanced, machines were playing an increased part of production) his statement founds the basis of all Labor Theories of Value.

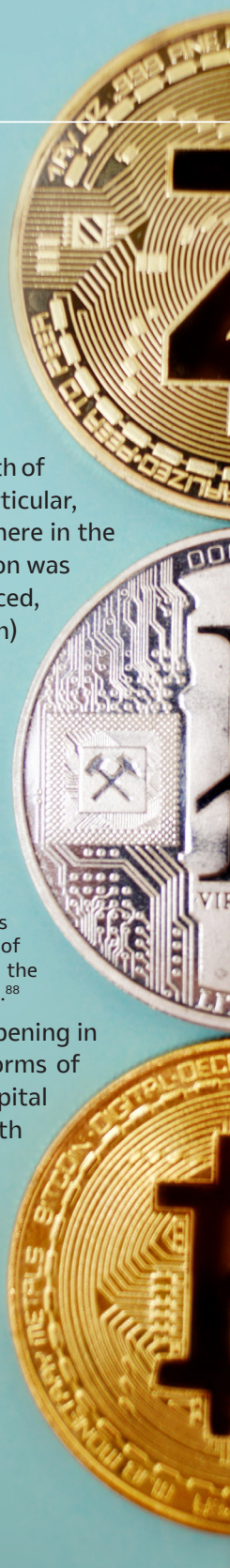
However, what is extraordinary (indeed, very extraordinary) is that J.B. Say himself put his finger precisely on the key point, thereby effectively contradicting the versions of Say's 'Law' (but not the Theorem):

To the labor of man alone he [Adam Smith] ascribes the power of producing values. This is an error. A more exact analysis demonstrates... that all values are derived from the operation of labor, or rather from the industry of man, combined with the operations of those agents which nature and capital furnish him...⁸⁸

In short, J.B. Say really understood what was happening in the Industrial Revolution so that, today, in some forms of production, 100% of the production is done by the capital assets. When this is the case, there are no workers with the income to buy the production.

Thus, all versions of the 'Law' are wrong in today's circumstances, because, with today's increased automation, there is a profound absence of labor's buying power.

88. Chair of the USA Federal Reserve Bank, 2006-2014.



Rather, the Theorem is potentially true (that supply creates its own demand) if ownership and access are widely spread but the Law (which is supposed to be based on present reality) is not true and cannot be. In efficient markets, supply should create its own demand, but in practice it does not.

Cause of the Great 1930s Depression – Ben Bernanke⁸⁹ is wrong

What did cause the 1930s Great Depression? This is a most important question, because the failure to understand its causes means that we shall not understand the causes of even bigger depressions to come.

The usual Western explanation for the Great Depression (e.g., that of Ben Bernanke) is that an excess of money creation and loose credit had led to an inflationary fire in the late 1920s. The excess resulted in a crisis of confidence causing bank failures and panics exacerbated by the banks suddenly calling in loans resulting in a contraction in the money supply (which fell by about one third between 1929 and 1933). Inevitably, credit then contracted further either because lenders would not lend or because borrowers knew it was too risky to borrow. Decreased consumer demand resulted in widespread layoffs which lessened consumer demand even more. Companies put off investment – one bad thing caused another which in turn caused another.... – and once deflationist psychology sets in, there is no cure except a long period of time.

This explanation does not ring true

However, this explanation does not ring true – why should more of the petrol (excessive credit creation) which caused the fire in the 1920s be the remedy to revive the economy in the 1930s?

89. J.B. Say, *A Treatise on Political Economy*.

Not excessive, but moderate, creation might be Bernanke's reply saying that there was too much credit in the 1920s and too little in the 1930s.

Yet the problem obviously goes deeper than just the level of credit, because Japan from the early 1990s until today has experienced an extensive period of deflation which copious amounts of money, at low, even nil interest rates, have not cured. So the Bernanke explanation reads too much like one acceptable to Wall Street which, above all, concerns itself with financial rather than real economy aspects and it becomes a question whether, today, Bernanke's successors and the USA government, are giving any serious consideration to the needs of Main Street.

Basic Market Theory and Rich-Poor Division

Besides, in all the talk today about the need for credit, where is mention of basic market theory as developed by Adam Smith, J.B. Say and Islamic thinkers before them?

That theory requires that producers and consumers be the same people. Yet that cannot be the case if there are large rich-poor divisions – as was the case in the 1920s and 1930s and is still the case today. This matter was put with admirable clarity by Marriner



S. Eccles who wrote,⁹⁰

As mass production has to be accompanied by mass consumption, mass consumption, in turn, implies a distribution of wealth – not of existing wealth, but of wealth as it is currently produced – to provide men with buying power equal to the amount of goods and services offered by the nation's economic machinery.

NB. This is Say's Theorem.

Eccles went on to say that, instead of achieving the distribution of wealth as it was currently produced, '*... a giant suction pump had by 1929-30 drawn into a few hands an increasing proportion of currently produced wealth.*'

He then explained that, by taking purchasing power out of the hands of mass consumers, the savers (i.e., those whose income exceeded their consumption and so were potentially able to invest) denied to themselves the kind of effective demand for their products that would justify a reinvestment of their capital accumulations in new plants. To make his explanation clear, Eccles used the metaphor of a poker game where the playing chips (representing real money) get concentrated in fewer and fewer hands, and those without chips can only stay in the game by borrowing. In real life, of course, those who borrow also have to pay interest on the borrowing thus further worsening their position and when their credit runs out, as in poker, the game stops.

Quite remarkably, Eccles continued:

That is what happened to us in the twenties. We sustained high levels of employment in that period with the aid of an exceptional expansion of debt outside of the banking system. This debt was provided by the large growth of business savings as well as savings by individuals, particularly in the upper-income groups where taxes were relatively low. Private debt outside of the banking system increased about fifty per cent. This debt, which was at high interest rates, largely took the form of mortgage debt on housing, office, and hotel structures, consumer instalment debt, brokers' loans, and foreign debt. The stimulation to spending by debt-creation of this sort was short-lived and could not be counted on to sustain high levels of employment for long periods of time. Had there been a better distribution of the current income from the national product – in other words, had there been less savings by business

and the higher-income groups and more income in the lower groups – we should have had far greater stability in our economy. Had the six billion dollars, for instance, that were loaned by corporations and wealthy individuals for

90 Marriner S. Eccles, *Beckoning Frontiers: Public and Personal Recollections* (1951). Marriner Eccles was Chairman of the Federal Reserve under President Franklin D. Roosevelt.

stock-market speculation been distributed to the public as lower prices or higher wages and with less profits to the corporations and the well-to-do, it would have prevented or greatly moderated the economic collapse that began at the end of 1929.

The time came when there were no more poker chips to be loaned on credit. Debtors thereupon were forced to curtail their consumption in an effort to create a margin that could be applied to the reduction of outstanding debts. This naturally reduced the demand for goods of all kinds and brought on what seemed to be overproduction, but was in reality under-consumption when judged in terms of the real world instead of the money world. This, in turn, brought about a fall in prices and employment.

Unemployment further decreased the consumption of goods, which further increased unemployment, thus closing the circle in a continuing decline of prices. Earnings began to disappear, requiring economies of all kinds in the wages, salaries, and time of those employed. And thus again the vicious circle of deflation was closed until one third of the entire working population was unemployed, with our national income reduced by fifty per cent, and with the aggregate debt burden greater than ever before, not in dollars, but measured by current values and income that represented the ability to pay. Fixed charges, such as taxes, railroad and other utility rates, insurance and interest charges, clung close to the 1929 level and required such a portion of the national income to meet them that the amount left for consumption of goods was not sufficient to support the population.

This then, was my reading of what brought on the Depression.

The Main Cause

So, just as there had been an over-expansion of the money supply, the ensuing credit contraction made things many times worse – the USA money supply shrank by one third over the period 1929 to 1933. At which point the work of the British economist John Maynard Keynes became relevant.⁹¹ Keynes argued that lower aggregate expenditures in the economy contributed to a massive decline in income and to employment that was well below the average. The solution, thought Keynes, was for governments to greatly increase their spending and, in principle (NB.), he thought it should be at very low interest.

However, other forces intervened and the borrowed money became high interest-bearing money which, over time, moreover (such the misunderstandings which still obtain to this day) would not be continually directed at the development and spreading of

91 John Maynard Keynes, *General Theory of Employment, Interest and Money* (1936).

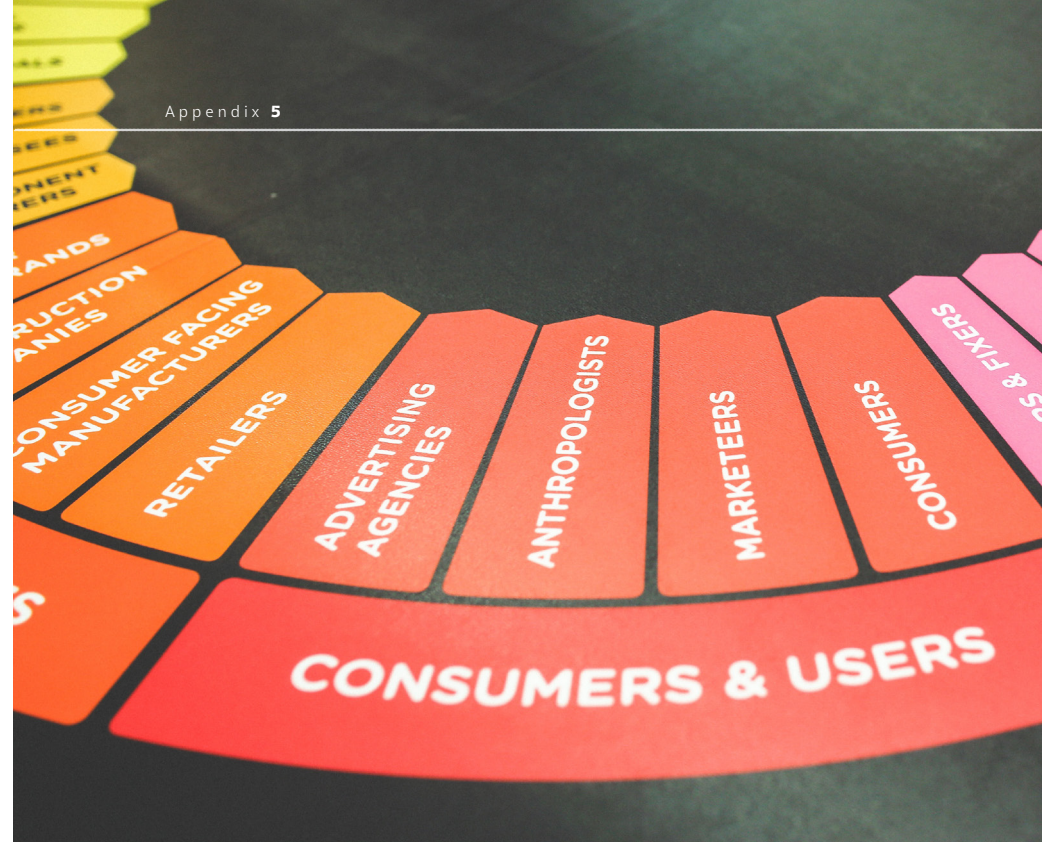
productive (and the associated purchasing) power. The spreading is essential if there is to be any hope of ensuring a Say's Theorem balance of supply and demand with producers and consumers being the same people while, at the same time, forwarding social and economic justice. In practical terms, that means a spreading of capital ownership.⁹²

Furthermore, the imposition of *riba*/interest (as distinct from administration cost) exacerbates debt, burdens the market mechanisms, cuts the purchasing power of borrowers, and operates as a general transfer of wealth from the poor to the rich. It also builds huge economic cycles.

Worst of all, particularly since compound *riba*/interest is involved, it builds up debt, unrepayable debt, in which there comes the apparently impossible situation today wherein the amount of debt exceeds the amount of money in the economy!!!

92. It is an extraordinary thing that Jean-Baptiste Say himself - as far back as 1803! - pointed this out. Whereas Adam Smith, seeing labor as producing the wealth, had made his observations in the late 1760s and early 1770s (i.e., before the modern industrial revolution had got properly under way), Say was doing his observing and thinking thirty years later when industrialization could be clearly seen to be widely advancing. The thirty-year gap gave Say a big observational advantage. He realized that Smith's famous pin factory was not a mechanized factory as factories were beginning to exist in Say's time and as they exist today. Rather Smith's factory was a manufactory (i.e., a hand-factory) in which all the stages by which a pin was made were done by hand or by using hand tools. Mechanization was not involved in any way. In contrast, the world which Say saw coming into being was very different. It had new machinery with massive powers of production. JB Say therefore pointed out that if the creation of all wealth is attributed solely to labor (which was Smith's view) then Say's Theorem (Law) cannot work properly, because productive capacity and consuming desire are out of kilter (as they are bound to be when productive capital is narrowly owned). See Robert Ashford & Rodney Shakespeare, *Binary Economics - The New Paradigm* (1999).





Islam and True Market Economics

It has been stated that the basic principles of a modern, true free market, and democratic economics do lie within Islam, its Prophet (PBUH) and its thinkers.

Indeed, Islamic writers and analysts past and present have filled out and explained those principles. S.M. Ghazanfar, for example, has revealed how Islam had identified the principles of market economics long before Adam Smith (who published in 1776).⁹³

93 S.M. Ghazanfar: The Economic Thought of Abu Hamid Al-Ghazali and St. Thomas Aquinas: Some Comparative Parallels and Links (paper originally presented at the 1993 History of Economics Society International Conference.). Socio-economic Thought in Early Islamic Civilisation: Contributions, Continuity and Influence (presented at the (2005) First Canadian Forum on Islamic Economics and Finance at McGill University, Montreal).



From, and within, those principles a new universal paradigm is evolving – one which affects all the institutions and practices of a society and which has an interdisciplinary worldview. It tells us that a true, modern, democratic, private property, Islamic economy, embracing all individuals, is possible.

Such an Islamic economy would put to shame the present so-called ‘free market’ of Western finance capitalism. This is because it would have

- private property for all individuals, instead of only for the few
- income for all individuals, instead of only for the few
- producers and consumers being the same people (as required by true free market principles and Say’s Theorem (Law)⁹⁴
- a market embracing all individuals
- spreading of productive (and therefore consuming) power to all individuals
- sustainable wealth creation whilst being capable of addressing the major environmental issues

In short, it would be an efficient, fair economy forwarding social and economic justice.

94. See Appendix Four.

Islamic Requirements for a True Free Market

Basic Islamic requirements for a true free market are:

a) The Need for the Circulation of Wealth

The Holy Prophet (PBUH) correctly inveighed against *riba*/interest knowing its destructive effects. But he understood much more, in particular, the market need for the circulation of wealth.

The Qur'an says,

What Allah has bestowed upon his Messenger by way of 'fay' from the towns' people belongs to Him, to His Messenger, to the kinsmen, to the orphans, to the needy and to the wayfarer, so that the circulation of wealth may not become confined in the hands of the wealthy among them (Qur'an 59:7).⁹⁵

This passage not only upholds the duty of the State to help the needy but confirms the Prophet's understanding of the need to have money in the hands of the poor *so that there may be the proper circulation of money in a market economy*.⁹⁶ This is a key concept. One of its implications is that great inequalities prevent a proper circulation not least, because the rich never spend all their money.

b) A Concept of Unicity, Overall Vision and Distinctiveness

A foremost requirement for a true Islamic economy is one of overall relatedness and vision i.e., *tawhid*, which embraces all aspects of life.

The Qur'an asserts the existence of a single, absolute truth that transcends the world,

Say (O Muhammad): He is God, the One and Only; God, the Eternal, Absolute; He begetteth not, nor is He begotten; And there is none like unto Him (The Qur'an, 112:1-4).

It is inevitable, therefore, that the leading Islamic writers are opposed to Western academic reductionism (which narrows, as far

95. Ali Quli Qara'i's translation reads,

The spoils that Allah gave to His Apostle from the people of the townships, are for Allah and the Apostle, the relatives and the orphans, the needy and the traveller, so that they do not circulate among the rich among you. Take whatever the Apostle gives you, and refrain from whatever he forbids you, and be wary of Allah. Indeed, Allah is severe in retribution. [ed]

96. The recognition of the need to have money circulating in the economy is one of the many instances of Islamic understanding of market economics long before Adam Smith who published *Wealth of Nations* in 1776. If there is no proper circulation the inevitable consequence is that people are forced to borrow with consequent build-up of debt which becomes un-repayable debt. See Chapter Thirteen.



as possible, the area of a subject and tends to separate it from others)⁹⁷. They understand, for example, that morality cannot be separated from the study of economics.

Furthermore, the writers fully understand that a paradigmatic change is needed to take account of a wide range of studies rather than take a narrow legalistic approach.⁹⁸

They advocate modern study and knowledge⁹⁹. Indeed, the goal of modernity and the concept of unicity are inextricably intertwined. Their view is encapsulated in the remarkable words of Mohammad Nejatullah Siddiqi in his summary of papers presented at a conference in 1994:

(The) Islamic economic vision has to be universal and contemporary not chauvinistic and medieval. As we move in that direction, we may be pleased to discover we have good company from amongst modern economists in the West and East. The search for a more humane political economy is now universal. The challenge is, who leads the way.¹⁰⁰

So, however the situation is viewed, it is clear that some sort of worldview is necessary if there is to be major paradigmatic change.¹⁰¹

97. The economics of Western finance capitalism has no genuine sense of overall relatedness. It separates the economy from society and denies the need for morality. At the same time, it hypocritically claims that all its outcomes are just and believes that, in a very fundamental way, it has no need to change because it is the perfection of the development of history, see Francis Fukuyama (1992), *The End of History*.

98. Mohamed Aslam Haneef & Hafas Furqani, *Usul al-Iqtisad as a Pre-requisite in Developing Contemporary Islamic Economics*, international conference on "A Universal Paradigm of Socio-Scientific Reasoning," Asian University of Bangladesh, December, 2005.

99. Hjh Salma Bee, Hj Noor Mohamed Abdul Latif & Abul Hassan, *Rise and Fall of Knowledge Power: an In-depth Investigation*, international conference on "A Universal Paradigm of Socio-Scientific Reasoning," Asian University of Bangladesh, December, 2005.

100. December, 1994, School of Social Science, University Sains Malaysia, Pulau Pinang, Malaysia.

101. Moreover, if the paradigmatic change is to be successful, the worldview must be distinctive because, without distinctiveness, the ummah will never free itself from control by others; see Masudul Alam Choudhury (1997), *Money in Islam*; also see the lecture by Khurshid Ahmed (Chairman, Islamic Foundation (UK) and Member, Senate, Islamic Republic of Pakistan) on *Islamic Economics: A Scheme of Thoughts or a Branch of Post Capitalism* given at the international conference "Islamic Economics and Banking in the 21st Century," Jakarta, Indonesia, November, 2005.

C) A Genuine, Riba-Free Money Supply

An independent nation, whose economy embodies efficiency and social and economic justice, is possible if, at its core, there is a genuinely interest-free, i.e., *riba*-free, money supply.

In circumstances in which the banking system is restrained from creating new money,¹⁰² the basic mechanism for creating national independence and implementing a modern, Islamic, *riba*-free economy is the use of national bank-issued interest-free loans, administered by the banking system (which may make a genuine charge for administration but may not charge *riba*/interest).

The loans are directly related to the real economy, made repayable and, when repaid, are canceled thus ensuring that productive assets always back a society's currency.

Crucially – because interest is not necessary – the loans allow capital projects to be constructed for one half, or one third, or even less, of the present cost.

Moreover, the loans cannot be inflationary – they must be repaid and, when repaid, are canceled thus leaving the assets behind in physical existence.

D) Free Markets

Although today's labor markets are relatively free, the markets for productive capital are not. They are un-free so that, throughout the world, productive capital is narrowly owned by only a small percentage of the population.¹⁰³ As things stand, it will remain narrowly owned and 'free market' finance capitalism is better described as un-free market finance capitalism. Islam requires genuinely free markets¹⁰⁴ in both labor and capital and that, in particular, means that all individuals must have access to productive capital.

102. The restraint is done by a gradual rise to 100% bank reserves. Banks may lend their own money and, with permission, that of depositors, but they may not create new money (which can only be done, interest-free, by the national bank).

There is nothing new in 100% banking reserves. It was proposed by Simons and Fisher in the 1930s and supported by Milton Friedman. Today, the (former) Governor of the Bank of England and the Austrian school of economics are of a similar view. However, none of them proposes the use of the national bank-issued interest-free loans supply for the development and spreading of productive (and associated purchasing) capacity to every individual in society.

103. For example, in both Chile and Indonesia fifteen families own about 55% of the stock market.

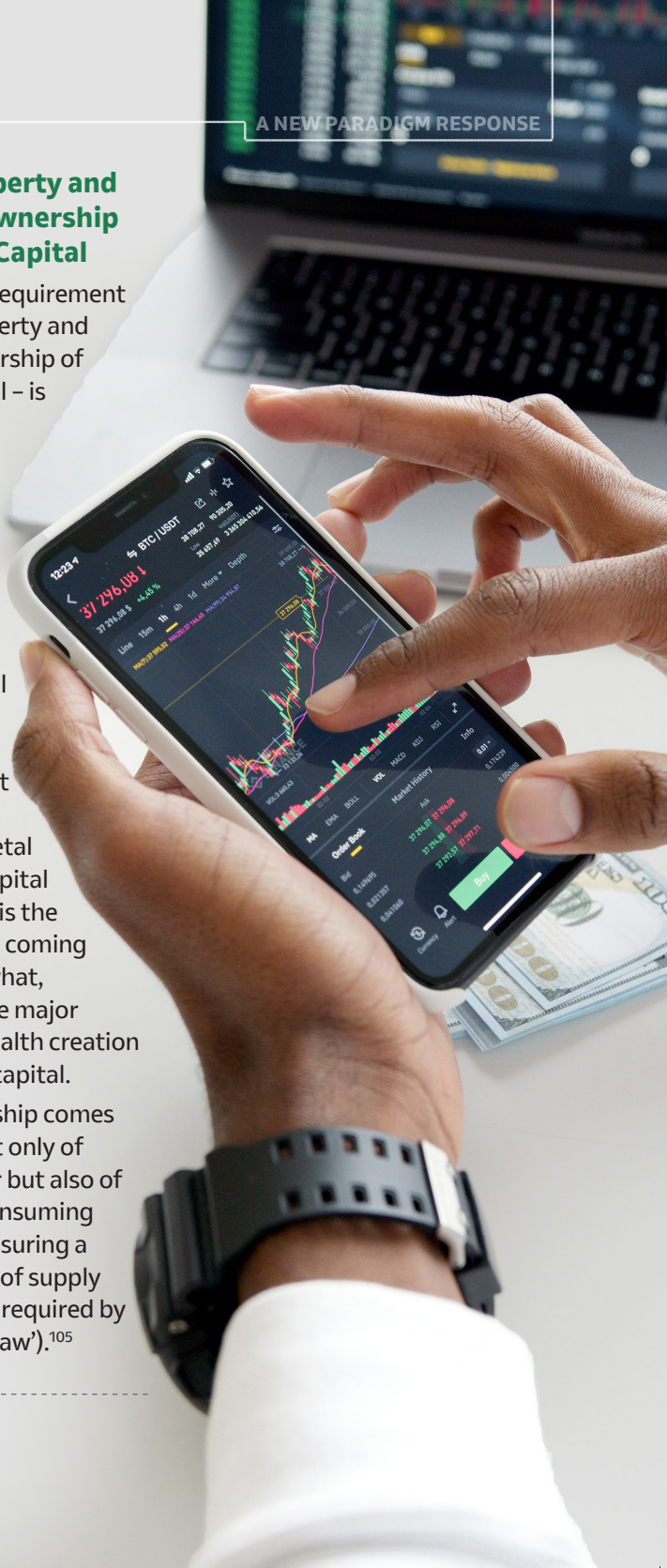
104. Muhammad Iqbal Anjum, Towards a Progressive Pan-Islamic Monetary Regime in Masudul Alam Choudhury ed. (2005), Money and the Real Economy.

E) Private Property and Widespread Ownership of Productive Capital

The next Islamic requirement – for private property and widespread ownership of productive capital – is intimately connected with free markets but, because of the lack of freedom in present capital markets, private property in productive capital is not widely spread. That is a big mistake. Apart from the obvious political and societal virtues of wide capital ownership, there is the economic benefit coming from spreading what, increasingly, is the major contributor to wealth creation – i.e., productive capital.

With wide ownership comes the spreading not only of productive power but also of the associated consuming power thereby ensuring a proper balancing of supply and demand as is required by Say's Theorem ('Law').¹⁰⁵

105. See Appendix Four.



This matter is also well understood in the Qu’ran where the Prophet points to the importance of money being in the hands of the poor (rather than in the hands of the rich) so that *the circulation of wealth may not become confined in the hands of the wealthy among them* (Qur’an 59:7).

F) Economic Efficiency

There is then the Islamic requirement for economic efficiency which is connected to both free markets and private property. It is fundamental to market theory that who or what creates the wealth should get the resulting income. But this does not happen at present.

Moreover, it is fundamental to market theory that there cannot be a genuine balancing of supply and demand unless productive capacity is spread so that those with reasonable consuming needs can fulfill them. This also does not happen at present.

Indeed, there cannot be genuine market efficiency unless there is also the spreading of productive, and hence consuming, capacity which results from widespread capital and productive ownership.¹⁰⁶

106

See Appendix Four.



G) Social and Economic Justice

There is an Islamic requirement for social and economic justice and this is connected to the requirements for free markets, private property, widespread ownership of productive capital, economic efficiency and also to the requirement for a *riba*/interest-free money supply.

Generally, conventional Western finance capitalist economics believes that social and economic justice cannot be furthered without decreasing economic efficiency – i.e., it thinks efficiency and justice are incompatible.

That is wrong. With a proper use of a *riba*/interest-free money supply, social and economic justice on the one hand, and efficiency on the other, are compatible. Indeed, they are related so that the one reinforces the other. In the true Islamic economy: *Justice creates the efficiency and the efficiency creates the justice.*

H) No Inflation

The next Islamic requirement is for no inflation.¹⁰⁷ Islam is rightly opposed to inflation. It desires a stable level of prices.

Yet, today, all economies have inflation. Over decades, the amount of money in an economy always greatly increases. This is primarily due to the banking system which creates money out of nothing and then adds interest. In many countries over 95% of the money supply is created in this way. The overall increase is due to the creation of money for the repayment of the principal of a loan but the money for the repayment of the *riba*/interest is not created.

Therefore, if there is to be enough money to stop the economy from crashing, there is a continual need for more and more debt (and so more and more money) to be created. But since this debt also bears interest, the need for more money creation and more debt increases even further... and so on...

107. Muhammad Iqbal Anjum, Towards a Progressive Pan-Islamic Monetary Regime in Masudul Alam Choudhury ed. (2005), Money and the Real Economy.

The inevitable result is not only inflation but individuals, corporations, towns, cities and nations being put into rocketing, and often un-repayable, debt. On a world scale, the situation is now serious and could result in a collapse of the whole global economic system.¹⁰⁸

Inflation and debt are structural parts of the present system. Inflation will never be moderated, let alone eliminated, unless the riba/interest-bearing nature of the present money supply is understood and a major, alternative riba/interest-free (repayable and cancellable) supply is instituted.

i) A Direct Connection between the Money Supply and the Real Economy

Western finance's prime claim is that it efficiently directs resources towards the real economy. Yet, despite the claim, it does not. Today, most of the new money supply goes into consumer credit, derivatives, a huge rise in existing asset prices (particularly housing and share prices), and to putting individuals, corporations, towns, cities and whole societies into ever-increasing debt.

Debt which is not put into productive capacity debilitates, and riba/interest-bearing debt destroys. Thus the conventional fundamental justification for the present banking system – that it allocates resources efficiently – is untrue.

k) An End to Economic Colonialism

Islam requires an end to economic colonialism.¹⁰⁹ Indeed, any truly modern economy requires an end to economic colonialism and, deep within Islam, there is mourning for the loss of economic sovereignty.¹¹⁰

108. At present, levels of global debt are higher than they were in 2008.

109. Robert Bianchi, *Islamic Finance and the International System: Integration without Imperialism*, Seventh Harvard Forum on Islamic Finance, "Integrating Islamic Finance into the Mainstream," Harvard University, April, 2006.

110. Muhammad Iqbal Anjum, *Globalization at Crossroads of Warfare, Revolution, and Universalization: The Islamic Panacea, Stratagem and Policy Instruments*, in "Harmonising Development and Financial Instruments by Shariah Rules for Ummatic Integration," International Islamic University, Chittagong, Bangladesh, 2004.

ANALOGY PARALLEL





NB. Many developing countries do not lack human and material resource and it is time to address the issue of why they unnecessarily languish. And, indeed, why does Islam – with huge natural and human resources – still have widespread poverty?¹¹¹

I) An Ethical Ethos

Lastly, Islam requires an ethical ethos. It says there can be no economics without morality. There are many aspects to this – they range from a desire for an overall sense of relatedness (tawhid) to a simple concept of justice, to ethical investment, to better accounting practice, to moral concepts of human nature.¹¹²

But, in complete contrast, the economics of Western finance capitalism rejects morality because it thinks that all the outcomes of the un-free market are moral and just. It thinks that the present economy and society are the same thing, or rather it thinks that society does not exist. For example, the work of a caregiver (who sometimes has to work for 24 hours at a time and is often unpaid) is ignored (by mainstream economics) as not being part of ‘the economy.’ That is disgraceful.

By further contrast, the Islamic principles and requirements point up the deficiencies of Western finance capitalism which arrogantly assumes that, apart from a few minor modifications, nothing much better can ever come into existence. It sees no possibility of its equal, let alone its superior, ever arising. Imagining such a possibility is impossible to the Western mind governed, as it is, by a stupendous hubris. It thinks that things at present are as perfect, or as nearly perfect, as possible. This is complete nonsense.

111. An excellent lecture on this matter was given by Ing. B.J Habibie (former President of The Republic of Indonesia) at the international conference “Islamic Economics and Banking in the 21st Century,” Jakarta, Indonesia, November, 2005. The former President, a successful aircraft engineer, well understood the potential of technology to create wealth.

112. Western economics is based on the selfish doctrine of homo economicus. In complete contrast, New Paradigm economics is based on homo reciprocans and co-operans.



Western Attempts to Justify Riba/Interest

Given the immensely deleterious effects of *riba*/interest it might be thought that the West would make no attempt to justify the imposition of *riba*/interest.

But the thought would be wrong. The Western economic and political power structures (indeed, the whole global finance system and much else) are built around *riba*/interest so that a tiny 1% elite can rip off wealth to the disadvantage of everybody else.

So how does the West attempt to justify *riba*/interest?

Riba/interest today consists of a bundle of things

Firstly, it is important to note that *riba*/interest today consists of a bundle of things, of which only some are necessary when money is lent.

A fair charge for administrative work is thus necessary. This is usually small.

Some profit is necessary and, in particular circumstances, some provision for collateral may be necessary.

But *the addition of riba/interest* (which is a large addition resulting in wealth ultimately being transferred to the rich 1% elite) *is not necessary*, particularly when there is sufficient collateral.

Western Justification for Riba/Interest – ‘Waiting’ or ‘Abstaining’

Of course, the West *claims* that riba/interest is justified.

For example, there are the arguments of Nassau Senior, Alfred Marshall and Eugen von Bohm-Bawerk. These arguments all boil down to one thing – namely, the claim that, by lending, suppliers of money are ‘waiting’ or ‘abstaining’ from consumption.

Thus, claims the West, payment of riba/interest by the borrower is the price for getting something now rather than having to wait.

But there is no ‘waiting’ by the lender when, as has been shown, the lent money is created out of nothing! Money today is easily created out of nothing by the pressing of computer buttons. Indeed, 95% of the money supply is created by banks in that way.¹¹³

The banks are *not* ‘abstaining’!

Time Value of Money Doctrine

‘Waiting’ or ‘abstaining’ by the lender is also the underlying justification for the Time Value of Money¹¹⁴ doctrine which is the basis of the Western financial system. The doctrine states that money available at the present time is worth more than the identical sum in the future due to its potential earning capacity.

113. McLeay, M., Amar Radia, A., & Ryland Thomas, R., Money creation in the modern economy. Bank of England Quarterly Bulletin 2014, Q1.

114. Time Value of Money is also sometimes referred to as ‘present discounted value.’

This core principle of Western finance holds that, provided money can earn *riba*/interest, any amount of money is worth more the sooner it is received.

Thus, if you can choose between borrowing \$10,000 now or borrowing \$10,000 in two years, Western finance says the first option allows the borrower to invest and so obtain (by investing) *riba*/interest over two years. Therefore, says Western finance, the borrower must pay *riba*/interest to the lender (who has 'abstained' thereby losing his own opportunity¹¹⁵ to invest to obtain *riba*/interest).

But why should the lender have anything for something which he has created out of nothing? Moreover, in complete contrast, if the borrowed money is being lent with the intent of spreading productive capacity to every person in society, it is outrageous that the money should have *riba*/interest attached.

So where is the justification for *riba*/interest? Where is the justification for something which is created out of nothing? And where is the justification for something which locks onto a debt and, because of the effects of compound *riba*/interest, sends it rocketing up exponentially? *Riba*/interest today is in effect a massive tax whose benefits go to institutions, banking systems and the wealthy 1% elite ripping off the poor.

Above all, *riba*/interest stops the spreading of productive capacity to every person in society.

Western Savings Doctrine

There is one other Western attempt to justify the imposition of *riba*/interest and it lies within the savings doctrine which says that, before there can be investment, there must be financial savings and physical savings.

¹¹⁵ Opportunity Cost is another way of expressing the same idea.



A black and white photograph showing the silhouettes of a line of men standing outdoors. They are facing right, looking towards a bright sky with scattered clouds. The men are dressed in various styles of clothing, including hats and jackets. The background shows some distant structures and trees, but they are mostly obscured by the silhouettes and the bright sky.

At first it might sound sensible to say that, before there can be investment, money must be obtained, and bricks, cement and labor, for example, must be available.

But suppose – as is the case today – that

- the money is created out of nothing by the pressing of computer buttons (as it most certainly is!)
- the bricks, cement and labor are easily available (even though, when in short supply, their prices can rise or, if necessary, alternatives are available)

Where, then, is the justification for Western savings doctrine?

There is none.¹¹⁶

116. Saving is not required before there can be investment. Rather the key factor for viable investment is whether there is a demand for the product or service. Also, what matters is

- to whom the money is lent
- for what purpose
- on what terms
- whether there is proper collateral and, in particular, whether the real economy is being spread. The biggest financial barrier to investment is the shortage of genuine consumer demand (which is the result of inadequately spread productive capacity).



Thus, outdated concepts such as ‘waiting/abstaining’, Time Value of Money and Western savings doctrine are presented to the populace as unchallengeable, eternal truths.

In reality, they are cynical deceptions designed to maintain the malignant grip of *riba*/interest-bearing money and other undesirable features of Western finance capitalism such as rich-poor division, the pushing of money into anything except the spreading of productive capacity, and economic colonialism.



About the Author



Rodney Shakespeare taught in UK schools and colleges for thirteen years. For ten years he was Visiting Professor of Binary Economics (holding the only academic post in the subject in the world) at Trisakti University, Jakarta (second university in prestige in Indonesia) where he taught on the International Postgraduate Islamic Economics and Finance program.

Binary Economics is a new paradigm economics which, among other things, addresses the technological shift now smashing out traditional well-paid jobs (and substituting insecure, low-paid ones) and upholds democratic economic rights as well as the usual political ones. As a completely new, major paradigm, Binary Economics could not be understood (and thus taught) in the UK.

Rodney is a Cambridge MA, a qualified UK Barrister, and a well-known paper presenter and lecturer particularly at conferences dealing with money, the real economy, and social and economic justice.

Co-founder of the Global Justice Movement www.globaljusticemovement.net he is the author of <http://www.binaryeconomics.net>.

In 2000 he received the (Martin Luther) King-Kelso Award. He broadcasts with various TV stations including Press TV.

Rodney's first co-authored book on Binary Economics — The Two-Factor Nation — was published in 1976. He is co-author (with Robert Ashford) of the standard textbook on Binary Economics — Binary Economics -- The New Paradigm (1999).

He is co-author (with Peter Challen) of the subsequent text Seven Steps to Justice (2002) which further develops Binary Economics; author of The Modern Universal Paradigm (July, 2007) containing later developments in particular relating to paradigmatic understanding and the appeal of Binary Economics to people of faith and of good faith; and author of The Prophet Vindicated (P.B.U.H.) (2019).

Rodney is a widower with two children and two grandchildren. He is a private tutor and Chair of the Committee Against Torture in Bahrain.

Due to an accident, he has impaired hearing.

His present work concerns the development of the New Islamic Paradigm which, after an interaction between key aspects of Islam and progressive Western and Islamic thinking, evolves into a new concept with huge practical and beneficial consequences for the world.