

Follow the Money

A Muslim Guide to the Murky World of Finance

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by
Abdassamad Clarke

DIWAN  PRESS

Classical and Contemporary Books on Islam and Sufism

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Published Muharram 1436/November 2014 by:

Diwan Press
6 Terrace Walk
Norwich
NR1 3JD
UK

website: <http://www.divanpress.com>

email: info@divanpress.com

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By: Abdassamad Clarke
General Editor: Abdalhaqq Bewley

British Library Cataloguing in Publication Data
Clarke, Abdassamad

Follow the Money – A Muslim Guide to the Murky World of Finance
I. Title

ISBN 978-1-908892-44-7

Typeset by: Abdassamad Clarke
website: www.bogvaerker.dk
email: bookwright@bogvaerker.dk

Printed and bound by: Lightning Source

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Acknowledgements

None of this would have been possible without the discovery by Shaykh Dr. Abdalqadir as-Sufi of the significance of this theme and his indefatigable work in single-handedly drawing attention to it over the years.

My thanks also to Shaykh Umar Vadillo for his tireless efforts in researching this matter, teaching it and striving to bring wholesome institutions and modalities into being.

I gratefully acknowledge the help of Dr. Riyad Asvat and Dr. Adi Setia, and the encouragement of Shaykh Ali Laraki. Particular thanks must go to Mahdi Lock whose carefully reading of the text and many corrections and suggestions have greatly improved the work. Many thanks to my wife Suád Østergaard for her painstaking reading of the book and for many helpful suggestions.

Introduction

Some people work all their lives for it. Some people have huge amounts of it, and some have almost none. Some steal it, some kill for it. Some men and women marry for it. Some people gamble everything they can, hoping to win more of it and some actually do win, but most lose. Some lie for it, some die for it. Many nations go to war for it. Most of the films we see and a great many of the stories we read are about people who do many of the above things for it. But what is money?

I am not going to try and answer this question with the help of famous economists. You will not find Adam Smith mentioned. Nor will you find Marx, Ricardo, or Milton Friedman. We will not talk a lot about inflation, gross national product or index-linked bonds. We will miss out many things that are supposed to go into a book on economics. We will also miss out many things that people now think ought to go into a book on 'Islamic Economics'. However, we will write many things that economists and 'Islamic' economists do not talk about and which you really ought to know. If that disappoints you, this is not the book for you. Otherwise, read on.

The Community and Age We're In

The modern world is a complex place. Ideologies and religions swirl, entangle with and wage war upon each other. Politically, socially and militarily the world is in upheaval. Economics, commerce and finance move in their own fashion and move many other forces from behind. The whole makes a strangely compelling but disturbing fabric of interwoven threads. And when was it ever different?

What the Muslim always brings to this intricate mix of good and bad is the knowledge that all of it proceeds from the Divine decree: NATO, burgeoning US hegemony, Russian counter moves or quiet Chinese expansion, just as much as the Crusaders and the Mongol hordes. Whatever the Muslim scans of history, biography, culture and technology, he is looking for the hand of Allah in that.

When he comes to act, then he knows that the intellect is a good servant but a bad master, as is evidenced by the whole epoch beginning with the Enlightenment and extending right up to our day. Thus, he turns to the Prophetic example for guidance, yet without abandoning his intellect but rather with it seeking to understand the revelation. The Arabic word for the science of the shari'a, **fiqh**, actually means 'understanding' rather than a ready-made bundle of laws imposed on the human situation.

As to the complex world of cause and effect, I have written this work in the conviction that the old journalist's rule "Follow the money" makes a lot of sense. Nevertheless, it is far from a book on economics.

As a Muslim author, it would be all too easy to tack on Islam at the end as 'the solution'. This present chapter is rather written in the conviction that an understanding of the mu'amalat or 'ordinary transactions' of the shari'a provides a grid that can be laid on economics that will illuminate it just as the Islamic era provides a suitable demarcation of the age we are in, the age that began with Muhammad, may Allah bless him and grant him peace. An Umma or community began then. The Arabic word 'Umma' denotes both a body of people and a time or epoch. It has two aspects: those who are invited to Islam and those who have accepted that invitation. But all are the Umma or community of Muhammad, peace be upon him.

Early trade and Quraysh

One small sura of Qur'an provides the first clue. Sura Quraysh is about the eponymous tribe among whom the Prophet Muhammad, peace be upon him, was born. The sura refers to the summer and winter caravans. Precariously lodged in a small town in the midst of the most arid desert, Quraysh embarked on winter trade caravans south to the Yemen and summer caravans north to Syria and Persia.

Yemenis were world class sailors of old, bringing goods from as far afield as India and China. This role of theirs lasted right up into the modern age, with the Yemenis bringing a very different trade: they were to take Islam to the entire east coast of Africa, Kerala on the west coast of India, Bengal and Nusantara – present day Indonesia and Malaysia. But they did that along with their trade. Reportedly it was their upright character in trade that proved the most effective means of calling people to Islam. The trader who has integrity and who remembers the Divine in the midst of the world and the marketplace is a rarity. Perhaps it is for that reason the Prophet, peace be upon him, said: "The truthful trustworthy trader will be with the prophets, the utterly truthful and the martyrs." (At-Tirmidhi, al-Hakim narrating from Abu Sa'eed) How different the modern world would be if the young men who choose haram suicide bombing as a route to martyrdom were to choose instead halal trade with integrity.

Quraysh's winter caravan brought them into contact with goods from India and China and the Far East. Most probably it also brought them into contact with some of their peoples.

Quraysh's summer caravan went north to Syria and Persia. The Eastern Roman Empire in Syria was a half of an empire whose western half reached up to the borders of Scotland. Roman citizens moved freely across the length and breadth of the Empire even after it divided into East and West. So Quraysh would almost certainly have rubbed shoulders with or traded with Europeans in the Syrian markets. But their goods would have been traded all the way to the North, as well as down to the South. Thus trade united what culture, religion, politics and war divided. They were at the centre of a trade crossroads that connected the Far East and the West.

Among the flow of all the goods was the money that expedited the trade: Roman denarius silver coins, and Greek silver drachmas. They were to give us units of weight: the dinar and the dirham. Later, gold and silver coins of those weights would be minted by Muslims.

Thus if someone trades in the gold and silver coins that are to hand, he has the precedent of his Prophet, peace be upon him. And if someone trades with specific gold dinars and silver dirhams, he has the precedent of 'Umar, who defined them from his tremendous knowledge of the way of the Prophet, and of 'Abdalmalik ibn Marwan, who minted them.

Quraysh was the tribe that the Prophet Muhammad, peace be upon him, was born into. This was the life he was born into. He was to train as a trader under his uncle, travelling on the caravans. Later he would marry Khadija, a wealthy merchant and manage her trade. This destiny, as with everything else about him, peace be upon him, was far from accidental. How could it be accidental, when nothing in existence is? But this one destiny was to have profound impact, not just on the Muslim community but on the world.

The beginning of Islam

Later the second khalifa 'Umar set about initiating a system of dating. Previously, years had been remembered by important things that had happened in them. Thus the year of the birth of the Prophet, peace be upon him, was also remembered as the Year of the Elephant because of the army from Yemen that had come with its elephant to attack Makka.

'Umar took counsel of all of the Companions. Some thought to date Islam from the birth or the death of the Prophet, may Allah bless him and grant him peace. Others suggested the date of the first revelation of the Qur'an. It was 'Ali ibn Abi Talib who suggested that the proper beginning was the emigration from Makka to Madina. That is when a living community had been founded on the basis of the revelation that had so long been denied in Makka. The Companions agreed on that unanimously. Islam began in Madina with the foundation of the community.

Just trade

That the background in trade is not accidental is underscored by a number of things that happened immediately after the emigration to Madina. The first sura of the Qur'an to be revealed in Madina was called The Stinters (al-Mutaffifin). It began with these words: **"Woe to the stinters, those who, when they take a measure from people, exact full measure, but when they give them a measure or weight, hand over less than is due."** (83:1-3) Until that moment, the Madinans had thought that Islam consisted of prayer and other religious acts but did not extend to behaviour in the market place. In other words, they thought that Islam was a religion. The first revelation in Madina disabused them of this notion. The issue here was disparity in weights and measures. Careful reflection will show that this all-encompassing prohibition also covers usury, because its essence is disparity.

One notable result of this revelation endures right down to today: very often when a Muslim trader weighs or measures out for a

customer he will add something extra to ensure that he does not fit the description of the sura.

The free market

Famously, among the first actions of the Messenger of Allah, peace be upon him, was to found the mosque. It is less well known that at exactly the same time he established the market of Madina and established its ground rules. Those rules became the rules of all Muslim markets that were established thereafter.

Abu Usayd said that a man came to the Prophet, may Allah bless him and grant him peace, and said, "May my father and my mother be your ransom! I have seen a place for the market; will you not then look at it?" He said, "Certainly." So he stood up and went with him until he came to the place for the market, and when he saw it he liked it and he stamped on it with his foot and said, "Your market is blessed, so let it not be broken up and let no tax be levied on it." (At-Tabarani)

Muhammad ibn 'Abdullah ibn Hasan said, "The Messenger of Allah, peace be upon him, gave the Muslims their markets as a sadaqa." Meaning that they are free and that no rent can be charged on them. 'Umar ibn 'Abd al-'Aziz was a later khalifa of the Muslims. In conformity with this judgement he ordered that no rents could be charged for space in the marketplace.

This is a profound measure. The market is established as a free space which no one can reserve. Traders have to come early in the morning of each day and establish their stalls. No rent can be charged on it. "...let no tax be levied on it." No taxes are allowed to be charged on trade in the market. In other words, VAT – value added tax – is not permissible in Islam. It is, however, permissible for those responsible for maintenance of the market to charge some small fee for its upkeep. But the state may not levy a charge on trade.

Because trade is the lifeblood of civilisation, these generous trade-friendly ground-rules were established.

And this was right at the very beginning of Islam, i.e. right after the emigration to Madina and the establishment of a polity in accord with the Divine revelation. These are two of the fundamental matters relating to trade that were established, right alongside the founding of the mosque for the central pillar of Islam, the salat. See the importance given to trade.

Prices in the free market

The Messenger of Allah, peace be upon him, was asked by the people of Madina to set market prices but he refused to do so, saying that "Allah, He is the Pure, the One Who causes expansion and contraction, the One Who sets prices" (Ahmad, Abu Dawud, at-Tirmidhi, Ibn Majah and others). To fix prices would be an injustice to the traders. Capitalists have misunderstood this refusal to interfere in the market as an endorsement of 'free-market' capitalism. But free-market capitalism is the opposite of free and has taken ownership of the market.

Market regulation

Although prices may not be set, the qadi can expel traders from the markets for selling too expensively or too cheaply. 'Umar, the second khalifa, said to one of the Companions, "Either you must raise your price or you will be ejected from our market." (Muwatta, no. 1905) This is surprising to us. What possible harm could there be in selling cheaply? This, however, is the terrible practice of undercutting. Traders reduce the price to take trade from their brethren and to drive them out of business. The corporate world destroys traditional crafts and professions right across the earth precisely by this mechanism.

Equally, taking advantage of shortages by raising prices is scandalously immoral behaviour. What is the equitable resolution of these two matters, that prices may not be set by the ruler or the judge and that traders may be ejected from the market for selling too cheaply or too expensively? The judge must consult the traders in the market about the

real values of things. If they agree that someone's prices are too cheap or too expensive he can be asked to adjust his prices and if he does not then he is ejected. Thus the free market of Islam, unlike contemporary 'free-market' capitalism, places restrictions on the traders. It does not allow them total freedom to do what they wish inside the market place.

Usury

We have seen how trade provides the backdrop for the early years of the Prophet, peace be upon him. We have also seen what concern the very earliest revelations in Madina showed for trade and the market. Equally, this is underlined at the end by the prohibition of usury, which was the last of the shari'a to be revealed: **"But Allah has permitted trade and He has forbidden riba"** (2:275). Usury – riba – is defined linguistically as 'increase' or 'disparity'. That means extra in the exchange of quantities of gold, silver, or particular foodstuffs that are weighed or measured. Almost all modern banking and finance transactions are based on increase in the exchange for some and loss for others.

But ayat 281 in Surat al-Baqara shares something with the ayats on usury because some scholars also say that it is the very last ayat to be revealed. It is the longest ayat in the Qur'an. It is about debt, or you might say 'credit', since one man's debt is another's credit.

While this ayat does govern personal debts, the cause of the original revelation and its real significance relate to advancing credit commercially. That means it regulates delayed payment for goods that have already been delivered or, conversely, allowing for payment in advance for goods to be delivered later. These two uses are the lifeblood of trade and have been so throughout history. Such credit transactions in trade outweigh cash payments considerably. Credit is permissible when no charge is made for it.

Fascinatingly, the context was that the people of Madina made payment in advance for future crops. But this was not the establishment of a 'futures market' in which crops are sold repeatedly before they

have been planted. Rather, when someone pays in advance for a crop he cannot resell it until he has taken possession of the crop itself, thus preventing the kind of speculative futures market that today artificially drives prices ever higher, making the prices of basic food commodities unreachable for poor people.

Trade and profit

Profit is not the same as disparity. Trade is not the same as usury. **"Allah has permitted trade and He has forbidden usury."** (Surat al-Baqara 2:275) There are numerous ways for people who are industrious or entrepreneurial to earn profit including qirad profit-sharing investment in trade or in acting as agents in wakala transactions or in seeking a markup on one's price for work done or for transporting the goods from city and city.

Trade was attended to at the beginning and at the end of the revelation. In between, many things were dealt with. That was either through revelation or through the behaviour or command of the Messenger of Allah, peace be upon him. No other revealed life-transaction has anything even remotely equivalent to this body of material. The **Muwatta** of Imam Malik, which records the practice of the first generations in Madina itself, has an extensive section on these types of issues. In another representative work, the **Mudawwana** of Sahnun from the same Madinan tradition, one quarter of the book is devoted to acts of worship and three-quarters to daily everyday matters such as marriage and divorce, and all the issues of buying, selling, renting, hiring, pledging, taking loans, credit and debt. Similar works can be found in all the major legal schools of Islam.

This material was absorbed by the Muslims both individually and as a community. As individuals it is incumbent on Muslims to know the rulings governing transactions. The second khalifa 'Umar said, "No one trades in our market except those who know fiqh". Fiqh is the science governing behaviour. What 'Umar meant was that we must know the laws

governing behaviour in the market. As a community, it is incumbent on the Muslim leader to appoint a qadi or judge who is knowledgeable in these matters to arbitrate between people in their disputes. He in turn must appoint a market regulator, a muhtasib, who attends to checking the markets for its weights and measures and to prevent usury and other forbidden practices creeping in.

The actual texture of Muslims' civilisation was of a commercial trading culture. And, as we already mentioned, trade connects what race, politics, language, culture and religion divide. Everyone goes into the marketplace.

Now that may sound strange, because the reputation of Islam is for jihad. War.

In order to understand jihad, we need some context. The epoch prior to Islam was dominated by Roman power whose source was naked military might. The Romans unapologetically conquered. In their eastward progress they came up against the Persians. Their contest was to transform Persian society into a highly militarised and centralised empire like the Roman Empire. The Muslims took up arms against these two forces in that first memorable epoch of jihad. There was simply no possibility that either of them would leave the Muslims alone. After that first military expansion, Muslim civilisation took on its innate character of a cosmopolitan trading culture. This ethos was to affect the world and was to be one of the things transmitted to the West through the Crusades and the Renaissance. Fatally, Europe took that transmission without the checks and balances that prevented capitalism becoming the monster it has become today.