

## Freeing Economy from Interest

Dominance of interest based dealings in the economy produces inflation that is the worst enemy of humanity being a potent tool of injustice, exploitation and total marginalization of Haqq. Interest is root cause of most economic and many political and social evils. It is obligatory on our part to ensure that neither we cause oppression nor are we oppressed. Therefore, it is the bounden duty of every member of human race to strive and struggle to break the serpentine grip of interest on the economy. We discussed the problems due to prevalence of depreciating currency as well as adaptation and practical application of unit (standard) of account that is the most important step of any strategy to solve the problems created by the dominance of interest. Now, we will discuss it with special reference to elimination of interest.

Considering near total dominance of capitalist conspirators, their agents, the institutions based on injustice and fraud; and the legal system that supports it, it will require a planned, organized and collective effort supported by strong determination to strive and struggle. It will require that all those who want to free this world from injustice and exploitation should jointly strive to:

- (i) To educate the Masses and to enlist their full participation
- (ii) Remove the causes that compel the creditors to deal in interest.
- (iii) Remove the causes that compel the masses in general and entrepreneurs in particular to deal in interest.
- (iv) Ensure that the efforts of the capitalist conspirators their agents and the institutions created by them to frustrate our plans and strategies by reducing national output and employment fail.

### **To educate the Masses and to enlist their full participation**

Dominance of interest in the economy implies that the right of the poor to life is not guaranteed and it is subject to the pleasure of the capitalist (*Rf. Fn.- 13*) What sense does it make to talk of human rights when the right to life for the poor has been made subject to pleasure of the rich? How can we expect justice in a system that denies right to life to its poor? When the capital in itself have no capacity to produce profit, how is it possible to guarantee a fixed return? When the best planned industries managed by best professionals are known to make losses, how is it possible to hold that the entrepreneurs must pay back the capital together with interest? Why to provide legal protection to a contract based on interest, when dominance of interest is known to make it impossible for the economy to properly utilize its productive capacity (*Rf. Pg.-26*)?

Dominance of interest produces unemployment of the labor as well as resources. It produces inflationary pressure that compels the government to depreciate the currency. Depreciation of currency causes massive exploitation of the have-nots in general and the

righteous in particular. Our ability to convey these facts to the masses will Insha Allah prove very effective in generating awareness among the masses and in ensuring their help and cooperation. Considering the fact that most of the governments in the world are democratic, awareness among the masses is in itself a very powerful factor that can ensure success to efforts against injustice and exploitation.

### **Removing the Causes that Compel the Creditors to Indulge in Interest**

Due to depreciation of currency true worth of the capital continues to fall with time. This causes severe loss to the creditors who offer capital to entrepreneurs on the basis of profit sharing. Accordingly it is essential to adopt and use a standard of account. The availability of honest and reliable entrepreneurs have become very poor due to dominance of fraud and corruption. The availability of capital to entrepreneurs on profit sharing basis will remain poor unless the creditors feel assured that the entrepreneur will not be able to defraud them. To raise the confidence of creditors on the entrepreneurs deterrent punishment should be provided against the entrepreneurs who indulge in fraud. Tax rebate should not be allowed in respect of interest paid by industry / commerce as it directly helps the fraudulent as well as those dealing in interest. Accordingly it should be withdrawn. Tax should not be determined by the book profits as it prompts the owners to show lower profits. The tax rate should be determined by capital employed, capital to employment ratio, average profitability of the activities in the sector, regional factors such as supply of labor and raw materials, market and special constraints if any. It is essential in order to ensure that inefficiency and fraud are not rewarded.

### **Removing the Causes That Compel the Masses And the Entrepreneurs to Indulge in Interest**

It is only due to depreciation of currency that the interest based banks are able to give around 5% interest on savings and more than 10 % interest on time deposits.<sup>94</sup> As long as the depreciation continues to eat away savings (with time) and banks are able to offer heavy rates of interest, it will not be possible to persuade the people to avoid depositing their savings in banks.<sup>95</sup> Till people continue to deposit their savings in these banks (including financial institutions) these will continue to create money and lend it on interest. Therefore, interest will continue to dominate the economy. High rates of interest compel as well as allure the rich to indulge in interest. High rate of interest leads to higher rate of inflation that increases the exploitation and compel the masses to depend more and more on loans. High interest rates prompts the masses to supply their small-small savings to those dealing in interest who lend these savings at higher rate of interest that further aggravates the problem. Therefore, both rate of interest as well as rate of inflation should be reduced. Best policy will be to reduce the true interest rate to nil and to try to cut down the rate of inflation to zero at the earliest (*Rf. Fn.-16*).

Once some standard of wealth is adopted and its use as standard of account is made mandatory, these banks will not be able to offer any interest on saving account and even on time deposits the rate of interest will not exceed 2 or 3%. Therefore, the adaptation of standard of account will ensure that these centers of fraud and exploitation that presently constitute one of the most lucrative business will lose major part of their profitability. It will revive the interest free lending and mutual help.<sup>96</sup>

Due to depreciation of currency and its use as unit of account availability of interest free loans have become almost nil. Adaptation of standard of account will restore the availability of interest free loans. It will also allow the producers, wholesalers as well as the retailers to sell on terms that are really free from interest.

In an interest free system timely repayment of loans and clearance of dues arising out of industrial / commercial transactions depends upon honesty on part of those who have to pay.<sup>97</sup> Considering the level to which moral values have degraded, in addition to proper compensation of the loss suffered by the person whose payment is withheld, severe penalty should be provided for the willful offenders. Till such a mechanism is evolved, creditors may be allowed to incorporate some penal clauses in the contract. For example: it may be provided that where the creditor is not convinced that the delay should be condoned, one who owes the credit or loan should pay a penalty that is twice the expected rate of profit, provided however that the penalty should accrue to the state.

Large scale operations require large initial investment. In the interest based system the entrepreneurs who can provide required counter guarantee can easily obtain the large capital. To ensure proper availability of credit free of interest adoption of some standard of wealth and its use as unit of account is essential. Also please *Rf. Pg.-114 and.147.*

### **Preventing Fall In Output And Employment**

Not only abolition of interest but even lowering of interest will reduce availability of capital for investment. It is because most of the capital is held by the capitalist creditors and it is the interest that pleases them to invest. Fall in availability of capital for investment will reduce output and employment. This will aggravate the problems. Due to change of environment people will take time to adjust. Creditors will tend to wait and watch. When the exploitative procedure become inoperative, some creditors will try to shift capital to other more lucrative markets<sup>98</sup> Nationals should not be permitted to shift capital to foreign markets where exploitation may be permitted and therefore, capital may be earning higher return per unit of investment.<sup>99</sup> Further, capitalist conspirators will tend to withhold capital to frustrate the efforts to prevent exploitation.

To solve these problems efforts should be made to maximize planned exploitation of the resources,<sup>100</sup> the masses ought to work hard and the righteous ought to strive to maximize the investment, so that the national output do not fall and designs of the capitalist conspirators do not succeed.<sup>101</sup> Zakah has to be enforced (*Rf. Pg29*). However, initially investment may still fall because the creditors will tend to wait and watch.

## **Persuade the Government to Help These Efforts to Succeed**

Policies of the government are often dictated by the interest of the rich and the powerful. The democratic governments are said to be the government of the people but despite being elected by the people, in practice the results are no better. Even more than half of the aid that are supposed to have been distributed among the poor is eaten away by the corrupt and powerful bureaucracy and other intermediaries. Therefore, the righteous have to be very careful and lots of efforts are required to ensure that the government really supports the right efforts. While it is possible for the righteous to conduct their affairs without causing exploitation and they can protect the masses from most of its ill effect, yet truly interest free economy can be established only when the government cooperates fully. For example government alone can take necessary legislative and administrative actions that were discussed above. Thus it is easy to understand that *to establish a truly interest free economy the righteous will have to educate the masses to get their active support and cooperation and to persuade the government to take necessary legislative and administrative measures.*

The contention of economists that modern economy can not be run without interest is totally baseless. It is no more than a fraudulent slogan intended to deter the righteous from making necessary efforts to purge the economy free of injustice and exploitation. Creation is based on justice and it supports justice. Islamic economy that is totally Interest free provides the perfect economic system for all conditions. Islamic economy produces sustained and optimal growth rate and maximizes human Falah (welfare). Therefore, it is not very difficult to persuade a truly responsive government to take necessary steps for uprooting interest and exploitation.

Finally it must be noted that the government of the righteous is one of the best rewards of our creator Allah that He bestows on the best of His people. It will not be possible to win against the capitalist conspirators who have developed immense economic and political power without His help. Therefore, the righteous must

(Hold fast to the rope of Allah and be not divided.) (Q III-103)

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