CHAPTER V

IBN TAIMIYAH'S ATTITUDE TOWARDS INTEREST AND MONEY

The institution of interest has been a controversial subject throughout history. In the words of Conard, 'The theory of interest is still in a state of great confusion.'\(^1\) Biblical and Philosophical attitudes are not unknown, nor they are much concerned with our theme. But it is worthwhile to have a bird's eye view of the history of interest in different religions and systems as well as in Islam, before discussing Ibn Taimiyah's attitude toward the problem.

A. INTEREST IN DIFFERENT SYSTEMS

1. JUDAISM AND CHRISTIANITY ON INTEREST

Interest taking has always been considered as inhuman and unethical by all the religions and philosophers "In the Old Testament many passages forbid interest-charged on loans to the poor or to fellow Jews and condemn the gaining of wealth by oppressing the poor with usury."\(^2\) This prohibition is based on Leviticus 25:37 "Thou shall not give him thy money upon usury, nor lend him thy victual for increase", and on Deuteronomy 23:19 "Thou shalt not lend upon usury to thy brother." In the same way, the Judaism of Talmud and Mishnah forbid any Jew to be an

\(^1\)Conard, W.J. An Introduction to the Theory of Interest (Los Angeles, 1966), p. xi.

intermediary or agent of surety or witness in any usurious transaction between Jew and Jew. The Rabbis derived this prohibition from Exodus 22:25, "If thou lend money to any of my people that is poor by thee, Thou shalt not be a usurer, neither shalt thou lay upon him usury."¹

These verses give the impression that the prohibition of interest was limited to the poor or to the Jews, but this is not the case. Summing up the reproaches levelled against the Jews the Qurān says, "and because they take interest, while it was forbidden them and devour uselessly the substance of people".² That they twisted and distorted the words of their book, so that they could express their tendentious whims and appetites, is clear from the fact that "according to Maimonides, a Jew lending money to a Gentile is religiously bidden to charge interest. Maimonides regards this as one of the affirmative precepts of Judaism, deriving it from Deuteronomy 23:20, which according to him, should be translated 'unto a stranger thou must lend money on interest.'³

The Christian writer of Dārratul Ma'ārif (an Arabic encyclopaedia) writes "The Mosaic laws forbade Hebrews charging interest in cash from the poor even though they lent to an alien; then the restriction narrowed up to the Israelites even they lent to the wealthy. They were enjoined to lend to the poor to help them in distress and they were warned against taking interest by any trick.... But when the market extended and trade and commerce developed, the practice of interest and mortgage became common

²The Qurān. IV:161.
among them. But they allowed the taking of interest from their Jews brethren long after that.¹

As far as Christianity is concerned, in the New Testament, we find no direct precepts about interest. But these words of Jesus "lend freely, hoping nothing thereby," Luke, 6:35, contain that charging of interest is far against the Christendom and it is completely forbidden. According to Spiegel the early Fathers looked upon usury with severe disapproval. They found the confirmation of their views in several passages of the Old Testament, and the General Principles of the New Testament teaching approved their stand, more especially the above cited verse of Luke.²

2. INTEREST IN GREEK PHILOSOPHY AND ROMAN LAW

The practice of interest was common in ancient Greece and Rome. The Roman lawyers had allowed an annual rate of 12 percent on loans in kind.³ But the Roman thinkers like Cicero (106-43 B.C.) and Seneca (4 B.C.-65 A.D.) condemned the taking of interest and described it as inhuman.

The Greek philosophers Plato and Aristotle also strongly opposed the charging of interest. They thought it to be against the welfare of the state. According to them, it is unjust and unnatural to seek gain from barren metal.⁴

They did not differentiate between consumption loan and loan for

³ cf., ibid. p. 63.
the trade, nor did they distinguish between interest and usury. Stating Aristotle's view Schumpeter writes, "He did not even classify loans according to the various purposes they are capable of serving and does not seem to have noticed that a loan that finances consumption is something very different from a loan that finances maritime trade. He condemned interest which he equated to usury in all cases - on the ground that there was no justification for money, a mere medium of exchange to increase in going from hand to hand (which of course it does not do)."\(^1\)

On the pattern of Schumpeter, at present it has become a fashion to talk about the difference between consumption loans and loans for production purposes. But a deep analysis shows that actually there is no substantial difference between the two, as finally the burden is borne by the poor or common people. Moreover, how it could be justifiable to ensure the share of the capitalist and give no surety of return for the person working with that capital.\(^2\)

3. INTEREST IN THE MIDDLE AGES

Thinking about interest took a new turn in the Middle Ages and analytical treatment of the problem started. A gradual breakdown of the restriction against interest started and attempts were made to lessen the severity of prohibition or finish it outright by giving a new interpretation to the Biblical teachings and by reconciliation in Aristotle's stand and Roman laws.

Expansion of commerce and trade, and increasing economic activities required frequent capital borrowing. Churchmen themselves needed large sum for building and for crusades. And later, the

\(^1\) Schumpeter, A.J. op. cit. p. 65.

\(^2\) For such details see the contemporary thinker Maudūdī's work 'Sūd' ('Interest') (Delhi: Markazi Maktabah Islami, 1968), pp. 213-234.
Church became owner of large property and started money lending. This materialistic bent of Churchmen persuaded them to readjust and interpret the Biblical laws in a way that may suit their activities. They gave up not only the old view that business was an evil and its roots are in avarice but they put the seeds of capitalism by having soft corner in their hearts regarding interest.

The Schoolmen were pioneers in this respect, prominent among whom stands Thomas Aquinas. He distinguished between things that are consumed as they are used, for example, food and things that may be used without being consumed for example a house. According to him, only in the second case 'use' can be separated from ownership. Since money comes under the first category, therefore, he who sells money must sell it once for all and has no right to charge extra. One who demands a price in the form of an annual payment and then insists on a return of his capital is guilty of being paid twice for the same thing. A seller is entitled to receive only equal to what he has given up -- a concept similar to the "just price".

But Aquinas agrees that the seller of money may receive damage through loss of enjoyment greater than the sum of money immediately involved, (damum emergence - Damage Suffered); or sacrifice of profit that might have been earned, had principal been invested rather than loaned, (lecrum cesans - escaped gain). Making these modifications Aquinas did not conceive that this makes a serious break in his general argument that money is a commodity which can be used only by being consumed. He surrendered before the rising capitalism and forces against religion and ethics. He paved the way for the breakdown of the prohibition of usury or

1 Aquinas. op. cit. II:2, question LXXVIII, art. 1.
interest. In the words of Don "once one gap is made in the hedge of restriction, other gaps appear as the centuries pass, until it becomes a question whether there is a hedge at all." Foundation was laid down for a demarcation between usury and interest, and a distinction between loan for consumption and loan for trade. And this provided a helping hand for rise of capitalism.

B. ISLAMIC TEACHINGS

Islamic teachings about interest are very clear. There is absolute prohibition of interest in the Qur'an, and it condemns those who take interest and warns offenders against doom of the Fire. It regards interest as a practice of unbeliever and demands as a test of belief that it should be abandoned. Study the following verses of the Qur'an:

"Those who swallow interest (al Ribā)\(^1\) can not rise up

2Meaning and Scope of the word 'Al-Ribā': The word used in the Quran to express the meaning of interest is 'al ribā' which literally means 'increase'. In Islamic jurisprudence it is defined as "an increment in money or goods having no compensation in a transaction. (al Mabsūt, Cairo: Matbāh al Sa'dah, n.d., Vol. XII, p. 109). The doctors of Islamic Jurisprudence are different in opinion regarding the scope of the word 'al Ribā'. For example Taqiuddin Subkī (704-744 AH) a contemporary of Ibn Taimiyah, says that "to some people this terminology (al ribā) includes all prohibited trades (Takmilah al Majmū, Fajālah: al Maktabah al 'Alamiyah, n.d., Vol. X, p. 22). Shāh Wallullāh Dihlawī (1703-1762) says "al Ribā is used in two ways: in real meaning and in similitude (mahmūl alāiḥ). In real meaning it is used in lending and borrowing and that was common in Jahiliyah (the period before Islām) and it was prohibited in the Qurān. In similitude it is used in case of Ribā al Fadl whose prohibition is known by tradition of the Prophet. Here the word Ribā is used due to similarity (tashbīḥ) between the two and also to express the perversity (taghlīz) of such transaction, and due to the frequent use of the word for the latter, it caught the shari'ah contd .../...
save as he ariseth whom the devil hath prostrated by (his) touch. That is because they say: Trade is just like interest; whereas Allah permitteth trading and forbiddeth interest. He unto whom an admonition from his Lord cometh, and (he) refraineth (in obedience thereto), He shall keep (the profits of) that which is past and his affair (henceforth) is with Allah. As for him who returneth (to interest) such are rightful owners of the Fire. They will abide therein.

Allah hath blighted interest and made alms giving fruitful. Allah loveth not the impious and guilty.

Lo! those who believe and do good works and establish worship and pay the poor-due, their reward is with their Lord and there shall no fear come upon them neither shall they grieve.

O ye who believe! Observe your duty to Allah, and give up what remaineth (due to you) from interest, if ye are (in truth) believer.


Describing the scope of the word 'al Riba', Ibn Taimiyah writes that this word includes all types of interest resulting due to late payment - ribā al nasiah; or due to unequal exchange of the same commodity (riba al Fadl) and it also includes every loan carrying benefit etc.; the text includes all these kinds". (Majmūa' Fatāwā Shaikh al Islām, Vol. XIX, p. 284).

Thus the term 'al Ribā' covers usury as well as interest in terms of modern economics, and it also covers some cases of barter which involve unequal exchanges in term of quantity or time of delivery.
And if ye do not, then be warned of war (against you) from Allah and his messenger.
And if ye repent, then ye have your principal (without interest). Wrong not, and ye shall not be wronged (Lā taẓlimūn wa lā tuẓlamūn).*

And if the debtor is in straitened circumstances, then (let there be) postponement to (the time of) ease; and that ye remit the debt as alms giving would be better for you if ye did but know.

And guard yourselves against a day in which ye will be brought back to Allah. Then every Soul will be paid in full that which it hath earned and they will not be wronged."^1

At another place the Quran says:

"O ye who believe: Devour not usury, doubling and quadrupling (the sum lent). Observe your duty to Allah, that ye may be successful.

*The Scholastic philosophers were able to point out this economic reason of the prohibition of interest (i.e. ḫulm = wrong, injustice) as late as in Twelfth century only. And the Western writers thought it a great discovery. In the words of O'brien, "Alexander III having given much attention to the subject of usury, had come to the conclusion that it was a sin against justice. This recognition of the essential injustice of usury marked a turning point in the history of the treatment of the subject, and Alexander III seems entitled to be designated the pioneer of its scientific study." (O'brien, op. cit. p. 175).

^1 The Qurān. II:275-281.
And ward off (from yourselves) the Fire prepared for disbeliever! And obey Allah and the Messenger that ye may find mercy."¹

These verses left no scope for doubt regarding the prohibition of interest.

The prohibition of interest has also been reported in the traditions of the Prophet. In the last Hajj the Prophet declared:

"Lo the interest of Jahiliyah (pre-Islam period) has been repealed ....."² and Ibn Taimiyah says, "the interest of 'Jahiliyah' was that a person having loaned another for a period asked at due date whether he would repay or pay interest. If the latter paid the principal it was alright otherwise the former gave time and the latter increased the amount payable. Thus the money used to increase."³ This description of interest in pagan Arabs clearly shows that the interest was charged against time. And this was exactly the same interest which is well known to all nations and that was prohibited also in the revealed books of the past.

Another thinker Fakhruddin al-Razi (1148-1210 A.D) - a famous commentator on the Qur'an writes in his commentary 'al Tafsir al kabir' that "they (pagan Arabs) used to lend money on the condition that they would charge a fixed amount each month, while capital would remain safe. And at the time it fell due, if the borrower could not pay, they increased the amount with the extension of the date of payment. This was the interest practiced by Arabs in Jahiliyah (period before Islam)."⁴

¹ The Qur'an. III:130-132.
² Muslim, Ṣaḥīḥ, 'Bab Ḥajjah al Nabi' (Cairo: Matbūt Maktabah M. ʿAlī Ṣaḥīḥ wa ʿAulāduhu, n.d.), Vol. IV, p. 41.
³ Ibn Taimiyah. MFS XXIX, pp. 418,440.
Besides the prohibition of this conventional interest, Islam forbade two types of barter exchanges and termed them as interest, viz. Ribā al Faḍl and Ribā al Nasīḥah. This is stressed by a group of traditions that report the Prophet saying as 'gold for gold', silver for silver, wheat for wheat, barley for barley, date for date and salt for salt be exchanged, the same thing for the same thing, in equal quantity and hand to hand. One who demanded extra or paid extra, he indulged in interest. The tradition further reports: "...when these kinds differ, then sell them as you like (with the difference of quantity) provided that it is hand to hand (i.e. the transfer of ownership takes place at once).  

Thus Ribā al Faḍl can be defined as charging extra quantity in barter exchange of the same commodity. For example, to sell or purchase one quintal of wheat with one quintal and five kilos of wheat.

Ribā al Nasīḥah can be defined as barter exchange of certain commodities (namely: gold, silver, wheat, barley, dates, salt etc.) for the same or similar commodities in which one commodity is handed over instantly while the other is delivered at a later date. For example, to exchange ten grams gold now for ten grams gold to be paid after two weeks, or to sell one quintal wheat at present with two quintals barley to be paid after one month.

1Saḥīḥ Muslim. Bab al Ṣarf. Vol. V, p. 44.
2Ibid. op. cit. p. 44.
3Ribā al Faḍl and Ribā al Nasīḥah — A Fiqhī discussion: Apart from the six commodities enumerated in the hadīth, there are some other commodities also capable of interest (Māl Ribwī) deduced by the jurists ascertaining the reasoning of interest in those six commodities. Gold and silver form one group and other commodities form another group.

Ribā al Faḍl exists when the same commodity capable of ribā is exchanged with inequality. For example gold for gold or wheat contd.../.
C. IBN TAIMIYAH'S RECOGNITION OF THE ECONOMIC REASON FOR THE PROHIBITION OF INTEREST

Ibn Taimiyah has analysed very briefly the prohibition of interest. He said in connection, is very significant. He says that "the practice of interest is prohibited by clear verses of the Qurān and there is no difference of opinion among the followers of Islam on this question," and that "interest is forbidden because it is harmful to the needy and amounts to acquiring property by wrongful means. This reason is found in all usurious contracts."  

Moreover, like all Muslim thinkers, he does not make a difference between loans for production purposes and loans for consumption purposes. He might have thought that if there were any substantial difference, the Qurān must have differentiated between them as it was revealed to a people who were traders and their borrowing included borrowing for business purpose too.

Muslim thinkers were not only aware of the two types of loans but they also knew that the resulting nature of both were equally notorious. Imām Fakhr al-Rāzi a thinker preceding Ibn Taimiyah lashes out at the trend of justifying the commercial interest. Analysing such loans he says, "possibility of lender's investing his money and earning profit is a matter of conjecture (amr mauhūm),

for wheat. If the commodity is not the same, the exchange with inequality is permitted provided the delivery is at the same time. Exchange between different commodities of the same group at a late payment of one will be ribā al nasīḥah if the exchange is done between gold and silver; or in second group between the foodstuffs. Again there will be neither ribā al Faḍl nor ribā al nasīḥah in exchange of the commodity of one group for a commodity of second group. (For such details reference can be made to Dr. Ḥamūd, S.H.A., Taṭwīr al Ṭamal al maṣrifiah bimā yattafiq wa al sharīḥah al Islāmīah, n.p., Dar al Ittiḥād al ‘Arabī 1976, pp. 198-205).

1  Ibn Taimiyah. MFS Vol. XXIX, p. 418.
2  ibid. pp. 419, 455.
it may or may not materialize. To exact a higher amount over and above the sum lent, on that conjectural basis is a kind of injustice and exploitation (darar). Another economic basis of the prohibition of such interest is the fact that it keeps the capital owner away from enterprise. This is so because when money-lender will have the right to earn more money in cash or in deferred payment, he will shun other ways of economic activities and will never be ready to enter the trade, commerce and industries involving risk and tough labour. This means the end of public benefits (manâfe' al nás) as it is a known fact that the welfare of people is organized only by trade and commerce, manufactures and constructions.\(^1\)

The above passage is a clear proof that Muslim thinkers unexceptionally put all kinds of loans in one category.

1. REASON OF PROHIBITION IN RIBĀ AL FAḌL AND RIBĀ AL NASĪĀH

The foregoing analysis is related to the ribā al jāhilīyah, that is, the conventional interest known in all nations in which an additional money is charged on loans after a certain period. We have seen that in Islamic law there are two other cases which are prohibited. They are called 'riba al faḍl' and ribā al nasīāh', that is, certain cases of barter which involve unequal exchange in term of quantity or time of delivery. The reason for the prohibition of these two exchanges is to remove the possibility of exploitation and of acquiring others' property wrongfully.

But there is a difference between conventional interest and ribā al faḍl. The evils of interest are obvious in former, while they are hidden in the latter. Ibn Taimiyah says that the prophet has forbidden many things that might be a source of evil while it is not very discernible in them. For example, ribā al faḍl in which

\(^1\) al Rāzī, Fakhr. op. cit. p. 92.
the reason of prohibition is sometimes unclear. In other words, *ribā al faḍl* and *ribā al nasīḥah* are prohibited as a precautionary measure. The clear practice of interest and that which might lead to interest should not be treated equally. It is this reason that the latter is allowed when necessity demands it and there is no fear of indulging in interest proper. Ibn Taimiyah gives the example of permitted exchange of fresh dates for dry ones in small quantity (without actually weighing them) merely by estimation. The point of argument is that, according to the rule of *ribā al faḍl*, exchange of dates should be in exactly equal quantity. But it has been allowed to exchange them by approximation (*khurs*) which is more likely to consist inequality.

His pupil Ibn Qayyim is more explicit and more clear on this point. He puts them into two categories: *Ribā al Jalī* (open interest) and *Ribā al Khafī* (disguised interest) and says that *Ribā al Jalī* is prohibited specifically while *ribā al khafī* is prohibited to stop it from becoming a means to interest. He concludes that the thing prohibited as a precautionary measure is permitted for greater benefits (*al mašliḥah al rājiḥah*). Ibn Qayyim says that the sale and purchase of golden or silver ornaments with gold or silver (bullion) is permitted, despite inequality in weight. His opinion is based on distinction between *ribā al faḍl* and *ribā al nasīḥah*. He says that if we prohibit it, people will face great difficulty. He allows this exchange also because in his opinion gold and silver, after their transfer in ornament, become goods. And as there is no question of interest.

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1 ibid. p. 24.
5 cf., ibid. p. 140.
in the sale of goods with prices, so is the case here. The same is the opinion of Ibn Taimiyah.

2. IBN QAYYIM'S RECOGNITION OF THE ECONOMIC BASIS FOR THE PROHIBITION OF RIBĀ AL FAḌL AND RIBĀ AL NASTĀH

We proceed to examine Ibn Qayyim's view as they reflect, in all probability, the views of his teacher Ibn Taimiyah. Ibn Qayyim observes "If people were allowed to exchange the foodgrains on credit, none would do it except when it was profitable and they would never sell their goods instantly hoping for a profit later on. Thus the needy person could hardly get the foodstuffs of his choice, because the general public did not have cash very often. People, especially in the rural areas, carried little cash and generally exchanged one kind of foodgrain for another. So it was wise and merciful of the Law giver to prohibit deferred payment in exchange for foods as he has done in case of precious metals."^3

The point Ibn Qayyim is making deserves attention. The Prophet prohibited deferred delivery by one of the parties in such cases, though he allowed inequality in the quantity of foodgrains exchanged. Should deferred delivery be allowed, the inequality would, in all probability, become a function of the time allowed to the other party, thus partaking of the crucial feature of ribā: increase in quantity due to increase in time allowed.

The above analysis is related to the exchange of one kind of foodgrain for another. According to Ibn Qayyim there is much reason to allow disparity in their quantity, as the nature, quality and

\(^1\) cf., ibid. p. 141-42.
\(^2\) Ibn 'Abdul Hādī. op. cit. p. 323.
\(^3\) cf., Ibn Qayyim. op. cit. p. 138.
purpose of the two kinds of grain will be different. But there may be exchange of some quantity of the same kind of foodgrains for some quantity of the same foodgrain, presumably because of difference in quality. The Prophet prohibits both inequality in quantity as well as deferred delivery in this case, advising people to sell what they had for cash and then buy what they wanted.¹ The reason lies in the uncertainties involved in assessment of the difference in quality. Moreover, if it were allowed it would lead to the same consequences, that is, exchange of the same kinds of foodgrains with deferred delivery, hoping for further increase in quantity, because a man likes to earn more and it gives him pleasure to have more profit.²

3. ASCERTAINMENT OF A COMMON ECONOMIC AND JURISTIC CAUSATION (‘ILLAH) IN COMMODITIES OF RIBĀ AL FAQL AND RIBĀ AL NASĪAH

While analysing interest, Ibn Taimiyah notes down differences of opinions of the doctors of Islamic jurisprudence regarding the interest in exchange of commodities.³ That is, whether the restriction is confined to the six commodities mentioned in the hadīth or are there some basic reasons for their prohibition in which case it will apply wherever the reason is found. Ibn Taimiyah himself is of the opinion that the prohibition is not confined to the six commodities, but the other commodities attended by the same reason are also included in prohibition. According to him "the reason for prohibition in case of the two precious metals, is their capacity of being standard of value, (thamanīah).⁴

¹ibid. p. 139.
²ibid. p. 138.
⁴ibid. MFS Vol. XXIX, p. 471.
Examining the views of other thinkers he says that "to consider thamanīah as a reason of ribā is reasonable and justifiable, because athmān (monies) are meant to be standards of value for other goods (me‘yār al amwāl) and through them values of goods are measured and they are never meant to be used for their own utilities. So if some of them is sold for some of them, it is trade in money which violates the rationale of money. Their exchange must be simultaneous and in physical terms so that their power to exercise command over other goods is preserved. The coins will also be treated in the same way if they are used for measuring price and they will not be exchanged on a deferred basis."  

Ibn Taimiyah's prescription of money-ness as the reason of prohibition of exchange of precious metal on a deferred basis has great economic significance.

4. TECHNIQUES TO CIRCUMVENT ISLAMIC TEACHINGS ON 'RIBĀ'

Islam dawned on those people who were traders themselves and Islam always praised occupations like trade and commerce. It never regarded business to be evil, as did the Christianity in early Middle Ages. On the contrary it regarded it as a matter of virtue. In such environment, Islam prohibited interest, and the followers stopped the practice of interest. They never felt this prohibition to be an obstacle in the way of trade and commerce. Trade and commerce continued to flourish throughout the early centuries of Islam. Muslims never tried to denounce the prohibition of interest, in principle or reject this ban in practice. Historians are silent about practice of interest among Muslims. The jurists who were always critical of the non-Islamic practices

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1Ibn Taimiyah. MFS XXIX, pp. 471-72.
among Muslims never quote a single example of interest taking by Muslims. According to Joseph Schacht, "They were always conscious that a direct breach of the prohibition of ribā (interest) was a deadly sin." Nevertheless, some people started taking interest by such fraudulent tricks that did not come directly under the definition and practice of interest.

Ibn Taimiyah has described some of these tricks. For example, Bāf al ʾainah (credit sale par excellence) in which A sells an article to B on credit against the total sum of capital and interest which are to be paid at a future date, and at the same time A buys the article back for the capital only which he paid in cash to B. This practice was prevalent also in medieval Europe under the name of Mokhātra. Such types of practice is also named Tawarruq meaning by 'trick to obtain silver (money).

Another method of circumvent ribā al faḍl is called 'Mudd ʿAjwah, in which, for example, a person exchanges silver mixed with copper with unequal weight of pure silver getting the excess of silver in exchange for copper.

Ibn Taimiyah condemns strongly all such practices and considers them against the spirit of Islamic teachings on interest. He says, "All evils (such as injustice and exploitation etc.), due to which interest is forbidden, exist in these transactions, perhaps with a greater degree of fraud, cheating and troubles. These people are suffering in this world as well as in life here after. He wrote a book in this connection as he himself mentions.

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2 Ibn Taimiyah. MFS XXIX, pp. 30,432,439.
Ibn Taimiyah does not agree with the jurisprudents who validate such practices. He gives weight to the intention in some cases, and says that if such practices were done without any prior agreement of the two parties, or the intention is really to trade in goods and not lend or borrow money at interest in this way, it can be permitted.¹

It is clear from the above mentioned petty tricks that the underlying reason behind them was not any vital economic factor like unavailability of capital for trade and industry etc. but it seems that people who lost the spirit of religion adopted them just to satisfy their lust for money without resorting to the direct violation of the prohibition of interest. It would be interesting to note what Ibn Taimiyah has to say in this regard: "All transactions can be divided into three categories: to purchase a thing for consumption; this sale and purchase is permitted by Allah; second, to purchase a good to sell it in that city or somewhere else, it is trade or commerce, also permitted by Allah; and in the third transaction none of the two is intended, it is done only to acquire money. The borrower fails to get money, so he adopts this form of transaction. This last form is called Tawarruq (trick to obtain money) and it is invalid in the opinion of many jurists. He quotes 'Umar bin 'Abdul 'Azîz saying that "Tawarruq is basis of interest."²

Thus Ibn Taimiyah is against not only direct interest but practice of interest by any trick. Apart from the obvious and logical reasoning that in such transaction all evils of interest fully exists,³ his opinion is based on a number of traditions which he quotes very frequently.⁴

¹ibid. MFS Vol. XXIX, p. 447.
²ibid. MFS Vol. XXIX, p. 434.
³ibid. MFS Vol. XXIX, p. 28.
5. TRANSFER OF MONEY AND INTEREST

Ribā according to Islamic jurisprudence is not confined to charging an additional sum of money over and above the principal. Most of the Islamic jurists uphold the principle that a loan involving any advantage or benefit to the lender comes within the meaning of ribā. It is in this context that the practice of suftajah came to be discussed. It amounted to A writing a paper acknowledging that he owed B a certain sum of money which should be paid to B by C on his behalf. A and C generally belonged to different cities. It was a convenient way of transferring large sums of money from one place to another. But it became controversial because of this very advantage in view of B being regarded as a lender.

Ibn Taimiyah was quick to reject this narrow interpretation. He rightly pointed out that the benefits were mutual. He says, "If a person lends money to collect it in other country, - for example, the lender wants to transfer his money to another country and the borrower who is in need of money has his money in that country, so he borrows money and writes a bill (suftajah) for lender to be exchanged in his country, - then it is permitted according to one of the two stands of the doctors (ulamā); it is said also that it is prohibited because it results in advantage to the lender and any debt that brings advantage is 'ribā'."¹

"The correct stand is that it should be permitted, because the borrower benefits by having security of carrying money to that country and the lender also benefits by collecting money in his own country without any risk. So the both benefit each other in this act of lending and borrowing and the Prophet never prohibited the thing which is useful and beneficial and people need it;
he forbade only that thing which injures them.  

6. CONTRAST BETWEEN INTEREST AND ZAKĀH

Ibn Taimiyah conceived a society based on Islamic norms and values. The main features of this society would be as follow:

1- Faith in the oneness of God; that is, there is no God except Allah, Who is creator and sustainer of the universe. He gave the mankind a code of life that guarantees their wellbeing in this world as well as life hereafter (maʿāsh wa maʿād).  

2- Co-operation. Human beings cannot live independent of each other. They have to live together and cooperate for the maximization of welfare and ward off evils.

3- A member of the Islamic society is not an 'economic man' but one with the goal of earning the pleasure of Allah through right action and service of fellow human beings. Good intentions and right action thrive when they receive positive response from others. Ultimately we have a competition in good deeds resulting in benefits to all concerned.

4- Generosity and benevolence must prevail in the society. People should prefer others' needs to their own needs. On the

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3 cf., idem. al Ḥisbah. pp. 8,116.  
4 cf., ibid. p. 100.  
6 cf., idem. al Ḥisbah. p. 93.
Other hand, lust of money, and miserliness is condemned in all cases. Luxurious living should be avoided. The best policy is that of the middle way.

5- In the society, there must not be monopoly, exploitation, or fraud and usurious transaction. Good should be enjoined and evil should be forbidden. State has active role in economic life. It shall intervene if freedom is misused or people are not fulfilling their obligations.

These are some broad aspects of the Islamic society. Interest has no place in such a society, as it springs out of the qualities like selfishness, miserliness and lust of money. Hatered, jealousy and exploitation are its fruits.

In contrast, Islam encourages loans without interest, enjoins charity and makes zakāh a legal obligation. These strengthen the bonds of cooperation and are a source of love and sympathy.

It is for this reason that Ibn Taimiyah considers interest antagonistic to ṣadaqah and zakāh (charity and obligatory almsgiving). According to him, "when Allah created two types of people - rich and poor -, He made the zakāh obligatory for the rich as a right of the poor; and at the same time He forbade the rich from taking interest that harms people."

1 cf., ibid. pp. 93,103,104.
2 cf., ibid. p. 110.
3 cf., ibid. p. 92.
4 cf., ibid. p. 27.
5 cf., ibid. pp. 30,34.
7 cf., ibid. pp. 13,29,45,55,69,73,82,116,117.
8 cf., ibid. p. 41.
9 cf., idem. MFS Vol.XX, pp. 346-47.
Thus in his opinion, the objective of enjoining zakāh and prohibiting interest is to remove the poverty of have-nots. This is in harmony with a verse of the Qurān which asserts, "verily Allah abolishes interest (riba) and increases charity."\(^1\)

Ibn Taimiyah holds that the welfare of both the rich and the poor cannot be achieved, neither in this world nor in the hereafter, without this approach. The right of the poor in the form of zakāh in the property of the rich is like a debt upon them. So if a person is charging interest, it means he is not only denying what he owes the poor, he is also indulging in further injustice (zulm) by taking interest. So it is the most rigorous type of injustice."\(^2\)

Ibn Taimiyah's contrast between interest and zakāh shows that he presents zakāh as the best substitute to interest, and his intention is not just piecemeal almsgiving but an organized institution for removal of poverty and betterment of the condition of have-nots. It should be noted that interest and zakāh represent two different attitudes towards fellow human beings as well as towards wealth. The practice of charging interest is rooted in selfishness and individuation where as zakāh nurtures sympathy and brotherhood.

D. HIS REFLECTIONS ON MONEY

A very close subject to interest is money and monetery policy. Ibn Taimiyah's reflections on this problem though very brief -- are very significant and thought-provoking. Some passages of his Fatāwā reveal that he had in mind the idea mentioned in economics as Gresham's law two and half century before the birth

\(^1\)The Qurān. II:276.
of the English merchant Gresham (1519-79) to whom it is attributed. He discussed also the nature of money, debasement of currency etc.

1. NATURE AND FUNCTION OF MONEY

Modern economists agree that the invention of money was the most significant incidence in the economic history of man. It laid down the foundation stone for economic development; and facilitated division of labour, establishment of industries, marketing of goods and services etc. Shedding the light on its importance Geoffrey Crowther says, "Money is one of the most fundamental of all Man's inventions. Every branch of knowledge has its fundamental discovery..... In economics, in the whole commercial side of Man's social existence, money is the essential invention on which all the rest is based."¹

Money circulates in an economy like blood in our body. Just as high or low blood pressure is dangerous for life, in the same way too much or too little money creates fatal disease in the economy, in the form of inflation or deflation. Thus the study of money has become very important subject in economics. In the words of A.C.L. Day, "A large part, indeed some would be inclined to say the major part, of the subject-matter of economics is concerned with the functioning and malfunctioning of money."²

Money is said to perform different functions like measurement of value, medium of exchange, store of value and standard of deferred payments. In the opinion of many economists its function as a medium of exchange is the most important of all. Again to quote

Crowther, "Money must serve as a measure of value, as a medium of exchange, and as a store of wealth. Of these three functions, the second is the most essential.... Money must be something that performs all three functions, and pre-eminently the function of being a medium of exchange."\(^1\) A.C.L. Day has also emphasized the same point as he says, "The most important use of money is in settling by far the larger part of transactions between different individuals or organisations in modern economies."\(^2\)

The two important functions of money - measurement of value and medium of exchange - are especially mentioned by Ibn Taimiyah when he is discussing the nature and functions of money. He says, "Athmān (singl. thaman, that is, price or which is paid as price, money etc.) are meant to be measurement of objects of value (meyār al amwāl), through which the quantities of objects of value (maqādīr al amwāl) are known; and they are never meant to be consumed."\(^3\) By this statement he means clearly that the essential function of money is to measure the value of goods and to be paid in exchange of different quantities of goods. His pupil Ibn Qayyim states the same fact more clearly as he says "Money and coins are not meant for themselves but they are meant to be used for acquiring goods (that is, they are medium of exchange only)." What a great resemblance exists between his statement and the following statement of the author of the book 'An Outline of Money' appeared at more than six hundred years after him! He says, "The essential characteristics of money, which sets it apart from all other substances, is that it is not desired by itself. It is, in the fullest sense, a medium or means, or mechanism of exchange."\(^5\)

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\(^1\)Crowther, op. cit. p. 20.
\(^3\)Ibn Taimiyah. MFS Vol. XXIX, p. 472.
\(^4\)Ibn Qayyim, op. cit. p. 137.
\(^5\)Crowther, op. cit. p. 83.
Since Ibn Taimiyah considers the main function of money to be a medium of exchange, he is against trade in money because it deflects money from doing what it is meant to do. If money must be changed for money, the exchange must be completed simultaneously (Taqābud) and without any delay (ḥulūl). In this way a man will be able to use money as a medium for getting his requirements. If two persons exchange money for money with one of them paying cash while the other promising to pay later, then the first person will not be able to use the promised money and for transaction till he is actually paid. This means a loss of opportunity. In Ibn Taimiyah's opinion this is the reason why the prophet forbade such transaction.¹

2. DEBASEMENT OF CURRENCY

Ibn Taimiyah was distressed by the repeated debasement of the coinage which had occurred in Egypt under different mamlūk Sultāns.² He asks the sultan to put a check on erosion of the value of money, that causes disturbance in the economy. He opposes debasement in the currency and overdoses of the money. He says, "The authority should mint the coins (other than gold and silver) according to the just value of people's transactions, without any injustice with them."³

It appears he has some of the relation between quantity of money, and the total volume of transactions and price level. What he is saying is that the volume of fulūs should be in such a proportion with the volume of transactions that 'just prices' are ensured.

²We have discussed the Sultāns' such actions and their consequences in the first chapter. See pp. 21-22.
³Ibn Taimiyah. MPS Vol. XXIX, p. 469.
(Yanḥābi li'l sultan an yādribā lahum fulūsan takūn bi qimāt al 'adl fī mu'allalatihim mi'n ghair zūlm lahum).
As the passage quoted below shows he considered it necessary that the intrinsic value of coins, i.e. value of the metal should match its purchasing power in the market so that none (including the ruler) could profit by either melting the coins and selling the metal or by converting metal into coins and putting them into circulation.

Ibn Taimiyah advises "a ruler not to start business regarding the money, by purchasing copper and minting coins and thus doing business within them; neither he should invalidate the money in possession of people and mint other kind of coins. But he should mint coins of its real value without aiming any profit in this act, keeping in view the public welfare (al mašliḥah al ʿāmmah); he should pay the salary of workers from the public treasury (Bait al māl). No doubt, trade in money means opening a great door of injustice with the people and devouring their wealth by false pretences."¹

It should be noted that some of the mamlūk sulṭāns involved in the practice to which Ibn Taimiyah refers as "trading in money." They did not rely only on the domestic supply of the copper but imported it also to mint coin (Chapter I, p. 28). And naturally all bad consequences of that action were seen in the economy.

Ibn Taimiyah asks the ruler not to demonetize the currency in possession of the people and to mint more money if needed with its real value, without making any profit for himself. He specifically prescribes that the cost of minting in such case be met by the public treasury. For example, to mint coins with a face value less than its intrinsic value and then buy with them people's holding of gold, silver and other valuable things would be a kind of debasement of currency and would result into inflation and

¹ Ibn Taimiyah. MFS Vol. XXIX, p. 469.
counterfeiting. He considers the trade in money as injustice (ṣulm) to people and regards his suggestions in public interest. But he does not elaborate them. If we analyse his statement, the following points become clear.

a- It encourages counterfeiting and people lose confidence in the currency. Thus it results in inflation.

b- Lack of confidence in the stability of value of money discourages long term contracts and results in injustice to people with fixed income e.g. pension recipients, rentier, etc.

c- Internal trade is hindered by frequent changes in currency and ratio between two coins. They get bad money not only for their merchandise offered for sale, but the value of their earned income also decreases. Therefore the incentive to enter trade or to continue it is destroyed.

d- Frequent debasement of currency hinders foreign trade. Good merchandise from abroad is not brought into a country in which money is debased as the merchants prefer to sell their goods in those countries where they receive sound and good money.

e- It results in flight of precious metals from the country to somewhere else where they command a higher value.

His recommendation that the wage of the worker should be paid from public treasury (Bait al mal) (and not out of money minted for this purpose) is very significant. Payment from the mint means increase in money supply. Minting money (other than gold and silver) to meet government expenditure is similar to deficit financing in the present day. Payment from the public treasury means using the money already in circulation, accruing to public
treasury as kharāj and other receipts. This will not have the inflationary effect, the use of newly minted money would have.

3. "BAD MONEY DRIVES OUT GOOD MONEY"

Ibn Taimiyah mentioned the idea which is, in the West attributed to Thomas Gresham in 1857 and known as Gresham's law. The law simply states that where two coins have the same nominal value but are made from metal of unequal value, the cheaper will tend to drive the other out of circulation. The good money is hoarded, melted or exported - whatever case is more beneficial. Especially under bi-metallism when mint ratio differs from the market ratio, Gresham's law operates internationally and good money migrates towards those countries where it is more valuable. The same happened in America during the period from 1792 to 1834, when the United States maintained an exchange ratio between silver and gold of 15 to 1, while the ratio of European countries ranged from 15.5 to 1 to 16.6 to 1. The result was that gold flowed out and silver flowed into the United States.

Ibn Taimiyah's description of the law is as follows: "If the ruler cancels the use of a certain coin and mints another kinds of money for the people, he will spoil the riches (amwāl) which they are having, by decreasing their value as the old coins will now become merely a commodity. He will do injustice to them by depriving them of the higher values originally owned by them. Moreover, if the intrinsic values of coins are different, it will become a source of profit for the wicked people to collect the

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small (bad) coins and exchange them (with good money) and then they will take them to other country and shift the small (bad) money of that country (to this country). So (the value of) people's goods will be spoiled."\(^1\)

In the above statement, he first mentions the effect of the introduction of a bad money on people's previously earned money-income. If the old coins are demonetized, they will be treated as a commodity that may not have the same value as when it was used as money. On the other hand, people will get less price for their goods in terms of the new money. In the last lines, he describes the idea which is known in economics as Gresham's law. But he mentions only the flight of good money abroad and says nothing about its disappearance due to hoarding or melting.

**E. ORESME'S TREATISE**

Ibn Taimiyah's views about money are very brief. But they can be explained and developed in a full treatise. These ideas show how far ahead of his time he was. We find in him ideas whose formal introduction in economics had to wait for centuries after him. It will be interesting to compare his views regarding money with those of Nicole Oresme (1320-1382),\(^2\) whose treatise on money

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\(^1\)Ibn Taimiyah. MFS Vol. XXIX, p. 469, paranthesis added by us.

\(^2\)Nicole Oresme (1320-1382) was one of the most distinguished French Churchmen of the fourteenth century. He was a man of polyhistoric interests who also wrote on theology, mathematics and astronomy. The work in question, *Tractatus de origin et jure nec nor et de multationibus monetarum*, was written between 1350 and 1360. The original was in Latin which was translated into French by the author himself. An extract is in Monroe's *'Early Economic Thought'* , pp. 79-102, which is our source regarding his ideas.
is considered to be the first treatise entirely devoted to an economic problem. But, in the words of Schumpeter, 'it is mainly legal and political in nature and really does not contain much strictly economic material — in particular, nothing that was not current doctrine among the Scholastic's of his time.' Nevertheless, it has its own importance, especially because it appeared in a period when economics had not become an independent subject, and writings such as the one by Oresme proved to be foundation stones for the later works.

Oresme was born in last days of Ibn Taimiyah, but at a different place - far away from Syria, they lived in different environments and spoke different languages. Oresme could not have been aware of Ibn Taimiyahs writings or even heard his name, as the communication and cultural exchange between two remote nations was not quick or very common.

Oresme first of all, describes the nature and purpose of money. Then he discusses the materials to be used as money. According to him the material from which money is made should be neither too scarce, nor too plentiful. Gold and silver are suitable. Where these two metals do not suffice, then money should be made of alloy or simply of base metals. He takes the problem of alteration of money in details. Alteration should not be made in monetary systems except under the conditions of grave necessity or for the clear advantage of the whole community. The rest of the book is concerned with the problem of alteration in one way or other. He distinguishes five different types of alteration of coin. The profit from alteration or debasement is unjust because it is made at the cost of the community that owns the

1Schupeter, J.A. op. cit. p. 95.
2Oresme born in 1320 in/near Caen (Normandi) while Ibn Taimiyah died in 1328 at Damascus (Syria).
money. The alteration will tend to lessen the quantity of the monetary material in the country because gold and silver will be carried abroad where they command higher prices -- a concept similar to Gresham's law. He discusses different bad effects of alteration and debasement on the economy. He bestowed the right to debase currency on the community rather than to the prince.¹

As we have seen these ideas have been expressed also by Ibn Taimiyah, though not in such details. Presumably that discussion on money came up during a larger discussion on securing justice for the common man. It is a pity however that unlike the work of Oresme, Ibn Taimiyah ideas on the subject remained largely unnoticed even till now.