

**Christian Muslim Forum
Finance Event
24 February 2009**

Speeches

Alex Cobham, Christian Aid

Themes

On the one hand, this is a depressing time, as depressions tend to be. The rollercoaster ride of credit creation and careless regulation has stopped, and instead we can see a long, flat track stretching out in front of us: stretching far over the horizon, reflecting the demands we now face as nations to repay the debts we've built up. Consumer debts, mortgage debts on over-priced housing, national debts from bailing out the banks that we failed to regulate...

There is now, for the first time in perhaps thirty years, a real possibility of a more moral approach to finance. The global financial crisis is the result of lax regulation and of dodgy practices, by international financial institutions and other multinational businesses, that have taken advantage of the secrecy provided by complexity and by tax havens. These abuses meant that national authorities couldn't regulate global finance. They also meant that investors couldn't evaluate investments accurately. And finally, these abuses and this lack of transparency robbed all countries, rich and poor, of massive tax revenues.

We may be seeing a shift from a time when the avoidance of taxation and regulation is seen as a sign of cleverness, of profit focus, of knowing how to play the game; to a time when the same practices are seen for what they are - connivance against society, the promotion of excessive personal and corporate gain over broader social benefits. In some ways, the excesses of this closing era, and the massive national debts they have generated, have actually made the case for moral taxation - for progressive, transparent taxation and for tax compliance.

John Madeley, economic journalist

Britain as a nation is addicted to economic growth. The pursuit of growth leads to risks being taken that are not justified. If we don't grow we say we are in recession. The way recession is talked about makes recession worse. In a world of finite resources, we need to live within the limits of our resources, to expect that economic growth will rise all the time ... That would be greedy. We need a theology [or principle] of enough. The dream of the Biblical Hebrew people, says former Bishop of Winchester John Taylor, is summed up in the word shalom, "something much broader than peace, the harmony of a caring community, informed at every point by its awareness of God".

"At every point" speaks of a "wholeness that is complete because every aspect of life is included", says Bishop Taylor. Economically and socially, the dream of shalom finds expression in the theology of enough, he goes on. "There are many reference in the Old Testament to covetousness and greed...ordinary covetousness is simply a persistent longing for something that isn't yours". In the New Testament, a word that is commonly translated covetousness, pleonexia, means excess or wanting more and more, says

Bishop Taylor. Mark's gospel speaks of greed as an evil which makes a person unclean., and Paul urges in Colossians that greed be "put to death". Greed needs to give way to enough

Faizal Manjoo, Markfield Institute of Higher Education

Topic: An Islamic Perspective of the Present Global Recession

First question: Should we reconsider the unethical contractual elements that sparked off the credit crunch?

Islam, Christianity, Judaism Hinduism etc share the view that interest, gambling, uncertainty, misrepresentation etc are prohibited and discouraged. Yet the secular commercial world was granted a free rein to indulge in these issues, which ultimately led to the credit crunch. Research has revealed that "Sale of toxic assets" incorporated misrepresentation and uncertainty in the bonds issued in exchange for the mortgages. It contained the elements of high interest reward. Whereas we all know that interest ('Riba') makes lending profitable and thus leads [to the creation of money]. The Banking system tries to make it seem that it was an operational and market risk that led to the credit crunch. This needs to be diagnosed fully then a proper solution offered.

Second Question: Can the government intervene in controlling people's expenses?

It has been argued that the banking capitalists were too greedy! But economists tell us that man is greedy by nature. The *homo- economicus* is driven by his self interest. So man tries to optimise the satisfaction and satiation of his needs. The problem is that we need to set up internal and external rule. The internal rule can be argued to fall within the arena of individual rights. But the external rule can be the responsibility of government. Just as the government can justify regulation in other areas of our lives, in the away the economic situation which is affecting the whole world, can also warrant that our expenditure be regulated indirectly by the government. For instance the National Credit Act in South Africa aims at controlling the expenses on expensive commodities by placing the onus on the seller to verify if the buyer has the potential to pay. Also a lack of corporate governance led to this global recession. Also why not state intervention on corporate governance? Reports are clear that many problems could have been averted if proper corporate governance were in place in the banks such as Lloyds etc. Islam has laid down ways to control one's expenditure - *iqtisad*, *israf* and *bazr*. Also the institution of *hisba* is inspiring to control the market.

Third Question: Can we shift the financial responsibility on the citizens?

It is the nature of man to be generous but in our present economic climate if someone is indebted, he too will think twice before helping his neighbour. But philanthropy is a means whereby, rather than paying tax to the government, society members may offer financing to socially rewarding projects through their own initiative. In Islam there are financial concepts that can help to reverse the catastrophic situation we are in presently, such situation such as *awqaf*, *wasiyyah*, *sadaqah*. The *infaq* (philanthropy) sector is a highly valued and tested pillar in Islamic economic thought and this can be a yardstick for further development to co-operate with the government.