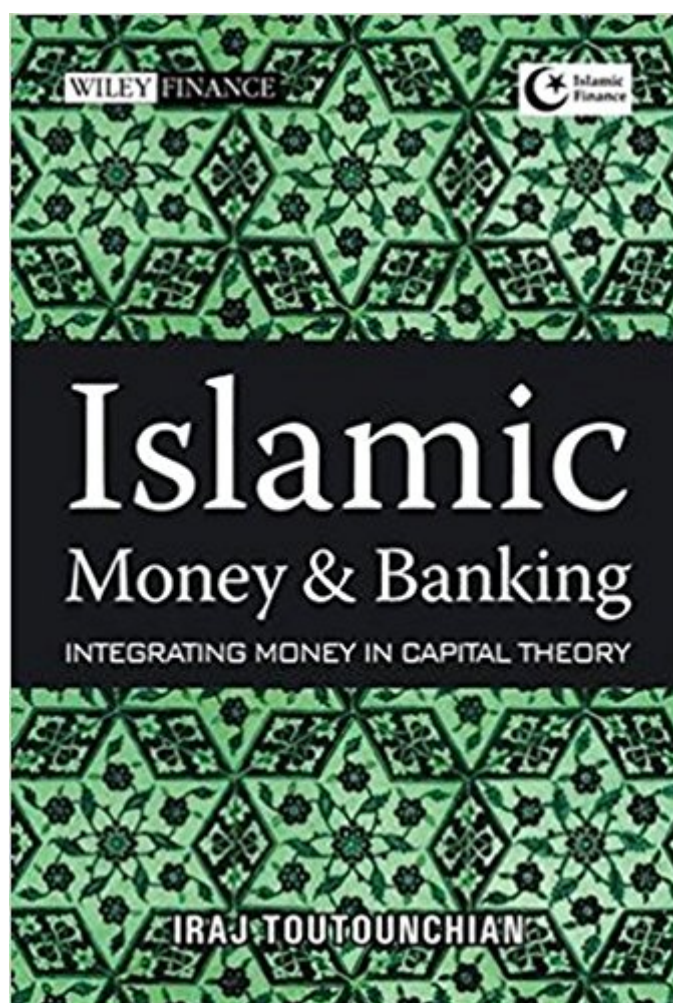


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# Islamic Money And Banking: Integrating Money In Capital Theory (Wiley Finance)



## Synopsis

This book examines how money, in the absence of interest (Riba) and money market can become an endogenous variable of an economic system. It further tries to integrate money in capital theory and to make monetary sector part of the real sector aiming at removing the problems that arise from separation of the two.

## Book Information

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## Customer Reviews

Of the many great economic losses experienced worldwide over the last hundred years, almost all have had their origins in the United States. The current global crisis is no exception and how long this crisis will last is anybody's guess. In the zero-sum game of capitalism, someone's gain is someone else's loss. Greed in a zero-sum game means to legally put your hands on someone else's wealth. Greed has always been with mankind. Another basic principle of capitalism is self-interest, which is in harmony with the philosophy of individualism. However, Muslims—and, indeed, many non-Muslims—have learned that love, empathy, altruism, cooperation, sacrifice, mutual concern, forgiveness, gratitude, virtue, benevolence and honesty are as much a part of human heritage as hatred, self-interest, apathy, revenge, vice, dishonesty or fraud. Throughout history, there has always been conflict between "good" and "bad" behavior, and the people who embody these characteristics are either admired or denounced. At this point, the crucial question we should be examining is the role capitalism has played in this regard. Given that greed is within human nature, we might ask: Can Islamic economics provide a solution to check greed? As this book will

show, the answer is "Yes," and the solution can be found in cooperation among individuals. Mankind's wellbeing has to be based on global responsibility and cooperation. It should provide benefit to all cooperating nations. If no action is taken to address the manifold deficiencies of the existing global zero-sum game, the universal gap between south and north will simply widen. It will take a global will to make the world a better place. The will has to be directed towards instituting an increasing-sum game in which underdeveloped and developed countries alike have an equitable share of life's rewards. Without this, the global financial crisis will become a global humanitarian crisis.

"In Islamic Money and Banking, Dr. Iraj Toutounchian re-evaluates the principles of liberal capitalism. He shows how the global crises which have emerged from fluctuations in the success of this economic system throughout time could have been avoided if the underlying values of a truly humane economy had been taken into consideration. Rebuilding the framework of Islamic banking as a system which potentially can generate profit and keep national economies running to the good of a global economy, whilst at the same time being based on virtue and benevolence, Toutounchian provides a compelling case for the fundamental need to reconsider the global economy, going back to the fundamentals outlined centuries ago by Francis Hutcheson, Adam Smith and other theorists of liberal capitalism." — Joseph DiVanna, Author, Understanding Islamic Banking and The Future of Retail Banking "Islamic Money and Banking is the result of many years of serious thinking and continuous thorough research on why the prevailing capitalist economic woes have repeatedly been and will certainly continue to recur. Prof. Iraj Toutounchian has successfully dismantled the decades of confusion between interest for money and profit for capital not based on Islamic injunctions and verdicts but rather on the views expressed by Western economists such as Keynes, Ricardo and John Stuart Mill. He concludes that as long as money is used as a store of value, it will encourage speculative activities that will give birth to interest and its derivatives. The main purpose of this is to completely remove this cancer cell from the capitalist body. The absence of interest will transform banks from monetary institutions of the conventional type to financial institutions of the Islamic type. Money market which are the result of speculation with money will be eliminated and replaced by commodities markets." — Prof. Datuk Dr. Syed Othman Alhabshi, Chief Academic Officer & Dean of Faculty, Head of Takaful and Wealth Planning Department, The International Centre for Education in Islamic Finance (INCEIF) "Capital theory is the least understood in economics. Treating monetary theory independently of the real sector leads to unpalatable conclusions in capitalism. Prof. Toutounchian has made a serious attempt to explain the role of money and capital in Islamic

economics. Money has to undergo a legal process to become capital and earn profit. The legal process changes the nature of money (potential capital) by combining with labor into actual capital. The author uses the principles of institutional economics with positive transactions cost to advance the case of Islamic economics, which can be both internally consistent and welfare-improving. I thoroughly enjoyed reading the book and enriched my own understanding of capital theory from an Islamic perspective. I am confident that the readers will benefit from it as the author tried to provide a comprehensive capital theory from an Islamic perspective." â "Kabir Hassan, Professor, University of New Orleans

There have already been several books out on this subject. But what perhaps distinguishes this text from most others is the careful exposition about the concepts in Islam resulting in the strictures against interest. One chapter goes into the historical parallels with medieval Christian Europe and the then existing prohibitions against many forms of interest. We see close overlaps between the Christian theologians' arguments about the charging of interest on loans and deposits and many current Islamic thoughts. Also, the book educates the reader in the sometimes wide differences between different Muslim thinkers and countries about what constitutes acceptable alternatives to interest. The author hails from Iran and offers his interpretation, which perhaps could be construed as that accepted in Iran. But he also explains thinking and financial instruments used in other Muslim centers, like Pakistan, Malaysia and Saudi Arabia. So the book is more than merely a description of the mathematics underlying different sharia-compliant instruments. You get an appreciation of the nuances in thought across the Muslim world.

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