

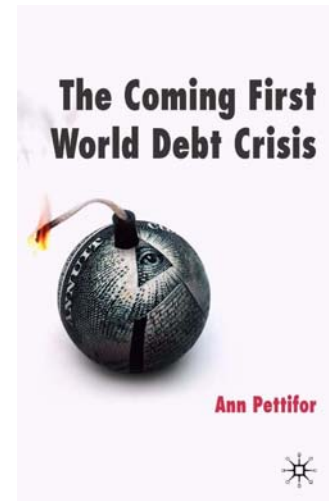
Faith, ethics, the rate of interest & the Green New Deal

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<http://debtonation.org>

<http://www.newweconomics.org>

<http://www.advocacyinternational.co.uk>



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He putteth not out his money to usury, nor taketh
bribes upon the innocent. He that doeth these things
shall not be moved for ever.

Psalm 15: 5

Do not take interest of any kind from him, but fear your God, so that your countryman may continue to live among you. You must not lend him money at interest or sell him food at a profit. I am the LORD your God, who brought you out of Egypt to give you the land of Canaan and to be your God.

Leviticus 25:35-38

Wherefore say unto the children of Israel, I am the LORD, and I will bring you out from under the burdens of the Egyptians, and I will rid you out of their bondage, and I will redeem you with a stretched out arm, and with great judgments.

Exodus 6:6

And forgive us our debts, as we forgive our debtors.

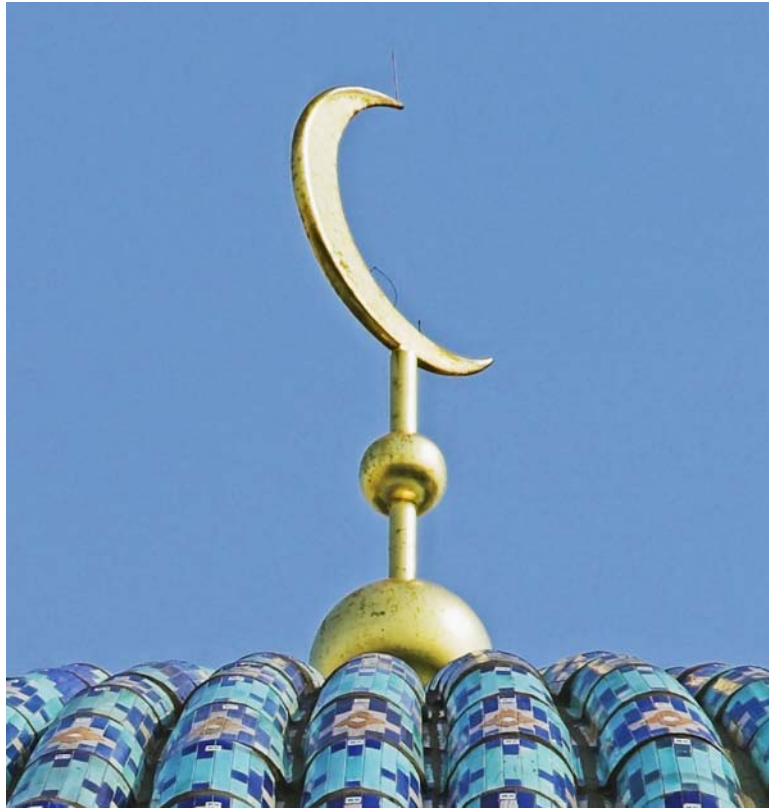
Matthew 6:12



In the Old Testament 'redemption' is an economic term, meaning liberation from slavery. Christ is called The Redeemer.

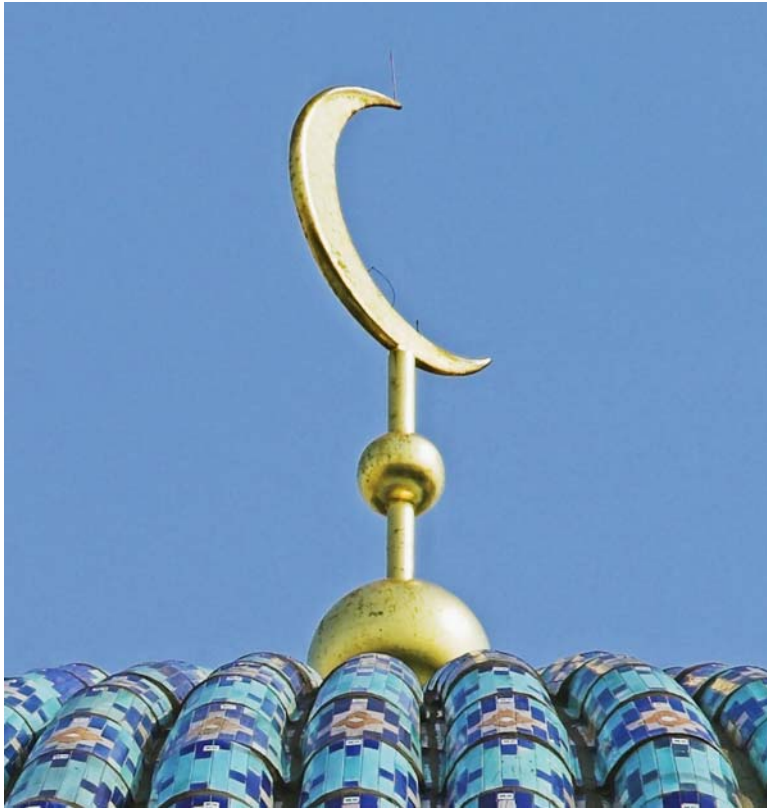
"The people of God are a redeemed community. We can judge how far a community is redeemed by seeing whether its members are still slaves, whether they are still valued only as producers of wealth. Often, a slave....was trapped in unpayable debt....."

From **"Biblical Vision- Political Priorities"**
by Rt. Revd John Davies, Anglican Bp of
Shrewsbury 1986- 1994.



Surah al-Baqarah, verses 275-281

“Those who take Riba shall be raised like those who have been driven to madness by the touch of the Devil; this is because they say: “Trade is just like interest” while God has permitted trade and forbidden interest. Hence those who have received the admonition from their Lord and desist, may keep their previous gains, their case being entrusted to god: but those who revert, shall be the inhabitants of the fire and abide therein forever.”



Islam expressly prohibits the concentration of wealth in the hands of the few, i.e.

hoarding (kenz)

waste (tabthir)

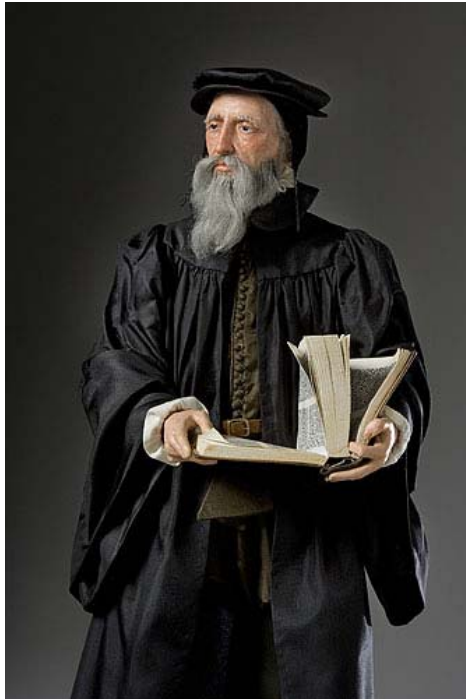
extravagant consumption (israf) and

miserliness (bukhl)

Investors in the Islamic order have no right to demand a fixed rate of return. *No one is entitled to any addition to the principal sum if he does not share in the risks involved.*

The owner of capital (rabbul-mal) may 'invest' by allowing an entrepreneur with ideas and expertise to use the capital for productive purposes and he may share the profits, if any, with the entrepreneur- borrower (mudarib); losses, if any, however, will be borne wholly by the rabbul-mal.

This mode of financing, termed *mudaraba* in the Islamic literature, was in practice even in the pre-Qur'anic days and, according to jurists was approved by the Prophet



John Calvin
from the George S. Stuart Gallery of
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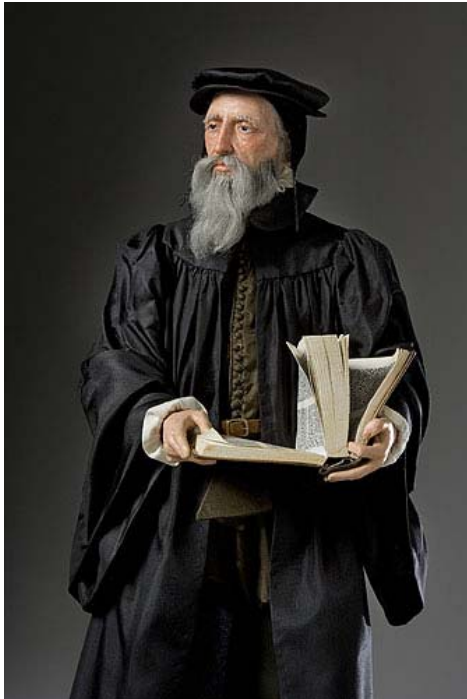


“Whence it follows, that the gain which he who lends his money upon interest acquires, without doing injury to any one, is not to be included under the head of unlawful usury. The Hebrew word נֶשֶׁךְ, *neshek*, which David employs, being derived from another word, which signifies *to bite*, sufficiently shows that usuries are condemned in so far as they involve in them or lead to a license of robbing and plundering our fellow-men.

.....In short, provided we had engraven on our hearts the rule of equity, which Christ prescribes in [Matthew 7:12](#), “Therefore, all things whatsoever ye would that men should do to you, do ye even so to them,”

John Calvin (1509-1564): Commentary on Psalm 15:5 (1557 AD)

“The interest or the use of money...is the compensation which the borrower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower who runs the risk and takes the trouble of employing it; and part to the lender, who affords him the opportunity of making this profit.” (Smith, The Wealth of Nations. 1999).



John Calvin

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But both Calvin and Smith err in their analysis: *they ignore the fact that lenders can make a profit, or a capital gain, even when the enterprise makes a loss. And while profits can rise or fall, the interest on the loan remains fixed.* The risk of losses falls largely therefore, on the borrower, not on the lender; and gains from interest remain fixed, regardless of the rate of profit. In other words, and in contrast to Islam, Smith and most liberal economists since, extend co-responsibility only to gains, not losses.

Sir Francis Bacon 1561 - 1626: Essay 'On Usury' - 1597

Jeremy Bentham (1748 – 1832) 'Defence of Usury: showing the impolicy of the present legal restraints on the terms of pecuniary bargains.' In letters to a friend, The Works of Jeremy Bentham, vol.3 (1843).

‘Usury is the practice of exalting money values over human and environmental values; of creating money at no cost and lending at rates of interest intended not to foster and maintain humanity or the ecosystem; but to

accumulate reserves of unearned income;

extract wealth from the productive sector in a manner that is parasitic;

extract wealth from those who lack wealth (the asset-less) and to transfer this wealth to the already-rich – (those with assets); and

make a claim on the future.’

The Nixon Shock – 1971 - and the revival of usury.

Unilateral dismantling of the Bretton Woods System – de-regulation of capital markets/credit creation/interest rates

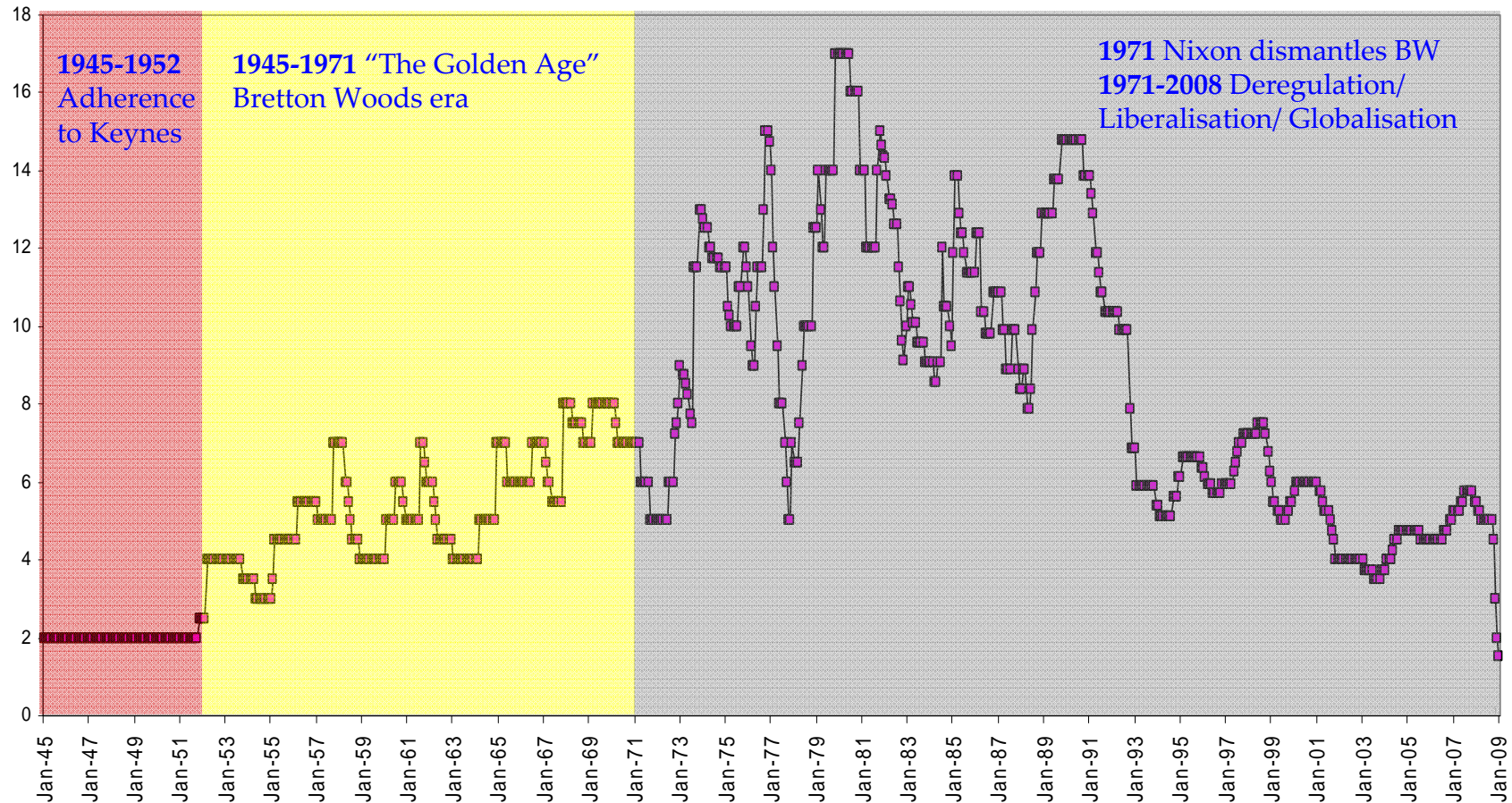


Photo: Nixon Presidential Library and Museum

Law needs boundaries, ethical, political, financial and geographical. Markets, in particular financial markets *“hate boundaries, but public policy, in the interest of community, requires them. Markets need policy and laws for their functioning; so indirectly, even markets ultimately require boundaries”*. (Daly, 2003)

Bank of England Base (official) Rate 1945 – 2009

(not adjusted for inflation).



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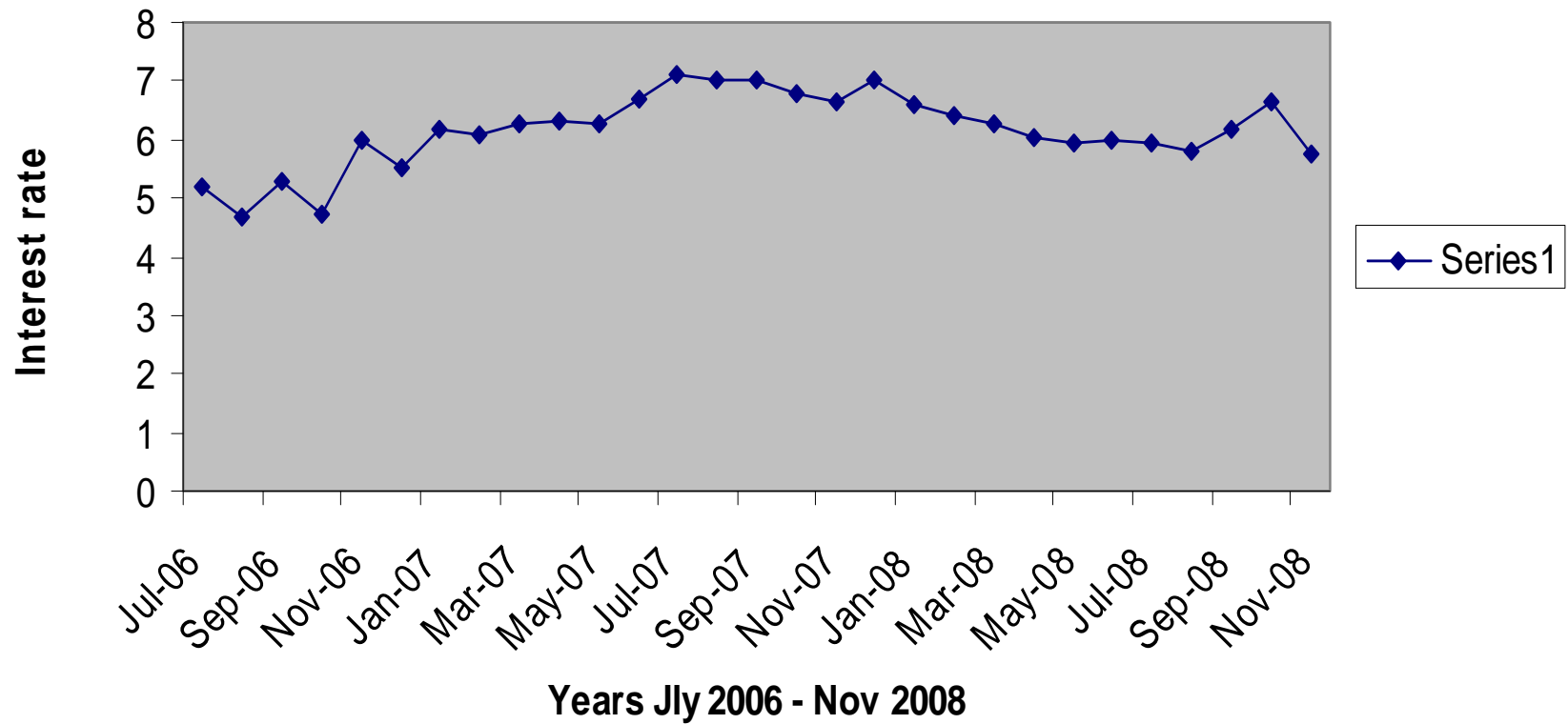
Mean annualised real rate of return over 5 year period.

	US 1925-2003 UK 1899-2003	1977-2003
UK Gilts	1.4	7.0
US Treasuries	2.2	6.8
UK equities	5.7	10.4
US equities	7.1	10.0

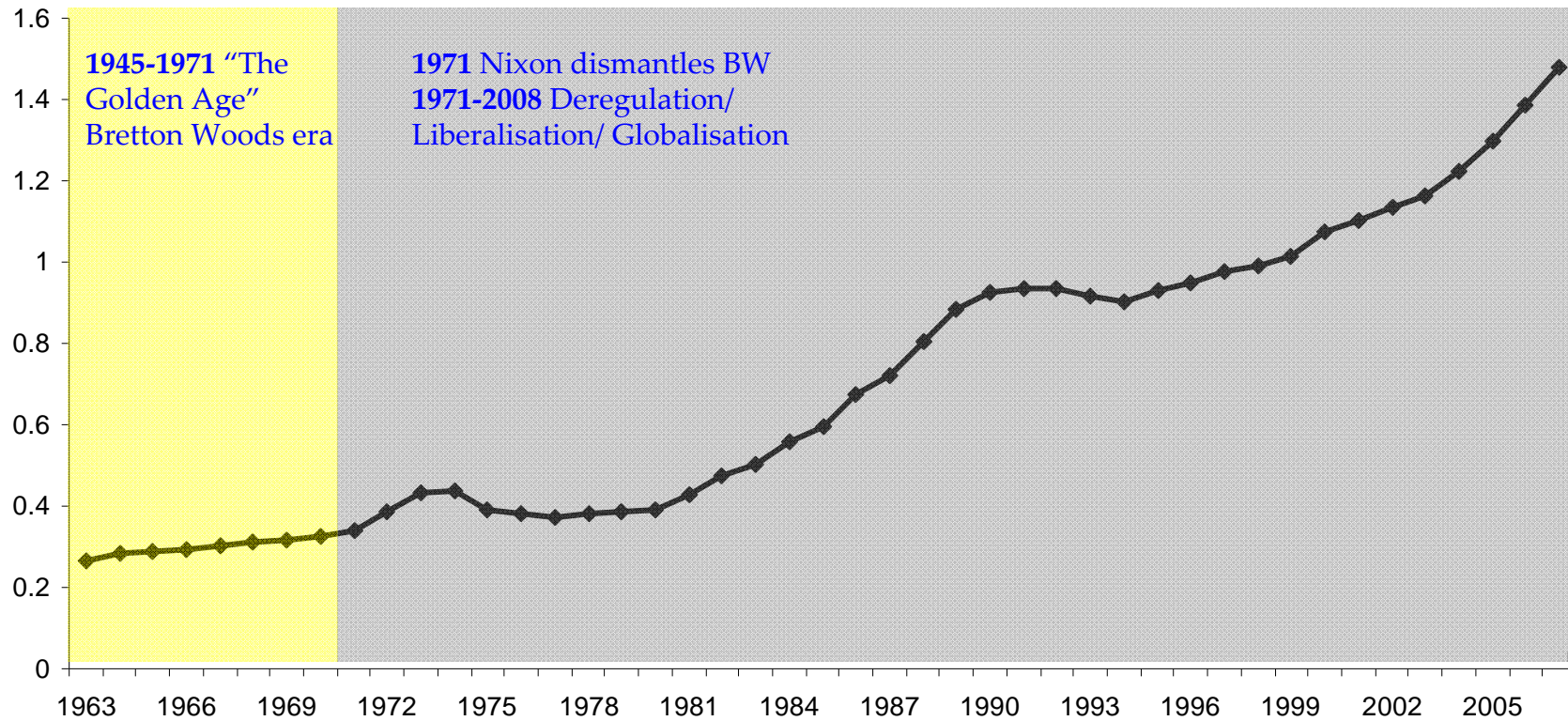
Source: Pensions Commission (2004, pp. 55-63)

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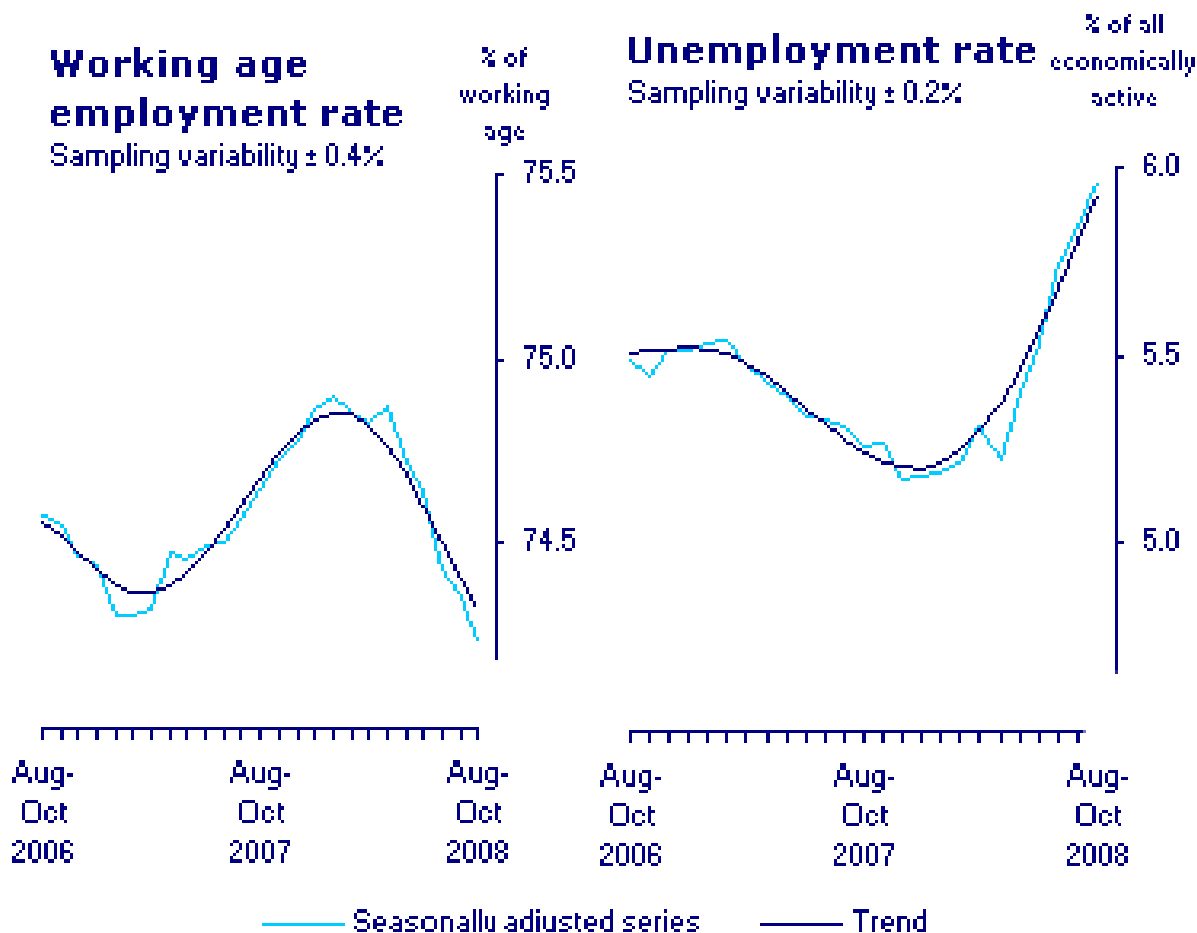
BoE monthly average lending rates to corporates



UK Corporate, consumer & mortgage debt as % of GDP



Source: National Statistics, Financial Statistics Freestanding, Table 3.1G Sectoral analysis of M4 and its sterling lending counterpart; National Accounts, Time Series Data, Blue Book, website: www.statistics.gov.uk
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Source: National Statistics December 2008, website: www.statistics.gov.uk
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The number of unemployed people
1.86 million

The inactivity rate for people of working age was 20.9 per cent for the three months to October 2008, up 0.1 over the previous quarter but down 0.2 over the year.

The number of economically inactive people of working age increased by 39,000 over the quarter but fell by 33,000 over the year to reach **7.90 million**.
Source: ONS

The Nixon Shock – 1971 - and the revival of inflation and asset bubbles – in property, stocks and shares, art, race-horses etc.

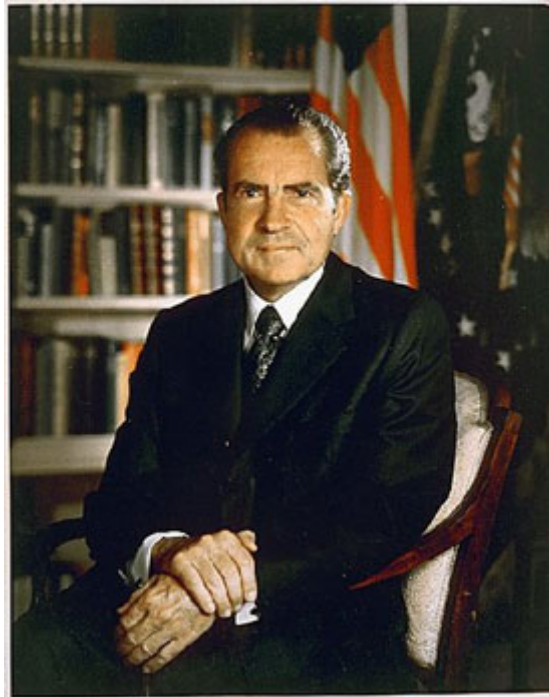
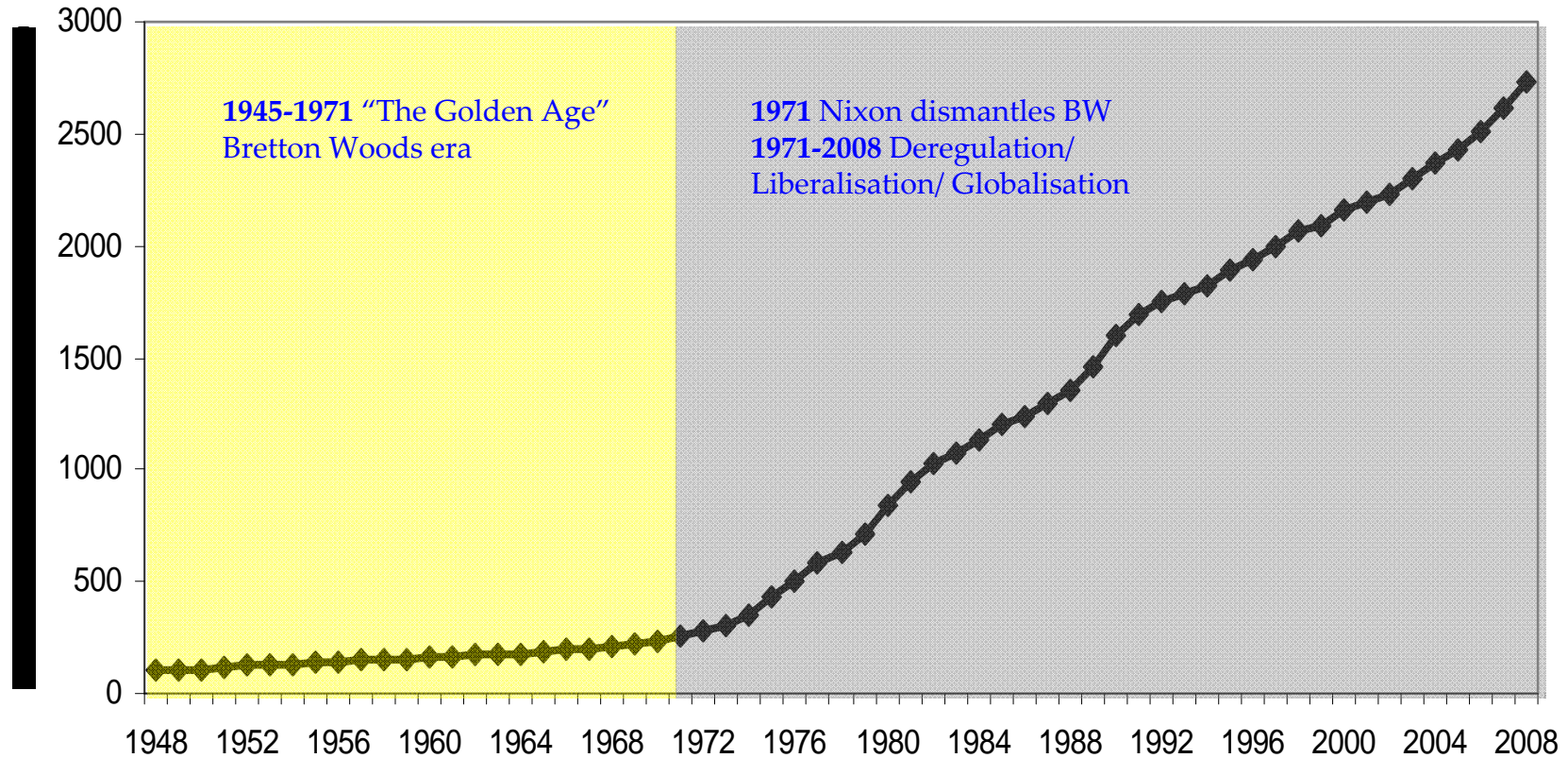


Photo: Nixon Presidential Library and Museum

UK Inflation

Retail Price Index (RPI)

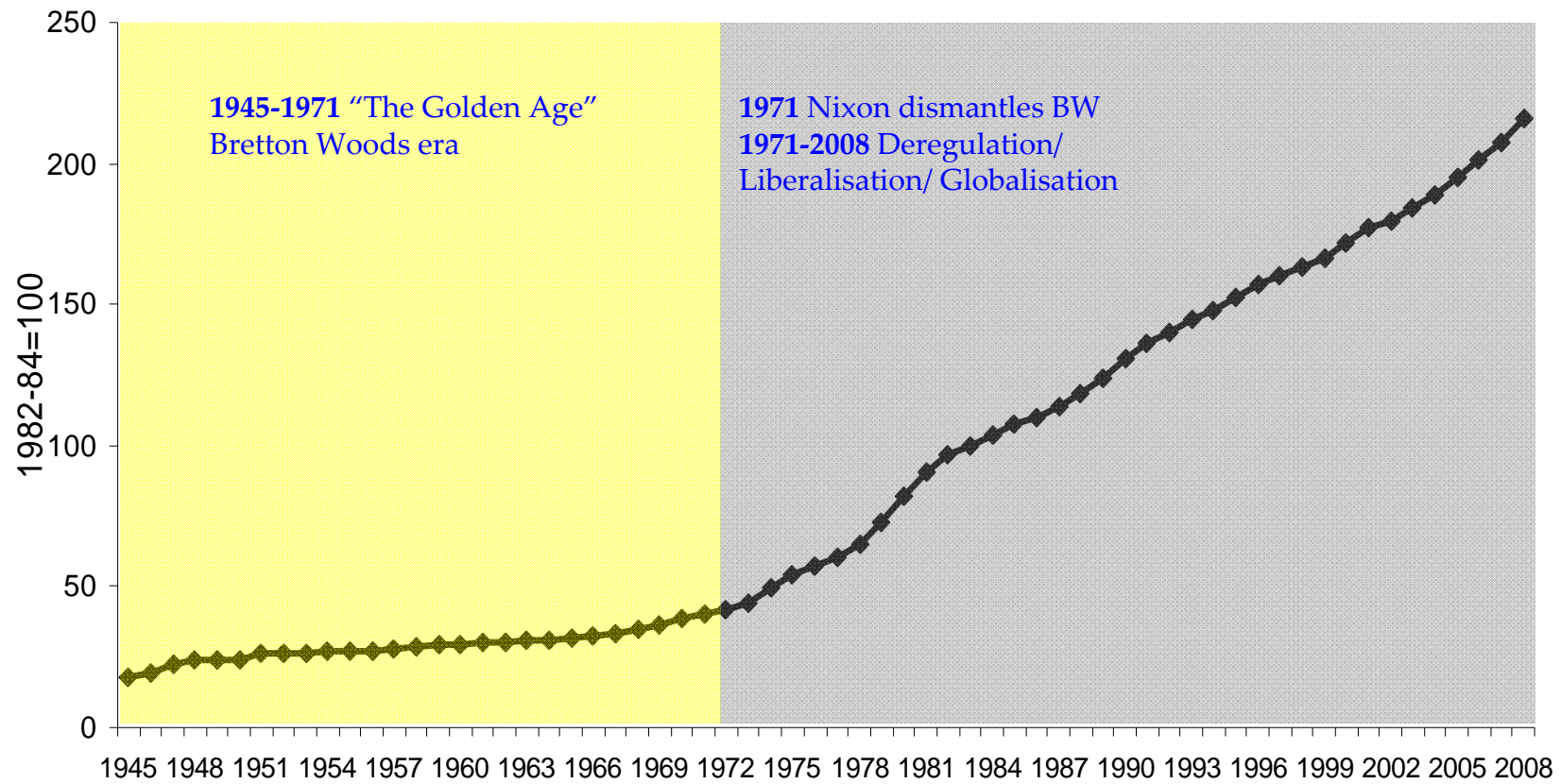


Source: Table RP04, Retail Price Index (RPI) all items, annual percent change, National Statistics, website: www.statistics.gov.uk
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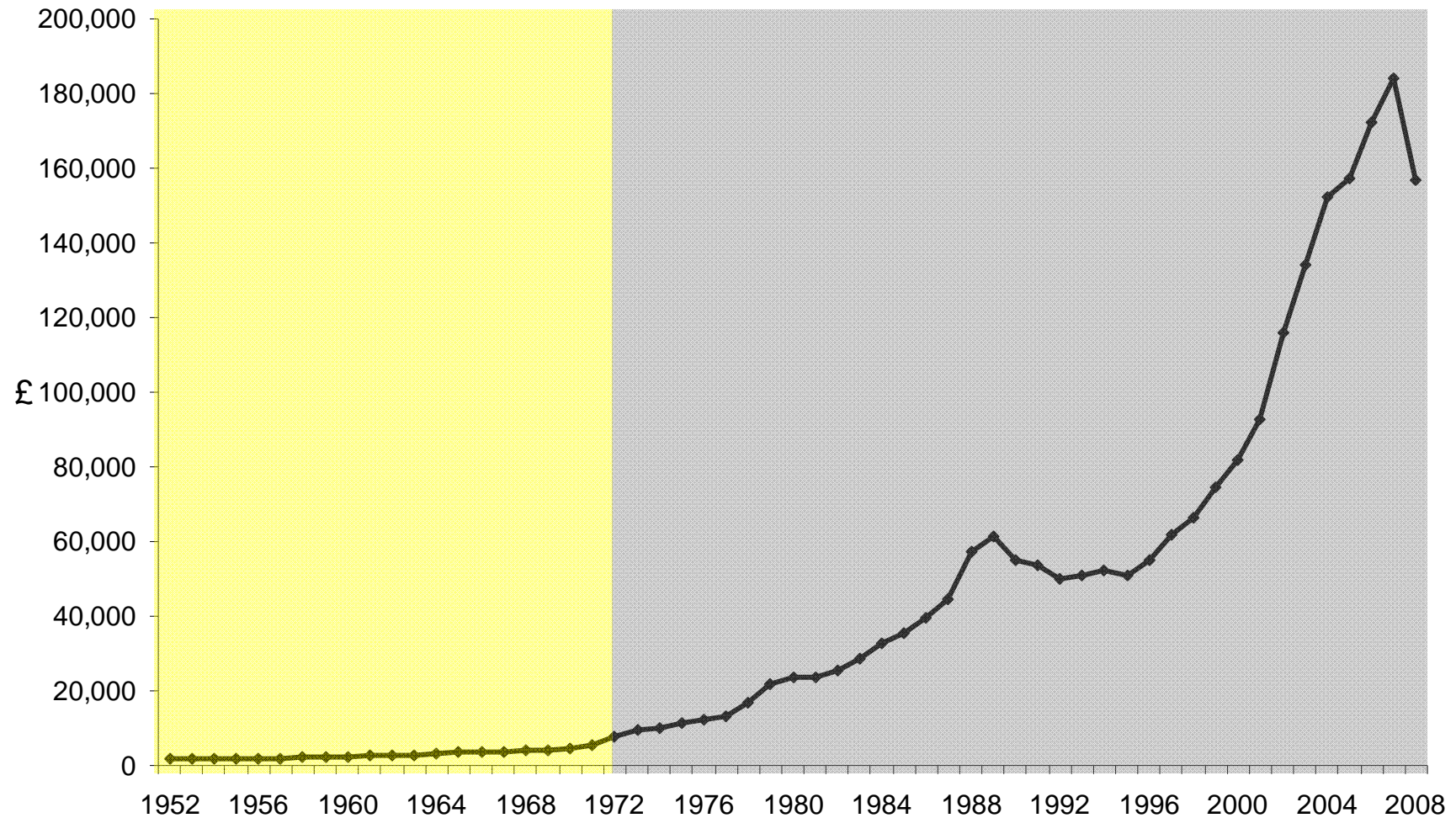
US Inflation

Consumer Price Index (CPI)



Source: US Bureau of Labor Statistics, Consumer Price Index, all urban consumers

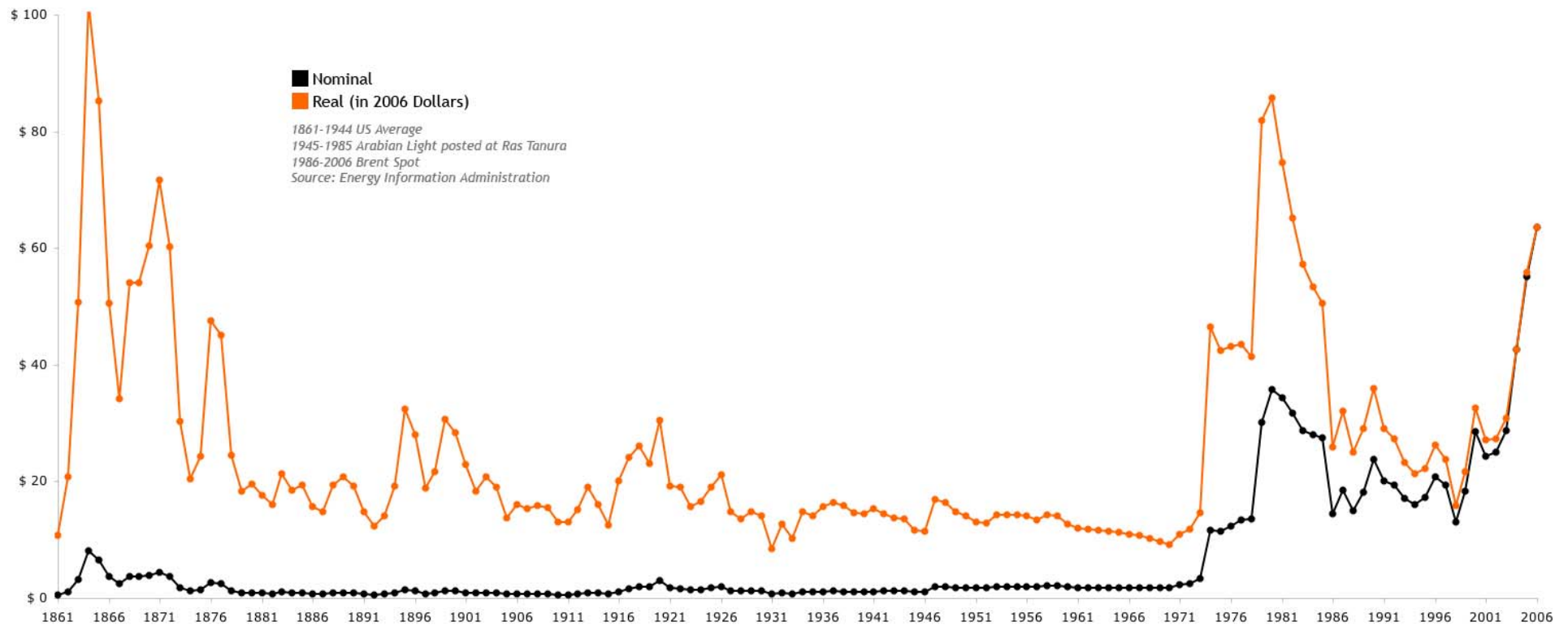
UK average house prices since 1952



Source: Nationwide house prices, data download

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Oil Prices 1861 2007



Graph: TomTheHand



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SLUMP
SLUMP

CREDIT CRUNCH
CREDIT CRUNCH

SLOWDOWN...
SLOWDOWN...

RECESSION
RECESSION





The Green New Deal

1. Re-assertion of the abhorrence of usury.
2. Re-establishment of ethical basis to finance.
3. Re-regulation of finance. Re-regulation of credit creation
4. Low to zero rates of interest: for loans that are short, long, safe and risky.
5. Making low-cost capital available to fund the UK's green economic shift
6. Keynes' 'loan-expenditure' to finance investment in



6. Renewable energy and wider environmental transformation in the UK.....

Leading to:

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7. The creation of thousands of green-collar jobs

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8. Building a new alliance between environmentalists, industry, agriculture, the unions – and faith organisations ?

- to put the interests of the real economy ahead of those of footloose, usurious finance.



A Green New Deal

Joined-up policies to solve the triple crunch of the credit crisis, climate change and high oil prices

The first report of the Green New Deal Group

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